



**SWIFT for
Corporates 2020**

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Ten years ago, SWIFT announced the availability of corporate access to its network. However, joining SWIFT was often seen as a challenging project, not for the faint of heart, which required outside expertise. Plus, the process was often disjointed, complex and slow. How much of this has actually changed? What have we learned from initiatives like closed user groups and expanded messaging types? Why is it that only around 900 corporates have joined SWIFT after 10 years and what should have been done differently? What should we look to change now as an industry, to make it simpler and easier for corporates to gain access to all the benefits SWIFT has to offer?

Tackling Transparency

Around 2002 to 2003, non-bank financial institutions and corporates began asking their banks about using SWIFT, which included sending payment instructions and receiving account statements over the SWIFT network. Although the banks promised support, clients found that:

- The person on the other end of the phone did not know anything about SWIFT, often giving either wrong information, or simply no information.
- Banks were not, in fact, prepared to receive payment instructions from their corporate and non-bank financial institution clients - nor were they prepared to send account statements back to them. In most cases, the effort to enable this activity involved the bank embarking on a major development project.
- Many banks would, in an effort to secure a strategic relationship, say they could accept a certain type of instruction over the SWIFT network, only to find themselves calling the client six weeks later having to back track the commitment.

In essence, banks were not transparent in their true SWIFT capabilities, which results from competitive fear, embarrassment, and in some cases just plain lack of knowledge.

Fast forward to 2011 - A promising but still controversial initiative today is the ability for corporates to join a single closed user group via SWIFT's Standardised Corporate Environment (SCORE) and then communicate with any bank that is part of that group. However, without regulation transparency still remains an issue. Banks promise functionality they do not have in order to keep strategic clients. Corporates today cannot execute an honest and open assessment of a bank's true SWIFT capabilities even though SCORE was introduced in 2004.

SWIFT Options Today

One could argue that we have made measurable progress towards achieving the vision of corporates embracing SWIFT that many thought would happen within five years, but critical advances still need to be made.

SCORE

Adoption among banks continues to grow and ideally, any bank interested in offering corporate access would join. This would create a more standardised approach and simultaneously eliminate the Member Administered Closed User Group (MA-CUG) model completely. Additionally, the industry needs to call for a standardised “score card” for SCORE - where banks finally become transparent about what services and messages they support.

MX messaging standards

For years, SWIFT FIN messages were used as internal messaging standards by corporations and banks, in addition to being used by SWIFT. Now, most organisations are starting to use the ISO20022 standard as an internal messaging format for payments on all new projects - so although these messages are not making their way across the SWIFT network, IT teams are familiarising themselves with the messages and their usage, the latter being the key to message adoption. Although not widespread today, message usage in any way is critical to acceptance of this messaging format.

US bank adoption

If you are a corporate wishing to use SWIFT as part of your US transaction banking strategy, today you are forced to work with a top global bank. Once you move from an elite handful of banks, the SWIFT infrastructure comes to a halt, with many major banks still without the ability to support their corporate customers. This gap creates a major hindrance for corporates working under the assumption of “a single pipe” to all banks. This factor alone has been responsible for the large banks investing in the infrastructure to support strategic clients who were threatening to abandon their relationships. As corporate SWIFT adoption expands, the pressure for smaller, super-regional and regional US banks to invest in their SWIFT infrastructure is likely to occur as well.

Real-time MX messaging

Treasury organisations that have successfully implemented a SWIFT solution for cash reporting, have likely discovered that when reaching critical real-time gross settlement (RTGS) cut-off times, receiving debit/credit advices does not provide the real-time balance information required. As such, next to the company’s SWIFT-based treasury solution, there are bank proprietary products that can give the required real-time balances that FIN messages cannot provide. To enable the removal of these proprietary products, MX messages can send requests for real-time balances. This would allow a user to choose the accounts on which they wanted real-time balance information. An MX message(s) would be generated to each servicing bank requesting the information for each required account and within a few seconds get a real-time update. So although the solution exists, very few banks support it and even fewer corporations know about it.

SWIFT Alliance Lite

Introduced in 2008, SWIFT Alliance Lite created an option for connectivity through browser-based access. It eliminated the required IT investment and in-house expertise, but if a corporation is big enough to need SWIFT Lite, the messaging costs become prohibitive almost instantly. The solution easily handles high volumes of messages, but pricing is a problem. In conjunction with SWIFT Auto Client, it creates an ideal lightweight straight-through processing (STP) solution that could handle hundreds of thousands of bulk payments, vast numbers of RTGS transactions and receive thousands of Asset and Cash Statement messages every day. Nirvana? Perhaps, just do not look at the invoice you receive each month for the SWIFT Lite usage fees.

SWIFT service bureaus

When initially introduced, many of the SWIFT service bureaus were provided by small companies and staffed by knowledgeable industry experts. However, the company size often represented a risk and this deterred large banks or corporates who did not want to entrust connectivity to counterparties over SWIFT to anything but a transparent and well established organisation. Consolidation has been significant and many bureaus are now part of larger entities that offer related business solutions. New SWIFT members going to a bureau can often now experience one-stop shopping for powerful business applications bundled with SWIFT connectivity for secure counterparty communications.

Each of the aforementioned initiatives has merit. However, where they fall short is that proper market understanding and transparency are weak. This consistent theme must be addressed by SWIFT and the industry if we want to achieve the vision of full SWIFT adoption by corporates.

Critical success factors to achieve “success” by 2020

Message reality: For the foreseeable future, FIN messages will be the production standard. SWIFT projects that focus exclusively on MX (ISO20022) messaging are likely to become obsolete prior to going into production. Many banks today struggle with supporting corporate customers simply with FIN; bringing ISO20022 into the picture vastly complicates the situation. At least for the foreseeable future, ISO20022 (FIN is ISO also) will likely be more of a hindrance than an advantage.

Re-pricing SWIFT Alliance Lite: It is time to eliminate the mythology about SWIFT Lite. A connection to SWIFT through Alliance Lite is an ideal solution for on-boarding new corporate members and providing SWIFT point solutions for banks, but the pricing needs to be changed. Eventually, some members will find that moving towards a service bureau or hosted infrastructure is more cost effective, but not all. SWIFT Alliance Lite remains an adequate and appropriate connectivity solution for many new members.

Continued bundling of business solutions with SWIFT: As SWIFT service bureaus and software vendors integrate SWIFT messaging into their software solutions, adoption will measurably increase. For years, new SWIFT members joined with the expectation of receiving a business solution when in reality they were getting access to a very complex messaging network. By combining comprehensive solutions with SWIFT connectivity and membership, end-to-end solution demand will drive adoption rates even higher.

Expanded SCORE: Ideally, all banks wishing to provide corporates with SWIFT transaction banking functionality should be part of SCORE. Hopefully it is only a matter of time for the industry to realise this.

Bank transparency: Knowing exactly what SWIFT messages a bank can support should not be a guessing game. At some point, banks need to be confident enough to publish this information, thereby providing complete transparency around SWIFT.

Conclusion

When looking back at the various options offered to corporates for SWIFT connectivity, it is easy to see the mistakes that were made. However, that should not deter us as industry leaders in continuing to make adopting SWIFT for corporates as easy as possible, which in turn will improve adoption rates. Those of us who are truly behind the initiative believe that corporates will gain enormous benefits from utilising SWIFT messaging. We must be diligent in providing suggestions and ideas to SWIFT in order to help achieve this goal by 2020.

Many of the obstacles we face are similar to other industries where new, efficient technologies and processes threaten older, more profitable ones. It is only a matter of time, and I believe those who embrace SWIFT sooner rather than later, will be the real winners.