



SWIFT for Corporates Expands its Appeal

Direct connectivity to SWIFT has been enabling more and more corporates to standardise their bank communications infrastructure and achieve a higher degree of straight-through processing.

In the early years of SWIFT connectivity for corporates, the companies attracted to the service were among the world's largest with the most complex connectivity needs. Over time, as connectivity has become easier, there has been developing interest among a wider spectrum of firms.

Substantial progress in smoothing the integration between Enterprise Resource Planning (ERP) systems and treasury management systems is paving the way to embed SWIFT into the technology infrastructure and underlying workflows of more companies. In addition, SWIFT's launch of Alliance Lite toward the end of 2008 has the potential to expand the appeal of SWIFT connectivity to smaller companies and those with more straightforward connectivity needs.

Alliance Lite

Alliance Lite provides a packaged solution that enables corporates to link with their banks through SWIFT directly without routing information to or from internal systems and within a simple legal framework. As the solution matures, it will likely become more closely integrated into banks' connectivity offerings.

Adoption of Alliance Lite is still relatively limited, but it is likely to grow in countries such as the United Kingdom where no existing multi-bank communication channels exist. Similarly, corporates in Asia, where ERP usage is currently less prevalent than in Europe and North America, are more likely to be drawn to Alliance Lite.

In order to be a viable solution in the long term, Alliance Lite will need to develop its global applicability and support not only international needs but also in-country payment and cash management needs.

XML-based Financial Messaging Standards

A concurrent initiative to SWIFT connectivity for corporates has been the development of XML-based standards for financial messaging, referred to as ISO 20022. These standards are relevant to every form of connectivity, not only SWIFT. While SEPA (Single Euro Payments Area) is acting as a catalyst for widespread adoption of the standard, as SEPA payment messages are based on the standard, ISO 20022 has global applicability and support, such as in countries like China that have a fast-growing financial infrastructure.

While previous attempts at standardisation have had only limited success, ISO 20022 benefits from support from SWIFT as a central coordinating body and has the potential to extend from end to end in the financial process.

Extending the Breadth of SWIFT Capabilities

With SWIFT connectivity becoming more established within the corporate community and with a wider range of connection methods, many companies and their banking partners are turning their attention to extending the range of services that are available to corporates through SWIFT.

In particular, we see our clients identifying business processes that are generic across banking partners and seeking to automate these through SWIFT. An example of this is eBAM (electronic bank account management), which will enable bank accounts, including opening and closing and signatory authorities, to be managed through SWIFT.

Another example of a new service that will directly benefit corporate users of SWIFT is bank billing, which provides transparency over bank charges and the breakdown of these costs. This offers a huge benefit to corporates, which have traditionally struggled to reconcile bank charges, particularly with different banks calculating charges in different ways.

We also have seen Exceptions and Investigations (E&I) management and reporting being made available to corporates. Already popular with financial institutions, this service has the ability to enhance the sophistication of companies' back office functions and accelerate issues management, therefore assisting with reconciliation and cash positioning.

SWIFT Potential for the Future

SWIFT connectivity is no longer only the domain of the largest and most sophisticated corporations, but has applicability across a wide spectrum of organisations, assisted by the development of service bureaus and member/concentrators and the launch of Alliance Lite.

The expansion of SCORE criteria, passed by the SWIFT General Assembly in June, also makes it easier for companies in regions such as the Middle East and Asia, and privately owned companies, to join SWIFT without the need to join Member Administered Closed User Groups (MA-CUGs) for each of their banking partners.

Parallel initiatives championed by SWIFT, namely ISO 20022, have the potential to enhance integration and automation significantly, benefiting the financial industry as a whole.

Corporate users today can communicate with their banking partners through SWIFT via FIN or FileAct. FileAct is suited to large volumes of data and is often initiated through a payments factory or shared service center. It enables companies to take advantage of SWIFT by exchanging files in any format, and therefore take rapid advantage of SWIFT, even though they are likely to want to adopt standard messaging in the future.

The current and envisioned capabilities for corporates to connect with their banking partners through SWIFT would seem to be just the first step in a longer and exciting journey. At present, corporate traffic on SWIFT is limited to corporate-to-bank communications. The potential of SWIFT connectivity will be inherently restricted until corporate-to-corporate traffic becomes feasible. Opening up SWIFT to enable supplier-to-customer communications, together with bank-to-corporate messaging, will further expand opportunities to connect, automate and accelerate the entire financial supply chain.