

SWIFT Corporate Access: The Next Generation

David Robertson, *Treasury Strategies* - 15 Oct 2007

Corporate access to SWIFT can improve efficiency and control and gain improved visibility and access to corporate cash. This article outlines the primary benefits and future opportunities of SWIFT's corporate access model as well as the impact on banking relationships.

Whether connected to SWIFT via the SCORE (Standardised CORporate Environment) model, introduced less than a year ago, or through the MA-CUG (member-administered closed user group) model, corporations are looking to do more with direct access to the SWIFT network. At the SIBOS 2007 conference, three multinational corporates (MNCs) - EADS, Safmarine and Shell - noted their efforts to move beyond traditional treasury activities to explore opportunities to improve the investment process, the supply chain and bank account management.

The innovation occurring within the corporate access model suggests that the model is not only here to stay but will also expand as corporations seek to extend the benefits of direct connectivity to SWIFT. Initial evidence also suggests that rather than weaken bank relationships the corporate access model provides a basis for deeper and more valuable relationships between banks and their customers. Sensing this opportunity, select providers are beginning to promote corporate access more aggressively in order to gain additional share of wallet with customers and win new clients.

Benefits of Corporate Access

Corporate treasury continues to be challenged to 'do more with less' - to support growth and continue to reduce risk and improve controls without a commensurate increase in budget. At the same time, the role of treasury is becoming more strategic, necessitating more ad-hoc analyses and greater investment in cross-functional relationships. In response to these trends, treasurers are seeking to automate and improve access to critical information. These goals can often be met through the corporate access model, which supports straight-through processing and consolidation of information and payment flows.

In the summer of 2007, *Treasury Strategies* conducted three case studies to quantify the costs and benefits of the corporate access model. In all three cases, we uncovered significant financial benefits, an attractive return on the SWIFT initiative, and a relatively short 'payback' timeframe. Furthermore, the firms we examined all received significant strategic benefits from their investment in direct connectivity to SWIFT.

Table 1: Case Studies in SWIFT Investment

Company	Benefits	ROI	Payback
Dupont	<ul style="list-style-type: none"> • Labor savings: IT and treasury • Retirement of bank messaging systems • Working capital optimisation • Improved strategic focus 	203%	36 months
Iberia	<ul style="list-style-type: none"> • Labor reallocation: IT and treasury • Retirement of bank messaging systems 	276%	25 months
Petronas	<ul style="list-style-type: none"> • Treasury staff growth avoidance • Reduced telex/fax charges • Increased interest earnings • Improved strategic focus 	404%	14 months

By rationalising the messaging channel, corporations have improved visibility of cash and improved their ability to centralise treasury and working capital activities globally. This in turn increases interest income by more effectively consolidating cash for investment. Improved straight-through processing enables corporations to either reduce staff or redirect staff to more strategic activities.

The Next Generation of Corporate Access

As we have seen, once corporate treasurers find a good thing, they look to extend its capabilities. In the SIBOS 2007 session, *Corporate Access: Beyond Cash Management*, EADS, Safmarine and Shell outlined their activities and plans (and hopes) to extend the scope of corporate access. This desire to extend the scope of corporate access is logical, as the benefits of a single channel with common standards can be extended to any messaging environment in which corporations are communicating with one or more counterparties. This possibility exists even in paper-intensive environments, such as bank account agreements or trade documentation.

Table 2: Plans for Corporate Access

Company	Use of Corporate Access	Call to Action
EADS	Automation of investment matching and reconciliation	Extend matching capabilities to additional asset classes beyond those already supported by SWIFT
Safmarine	Automation of web payments and accelerated release of bill of lading upon payment	Improve inter-bank and intra-bank coordination to streamline counterparty adoption and payment flows
Shell	Online, automated management of bank accounts and authorisations/permissions	Develop standards and a robust infrastructure to support electronic management of bank accounts and permissions

Impact on Banking Relationships

While the adoption of corporate access has been impressive, many in the industry have questioned whether adoption is being delayed by a lack of bank appetite to promote corporate access. Some have noted that banks may be reluctant to give up their 'sticky' proprietary channels in favor of a common industry infrastructure. Others believe the channel provides a significant form of differentiation and that the loss of this differentiation will lead to more price buying and greater levels of attrition, undermining the bank - corporate partnership that has historically delivered value to both parties.

As we observe the adoption of corporate access, we note several emerging dynamics that suggest that corporate access does not have to be a zero sum game with banks 'losing' at the expense of corporates, but rather a 'win-win' scenario with shared benefits.

- *Differentiation, but at what cost?* - While channels may be a source of differentiation, the cost of maintaining multiple channels can be significant. If banks do not step up to provide a standard, scalable channel, it's possible that non-bank competitors will disintermediate the channel to meet industry demand from those corporations seeking a single, standard channel. To some extent, treasury workstations and other providers are offering such a service. By providing a single standard channel within an existing industry infrastructure such as SWIFT, banks may prevent disintermediation. Of course, the corporate access model is not the best approach for all corporations and many firms will continue to use proprietary bank channels, particularly those in a single-bank relationship or those firms that value the workflow tools deployed through such channels.
- *Bank partnership, not independence* - From our discussions with corporations and our corporate consulting engagements, we find that treasurers are not focused on becoming independent from their banks; in fact, most corporate treasurers like their banks and value the relationship far beyond the capabilities of the channel. What corporates want independence from is the need to integrate with multiple standards and channels, which can change as a result of mergers, platform upgrades, compliance initiatives and a host of other factors around which corporations have little control. In several instances, we have seen that the bank that most aggressively helps their client adopt corporate access ends up with a higher share of wallet and new ways to differentiate.
- *Redirecting of resources to value-added activities* - A common frustration we hear from both our bank and corporate clients is that corporate treasury lacks the resources to evaluate and implement value-added services that can transform their businesses. As can be seen from the corporate access case studies and the examples of EADS, Safmarine and Shell, efficiencies gained via corporate access are enabling corporations to go beyond basic treasury and cash automation to improve a host of working capital, supply chain and control activities. Redirecting resources away from basic channel support frees the critical resources needed to partner with banks in new areas. Furthermore, the corporate access infrastructure provides a robust model through which this partnering can occur.

Whether via the MA-CUG or the SCORE model, corporations are embracing access to SWIFT for basic payments and information flows. As this model is maturing, some firms are now leveraging the channel for additional services. These new services could represent new revenue streams for banking providers. Properly executed, corporate access can be a benefit to both banks and their clients. By helping their prospects and clients adopt corporate access, banks can provide strategic advice, increase share of wallet and, over time, leverage the channel to deliver deeper, broader services. In turn, corporate treasurers should evaluate corporate access not as a means of 'bank independence' but as an avenue to improve efficiency and control and gain improved visibility and access to cash.

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