



**BEST PRACTICES
IN CHOOSING A
CONNECTIVITY PARTNER**

How to ensure your corporation has reliable, integrated connectivity solutions that adds value and grows with your business.

TABLE OF CONTENTS

- 1. Bank Connectivity Challenges pg. 2
- 2. Choosing a Connectivity Partner..... pg. 3
- 3. Nine Key Considerations in Choosing a Connectivity Partner pg. 4
- 4. Conclusion: A Mission Critical Choice pg. 9
- 5. About the Author pg. 10
- 6. About D+H pg. 10



Around the world, CFOs and treasurers of corporations in all industries are increasingly looking to connect to interbank services – including SWIFT, CLS, CREST and many others – to enable their businesses to take advantage of standardized payments and messaging.

Historically, there's been a widespread misconception that financial messaging connectivity, and in particular SWIFT, is only suitable and cost-effective for large corporates with massive transaction volumes. However, as globalization gathers pace, and even small and medium-sized companies expand their business internationally, establishing standardized financial messaging is an increasingly attractive step for corporations of any size.



BANK CONNECTIVITY CHALLENGES

The benefits of standardized connectivity are both diverse and significant. The ability to present standardized payment files and receive standardized bank statements boosts straight-through processing

(STP) rates, while also enabling more efficient banking relationships through use of a single communications channel.

Also, the security and network availability achievable through services such as SWIFT are highly desirable. Standardized financial messaging usually means funds are more visible, producing advantages in areas from cash and working capital management to fraud prevention to regulatory compliance.

Diverse Messaging Formats Increase Cost, Complexity & Risk

There are challenges that can prevent businesses from realizing the full potential and benefits available through bank connectivity. The biggest of these is the vast array of different messaging formats used by banks.

While standardized formats have emerged in recent years, each bank has approached these in different ways by defining its own specific usages for various fields in its payments messages. So, in order to realize the full potential of increased STP from standardized connectivity, each corporate needs to adapt to the formats used by its own particular bank or banks – which creates a need for customization at the corporate end of the connection.

The degree of customization depends on how the corporate connects to the bank, and for what purposes. Treasury payments usually use the FIN format, which is generally relatively standardized and involves less variation. Messaging in SWIFT for commercial transactions such as salaries or supplier payments generally uses the SWIFT FileAct envelope, where the content has to be defined and bilaterally agreed between the corporate and the bank. The standard format in a FileAct envelope is a XML ISO 20022-based payment format. With the CGI-MP (Common Global



Implementation – Market Practice) standardization initiative, the objective is to have one global payment format. The longer XML ISO 20022 is around, the more it is recognized as being the de facto global standard.

For corporate, the ongoing issues and changes around standardization of messaging make connecting successfully to banks to conduct commercial payments a complex, multi-stage process. First the corporate user has to decide which banks it is connecting to. Then it has to understand its banks' payments messaging formats, and transform its own messages into the appropriate format for each bank.

Alongside the issue of messaging formats, the issue of connectivity can also raise other challenges around resilience, security and even skills. These risks are largely dependent on the particular approach a corporate chooses to take to establish financial messaging connectivity.

Essentially, a corporate seeking to link its bank through a standard such as SWIFT has two options:

- Direct connectivity, in which the corporate connects direct to the service provider, such as SWIFT, by licensing the software and using its own infrastructure in-house, or by connecting through a cloud-based offering provided by the service provider.
- Connectivity via a third-party service bureau, which has to meet qualifying criteria and operational performance levels. In the world of SWIFT, service bureaus account for the majority of connections among corporates. The larger service bureaus can offer both a seamless expansion path and a wide range of integrated value-adding services, enabling them to support a corporate's entire growth lifecycle from start-up to multinational.

In deciding between the two, corporations must weigh a number of considerations: the levels of support required

to keep its payment operations smooth and seamless; the benefits of having a proven and experienced partner versus effectively 'doing it oneself', with little support beyond initial on-boarding; and the level of risk and overall cost a firm is prepared to take.

CHOOSING A CONNECTIVITY PARTNER

Why Choosing the Right Partner is Important

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Today, most corporations that connect to services like SWIFT already have revenues of over U.S. \$1 billion. So it is likely of little surprise that the majority choose to partner with a certified service bureau to act as their single connectivity partner, providing them with an expanding array of services and expertise that can grow with their business over the years, all based around the same consistent core solution.

What's more, these corporations look not only to their service bureaus to provide full end-to-end connectivity capabilities, but also to assist the corporate in navigating through all the complex legal and technical issues that can arise in connecting to SWIFT or any other interbank service. These service bureau providers have robust technology, comprehensive back-up and disaster recovery facilities, full business continuity plans and a team of highly trained financial messaging experts that can help to reduce the project risk and cost, and significantly increase the success of complex connectivity projects. Equally important, they provide connectivity as the base offering, and on top of that offer proven, highly sophisticated and fully integrated services in areas like compliance checking, reconciliation and treasury management.

NINE KEY CONSIDERATIONS IN CHOOSING A CONNECTIVITY PARTNER

As the world's largest SWIFT service bureau operator, D+H has gained unique insights into the criteria that corporates should apply when selecting a connectivity partner. The following outlines nine key points of 'best practice' that businesses should bear in mind when choosing a service bureau partner and connectivity solution.

1. Proven Experience

It is imperative for a corporate to choose a connectivity partner with an extensive and proven track record in helping other corporates to implement complex payments projects, including connectivity to SWIFT and other interbank services. This will mean selecting a tried-and-tested, known commodity that is supported by many years of experience, and which offers service bureau delivery as its core competency.

Importantly, during the research and diligence process it is important to ask how many customers a firm has and whether the firm has published case studies, referencing customers by name (as opposed to "blind references", where no specific name is given). A qualified firm with a solid track record of success should also be able to easily arrange for one-on-one reference calls with existing customers. Editorial articles featuring customer stories, and customer presentations at conferences and webinars are also extremely helpful to give an

indication of credentials, and to provide evidence of a proven track record and a high satisfaction level among existing customers.

2. Deep Expertise With Corporates

One of the most important assets that any financial messaging partner can bring to bear for any corporate is the experience and best practices they have gleaned from partnering with other corporations around the world over many years. A corporate treasurer looking for a connectivity partner should look for partners with a proven and referenceable body of work with global, brand-name corporations.

To ensure this criterion is met, a corporation choosing a service bureau partner should first ensure the provider has deep expertise, particularly in working with large multinationals with complex treasury operations. The corporate should look particularly for proven knowledge of complex areas like message formats and enterprise ERP integration. With highly complex projects, where there is often pressure to work under tight deadlines, with tight budgets and where reputations and mission critical operations are at risk, having a trusted partner that has done such projects before and is intimately familiar with all aspects of the project and systems is invaluable. Essentially, a proven partner ensures there is no need to "reinvent the wheel", that known pitfalls can be avoided and that a project's chances of success are greatly increased.

An experienced and expert service bureau will also understand the differing perspectives and learning-curves of different corporate functions such as treasury and IT, and will be able to work with all parties to achieve the optimal overall outcome for the business.



Coca-Cola Hellenic: Putting SWIFTNet Connectivity Into the Heart of Treasury

Coca-Cola Hellenic (CCH) – headquartered in Switzerland – is a multinational Coca-Cola bottling operation, serving 581 million people across 28 countries. In 2008 the company launched a major SAP ERP rollout. As part of this project, the firm decided to upgrade its treasury function at the end of 2009, leading to a requirement for improved bank connectivity.

Needing a service bureau with extensive hands-on experience at connecting with SAP, CCH selected D+H's financial messaging solution. CCH was especially impressed by D+H's experience in providing connectivity to SAP systems. "This was particularly important because, as part of the larger project, the treasury team were under pressure to work to tight deadlines and the firm wanted to incur as little risk as possible," says the Director of Treasury at Coca-Cola Hellenic.

"D+H had already invented the wheel, so to speak, and that gave us the comfort that we would not be running a big risk." D+H and CCH team members worked closely together to ensure the project was delivered on time and budget. D+H began by establishing connectivity with one bank in 2010, and then extended that by connecting with seven more banks using SWIFTNet. All 28 countries that the firm operate are live on the same SAP platform, the majority of which are using the same connectivity.

All in all, CCH considers the project to be a success. Not only has it been able to centralize its core treasury system, resulting

in savings of time and money, but it has also significantly upgraded its messaging infrastructure. Such efficiencies have resulted in improved operational efficiency and a stronger bottom line for the firm.

3. Expert Onboarding Assistance

Corporates often find it difficult to navigate the complex legal and technical issues associated with connecting to interbank services such as SWIFT. Corporates also have substantial and widely varying business requirements for cash management and payment processing. So it's vital to choose a provider that knows this business extremely well, and can demonstrate a strong track record and high market share in onboarding corporate customers.

In this area, a particularly valuable capability that a service bureau can bring to bear is automated onboarding of corporates with their banks. Many banks have thousands of corporate customers using their systems. So it is vital that they have the ability to onboard corporates in a quick, easy and cost-effective way – including setting pricing, integrating with the corporate's ERP system and creating customized reports. To achieve this, a key attribute is straight-through processing (STP) to reduce the turnaround time in onboarding. Also vital for smooth, seamless onboarding is integration with multiple up- and down-stream bank processes, including external systems.

4. Expertise Integrating with ERP, TMS and Other Systems

When undertaking major corporate treasury transformations, corporate treasurers and finance departments are often understandably concerned with the integration of systems. A failure to integrate effectively with the firm's corporate ERP can create severe difficulties – potentially including a need to retype messages, with the accompanying risk of errors creeping in.

Some of the largest service bureau connectivity partners are consistently sought out by corporates because of their expertise in this area, particularly by those that have a low appetite for risk. The corporate should always take pains to verify that the provider can provide actual case studies proving expertise in this area.

A further important attribute in the systems integration field is a proven track record in integrating with treasury management systems (TMS). There are many different treasury management systems on the market, ranging from global solutions to regional and local solutions. A connectivity supplier should bring with it broad expertise with clients in TMS integration, and be able to demonstrate existing connections to different TMS. Corporates should also look for their partner and be able to demonstrate existing connections to a different treasury management systems.

All of this means that proven strength in systems integration – including with ERP systems – must be a core competency for any connectivity partner chosen. The right partner should be accredited – for example, as an SAP Services Partner – and have the expertise needed to enable seamless connections between businesses that make use of the appropriate ERP and the interbank network. The right partner with the necessary expertise can ensure the benefits of increased STP are realized quickly, and that the speed, reliability, and efficiency of a firm's connections to banks increase significantly.

To help optimize these connections, a corporate should look for a service bureau partner with expertise not only in integrating with the corporate's own systems, but also in integration projects on the bank's side of the relationship. Banks accept many different message formats, but also have their own unique requirements, such as putting specific content in a particular field in a standard payments message. The connectivity partner should have deep knowledge of these bank messaging standards, and the capability to convert standard payment messages from the corporate's ERP and/or TMS into the relevant bank-specific formats.

Swiss Federal Railways: Improving Financial Control Through Centralized Treasury Integrated with SAP

Swiss Federal Railways (SBB) is the fourth-largest company in Switzerland, with over 31,000 employees located mainly within the country. It transports 360 million passengers per year and manages over 3,000 kilometers of track.

In 2009, SBB decided on a strategy of simplification and centralization within its corporate treasury function, bringing wide-ranging consequences for financing, cash and liquidity management. To exercise more effective control over its finances it had to ensure payments were authorized via a single system. In order to do so, it implemented a single payments connection, and chose D+H as the service bureau operator to provide fast, efficient and affordable SWIFT connectivity.

When choosing D+H, SBB's evaluation criteria included the number of projects each service bureau had run with large Swiss corporate treasuries. Also, SBB had already chosen the SAP payment management solution, so it wanted to make sure the bureau had worked together with the chosen supplier of the SAP software, which D+H had done many times. A further positive factor was D+H's experience with another Swiss federal institution.

Today, with the D+H bureau now providing a single point of connectivity, the ERP system is able to function as a cash flow reporting tool across the divisions, with reports on incoming



and outgoing cash flow, investments, payroll and payments delivered via a single centralized platform. The two greatest benefits are the elimination of different payments systems, giving full transparency and control of cash flows, and the clear segregation of duties which allows SBB to dramatically reduce the power of attorney. Stefan Eggli, Head of Cash Management at SBB, sums up: “We are really happy that we have chosen D+H.”

5. A Clear Focus on Interbank Connectivity and Payment Processing

When selecting a partner, it's important to choose a provider that is an acknowledged expert in corporate interbank service connectivity and in all aspects of the services around it. This should be the firm's core business. The chosen partner should be able to prove it has the people, the knowledge, and the proven experience to provide the promised service, and should be recognized globally as a trusted connectivity partner to many of the world's top banks and Fortune 500 companies.

Again, it's vital to look for a provider that can provide actual published case studies of their customers, both corporates and banks. While the underlying technologies are similar, the communication and information needs differ widely: for example, in a bank there is no need to explain what SWIFT is and does, but this may be necessary in a corporate treasury function. Working extensively with banks means a service bureau will understand not only the technical connectivity with banks, but also the differing cultures, decision-making processes and levels of prior understanding on each side of the bank/corporate relationship.

6. High Standards of Reliability and Security

As we noted earlier, payments is a mission-critical activity for any business. So it's important to ensure that any reliability statistics provided to support a service bureau's proposal pertain specifically to that service bureau. This is particularly important if connectivity is not the prospective supplier's core business: if that's the case, then the statistics provided might relate to other parts of the business, not the connectivity technology. It's equally vital to ensure that the provider can prove it has achieved the highest standards of reliability and security in the industry. 'Best practice' standards should be at or surpass 99.9 percent availability sustained over many years.

To help meet these imperatives, corporates should seek out provider with a connectivity certification. Those providers that have been granted the distinction of 'best-in-class' connectivity certification have been recognized for having redundant infrastructure that can sustain services despite failures, have the bandwidth to handle processing of peak volumes, and offer robust security. Corporations should also request formal benchmarking results to validate any performance and availability claims.

7. A High Level and Consistent Standard of Customer Support – both Globally and Locally

High levels and quality of customer service are critical success factors in any service bureau partner. The chosen supplier must prove that it will be able to provide all the customer support needed throughout the implementation and beyond into the operational phase. Quite rightly, corporates embarking on their connectivity journey want hand-holding and peace of mind – they have a lot on the line. And they value face-to-face meetings and training, so the personal touch remains very important.

Yet corporates also operate globally, so it is important that a service bureau provider's support organization is capable of matching this global scale, and providing true 24x7 support worldwide. At the same time, corporates want a partner that combines this global reach and delivery capability with local knowledge, expertise and support. At the end of the day, payment processing is still local. So a corporate's partner of choice will ideally have global reach and capabilities and yet a deep understanding of local payment formats, together with a knowledge of any applicable local payments regulations, such as central bank reporting requirements.

To meet all these needs, the service bureau partner should bring its corporate partners the best of both worlds, by providing them with the convenience of a single global relationship, together with the peace of mind and attention that come with local service, expertise and support on the ground. A high degree of service ensures that customers realize the best value from their investment in the shortest period of time. Excellent customer service can be identified through customer references, clear evidence of formal and widely accepted implementation and support services methodologies, and articulation of roles and responsibilities throughout the duration of the engagement.

8. Availability of Value-Added Services

Corporates should look for a connectivity partner that offers a comprehensive range of high-quality, value-added services such as conversions, reconciliation, message validation processes, compliance filtering and connectivity to other payment and settlement services, such as host-to-host. Compliance filtering capabilities should be integrated using the same graphical user interface (GUI) as other services, and should check compliance against a wide variety of international lists, including OFAC, World-Check, Factiva, Info4C, PEP Check, Accuity, KyC, MonitrolIT, HMT (Bank of England) and other country-specific lists.

It is also important for the connectivity partner to be able to provide message and payment format conversion and data transformation services. Corporates are increasingly

seeking service providers who can shield them from the specific details of bank and payment formats. Since maintaining payment formats internally is a very complex and time-consuming task that requires special expertise, corporates want to use a service bureau that can provide them with services beyond connectivity, such as one-to-many format conversions.

A further value-added service that many corporates find valuable is multi-banking payment release and workflow. As soon as a corporate moves towards SWIFT and consolidates its legacy H2H and eBanking portals-based payment processing connectivity and infrastructure, it needs to have a centralized and bank-independent multi-banking payment release and workflow solution to control its payment processing, following the "four-eyes" principle. The corporate will either have to build and implement such a solution on-premise, or preferably buy it in from its service bureau.

9. A Proven Commitment to Innovation

The chosen service bureau should have a long history of working with its various partners to ensure and enable innovation, both in core connectivity and also in all the services around it. The right connectivity partner will be able to demonstrate that it has engineered advances in technology to deliver the highest level of performance in the payments industry, thereby saving corporations and banks millions of dollars in operating system fees. To support innovation, the connectivity partner should also be able to bring the corporate a wider understanding of the latest technical advances in the payments industry. Examples might include the ability to explain the importance of movements such as the CGI-MP (Common Global Implementation – Market Practice) initiative, whose goal is to simplify the implementation process for corporate users and promote wider acceptance of ISO20022 as the common XML standard used between corporate and banks. It is important that the service bureau understands these formats, can convert them, and has the expertise and technological capabilities to implement XML.



CONCLUSION: **A Mission-critical choice**

Overall, the message is clear. Any corporate embarking on a major payments or global cash management transformation – especially one of considerable size and complexity – needs to consider its options carefully. This is not a decision to be taken lightly: whether a corporate is handling a few hundred transactions a day worth a few thousand dollars, or millions of transactions collectively worth several billion, a smooth, secure and always-on payments capability is mission-critical to its success.

This will depend crucially on the choice of connectivity provider. By selecting the right connectivity partner, a corporate will gain the benefit of having a highly trained, enduring and totally committed partner whose solution and services will grow and adapt to your needs as they expand and evolve. Put simply, selecting the right connectivity partner is not just a decision for today – but one whose implications and benefits will continue for many years and decades to come.

About the Author

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