

JPMorgan Chase Announces Successful Completion Of SWIFT Protocol Pilot

Bank Adopts SWIFTNet Exceptions and Investigations Initiative as Standard Processing Protocol

Sydney and New York, October 9, 2006 - JPMorgan Chase, a full-service provider of cash management, trade finance, and treasury solutions, today announced the successful completion of the second phase of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) global payments network's Exception and Investigations (E&I) pilot initiative. JPMorgan Chase has now adopted the new XML based protocol as the standard for automating the processing of E&I messages pertaining to funds transfers.

"JPMorgan Chase is pleased to have completed the pilot program testing SWIFT's new E&I initiative, and to have implemented it as our standard protocol," explained Edward B. Wolfe, vice president and senior product manager of U.S. dollar clearing for JPMorgan Chase & Co.'s treasury services unit. "The pilot program successfully demonstrated the substantial efficiencies that can be achieved through automation of the E&I process, which reduces manual processing, thereby leading to better service and lower costs for our clients."

The SWIFTNet network is used by thousands of financial institutions in over 200 countries to transmit billions of financial instructions in machine-readable formats worldwide each year. Today, 61 percent of E&I messages sent via SWIFT relate to payment instructions, yet only approximately five percent of those instructions are processed without manual intervention. It is estimated that by implementing the E&I protocol, automation levels could be raised to approximately 60 percent, improving the banking industry's balance sheet by \$165 million a year, in savings and new revenue. The protocol could also be applied to other kinds of SWIFT messaging, such as securities or trade-related issues.

Failure to Plan is Planning for Failure

Dramatic savings and efficiencies can only be realized if the entire banking community elects to adopt the E&I protocols. If one of the banks in the chain of an enquiry is not automated, the efficiency of the overall system is diminished. Implementation of the protocols will require planning by individual institutions to ensure they can take the program "live" in a timely and seamless manner. While this standardized protocol does require a large capital investment from its users to participate, those costs can be recaptured and additional savings realized as a result of improved productivity and greatly enhanced customer service.

The key steps banks need to take to gain the benefits of the E&I protocol include the development of an internal plan for implementation, as well as adopting a long-term commitment approach to the initiative in order to ensure the overall success of the solution, both internally and for the banking community at large. "It's important that banks allocate the initial resources necessary to build their infrastructure, because ultimately, this is what will yield substantial benefits," says Wolfe. "Without proper planning, commitment and resource allocation, banks will face significant challenges in taking advantage of the benefits made possible by the protocol."

Opportunities for the Vendor Community

The E&I protocol presents a tremendous opportunity for vendors to develop solutions that facilitate implementation. The vendor and banking communities can and should work together to reduce the resources required to implement the initiative, while also providing a greater level of service for customers. "The stage is set for the vendor community to step in and lower the barriers to entry for many banks," adds Wolfe. "The modifications required to backend systems is expensive, and vendors should take on the challenge of coming up with more options that are less costly."

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Media contact:

Judy Miller, JPMorgan,
Cell at Sibos: +44 779 371 1031,
email: Judith.B.Miller@jpmorgan.com
or
Aurora Johnson for JPMorgan Chase
Tel: +1-626-449-9501,
email: aurora@aurorajohnson.com