



INSIGHTS FROM CASH MANAGEMENT, US

TreasuryPulse

Corporations 'SCORE' Direct SWIFT Access, Aiming for Easier Implementations

For many of the corporations that are able to cost justify communicating with their banks through a single, direct connection to the SWIFT network, signing up for the solution became simpler this year.

Since 1973, the SWIFT network has enabled banks to exchange financial messages with other banks in a controlled, private, secure and standardized environment. The network is best known for carrying wire transfer messages, but it also relays many other financial messages such as those for trade, securities and foreign exchange, as well as information reporting.

Corporations have had direct but limited access to the SWIFT network for nearly a decade through a couple of different models. But a new access model — SCORE — is designed to significantly reduce the initial sign-up documentation requirements and promises to offer greater flexibility for corporate participants.

Why Direct SWIFT Access?

For years, many large, global corporations sought direct access to the proven, reliable SWIFT network. Having an opening into this huge, private network — which connects all major financial institutions across the globe — gives corporations the prospect of communicating more efficiently with their banks. This can result in major cost savings for companies that maintain multiple, proprietary connectivity solutions, as mandated by their banks. For these corporates, direct SWIFT access has the added advantage of reducing the risks inherent in maintaining multiple, distinct links with multiple banks.

Direct access to the SWIFT network also offers a corporate the opportunity to interact with its banks via bank-neutral, standardized message formats that are defined and enforced by SWIFT.

SWIFT has suggested that a global corporate with annual turnover greater than 1 billion euros (about \$1.38 billion) is a good candidate for access to SWIFT.

From MA-CUG to SCORE

In 2001, SWIFT gave corporates direct network access through the Member Administered – Closed User Group (MA-CUG) model, which requires each corporate to be sponsored by a

member bank. A corporate in a bank's MA-CUG can only interact with that bank. If a corporate interacts with, say 20 banks, it must join the MA-CUG of each of those 20 banks. The result is a lot of time-consuming sign-up documentation and additional implementation procedures.

In an effort to remove this constraint, SWIFT introduced the SCORE (Standardized CORporate Environment) model of corporate access in January 2007. With SCORE, eligible corporates can join a single, large closed user group administered by SWIFT to interact with all participating SWIFT member banks. In other words, users sign up *once* for network access directly through SWIFT rather than through all of their banks individually.

As a result of the introduction of this new model, only corporates that do not meet the SCORE admission criteria — currently those not listed on a regulated stock exchange in a Financial Action Task Force (FATF) country — are now likely to consider the MA-CUG model for SWIFT access.

The fees charged by SWIFT for the different SWIFT access models continue to be fine-tuned and have been drastically reduced over the past few years. Effective July 1, 2007, SWIFT canceled all one-time SWIFT entry fees and removed the 2000 euros fee it had charged MA-CUG customers for annual administration. SCORE customers, however, continue to be charged this annual fee by SWIFT.

Note that there is a significant upfront investment required for setting up the technical connectivity to SWIFT. The initial project cost of achieving this connectivity can be upwards of 50,000 euros, depending upon the connection's size and requirements and whether a customer desires a direct connection to SWIFT or outsources the physical connectivity to a specialized SWIFT service bureau.

Preliminary Steps

SWIFT provides a standardized technical access channel and a single, standardized format of data exchange with a corporation's various banks. But corporations typically must do extensive groundwork before reaping any tangible benefits from this channel option.

Preparations must include getting their enterprise resource planning (ERP) and/or Treasury systems in order, centralizing operations, and streamlining and consolidating bank relationships globally. All of these activities present significant added cost, which must be weighed, from a long-term perspective, against the very real and measurable benefits of direct SWIFT network access.

Deutsche Bank's Role

Deutsche Bank has made all appropriate investments in its IT and Operations infrastructure to enable the SWIFT channel for corporate clients. Consequently, regardless of whether the access model is MA-CUG or SCORE, or whether the services being sought by customers are SWIFT FIN and/or SWIFT FileAct, Deutsche Bank can support client needs globally.

Deutsche Bank's complete suite of transaction banking services, offered through any of the Bank's in-house channels, can also be delivered through the SWIFT channel. There are no services that Deutsche Bank offers exclusively via its in-house channels that are off-limits for customers that use this SWIFT channel. In that respect, Deutsche Bank is neutral regarding the customer's choice of access channel into the Bank.

As of July 2007, Deutsche Bank had about 20 corporates using the SWIFT access channel to transact with the Bank. Most are large corporates that have standardized their messaging with banks via the SWIFT FIN messages. Typically they send in MT101 messages to initiate wire payments and receive MT9xx messages for Information Reporting and MT199 messages for Error Reporting.

Globally we are already seeing a number of clients moving their existing EDI and local in-country batch-based traffic to the SWIFT channel using the SWIFT FileAct service. For example, in Europe we have a number of clients now sending in EDIFACT files via the FileAct service. In the United States too, we have had a few clients sending in NACHA-formatted files via the SWIFT channel. In the process, these corporates are eliminating their use of multiple leased lines, value-added network (VAN) or virtual private network (VPN) connections — and reducing operating costs and risks in the long term.

To Learn More

Deutsche Bank is one of the world's largest users of SWIFT and has, over the past few decades, built tremendous expertise and knowledge in SWIFT networking, rules, workflows, costs and standards. Thus, we have the in-depth expertise to answer your questions about the new SWIFT developments aimed at corporates.

To learn more about the SWIFT access channel and related Deutsche Bank capabilities, contact Ravi Sreedharan, Global Banking Product Manager (ravi.sreedharan@db.com or 212-250-1028).

Additionally, the SWIFT web site (<http://www.swift.com>) has extensive information about the SWIFT for Corporates offering.