

A blurred background image of a modern office hallway with glass walls and a person walking in the distance. A dark blue horizontal band is overlaid across the middle of the image, containing the title text.

## Demystifying Alliance Lite for Banks

Written by Eric Campbell,  
Bottomline Technologies

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## Transparency in Corporate Banking Relations

SWIFT's Alliance Lite, touted as 'SWIFT access on a USB stick,' is often thought of as a low-cost, low-tech solution for corporates, but banks of all sizes can also leverage this technology. This article highlights the reasons why banks might deploy Lite to improve communications capabilities and benefit by replacing costly legacy host-to-host systems.

Alliance Lite, SWIFT's Internet-based connectivity product that provides direct, low-cost access to its network, was launched last year at Sibos in Vienna. Although originally built with smaller financial institutions in mind, corporates have also taken an interest, because Lite removes a critical barrier to SWIFT connectivity - the price. Lite is a much less expensive way to connect to SWIFT - both 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, for example, the bank identifier code (BIC), user handbook, training, etc. Customers can choose between two models: a flat fee or pay-as-you-go.

The 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.

For pay-as-you-go customers, SWIFT charges a flat fee of €200 per month for the service and €1 for every item.

For Alliance Lite an item is either a single financial information network (FIN) MT message (for example a cross-border payment instruction) or a FileAct chunk of 100 kilobytes (KB). It is worth noting that 100KB of FileAct can carry approximately 900 ACH type payment or collection instructions. 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. Therefore, although it is easier to use and has a lighter technical footprint, a high level of security remains in place. At its June 2009 annual general meeting, SWIFT removed another barrier to corporates by widening 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.

This brings the corporate's aspiration of a single channel to connect to all of its banks a step closer to reality. A corporate client, for example, who used to deal with a large US bank, could realise huge savings in terms of network consolidation. This corporate could count up to 40 host-to-host (H2H) links connecting various legacy bank accounts/relationships that they had acquired through mergers and acquisitions, which resulted in 40 separate technologies being used to exchange and send payment files to just one bank.

Banks can also benefit from connectivity consolidation. All have wholesale delivery channels, which can be as basic as an electronic punch card transfer, and receive wholesale files from their clients with these 20 or 25-year old infrastructures. This is an ideal place for banks to save money because they can retire these expensive H2H links and replace them with a new, secure, state-of-the-art file transmission that allows banks to capitalise on the best of breed and best of security approaches of receiving files from clients.

This consolidation becomes remarkably simpler if an off-the-shelf product like Alliance Lite is available, eliminating those host-to-host links and allowing corporate clients to use Alliance Lite as a tool for facilitating that consolidation transition.

Why hasn't the market seen greater adoption of Alliance Lite by banks of all sizes? Mainly, the financial industry itself doesn't really understand the capabilities of Lite. This article examines Lite's functionality and looks at how both small and large financial institutions can benefit by using this technology.

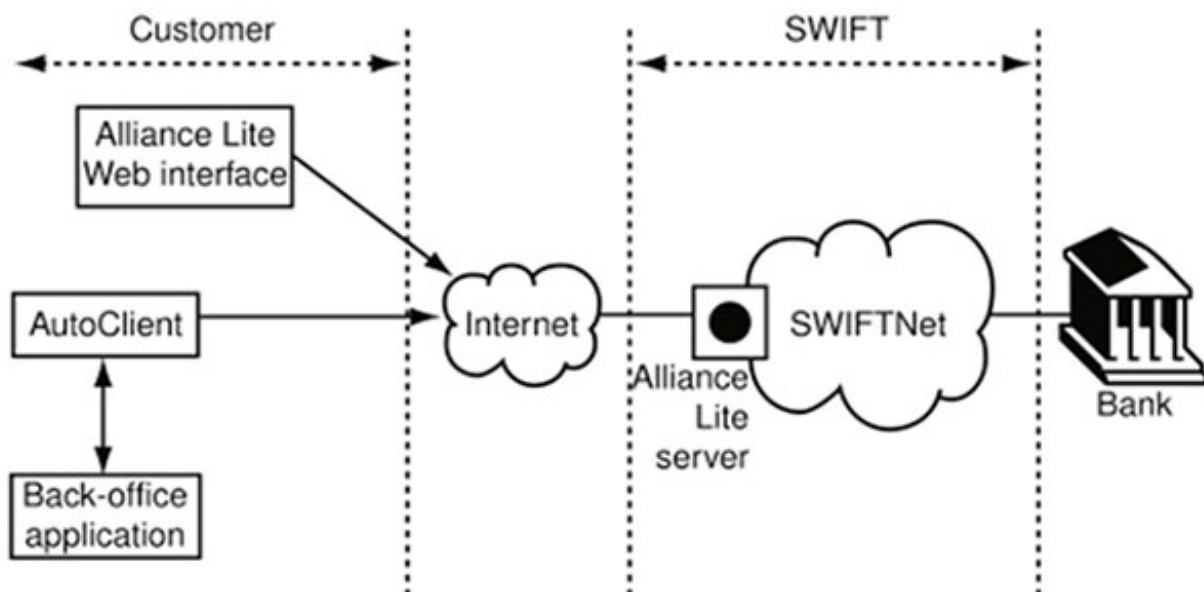
## Alliance Lite's Functionality

Alliance Lite allows the customer - corporate or financial institution - to send and manage most SWIFT messages for payments, securities or trade. The service allows the customer to send and receive FileAct files over SWIFTNet and MT messages over the FIN service.

Alliance Lite provides the same level of security as SWIFT, the same level of non-repudiation with the secure USB stick, with best practices around transaction signing but with a browser-based user.

When Alliance Lite is implemented, the corporate or bank nominates two system administrators who configure which user IDs have access to which functions, plus they configure AutoClient as to what it can send and receive. AutoClient is a lightweight integration software that sends and receives messages and files to and from a business application and exchanges them with SWIFT correspondents (see Figure 1).

**Figure 1: Alliance Lite and AutoClient:  
Connecting to SWIFT Via the Internet**



## Source: SWIFT

The browser interface's inbox-outbox feature provides full visibility of the content and status of all sent/received messages and files, whether originating from Lite's browser graphical user interface or the AutoClient.

For example, the AutoClient allows a customer to automatically send and receive files, and the inbox/outbox function tracks those files to confirm whether they've been received by the correspondent bank or counterparty, and also what is waiting in the customer's inbox. Therefore, the AutoClient provides unattended message/file communication while the Lite browser inbox/outbox function provides a central console to track all incoming and outgoing messages.

This combined functionality allows a customer to send and receive non-SWIFT format files in a highly automated and secure framework, plus the ability to send any SWIFT FIN MT messages automatically. The web application allows a customer to track files and messages and view which ones are available and which ones have been sent and received.

One misconception is that there is a limit on how many messages can be sent via Alliance Lite. Although, as stated above, there is a limit in certain pricing brackets, there are no technological constraints. Therefore if a corporate or bank, opting for the flat fee pricing model, sends and receives more than 4,000 messages or items per month (either individual FIN MT messages or 100KB chunks of FileAct) they simply pay €1 per item above the flat fee volume threshold, effectively without limit.

## New Testing Environment

In June 2009, Alliance Lite introduced a test and training environment, which allows Lite clients to not only send production messages and files but also send all their test messages and test files to a shadowed infrastructure. SWIFT has a test and training mechanism where customers can test the codes and messages, and the mechanism mirrors the whole functionality but doesn't require the sending of test messages in a production environment.

That whole environment for test and training was put into Alliance Lite as well, so that a bank could use Lite to send test and training messages without touching the expensive SWIFT infrastructure within the bank. Therefore, as a bank begins bringing in new message types and services that it wants to make available through SWIFT, the testing environment allows the bank to test it in a basic way but also put it into production using Lite without having to change the bank's overall strategic infrastructure.

## Making the Business Case

In the very early stages of Lite, the focus was on smaller, regional banks looking to improve communications, for example, with their large correspondent bank used for wires or international payments. So, the initial conversations were mainly about simple transactions, i.e. receiving statements and sending wire instructions.

This is a limited-use case scenario because in effect the usage pattern resembles that of a single-banked corporate client, whose everyday transactions can normally be satisfied with a bank workstation. For instance, a small bank in Minnesota might only have one correspondent bank and a limited set of messages they want to send. Looking at it from this perspective alone therefore made it difficult for small banks to make a solid business case for connecting to SWIFT, regardless of method.

But the situation is changing because many large corporates in the US and internationally are undergoing significant SWIFT-related initiatives in order to be able to talk to all of their banks, whether large or small, through one secure network. The Fortune 500 companies do business with the largest banks but they also work with some of the smaller regional banks, perhaps from some region-specific or pricing reasons. In order to gain the efficiencies promised in the 'single pipe' dream, corporates will have to turn off their legacy proprietary bank channels. This is putting pressure on both large and small financial institutions.

For example, the biggest global companies have the ability to mandate to their banks (of all sizes) that the only way they are going to communicate from this point forward is through the SWIFT infrastructure. Maybe two or three of the large banks could handle that request immediately but most of them could not.

Some banks were under the impression that they could and then had to come back to the client three to five weeks - or sometimes several months - later and tell them that their SWIFT infrastructure doesn't support those transactions, proposing a workstation instead. This happened with a few large banks where some of their financial institution clients were trying to send something as simple as BACs transactions in UK or automated clearing house (ACH) transactions to banks around the world, and realised that they couldn't.

It is very difficult for large financial institutions to adapt their SWIFT infrastructure because it is locked down. It is not at all agile - a large bank cannot bring changes into the SWIFT infrastructure without undergoing a large amount of testing and modifications.

Many small banks, on the other hand, don't have a SWIFT infrastructure at all. All of a sudden that bank, which may be receiving a payroll file or local vendor payments, is now stuck between a rock and a hard place: they don't want to tell their giant corporate client that they can't support them and potentially lose that large strategic client, but at the same time they don't want to spend US\$1m putting in a SWIFT infrastructure.

## Options for Banks

Alliance Lite is a more nimble and lightweight approach that allows banks to satisfy clients very quickly. Small banks may still want to put the infrastructure in place to support the client, or other future clients down the road, but with Lite they can be prepared to receive incoming messages from those large corporates in a short period of time, as opposed to embarking on a fixed month plan trying to get their SWIFT infrastructure updated.

Meanwhile, the big banks could use Alliance Lite to support the large corporate in order to securely receive signed transaction files without having to undergo the huge infrastructure cost. This is either in parallel with their existing SWIFT infrastructure or instead of having to put in a sizeable new infrastructure.

Alliance Lite is therefore a way for banks support their corporate counterparties or large non-bank financial institution counterparties with new transaction sets, file transfers, ACH transaction files, etc without having to update their existing expensive infrastructure or without having to put in a brand new SWIFT infrastructure that they hadn't budgeted for.

## Conclusion

Alliance Lite is a simple infrastructure that can be used as a secure way to send signed messages or files and receive signed messages and files. It is a lightweight, secure communication channel that can be used for sending important and high-risk messages. Lite not only helps corporates to streamline their multi-bank connectivity in a secure and cost-effective way; it also enables banks to satisfy their corporate customers' demand for exchanging files (whether in SWIFT or non -SWIFT formats) in an fast-to-market and cost efficient way which allows the bank to avoid major infrastructure re-engineering, whilst cutting the cost of legacy host-to-host systems.

A number of accredited Alliance Lite resellers such as Bottomline are now embedding Alliance Lite in their treasury and payment applications to ensure easy and low cost multi-bank connectivity.