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a buyer's guide to
**SWIFT
Service
Bureaus**

How to choose a SWIFT service bureau

SWIFT connectivity offers corporates a single pipeline to many banks - yet many corporates still believe it is expensive, too complex to manage and very cumbersome to join. As SWIFT changes to make it easier for corporates to access the network, service bureaus are stepping in to shoulder the technical and administrative burden.

The service bureau proposition is too good to ignore, even for the largest of corporates. A service bureau invests in specialist technology development and personnel with SWIFT expertise in legal documentation and service level agreements, process re-engineering, upgrades and technical interfaces, all of which are identified as significant stumbling blocks for many treasuries with limited IT resources.

When choosing a SWIFT service bureau, corporates need to assess the scope of services that it offers - some offer only connectivity, while others offer a fully-managed hosting service and optional products, such as cash reporting, funds transfer, electronic bank account management (eBAM), reconciliation, payment exceptions and investigations (E&I), anti-money laundering (AML), etc. But the most important question to ask is does the service bureau meet the same parameters as SWIFT in terms of availability, security, resilience, non-repudiation, and guaranteed message deliveries?

Joy Macknight, editor, a buyer's guide to SWIFT service bureaus

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Debunking the SWIFT myth

SWIFT offers a single, secure connection to multiple banks, but it is still only used by a minority of corporates. **Joy Macknight** examines how SWIFT fits the needs of today's corporate treasury

The financial crisis has ramped up pressure on corporate treasury to increase efficiency and straight-through processing (STP), as well as improve cash visibility, reporting and payment reconciliation.

There is now a much greater focus on working capital and the cash conversion cycle. Treasury needs to centralise its operations by consolidating and rationalising connectivity to its banking partners in order to reduce inefficiencies, streamline processes and save money.

Counterparty risk has also gained an importance not seen before the crisis as some 'too big to fail' banks did actually fail and others were eaten up in the mêlée. After years of treasurers trying to reduce the number of banking partners and centralise treasury operations, having all the eggs in one basket no longer

seems such a good idea, particularly if a company is locked into a bank's proprietary electronic banking (ebanking) solution.

"Corporates want easy access to multiple banks," says Elie Lasker, head of corporate market, SWIFT. "Plus, in order to mitigate counterparty risk, they need to have a flexible channel in case they need to quickly switch or add banks."

By providing a single, standardised and secure channel, SWIFTNet can help corporates:

- Optimise cash and liquidity management.
- Reduce operational and counterparty risk.
- Improve security.
- Improve STP and systems integration.
- Reduce costs.

Marilyn Spearing, global head of

trade finance and cash management corporates, Deutsche Bank, and chair of SWIFT's Corporate Access Group, says: "The first thing is STP, the second is the ease of switching, and then the final thing is the anticipation of added-value services, so an enriched linkage over time."

So if SWIFTNet holds the promise of making life a lot easier for corporate treasurers, why aren't there more corporates signing up? To date, there are just over 600 corporates with direct access to SWIFT, out of a pool of possibly 20,000. Although this represents a steady increase from 108 in 2005, the tipping point for corporate adoption is far off.

Removing Barriers to Adoption

Historically, most corporates perceived SWIFT as an inter-bank club with select mega-corporates, such as Microsoft, General Electric (GE) and DuPont, invited to join the party. Most still see SWIFTNet as expensive to run, over-complicated, difficult to access and maintain, and needing specialised knowledge.

However, in recent years, SWIFT, banks, technology vendors and service bureaus have developed business propositions specifically aimed at corporates, which has changed the SWIFT corporate community's demographics. It is no longer solely the domain of the largest multinational corporates, now that smaller corporates - i.e. with less than €1bn annual turnover - and even domestic players are looking to SWIFTNet connectivity for efficiency gains.

SWIFT

As part of the strategy to expand its user community, SWIFT has made a number of changes to make access

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SWIFT membership schemes

A corporate can join one, several or all of these membership schemes

Treasury Counterparty (launched in 1998)

The Treasury Counterparty (TRCO) model allows a corporate to exchange treasury deals confirmations (e.g. spots, forwards, currency options, money markets) with any financial institution on SWIFT (for example there is no need to register in a closed user group). This model can be used by both listed and non-listed companies. To register for this scheme, the corporate needs to be sponsored by eight financial institutions which are members of SWIFT. Note that the TRCO model does not cater for business needs other than treasury confirmations, for example sending payment instructions, receiving statements, buying and selling securities.

MA-CUG (2001)

The Member Administered Closed User Group (MA-CUG) is a bank-administered scheme where a corporate can communicate with its bank via SWIFT. In this scheme a company would contact each

of its banks separately to establish a SWIFT relationship. In this scheme the company's access to the SWIFT network is controlled by the bank. Each bank defines and operates its own service over SWIFT. Corporates may join multiple MA-CUGs.

SCORE (2007)

In a Standardised Corporate Environment (SCORE) scheme, a single relationship with SWIFT is established which provides the link to many banks - it is in effect a many-to-many closed user group (CUG) administered by SWIFT. Corporates and banks join one CUG. It is for the exchange of single transactions and/or batches (files) of transactions. This scheme supports financial messaging for payments and reporting between eligible corporates and their banks or other financial institutions. Any corporate can now join the network, provided it is recommended by a bank located in a Financial Action Task Force (FATF) member country.

easier for corporates. In June 2009, SWIFT widened the eligibility criteria so that any corporate will be eligible to join the Standardised Corporate Environment (SCORE), provided that it is recommended by an existing SCORE bank located in a Financial Action Task Force (FATF) member country (see box on SWIFT membership schemes). Before that corporates had to be listed on a regulated stock exchange, effectively barring entry to privately-owned multinationals such as Ikea and Cargill.

Earlier in 2009, SWIFT released a shortened version of the SCORE agreement, which made the whole legal process of onboarding banks much simpler. John Ballantyne, UK sales manager at SMA Financial, a UK-based SWIFT service bureau, explains that one of the major issues for a corporate joining SWIFT is the legal documentation. "This is something that is a necessary evil but it's nevertheless quite time-consuming and I would always flag it up as a key risk because it is quite an onerous process," he says. In December 2009, SWIFT announced a revised version of the service level agreement template to improve the quality of cross-border payments services.

Importantly, SWIFT has taken steps to address the biggest barrier to corporate uptake - the cost. In September 2008, SWIFT launched Alliance Lite, touted as 'SWIFT access on a USB stick', which is a low-cost, plug-and-play solution (see box on SWIFT on a USB stick). According to Lasker, 30% of corporates that joined last year chose to connect through Alliance Lite.

And lastly, SWIFT is also looking at additional services such as:

- Exceptions and investigations.
- Trade finance.
- Secure e-mail.
- SWIFT Secure Signature Key (3SKey).
- Electronic bank account management (eBAM).
- Electronic invoicing (e-invoicing).

"Everybody is talking about electronic bank account management and e-invoicing - in other words really expanding what can be done through the same channel," says Spearing.

Banks

Banks are beginning to take a different attitude towards SWIFT for corporates, particularly those involved with the Corporate Access Group, which Spearing chairs.

Speaking from a Deutsche Bank perspective, she says: "Historically, Deutsche Bank was agnostic on the channel - whether a corporate chose

SWIFT on a USB stick

Direct, low-cost access to SWIFTNet

Alliance Lite is SWIFT's internet-based connectivity product that provides direct, low-cost access to its network. Lite is a much less expensive way to connect in terms of its pricing model and the technology investment needed to connect.

SWIFT established a new pricing model for Lite in which everything is included: the software, bank identifier code (BIC), SWIFT membership, SWIFT user handbook, online training, PKI certificates, standard support, and built-in reference data. Customers can choose between two models: a flat fee or pay-as-you-go.

- A monthly flat fee standard pricing is €850 per month, or €10,200 per year, which includes up to 4,000 items sent or received per month. Above that, it is €1 per additional item sent or received.
- For pay-as-you-go customers, SWIFT charges a flat fee of €200 per month for the service and €1 for every item.

Alliance Lite is accessible over the internet through a USB token, which is an identity token containing certificates issued by the SWIFT certification authority. The certificate supports basic public key infrastructure (PKI) principle scenarios.

SWIFT or the bank's proprietary channel was the corporate's choice. But now we promote SWIFT access. If a corporate is changing its environment, whether the enterprise resource planning (ERP) system or treasury management system (TMS), etc, we think that it should join SWIFTNet because this is the way everything will move in the future."

But won't many banks hesitate before abandoning hugely expensive

"Everybody is talking about electronic bank account management and e-invoicing - expanding what can be done through the same channel."

proprietary ebanking systems? "You can sense a concern - and some banks are questioning whether it is a good idea to endorse SWIFT, particularly some of the major players with large installations," says Spearing. "But on the other hand, everyone is saying that we have to make it easier and do what we can do to communicate better."

Franklin Van Weezendonk, senior vice president, Axletree Solutions, a US-based SWIFT service bureau, agrees that banks'

attitudes are changing. "Previously, a bank liked having its proprietary platform because it helps to create a sticky relationship. But now banks realise that SWIFT has a value for corporates and they can't remain on the sidelines from a competitive standpoint, particularly the larger banks."

Technology vendors

SWIFT has reached out to the vendor community, particularly ERP and TMS solution providers, to develop standards that will help to drive adoption and make it easier for corporates. These vendors are also finding benefits for themselves.

"TMS providers are actually supportive of systems limitations in their own right," says SMA Financial's Ballantyne. "Integrating an application with the SWIFT gateway, rather than five or six electronic banking platforms, actually reduces the complexity on the TMS side and within the corporate back office, and also reduces cost."

SWIFT service bureaus

SWIFT service bureaus offer SWIFT connectivity on an outsourced basis so that corporates do not have to make major investments in technology, infrastructure and specialist personnel. Lasker estimates that about 70% of corporate users are connected via a service bureau instead of maintaining the SWIFT infrastructure in-house.

Van Weezendonk highlights another benefit: "With a service bureau, a corporate doesn't have to reinvent the wheel - a service bureau will have the resources in terms of hands-on experience, expertise and certified technicians." Such experience is crucial when onboarding banks and also when upgrades are made available for SWIFTNet.

Deutsche Bank's Spearing believes that developing service bureaus will be an opening point for greater corporate adoption of SWIFT, mainly because this will be a cost-effective alternative for most corporates. "The first companies were major corporates that spend a lot of money on treasury technology, but the average corporate doesn't. It costs a lot of money to operate an in-house platform, if you take into account hardware investment, software investment, personnel, etc.

"A service bureau already provides the whole package, as well as value-adds, and almost at a pay-as-you-go price. Plus, a service bureau will be able to get a corporate up and running much faster and more efficiently," she adds.

Moving to SWIFTNet

One of the most difficult hurdles corporate treasuries must overcome when planning a move to SWIFTNet is developing a solid business case, particularly in the current environment when infrastructure budgets are tight

When creating a business case, a SWIFT project should be part of an overall drive towards treasury centralisation. According to Elie Lasker, head of corporate market, SWIFT, the hardest part of the project is what comes before, for example centralising enterprise resource planning (ERP) systems or treasury management systems (TMS), or re-engineering treasury processes.

The 'icing on the cake' is then to be able to connect efficiently and easily to the different banks via SWIFT.

"A treasurer doesn't wake up one day and say 'I want to connect to SWIFT'. There is no significant benefit for a corporate if there isn't a project aimed at streamlining behind it," says Lasker.

But once a centralisation project is in the pipeline, where does a treasurer start when putting together a business case for SWIFT connectivity that stands up to budget pressures?

Developing the SWIFTNet Business Case

A business case should answer the following questions:

1. Which SWIFTNet schemes are available? Which is the most suitable for your business?
2. Will SWIFTNet meet the objectives of increased reliability, control and cash visibility?
3. What are the costs and benefits of the SWIFTNet schemes?
4. How do the SWIFTNet schemes (plus required middleware) fit in the contemplated treasury technology ecosystem, particularly in terms of integration?
5. What are the main risk factors of any

SWIFTNet scheme?

6. What does a SWIFTNet scheme implementation plan contain: steps, duration and legal documents?

Let's explore each question in more detail.

1. Connectivity options: SWIFTNet schemes

- *Private infrastructure*: a SWIFTNet connectivity infrastructure which is established, owned, operated and managed by a company's own technical team.

- *Shared infrastructure*: a SWIFTNet connectivity infrastructure which is established by outsourcing to a third party vendor, commonly called a service bureau, who owns, operates and manages it on behalf of the company.

- *Alliance Lite*: a simplified, internet-based secure connectivity to SWIFTNet. It is a low-cost, low-volume solution but may not be optimum for central treasury but might be useful if a company wishes to give direct access to SWIFT to its smaller subsidiaries.

It is more usual for corporates to go down the shared infrastructure route, which has a number of advantages including:

- Technical interfacing issues are handled by the service bureau.
- Removes the complexity of managing SWIFTNet environment in-house, while saving costs on IT and SWIFT specific personnel.
- Future-proof access to SWIFTNet services.

Some companies will see disadvantages as well, including the fact that an additional external party adds an element of risk, particularly around the area of storing sensitive data.

Reassurance from the service bureau around the handling of this data will be required.

2. Reliability, control and increased cash visibility

Many companies express concerns about the reliability of current electronic banking (e-banking) systems and the possibility of disruption in delivery of information. The SWIFTNet schemes are reliable and form a negligible risk: SWIFT publicly states its availability goal is 99.995%. In addition, SWIFT offers a guaranteed delivery mechanism for payments for messages once the sender has received an acknowledgement (known as an ACK) from SWIFT. They are also financially liable for non-delivered messages. When using a service bureau, a company will be dependent on the middleware of the service bureau, which might also be seen as adding an element of risk.

One of the major benefits of SWIFTNet is that central treasury can gain better control through having all banks report through SWIFTNet, thereby gaining global visibility of bank statements and information. In addition, payment authorisation can be left at a local level, with the possibility of adding a regional signature as required.

SWIFT enables corporate treasurers to achieve greater cash visibility by:

- Enabling them to collect balance and transaction data daily (and intraday) in a standardised form from a corporate's various banks around the world.
- There is no need to log-on to separate e-banking portals.
- Central treasury receives this information directly from the banks in the regions rather than relying on the

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“A treasurer doesn’t wake up one day and say ‘I want to connect to SWIFT’. There is no significant benefit for a corporate if there isn’t a project aimed at streamlining behind it.”

Cost considerations

Things to consider for project budgets

No project will get off the ground unless there is a budget estimate. Here are a few things that a corporate will have to look at in terms of possible costs.

The registration cost for SCORE/MA-CUG is a yearly fee of €2,000 for both options. Business entity identifier (BEI) costs €1,250 a year. The private infrastructure costs for direct connectivity are a one-off fee of €43,800 and a recurring yearly cost of €14,000 for traffic volumes of more than 1000 messages per day (September 2009). For service bureaus, the amount can vary depending on the extent of the offering, but an example of a one-off fee is around €1,675 and a yearly fee around €2,800.

The traffic/messaging costs are a result of the amount of FIN and FileAct files that are being sent per day. For example, the FIN messaging costs are calculated by multiplying the amount of domestic files per day (200 x 70%) times the cost per domestic file of €0.06 plus the amount of foreign files per day (200 x 30%) times the cost per foreign file of €0.21. The cost-per-

day totals are then converted to a yearly amount that could, for example, result in a yearly cost of €7,665. File transfer costs 0.1 eurocent per payment (anywhere).

A company should also take into account non-SWIFT costs, such as:

- External help - typically this might be in the order of two full-time equivalents (FTEs) for up to two months over the duration of the project.
- Servers and operations or service bureau - for direct connectivity, two servers may be required for a ‘very large’ corporate, which entail a one-off cost of potentially €20,000 per server and maintenance fees. For a service bureau, no servers are needed but a fee will be charged for hosting services. This could be in the region of up to €30,000 per year.
- The costs for middleware are similar both options - it is worth potentially budgeting up to €100,000 and also remember that there will be yearly support costs of up to 20% of this amount.

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subsidiaries to report.

- Standardised data formats means cash balances can more easily be integrated into a TMS or ERP system to create a consolidated view.
- Adding or deleting banks from the list is made easier due to the bank-independent nature of SWIFTNet.

3. Cost/benefit analysis

Many companies are using SWIFTNet as part of a programme to centralise their treasury operations into one location. The main cost benefits will come from a reduction in staff numbers. They also want to improve reliability, gain greater cash visibility and introduce greater control within the treasury structure, which is more difficult to quantify.

4. System fit

For many companies, their TMS will become the gateway into SWIFT. Most or all data and associated security profiles will be stored in the TMS. The main issue is to ensure that there is an interface between both the TMS and SWIFT with flows both outbound for payments and inbound for balance and

transactions statements.

Another issue that will need to be decided relates to payment processing. A company may wish to leave local payment processing in the local countries. However, central treasury may want to retain some control over the authorisation of local payments. There are many ways this can be achieved.

One way involves making the TMS the central conduit for all flows but this will require a link between the TMS and the local subsidiaries. This could be achieved by giving the subsidiaries limited access to the TMS payment input module.

Another approach would be to provide the local subsidiaries with SWIFTNet access through a product called Alliance Access. This is a view into SWIFT and allows users to input, verify and authorise payment instructions. These different processes can be physically performed in any location.

This means, for example, that a subsidiary could input and verify a payment instruction and then central treasury could authorise it. One of the problems with this approach is that it is outside the TMS and so issues such as bank reconciliation need to be addressed differently.

Message file formats

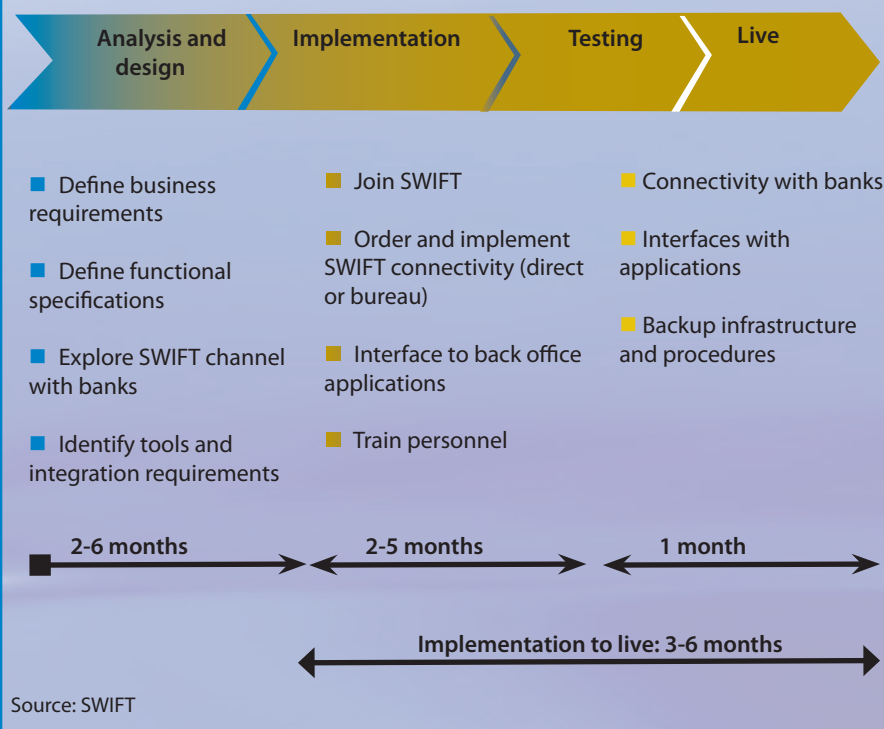
FIN (individual messages)

- Typically used for single transactions, e.g. high-value payments, deal confirmations and reporting.
- Store and forward delivery of highly structured messages in strict SWIFT FIN (MT) format.
- Messages are validated by SWIFT on transmission.

FileAct (file transfer)

- Typically used for bulk payments (e.g. salaries, commercial payments, direct debits, etc) and reporting.
- Secure file transfer over SWIFTNet.
- Delivered in real time or store and forward mode.
- Files can be in any format - payments files, iDOC, ISO 20022 XML, domestic ACH formats, BAI, etc.
- Not validated by SWIFT.

Implementing SWIFT for a corporate: project milestones



5. Risks

When a company stops using its bank's ebanking system, this may impact its relationship with that bank. It is advisable for companies considering a SWIFTNet approach to involve their main cash management banks in the process. Although the method of receiving information the bank will change, the actual number of transactions being processed by the bank will not. Therefore, the risk is negligible. Many banks already have clients using SWIFTNet and are used to this approach.

6. A SWIFTNet implementation plan

There are then five main stages in planning and implementation:

Define the scope

- What services are needed - payments, balance and transaction reporting?
- What banks will be involved and are they SWIFTNet-compliant?
- What type of connectivity is required?
- Formats and messaging - FIN, FileAct, etc (see Message file formats box).

Contact the banks

- The company will need to let the

banks know that it intends to use SWIFTNet. New bilateral agreements may need to be put in place with the banks involved.

- Agree service conditions.
- Get copies of legal template if available.

Software and connectivity

- Contact SWIFT and/or service bureau.
- Define schemes required.

Pilot period

- Join SWIFT.
- Install software and connect to SWIFT.
- Run test pilot.

Roll out - per bank

- Kick-off meeting.
- Setup and test live environment.
- Go live.
- Revisit and ensure that objectives have been met.

SWIFT estimates that a project of this size should take between three and six months to complete if a service bureau is used and six to nine months if a direct connection approach is chosen (see Implementing SWIFT box).

MA-CUG versus SCORE

A 'very large' UK corporate currently has more than 300 bank accounts with more than 20 banks. It currently uses in excess of 15 local electronic banking systems. Treasury has approximately 200 payments per day. This results in approximately 4000 payments per month. The number of payments done by the local entities is approximately double that per month.

Presently, payments are sent to the banks by the local entity. The company is currently centralising its payments into a payments factory. With such a large number of banks SWIFTNet is an ideal consideration. The company plans to use its TMS and ERP system in conjunction with SWIFTNet to create and transmit the payment files to its banks and then collect the bank information.

When comparing MA-CUG and SCORE, SCORE is seen as the preferred route for a company who is looking to perform payments and reporting through SWIFT. Given the multiple banks involved, the MA-CUG route would necessitate the establishment of connections with each of these banks separately. This in itself would be a time-consuming and onerous task. The SCORE approach on the other hand provides a single channel to multiple banks allowing the company to operate accounts payable (A/P), accounts receivable (A/R) and treasury-related activities (if required) through the SWIFT network. In this case the corporate used SCORE and a local SWIFT service bureau to connect because it did not feel it had sufficient in-house expertise to build the connection.

Expert opinion

FRASER LEE,
treasury
systems
manager,
Vodafone
Group Services



**DR MARKUS
WARNCKE,**
treasurer,
Villeroy & Boch



What made you decide to switch to SWIFT connectivity? Specific market drivers?

The original switch to SWIFT was a result of a far wider treasury vision project to identify and implement a mechanism to consolidate the various bank communications channels we had in treasury. The goal was to ensure as few systems as possible were used and communication channels were standardised to reduce the complexity of controls and the resources needed to run and maintain multiple systems.

We use SWIFT for bank and dealer confirmations for all types of financial transactions and payment transactions. Previously, we used fax or email for treasury confirmations, which then had to be manually matched. Now we have an automatic tool connected with SWIFT. Also with just one IT platform, we only pay for maintenance cost on one platform. In addition, SWIFT delivers the highest security level available.

What method did you use to connect: Standardised Corporate Environment (SCORE), Member Administered Closed User Group (MA-CUG) or Treasury Counterparty (TRCO)? What were the advantages of your chosen method?

Originally we moved onto SWIFT using the MA-CUG method, as at that time it was the only option for a corporate looking to do this. This has now grown to include SCORE agreements with our three other main treasury banks. This enables us to have a direct connection to each of our primary banking partners, each independent from the other, with full access to all SWIFT services and products.

We started as a TRCO member. When we decided to switch, we could use either a MA-CUG with each bank or SCORE. We qualified for SCORE under the rules set out by SWIFT and it was bit of an image thing to be a SCORE partner. But the main benefit of SCORE was one standardised contract for all banks. In reality, the standard contract was a bit different for each bank, but basically it was more standard than a MA-CUG contract.

Why did you outsource the connectivity to a service bureau?

Our SWIFT infrastructure has been maintained in-house for the past three years. In that time, SWIFT's corporate offering has matured and expanded, as have the available service bureau offerings. The SWIFT infrastructure requires a high degree of specialised knowledge to implement, maintain and develop. This was causing resource issues and hampering our attempts to drive forward our use of SWIFT functionality. With SMA Financial's Service Bureau, we are able to maintain control but allow the day-to-day connectivity and problem solving to be the responsibility of the service bureau, also using the bureau's disaster recovery (DR) capabilities.

The IT department made the decision to outsource to Broadridge's Service Bureau. In the end, it was a cost issue because it is not just the investment in hardware but also staff training in terms of SWIFT-specific expertise. They decided it would be more cost effective to outsource the connectivity to a service provider, following the example of most corporates and a number of banks. The 90-person IT department customises and maintains the worldwide IT systems out of Germany. It could have been possible to do it ourselves, but the resource and cost issues led us to outsource.

Were there specific hurdles that had to be overcome?

I have over three years experience with using SWIFT to make payments, confirm trades and receive bank reports. The main hurdle when looking to move to a service bureau was to convince senior management that a current in-house solution should be outsourced to a third party. The actual SWIFT database we use was simply restored at the service bureau and the bureau infrastructure connected, maintaining our current control structure and helping the setting up of the new platform.

Yes, the contractual agreements were a hurdle. Even though there is a standard SCORE contract that has to be initiated with each bank, there are also differences. Additionally, in 2008 when we started payment transfers, we felt that the banks were also learning how to connect corporates via SWIFT. It wasn't just a plug and play exercise for the banks - I felt that they didn't have much experience. So it was a learning process on both sides.

Are there plans in the pipeline to expand your use of SWIFT?

We are currently looking at several SWIFT projects, including utilising new message types for triparty repo transaction and collateral monitoring, and also for receiving information on money market fund size, rates and trade confirmations. We are also exploring the use of the SWIFT Gateway to access Euroclear's new Common Communication Interface (CCI) interface, as well as monitoring electronic bank account management (eBAM) development and how banks are choosing to implement this.

Next year, we will switch to SEPA Direct Debits (SDDs). We have started the project because there is homework to do in terms of new mandates, etc. Another SWIFT-specific implementation concerns letters of credit (LCs). The LC is drafted by a foreign bank and usually goes via a domestic bank that gets the information via SWIFT - then they print it off and send it to us by mail. This is a break in the connectivity and straight-through processing (STP). Therefore, we have started a project with two banks here in Germany.

Choosing a SWIFT service bureau

Before SWIFT service bureaus came along, the only way that a corporate could connect was by going direct. There are still reasons why a corporate would choose to host SWIFTNet connectivity in-house, such as the desire for full control or to avoid the risk of an intermediary between themselves and their bank.

But even for corporates with sizable IT departments, maintaining SWIFT-specific expertise in-house would entail training up their own IT personnel and security officers, as well as sending them on SWIFT courses just to maintain the system, which are all costly and time consuming.

“When we set up our service bureau, we certainly thought that it was going to be for the smaller end of the market - those companies that couldn’t justify the expense of the direct route. But what we quickly learned that it was more down to company culture,” says John Ballantyne, UK sales manager at SMA Financial. “Very large corporates have made the decision to outsource the infrastructure simply because they didn’t want the hassle and expense of running it in-house.”

He says that less than 5% of the corporate implementations that SMA Financial has done over the past two to three years have been direct implementations. SWIFT service bureaus fulfil an important role by offering SWIFT connectivity without major and recurring investment in technology, infrastructure and specialist personnel.

Differentiating Between Service Bureaus

Not all service bureaus are alike: some solely provide the connectivity while others offer a fully-managed outsourced solution, which includes hosting the infrastructure and supporting technical operations. This reduces the cost because corporates are linking into a shared environment across multiple clients.

In addition, many service bureaus are

developing value-add services, such as such as cash reporting, funds transfer, electronic bank account management (eBAM), reconciliation, payment exceptions and investigations (E&I), anti-money laundering (AML) filtering, etc.

When selecting a service bureau, the most important part is to ensure that the link is not weaker than SWIFT itself - does the service bureau meet the same parameters as SWIFT in terms of availability, security, resilience, non-repudiation, and guaranteed message deliveries?

Ballantyne says that the first port of call is SWIFT certification. SWIFT lists in which areas the service bureaus are accredited, as well as the certification level of the consultant teams, etc.

Elie Lasker, head of corporate market, SWIFT, says that a service bureau should exhibit corporate-specific experience and expertise. “What we see now is that many service bureaus have gained more experience with corporates - and clearly some service bureaus are more specialised in the corporate market. One of the typical questions that a corporate should ask is how many corporates does the service bureau already work with?” In addition, ensuring that the service bureau has a disaster recovery site is critical to maintaining the 99.995% reliability and resiliency that SWIFT pledges.

Factors to consider when selecting a SWIFT bureau service

1. Accredited resources.
2. Depth and breadth of experience.
3. Scale up or down.
4. Long-term client care.
5. Proven track record.
6. Value-added services.
7. Disaster recovery.
8. Independent partner.
9. Location.
10. Financial stability.

Source: SMA Financial

“Corporates should also ask about the service they provide in terms of onboarding banks. The process involves both technical and administrative aspects for which a corporate doesn’t always have the bandwidth. Therefore, it is usually better that a third party provides this kind of assistance. It will simply make onboarding faster,” says Lasker.

Franklin Van Weezendonk, senior vice president, Axletree Solutions, adds that a corporate should check if the service bureau uses SWIFT products. “For example, SWIFT has a product called SWIFT Alliance Integrator, which a service bureau will pay a fee to use. Some service bureaus have developed an integration solution in-house - a proprietary product - which makes it cheaper.

“But when SWIFT makes a major or minor upgrade - let alone a whole new SWIFT release - are those proprietary products going to meet the new requirements? Whereas if a service bureau uses SWIFT-approved products, then you don’t run that risk,” he says.

Lastly, service bureaus distinguish themselves through value-added options, in terms of data enrichment, transformation, reporting, or light treasury applications to overlap with existing systems in the treasury back office to provide an overall solution.

Ballantyne believes that although corporate treasurers like to hear about sophisticated additional options that a service bureau can provide, fundamentally they select their bureau based on the core function of simply connecting them to SWIFT.

“Most treasurers already have this value-add within their trading applications and internal treasury products, and so I think it is a bit of a red herring, actually,” he says. “What the corporate treasurer really wants is to feel very confident that a service bureau can provide the core services.”



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Axletree believes that no two customers are alike; our marketplace is a one-stop shop solution to customers with multiple needs. Through us you enjoy the true benefits of straight-through processing (STP) with SWIFT and beyond. As part of our marketplace we provide the broadest range of value-added solutions in association with SWIFT-approved partner products that complement your SWIFT connectivity. All products are hosted, managed and supported by Axletree.

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PRODUCTS AND SERVICES

SWIFT Consulting Services for direct connectivity solution

Companies that host the SWIFT infrastructure internally but are unable to dedicate staff with specialised SWIFT knowledge, resources, or time may need SWIFT consulting services. Axletree is committed to meeting the need to maintain your SWIFT environment by leveraging our expertise in SWIFT through SWIFT certified professionals. Axletree Solutions can design, implement, upgrade and provide ongoing maintenance for your SWIFT infrastructure.

SWIFT Service Bureau for indirect connectivity solution

Our service bureau solution offers you an economical way to connect to the SWIFT network. Customers worldwide rely on the hosting and support services of the Axletree SWIFT Service Bureau to exchange their financial messages safely and reliably.

Alliance Lite

Axletree Solutions is a wholesaler for Alliance Lite, the new direct connectivity option for companies with a low message volume that does not justify major investments in technology, infrastructure or outsourcing to a service bureau. It provides an easy, straightforward access to the SWIFT network through a web browser.

Value-added Solutions - The Axletree Marketplace

Integration - format translation

Axletree offers Alliance Integrator - a

SWIFT integration product to enhance STP in format translation. It integrates back office applications with SWIFT messaging solutions, manages the transformation to and from SWIFT messaging formats, as well as, the enrichment and reconciliation of acknowledgements. Axletree provides the technical expertise and offers integration as a value-added service to its customers.

Regulatory compliance

Regulatory compliance solutions are tailored to meet the requirements of the US Patriot Act and Office of Foreign Asset Control (OFAC). These solutions offer an automated way to filter and review customers' transactions for sanctioned party violations and help detect suspicious activity. Axletree provides OFAC solutions to customers who wish to manage their compliance risks associated with SWIFT transactions. We offer integrated OFAC, FinCen 314 A, anti-money laundering (AML) and Know Your Customer (KYC) all through the hosted solutions model or as stand-alone products.

Cash and balance reporting

Cash visibility is critical for optimal liquidity and risk management. Cash reporting allows the exchange of real-time information on cash held in accounts worldwide. SWIFT customers can benefit from near real-time intraday cash reporting in a fully automated way through standardised statement messages from their banks. Customers can also build cash/balance reporting dashboards based on the statements received from

their banks through Axletree's cash/balance reporting solution.

Exceptions and investigations (E&I)

Axletree's E&I solution is targeted at automating and streamlining the enquiry process related to payment initiations. By deploying our E&I solution you can lower costs, eliminate manual interventions and render better customer service through lower turnaround time.

Electronic bank account management (eBAM)

Axletree hosts the eBAM solution to meet the needs of customers who would like to streamline bank account maintenance and signatory management to reduce costs, risks and inefficiencies. By employing digital signatures you replace the traditional method of bank account communication through faxes and couriers.

International Bank Account Number (IBAN)

Our IBAN solution is tailored to meet your need to reduce bank charge backs and improve STP by enriching payment instructions to European beneficiaries with the correct IBAN data.

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