SWIFT for Corporates – Best Practices

Presented with:

Presenters

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Agenda

- Introductions

- SWIFT Overview and Update

- Practical Business Applications

- Benefits of the SWIFT Service Bureau

- Implementation Best Practices

- Case Studies

SWIFT Overview and Update

Jeff Diorio, Principal

Treasury Strategies, Inc.

What is SWIFT?

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides the communications platform, products, and services that allow organizations to exchange financial information securely. SWIFT also works to bring the financial community together to work collaboratively to shape market practice, define standards and create solutions.

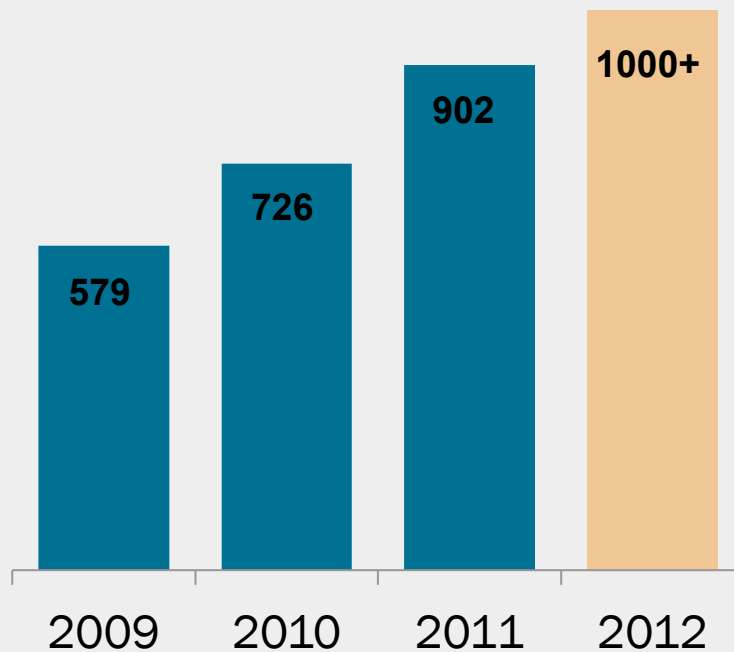A co-operative organization serving the financial industry

A provider of highly secure financial messaging services
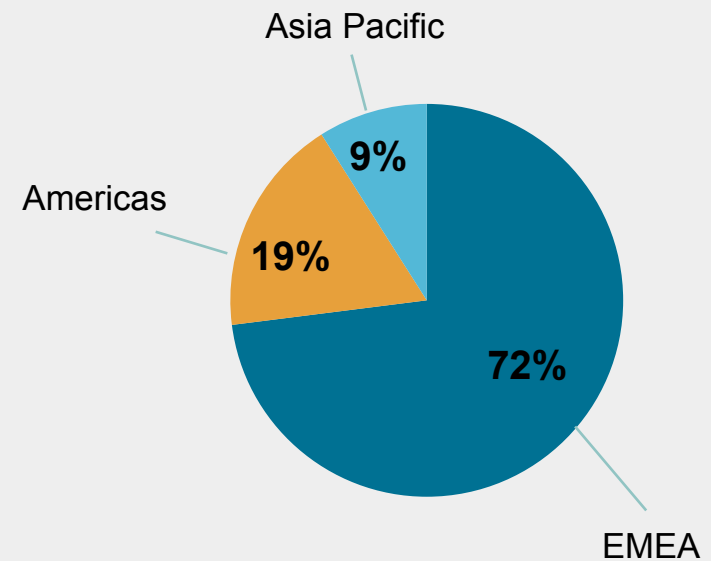
A financial standardization body

Corporate Adoption of SWIFT

registered corporate entities

- 2009: 579
- 2010: 726
- 2011: 902
- 2012: 1000+

Geographical split

- EMEA: 72%
- Americas: 19%
- Asia Pacific: 9%

Source: SWIFT

How Are Corporates Using SWIFT?

Leverage a single, standardized pipeline for bank communication

Information Reporting   Payments   Transaction Confirmations   Trade (LC) Processing   eBAM

SWIFT

What's In It For Treasury & IT?

Typical Corporate Challenges

- Need visibility to global cash
- Operate in multiple countries
- Maintain multiple methods of bank connectivity
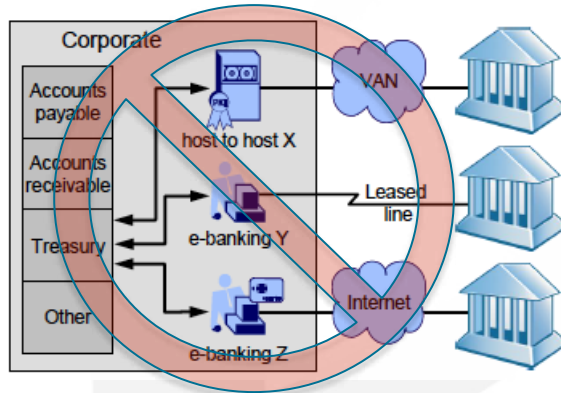
Value to Organization

- Improved visibility and control
- Single interface
- Reduced costs
- Stronger security
- Greater efficiency
- More flexibility

Source: SWIFT

Develop a Business Case

**1. Existing Reporting and
Execution Platforms**

**3. Connectivity and
Message Integration**

**2. Volumes and
Counterparties**

**4. Noise and
Acronyms**

Trends in SWIFT

- Treasury 3.0
- Visibility to Cash
- eBAM – still evolving . . .
- Improvement in bank implementations for SCORE
- SWIFT connectivity expanding to middle market
- Deployment by domestic banks

Next Steps

- **Evaluate SWIFT Value Proposition**
  - One transfer system, platform, interface, solution and channel

- **Assess Connectivity Options**
  - Bureau, Direct (SWIFT Alliance Lite 2), Concentrator
  - Considerations
    - Budget
    - In-house SWIFT experience
    - Time frame

- **Business Case**
  - The benefit goes beyond pure cost considerations
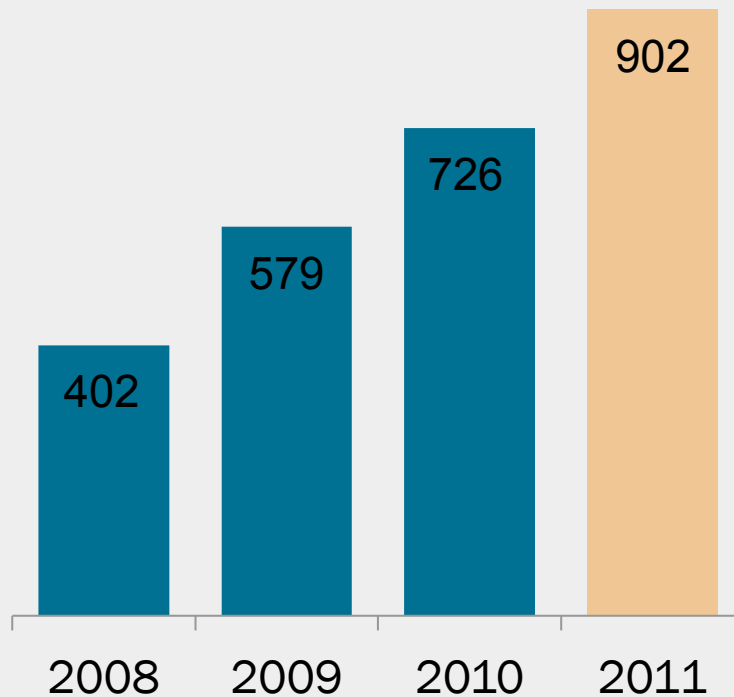
Additional Business Applications for SWIFT
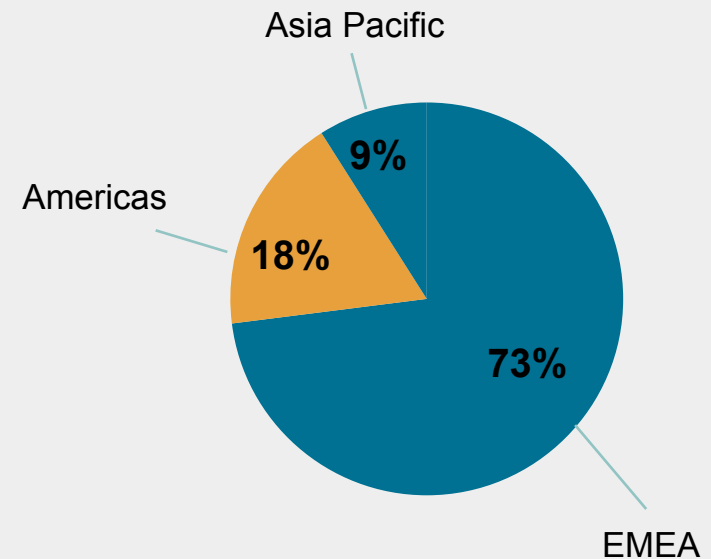
Linda Haddad

Bank of America Merrill Lynch

FUNDtech

Corporate Update

**Adoption has provided an average of 344% ROI
for some global corporates who have implemented SWIFT[1]**

registered corporate entities

Year	Entities
2008	402
2009	579
2010	726
2011	902

Geographical split

- Asia Pacific: 9%
- Americas: 18%
- EMEA: 73%

Source: SWIFT

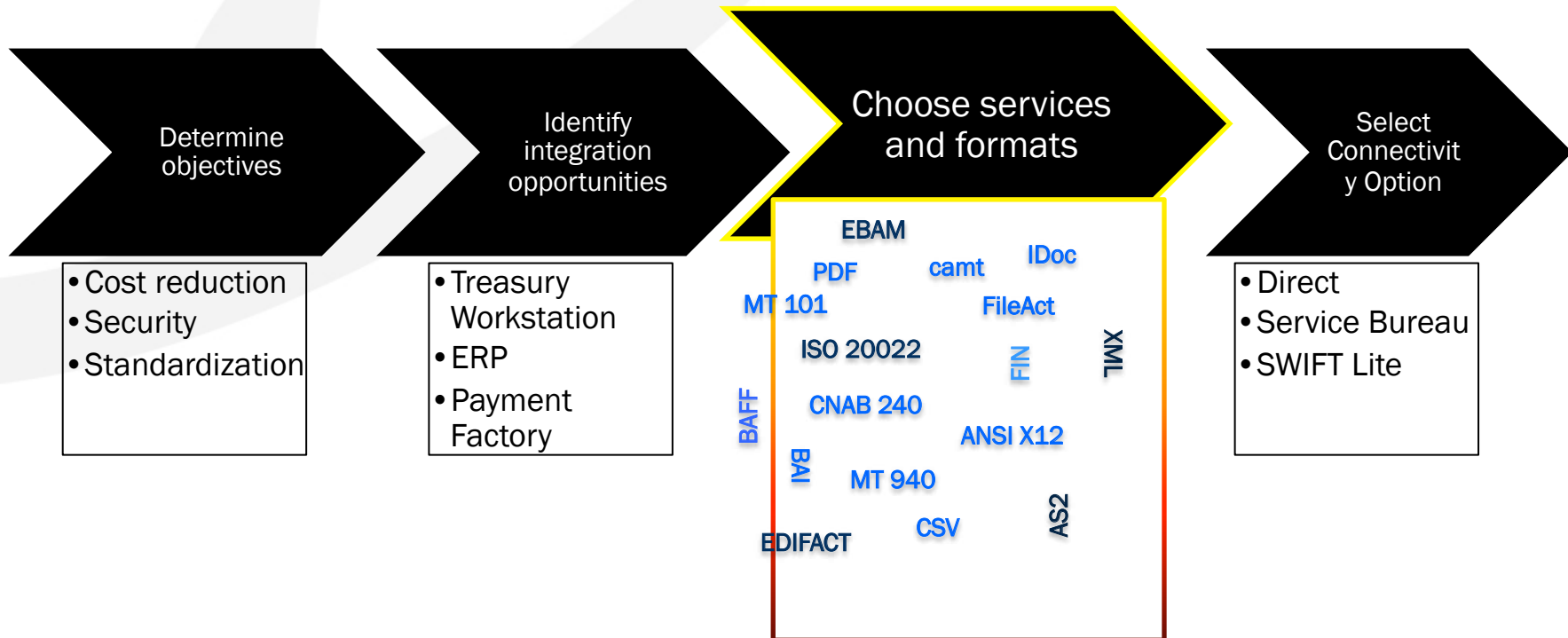[1] Based on published ROI studies of seven major corporates: Microsoft, DuPont, Arcelor, GE, Petronas, T-Mobile, Iberia

SWIFT Services Defined

- FIN – Single messages sent in SWIFT format (MT =Message Type). Typically used for high value urgent payments (wires) and PDR/CDR information reporting

- FileAct – Bulked files sent through SWIFT network using swift wrapper. Can be any agreed upon format. Typically used for payments files, information reporting, ARP, U.S. ACH and Lockbox

- *eBAM – Electronic Bank Account Management*

- *3Skey Personal Identification – Authentication at individual level*

- *SWIFT Lite2 – Direct connectivity option sold by SWIFT-Cloud-based with optional VPN*

- *Exceptions and Investigations – Automated query and investigation messages for wire status*

- *TSU – Documentary credit and guarantee messages for corporate-to-bank communication*

Pre-Implementation Project Plan

Determine objectives

- Cost reduction
- Security
- Standardization

Identify integration opportunities

- Treasury Workstation
- ERP
- Payment Factory

Choose services and formats

EBAM
PDF
camt
IDoc
MT 101
FileAct
ISO 20022
FIN
XML
BAFF
CNAB 240
ANSI X12
BAI
MT 940
AS2
EDIFACT
CSV

Select Connectivity Option

- Direct
- Service Bureau
- SWIFT Lite

Defining your own solution – Objectives

- Utilize a **single, non-proprietary interface** to banks
- Increase **straight-through processing** (STP)
- Leverage robust **security, industry standard message types** (SWIFTNet FIN) **and file formats** (ISO 20022 XML, EDI, NACHA, BAI)

Standard Messaging & Simplicity

Cost Reduction

Reduce Risk
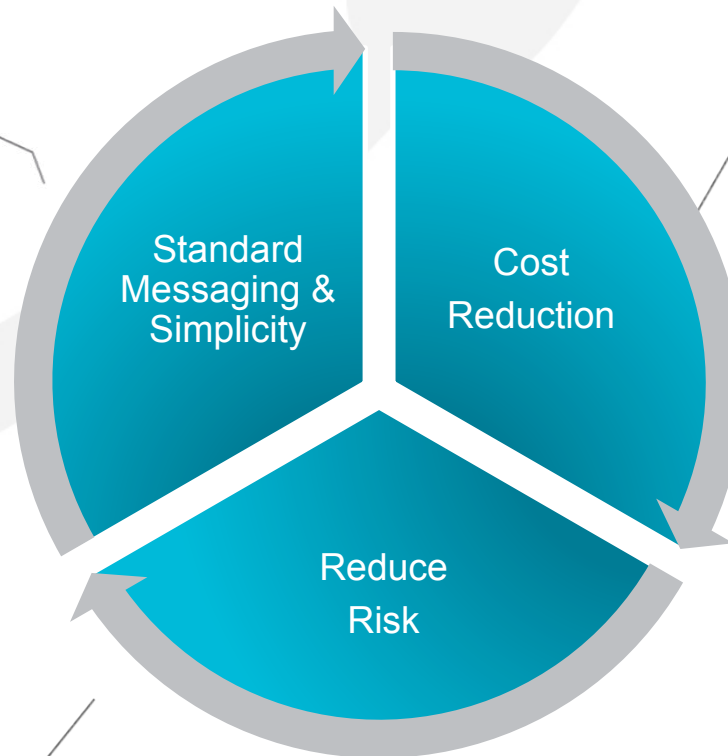
- **Reduce internal costs** and **gain efficiencies** from process re-engineering and improvement
- **Eliminate multiple communication channels** for banking integration
- **Decrease ongoing costs** from diverse application administration, maintenance and training
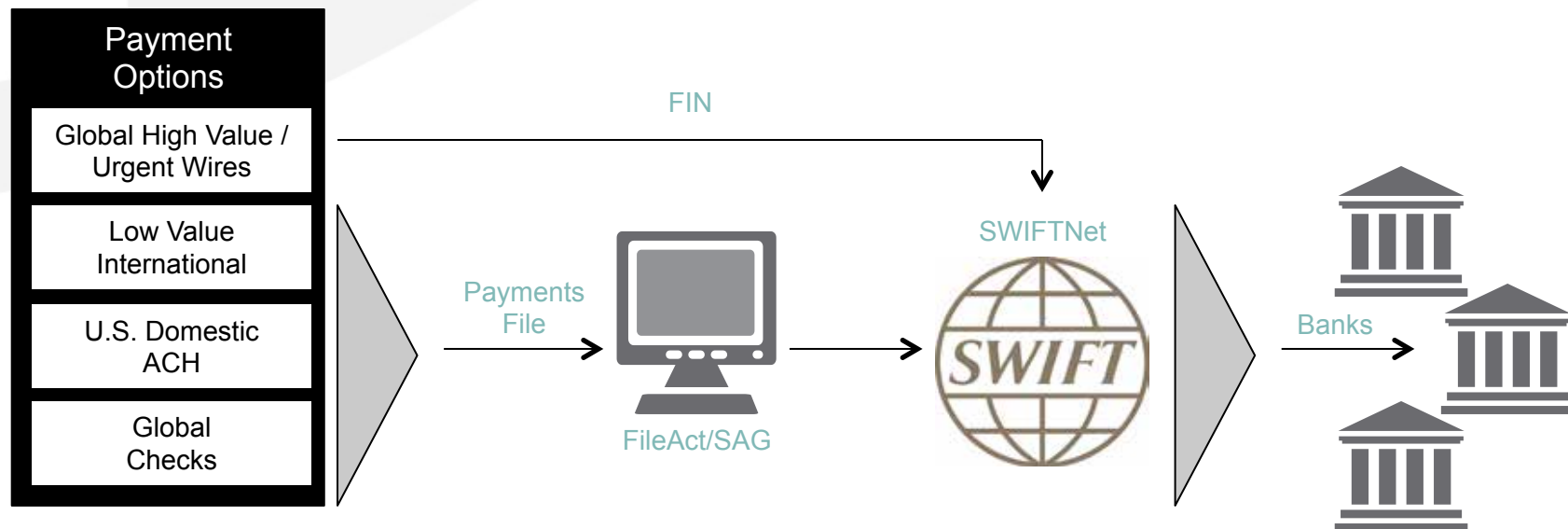
- Reduce compliance issues and interface risk
- Streamline **business continuity planning**
- Provide **robust security** and resilience

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Business Application – Payments

FIN - Send and receive secure message types

MT 101: is only debit type allowed in SCORE

- High value payments
- Non-U.S. low value payments

MT 900 Debit advices

MT 910 Credit advices

MT 210 advice to receive

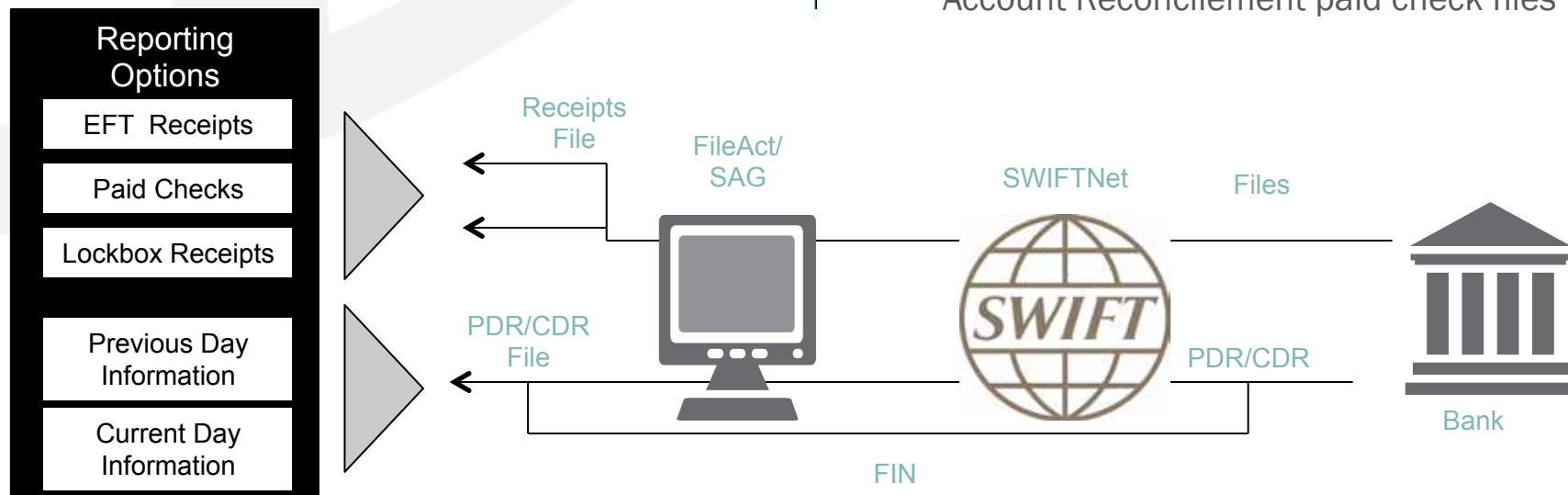MT 199 cancellations/investigations

FileAct - Send and receive files in supported formats

- ACH: U.S. low value ACH files, acknowledgements and reports in NACHA Format
- Global integrated payables files and acknowledgements in EDI 820, ISO 20022 XML,. iDoc, etc.
- Account reconcilement check issuance, daily paid and cycle-end output files typically bank proprietary format

Payment Options

Global High Value / Urgent Wires

Low Value International

U.S. Domestic ACH

Global Checks

FIN

Payments File

FileAct/SAG

SWIFTNet

Banks

Business Application – Receivables and Information Reporting

FIN - Send and receive secure message types

- MT 940 Previous Day Information
- MT 942 Current Day Information
- MT 941 Current Day Balance

FileAct - Send and receive files in supported formats

- PDR/CDR: Previous and Current Day information in BAI, ISO 20022 XML, bulk MT 940/942 format
- Lockbox: data files in BAI2 format
- Comprehensive Receivables Files is ISO 20022, BAI, EDI 823
- Account Reconcilement paid check files

Reporting Options
- EFT Receipts
- Paid Checks
- Lockbox Receipts
- Previous Day Information
- Current Day Information

Receipts File · FileAct/ SAG · SWIFTNet · Files · PDR/CDR File · PDR/CDR · Bank · FIN
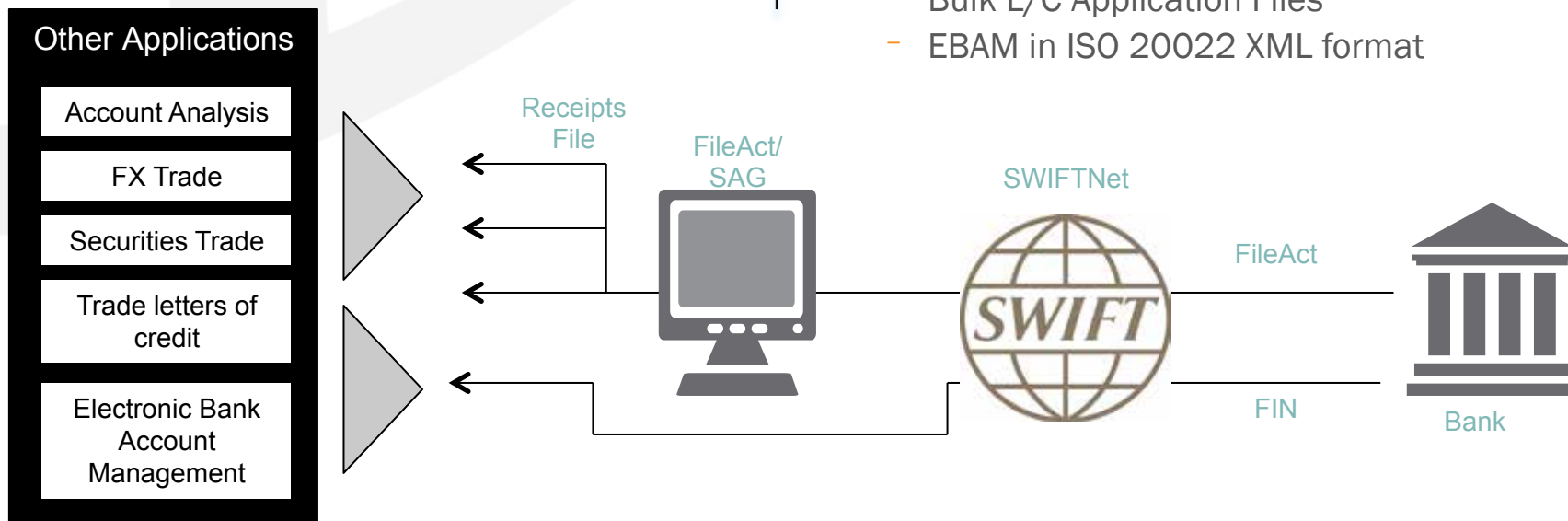
Business Application – Other

FIN - Send and receive secure message types

- MT 300 FX Trade Confirmations
- MT 515 Securities Trade Ticket confirms
- MT 798 Trade L/C messages

FileAct - Send and receive files in supported formats

- Account Analysis Statements
- eStatements in PDF format (EOM and ARP)
- Trade and Supply Chain
- Purchase Order Files
- Export Document Files
- Bulk L/C Application Files
- EBAM in ISO 20022 XML format

Other Applications

Account Analysis
FX Trade
Securities Trade
Trade letters of credit
Electronic Bank Account Management

Receipts File

FileAct/ SAG

SWIFTNet

FileAct

SWIFT

FIN

Bank

Defining your own Solution –Connectivity

	Complex	Simple	
	Private Infrastructure SWIFT Alliance Gateway	**Shared Infrastructure Service Bureau**	**SWIFT Alliance Lite**
Description	Direct connectivity with hardware and software maintained in-house	In-direct connectivity using a third party which manages hardware, software, security and maintenance	Direct connectivity through the web. Hardware, software, security, maintenance owned and operated by SWIFT
Live In	9-12 months	4-6 months	4-6 weeks
Volumes	Unlimited	Unlimited	Targeted to 200 items per day or less
Cost Points	One-time hardware and software purchase; security, maintenance costs; SWIFT annual, monthly and transaction fees; bank fees	Service bureau fees; SWIFT annual, monthly and transaction fees; bank fees	Reduced SWIFT annual, monthly and transaction fees; bank fees

Getting Started

Important Considerations

- Implementations timelines vary from weeks to years
- Implementation approaches vary
- Small "phases" may help achieve benefits faster

Beware of pitfalls

- Not all banks support all SWIFT services
- Standards are often just suggestions
- Formats: i.e. BAI has more detail than SWIFT FIN messages (MT940/MT942)
- Don't try to do too much at once i.e. Big Bang
- Don't forget to use your resources: peers

Notice to Recipient
Confidential

About Fundtech

Fundtech is the world's leading provider of financial transaction systems and services, to both financial institutions and companies.

About the Company

- Annual Revenue $220M
- 1,000+ financial institution clients
- Thousands of SME-Corporate relationships
- 1,300+ Employees
- HQ - Jersey City, NJ
- Privately owned by GTCR: $9B PE firm

About the Fundtech SWIFT Bureau Services

- World's largest SWIFT Service Bureau provider
- Supports 250+ Financial Institutions, and over 70 Corporates
- Data centers in North America, Switzerland, UK

Typical Corporate-to-Bank Connection Model

Corporate responsible for multiple protocols, standards & systems.
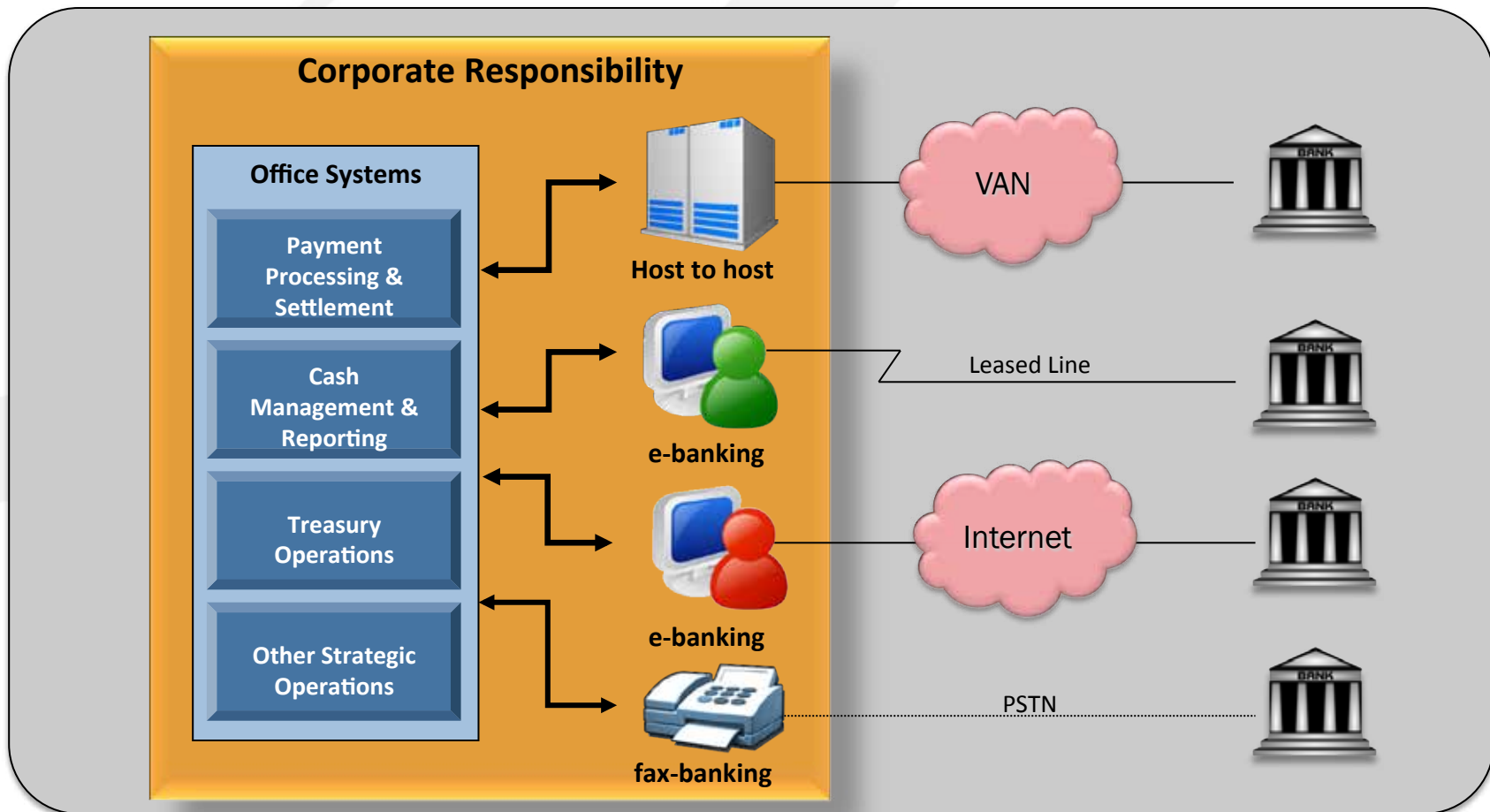
SWIFT Connection Model

SWIFT provides a single channel for multi-bank communications

.....but the corporate is still responsible for operations and maintenance
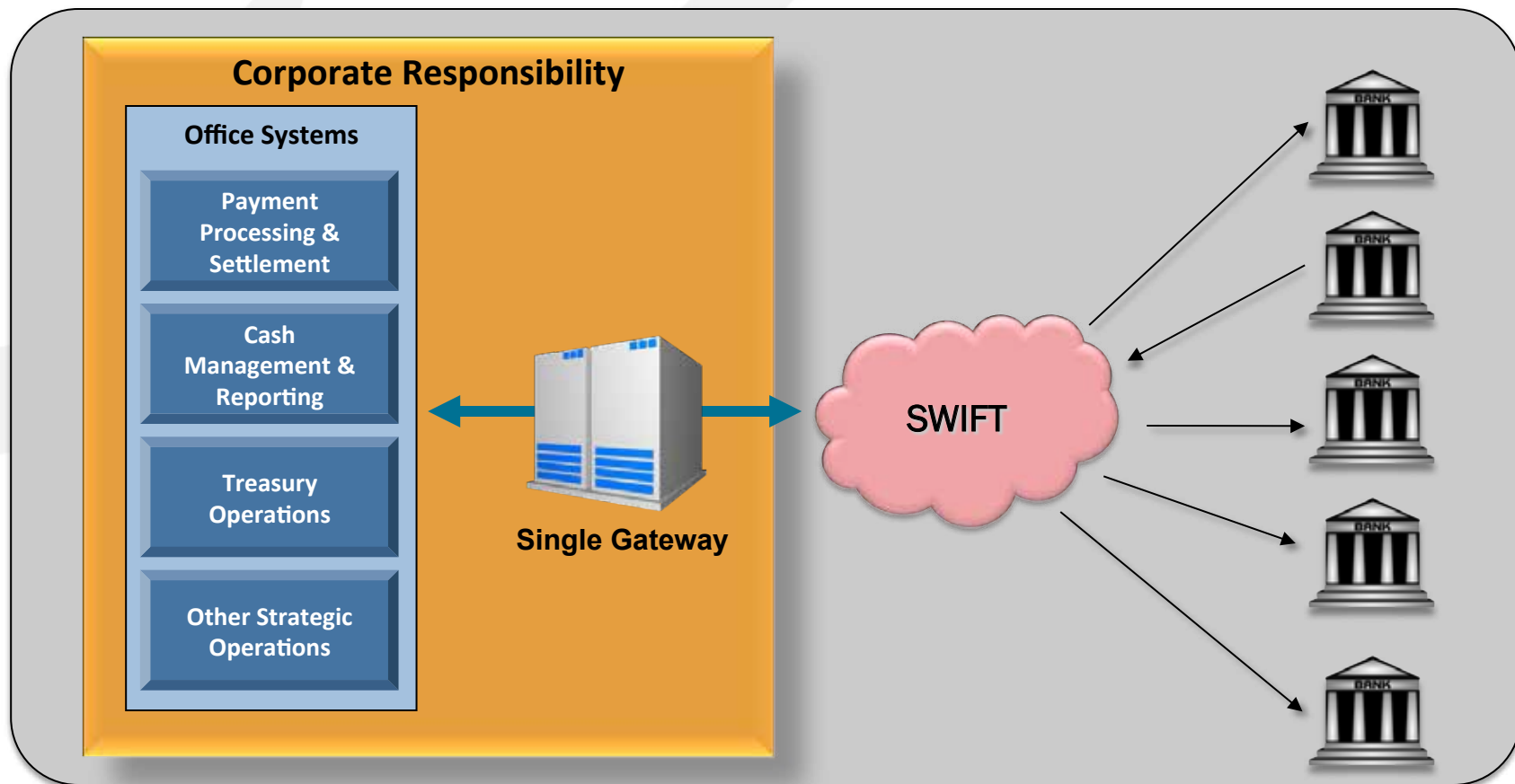
Direct Connectivity: In-House Infrastructure

Infrastructure Required at Customer Site

Communications Provider

S.W.I.F.T.

Admin
Monitor
Operator
Ped Keys

HSM

HSM Box
HSM Box "so1"
HSM Box "so2"
HSM Box "SNL ID"

Gateway

SNL
PKI

SWIFT
Interface

VPN Box
Principal

VPN Box
Secondary

VPN Box
Cold Standby

Internet

Router

SWIFT

Leased Line
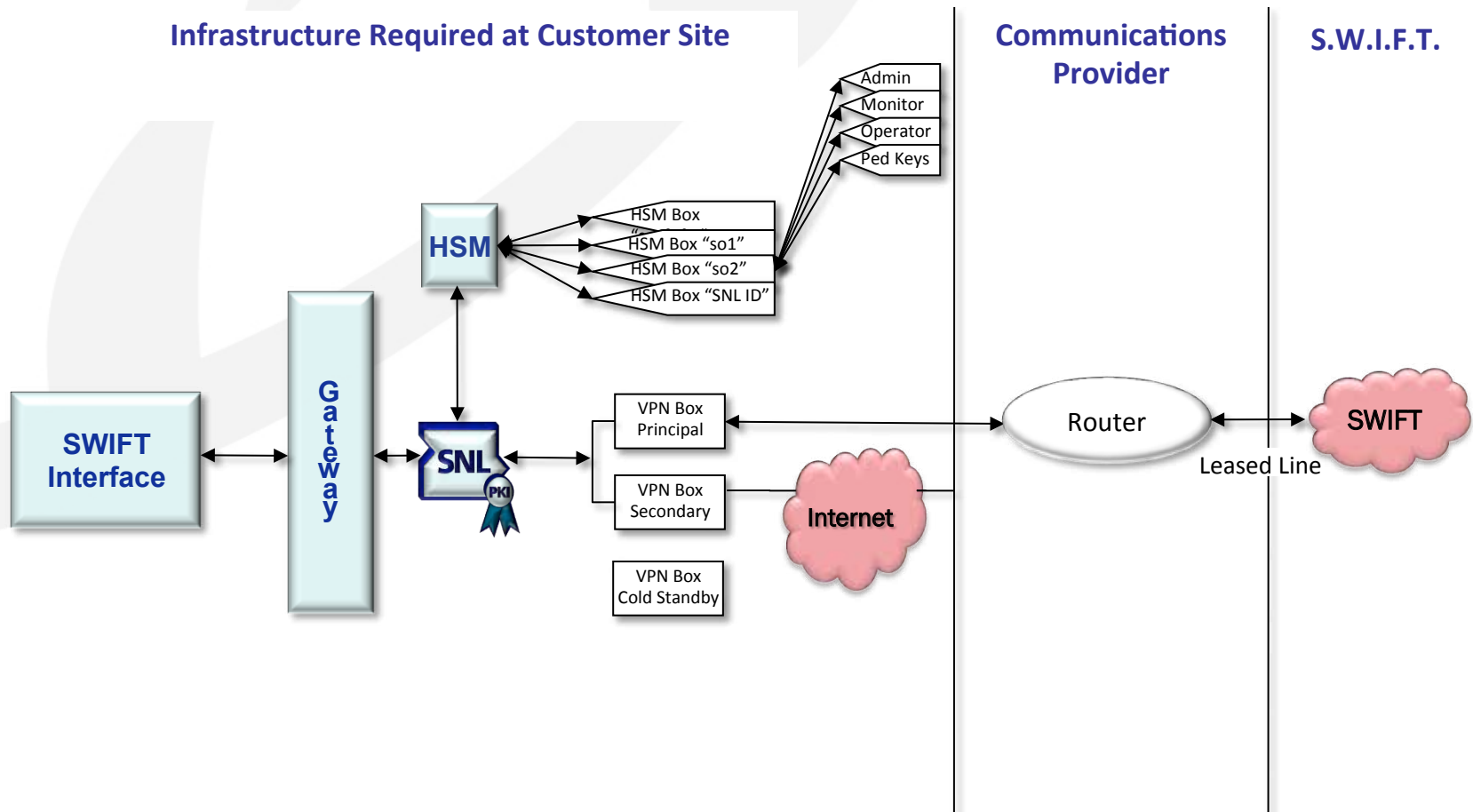
Note: similar infrastructure would also need to be duplicated for backup.

The Remaining Problem?

- SWIFT connectivity infrastructure is expensive to maintain and operate
  - Both a primary and secondary/DR infrastructure
  - Plus, any additional services that may be required in the future, such as message transformation, upgrades, etc.
- Extensive SWIFT and banking knowledge required
  - Corporates do not have this experience in-house
- Requires dedicated personnel for ongoing technical and user support
  - Most corporates only have shared resources in IT and operations
  - Lack of dedicated resources leaves company vulnerable to increased down-times that affect overall treasury operations

Financial Messaging Enabled by Fundtech

A single window to bank connectivity
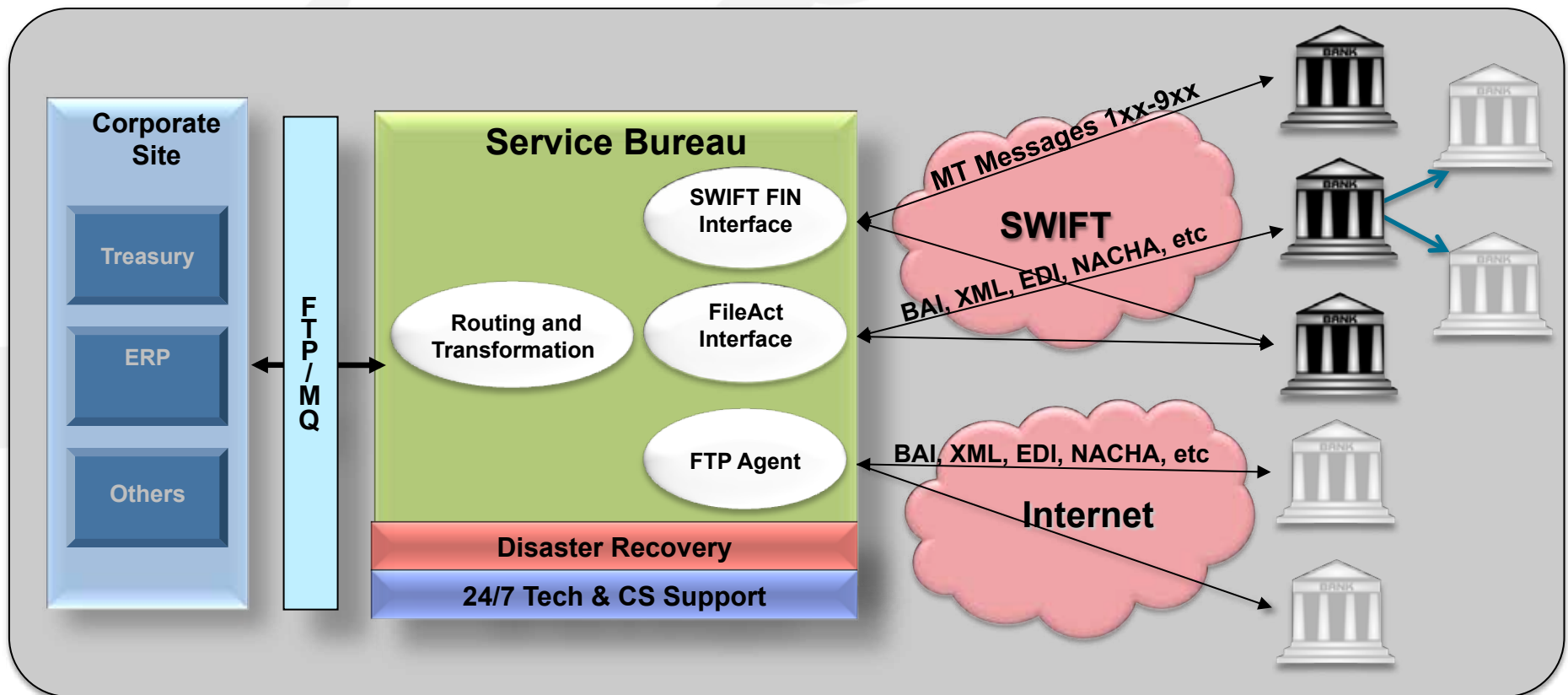
Service Bureau Model: Benefits

- Lower total cost of ownership :
  - Reduces labor and operations costs otherwise used to operate an in-house/direct connection
- Unified Processing Architecture to all SWIFT network services and capabilities
  - Interfaces to FIN, FileAct, Interact/MX, Browse services
  - All SWIFT message types: MT101, MT940, etc., and non-SWIFT: EDI, BAI, XML, etc.
  - Message conversion, mapping, destination logic
- SWIFT expertise and experience, including:
  - General guidance
  - Expert project management and implementation services
  - Bank-specific best practice
- Rapid deployment / Time to Benefit
  - Using Service Bureau's existing expertise and infrastructure
- Security, Reliability, Availability
  - Ongoing support for disaster recovery, upgrades, standard changes and general maintenance
  - Hosted in secure data centers with "always production ready", redundant disaster recovery locations
- Additional services readily available when/if needed:
  - Long-term Message Archival
  - Compliance/OFAC Checking
  - Direct Bank Connectivity to non-SWIFT Banks

The Implementation Process

Implementation General Approach

- The general timeframe for setting up the basics and the first "pipeline" is 8 weeks, which assumes:
  - Simple workflow(s)
  - Straight-through-processing
  - One or two banking partners
- Best Practices Project Management
  - Certified Project Managers (PMP®)
  - Standard Project Management Methodologies (PMBOK®)
  - With Standard Project Deliverables/Milestones

Implementation General Approach

- The Project Manager will typically manage, monitor and control through key deliverables which include:
  - Project Roles, Responsibilities and Contacts
  - Project Assumptions, Risks, Issues, and Constraints
  - Project Requirements Traceability Matrix
  - Project Decision Log
  - Project Activities List
- The Project Manager will facilitate a Project Call
  - Generally set up every-other week or weekly
  - Includes review of Activities list, any other updated Project "Collateral" such as Decision Log

Implementation Methodology

Preparations	Setup Test	Training & Test	Setup Production / Go Live
• Specification Workshops	• Configure Test Systems	• Training	• Configure Production Systems
• Order Telecommunication	• Data Migration (e.g. RMA import) if required	• Setup Users, Roles, Privileges	• Set up Users, Roles, Privileges
• Swift Undertaking (for new SWIFT members)	• Client Packaging & Delivery	• Bank Application Testing	• Connectivity and Access Tests
• Order Swift Products / Licenses	• Connectivity Tests to Bank and Provider		• Data Migration (e.g. RMA import)
• Deliver Client interface to Customer	• Host links, integration		• Go Live / Start Production
• Back office integration plan			

	Week												Remark
	1	2	3	4	5	6	7	8	9	10	11	12	
Kickoff / Business Analysis	▲												
Setup Connectivity													
Product ordering and Masterdata Changes													
Client Installation (CD)													
Configuration													
Training													
Testing													
Final Testing / Start Production													

Implementation Project Structure

- **Project Structure Recommendation:**

  - First a Pilot Bank or set of banks

  - Followed by a rolling program of on boarding.

  - Pilot establishes system integration to the Bureau and to SWIFT and allows a learning curve for the on boarding of subsequent Banks in an efficient manner.

  - FIN and FileAct are executed in separate paths

- **FIN Specifics**

  - On boarding a new Bank with FIN is transparent to the Service Bureau.

  - The customer uses the Bureau's RMA utility to exchange authorisations with the Bank and is then free to exchange FIN messages.

- **FileAct Specifics**

  - On boarding a new Bank with TFA is transparent to the Service Bureau if the "parameter file" option is used.

  - If the "directory scan" option is used, then coordination with the Service Bureau (via HD or the PM) is required to establish the folder structure and file transfer process.

Sample SWIFT SB implementation FIN and FileAct

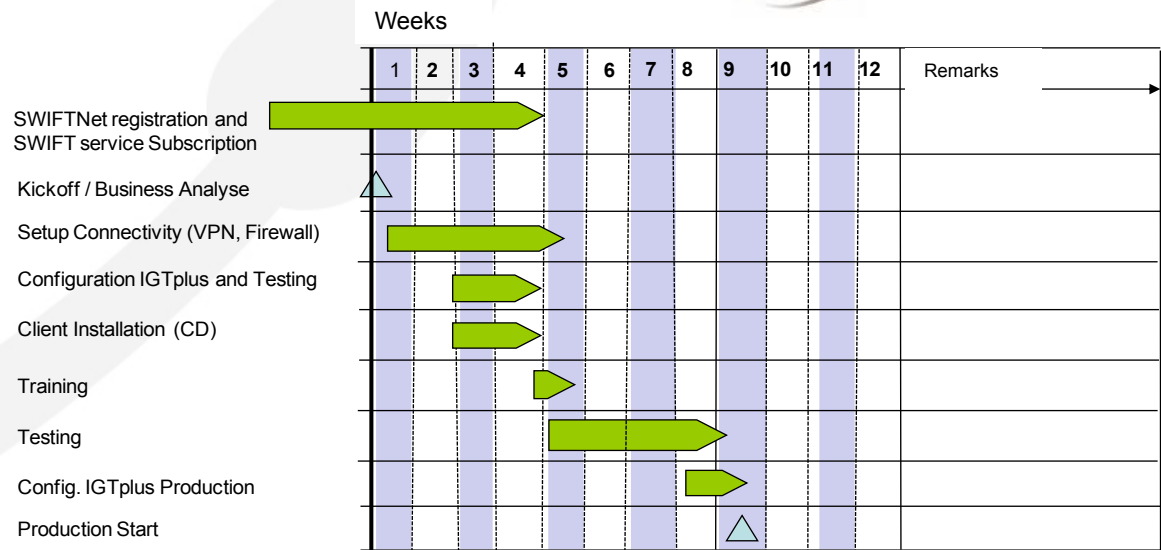**Base setup (SWIFT FIN and FileAct) and roll-out treasury payments, cash and liquidity (SWIFT FIN)**

Managed by Fundtech

Weeks

	1	2	3	4	5	6	7	8	9	10	11	12	Remarks
SWIFTNet registration and SWIFT service Subscription													
Kickoff / Business Analyse													
Setup Connectivity (VPN, Firewall)													
Configuration IGTplus and Testing													
Client Installation (CD)													
Training													
Testing													
Config. IGTplus Production													
Production Start													

Roll-out commercial payments (FileAct) per bank

Managed by Fundtech

Weeks

Initial	1	2	3	4	5	6	7	8	9	10	11	12	Remarks
SWIFT FileAct Service Subscription													
Per bank Start / Kick-off													
SCORE contract with FileAct bank													
File Format definition with bank													
Collection of Config. Parameters from bank													
Setup, Test Flow in ServiceBureau for FileAct Service													
Testing													
Setup Production Flow in ServiceBureau													
Production Start													
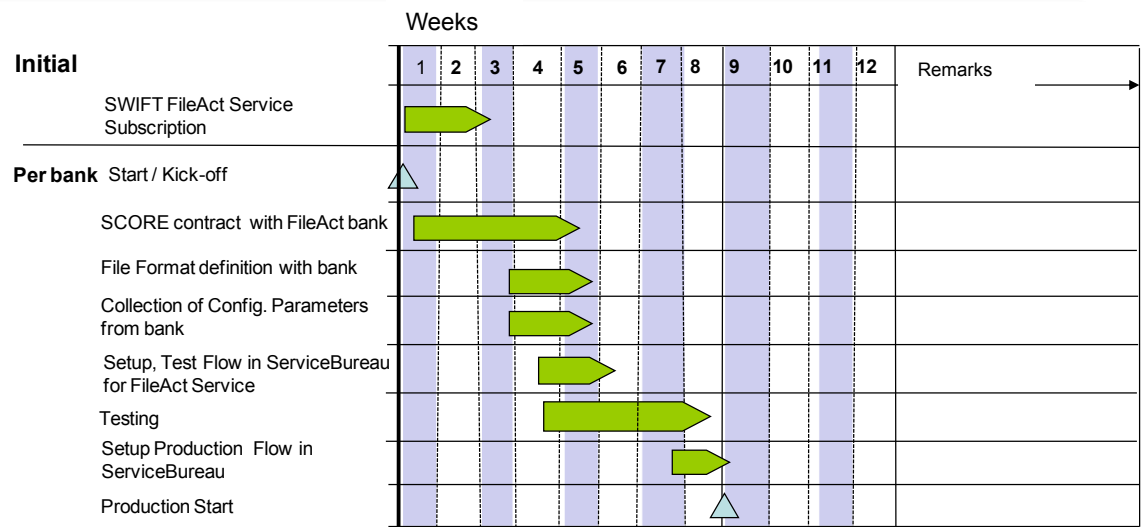
Case Studies

This section to be replaced by Itron
presentation, if Ed Barrie accepts

About Dell

Company

- A leading global technology and services company
- Headquartered in Austin, TX
- Revenue: $62+B

Dell Treasury

- Goal/Strategy: balance centralization with local execution to optimize activities across the globe and proximity to the business
- Focus on corporate-wide and strategic needs to optimize results
- ~35 global team members
- ~700+ bank accounts globally and ~70 Banking partners

The Strategic Opportunity

Drivers

Strategic Direction

↓ **Cost Reductions**

↑ **Controls**

Technology

Globalization

Efficiency

Standardization

- Centralized Bank Data
- Consolidated Treasury tools
- Centralized Payment factories
- Enterprise Wide Visibility

- Reduction of IT interfaces
- Reduction of paper
- Straight-Through-Processing
- Eliminate duplication of effort

- Single, standard connection point through the SWIFT network

Why SWIFT?

- Single highly secure, reliable alternative to multiple proprietary bank portals

- Standard communication protocols

- Bank agnostic standard

- Quickly manage the connectivity of banking relationships

SWIFT Approach

- **Connection Options Considered:**
  - Direct: In-House Connection
  - Indirect: SWIFT Service Bureau

- **Final Approach Taken:**
  - Indirect connection, using a SB to:
    - Reduce upfront and ongoing costs
    - Expedite time to implement
    - Gain additional SWIFT Expertise
    - Ongoing support
  - Transformations
    - 3rd party middleware
  - Integrated existing tools
    - TWS
    - ERP
  - Leverage in-house project managers coordinating project, banking relationships, 3rd party vendors, testing and production.

Recommendations

- Set your Treasury Vision

- The consideration of Swift should be taken in as part of a holistic approach to technology in Treasury

- Look for fast return on investment

  – Set the foundation of Swift

  – Then build on that foundation with functionality phases

- Do your homework; go to Seminars, webinar, conferences; benchmark with those that have done Swift implementations

Connecting is as easy as 1,2,3

1. Engage a Service Bureau
   – Enables low cost quick connectivity
   – Leverage expertise
     - Setup (enroll, documentation, etc...)
     - PM with Banks
     - RMA exchange; etc
2. Focus first exclusively on Electronic Bank Statements (MT940/42s)
   – Consolidated bank views
     - Leverage your consolidation Banks; Sling your raw MTs
3. Define Balance Reporting (Either purchase or prototype with MS toolsets)
     - Concentration views
       – Bank
       – Currency
       – Country
     - Liquidity views
       – Change in balances
         » Day over day
         » Month Over Month
         » QTR over QTR
         » Year over Year

Q&A & Wrap-Up

Q&A

Upcoming SWIFT-Related Events

1. SWIFT for the Corporate Treasurer
   May 17, 2012
   New York, NY
   http://seminar0512.eventbrite.com/

2. Global Treasury Foundations and Technologies for the New Normal
   May 31, 2012
   Cupertino, CA
   https://events.r20.constantcontact.com/register/eventReg?
   llr=jlanovdab&oeidk=a07e5p8oxdw5363c8a0&oseq=

3. AFP Annual Conference
   October 14-17, 2012
   Miami, FL
   www.afpconference.org

4. SIBOS
   October 29 – November 1, 2012
   Osaka, Japan
   www.sibos.com

THANK YOU