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A simplified and direct access to the SWIFTNet network with Alliance Lite2 for Business Application and Exalog's software

When it comes to worldwide banking connectivity, SWIFTNet is the perfect network for corporates to choose. Several options are available to connect to this network (Service Bureau for example), the latest being Alliance Lite2 for Business Application (L2BA). Only a few software editors in the world have been selected by SWIFT to offer the new "L2BA" solution, which greatly simplifies the connection to SWIFTNet. One of them is Exalog, founded in 1984 and specialized in developing web-based cash management systems. **Interview with Sophie Morel, Marketing & Communication Director at Exalog.**

What are the advantages of the L2BA solution offered by Exalog?

Sophie Morel: The "L2BA" offer is a plug & play solution for international groups, which includes a cash management software and the connection to the SWIFT network in the same package. At Exalog, we offer the L2BA connection with our payments and group treasury software, called *Allmybanks*.

With "*Allmybanks+L2BA*", the connection to SWIFT is as simple and quick as possible. Companies benefit from a number of advantages:

- They avoid all intermediaries to connect to SWIFTNet
- They benefit from a plug & play solution, thanks to our technical platform which is already operational
- They are free from all technical constraints, since we take care of the SWIFT L2BA platform maintenance and the monitoring of banking communications
- They can setup SWIFT profiles in *Allmybanks* without specific technical knowledge
- They encounter no limits, as the "*Allmybanks+L2BA*" offer is able to manage large volumes of flows

This independent solution provides corporates access to worldwide banks, without going through a Service Bureau nor any intermediary bank.

Tell us more about the *Allmybanks* software and its SWIFT Certified label

Sophie Morel: *Allmybanks* is a payments and treasury software designed for international groups. It features all the functions needed to manage company's cash flow at a worldwide level:

- Centralized transaction management (payments, PoBo, collections)
- Banking authority limits management (with the 3Skey digital signature)
- Cash flow analysis and budgeting
- Debt and net cash reports
- Accounting reconciliation

Allmybanks is one of the few TMS in the world recognized as "SWIFT Certified". The SWIFT Certified label means that *Allmybanks* complies with SWIFT requirements regarding standards, messaging and connectivity. This label is granted after a comprehensive audit, which examines:

- The hosting conditions provided for both *Allmybanks* and Exalog's SWIFT Alliance Lite2 platform
- The software's capacity for end-to-end processing of ISO 20022 and MT messages (sending and receiving), as well as acknowledgements of receipt with remittance reconciliation

Offered on a SaaS mode, *Allmybanks* is accessible via any Internet connection. Therefore, implementation timeframes and costs are reduced, as well as the need for internal IT support. Its user friendly interface guarantees a quick handover. This rollout simplicity is coupled with Exalog's high level of security (ISO 27001 and ISO 22301 certified datacenters).

Considering several TMS, why should corporates go for your solution, *Allmybanks*?

Sophie Morel: The L2BA package is of course one of the reasons companies should choose *Allmybanks* for their cash management. Moreover, as it has been designed for international groups, *Allmybanks* answers any issues companies face when dealing with payments, bank connectivity and treasury management on a worldwide scale, helping them secure their financial transactions and optimize their cash flows.

Then, when choosing *Allmybanks*, corporates benefit from our 30 years' experience in financial transactions software. They rely on our expertise in data exchange, file formats and banking communication.

Finally, our customer-oriented approach often makes the difference during request for proposal (RFP) and convinces companies to choose *Allmybanks* among other TMS.

For more information, please contact Exalog or visit the following websites:

contact@exalog.com
www.allmybanks.com
www.exalog.com

Exalog

SWIFT Certified Application 2017 Cash Management for Corporates

SWIFT Alliance Lite2 for Business Applications 2017

EDITOR'S LETTER

Dear GTNews subscriber,
Welcome to the GTNews SWIFT Guide 2017, or the Guide to Payment Initiatives, Connectivity and SWIFT Services to give the full title. Long-time readers may remember GTNews's previous SWIFT-related publications, principally the guide to SWIFT service bureaux that was issued annually a few years ago. Such is the current pace of change that the title is now something of a quaint anachronism. So, this latest Guide reviews the most recent transformative developments, such as the launch of the single euro payments area (SEPA) after many years of being a project in the pipeline and SWIFT's own global payments innovation (gpi) initiative, which has hit the ground running after a comparatively brief development phase. Blockchain and digital ledger technology (DLT) has, of course, been the main focus of attention over the past couple of years, even eclipsing the buzz that surrounded bitcoin and other virtual currencies and peaked around 2014. We consider all of these recent developments, while also not forgetting the treasurer's perennial problems such as cash visibility and unlocking trapped cash. We hope that you find the latest SWIFT Guide a timely and relevant aid to your day-to-day work and future planning.

Best wishes,

Graham Buck
GTNews editor

A SWIFT BRIEFING ON TOPICS FROM THE LATEST CYBERSECURITY MEASURES TO THE BEST CONNECTIVITY OPTIONS, BY MARC DELBAERE

SWIFT – EVERYTHING YOU WANTED TO KNOW...

CYBER SECURITY HAS BEEN A GROWING INDUSTRY CHALLENGE. SO WHAT IS SWIFT DOING TO HELP CORPORATES?

Cyber security is a global threat that requires everyone's vigilance.

While SWIFT customers are responsible for the security of their own operating environments, SWIFT is supporting its user community to reinforce the security of the infrastructures they use to access the SWIFT network, through the Customer Security Programme (CSP). An industry-wide effort, the CSP is designed to support customers to secure themselves and protect their own local environments; to prevent and detect fraud in their counterparty relationships; and to protect the wider community by helping them prepare against future cyber threats by sharing information.

The CSP is designed to support all SWIFT customers irrespective of whether they are corporates, banks, market infrastructures, or other types of SWIFT users. The newly-introduced assurance framework also applies to all SWIFT users, so SWIFT-connected corporate customers will be subject to the same mandatory controls as other customers, and we will be working closely with them to help with their adoption of the control framework.

At the same time, corporates are looking for payments to be faster, more transparent, secure and compliant. The CSP, together with SWIFT's global payments innovation initiative (gpi), will address this demand and effectively drive evolution in the global payments landscape.

IN WHAT WAYS CAN CORPORATES USE SWIFT?

There are a few different services available. We have a global network, which offers corporate treasurers a single window to connect with the banking world, enabling reach to multiple banking partners globally and in a consistent fashion.

We recently launched the SWIFT gpi (global payments innovation) service, which enables banks to offer an efficient, fast, more transparent and traceable cross-border payments service to their corporate treasurer customers. SWIFT gpi provides faster, same-day use of funds (within the time zone of the receiving gpi member), end-to-end payments tracking, and delivery of unaltered remittance information. It's a great addition to the SWIFT for Corporates "toolbox."

We also offer a series of multi-channel services that do not require connection to SWIFT, but rather work with any communication channel. We do this in four main areas: payments reference data, on-boarding and standards testing, financial crime compliance solutions and digital identity management.

Additionally, we have consulting and training services programmes that sit across the SWIFT for Corporates portfolio. We can help corporate treasures with system integration challenges, run educational boot camps related to the market or SWIFT, and much, much more.

CAN ANY CORPORATE CONNECT TO SWIFT?

SWIFT is a great solution for companies that are using multiple banks to do business across multiple countries. Corporates turn to SWIFT to simplify the complexity of managing multiple bank partners globally. This is, of course, the case for large multinational corporations, but a lot of smaller corporates have found tremendous value in SWIFT as well, particularly if they are working with at least three banks.

WHAT TYPES OF CONNECTIVITY OPTIONS DOES SWIFT OFFER CORPORATES?

We have something for corporates of every size when it comes to connectivity. We offer four connectivity options – on-premises infrastructures, cloud-based access hosted by SWIFT, outsourced cloud-based access through an accredited solution provider, such as a treasury or cash management system supplier, or connection through a Service Bureau.

On-premises infrastructure, or Alliance Access, is ideal for the complex corporate that wants direct access to SWIFT and

wants it installed, operated and managed in-house. Cloud-based connectivity - hosted by SWIFT or Alliance Lite2 - is for the corporate that wants the benefits of direct access to SWIFT, but with a lighter footprint. Building on Lite2, corporates also have the choice to centralise their SWIFT connection around existing treasury and cash management application solutions. This is the Lite2 for Business Applications service that allows certified treasury and cash management application providers to integrate their business applications with Lite2, enabling them to offer connectivity to SWIFT on top of their applications. The fourth option is to take an outsourced approach using Service Bureaus. This is a solution for those corporates that prefer to have an accredited third party supplier host, operate and manage all aspects of their connectivity into SWIFT.

WHICH IS THE BEST CONNECTIVITY OPTION FOR CORPORATES?

The best connectivity option really depends on the corporate's infrastructure preferences: do they want to manage the connection directly, do they want a lighter footprint, or do they prefer an outsourced solution? We recommend the following questions to determine the best connectivity solution.

- Do you want to own the connection into SWIFT directly? If yes, you have two options – host the infrastructure on your premises (Alliance Access) or access SWIFT directly with a lighter footprint through the cloud (Lite2), with the infrastructure managed and operated by SWIFT.

- Do you want to outsource the connectivity management to a third party? If yes, you have two options here as well. A cloud-based solution using accredited vendors' systems, Lite2 for Business Applications allows certified treasury and cash management application providers to integrate their business applications with Lite2, enabling connectivity to SWIFT. The second option is using a Service Bureau that will provide access to SWIFT using infrastructure that is operated and managed off premises by the Service Bureau directly.

All solutions are designed to support all types of corporates – large, small or complex – depending on their connectivity preferences and requirements.

DOES SWIFT WORK WITH THE VENDOR COMMUNITY?

Yes, there are a few different ways in which we work with the vendor community. We have the Lite2 for Business Applications programme that allows certified treasury management and cash management application providers to integrate their business application with Lite2, enabling them to offer connectivity to SWIFT on top of their application. We work with the vendor community to certify interfaces and ensure messages are properly supported. Beyond the vendor community, we also certify banks as being SWIFT-ready, looking at banks' readiness to support SWIFT messaging. This is a very important certification for smaller banks looking to grow their cross-border corporate business..

WHAT OTHER ADVICE CAN YOU GIVE TO CORPORATES INTERESTED IN USING SWIFT?

At SWIFT, we work hand-in-hand with the banks to simplify the multi-banking experiences for the corporate community. Corporates always weigh the question of whether to use SWIFT: based on feedback from those that have moved forward with SWIFT, it's clear that there is a significant return on investment that comes with more streamlined banking relationships. For corporates with multiple banking relationships, SWIFT can make a significant difference.

Marc Delbaere is head of corporates and supply chain at SWIFT. He joined the group in 2008 as head of standards strategy and architecture from IBM, and was formerly head of MyStandards until taking up his current post in 2016.

DEVELOPED AS A MEANS OF IMPROVING CROSS-BORDER PAYMENTS, SWIFT'S GLOBAL PAYMENTS INNOVATION (GPI) INITIATIVE HAS RAPIDLY EVOLVED FROM A CONCEPT TO A LIVE SERVICE, WRITES **REBECCA BRACE**

SWIFT'S GPI INITIATIVE

On 16th February 2017, little more than a year since first announcing its global payments innovation (gpi) initiative, SWIFT reported that a total of 12 global transaction banks had gone live with the service. Created by SWIFT in collaboration with a group of banks - current membership is now close to 100 leading transaction banks - gpi is intended to improve cross-border payments.

The original goal was to "provide the end client with a better service, in part because of changing expectations in the client base," explains Harry Newman, global head of banking at SWIFT. "It's not just about people expecting payments to be faster - they also expect to have more information and transparency."

Newman adds that treasurers are looking for a range of improvements where cross-border payments are concerned. "We concluded that they need predictability about when things will happen," he says. "They need transparency on fees, and the ability to track and trace a payment to find out where it is and what has happened to it.

"They also need to know that the remittance information, which can aid reconciliation, goes through the system without being changed - so we alighted on these two elements, and then we put together a new service."

WHAT DOES GPI INCLUDE?

Focusing closely on these objectives, the first phase of gpi includes a gpi Tracker, which enables banks to provide corporates with an end-to-end view of the status of their payments - much like the track and trace tools, which have become commonplace in the world of distribution and logistics. As such, treasurers can use the Tracker to find out whether beneficiaries have received specific payments. Banks can update the Tracker using FIN messages or application programming interface (API).

As part of gpi, SWIFT is also introducing gpi Observer, a service level agreement (SLA) rulebook, which will be used to make sure that banks are adhering to the relevant gpi business rules. The initiative also includes a directory, which will provide a full listing of gpi members and their capabilities and access to a dedicated member-zone for each of them.

When designing the solution, Newman says that SWIFT looked at changing the rails completely, but decided that this would be impractical. "We therefore decided to work with the current rails and build a cloud-based service on top of it, which banks can integrate and put into their own offerings to their client base," he notes. "This combines the tracking service and the SLAs which the banks agreed to."

Newman adds: "What it means is that as this takes off, you will get end-

to-end tracking across the world for correspondent banking payments. Banks can use that service to provide information and - on top of that in due course - more services to their corporate client base." A further notable feature of SWIFT gpi is that remittance information is sent to beneficiaries without being changed or truncated, thereby making it easier for treasurers to reconcile payments accurately.

THE STORY SO FAR

Besides the anti-dumping-type measures, the initiative is progressing rapidly with 12 banks already using gpi since February; namely ABN AMRO, Bank of China, BBVA, Citi, Danske Bank, DBS Bank, Industrial and Commercial Bank of China (ICBC), ING Bank, Intesa Sanpaolo, Nordea Bank, Standard Chartered Bank and UniCredit. More banks are expected to follow later this year: the almost 100 banks that have committed to the project together represent around 75% of all payment messages on SWIFT.

Banks are already reporting the benefits of the initiative. "In a relatively short period of time, and with a not very big effort, gpi has allowed BBVA to implement a solution that allows us to meet several requests from our clients," says Raouf Soussi Laghmich, head of global innovation and multi-country projects at BBVA.

"In practice, implementing gpi in a bank mainly means reviewing the current flows for cross-border payments and adapting them to the new rules, such as the generation of the unique identifier of the transaction (unique end-to-end transaction reference) and its maintenance throughout the flow." He adds that since the bank was certified at the end of February, customers "already appreciate a significant improvement in the quality of the service, as now they know when the beneficiary receives the funds."

BNP Paribas, meanwhile, is on track to go live with gpi gradually over the course of 2017. Damien Godderis, senior product manager, international payments and correspondent network, reports that the bank's clients "are very curious and eager to see gpi going live." He adds that BNP Paribas regards providing clients with a significantly improved experience for cross-border payments as a "high priority".

IMPLICATIONS FOR CORPORATES

Godderis notes that the gpi initiative aims to address four customer pain points: unexpected fees levied by intermediary banks; delays for funds arriving the beneficiary; the loss of payment data; and a lack of end-to-end traceability.

The launch of gpi certainly comes as a welcome development for treasurers who have long struggled with cross-border payments. "The classic correspondent banking model was under pressure for years, and all corporates complained about it," observes François Masquelier, chairman of the Association of Corporate Treasurers of Luxembourg (ATEL) and honorary chairman of the European Association of Corporate Treasurers (EACT). "Customers and regulators have pushed for better payment services, which will also help achieve a better, smoother, more transparent and more secured payment landscape."

According to Masquelier, the development of gpi has been welcomed by treasury associations; as has the fact that their members have been involved in working groups set up to gain a greater

understanding of corporates' needs and expectations. "We can all easily see the benefits of gpi for treasurers: same day use of funds, transparency of fees, end-to-end payment tracking to inform stakeholders and unaltered remittance information, which is crucial for smooth and automated reconciliations," he adds.

It is also worth noting that banks, as well as corporates, stand to benefit from gpi. As Godderis points out, "exceptions and investigations are painful to us as well". Banks can benefit in several ways, including a reduction in the time and costs involved in investigations as well as the ability to offer new services to customers.

FUTURE DEVELOPMENTS

Looking forward, SWIFT sees the current version of gpi as the first phase of what will be a long-running project to improve cross-border payments. "The focus for this year and next is on bringing those 100 banks that are committed into live operation and extending the reach to hundreds more banks," says Newman. "At the same time, we will be considering what else we can add that will benefit banks and our clients."

He adds that future developments may include introducing the ability to send invoices with payments, which could provide considerable benefits in areas such as trade finance. He also notes that while blockchain does not currently play a role in gpi, this could change in the future. "We have some data around proofs of concept to look at in the next couple of years which will ask how and when we could use blockchain to improve the service in due course, if and when it becomes ready for prime-time usage."

From the banks' point of view, Godderis says that client interactions will be a focus of future developments, "bringing to the client all the gpi functionalities and benefits, and co-creating with the corporate market on how to create added value services."

BBVA's Soussi Laghmich adds that the current form of gpi "is only a first step" and that the initiative will need to be developed in three key areas: more banks will need to join gpi, while new functionality will need to be added to cover customer needs. He also notes the need for "new services that banks can develop and make available to their customers, such as checking the status of a transaction through electronic channels."

All of this will take time: such a significant change to cross-border payments cannot be completed overnight. That said, the development of gpi has been progressing briskly, with many corporates monitoring the initiative and its progress. As Masquelier concludes, "In a nutshell, I personally only see potential advantages and pros. I hope we will soon be able to use gpi for our cross-border payments."

Rebecca Brace is a former editor of *Treasury Today* magazine and a regular contributor to GTNews and its publications.

Axletree's SWIFT cheat sheet of commonly-asked questions

Our SWIFT experts at Axletree receive several questions each day from users operating the SWIFT messaging application. It is natural from time-to-time, for some issues to arise while using the SWIFT web interface and can happen for a plethora of different reasons. Regardless of how it happens; stop, take a deep breath and remember that with the right precautions and information you can avoid some of the most frequently-experienced issues. These are a few of the most common that we have heard from our customers.

Issue #1: Did the recipient receive my SWIFT message?

Remedy: Login to the SWIFT web Interface and check your message for a "SWIFT ACK" status in the message history or on the dashboard. An "ACK" indicates that SWIFT received your message and the recipient/ correspondent has received it too. If you require an immediately confirmation, we suggest you to use the option N2 in the header of the message; this will give you the MT011 "Delivery Notification" when SWIFT delivers the message to the receiver.

Issue #2: Why was the message "NACK'd" (negatively acknowledged) by SWIFT?

Remedy: Messages can be "NACK'd" for various reasons. Look for the "NAK code" in your message history and use the FIN Error Codes Guide available in the user handbook section of the SWIFT website for a description of the NAK code. Our service bureau support team can interpret the NAK codes and suggest a remedy of action however the team does not have access to the customers' message content and cannot correct the message on their behalf.

Issue #3: SWIFT access is denied and the system is not accepting the password. Please reset it.

Remedy: Contact your security administrator to reset your password. The user will receive a temporary password of four characters to regain access to the SWIFT web interface, then the user must create a new password. It should be easy to remember and have a minimum eight characters in length, with at least one number, one uppercase and one symbol; for example: Dogflsh2!.

- Do not use the operator ID as a password because this will cause a security risk.

- Do not share your SWIFT credentials or password with anyone.

Issue #4: SWIFT messages did not print or are missing; this could be due to a local printer issue.

Remedy: Messages can be easily reprinted by reactivating them to the relevant printer queue from the SWIFT dashboard. Be careful when reactivating messages, because errors can lead to messages being routed to incorrect destinations. Reactivation rights are provided only to supervisors or operators in senior management.

This SWIFT cheat sheet is meant to be a basic resource for you to troubleshoot some of the most common issues that arrive. It is always advisable to contact your service provider and security administrator whenever there is an issue.

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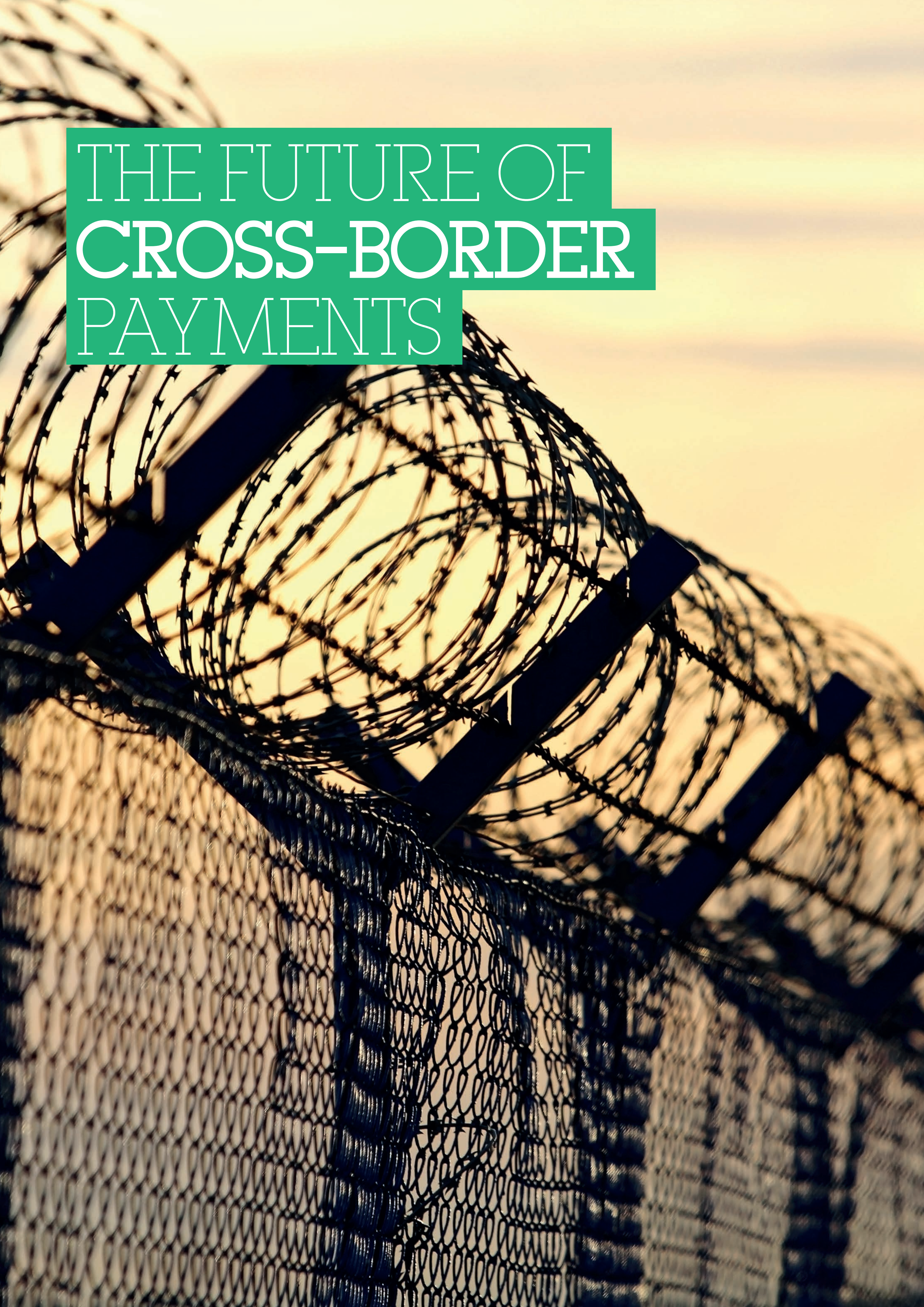
THE FUTURE OF CROSS-BORDER PAYMENTS



TECHNOLOGICAL ADVANCES – COUPLED WITH LEGISLATION IN EUROPE AND ECONOMIC INITIATIVES SUCH AS CHINA'S 'BELT AND ROAD' – ARE DISPLACING THE INEFFICIENCIES OF THE PAST, REPORTS HEATHER MCKENZIE

An insight into the potential future of correspondent banking was provided in October 2016, when bank-backed financial innovation company R3 and 12 of its member banks announced a successful trial of Ripple's distributed financial technology. The trial introduced the independent digital asset XRP - native to the Ripple Consensus Ledger - to test the feasibility of reducing or retiring the use of current nostro accounts for local currency payouts.

The implication of the trial is that digital assets such as XRP, which enable near real-time value exchange anywhere in the world, offer a lower-cost alternative to nostro accounts.

R3 member banks involved in the trial include Barclays, BMO Financial Group, Canadian Imperial Bank of Commerce (CIBC), Intesa Sanpaolo, Macquarie Group, National Australia Bank (NAB), Natixis, Nordea, Royal Bank of Canada (RBC), Santander, Scotiabank, and Westpac. In the trial, the banks used the Ripple network to make markets for fiat currencies using XRP, completing authenticated payments without multiple nostro accounts. Through a series of transactions, the participating banks explored how Ripple's solution and XRP could enable both cost-cutting opportunities and revenue opportunities.

David Rutter, R3's chief executive officer (CEO), comments: "The tradition of holding numerous currencies across multiple accounts in different countries is costly and inefficient. This is a legacy issue from a time when the technology did not exist to offer a viable alternative; however digital assets and distributed ledgers can now enable real-time exchange of currencies between parties anywhere in the world, without the need for a third-party intermediary. This prototype paves the way for a major overhaul of how banks process and settle cross-border payments."

Roman Dahl, senior business developer, transaction banking, Nordea Bank, says developing blockchain with native digital assets specifically dedicated to cross-border transactions promises to revolutionise traditional global payment concepts. "The trial showed that the technology could enable international payments in real time, at lower costs, digitally/cryptographically secure and significantly contributing towards digitalisation of the financial industry and our world."

Mike Baldwin, head of transactional solutions, GTS, Westpac Institutional Bank, notes: "Combining the use of digital currency on a shared ledger with our previous low-value, cross-border payment proofs of concept hold great promise for transformation across the entire international payments."

According to Phil Griffiths, senior vice-president, global transaction banking, CIBC, a more efficient global payment system is all about making payments faster, easier and more transparent for businesses and consumers. "Using innovative technology to rethink traditional processes is exactly what's needed to give businesses everywhere an easier way to send and receive payments - and we are very active in making that a reality for our clients," he says

GPI AND PSD2

Transparency is one of the key features of SWIFT's global payments innovation (GPI) initiative, which went live in February 2017. GPI is a collaborative effort that lays the foundation for future cross-border products and services. Not surprisingly, the initiative has attracted great interest from banks and is characterised by collaboration and co-operation; likely to be crucial factors in the long-term future of cross-border payments.

"An individual bank or other institution can be very competitive in domestic payments at the front-end with digital transformation, online and mobile banking services," says Wim Raymaekers, head of GPI at SWIFT. "But creating a better experience for cross-border payments requires banks to collaborate with each other and that isn't always easy."

Evelien Wilcox, global head of payments and cards for Dutch financial group ING, says GPI is "a good first step towards more speedy, transparent and consistent cross-border payments". The initiative enables money to be moved on the same day with full transparency, but Wilcox believes that changing customer expectations require more than this. "ING believes that instant payments will initially be domestic or at best regional - such as the European single euro payments area (SEPA) instant credit transfer - aka SCTInst - and then only after that will we make the step towards cross-border payments."

Migrating to instant payments in the cross-border world poses challenges, particularly in terms of payments infrastructure, global settlement possibilities, governance and risk. "There are steps we can take before that," says Wilcox. "Banks should become involved in the domestic instant payments schemes in the countries in where they operate. Next to that they also need to focus on improving speed, transparency and consistency in cross-border payments."

Another important factor in cross-border payments is the move towards open banking, she adds. "This is being enabled in Europe via the new Payment Services Directive (PSD2) and we believe the trend will be embraced around the world. It will allow banks to connect to other players in the market easily and supply customers with multi-bank solutions."

Opening a bank's account infrastructure via application programming interfaces (APIs) will also encourage fintechs and other new entrants to build value added services for cross-border payments.

Pascal Augé, head of global transaction and payment services at Société Générale, also cites open banking and real time/instant payments as important drivers in the future of cross-border payments. "For the next two to three years in continental Europe, cross-border payments will develop under the umbrella of two main disruptors: PSD2 and the instant, real-time world."

The challenge in opening the payments industry could be the fragmented nature of Europe. There are cultural differences that mean a universal, standardised solution is still some way off. For example, Germany is largely a direct debit and credit transfer

market, whereas French consumers and businesses prefer to pay by card.

"It is an open question whether PSD2 will further harmonise the payment systems that are still very fragmented across Europe," says Augé. "SEPA harmonised to an extent, but not everything; there are almost as many SEPAs as there are European Union member states." In the absence of such harmonisation financial institutions need to develop their respective strengths in each European market in which they operate, he adds.

When it comes to real time and instant payments across borders, Augé says there is still uncertainty about the business case for such services. "The main driver of real time payments is the need for more transparency, particularly in this digital age. Financial institutions will be driven to provide more visibility about the way we process payments."

THE CHINA FACTOR

SWIFT's Raymaekers isn't convinced that in the short-term the future of cross-border payments will be instant. "We have achieved real-time processing in payments," he says. "But there hasn't been a big push from corporates for instant payments because they don't really need that since they pay on invoice terms. What they do want is more certainty and transparency."

Despite the absence of corporate demand for instant payments, Raymaekers is confident the industry will not stop at real time payments. "There will be an evolution in future correspondent banking models as the industry continues to invest - it is a journey that will not stop."

Globalisation is driving increased trade and one of the major trade projects is China's 'one belt one road' (OBOR) initiative launched in 2013, also abbreviated to the 'belt and road initiative' (BRI). A combination of land and sea trade routes based on the historic Silk Road, BRI aims to promote the orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets by enhancing the connectivity of Asian, European and African continents and their adjacent seas.

"The China Cross-border Inter-bank Payment System (Cips) is an important development for facilitating trade payments across borders by reducing transactional costs for renminbi (RMB) clearing and extending yuan (CNY) cut-off times," says Shirish Wadivkar, global head payables and receivables, transaction banking, Standard Chartered.

The bank was one of the first direct participants in Cips and provides nostro services to international financial institutions. "We also understand the requirements of clients for integrated and efficient payments linked to trade by offering bespoke integrated cash and trade solutions," adds Wadivkar.

Like his counterparts in Europe, he believes collaboration between banks and fintechs will be an important element in future cross-border payments developments. "Standard Chartered is working on real-time, cross-border payments with other banks via Ripple's distributed financial technology. These solutions are either yet to be rolled out in the BRI countries or are in the development stage. However, the BRI markets will be able to eventually benefit in the future by leapfrogging to the best practices in the market once they are ready."

Augé believes the hype that surrounded blockchain and distributed ledger technology (DLT) has calmed down from its late-2015 peak. "There is now more focus on the potential of these technologies and how they can be combined with others; blockchain isn't the solution to everything," he says. "We now have a more practical and collaborative environment in which to work. In the trade space, for instance, we have embarked with other banks in practical proofs of concept which will help us digitalise further these businesses."

Heather McKenzie is an editor and a regular contributor to GTNews

SEPA AS A REALITY

NEARLY THREE YEARS ON FROM ITS LAUNCH, BOTH THE BENEFITS OF THE SINGLE EURO PAYMENTS AREA (SEPA) AND THE WORK REMAINING TO BE DONE CAN BE CLEARLY ASSESSED, REPORTS **BEN POOLE.**

Following the introduction of the euro in 11 European Union (EU) countries in 1999, the European Central Bank (ECB) stated that: "... the single currency environment argues strongly in favour of a single payment area."

Via the adoption of the Payment Services Directive (PSD) in 2007, the additional transition period for migration to the single euro payments area (SEPA) was eventually concluded in August 2014. Nearly three years on, it is possible to weigh up what SEPA means as a reality for corporates.

KEY BENEFITS OF SEPA

Transcending payments, one of SEPA's benefits to corporates has been the ability to further consolidate operations. "Corporates do not necessarily need bank accounts in all European territories that they operate in, allowing for consolidation and rationalisation of whole banking structures," says Jonathan Williams, principal consultant at Mk2 Consulting. "It also allows for flexibility as to where these bank accounts are hosted."

Previously, a company might have had accounts in, say, France, Germany and Spain, but now it only needs to have a bank account in France as, for example, it has a good working relationship with a bank based there. All disbursements can go out of that one account.

"This benefit means that businesses are not geographically tied as they were before SEPA," says Williams. "This change, together with the greater consolidation picture, is tremendously powerful and gives corporates a great opportunity to save money and also to ensure that they are applying consistent processes all the way across their business."

The main SEPA instruments, the SEPA direct debit (SDD) and the SEPA credit transfer (SCT) have also benefitted corporates. The SDD in particular, together with the centralisation of treasury operations and functions in Europe, has allowed corporates to reduce the number of euro bank accounts they have in the region.

This has also been a driver for corporates to implement and support 'on behalf of' structures - these being payments on behalf of (POBO) and collections on behalf of (COBO). Treasury can run an in-house bank (IHB) to carry out all of the accounting for the related group entities.

"SEPA is an enabler for corporate treasuries that want to implement POBO and/or COBO for two reasons," says Christian Schäfer, head of payment products and solutions at Deutsche Bank. "First, it enables them to reduce the number of euro accounts in the region; second, the SEPA data formats enable corporates to provide the respective information on whose behalf they are making the payment in the dedicated fields. These fields are not given in most of the other clearing systems."

Innovative services such as POBO, COBO and virtual accounts go hand in hand with SEPA. In terms of evolution, SEPA is the first step on the ladder that allows other services to come on board and drive the business model.

While payments factories and POBO existed before SEPA went live, the concept of COBO has taken off since 2014; something that banks have taken on board. "Virtual accounts were previously in around 5-10% of request for proposal (RFP) tenders that we received," says Rob Allighan, head of integration and information services for GTS EMEA at Bank of America Merrill Lynch (BAML). "Typically, this is now in the 90-95% range. It is a solution that clients are actively looking to bring to fruition."

SEPA has also fostered an environment of collaboration between banks. "SEPA is the first example I can remember where the level of collaboration between the industry has come to the fore," says Allighan.

"This can be seen through the EBA SEPA workgroup and the EPC itself. These industry groups have addressed the challenges corporates have experienced with SEPA, such as R messages for return transactions, the impact of local variations and interpretations of SEPA. These forums have been working together to help make SEPA as unified and simplified for corporates as possible."

BUMPS IN THE ROAD

While the benefits of SEPA have been widely enjoyed since 2014, several challenges remain. While SEPA has resulted in a great deal of harmonisation, there are still niche products and local variations. For example, in France there is an additional optional service that helps corporates putting through debits to get information about change of account information on the counterparty side. Other features such as this exist across Europe, which have been implemented by the means of additional optional services.

"At the beginning of SEPA, we expected that there was going to be an evolution of additional national services into a pan-European solution - because many of those features that made sense in country also made sense on a pan-European basis," says Deutsche Bank's Schäfer. "So far, we have not seen much of that. We are hoping that more of these services can be offered on a pan-European basis in order to provide the benefit to customers not only in the specific country but also at the pan-European level."

Additionally, there are still some local requirements for accounts to be maintained in a dedicated country. Frequently this is driven by either additional optional services, or by national requirements such as tax payments, for example.

"An issue that corporates mention to us - and we see on a regular basis - is around the requirement of some local tax authorities to only process refunds to 'in-country' accounts, even if the original tax payment was made from an 'offshore' account," says Mike Ward, head of euro payables and receivables for GTS EMEA at at Bank of America Merrill Lynch (BAML). "Whereas the banking side has moved to the one region of SEPA, tax authorities are however still country-specific in their processing structure. As a result, companies are forced to keep local accounts rather than centralise into the holy grail of a single account location."

Other bumps in the road also exist - SEPA still does not cover paper-based instruments. In many countries, cheques and bills of exchange continue to be a normal means of payment and require processing to a local account. So-called 'IBAN discrimination' has also not been completely addressed - for example, a corporate in Portugal can face challenges in making a payment to a UK international bank account number (IBAN) when their internal systems look for a Portugal IBAN.

"IBAN discrimination can be embedded in enterprise resource planning (ERP) systems and/or third party IBAN/bank identifier code (BIC) validation tolls and this is taking time to eradicate," says Ward. "A helpful prompt in this direction are initiatives from the European Commission to address 'geoblocking'," referring to the technological protection measure where access to Internet content is restricted based upon the user's geographical location.

FUTURE PERMUTATIONS

While SEPA has already delivered benefits to corporates, more are in the pipeline. Key to this is PSD2, the Directive's second iteration, which will replace the existing PSD. The core of PSD2 goes live in January 2018 and is designed to get further standardisation and normalisation of banking behaviour in a cross-border context.

For example, all European Economic Area (EEA) currencies will be in range under PSD2. Additionally, transactions in non-EEA currencies but where one of the banks is domiciled in the EEA is now in scope (one-leg in), an expansion from both banks being domiciled. "The approach of a payment moving 'principal intact' - i.e. with no deductions or bank charges - is a very important one in the commercial world," says BAML's Allighan.

PSD2 also requires that banks open up their infrastructure via application programming interfaces (APIs). Open banking is designed to allow access to SEPA's core schemes to third parties, to enable them to provide services to their clients. "There is a lot of effort in the industry on the banking side that we jointly develop towards a common standard for this third party interface," says Deutsche Bank's Schäfer. "It is an interesting move of the regulator to push for the API-sation of payments services. It opens up a whole new innovation ecosystem that most banks and fintechs can play in."

"Being able to access a single application that can use APIs for real time access - to bank account details for settlement, reconciliation, or perhaps offering trade financing - offers tremendous potential benefits to businesses," says Mk2 Consulting's Williams. "I am really heartened to find that we haven't just crossed the finish line of SEPA implementation and stopped."

Ben Poole is a former editor of GTNews and a regular contributor to the website.

CASH VISIBILITY AND THE CULTURE OF TRAPPING CASH

MANY COMPANIES HAVE SUCCUMBED TO THE BAD PRACTICE OF HOARDING CASH, BUT THERE IS NO LONGER ANY REAL EXCUSE SUGGESTS **GREGORY PERSON**.

The movement toward corporate cash visibility has been well publicised by treasury thought leaders for over a decade. With mature SWIFT, bank connectivity and integrated treasury management system (TMS) solutions, the ability to achieve bank balance and transaction reporting is more attainable than ever.

However, visibility is really the tip of the iceberg. Unlocking trapped cash - based on informed decisions by corporate treasurers, controllers, and ultimately chief financial officers (CFOs) - depends on the ability to visualise cash holdings and thus enable funding of operations that achieve key corporate goals.

WHY CASH VISIBILITY MATTERS TO CFOS

Accurate global cash visibility provides the data required by the treasurer to confirm cash positions, which then can support more confident decisions from the CFO. The treasurer's fiduciary responsibility extends beyond merely viewing the corporate global cash balances: they also must analyse these positions from multiple perspectives:

- Daily cash funding availability.
- Counterparty risk analysis.
- Currency or sovereign risk exposures

The power of global visibility quickly intensifies, however, when one considers the longer-term insight this data provides. Historical bank balances provide treasurers with the statistical trends to quantify target balances for individual legal entities and bank accounts.

This is significant, as it is common for local controllers and chief accountants to knowingly exaggerate their need to hold larger cash balances than is necessary, because they are uncertain of their actual cash needs.

In the absence of an accurate global view of cash positions, a cash hoarding culture is perpetuated in order to over-protect against the unknown. This global cash management tactic equates to billions of US dollars (USD) equivalent remaining in the local operating banks accounts of multinational corporations around the world, and eliminates opportunities for strategic growth.

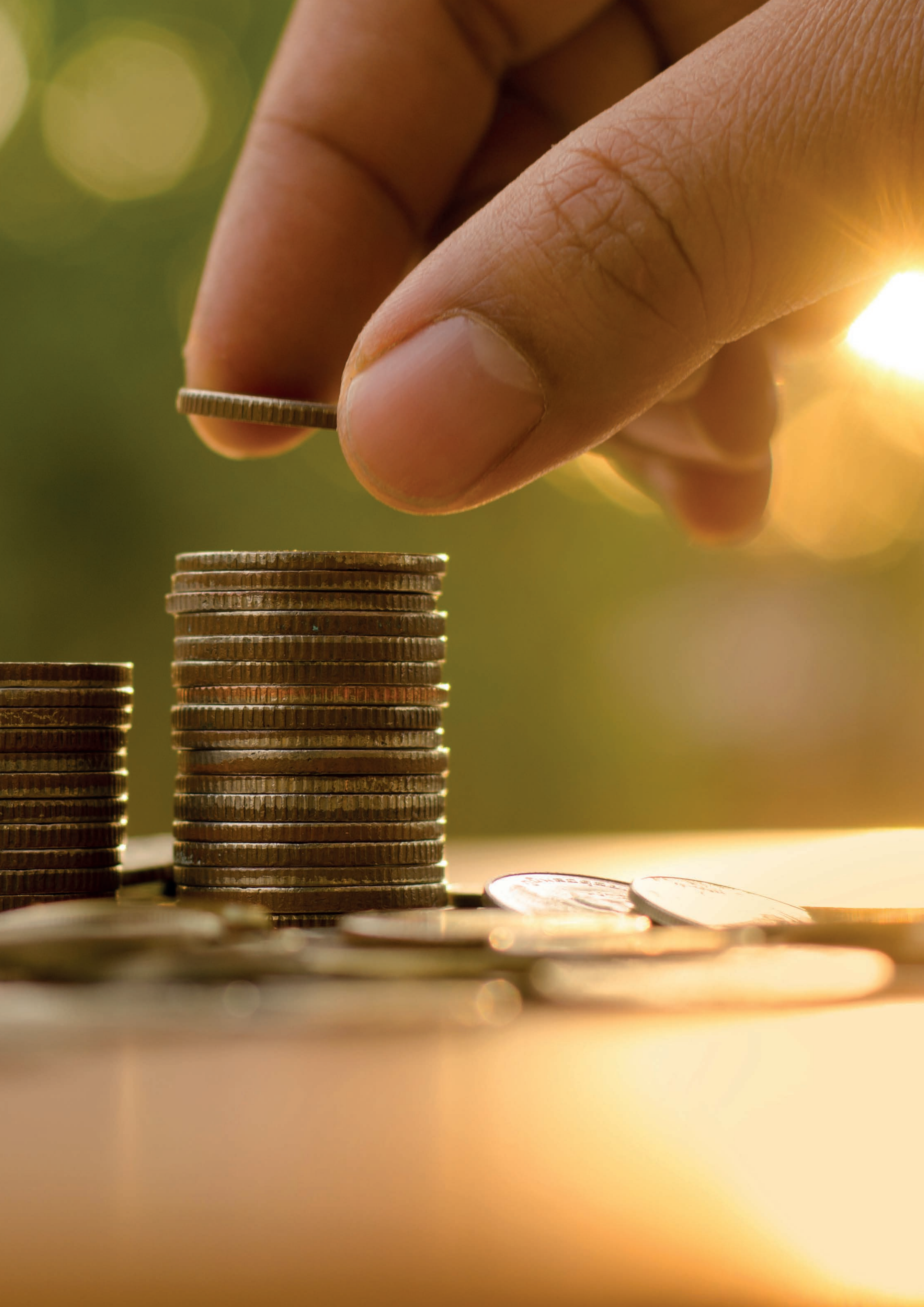
HOW CASH HOARDING INCREASES FRAUD EXPOSURE AND ELIMINATES STRATEGIC GROWTH

The impact of leaving substantial cash balances at the local operating accounts is significant. Not only does this practice expose a decentralised corporate treasury structure to greater fraud risk - as these balances are generally controlled by local finance teams - but it can also greatly impede treasurers' ability to confidently execute their corporate allocation strategy.

Corporate treasurers are tasked by their executive management and board of directors to execute a specific capital allocation strategy. This may include share repurchase targets, corporate debt repayments, shareholder dividends and/or merger and acquisition (M&A) activity. Whatever the strategy, sufficient cash is required to fulfil these most strategic objectives and satisfy investor expectations.

For corporations that find themselves in long cash positions, allocating excess cash from around the globe will increase in importance as interest rates - already heading upwards in the US - are expected to rise in 2017, and, as a result, the opportunity cost of non-invested cash balances will continue to increase. Thus, for global treasurers, a comprehensive analysis into local bank balance trends, combined with insightful cash flow forecast information, provides them with reliable data to set specific target bank balances at local subsidiaries.

For example, applying the actual bank balance and transaction data achieved through SWIFT or local connectivity solutions against previously validated cash flow forecast plans, provides the treasurer with the specific variance analysis and, over time, the cash flow trends that reveal the quantitative actionable information necessary to establish target balance thresholds.



CULTURAL TRANSFORMATION AND THE BENEFITS OF A GLOBAL BANK CONNECTIVITY SOLUTION

Achieving buy-in to a cash centralisation strategy is challenging, because the culture of hoarding is comfortable for local finance teams holding buffer cash balances. Implementing a more aggressive, data-driven cash consolidation strategy can be met with some resistance. Communicating the broader strategic value that local finance can achieve by remitting their excess cash can go a long way in achieving global buy-in.

Examples often include direct profit and loss (P&L) benefits and contributing to the company's capital allocation strategy:

- P&L improvements by paying down debt to lower interest expense, maximising investment balance to drive higher interest income.
- Increasing earnings per share (EPS) through a share purchase programme.
- Support acquisition and milestone payment strategy.

Communicating the value is critical, as it provides a sense of inclusion for the local subsidiaries. It also disputes the negative notion of a meaningless corporate initiative being forced down by headquarters. Involving regional finance directors or CFOs can also help foster a new mindset regarding local cash management.

When implementing a global bank connectivity technology solution, the solution should be able to add the following advantages to challenge and change a culture of local operating cash balance accumulation:

- Integrate forecast projections.
- Serve as the foundation for treasurers to measure cash balance needs.
- Based on cash balance needs, recommend key performance indicators in the form of target balances.

Ultimately, a communicative approach can promote a global framework to establish target balance discipline and a global finance policy to ensure that local cash balances are kept to a minimum and excess cash is best utilised for corporate strategic purposes.

For some corporate treasury teams, this metric may be included as part of a broader monthly or quarterly treasury scorecard analysis. By enforcing such a policy, local subsidiaries are contributing to executing the corporate capital allocation strategy, improving the corporate P&L and helping to ensure that corporate strategic objectives are realised.

IN-HOUSE BANK SOLVES FOR INTER COMPANY REMITTANCE PROCESS AND AUDIT COMPLIANCE

The actual remittance of these intercompany cash balances must be carefully considered in accordance with specific tax and intercompany structures. Leading global companies employ a hybrid approach of intercompany term loans, in-house bank (IHB) structure and intercompany dividends as instruments to mobilise cash to regional centres that can then be deployed to fund corporate expenses and capital allocation funding.

An IHB is perhaps the most dynamic and efficient method for mobilising and centralising intercompany cash, and thus reducing operational bank balances. It provides global subsidiaries with the ability to place their excess cash on deposit and then simply request a repayment - or loan - once local cash demands are needed, such as local payroll.

For other regions, where tax and central bank restrictions may prevent subsidiaries from participating in an IHB, and where trapped cash can be more prevalent, other solutions must be considered. Examples of intercompany strategies to free up trapped cash may include:

- Separate cross-border cash pooling arrangements with a local bank.
- Adjusting intercompany payment terms to delay intercompany payments into specific countries, while reducing receivable terms for others.
- Timely financial statement publication, in order to determine intercompany dividend amounts.

With any of these strategies, the perquisite for timely cash visibility and integrating cash flow plan are paramount in determining appropriate intercompany movements.

For multinational corporations striving to reduce local operating cash balance and unlock trapped cash to contribute strategic corporate funding initiatives, the following analysis must be performed:

- Do I have current visibility into the global cash positions?
- Do I have confidence in the future cash flow performance of my group companies?
- Do I have the intercompany structure and controls in place to access and mobilise intercompany cash balances?

Cash visibility is the fundamental step in optimising intercompany liquidity. With this foundation, treasurers are equipped to collaborate with tax and local finance to formulate intercompany structures to consolidate excess and restricted cash to regional treasury centers or corporate - thus providing optimal liquidity for both treasurers and CFOs to satisfy capital allocation strategies and improve overall investment returns.

Gregory Person CTP, is vice-president, global presales for Kyriba

FORCES OF THE FUTURE

APIS, SWIFT'S GPI INITIATIVE AND BLOCKCHAIN TECHNOLOGY WILL ALL BE INFLUENCING FACTORS, SAYS BOB STARK.

The future of cross-border payments can be considered in very simple terms: there will be more payments, for more money, and with greater frequency.

The reason for the increase in payments is related to the rapid expansion of global supply chains. These are reaching further into developing markets, as businesses seek greater manufacturing efficiencies and further diversification from financial and geopolitical risk.

As organisations become more global, the need to efficiently manage working capital has grown which has, in turn, led to the demand for quicker and cheaper payments. As payment volume increases and programmes such as supply chain finance (SCF) continue to offer risk-free value, chief financial officers (CFOs) need better payment instruments that cost less to manage.

To strategically support their businesses, CFOs and treasurers continue to implement programmes to support increased cash mobility, business continuity and currency hedging, while seeking to minimise tax and regulatory compliance. What hasn't changed is the art of sending money.

INNOVATION IN PAYMENT FORMATS

This isn't to say that we have not seen innovation in payments. One of the most interesting initiatives this decade has been the rollout in Europe of the single euro payment area (SEPA) in 2014, as it offered a single format for low-value credit transfers (SCTs) (and another for direct

debits). While SEPA is only applicable for the European Union (EU), for CFOs and treasurers in that region it has fulfilled its promise of being easy to use as well as reducing certain payment costs.

On a global scale, XML payment initiation (PAIN) formats, specifically the CGI ISO20022 standard, have been beneficial but have not fully met expectations. The reason for this tepid enthusiasm is because ISO20022 has proven to be less of a standard and more of a guideline, in practice. There is no single XML PAIN format - rather it is a multitude of format variants based on unique combinations of payment type, originating bank, destination bank, and a host of other details.

CFOs and treasurers with either amazing IT departments or great treasury systems may be insulated from the pain (no pun intended) of developing and maintaining these payment format scenarios, but those closer to treasury and payments technology understand full well that there is more work to be done.

PAYMENTS TECHNOLOGY

While payment formats might not be quite as stimulating a conversation, the future of payments technology is actually an interesting discussion, with open application programming interfaces (APIs), SWIFT's global payment innovation (gpi) initiative, and distributed ledger technology (DLT) - i.e. blockchain - all offering glimpses into what should be a greater array of choice for CFOs and treasurers to send payments globally.

OPEN APIS

One of the most intriguing features of Europe's revised Payment Service Directive (PSD2) is the requirement for banks to open up their technologies to third party 'fintech' firms. This has, in response, seen the likes of Citibank announce an API programme, under which the group is soon to support API integration to external systems such as treasury management systems (TMSs) and enterprise resource planning (ERP). While APIs will ultimately replace file transfer protocol (FTP) scripts as the means for a treasury system to connect to the bank in a host-to-host model, APIs also enable a shift from batch file transfer to real-time integration.

This movement to real time integration will not only improve the speed at which payments can be transmitted to the bank from a corporate client, it also enriches the delivery of data to the treasurer - such as bank reporting, payment acknowledgements, and electronic bank management (eBAM) messages.

From a payments perspective, real time notification of the success or failure of payment delivery offers value to treasury teams as they can manage daily liquidity more efficiently and respond to payment issues promptly. This also means that treasury must become more efficient across the entire operation, as instant visibility into payments also heightens the expectation of instant response when real time information is delivered.

SWIFT GPI

SWIFT has made several announcements over recent months in support of its global payment innovation (GPI) initiative, ahead of the go-live in February 2017. At a high level, there is much to offer treasurers as the key advantages of same day settlement of cross-border payments as well as greater transparency into the status of payment delivery. SWIFT was already a leader in providing multiple acknowledgements (ACKs) throughout the payment workflow; GPI takes this capability to a different level.

While same day settlement of international payments is welcome news to any organisation attempting to reduce float and lower the overall cost of payments,

it is the real-time tracking of payments that may be the hidden gem. CFOs and treasurers are demanding greater visibility into payments in their continuing effort to fight fraud and cybercrime. While real-time payment transmission may mean that a fraudulent payment is delivered more quickly, real-time tracking of the payment and confirmation that funds were delivered to the proper beneficiary arms all parties with invaluable data to track payments now and after the fact.

BLOCKCHAIN/DISTRIBUTED LEDGER TECHNOLOGY

While much has been publicised about blockchain and distributed ledger technology (DLT) opportunities in corporate finance, there are two major potential advantages for CFOs and treasurers:

- More efficient and secure payment delivery.
- Emergence of new payment service providers (PSPs) that use blockchain instead of correspondent banking to deliver payments.

Most global banks are either part of consortiums or have set up their own research labs to study how DLT can improve the efficiency of their own operations for processing payments. Banks that harness the power of blockchain within their own infrastructure will either benefit from lower operating costs or, ideally for their clients, offer innovative and lower-cost payment services. We may, in fact, find banks that carve out a niche in the payments space as a result.

Speaking of specialisation - and not so very different from the intended effects of the PSD2 regulatory initiative - it is expected that fintech firms will embrace the opportunity to act as PSPs. While in the short term many such firms will leverage the open APIs that banks are starting to make available, in the medium-to longer-term we expect to see these PSPs adopt blockchain technology to serve payment needs.

There are two reasons why PSPs will likely move in this direction. The first of these is security; smaller fintech firms offering payment services will need the secure characteristics of a blockchain network to compete with the perception that banks offer better security.

Secondly, blockchain-based services are expected to deliver the payment message in addition to supporting documentation (such as invoices, remittance, images, etc.) that are spread across separate communications today. This disaggregation adds extra work and time for treasurers and controllers during cash application, which has the effect of tying up funds that could easily be deployed in more valuable ways.

Even if DLT for payments is not available today, the potential of blockchain is incredibly important for technology providers, who are evaluating the potential of providing payments to corporate customers. Blockchain-based payment solutions may prove to be the tipping point, where it makes business sense for new providers to enter the market.

To summarise, the future of cross-border payments is bright - because of the influx of technology to support payments alongside the new competitive influences that adoption of these technology solutions creates.

Competitive markets drive innovation, so the CFO and treasurer can only gain from the future of payments. With demands to support global payments increasing every day, there really is a win-win for both providers and consumers of business to business (B2B) payments technology innovation.

Bob Stark is vice president, strategy for Kyriba.

Trusted Provider of Bank Connectivity

Kyriba, the global leader in corporate treasury management and bank connectivity solutions, is a SWIFT Ready certified partner for corporate cash management. Established in 2000, and headquartered in New York, Kyriba is trusted by more than 1,300 clients globally, and counts 500 employees in 12 countries, including offices in San Diego, Paris, London, Tokyo, Singapore, Dubai, Hong Kong and Rio de Janeiro. Kyriba is a SWIFT Certified global connectivity service bureau offering independent multi-bank connectivity as a service as well as integrated connectivity within our cloud treasury management system.

As a cloud-based treasury management software service provider, Kyriba's software as a service delivery models meet the needs of organizations seeking multiple connectivity options for bank reporting, treasury payments, vendor payments, payment factories, bank account management, bank fee analysis, ERP import / export, and custom reporting. Kyriba also offers bank format transformation for ERP-to-bank connectivity to minimize IT impact of implanting enterprise bank connectivity solutions.

Kyriba's connectivity solutions include:

- SWIFT Alliance Lite 2
- SWIFT Service Bureau
- MT Concentrator
- Regional and Country Protocols
- Host-to-Host Connections

PRODUCTS AND SERVICES

Kyriba is a SWIFT Certified partner, and as a global connectivity service bureau, offers independent multi-bank connectivity as a service; and integrated connectivity within our cloud-based treasury management system.

Kyriba's SWIFT-accredited connectivity solutions include:

SWIFT Alliance Lite2

Kyriba is a SWIFT Alliance Lite2 Business Application certified

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kyriba.com

partner, which enables our clients to become a SWIFT member via SWIFT's Alliance Lite2 solution. As your service manager, Kyriba will support the onboarding, the internal system connectivity, the bank format transformation and maintenance, as well as the monitoring of your connections. Because Kyriba can integrate connectivity services into our cloud treasury management solution, we are a one-stop shop for connectivity and workflow. If you've determined Alliance Lite2 is the right SWIFT solution for your banking needs, then we can manage everything for you.

SWIFT Service Bureau

Kyriba's SWIFT Service Bureau offering also enables clients to become SWIFT members with their own BIC. This service is designed for global organizations with higher volumes of bank transactions, payments, banks, and bank accounts.
Depending on your connectivity profile, the total cost of ownership may be much lower with Kyriba's SWIFT Service Bureau solution, which is based on high speed MQHA messaging and SWIFT Alliance Access. Kyriba's Service Bureau solution offers organizations their own SWIFT BIC supported and managed by Kyriba, and our suite of managed services to provide a worry free SWIFT Connectivity experience for your organization.

MT Concentrator

For organizations that prefer to leave their SWIFT membership to Kyriba, our MT Concentrator service allows organizations to utilize Kyriba's SWIFT BIC instead of becoming a SWIFT member, with the added overhead of subscribing to your own SWIFT services. This service is optimal for organizations with low account to bank ratios and minimal payment requirements that are looking for minimal costs to support lower activity or want flexibility in their ability to add/remove banks. MT Concentrator is a completely outsourced service and allows potential access to all 10,500 SWIFT members.

Regional and Country Protocols

Depending on the banks to be connected to, it may be beneficial for an organization to augment SWIFT Connectivity with other connectivity solutions. Kyriba's connectivity as a service platform offers additional connection options, including country-specific Zengin, EBICS, BACS, EDITRAN, and SIA, among others. protocols such as Zengin, EBICS, BACS, EDITRAN, and SIA, among others.

Host-to-Host Connections

Kyriba also offers 'direct-to-bank' host-to-host connections which may be recommended in some cases. More popular in North America and with large global banks, host-to-host connections use protocols such as secure FTP, APIs, or Web Services with high level encryption to ensure that direct connectivity to banks, meet your internal and external audit requirements.

In addition to SWIFT and banking connectivity, Kyriba also partners with SWIFT to support:

Digital Signatures - Kyriba has been an early advocate for the use of SWIFT 3SKey within our connectivity and treasury workflows and is a registered 3SKey Vendor. Kyriba offers SWIFT 3SKey for multi-factor authentication, internal payment approvals, external payment authentications, and for authentication of eBAM messages.

SWIFTRef Data Utility - Kyriba has fully embedded SWIFT's BICPlusIBAN directory within our payment workflows to enable payment initiators and approvers to select and validate authenticated banking data to correctly remit outgoing payments. This leading SWIFT reference tool is a key component of payment risk management programs.

Kyriba's Connectivity as a Service solution relies on the best SWIFT has to offer. For organizations that want automation, security, bank independence, and eliminated reliance on internal IT – Kyriba is the best solution globally. If you want to explore how your organization can achieve the lowest total cost of ownership for their bank, contact Kyriba.

GAINING VISIBILITY AND CONTROL OVER CASH IS A PERENNIAL CHALLENGE FOR CORPORATE TREASURY DEPARTMENTS, PARTICULARLY THOSE WITH OPERATIONS OVERSEAS. ELEANOR HILL DISCOVERS HOW LEADING MULTINATIONALS HAVE SOLVED THE TRAPPED CASH CONUNDRUM, WITH OR WITHOUT THE ASSISTANCE OF THEIR RELATIONSHIP BANKS.

CASH VISIBILITY: THE END GAME

With stagnant growth in developed economies, many corporates are seeking strategic opportunities beyond their traditional markets. For corporate treasurers, however, new geographies bring new challenges – not least when it comes to cash visibility and mobility.

From strict exchange controls to inefficient clearing systems, one corporate treasury professional who knows these hurdles well is Alex Fiott, assistant treasurer at the British-Swedish pharmaceutical multinational AstraZeneca.

As he explains: "The geographical spread of our business and our strategy to develop emerging markets means that trapped cash is an ongoing challenge."

The problem with trapped cash is that it can't be used as part of group liquidity. It also hampers cash visibility and can lead to additional credit risk in some geographies, where there is little option but to park cash with poorly-rated local banks.

Although less than 10% of AstraZeneca's cash is currently trapped, largely thanks to the company's regional cash pooling set-ups in Europe, Asia and the US, Fiott says that trapped cash is something the company would still like to address.

He recommends staying on top of currency controls and the banking environment in challenging geographies to help reduce trapped cash. "In the last few months, we have set up fixed-term loans whereby our Korea and Thailand legal entities have been able to lend back to the treasury centre. So, it's definitely worth keeping up-to-date."

Talking to banks' in-country resources, and hearing how they have worked with other multinational corporates to overcome similar trapped cash scenarios, can be very useful, he adds. "The banks offer first insight into what the potential solutions are. We then engage with our local and legal tax teams, and finally get any solution verified by one of the [UK] Big Four."

THE CHINA QUESTION

A good example of this insight in action is the ongoing work by several large transaction banks to help corporates pool and sweep cash in China. As Laura Milani, liquidity management marketing manager, BNP Paribas explains: "China used to be a fairly closed country and it was difficult to move cash in and out. Recent regulatory decisions have changed that and in 2015, we launched an automated cross-border pooling solution in China. The new functionality allows yuan (CNY) liquidity to be swept in and out of the country and caters for automated inbound/outbound flows quota control."

The quota limit, she notes, is set to be fully compliant with the latest regulation. "Lending to overseas entities via a cross-border cash pool has not been allowed in China since 2016, following [so-called] 'window guidance' from regulators. Therefore, the lending limit is set to zero, while the borrowing limit on liquidity coming from overseas into China is still

50% of the equity of all the onshore pool participants. Once any limit is hit, there's an automatic block put on outflows from or inflows into China."

If corporates want an alternative structure, she says it is possible "to have the overseas entity open a non-resident account in China as the pool header in order to concentrate the liquidity. This can help put the organisation's China liquidity under the ownership of the overseas entity, though the liquidity must still stay in China."

It is not just China that generates challenges, however. Achieving end-to-end visibility remains a significant headache in Eastern European markets too, as Maciej Müldner, finance director at commercial and office property company Skanska Property Poland has experienced first-hand.

While in the Czech Republic, Poland, and Hungary, Müldner says that having the right banking partner is usually sufficient to achieve visibility of cash, there is a real problem with "in-flight" visibility on cross-border transfers made via the single euro payment area (SEPA).

In fact, the company has encountered some "substantial difficulties where the cash has effectively been lost in the clearing system for three days and it's almost impossible to track it," he notes. "Whereas SWIFT gives you very quick access via the banks to really identify where cash is hidden, SEPA does the opposite. Unfortunately, some of the banks are using SEPA for large-volume payments and this is killing visibility."

CENTRALISATION IS KING

Another ongoing challenge to cash visibility and control is the degree of treasury centralisation, or otherwise. Jan-Martin Nufer, director treasury and funding at Austria's polyethylene and polypropylene producer Borealis finds himself in the enviable position of cash visibility not being "a huge issue" since the company "has centralised almost everything and we do not really operate in countries where exchange controls are particularly strict."

All the company's majority-owned subsidiaries are part of its cash pool, unless they are in a jurisdiction that has legal barriers to such arrangements. What's more, the subsidiaries don't have their own treasury operations or dedicated personnel and their bank accounts are managed centrally.

"We also operate a payment factory, which makes it easier to calculate the total outgoing funds, and therefore achieve greater visibility. In addition, our invoices go out centrally and we specify the central - rather than local - bank account, which the customer should pay to," says Nufer.

Another reason why Nufer can achieve good visibility is the company's integrated systems architecture and sophisticated technology. "All of the bank accounts are tied into Borealis' system framework," he explains. "So they are linked to our electronic data interchange (EDI) platform and the different banking platforms that you still need for manual payments, but then that all links up to the central treasury

system and SAP."

When Borealis last tendered its cash management, it also moved to a SWIFT-based platform, away from the classic host-to-host solution. "We had been evaluating SWIFT solutions for a long time but the recent adjustment to the pricing structure made it more attractive," says Nufer. "It has given us additional flexibility in communicating with our banks and makes adding a new bank much easier, as there is no need to set up a new individual host-to-host connection."

Stéphanie Niemi, head of global channels marketing, cash management competence centre, BNP Paribas agrees that if - like Borealis - a company is highly centralised, and has sophisticated internal technology, then a channel such as SWIFT for Corporates is the preferred choice. "This allows companies to gain significant visibility since the end-of-day account statements can be reconciled in one place, on a multi-bank basis," she notes.

Meanwhile, "those corporates that are not so centralised tend to rely more on bank-led solutions to help them achieve cash visibility, such as web and mobile banking platforms," Niemi observes. "We also increasingly see that corporates are multi-equipped. So, they might have SWIFT for their international needs, but they also use our cash management platform locally. This works well because we operate according to an omni-channel strategy, meaning that anything sent by SWIFT can be seen in our platform."

Aurélien Viry, head of payments and cash management, Société Générale adds that for corporates looking to improve cash visibility, "it's important to work with a bank that has the proper capabilities in this space and which has tried-and-tested tools that can take a lot of the burden off the corporate by supporting multi-bank cash visibility."

While this talk may be somewhat self-serving, for many treasurers bank portals and aggregators are indeed vital for obtaining cash visibility.

RELATIONSHIP ADVICE

Using bank technology could, however, make it more difficult (morally and operationally) to execute another popular strategy for achieving greater visibility – namely rationalisation of bank accounts and bank relationships.

On that topic, Amit Agarwal, the Europe, Middle East and Africa (EMEA) head of liquidity management services at Citi cautions that "companies need to make important strategic decisions around which banking partners have the network and knowledge that will enable them to operate most efficiently in local markets, as well as on a global scale."

Despite the cliché, the right banking partner should also be able to help treasurers determine the optimum connectivity channel for their cash management, as well as assisting with centralisation initiatives – both of which are key factors in improving cash visibility and releasing trapped cash.

Moreover, in this unstable geopolitical environment, where last June's Brexit vote in the UK may compel corporates to change the location of certain cash pool accounts, having a trusted advisor on hand to help achieve continued cross-border cash visibility and control must surely be a benefit.

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THE POTENTIAL OF BLOCKCHAIN, AKA DISTRIBUTED LEDGER TECHNOLOGY, HAS CAUGHT THE IMAGINATION OF CORPORATE TREASURIES, BANKS AND INSTITUTIONS LIKE SWIFT, ALL OF WHOM ARE WORKING ON INITIATIVES. **NEIL AINGER** INVESTIGATES ITS END USES, PIONEERS AND IMPACT ON TREASURY.

BLOCK PARTY: WHY EVERYONE WANTS DLT

The 'blockchain' is repeated like a modern-day mantra against expensive running costs, poor data transparency or high client fees for payment transactions, settlement and other end uses. But what exactly is it and how can it benefit corporate treasurers?

The best definition is that it's a distributed ledger secured by mathematical algorithms and provides a record of events shared by multiple parties. The ledger can be public, open source and available to all - as per the original Bitcoin (BTC) crypto-currency ledger with its attendant cyber-security worries - or it can be a private 'permissioned' chain that enforces standards and vets and manages invited participants. But this lessens the beneficial network effect of everyone being involved.

There are now many blockchain ecosystems, including Ethereum which offers 'smart contract' capabilities and the Linux-hosted Hyperledger project, which includes many banking and manufacturing companies. Consortiums such as R3 CEV, set up in September 2015 with nine founder members by former Icap executive David Rutter, are also prevalent.

"Most major players participate in multiple consortia and working groups," says Thomas Olsen, a partner at consultancy Bain & Company. He doesn't see different groups as mutually exclusive and notes that even "central banks are investigating the possibilities of issuing digital fiat currency - see for example China, Canada or the proof of concept (POC) underway by the Monetary Authority of Singapore (MAS). This could accelerate the adoption and impact of distributed ledger technology (DLT)."

PERMISSIONED VERSUS PERMISSIONLESS CHAINS

Banks, corporate treasuries and financial institution (FI) communities such as SWIFT prefer a 'permissioned' chain as it offers security, standardisation, resiliency and control. Against this, purists tend to favour open public or 'permissionless' systems as with Bitcoin - or the early days of the Internet before it was commoditised and moved from academia to real-world business applications.

It's very early days for DLT but it may follow the developmental path of the net – indeed, blockchain is often described as the 'new net'. But open standards bodies such as the World Wide Web Consortium (W3C) are needed to oversee it, an equivalent to the secure sockets layer (SSL) and so on to ensure full network benefits accrue. The battle between open and private chains, and potentially the emergence of a single collaborative centralised oversight and validation body, will likely play out in future years.

Transactions such as cross-border corporate treasury payments are a natural end use for the technology. "Trade finance for corporates is another application, as that instrument needs to be shared among multiple parties," explains Wim Raymaekers, global head of the banking market at SWIFT, adding that "DLT is an exciting technology." It can provide speed and transparency, traceability and certainty.

So far, investment banking and post-trade DLT applications are perhaps most advanced. Payments and core cash management uses are evident too and foreign exchange (FX) applications could benefit from the technology. After all, currencies such as sterling (GBP), the euro (EUR) and the dollar (USD) can be transferred as easily as BTC. Fintech alternatives may also be cheaper.

DLT OPPORTUNITIES AND THREATS

Wim Grosemans, head of international payments EMEA at BNP Paribas, says the bank is "very interested" in DLT. BNP Paribas is reviewing the technology for its securities business and corporate treasury and cash management end uses. They see it as an "opportunity" to improve service and "have done pilots". They are exploring how it can aid synchronisation, automation, and help cash collection cycles and working capital optimisation.

DLT could also "be used to rebuild banks' own account management [i.e. ledger] systems", helping internal efficiency. However, there would be more legacy IT issues to overcome for established Western banks than younger Asian or Middle Eastern banks. DLT may emerge first in these regions.

DLT is exciting, but could also be seen as a threat as it can enable the exchange and recording of value without centralised trusted parties, such as banks, or secure networks, such as SWIFT. All you need is a digital wallet to send and receive virtual currency. Treasurers could bypass years of accumulated bank, card or e-commerce fee-based networks and instead use a public - possibly less secure - network, thereby saving time and money if treasurers were prepared to take the risk.

This presents a possible threat to SWIFTNet either from a public ledger, which is unlikely as it would need to develop appropriate security and standards, or via the opening of a rival 'permitted' network, such as Ripple. Banks themselves could also theoretically come under threat from vendors, fintechs or indeed corporations using their own ledgers, although some form of collaboration is more likely.

"It is important for corporate treasurers to think holistically about how the combination of DLT with mobility, smart contracts, AI advanced analytics and open application programming interfaces (APIs) will together drive changes in the way treasury is run, and impact cost, control and risk management," says Bain's Olsen. "Corporate treasury connectivity is continually changing and driven by multiple factors, not just DLT. Just recently, for example, Citibank announced the launch of an open API for corporate treasurers." This invitation to develop new tools and cash management aids will likely be more significant in the short-term than the more experimental DLT end uses, many still only at the pilot stage.

It's a point that SWIFT's Raymaekers agrees with, urging treasurers to "look at DLT" but not to the detriment of other existing technologies that are more developed and always to "focus on the business case and getting real-world benefits now."

Raymaekers is excited about SWIFT's global payments innovation (gpi) project, of which he is programme director, and especially its third-phase gpi DLT proof of concept (PoC), which launched in January 2017. Yet he is careful to stress that the technology is still immature, instead advising corporate treasurers to look at phase 1 of the gpi "which is available now" and already enables "customer credit transfers". Meanwhile phase 2 offers "digital transformation capabilities, covering data-rich payments in the cloud, APIs and so on".

GPI PHASES

Raymaekers describes SWIFT's phase 3 gpi DLT PoC as "essentially a nostro vostro reconciliation project" designed to deliver a real-time "permission-based ledger that sits atop a privacy and security layer and uses standardised technical elements to ensure all parties are happy to use it". As such, it's a hybrid solution that will use the Hyperledger protocol and operate in a closed user group.

It's still early days for SWIFT's DLT PoC, however, which is some years away. Indeed, it could be regarded as trailing rival projects such as Ripple's Interledger-based framework and its collection of partnership banks.

According to Marcus Treacher, global head of strategic accounts at Ripple, "SWIFT is acting like a classic incumbent in adopting an incremental change approach" to DLT, adding for them "it's all about the timing of the switch" towards a newer connectivity and tech model.

But SWIFT's Raymaekers maintains that in the field of corporate payments where nostro vostro accounts constitute 30% of the volume "agreeing what you'll put in the ledger" - and not just synchronising it in real-time - "is where you need bank expertise". There is work still to be done on "the business rules", which takes time.

"We issued a SWIFT position paper on DLT recently and found that, while it's exciting tech, work still needs to be done on governance, standards, security and particularly identifying other parties via 'permitted' chains to make it usable on a wholesale and corporate treasury basis."

Raymaekers expects there "will be a first update over the summer from the six banks signed up so far" to the DLT PoC and "further discussions" at the Sibos 2017 show in Toronto, Canada, this October.

TREASURY END USES AND DLT BENEFITS

Many individual DLT projects have already been launched for investment or correspondent banking end uses. Examples include UBS' Utility Settlement Coin (USC) in the trading arena; and in trade finance there is the Digital Trade Chain (DTC) partnership, or Barclays' pioneering letter of credit (LC) in September 2016 between Ornua (formerly the Irish Dairy Board) and the Seychelles Trading Company. This used Wave blockchain technology to guarantee $100,000 worth of dairy products.

ING has a know-your-customer (KYC) project and ABN Amro in the Netherlands has a retailer and selected suppliers using 'smart contracts' on the blockchain and a transfer of funds user case. These end uses could all benefit corporate treasuries and are just a few out of many examples.

However, treasurers can also run their own projects and indeed ledgers, potentially replacing SWIFT or bank connectivity, or more likely using the technology via partner banks for niche end uses. At the very least corporates might incorporate DLT into their enterprise resource planning (ERP) system to gain extra benefits and explore collaborative projects for mutual benefit.

IBM, for instance, has already used DLT on the Hyperledger platform to record and retrieve data for fast dispute resolution on its reconciliations. According to James Wallis, IBM's vice president of payments and blockchain, speaking at last September's Sibos 2016 trade show in Geneva, "it covers US$100m every day and has already released US$50m in working capital for us each day". These figures have no doubt since gone up and are a good illustration of a key treasury benefit - working capital optimisation.

Alongside improved working capital, DLT's other crucial benefit is its end-to-end nature, says Treacher. "It means banks and corporates can connect more easily, quickly and cheaply. It'll be transformative technology and have a huge impact on corporate treasury.

"For instance, corporations can put overnight money where they get a return on it and align it better with their risk profile,

while improving the efficiency of the cash collection cycle." Notional pooling, zero balancing and other complicated structures will all be impacted by the technology.

"More subtly, corporates could improve their internal efficiency and even charge third parties a fee to use their platform if it's good enough," adds Treacher. "A digital 'PayPal-like' firm could charge a fee in the same way a transaction bank does." There's a displacement threat right there, or at the least a disintermediation one where the valuable data migrates to fintechs or corporations themselves and banks are left as 'dumb plumbers'.

BRINGING DLT TO MARKET

"The way to enhance DLT is to get your hands dirty and allow engineers to innovate. Ripple has done so - more than any other DLT organisation in my opinion," claims Treacher. "We've collaborated with partner organisations, banks and corporates for years enabling experimentation. Now it's time to bring it fully to market.

"Ripple deals with 100 banks, including some of the biggest Tier 1s in the world, so we already cover over 80% of the world's crucial trade corridors," he adds, while adding start-up banks, co-operative mutual and other FIs are also part of the community. The names include India's Axis Bank; the National Bank of Abu Dhabi (NBAD, the first Middle Eastern bank to use Ripple for cross-border payments); SEB; UBS; National Australia Bank (NAB); and Mizuho Financial Group (MHFG).

It also has a global payments steering group (GPSG) - comprising Bank of America Merrill Lynch, Santander, UniCredit, Standard Chartered, Westpac and Royal Bank of Canada (RBC) as founding members - which aims to use Ripple's technology to slash the time and cost of settlement in the payments field, while enabling new types of high-volume, low-value global transactions. This group could be viewed as rivals to SWIFT's PoC participants, but as Bain's Olsen pointed out earlier "it's not mutually exclusive".

Anything that advances the technology to the benefit of treasurers - and finds end uses - should be welcome.

Neil Ainger is a regular contributor to GTNews, a former editor of bobsguide and edited *Financial Sector Technology* (FST) magazine for more than five years.

ISO 20022 GOES GLOBAL

THE ISO 20022 STANDARD ON THE EXCHANGE OF FINANCIAL MESSAGES IS STARTING TO ROLL OUT ON A GLOBAL SCALE, WHICH IS GOOD NEWS ACCORDING TO SOFTWARE SPECIALIST EXALOG.

The ISO 20022 standard, dubbed the "standard of the future" for financial messages, is starting to be implemented in financial institutions throughout the world. Originally published in 2004, it has taken time to live up to the claim and finally become a reality on a global scale.

Before long financial messages will be established at the international level, according to a unique homogeneous standard that meets the needs of companies and reflects the globalisation of the economy. "The problem nowadays is that banks don't speak 'the same language', depending on whether they're in China, the United States or Europe," comments Stéphanie Bombart, Director General at payment and cash management software specialist Exalog.

"To communicate with their banks internationally, companies have to send payments and download bank statements in a multitude of formats, which represents a huge investment."

ISO 20022, A COMMON LANGUAGE

Developed on the initiative of the banks, the International Organisation for Standardisation (ISO) and SWIFT, the ISO 20022 standard is a common language which can be used for bank-to-bank exchanges and for bank-to-company exchanges.

ISO 20022 can be used for payments and collections, but also for exchanging information such as bank or card statements, changes of bank, managing placements and financing and even for administrative messages (such as signing authority management, opening or closing of bank accounts). Technically, ISO 20022 is based on the XML computing standard, an evolving language which can adapt to local

WORK EASILY WITH BANKS WORLDWIDE, MAKE THE PAYMENT CHAIN MORE RELIABLE AND REDUCE PROCESSING TIMES: THE BENEFITS THAT ISO 20022 WILL BRING TO COMPANIES ARE CLEAR.

particularities, for example by taking into account new regulations.

In effect "XML messages allow to integrate lots of information and thus have a wealth of messages, which is a notable contrast with current standards," explains Stéphanie Bombart. "You can, for example, integrate precise information on the fiscal treatment of a transaction into the message, enhance the labelling of transactions, or give more information on the intermediaries in the payment chain."

The XML format even allows users to integrate non-Latin characters - such as Chinese, Cyrillic and others - opening up the route towards true global harmonization of payment processes, because the aim of ISO 20022 is to work towards a uniform technical standard worldwide.

This new standard will allow all stakeholders - banks and companies alike - to increase their productivity because all messages will have identical tags (for example to identify the bank), enabling automatic integration into the processing chains, in an example of true straight through processing (STP). In effect, transactions will only be entered once - at the start of the process. They will then be transmitted, without human intervention, from service to service and can be processed by the different software programmes used.

This will considerably reduce the time taken for processing, the risk of error or the risk of information getting lost. However, there is one consideration: some banks want to provide specific XML tags depending on their local regulations. For example, an Indian bank will not be able to deal with an 'XML-compliant' file if it does not include the optional 'tax declaration' tag.

PROGRESS TO DATE

Today, not every bank has yet put in place all the developments required to allow end-to-end use of ISO 20022 and it is difficult to form a precise idea of the market's progress. We note, however, that European financial institutions are somewhat ahead - France and the United Kingdom are even among the frontrunners, with Germany and the Netherlands close behind - thanks to the implementation since August 2014 of the single euro payments area (SEPA), which already relies on ISO 20022.

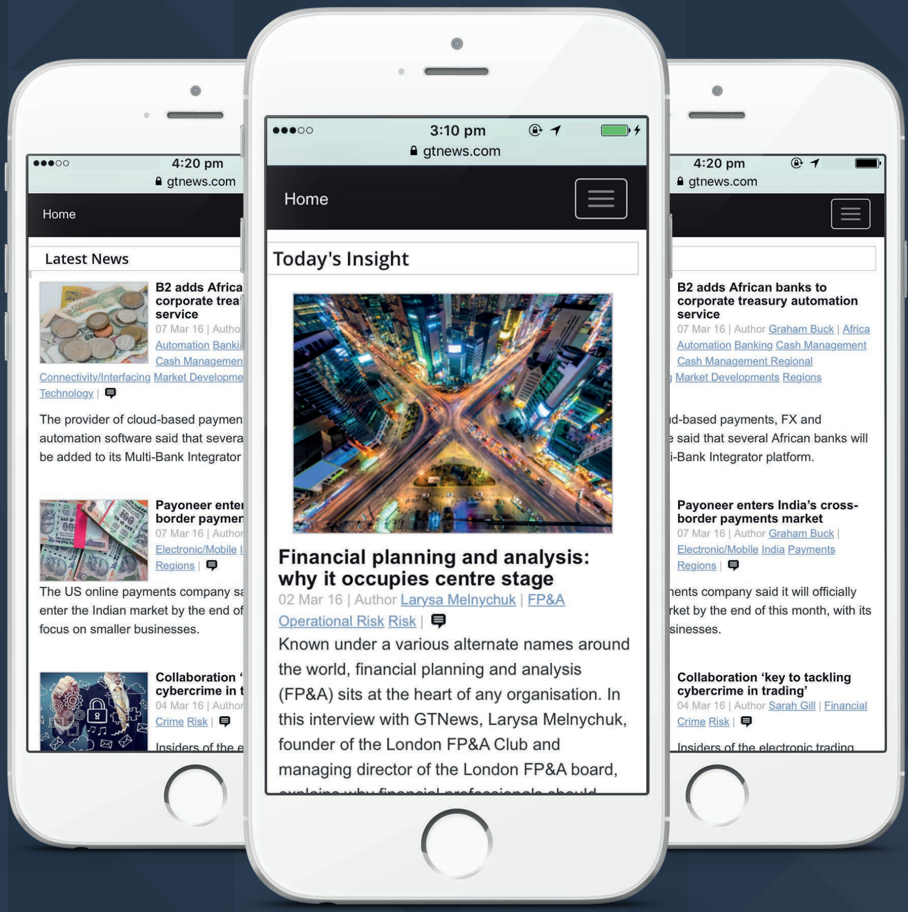
Having ignored ISO 20022 for a long time - due in part to an assumption that their own payment system was sufficient - American banks eventually looked into the new standard after combined pressure from the Federal Reserve and their clients. Today, the state of progress in North America is equally pleasing, on a par with that of the Asian banks; furthermore, during recent conversations with banks in China, Exalog's teams noted that the issue was enjoying particular attention in the country. That leaves only Latin America, Africa and Russia as the regions that appear to be really behind when it comes to implementing ISO 20022.

However, the situation is less satisfactory when it comes to electronic bank account management (eBAM), bank statements and transaction statements. Indeed, banks currently capable of handling these types of message - acmt (account management) and camt (cash management) - are rare.

CLEAR BENEFITS FOR COMPANIES

Work easily with banks worldwide, make the payment chain more reliable and reduce processing times: the benefits that ISO 20022 will bring to companies are clear. It is in their interest, therefore, to put pressure on their banks to quickly put in place the latest developments required.

It should be remembered, however, that to benefit from this standard fully all software in the IT chain must be capable of handling the new format. Bear in mind then that this represents a large-scale IT project, which does not just involve payment software but also the accounting software and management software used by the company.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