cash management
SWIFT CORPORATE ACCESS

Flying high

WHY WOULD A CORPORATE WANT TO ACCESS SWIFT? THIS ARTICLE SETS OUT THE REASONS.

Executive summary

The advent of corporates being able to access SWIFT has been a catalyst enabling companies to improve the interoperability between their own back office systems and their banks, through using common standards. This has improved straight-through processing (STP), reconciliation and delivered greater visibility over bank accounts held across the globe. Barclays was one of the first banks to offer and actively promote SWIFT Corporate access, initially via the Member Administered Closed User Group (MA-CUG) and more latterly, the Standardised Corporate Environment (SCORE) model.

So why would a corporate want to access SWIFT when all banks offer numerous proprietary connectivity options already? Clearly there must be a tangible and measurable benefit in joining SWIFT besides the efficiency gains available through using the common/open standards provided by SWIFT. From our experience, the prime business reasons that are driving corporates to embrace SWIFT are:

- Process efficiency improvements and drive towards STP in treasury front office.
- Improvements in global account visibility.
- Ability to deliver bulk payment files to their bank.

TREASURY FRONT OFFICE PROCESS EFFICIENCY Many companies have spent significant amounts in developing their internal Enterprise Resource Planning (ERP) and Treasury Management Systems (TMS). Using SWIFT can enable a corporate to automate the link between their own systems and their banks using a common format, covering payments instructions and account information.

This enables real-time, or close to real-time, updates of a corporate's main treasury dealing and settlement accounts using SWIFT MT942 statements from their lead bank. SWIFT statements, either MT940 or MT942, can also be provided by the company's other banks across the world with the details being uploaded into internal systems for reconciliation.

In addition, for treasury money market and foreign exchange (FX) deals, most TMS systems can automatically create the resultant payment from a deal entered on to the internal company system and provide authentication and authorisation processes for release to the bank, thus achieving true STP.

Additional automated controls can be built into the process where the corporate is able to send and receive SWIFT MT300 series FX confirmations to/from their FX counterparties, matching the confirmations to the individual deals prior to releasing a payment.

GLOBAL ACCOUNT VISIBILITY The last five years has seen an unprecedented drive in the corporate world to establish strict regulatory audit controls and governance over corporate operations, for which the ultimate penalty could be personal liability for any serious accounting regularities.

For those corporates with operations across the globe and bank accounts with numerous banks across several countries, it can be very difficult to obtain a true picture of the actual cash position across the company at any given time.

In these instances, corporates using SWIFT can receive SWIFT MT940 and/or MT942 messages from all their banks. These messages can be automatically uploaded to the TMS so the company can gain a group-wide view on a daily basis.

BULK PAYMENT PROCESSING This is probably the most straightforward reason for joining SWIFT. Corporates with high volumes of payments, which are generally handled either by a central payments factory or Shared Service Centre (SSC), can achieve maximum STP and later cut-off times by delivering payments through the SWIFT channel. SWIFT provides a highly secure, robust and high bandwidth link for submissions of high volumes of payment messages.

In those instances where a beneficiary may claim non-receipt, SWIFT corporate users can generate separate query messages to trace the payment thus helping them to resolve such queries more easily and efficiently.

Further developments include SWIFT FileAct solutions,

which will enable corporates to send bulk files to their banks for processing and, going forward, this is likely to extend to non-urgent payments including SEPA Credit Transfers and potentially ACH files.

COMMON/OPEN STANDARDS SWIFT has a tangible added benefit in that corporates do not have to deal with the plethora of format types required to connect with banks using traditional proprietary software.

Open/common communication standards and formats, as provided by SWIFT, are vital in ensuring interoperability and therefore efficiency. SWIFT Corporate Access users can use these open standards, whether via current SWIFT messages or potentially in the future via ISO20022 XML message standards, to communicate with all their banks. For a corporate, these open standards are a priority to achieve maximum STP efficiencies within their treasury operations.

STP has, of course, been an objective for both corporates and banks for a number of years, although each party's perception of what STP means has been different. Traditionally, banks refer to STP as a payment that is received in their system and is processed without the need for manual intervention or semi-automated repair. On the other hand, corporates take the view that STP refers to the flow of financial information through the whole cash management cycle, across both internal systems and communication with financial partners. Could one reason why banks have been less than keen to embrace open standards, such as those offered by SWIFT, be the fear that once companies do not need to use the bespoke platforms provided by their banks, there is less of a "tie" to that bank? The bank communication channel is only the way in which services and information are delivered and adds little value in its own right. Those forward thinking banks, including Barclays who were an early adopter of this principle, take the view that clients remain loyal because of service and solutions quality and not because of connectivity channels.

WHICH MODEL TO ADOPT? Which SWIFT Corporate Access Model should a corporate adopt: MA-CUG or SCORE?

The principal difference between the two options is that under the MA-CUG model, a bank sponsors the corporate joining SWIFT, whereas under the SCORE model, SWIFT itself arranges for the corporate to join SWIFT. Nevertheless, under the SCORE model the corporate still has to agree with its bank, which must also be a SCORE member, that SWIFT will be the communication channel.

There has been much confusion about whether corporates should join via the MA-CUG or SCORE model. In reality the service options and connectivity are broadly similar under each model. However, for a corporate to be able to use the SCORE model, they must be listed on a recognised stock exchange in a country which is compliant with the requirements of the Financial Action Task Force (FATF) – an inter-governmental body developing and promoting policies to combat money laundering and terrorist financing.

Whichever model is right for a corporate will depend on its needs and requirements together with how many banks it wants to communicate with – if a company only needs to connect to its principal banking partner then becoming a MA-CUG member with that bank may be perfectly acceptable.

The sponsoring bank can then provide the ability for its corporate customer to monitor its accounts with other banks via SWIFT MT940 messages. In addition, the resultant liquidity positions on these accounts can be managed using SWIFT MT101 Request for Transfer messages where a bi-lateral agreement is in place between the banks involved.

SWIFT CONNECTIVITY OPTIONS There is also the issue of whether the corporate submits directly to SWIFT or uses a SWIFT Bureau to manage the SWIFT connectivity for it. This will depend on the policy of the corporate and whether it has the resource to be able to install and maintain the SWIFT connection or whether it is happy to outsource this to a service bureau. On SWIFT's own figures, around three-quarters of SWIFT corporate members chose the bureau connection option as many corporates seek to outsource this as a non-core activity.

IMPLEMENTATION Once the decision has been made to become a SWIFT Corporate Access member, it is imperative that a project plan is put in place to bring the project to fruition and realise the benefits. From the case studies which are available on the SWIFT website (www.swift.net), several corporates have achieved a return on investment of over 200%, so the benefits can be significant.

What is essential is that the banking partner is able to support the SWIFT connection and undertake user testing before the system goes "live". In the case of Barclays, we have designated experienced specialists with an in-depth understanding of SWIFT who work closely with our clients when the decision has been made to use SWIFT as the communication channel. This ensures that the solution is implemented and ready for business as usual and this has proved to be a clear benefit to our customers.

GROWTH TO CONTINUE SWIFT Corporate Access usage is growing significantly and we see this growth continuing as corporates begin to make decisions about their cash management providers based on the quality and range of services available rather than banking technology.

This can only be a good thing and innovative banks, such as Barclays, see this as an opportunity to distinguish their products and services by the added value they create rather than using connectivity channels as a differentiator.

What is clear is that banks need to develop a clear strategy regarding their commitment to SWIFT Corporate Access channels and embrace its continuing development in order to provide organisations with the leading-edge services they require.

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