Welcome to the spring 2017 issue of Velocitates. One of the core tenets of the SWIFT Institute is the dissemination of knowledge and information, and through this newsletter that is exactly what we'll do.

Cyber continues to dominate news headlines, and it was the focus of our first conference this year. On 30 March more than 150 delegates from the UK and across the EU gathered in London for our Cyber 3.0 event. New preliminary research was showcased, from the three cyber related grants we issued in 2016. The research was well received, and will be published later this year. The overriding theme of the day was collaboration. By collaborating as an industry, we will be in a stronger position to mitigate threats. We are looking forward to hosting the second edition of Cyber 3.0 in Singapore in August.

The 2017 edition of our Student Challenge is underway, and is also focused on cyber. This year the challenge takes place in Canada, and will culminate at Sibos in Toronto. The theme is on protecting a banks’ channels to its customers from cyber attack. The best ten student submissions will present their ideas at Sibos in October.

The SWIFT Institute’s Sibos agenda is rapidly taking shape. For the first time at Sibos, we will have a dedicated room with a full programme of lectures running over all four days of the conference. Topics on the agenda will include cyber, the changing regulatory landscape, artificial intelligence and quantum computing, amongst others. And for a bit of fun, the Sibos Quiz returns for the third year running. We are very much looking forward to being in Toronto during Canada’s 150th anniversary year.

And in keeping with the aforementioned regulatory changes, our Hot Topic this month looks at revisiting Dodd-Frank. Our two Washington DC based experts, Hester Peirce and Aaron Klein, take opposing views on an assessment of Dodd-Frank regulation, and what the future might hold.

As ever, we live in interesting times. I hope you enjoy reading this issue.

Topics in this issue
Hot Topic, Research, Conferences, Coming Soon
News

Cyber 3.0 - Better Together - London

Cyber Security Conference

On 30 March, the SWIFT Institute showcased the preliminary results of our three research grants on Cyber Security in Financial Services.

The conference was a great success, with 150+ attendees from the UK and EU. The programme comprised of three research presentations and a practitioner panel discussion on how banks can work together against cyber attacks.

To download our infographic, click here.
Delegates were given detailed insights into the evolution of both the threat landscape and the defence mechanisms being employed across the financial services industry today, along with ideas of how to increase cyber resilience in the future. Collaboration was definitely the theme of the day, both within individual organisations, and across the financial industry as a whole. By working together as an industry, we can be far more resilient in the face of increasing cyber attacks.

**A full wrap-up report of the days discussions will be available on our website in May.**

We will be showcasing the research, along with new content, in Singapore on 18th August and again at Sibos 2017 in Toronto in October.

---

**Continuing Education in the Financial Industry**

SWIFT Institute is proud to expand our commitment to expanding knowledge amongst the financial services industry through the endorsement of new education courses aimed at industry professionals. These courses are fully independent from the SWIFT Institute. We do, however, feel they are very worthwhile, and encourage you and your colleagues to consider them.

We have endorsed three courses so far, details of which are below:

- Payments
- FinTech
- Securities Operations

**Certificate in Principles of Payments (CertPAY)**

The London Institute of Banking & Finance have launched an industry-focused qualification. The Certificate in Principles of Payments (CertPAY) enables anyone working in the industry including payments professionals, and managers and operational teams working in compliance and risk, to attain a formal recognition of professionalism in this important subject.

CertPAY provides a comprehensive understanding of payments, from terminology to the mechanics of moving money across the globe. It also covers key areas relating to compliance, risk, regulation, and strategy. It is designed for professionals to demonstrate their expertise and understanding to both employers and customer.

Read more and register [here](#).

**FinTech - Innovative Banking**

The application of digital technologies to create, record, transfer and manage financial value and risk has created the still evolving fintech sector. But how can your business leverage its advances and what will you need to succeed?

The course focuses on four key areas; distributed ledger technology, digital identity, digital money and digital payments. Discover how technologies are changing what is considered valuable, what regulators might support and see how digital identities may become central to your future commercial operation. Explore the opportunities presented by emerging and maturing technologies in immersive, change inspiring sessions led by some of the brightest minds in global financial thinking.

Read more about this course [here](#).
Financial Markets Securities Operations

Many people in the market will have heard of bonds, equities, foreign exchange and other traded contracts. Less well known, but of equal importance, is the market infrastructure and operational procedures that keep all markets functioning. Whether in old paper-based markets, computer trading of securities or in future FinTech settings, the operations and “plumbing” of the market underpin all we do.

Upon completion of the course students will benefit from a solid overview and understanding of securities markets operations including clearing, settlement processing, custody, regulation, compliance and technology. This course is valuable to new entrants into the business or others in their first five years of employment. In order to make the course as interactive as possible, we have developed various simulation exercises covering such topics as equity (and bond) settlements, foreign exchange settlements, securities lending & borrowing, etc.

Keith Dickinson is the author of “Financial Markets Operations Management” that was published in 2015 by John Wiley & Sons and all candidates on the course will be given the hard-copy version of the book as reference for the course.

Read more and register here.

2017 SWIFT Institute Student Challenge - Canada & Cyber-security

2017 SWIFT Institute Student Challenge creates opportunities for university students in Canada to contribute new ideas to banking and financial services.

Following the success of the inaugural SWIFT Institute Student Challenge held in the UK in 2016, the 2017 Challenge focuses on the topic of ‘making banking channels more secure against cyber threats’, and is open to students in Canadian universities and colleges.

The deadline for submissions 30 June 2017. The top ten student teams to be selected will present their ideas at Sibos 2017 in Toronto in October. The overall winner will be announced at Sibos and receive 20,000 CAD.

- Full details are available in the Competitor’s Handbook
- To enter the challenge, visit Challenge

Oh Canada!

“There is no master narrative for Canadian history: there are too many stories to package into a tidy, tightly scripted identity,” wrote Charlotte Gray in her book The Promise of Canada: 150 Years - People and Ideas That Have Shaped Our Country, published in the run-up to Canada’s 150-year anniversary. For most Canadians, the birth of Canada has been a success story. It is a diverse country of people from different cultures and religions; made up of people who somehow make it work.

The British North America Act (BNA Act), signed in 1867, allowed Canada to become a nation in its own right. The Dominion of Canada, as it was known at that time, was made up of only four provinces including Ontario, Quebec, Nova Scotia and New Brunswick. Today, Canada is comprised of ten
provinces and three territories, the last of which was Nunavut which joined in 1999 after having separated from the Northwest Territories. It would take roughly four and a half years (without sleeping, eating or resting), if you were minded to walk around the country. Canada may be the second largest country in the world, yet only 0.5% of the world’s population reside in Canada with the population standing at roughly 36 million. It is an impressive fact, therefore, that out of the 7 million boxes of Kraft Macaroni & Cheese dinners sold weekly around the world, Canadians purchase 1.7 million of them.

There have been numerous references scattered throughout Canadian history likening the young country to a child growing up. Indeed it was a full 115 years after the BNA Act that complete national sovereignty was granted in the passing of the Canada Act in 1982. Then Canadian Prime Minister Pierre Trudeau expressed hope that, “Canada will match its new legal maturity with that degree of political maturity which will allow us all to make a total commitment to the Canadian ideal.”

Trudeau continued in a vein that resonates well with some today in our current fractious political environment: “It must … be recognised that no Constitution, no Charter of Rights and Freedoms, no sharing of powers can be a substitute for the willingness to share the risks and grandeur of the Canadian adventure. Without that collective act of the will, our Constitution would be a dead letter, and our country would wither away…. For what we are celebrating today is not so much the completion of our task, but the renewal of our hope -- not so much an ending, but a fresh beginning. Let us celebrate the renewal and patriation of our Constitution; but let us put our faith, first and foremost, in the people of Canada who will breathe life into it.”

To summarise, Canada has continually provided a functioning democracy and a prosperous economy despite formidable challenges including a huge, sparsely-populated space, awful (some would argue) weather and two national languages. And with Canada being named as the second best country in the world to live in for the second year running according to a study conducted by U.S. News in partnership with Y&R’s BAV and Wharton, Canadians must be doing something right. Maybe it’s down to all that Kraft Dinner.

**Hot Topic**

**Rethinking Dodd-Frank: Opposing views from two leading policy experts**

“Dodd-Frank is a disaster,” the President of the United States told reporters on 30th January as he signed an executive order slashing government regulations. “We’re going to be doing a big number on Dodd-Frank,” President Trump said. “The American dream is back.” Later that same week, the Director of the National Economic Council, Gary Cohn, announced that yet another executive order for the review of financial regulation was a “table-setter for a bunch of stuff that’s coming.”

The SWIFT Institute interviewed Hester Peirce, Senior Research Fellow and Director of the Financial Markets Working Group, at the Mercatus Center at George Mason University and Aaron Klein, Fellow in Economic Studies and Policy Director of the Center on Regulation and Markets, Brookings Institute to try to figure out what some of that “stuff” might be from the perspectives of opposing views from two leading policy experts based in Washington DC.

**Dodd-Frank Report Card**

http://swiftinstitutemail.org/47RJ-T5R-32/sv.aspx?dm_i=47RJ,1AZT,9G64A,4S0Z,1
We asked if the US financial sector was in a much safer place today than before the crisis as a result of Dodd-Frank. Peirce responded, “I think that the 7-year report card has not been so good for Dodd-Frank. What is particularly worrisome are OTC derivatives clearinghouses in that these ‘too big to fail’ entities pose a new potential weakness in the financial system. Generally, there has been a more regulatory-centric approach with regulators being asked to do a lot more, and make more decisions. But because it has fallen to the regulators rather than market forces to manage all the risk in the system, I think the next crisis could actually be even more intense.”

Klein outlined a different point of view, saying, “It is unequivocally, factually accurate that the US and global financial regulatory system is substantially safer today than it was a decade ago. Greater capital underlies the financial system, tougher oversight among insured institutions secures the system, and new regulatory agencies monitor the activities and products offered in the system. These reforms were all made in aim of trying to prevent the same toxic combination of products and incentives and financial jiu jitsu which allowed the 2008 financial crisis.”

Peirce and Klein did agree however, that there was a clear appetite across the board for regulatory reform of Dodd-Frank, regardless of political affiliation. “In my opinion, there is not much of Dodd-Frank that works particularly well, so I would recommend a ‘soup to nuts’ re look of the regulation. Most people recognise Dodd-Frank needs to be changed, the question is how much can actually be done given the very simplified narratives that have sprung up around the reform debate. People are currently correlating the willingness to reform Dodd-Frank with being a proponent of the financial system crashing again.”

Klein concurred on the need for change, saying, “Dodd-Frank did not come down on stone tablets from Mount Sinai to be the unaltered gospel truth for all time. But I think the current political environment in the US is not a sane and rational discourse. Before Dodd-Frank, I went back almost 100 years and all of the financial regulatory reform bills were passed on a bipartisan basis. But in the case of Dodd-Frank, largely bipartisan or even Republican-based ideas were codified into the statute, and yet in the end the decision was made by Republicans to near-unanimously oppose the legislation. It was this refusal to compromise that made it harder to go back and improve the legislation.”

On the agenda?

Overall, Peirce believed that any change to financial regulation should be a chance to rejig the financial system in order to ensure growth in the economy. Reforms should be made to address present problems, for example, the fact that companies are staying private for longer because it is currently less attractive to go public in the US. Investors are being shut out from participating in gains of those companies as a result, and companies are finding it more difficult to grow.

She also believed that there would be changes regarding the manner in which US regulators interact with their international counterparts on capital and globally systemically important financial institutions. “In the US we have much more of a notice and comment process when it comes to regulation, rather than a straightforward implementation of what international regulators have agreed upon beforehand. This is especially true with regards to designation, for example, when companies are designated as systemically important simply because a group of international regulators has decided they should be. It just doesn’t sit too well. So I think we’ll see some changes there,” Peirce explained. “Furthermore, there is a danger when companies are designated as systemically important because this essentially provides a promise to the financial system that the government will never let those entities fail, and that is very disruptive.”

Lastly, she believed that changes would be made to assist smaller banks in dealing with the level of difficult compliance work associated with the federally mandated rules, including those stemming from Dodd-Frank.

Rather than the designation of systemically important financial institutions (SIFIs), Klein focussed on the SIFI thresholds which were set out under Dodd-Frank as an arbitrary dollar amount, not indexed for economic growth or inflation. “The regulation ended up creating this counterweight system of penalties to size and growth, but in that process people were guessing as to what the right size threshold should be for various penalties to be put into place. Some they got right, some they got wrong,” observed Klein.

Read more: [here](http://swiftinstitutemail.org/47RJ-T5R-32/sv.aspx?dm_i=47RJ,1AZT,9G64A,4S0Z,1)
Research

All SWIFT Institute sponsored research is freely available to download on our website. Our aim is to spread knowledge far and wide, so we encourage you to download our papers and distribute them throughout your own institutions and networks.

Our most recently published paper is:

- Regulatory Focus on Competition and Innovation in Payments Services

Our most recently awarded grants:

- Comparison of the growth of China Fintech vs the West - awarded to Cathy Cao and Bonnie Buchanan of the Albers School of Business, Seattle University.
- Future of Global transaction banking 2030 and beyond - awarded to Ruth Wandhofer, Citibank UK, and Barbara Buchanan of Cass Business School, City University London.

Details of all SWIFT Institute research grants, including those that are still in progress, can be found here.

By the Numbers

Grants Awarded = 36         Papers Published = 27

Research Underway

- The Potential use Cases of Blockchain in the Securities Transaction Lifecycle
- Transatlantic Extraterritoriality & the Regulation of Derivatives
- Impact of Open APIs on Banking
- The Insider Cashout Typology: Sharing Threat Indicators of Cyber Fraud via Intelligence Information Reports
- Mapping the Future Cyber Threat Landscape for Financial Institutions
- Defining a Taxonomy of Existing, Emerging and Future Cyber-threats
- Future of Transaction Banking 2030 and beyond
- China Fintech vs the West

For more details visit our web site.

Completed Research

- Can mobile money be used to promote savings? Evidence from Northern Ghana
- The Prospects for a Common Language in Wholesale Financial Services
- Internationalisation of the RMB: New Starts, Jumps and Tipping Points
- New Regulations and Collateral Requirements – Implications for the OTC Derivatives Market
- Financing the SME Value Chains
- A Dynamic Stochastic Network Model of the Unsecured Interbank Lending Market
- Macroprudential Oversight, Risk Communication and Visualization
The Global Network of Payment Flows
Theory of Optimum Financial Areas: Retooling the Debate on the Governance of Global Finance
Cross-border Low Value Payments and Regional Integration: Enablers and Disablers
Bitcoin – The Miner’s Dilemma
The Scope of International Mutual Fund Outsourcing: Fees, Performance and Risks
Prospects and Challenges of the Development of ASEAN Exchanges
Near Real-time Retail Payment and Settlement Systems Mechanism Design
Who will take the lead in shaping China’s securitization market model?
The Evolution of Third Party Payment Providers and Cryptocurrencies Under the EU’s Upcoming PSD2 and AMLD4
The Role of Big Data in Governance: A Regulatory and Legal Perspective of Analytics in Global Financial Services
Impact of Blockchain on the Securities Transaction Lifecycle
A Quantum Leap Over High Hurdles to Financial Inclusion: The Mobile Banking Revolution in Kenya
Women in Finance
A Critical and Empirical Examination of Currently-used Financial Data Collection Processes and Standards
Regulatory Focus on Competition and Innovation in Payments Services

To download the papers visit our website.

Conferences

Since launching the SWIFT Institute in 2012 we have hosted several events bringing academia and financial industry practitioners together to debate and learn from each other. These events have proven to be very successful, with both groups enjoying and benefitting from greater engagement.

Below you can find details of the upcoming events. Full details when available will be on our website.

Upcoming:

- 18 August 2017
- Cyber 3.0
  Venue - Fullerton Hotel, Singapore

The SWIFT Institute in collaboration with Nanyang Technological University is proud to host this one day conference examining the critical cyber security issues, and solutions, impacting the global financial industry. The growing threat of cyberattacks has never been more pressing. Recent instances of payments fraud demonstrate the necessity for industry-wide collaboration to fight against these threats.

This event follows on from our Cyber 3.0 event held in London in March.

More details including registration (open end May) will be available here.

Coming Soon

Here is what you can look forward to from the SWIFT Institute in the months ahead...

- New research on the Impact of Open APIs in Banking - Q2 2017
- New research on Defining a Taxonomy of Existing, Emerging & Future Cyber-threats - Q2 2017
- New research on Mapping the Future Cyber Threat Landscape for FIs - Q2 2017
- New research on The Insider Cashout Typology: Sharing Threat Indicators of Cyber Fraud via Intelligence Information Reports - Q3 2017
- New research on the Potential Use Cases of Blockchain in Securities - Q3 2017
- New research on Regulatory Compliance - The Extraterritorial Challenge - Q3 2017
• Event - Cyber 3.0 - Better Together (Singapore) - 18 August 2017
• Event - Sibos 2017 Toronto - 16 to 19 October 2017

Visit our website to see what else is happening at the SWIFT Institute.