SWIFT advance for corporate connectivity

THE ABILITY OF CORPORATES TO CONNECT WITH THEIR BANKING PARTNERS THROUGH THE SWIFT GLOBAL FINANCIAL MESSAGING NETWORK HAS RECEIVED A FURTHER BOOST, WITH THE INTRODUCTION OF MANY NEW FEATURES TO IMPROVE THE EXPERIENCE FOR CORPORATE TREASURERS, SAYS **NIRANJAN PERERA**.

In the modern business environment it is inevitable that most corporates will have multiple banking relationships and therefore multiple back-office connections with their banks, multiple bank workstations and multiple browser-based cash management products. Understandably, the cost of managing such a complex banking interface infrastructure is considerable and poses a challenge for treasurers.

As such, corporates have long wanted to be able to use the same interface and standards with all of their banks rather than use individual banks' proprietary systems. That desire has intensified as many companies have spent sizable sums updating their enterprise resource planning (ERP) or treasury management systems (TMS).

Corporate access to the standardised worldwide financial messaging network SWIFT (operated by the Society for Worldwide Interbank Financial Telecommunication) is therefore a valuable and welcome proposition that can help organisations limit communication inefficiencies and reduce technology and infrastructure costs.

Of course, there have been teething problems in the process of corporates migrating to SWIFT connectivity. Yet banks such as Deutsche Bank have heeded this demand from corporate treasurers and partnered with corporates, payment factories and shared service centres to establish and improve the communication of financial information through SWIFT. Deutsche Bank has looked beyond this to provide a channel-agnostic solution that gives access to many of the value-added features that are offered through banks' proprietary channels.

IMPROVED IMPLEMENTATION SERVICE. Most banks have learnt the lessons from experiencing early complications while implementing SWIFT in corporate infrastructures. As a result, many banks are now far better equipped to provide support to corporate clients grappling with the same concerns.

Consequently, new corporates embarking on a SWIFT implementation can expect a far smoother ride than that experienced by the pioneers. Indeed, due to the substantial progress made in enhancing the integration between ERP systems and TMS, corporates are now realising that SWIFT can become a reliable and discreet element in their overall systems environment. Importantly, it is an element that once up and running requires very few resources to maintain, and offers a high straight-through capability, enabling treasury and finance professionals to focus on the needs of the business rather than the underpinning technical infrastructure.

That is not to say that banks should rest on their laurels. To fully satisfy corporates' needs, there are still aspects of the service that need improving. One common frustration is the legal documentation that clients are required to fill out with their bank before they can communicate via SWIFT. While this paperwork may not prove problematic for organisations using only one bank, it can be both arduous and time-consuming for those that are multibanked. And this can, crucially, negatively affect their ability to meet project deadlines.

Certainly, banks are well aware of the knock-on effects that these inconveniences can have. Indeed, SWIFT and banks have collaborated to define a standard agreement for Standardised Corporate Environment (SCORE) customers. However, due to some variations adopted by certain banks, it still remains a challenge to establish a truly standardised agreement. Meanwhile, banks are playing their part by adopting a pragmatic approach, keeping the scale and complexity of legal agreements to a minimum.

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EXPANDING THE APPEAL OF SWIFT. SWIFT is now firmly on the radar screens of a wide range of organisations, having initially been regarded as only of use to large multinationals. There are two main drivers behind this.

First, the extension of the eligibility criteria for SCORE has made SWIFT a more viable proposition for privately owned companies as well as those from emerging markets such as the Middle East and Asia, eliminating the need to become a member of a Member Administered-Closed User Group (a system allowing corporates to leverage the SWIFT platform of a member bank).

Second, SWIFT's launch of Alliance Lite at SIBOS in 2008 has broadened the network's appeal to smaller companies or those with more straightforward connectivity needs, providing direct low-cost access to the SWIFT network via an existing internet connection.

In the past, customers wanting to connect to SWIFT had to conduct a complete overhaul of their technological infrastructure – changing interfaces and back-office processes – often at great cost. But with the introduction of Alliance Lite, a plug-and-play solution, SWIFT aims to reduce the software footprint at clients' premises, ease the installation process and resolve some of the on-boarding issues about joining the network. This is undoubtedly a big step forward in removing the cost barrier that previously prevented many smaller corporations from joining the SWIFT network.

Yet, to date, the take up of Alliance Lite remains limited. This is unlikely to continue, however, especially in countries such as the UK where no alternative multibank communication channels exist. But penetration into markets where such channels are already available – such as Germany and France, with EBICS and ETEBAC respectively offering multibank connectivity – may prove more difficult. Having said this, inroads are being made. In France ETEBAC is due to be discontinued, and while it is likely that many corporates will turn to EBICS, SWIFT will co-exist as a workable short-term alternative.

But to be seen as a truly global solution in the long term, Alliance Lite will need to develop its global applicability and support not only international needs but also in-country payment and cash management needs.

EXTENDING THE BREADTH OF SWIFT CAPABILITIES. And with SWIFT connectivity becoming more established in the corporate community, attention is turning to expanding the available functionality as well as its increasing automation. In the past, corporates have experienced difficulties in monitoring bank charges, especially with different banks calculating charges in different ways. SWIFT's new automated bank billing service, however, aims to ease these difficulties, providing increased transparency over bank charges and the breakdown of these costs. Another development in this respect is electronic bank account management (eBAM), which enables bank accounts and signatory authorities to be managed through the SWIFT network.

Exceptions and investigations (E&I) management and reporting has also been made available to corporates by SWIFT. Already popular with financial institutions, this service has the ability to enhance the sophistication of companies' back-office functions and accelerate issues management, therefore assisting with reconciliation and cash positioning.

STANDARDISED MESSAGES. Indeed, a standardised communication channel creates many advantages – all of which will be negated, however, if the financial messages that pass through it remain fragmented. Yet the task of reformatting different message types as they flow between company and bank can take time and therefore hinder straight-through processing.

SWIFT's success, therefore, may be ultimately determined by the extent to which the new XML-based standard for financial messaging (XML ISO 20022) is accepted by both banks and corporates. And while past attempts at message standardisation have been largely unsuccessful, XML ISO 20022's potential to extend right across the financial supply chain – coupled with its support from SWIFT as a central co-ordinating body – may, this time, produce a different outcome.

Certainly, signs so far have been encouraging. The Single Euro Payments Area (SEPA) has acted as a catalyst for widespread adoption of the standard (SEPA payments messages are based on XML ISO 20022), and global support has come from countries such as China that have a fast-growing financial infrastructure.

Further benefits will come when corporate-to-corporate traffic becomes feasible, enabling supplier-to-customer communications. Indeed, at this point the potential for producing further efficiencies in the financial supply chain will multiply, helping SWIFT finally realise its full potential.

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