Beyond SWIFT Basics: Corporate Options and Considerations

Rebecca Libourel
INEOS Group

Maria Flores
Sysco Corporation

Craig Jeffery
Strategic Treasurer

Mohan Murali
Axletree Solutions Inc
# Panel of Speakers

<table>
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<th>Position and Company</th>
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<tr>
<td><strong>Craig Jeffery</strong></td>
<td>Managing Partner, Strategic Treasurer, Treasury Consultants</td>
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<td><strong>Mohan Murali</strong></td>
<td>President, Axletree Solutions SWIFT Partner &amp; Service Bureau</td>
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<td><strong>Rebecca Libourel</strong></td>
<td>US Treasurer, INEOS $28 Billion, global chemical company</td>
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<td><strong>Maria Flores</strong></td>
<td>Finance Lead, Sysco Corporation $39 Billion, global food distributor</td>
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Agenda

1. Overview on SWIFT by Craig Jeffery
   Features, Benefits, STP, Cost Benefit Analysis

2. Connectivity to SWIFT by Mohan Murali
   Connectivity options and general implementation plan

3. Case Study – INEOS by Rebecca Libourel
   SWIFT Implementation

4. Case Study – Sysco by Maria Flores
   SWIFT implementation and integration with ERP
1. Overview on SWIFT

Features, Benefits, STP, Cost Benefit Analysis

By Craig Jeffery
SWIFT Simplified Overview

Two Key Components

1. STANDARDS SETTING BODY
   For communication of business messages.

2. NETWORK – or PIPE
   For communicating business messages and files.
### Top Level Features of Using the SWIFT Network

<table>
<thead>
<tr>
<th><strong>Messages</strong></th>
<th><strong>Uptime &amp; Security</strong></th>
<th><strong>Confirmed</strong></th>
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<tr>
<td>• Balances</td>
<td>• Near-Military Grade Security</td>
<td>• Non-repudiation of messages</td>
</tr>
<tr>
<td>• Transaction Details</td>
<td>• 99.999+ Uptime</td>
<td></td>
</tr>
<tr>
<td>• Wire Instructions</td>
<td>• Which system will banks bring up first?</td>
<td></td>
</tr>
<tr>
<td>• Files (non-SWIFT formats)</td>
<td></td>
<td></td>
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<tr>
<td>• Trade Messages</td>
<td></td>
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<td>• eBAM</td>
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Key Benefits Achieved With SWIFT: Visibility
Key Benefits Achieved With SWIFT: Flexibility

**Files / Transactions**

- **PRE-SWIFT**
  - Month 1
  - Month 2
  - Month 3
  - Month 4
- **WITH SWIFT**
  - Month 1
  - Month 2
  - Month 3
  - Month 4

**Balance Information**

- **PRE-SWIFT**
  - Month 1
  - Month 2
  - Month 3
  - Month 4
- **WITH SWIFT**
  - Month 1
  - Month 2
  - Month 3
  - Month 4
New Solutions

eBAM

Electronic Bank Account Management
SWIFT Solution

Corporate

Bank

Customer Ops

We have !!!

We want

Electronic Statements

• Control

Security (3SKEY)
Understanding the Value of SWIFT in Context

SWIFT plays an important role in the connectivity portion of the technology stack.

SWIFT sits in the connectivity section of the Treasury Technology Stack.
Building the Business Case Strategic Value and Cost/Benefit Projection

The rapid business case creation will identify the key strategic benefits and identify the areas of cost and benefits.
2. Connectivity to SWIFT

Connectivity options and general implementation plan

By Mohan Murali
Three connectivity options

Direct Connectivity

Indirect Connectivity

Alliance Lite
Option 1 - Direct Connectivity

Business reasons for Direct Connectivity
- SWIFT infrastructure in-house, policy on outsourcing
- Global business
- Multiple banks with several bank accounts
- Large volume of messages

Features of Direct Connectivity
- Full control, Complete SWIFT infrastructure in your premises
- In house employment to manage SWIFT operations
- Requires investment in hardware, software and trained personnel
Option 2 - Indirect or Outsourced Connectivity

**Business reasons for Indirect Connectivity**
- Do not wish to manage everyday SWIFT operations
- Lower costs
- Global business
- Multiple banks with several bank accounts
- Large volume of messages

**Features of Indirect Connectivity**
- Outsourced SWIFT operations – infrastructure, personnel, maintenance and 24x7 customer support
- Certified Expertise
- Economical (shared costs)
- No internal resources tied up
- Free from distraction: focus on your specialty
Option 3 - Alliance Lite

**Corporate**

- Accounts payable
- Accounts receivable
- Treasury
- Other

**Banks**

- Bank A
- Bank B
- Bank C

**Business reasons for Alliance Lite**

- Proof of concept
- Small volume of messages

**Features**

- Easy to install – Plug in and go!
- Minimal integration
- Entry Level Option
## Comparison of three connectivity options

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Sequencing: TMS/ERP and SWIFT

The SWIFT pipeline for your data first followed by TMS or ERP
SWIFT Implementation Plan

Define scope
- Scope activities
- Nature of transactions
- Volume of transactions
- Channels/formats used today

Contact banks
- Contact your banks to define & modify service agreements

Select software & connectivity
- Contact SWIFT Service Partner

Test (Pilot)
- Connect to SWIFT
- Run test pilot

Roll out
- Go live

Onboard Banks

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3. Case Study – INEOS

SWIFT Implementation

By Rebecca Libourel
INEOS SWIFT Implementation

- INEOS
- SWIFT – what, why, how?
- Benefits
- Questions
INEOS

- Global manufacturer of petrochemicals, specialty chemicals and oil products. It comprises 15 businesses each with a major chemical company heritage.

  - Annual sales of $28.4 billion
  - Network spans 60 manufacturing facilities in 13 countries
  - Multiple bank partners
SWIFT - Typical Corporate Client

- Requires better visibility of global cash position
  - Manage liquidity & provide flexibility
- Conducts business in a number of countries and continents
  - UK, Europe, Asia, North and South America
- Operates variety of systems to exchange files/payments
  - Multiple bank partners
  - Multiple message structures and/or country specific requirements
  - High cost
SWIFT - Implementation

- Data collection and bank documentation
- Contract with Service Bureau Partner
  - Lowest cost of entry and rapid deployment
- Phase 1
  - Register with SWIFT
  - Receive MT 940 and MT 942 messages
  - View global cash position
- Phase 2
  - Payments and treasury management solution (TMS)
  - Evaluate business cases and roll-out, where appropriate
SWIFT/TMS Benefits

- Lower interest
- Currency exchange cost
- (Overnight) investment returns
- Bank fees, transaction costs
- Process efficiency
INEOS SWIFT Implementation

- Questions
4. Case Study – Sysco

SWIFT implementation and integration with ERP

By Maria Flores
Sysco Overview

Global leader in selling, marketing and distributing food products

*Our Mission* - *To market and deliver great products to our customers with exceptional service*

*Our Vision* – *To be our customers’ most valued and trusted business partner*

Statistics:
- Consists of 187 Operating companies
- Serves more than 400,000 customers
- More than $37 billion in sales
- Centralized cash management at Corporate
- 48 banks – 6 primary banks
- >650 bank accounts
Sysco’s Business Transformation

Shared Services
- Centralize task-based work
- Support Sales Force

Data Management
- Leverage improved data
- Develop enterprise-wide view

Sales & Marketing
- Enhance customer experience
- Manage cost to serve
- Improve sales force productivity

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Business Challenges

- Multiple bank connectivity methods
  - FTP, SFTP, SFT, Modem
  - Multiple servers, encryption methods, key exchanges
- Multiple proprietary file formats
  - ACH (3)
  - ACH return (3)
  - Wires (5)
  - File confirmations (3)
- Transmission knowledge resource
  - Business – Understanding SWIFT
  - Technical – who understands the connectivity & can write/interpret the scripts?
- Challenges when data/format was changed in files
Solution Options

- **Keep the Status Quo**
  - Build the interfaces for each of our 6 primary banks
    - Estimated 96 hours per interface to build.
      - For Sysco that meant 12 interfaces (in/out for 6 banks)
    - Coordinate getting an IT resource assigned
      - Risk our resource being replaced over the course of the project
      - Our resource was replaced 5 times over the course of the project
    - Coordinate with bank for setup
      - Establish test time table
      - Exchange keys
      - Test connections

- **SWIFT for Corporates**
  - Direct connectivity
  - Indirect connectivity
Why SWIFT Was Considered

- Standardize connectivity for all banks
- Standardize payment file formats for all banks
- Opportunity to implement because of the business transformation
- Requirements for internal technical expertise are limited
- Rarely is Treasury’s sense of urgency understood and/or acted upon – *Customer Service standard response is ‘open a ticket’*
Advantages

- Improved reliability
  - connection managed by experts 24/7

- Operational efficiency
  - file receipt issues have been eliminated

- Simplification
  - standardized payment formats
  - standardized connectivity
  - eliminate hardware requirements for SWIFT transmission
  - eliminate on-site IT transmission expertise

- Risk Management
  - business continuity; data is accessible across the country
  - flexibility to add, delete or change banks as needed
SWIFT Project Overview

SAP ECC
- ECC Input/Output
  - Accounts Payable
  - Accounts Receivable
  - General Ledger

Legacy
- Treasury
  - Bank Communication Management
  - MT101 – DOMESTIC & INTERNATIONAL
  - NACHA FILES
  - BAI2
  - CHECKS PAID FILE
  - POSITIVE PAY
  - MT3005 - TRADE CONFIRMATIONS

- SFTP

AxelTree SWIFTNet Service Bureau
- SWIFT Corporate Access (SCORE)

Bank1
Bank2
Bank3
Bank4
Bank5
Bank6

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Sysco’s End Result

BUSINESS

TREASURY
Q & A
# Speaker Contact Information

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Thank You
During these uncertain economic times, information that is both accurate and current can help organizations make sound decisions that can have a long term impact. One such area that can have a significant impact on decision making is financial messaging. Connecting to the SWIFT Network can play a vital role in building an efficient and reliable financial messaging system. While building a business case for SWIFT, it is recommended to adopt an enterprise wide view and not restrict its value only to treasury.

A thorough examination of the internal processes of your company, identifying the key challenges or business drivers that are roadblocks in the path to achieving operational efficiency and an internal cost-benefit analysis can shed light on whether SWIFT is right for your organization.

The reasons to join SWIFT may vary depending on the nature of your organization’s business environment and processes; however, one of the most common business drivers to join SWIFT is the need to streamline banking communications (refer Fig 1).

**Costs-Benefit Analysis**

Although the challenges for banks and corporations vary, the key benefits of connecting to SWIFT remain the same in either case: a single, standardized messaging environment that is robust and allows for interoperability with other systems, scalability and flexibility. SWIFT’s value of a streamlined and standardized messaging system is very powerful in the new normal where corporate treasurers have an heightened interest in optimizing cash and applying stronger operational controls to their banking communications.

In drawing up the cost-benefit analysis it is important that corporations assess what they hope to accomplish with SWIFT, how much it would cost them and how much they expect to save in time, effort and money. With over 700 corporations globally on the SWIFT network, it is evident that the case for SWIFT is growing stronger. The benefits (refer Fig 2) surpass the costs.

The costs associated with joining the SWIFT network include connectivity charges, integration with business applications and depending on the connectivity type, the need to buy additional hardware, software and hire trained personnel.
About Axletree Solutions

Axletree Solutions is one of the most trusted and specialized provider of SWIFT connectivity solutions and services to Fortune 500 corporations and banks worldwide. We are the nation’s first SWIFT Best Practice Certified Service Bureau recognized for our expertise and state of the art infrastructure. Our fully managed end-to-end SWIFT connectivity and other value added solutions significantly improve efficiency, lower costs and enable STP. Axletree serves a wide range of customers globally with headquarters in New Jersey and data and operational centers in Pennsylvania, New Jersey, Uruguay and The Bahamas.

Connectivity Options

Today, corporates have multiple options to join SWIFT based on their business needs and message volume. Currently SWIFT offers three modes of connectivity (refer Fig 3):

1. Direct Connectivity - SWIFT infrastructure is owned and operated by the corporate
2. Indirect or outsourced connectivity - most favored method of connectivity that involves a SWIFT authorized shared infrastructure provider (Service Bureau) who helps you connect to SWIFT
3. Alliance Lite- a “plug and play” USB Token based connectivity option for corporates with low volume messages

Comparison of three modes of SWIFT Connectivity

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Figure 3 - Comparison of the three connectivity modes to SWIFT