



Choosing a Best-of-Breed Service Bureau

by Per Trifunovic, Head, Payments, Financial Messaging, D+H

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Around the world, the benefits of standardized connectivity are becoming increasingly clear to the CFOs and treasurers of banks and corporates in all industries. Globally active corporates need to manage an increasing number of bank relationships, and they also need to speak an increasing number of languages: SWIFT, SEPA, ACH, FED, Chips and many more. The required use of standard messaging formats adds complexity to a company's treasury department, and strong message transformation capabilities are required. The ability to send standardized payment files and receive standardized bank statements boosts straight-through processing and enables more efficient banking relationships through the use of a single communication channel. Through the use of standardized financial messaging formats, funds become immediately visible, producing advantages in areas from cash and working capital management to fraud prevention and regulatory compliance.

For corporates, the ongoing challenges around the standardization of message formats make connecting to banks a


complex, multistage 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.

In addition to the already complex issue of messaging formats, there is also the issue of connectivity. Other significant challenges will arise around resilience, security and even in-house skill sets and crucial expertise—all of which are essential items to consider. Another key factor to ponder is time: how many resources can an in-house IT team dedicate to this treasury function, or is an outsourced model the better alternative? These risk assessments 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: Using this model, the corporate connects directly to the clearing network, via licensed software or by connecting through a cloud-based offering.

Connectivity via a hosted third-party service bureau: Service bureaus manage any number of messaging protocols, and can provide both a seamless expansion path and a wide range of integrated value-adding



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services, providing support to the corporate as it grows and evolves.

In deciding between the two connectivity models, corporates must weigh a number of considerations: the number of potential connections to manage; the levels of support required to keep their payment operations smooth and seamless; the benefits of having a proven and experienced partner versus ‘doing it oneself’, with little support beyond initial onboarding; and the level of risk and overall cost a firm is prepared to take on.

If the decision is to work with a service bureau, there are additional factors that a corporation must consider to ensure it is selecting a best-of-breed solution, or at least the right solution for its needs.

By selecting a certified service bureau to serve as a single connectivity partner, a corporation taps into an expanded array of services and expertise that can help them grow their business over the years. They receive not only full, end-to-end connectivity capabilities with a range of global clearing networks, but also a true partner that can help the corporate navigate through the complex legal and technical issues that can arise in connecting to SWIFT or any other interbank service.

Best-of-breed service bureau providers offer robust technology, comprehensive back-up and disaster recovery facilities, full business continuity plans, and a team of highly trained, SWIFT-certified financial messaging experts that can help reduce project risk and costs, increase the success of complex

connectivity projects, and provide day-to-day reconciliation support. They also offer a fully integrated range of services on top of the base connectivity, including compliance sanctions filtering, payment order management and reconciliation. Sanctions screening has become a requirement for many corporates as the importance of checking payment validity before transmission has become a vital security concern.

When selecting a best-of-breed service bureau, corporations should consider the following:

Reliability & Stability: The size of the company and their proven track record of platform performance and service availability, plus transaction processing volumes, are all indications of the reliability and stability of the service bureau’s processing power. Evidence of support and reaction times and regular testing of failover procedures should also be demonstrable. They should also meet audit standards, such as ISAE-2302, and be vetted and recognized for excellence, such as with a SWIFT Premier Label certification. Now more than ever, smaller bureaus are falling victim to consolidation. With SWIFT certification becoming increasingly rigid and costly, smaller players may not be able to afford the costs of remaining relevant.

Sustainability & Expertise: Corporates should seek service bureaus with a strong track record of providing connectivity to banks and corporates of all sizes, across all geographies, especially seeking evidence of



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where the bureau has a proven knowledge of working with large multi-nationals with complex treasury operations. This knowledge and expertise should also extend to the ability to integrate with an organizations existing ERP, TMS or other in-house, incumbent and legacy systems. And finally, the ability to provide expert onboarding, project implementation assistance and customer support, should be provided hand-in-hand with any new customer integration.


Value-Added Services & Innovation: Best-of-breed service bureaus can offer a range of services to enable your company to grow. They should offer more than just SWIFT messaging, but also connectivity to a full range of other interbank services that may be right for your corporate. Services such as sanctions screening, name-matching and reconciliation are invaluable, lessening the burden on the corporate treasurer. A commitment to ongoing innovation of solutions and services should also be part of a service bureau's offering, to ensure their customers benefit from the latest technical advances resulting in cost savings and more efficient payments processing.

Any corporate embarking on a major payments or global cash management transformation—especially one of considerable size and complexity—needs to consider its financial messaging options carefully. The decision of whether or not to utilize a service bureau is not one to be taken lightly. Whether a corporate is handling a few hundred transactions a day, worth just 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 service bureau provider. By selecting the right provider, an organization 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.

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