A good score

JONATHAN WILLIAMS LOOKS AT WHY THE TIME TO BUILD A SWIFT BUSINESS CASE HAS NEVER BEEN BETTER.

FOR A LARGE NUMBER OF CORPORATES, THE ABILITY TO EXCHANGE DATA WITH MULTIPLE BANKS THROUGH ONE CHANNEL IS BECOMING INCREASINGLY ATTRACTIVE

Executive summary

SWIFT was once regarded as a bank-to-bank service but today it provides clear benefits for corporates and enables them to achieve their goal of "one channel" connectivity to banking partners. Demand from medium-sized businesses is growing and organisations are seeing an impressive return on their investment.

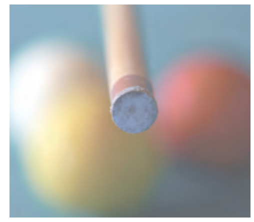
For a large number of corporates, the ability to exchange data with multiple banks through one channel is becoming increasingly attractive. Not only does this allow them to reduce the number of their banking relationships, bank accounts and connectivity fees, but it also enables them to reduce the costs and potential risks associated with the manual processing of statements.

SWIFT's standardised corporate access model (SCORE) was launched in 2007 and aims to help corporates realise all these benefits. However, in reality, only those corporates making high-value or high-volume payments, typically the top 2,000 global organisations, could afford the project costs and time to implement the service. A further factor limiting take-up was the difficulty of achieving straight-through processing (STP) without incurring high integration costs. In addition, banks provided only limited services over SWIFT so that corporates still needed to run other channels. Overall, achieving connectivity could be complex, costly and lengthy. For the majority of mid-range organisations the business case for SWIFT for Corporates simply did not stack up.

THINGS COULD BE ABOUT TO CHANGE Demand from medium-sized corporates seeking to connect to their banks through a single channel is growing steadily and many of the organisations that have done so are seeing an impressive return on investment (typically 100-400%). As banks have started to enhance and extend their SWIFTNet services and SWIFT has reduced the cost and time required to connect, more mid-range organisations are now acknowledging the advantages of corporate access. But, while the landscape seems to be changing, these organisations are still some way off from realising the potential benefits. So, what are the treasury and payments issues currently facing many corporates, what stops these organisations taking advantage of SWIFT and how can they build a strong business case for corporate connectivity?

THE ISSUES FACED BY CORPORATES TODAY With the credit crunch biting hard, the priority for treasurers and financial directors is to improve working capital and liquidity, focusing on reducing costs, improving efficiencies and tightening controls – often at a global level. Centralisation, consolidation and standardisation of their payments systems and processes are all central to this. SWIFT connectivity could help but many corporates have to overcome a number of potential barriers before they can take advantage.

The cost of manual payment processing is one such obstacle. Because it can be difficult for a corporate to integrate their internal systems with one or more bank-proprietary cash management systems, a number of payment processes have



been traditionally user-driven. This can require multiple users logging on to input, verify and authorise transactions which is time-consuming and can result in errors and fraud.

In addition, maintaining multiple corporate-to-bank systems can be both complex and costly and, because the software provided is bank-specific and requires bank-specific security devices, the corporate can feel locked into their banking relationships, particularly when project, training and integration costs are taken into account. On top of this, banks specify the services they are prepared to provide over their proprietary channels, the standards used and how payment transactions are routed, making it difficult for a corporate to achieve least cost routing, efficient end-to-end transaction tracking or ease of reconciliation. Finally, the potentially high costs and length of time involved in setting up a SWIFT connection can also provide barriers to change.

Resolving these issues can seem difficult for a number of reasons. Channelling all payments via SWIFT resolves the issues of multiple systems and standards and therefore promotes full STP. However, SWIFT services were never designed for a high number of users each processing relatively few transactions and only the high volume corporate users could justify the associated costs. And, while channelling all transactions through one global bank may be the simplest way to standardise systems (and therefore reduce costs and improve efficiency), this goes against a corporate's desire to mitigate operational risk or an increase in costs.

WHAT CAN CORPORATES DO? SWIFT, vendor organisations and regulators have been working to open up generic channels to corporates who currently find it difficult, costly and long-winded to access them. As a result corporate treasurers have a number of options.

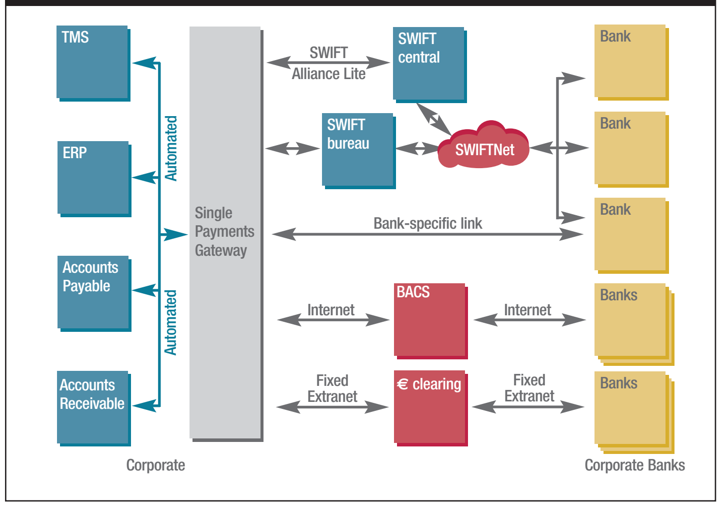
First, they could share or lower their connection costs by connecting through a SWIFT bureau or they could connect via SWIFT Alliance Lite, the new manual connection method for low-end corporates sending or receiving fewer than 200 messages a day. Connecting indirectly via a bureau rather than going direct is also a quicker solution as it minimises the length of the project, the required manpower and the costs.

Second, vendors are offering cost-effective out-of-the-box solutions to achieve STP by close back-office integration. Corporates should consider a single software solution that provides file format transformation, data validation, flexible integration with back office systems, payment routing, distribution and management information, rather than discrete components. They should choose a solution that supports more than just the SWIFT channel to provide flexibility and to future-proof their systems.

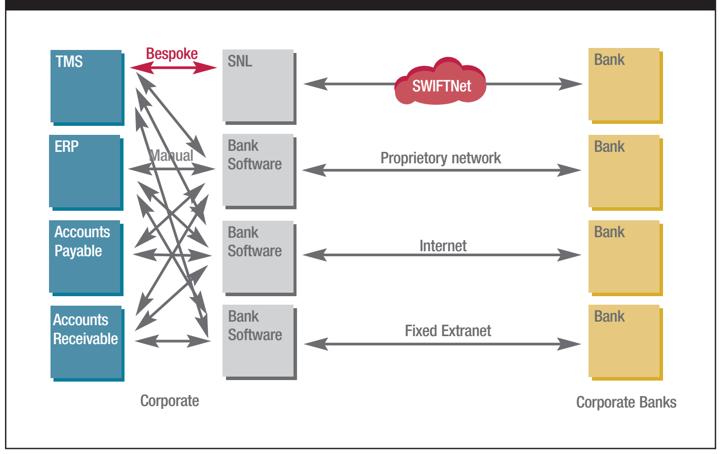
As well as discussing options with their vendors, corporates should talk to their banks about what they can offer. More and more banks are looking to provide a full service offering via SWIFT as they recognise that their corporates seek flexibility. As such, they are increasingly adding services to their MA-CUG and SCORE offerings, making these viable alternatives to proprietary connections.

SWIFT for Corporates, once regarded as a bank-to-bank community, can provide clear benefits to corporates and enable them to achieve their goal of "one channel" connectivity to all their banking partners. For those organisations keen to reduce their banking relationships, costs and risk, the time has never been better to build their SWIFT business case.

SWIFT for all



SWIFT for the few



FOR THOSE ORGANISATIONS KEEN TO REDUCE THEIR BANKING RELATIONSHIPS, COSTS AND RISK, THE TIME HAS NEVER BEEN BETTER TO BUILD THEIR SWIFT BUSINESS CASE

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