



TreasuryPulse

Joining SWIFT: Sponsorship, Formats, Connectivity and Other Considerations



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As companies grow and their subsidiaries multiply in number, often globally, transacting with their banks becomes ever more complicated unless they adopt a uniform way to exchange messages with those institutions.

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) began facilitating communications between banks in 1977 and extended the service to corporates more than a decade ago. Taking advantage of the messaging service used by most global banks has become much easier for corporates, but several issues must be considered before making the decision to adopt SWIFT and later when connecting to their banks.

SCORE vs. MA-CUG

In 2001, SWIFT launched the Member Administered Closed User Group (MA-CUG), which allowed corporates to administer a closed messaging network that their banks could join. Five years later, as comfort with the service grew, SWIFT introduced the Standardized Corporate Environment (SCORE), a SWIFT-administered service that allows corporates to connect to any bank in the SWIFT network.

Corporates today typically opt for SCORE. Corporate treasury centers facilitate treasury executives' ability to conduct the increasingly arduous task of managing transactions among

multiple subsidiaries and banks globally, and they've made the notion of a single point of access to financial institutions attractive. SCORE provides the infrastructure to make that possible.

SCORE also benefits companies opting for a more decentralized approach by providing a standard way to connect to the banks and manage those connections. Otherwise, one of a company's subsidiaries might have a virtual private network (VPN) connection to its banks while another employs HTML, requiring additional expertise and resources. By using SWIFT, the company's enterprise resource planning (ERP) system can send messages to initiate transactions and receive reconciliations in the same format.

Identify Messaging Needs and Sponsorship

When considering whether to join the SWIFT network, companies must address several issues. They must identify their messaging needs and how to organize them, such as among business lines or corporate functions or entities. A consistent connection and messaging platform to facilitate cash management is a common need that SWIFT facilitates.

Companies that aren't yet SWIFT members can be sponsored by a relationship bank, so treasury executives must determine which one is most appropriate and broach that discussion with bank representatives. If one of the company's subsidiaries decides to join SWIFT, a subsidiary that's already a member can sponsor it.

Once a bank agrees to act as a sponsor, a treasury executive must officially agree to do business with it over the SWIFT network and open an account with the bank dedicated to that business.

Creating a Connection

Next is the decision about how to connect to SWIFT. SWIFT Alliance Lite offers lower cost, browser-based access to the messaging network, but it is more appropriate for companies with lower transaction volumes.

Companies with higher transaction volumes will typically opt for a SWIFT-approved service bureau that accepts data in a variety of formats and handles the connection to SWIFT. Alternatively, corporates can build or more likely purchase the certified middleware to connect to SWIFT directly, although that requires more internal resources to manage the process.

Security

Sending a file through a browser means having to upload it from a desktop, potentially creating a security breach. When connecting to SWIFT directly or through a service bureau, the corporate's information technology (IT) team will typically build an automated process that batches transactions and sends out a large file, eliminating that security risk.

Bundling Messages

Corporates must decide how to bundle their messages. For example, if they choose a centralized approach to connect to SWIFT, probably through a treasury center, they may want to bundle files sent to their banks by corporate entity. However, depending on the company's structure, bundling by business line may be more appropriate.

Companies use SWIFT's Relationship Management Application (RMA) to connect to their banks and choose a consistent message format. That consistency improves efficiency and reduces error, and companies must decide whether to conduct the formatting using internal IT staff or outside consultants.

FIN or FileAct?

SWIFT's native FIN file messages are limited to approximately 10,000 characters. Companies bulking tens of thousands of transactions or otherwise transferring very large files may instead opt for SWIFT's FileAct transfer method, which SWIFT notes as especially appropriate for bulk payments, securities value-added information and reporting.

Either way, the corporate will sign files with a private key provided through RMA, and designated bankers will unlock them with a public key. Then testing begins. FIN files, because of their universal format, typically require just one email test before moving on to production testing. Since FileAct transfers proprietary or very large and complex files, testing can take anywhere from two weeks to more than a month.