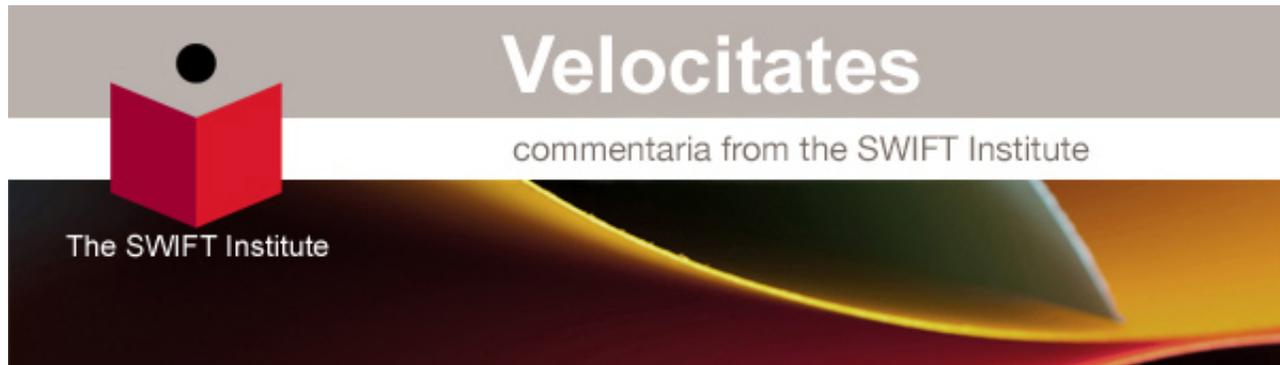


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February 2016



Welcome to the first issue of Velocitates for 2016. 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.

The new year is well underway, and we have already made two new announcements. The first is a little bit of housekeeping. As you may have noticed we have a brand new logo. We have also given our website a refresh. You will still find all the same news, research papers, blogs and events, now in what I hope you will agree is a clean and modern look.

Our second announcement is something I've very proud of and excited about. The inaugural *SWIFT Institute Challenge*. This new initiative aims to create opportunities for university students to contribute new ideas to banking and financial services. We have challenged students to identify a solution that would enable a bank's customer to send money cross-border, via their own bank, to an individual in a country where there is little or no banking infrastructure. This is a real world challenge and I can't wait to see what ideas students come up with. This inaugural challenge is targeting UK universities, and will culminate at the Business Forum London on 20 April. This initiative has received the support of HM Treasury, the UK governments economic and finance ministry. Harriett Baldwin, Economic Secretary to the Treasury, will attend the Business Forum and present the winner of the challenge with a prize of 15,000 GBP. I hope to see many of you in London, where you will have the opportunity to hear the students pitch their ideas, and vote on the overall winner.

We published our latest research paper in December on the role of big data in governance. This research looks at the regulatory and legal perspective of analytics in global financial services. We are actively seeking new ideas for research topics, so if you have an idea, please get in touch.

There is one word that seems to be on everyone's lips and in the financial news on a daily basis recently: *blockchain*. Our hot topic article in this issue looks at the role of blockchain in financial services. It's a matter of trust.

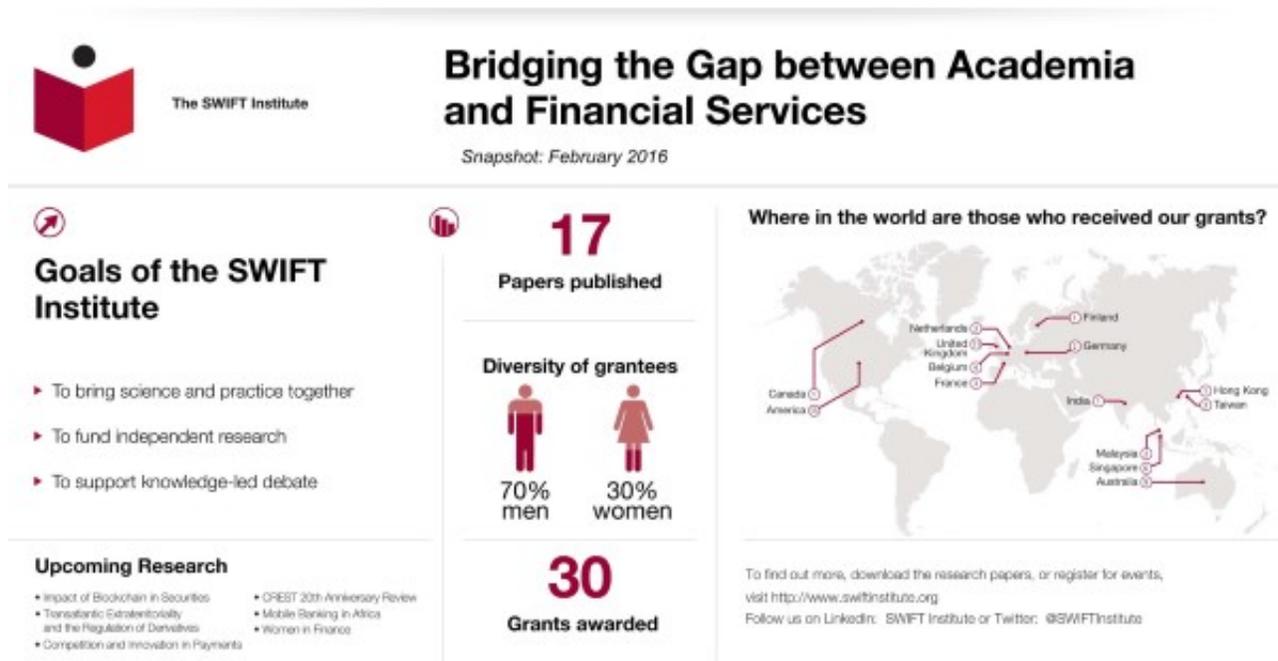
The coming months will be busy with events. This year the SWIFT Institute is aiming to reach as many financial industry practitioners as possible by partnering with SWIFT at various Business Forums and Regional Conferences. Between March and May we will be bringing participants from academia to Kuala Lumpur, Oslo, Toronto, London and Mauritius.

I look forward to meeting many of you at these events, and others, throughout the year.

Peter Ware

Topics in this issue

[News](#), [Hot Topic](#), [Research](#), [Conferences](#), [Coming Soon](#)



To download our infographic, click [here](#).

News



**Out with the Old...
...In with the New**



Despite our young age we have decided to give the SWIFT Institute a fresh new look. We have changed our logo (old on the left; new on the right) as well as the look and feel of our [website](#).

SWIFT Institute Challenge: Financial Solutions from the Next Generation

New SWIFT Institute Challenge creates opportunities for university students in the UK to contribute new ideas to banking and financial services

In January the SWIFT Institute announced the launch of a new competition targeted at university students. The [SWIFT Institute Challenge 2016](#), which has the support of HM

Treasury, the UK governments economic and finance ministry, asks students to address a real world challenge being faced by remittance senders, receivers and their banks.

The challenge focuses on remittances sent via banks operating in the UK market. Each applicant will be required to identify a solution that would enable a bank's customer to send money cross-border, via their own bank, to an individual in a country where there is little or no banking infrastructure.

Successful applicants will present their solutions on 20 April 2016 at [SWIFT's Business Forum London](#). Harriett Baldwin, Economic Secretary to the Treasury, will present the winner of the challenge with a prize of 15,000 GBP. The winner will also be invited to participate in [Sibos Geneva 2016](#).

- Full details are available in the [Competitor's Handbook](#).
- To enter the challenge, visit our website - [Challenge](#)

Regulation & Standards: Bringing New Hope to Financial Practitioners



SWIFT Institute , MIT and SWIFT's Standards Forum Collaborate on Standards and Regulation

Regulation and standards experts gathered in New York City to discuss and debate the ongoing challenges of managing regulatory requirements in an industry that is working on many different platforms using multiple data formats.

The second Regulation & Standards event hosted by the SWIFT Institute and SWIFT's Standards Forum (the first was held March 2013 in London) was co-hosted by MIT's Center for Finance and Policy.

The day provided a lively discussion about regulatory reporting and the increasing data challenges these requirements pose for the global financial industry. With a unique mix of academics, financial practitioners, market experts and regulators, the stage was set for a great discussion to better understand regulatory challenges and identify ways to work together, leading towards a common goal for improved implementation of regulatory requirements.

International data harmonisation and coordination topped the agenda with a very attentive audience interested in finding better ways to facilitate consistent reporting for the marketplace.

Read the full article [here](#).

Finance Under the Microscope

New Perspectives on Key Industry



Challenges are Being Explored Through Academic Research Projects Funded by the SWIFT Institute

“Payment system regulators around the world are grappling with the challenge of both promoting and controlling innovation in payment systems,” says Jane Winn, professor of law, University of Washington Law School, whose ongoing research project, under the revised working title ‘Governance of Competition and Innovation in Payment Services’, is funded by The SWIFT Institute. The project will focus on recent developments in the US and EU. Winn continues: “Under conditions of intense global competition to harness innovation for economic prosperity, governments are struggling to find the right blend of regulatory mandates and collaboration with private organisations to achieve their goals.”

Promoting innovation requires governments to encourage competition, while promoting the diffusion of innovation in highly regulated markets requires coordination on standards and risk management. In Winn’s terms, private self-regulatory organisations face similar challenges and possess skills that governments could leverage. Examples of private global regulators in payment services include the payment card networks or standard setting organisations such as W3C, the Internet standards consortium. Successful private global governance organisations create an ‘ecosystem’ populated with diverse stakeholders, which must interface with multiple legal systems, observes Winn, and adapt to a wide range of regulatory initiatives. How might a public-private partnership approach to payments governance work? Winn is due to report in Q2 2016.

Read the full article [here](#).

A Brief History of Financial Regulation

One would be forgiven for thinking that the history of financial regulation goes back to the days of the Qin Dynasty, Mesopotamia or Ancient Greece.

But the reality is the concept of overseeing financial services took off much later.

There are a few historical references to various types of regulation over the years, for example a law from the Roman Empire in 125/126 AD, *receptum argentarii*, obliging banks to pay clients’ debts under guarantee, and in 1704 an act of English Parliament overruling court decisions that goldsmiths’ notes were not negotiable.

In truth it was a financial crisis, albeit a very big one, that gave regulation its biggest boost. The Great



Depression from 1929-1939 left a total of 9,000 failed banks in the United States. As a response the U.S. established the Securities and Exchange Commission (SEC) in 1933 and passed the Glass-Steagall Act which separated investment banking from commercial banking. It was the repeal of this very same law in the 1980s that saw U.S. retail banks increase their mergers & acquisitions and investment banking activities. A few decades later, the financial crisis of 2007-8 threatened the collapse of financial institutions with national governments being forced to bail out banks considered “too big to fail”.

Subsequently, regulation of the financial industry has increased at a dramatic rate. In 2010 the so-called ‘Volcker Rule’, limiting the ability of banks to engage in proprietary trading, was proposed under the Obama administration. The Dodd-Frank law, signed in 2010, brought the most significant regulatory reform since the Great Depression. On the other side of the Atlantic, the Basel III reforms were passed in order to ensure capital adequacy of banks, and proposals for MIFID II legislation, providing an enhanced framework for European financial markets, sought to remedy mistakes of the past. Since the financial crisis of 2007-8, the European Commission has proposed more than 40 legislative and non-legislative measures to build new rules for the global financial system, establish a safer European financial sector, and create a banking union to strengthen the euro.

Hot Topic



Leda Glyptis
Director, Sapient
London, UK

Imagine the Trust:

The Role of Blockchain in Financial Services

Financial institutions are expected to spend over \$1bn on blockchain projects in 2017, making it one of the fastest developing enterprise software markets of all time according to a report by Magister Advisors.



Michael Mainelli
Emeritus Professor of
Commerce, Gresham College
and
Executive Chairman of Z/Yen
London UK

Much has been made of the blockchain, the name given to the underlying technology of the Bitcoin cryptocurrency, yet these systems are not new. SWIFT Institute took the opportunity to speak to two leading thinkers in the area of shared distributed ledger systems: Michael Mainelli, co-founder and Chairman of the commercial think-tank Z/Yen and Emeritus Professor of Commerce at Gresham College, London, and Leda Glyptis, newly appointed Director at Sapient based in London, focused on providing digital business transformation consulting services.

Utility vs. business value

Having built a shared distributed ledger system 20 years ago, Professor Mainelli can attest that this technology is most definitely not new. Yet banks, discovering the existence of blockchain through Bitcoin, have only recently started to realise the possibilities such technology can provide. Talking to

Mainelli, he contended that two concurrent developments had been occurring. Firstly, people were coming to the realisation that there could be a multitude of ledgers responsible for a multitude of purposes, potentially in the several billions, due to the expected growth of the Internet of Things. Secondly, companies within the financial services industry were beginning to grasp the fact that these systems were relatively easy to build, meaning that banks could construct a shared distributed ledger themselves thereby doing away with the role of a trusted third party.

Mainelli pointed out that the, "Banks are on the cusp of change, but sadly what is driving them into this space is fear." Glyptis agreed saying, "In the past year we have seen the industry move from panic and disbelief to realisation that the technology is real and very powerful." Adjustments, however, would need to be made to the original Bitcoin blockchain system in order to be made fit-for-purpose for the financial services industry. It is not likely, for example, that banks would share information on a public blockchain, rather the assumption is that they would exist as gated communities. Glyptis pointed out that whilst established industry players were now much more comfortable in exploring the possibilities of blockchain, the problem remains in the short term of the expense with running parallel infrastructures. Banks, eager to stay competitive, would need to further explore where the line between a utility (and associated economies of scale) and providing business value might lie.

Read the full article [here](#).

Research

Our research is your 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.

In the next few months you can expect to find published papers on topics such as Competition, Innovation and Regulation in Payments, Data Collection Processes and Standards, CREST and the ubiquitous blockchain.

Our most recently published paper is:

- [The Role of Big Data in Governance: A regulatory and legal perspective of analytics in global financial services](#)

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

Be the first to hear about new research grants and our latest published research by registering with us [here](#).

By the Numbers

Grants Awarded
30

Papers Published
17



*The name of the SWIFT Institute newsletter, **Velocitates**, comes from the Latin *velocitas* meaning swiftness, and in our case the plural therefore swiftnesses. The term *Velocitates* first appeared in print in the early 1700s in the world's first scientific journal; *The Philosophical Transactions* published by the Royal Society of London for Improving Natural Knowledge. The journal's aim was, and continues to be, to inform readers of the latest scientific discoveries. A worthy*

*aim, and a goal the
SWIFT Institute will strive
to emulate.*

Research Underway

Modelling the cost of financial services across countries using a Dynamic Hierarchical Bayes framework
 A global perspective of women in finance
 A predictive cybercrime cost model for the financial industry
 Regulatory Compliance - Extraterritorial Challenge
 Examination of Financial Data Collection Processes and Standards
 The Influence of Virtual Currency on Fiat Currency
 Multinational Banking and Conflicts among US-EU AML/CTF Compliance & Privacy Law: Operational & Political Views in Context
 Competition and Innovation in Payments Services: Regulatory and Compliance Conflict
 Governance of Competition and Innovation in Payments Services
 CREST: A 20th Anniversary Review
 Financial Inclusion: Mobile Banking in Africa
 The Impact and Potential of Blockchain on the Securities Transaction Lifecycle no. 1
 The Impact and Potential of Blockchain on the Securities Transaction Lifecycle no. 2

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

To download the papers visit our web site.

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 benefiting from greater engagement. Going forward in 2016 the Institute will focus on bringing academic content to the range of SWIFT events that take place throughout the year. We will be participating in Business Forums and Regional Conferences in Kuala Lumpur, Oslo, Toronto, London, Mauritius, Shanghai, New York and of course Sibos in Geneva.

Below you can find details of the upcoming events. Full details when available will be on our [website](#).

Upcoming:

- **1 March 2016**
- **SWIFT Business Forum Malaysia**
Venue: 165 Jalan Ampang, 50450, Kuala Lumpur

The SWIFT Institute will host a session on SME financing featuring Dr. Asad Ata from the Malaysian Institute for Supply Chain Innovation. Dr. Ata will present his research on the [growing importance of SME financing](#), which incidentally was one of the first research grants to be issued by the SWIFT Institute. Dr. Ata will then join a panel of senior bankers involved in SME financing, for a discussion moderated by our very own Director, Peter Ware.

Full details including registration available [here](#).

- **8-9 March 2016**
- **SWIFT Nordics Regional Conference**
Venue - Ostre Aker vei 33, 0509 Oslo, Norway

The SWIFT Institute presents Dr. Kimmo Soramäki of Financial Network Analytics, who will provide a deep dive on *Risk Management in the Age of Disruption*. He will share data heat-maps of payment flows in the Nordics region and explain his work with leading financial and academic institutions worldwide to leverage big data in support of risk management. This builds on his previous SWIFT Institute research looking at [global payment flows](#).

Full details including registration available [here](#).

- **13 April 2016**
- **SWIFT Business Forum Canada**
Venue - Simpson Tower, 401 Bay Street, Toronto, Ontario, M5H 2Y4

The SWIFT Institute presents *SWIFT Talks*, 30-minute lectures given by leaders in their fields.

First up is Aaron Klein, Director of the Financial Regulatory Reform Initiative, Bipartisan Policy Center, discussing the *challenges in creating regulation that minimize implementation costs*.

Next is Lance James, Global Cyber Intelligence Advisor, discussing *Mining the Deep & Dark Web to Stay Ahead of Threats*.

And finally, in the closing plenary, Jean-Paul Vergne, Assistant Professor of Strategy, Ivey Business School at Western University, will discuss how to *think strategically about FinTech and the future of blockchain technology*.

Full details including registration available [here](#).

- **20 April 2016**
- **SWIFT Business Forum London**
Venue - Tobacco Dock, Tobacco Quay London, E1W 2SF

The SWIFT Institute supports the Business Forum London with a dedicated stream running throughout the day. First up is a look at the 20th anniversary of CREST, the UK CSD. Dr. Hermann Rapp, Senior Lecturer at Anglia Ruskin University will present his research looking back at the creation of CREST and where it is today. John Trundle, CEO, Euroclear UK & Ireland Ltd and SWIFT Institute Advisory Council Member, will then moderate a discussion on lessons we can learn from CREST. He will be joined by Dr. Rapp, Iain Saville, Founder and First CEO of CREST, and Peter Norman, author of *Plumbers and Visionaries: Securities Settlement and Europe's Financial Market*.

We will then move into the showcase for the [SWIFT Institute Challenge 2016](#). This new initiative aims to create opportunities for university students in the UK to contribute new ideas to banking and financial services. Spread over two sessions, you will hear various university students and teams pitch their ideas on identifying a solution that would enable a bank's customer to send money cross-border, via their own bank, to an individual in a country where there is little or no banking infrastructure.

You, the audience, will vote on the winner through digi-voting. In the Business Forum London closing plenary, Harriett Baldwin, Economic Secretary to the Treasury, will present the winner of the challenge with a prize of 15,000 GBP. The winner will also be invited to participate in Sibos Geneva 2016.

Full details including registration available [here](#).

- **17-19 May 2016**
- **SWIFT African Regional Conference**
Venue - Mauritius

The SWIFT Institute will present new research that derived from a session on financial inclusion at ARC 2015 in Cape Town. Following last year's event we issued a grant on the impact of technological and business model innovations on levels of financial inclusion and poverty reduction. This research documents and analyses mobile banking because this technology offers great promise in overcoming geographic, demographic and institutional constraints to financial inclusion. The focus of this research is on sub-Saharan Africa, through the lens of Kenya, and will be presented by Professor Jay Rosengard, Harvard Kennedy School.

Full details including registration available [here](#).

Coming Soon

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

- SWIFT Business Forum Malaysia - 1 March
- SWIFT Nordic Regional Conference - 8-9 March
- SWIFT Business Forum Canada - 13 April
- SWIFT Business Forum London - 20 April
- SWIFT Institute Challenge 2016 showcase and winner announcement - 20 April at the BFL
- SWIFT African Regional Conference - 17-19 May

- New research paper - Examination of Financial Data Collection Processes and Standards - Q1
- New research paper - Regulatory Compliance - The Extraterritorial Challenge - Q1
- New research paper - Blockchain in Securities - Q2
- Next issue of Velocitates - Q2

[Visit our website](#) to see what else is happening at the SWIFT Institute.

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