SWIFT for Corporates: Making the Business Case

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Executive Overview

Managing corporate banking relationships is extremely complex and demanding. It is riddled with challenges such as overseeing connectivity with multiple banks, handling multiple payment types and formats, keeping up with changing and varied communications requirements, and dealing with inconsistent security standards. As a result, it is increasingly challenging to manage payments, liquidity, regulatory compliance and security—not to mention meet the need for improved productivity and efficiency. The following diagram highlights the cumulative nature of factors affecting working capital optimization.

Access to SWIFT is no longer the exclusive domain of the largest corporations. Any company operating in a multibank/multi-connectivity environment, regardless of size, can now take advantage of SWIFT to streamline communications and create a more efficient payment environment.

For corporations that operate in a multibank environment, SWIFT is an increasingly attractive option. It provides access to more than 10,000 institutions in over 200 countries and allows corporations to manage services across their financial supply chain through a single highly secure, standardized communication platform. Whether it’s for payments, reporting, treasury or security orders, SWIFT offers an internationally recognized standard that delivers benefits such as:

- Reduced cost and risk
- Increased visibility to funds for working capital optimization
- Increased automation
- Better regulatory compliance

Given these benefits, it makes sense for corporate treasurers to carefully examine their current operations to determine if utilizing SWIFT makes business sense. This paper provides information to help you determine if SWIFT corporate access is right for you while providing guidance on making a compelling business case for joining SWIFT.
Traditional Corporate Cash Management Environments

Communicating and integrating with domestic and global banking partners has become one of the most significant issues facing corporate treasurers. No longer just an IT concern, efficient access to banking partners is key for effective cash and liquidity management, financial risk management, compliance, and operational efficiency. It touches a number of vital functions, including cash flow forecasting, visibility to cash and trade, reconciliation, cash collection, disbursements, and audits, and it is an important component in achieving the highest efficiency of treasury operations.

Currently, most corporates communicate with their banks on a point-to-point basis.

Today’s Enterprise Bank Connectivity Process Flows

That means that if you are working with multiple banks, you have to deal with each bank’s requirements for security, connectivity and service offering. This leads to incremental costs for training, internal support resources and maintenance. Beyond the burden of connectivity, this multiplicity of requirements can also place a heavy burden on your back-office systems, which may have to be re-engineered to stay current with each bank’s requirements.

Coordinating communication with multiple banks presents a number of significant challenges for corporate treasury departments:

**There are multiple requirements to serve each payment type.**
Within each bank, file formats often vary by payment type and country: ACH, FedWire in the US and international payments. Not only are there different requirements for each bank, but different data centers within banks often demand different formats for each payment type.

**Payments come from multiple back-office systems.**
Very few organizations have a single back-office system for their entire payment-processing and cash management environment. ERPs, treasury workstations and legacy systems need to be kept in sync with each bank and its varied payment-type requirements.
Security requirements can vary by payment type. Banks often have different encryption standards depending on the payment type. For example, ACH, international payments, bank balance, lockbox and transaction reporting may all require not only their own format, but also their own separate security structure. In some cases, the security level called for may not be as stringent as the level that the corporation demands of its back-office systems, thus decreasing the overall security of your operations.

Because of these factors, achieving bank connectivity in today’s environment is complex, challenging and expensive. Initially, it requires significant resources to deal with file formats, encryption and communication. After initial setup, maintaining connectivity and keeping up with changes in your banking network and back-office environment requires constant attention and significant resources. Finally, mergers and acquisitions can result in your corporation inheriting new banking and systems infrastructures that need to be integrated with the financial supply chain.

### The Increasing Complexity in Corporate Banking

The chart to the right illustrates the number of banks, services, back-office applications and connectivity processes required for three typical companies. It shows that as the complexity of the financial supply chain grows, the associated complexity of managing the payment environment increases exponentially. The more processes that are not centralized, the greater the likelihood of error.

<table>
<thead>
<tr>
<th>Number of US Domestic Banks (Disbursements, lockbox, branch deposits and services)</th>
<th>2</th>
<th>5</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Global Banks (Disbursements, lockbox, in-country branch deposits and services)</td>
<td>2 (UK &amp; Australia)</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Cash Management Services Utilized</td>
<td>Check, ACH, positive pay, lockbox and cash reporting</td>
<td>Check, ACH, positive pay, check paid items, lockbox, cash reporting and international payments such as SEPA</td>
<td>Check, ACH, positive pay, check paid items, FedWire, CPA005, Bacs, SEPA, lockbox and other international payments</td>
</tr>
<tr>
<td>Back-Office Financial Applications (ERP, treasury workstation, FX and legacy applications)</td>
<td>2</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Complexity of Connectivity (Per cash mgmt. type [file format, encryption and communication], per bank, per back-office application)</td>
<td>60 unique processes per day</td>
<td>252 unique processes per day</td>
<td>840 unique processes per day</td>
</tr>
</tbody>
</table>
One way that forward-thinking corporate treasury managers are streamlining the complex process of communicating with their financial institutions is SWIFT. SWIFT is the Society for Worldwide Interbank Financial Telecommunication, a member-owned cooperative through which the financial world conducts business operations. More than 10,000 banks, securities institutions and corporate customers worldwide trust SWIFT to exchange millions of financial messages per day.

SWIFT eliminates the need for multiple standards and protocols traditionally required for corporate-to-bank connectivity and replaces them with a single, standardized global platform to reach all your financial service providers. Initially, SWIFT offered only bank-to-bank communication. However, in recognition of the increasing complexity of corporate financial supply chains—which require the same secure, resilient and standardized messaging and file delivery provided to financial institutions—SWIFT has expanded access in recent years to corporates in non-financial industry segments.

Benefits to Corporate Customers of Using SWIFT

Using SWIFT, companies are able to consolidate the many steps and processes associated with financial messaging for both inbound activities, such as bank balance and transaction reporting, and outbound activities, including payments, securities and FX confirmations. It also standardizes security requirements including encryption. This enables corporates to dramatically streamline processes and connectivity as well as normalize formats to create a more efficient payment and cash management environment. The result: Treasury can now focus on working capital optimization with more confidence in the accuracy and timeliness of information.

SWIFT for Corporates Benefits

- Improved Regulatory Compliance
- Increased Security and Reliability
- Global Visibility to Cash Positions
- Improved Transactional Standardization
Is SWIFT Right for Your Organization?

It is a widespread misconception that SWIFT access is only for Fortune 500 and FTSE 1000 organizations. This is no longer the case. Recently, the profile of corporations on SWIFT has expanded to include those midsize companies with increasingly complex payments and cash management requirements.

The reason is twofold. First, the trade supply chain (buyers, vendors, manufacturers, etc.) is moving to a global model, even for small to midsize companies. As the trade supply chain becomes more international, the financial supply chain must follow suit in order to efficiently make payments and manage cash positions internationally.

Second, the emergence of SWIFT service bureaus has dramatically reduced the cost and complexity of connecting to SWIFT. In the past, SWIFT access required establishing a direct connection, which represented a substantial investment in time, hardware, software, communications, training and in-house expertise. A SWIFT-certified service bureau reduces up-front investment costs, speeds implementation and eliminates the need to have SWIFT specialists on staff. It’s no wonder that 80 percent of new corporates connect to SWIFT via a service bureau.

While each corporation needs to closely examine their banking, payment, and cash management requirements, SWIFT can provide a cost-effective solution to two of the key factors driving complexity:

• Managing multiple domestic and international banks
• Handling multiple domestic and international payment types

Building a Business Case

If you are considering implementing SWIFT in your organization, it is recommended that you develop a business case that will help you understand your total cost of ownership (TCO) now and after the adoption of SWIFT. It will also help you calculate your potential return on investment. Here’s how:

1. Understand your total cost of ownership today.

Start by compiling a TCO of your current payments and cash management environment. Build a model of work hours spent and the fixed costs associated with bank connectivity and cash management today. To do so, you will need to identify costs for both the infrastructure and the resource teams needed to support your operation. This can include the cost of:

• Connecting to, and getting the information needed, to and from each bank
• Operational people needed to manage each of your bank connections
• Training of analysts who use different bank workstations
• Time spent consolidating information and providing Treasury the information they need
• Ensuring back-office systems are maintained as bank and regulatory requirements change.

2. Identify costs that will be eliminated by SWIFT.

Next, determine the areas, and their associated costs, that will be eliminated by using SWIFT products and services.
3. Include additional savings.

In addition to easily identifiable quantitative benefits, there are other savings that are important but more difficult to quantify. These include:

- Improved control over the payment initiation process
- Elimination of errors and “re-work” associated with manual processes
- Savings from global visibility to cash, ensuring working capital optimization
- Transaction processing efficiencies that help minimize risk and ensure regulatory compliance
- Interest earned because payments can be released on a schedule that optimizes liquidity management

The effect of these qualitative, or “soft,” benefits should be incorporated into your business case in order to provide a complete picture of the overall positive impact that adopting SWIFT can have on your organization.

Subtract the cost reductions and anticipated savings from SWIFT (identified in steps two and three) from your current-state TCO determined in step one.

4. Add the costs associated with adopting SWIFT.

The costs associated with SWIFT can include registration, messaging, project management and application integration.

Add this to the total you calculated after step three to determine the projected TCO after SWIFT is adopted.

Selecting a SWIFT-Approved Service Bureau

While there are multiple ways to connect to SWIFT, the majority of corporates that join SWIFT do so through a service bureau. That’s because a SWIFT service bureau eliminates operational costs, infrastructure complexities and the need to maintain in-house SWIFT expertise. It also dramatically cuts the time required to initiate SWIFT services.

All SWIFT service bureaus are not created equal. Here are some important things to consider when selecting a SWIFT access partner:

- How long has it been in the business?
- Does it offer a full portfolio of SWIFT products and services?
- Does it have an accredited team of SWIFT experts?
- Does it provide support and training tailored to your needs?
- How much operational experience does it have?
- Does it have a multi-site infrastructure with the highest level of security and resilience?
- Is its access service scalable and flexible enough to support your organization now and as requirements and volumes expand?
- Will it support changes generated by evolving SWIFT and bank-specific requirements?

Carefully considering the responses from prospective vendors regarding the issues posed by these questions can help ensure that you derive the maximum benefits from SWIFT utilization.
Summary

Payments and cash management have become complex, costly and cumbersome for corporations with multiple domestic and global banking partners. Today, most corporates still communicate with their banks point to point, dealing with each as a separate entity.

Coordinating multiple bank communication channels leads to a number of significant challenges, since each bank has different format, connectivity and security requirements. Furthermore, each payment and transaction type may have its own set of requirements, not only for each bank but also within different data centers of the same bank. This multiplicity of requirements places a heavy burden on your staff as well as on your back-office ERP, treasury and legacy systems, which have to stay in sync with each bank’s standards and protocols.

SWIFT offers a compelling financial supply chain solution that can link corporates and non-banking financial institutions to banks and other financial institutions around the world. With its highly secure, standardized communication platform, SWIFT lets corporations replace multiple standards and protocols with standardized message and file structures that reach all their financial services partners. As a result, communication channels are streamlined and organizations benefit from improved management of working capital and increased operational efficiency and productivity.

Developing a formal business case will help you understand your total cost of ownership and your potential return on investment. It will identify duplicate processes that can be eliminated once SWIFT is adopted, including the costs for redundant communications and security requirements, training, operations, and maintenance. It will also help you identify other benefits such as the cost savings that can result from global visibility on cash, increased security and improved compliance.

How to Get Started with SWIFT

Bottomline Technologies has helped more than 500 clients make a successful transition to SWIFT. From up-front analysis to building your business case to providing a wide range of value-added solutions and services, you can rely on our experienced professionals to support you every step of the way.

To learn more about the SWIFT services Bottomline can provide to help you take advantage of this transformational solution, go to www.bottomline.com or call 1.800.472.1321.

About Bottomline Technologies

Bottomline Technologies (NASDAQ: EPAY) provides cloud-based payment, invoice and document automation solutions to corporations, financial institutions and banks around the world. The company’s solutions are used to streamline, automate and manage processes involving payments, global cash management, transactional documents and invoice approval. Organizations trust these solutions to meet their needs for cost reduction, competitive differentiation and optimization of working capital. Headquartered in the United States, Bottomline also maintains offices in Europe and Asia-Pacific. For more information, visit www.bottomline.com.