

SWIFT for Treasury Investments at Intel

by Don Davis, Intel Treasury

Intel has been involved with SWIFT for many years to manage large receivables on which we needed detailed remittance information. We have also been active in promoting and formulating new messaging standards through RosettaNet, with the ultimate outcome of ISO 20022 financial messaging. With this heritage and industry insight, we wanted to leverage some of the opportunities that were available for more efficient payments, securities management and reporting. We therefore decided to implement SWIFTNet for high value payments and securities in the treasury investments area.

Background to the project

Before implementing SWIFT, most of our payments in treasury investments were routed to Citi and Euroclear through proprietary systems, although we also made payments through other banks, such as Deutsche Bank in India, J.P. Morgan in the United States etc. We wanted to achieve greater standardisation in the way that we communicated with our banking partners, and replace the various proprietary systems with a single channel. Cost was not necessarily a key driver, but we recognised that a cohesive bank connectivity infrastructure would be easier and more cost-effective to maintain than supporting multiple systems.

The catalyst for SWIFT

The trigger for the project was the installation of a new treasury management system (TMS) SunGard's AvantGard. This gave us the ideal opportunity to implement

SWIFT rather than replacing our proprietary interfaces. We purchased the software at the end of 2007/early 2008 and joined SWIFT in May/June 2008. The connection to SWIFT was straightforward in our case, as we decided to connect indirectly, using SunGard's service bureau. We now send MT101, MT103 and MT210 messages to our banks through SWIFT, currently in the test environment, as well as MT541 and MT543 securities messages.

Challenges and opportunities

A project of this type inevitably brings some surprises, but in our case, these have been mostly positive.

Functionality

We have been impressed by the functionality available through SWIFT, with a fully functional test environment that mirrors the live environment, which has enabled us to do full testing and become fully confident with the solution.

Service bureau

Working through a service bureau has proved a highly positive experience. We found it best to work through each part of the TMS implementation project, and then add in SWIFT connectivity. By the time we came to implement SWIFT, connections with each of our banks were already in

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Key Points

- Intel was heavily involved in the RosettaNet community to promote standardisation using XML for financial messaging
- Recently, treasury implemented a new TMS, SunGard's AvantGard, which provided the opportunity to replace existing proprietary solutions and interfaces with SWIFT connectivity
- Intel uses SunGard's service bureau, which has proved a very convenient means of connecting to SWIFT
- In the future, Intel is likely to migrate to ISO 20022 financial messages, and already use an early version of the standard.

place, together with error reporting etc. so the implementation went very smoothly, which was greatly assisted by the service bureau staff who had strong expertise in SWIFT.

Contract process

Unlike some companies, we found the contract process relatively straightforward. It helped that we had a long-standing relationship with our key banks, and they took a pragmatic approach to the SWIFT contract. Although the elapsed time for completing the contract process was relatively long, this was simply because we were focusing on other priorities, rather than because the process was onerous in resource terms.

There were some challenges, however. In particular, we found that banks had different levels of expertise in SWIFT Corporate Access, which created some difficulties, but most of our key banks were highly supportive and competent in supporting our SWIFT connectivity requirements. However, not all banks currently support the SCORE model, particularly those that do not have a large number of corporate clients, so we had to set up an MA-CUG which was not our original expectation. We wanted to send MT202 messages, but these are typically used by financial institutions, so although we tried to insert our BEI code into the BIC code tag, this was rejected, and the bank in question could not support the workaround we put in place. We ended up using an MT103 message as an alternative, but this will not be supported from November 2009 through SCORE.

Going live on SWIFT

We will be fully live on SWIFT in August 2009, with messages originating in AvantGard and transmitted seamlessly to SWIFT and vice versa. Then we will go live on the other parts of AvantGard during the following months. We are already live on MT940 end of day bank account statements, which proved very simple to set up and in the future, we will also receive MT942 intraday statements. We receive

bulked, compressed statement files three times a day through FileAct, which the service bureau then decompress and pass to AvantGard which then allocates the messages to the right accounts automatically to update the cash position.

Looking ahead

We will also be implementing miscellaneous high value payments and intercompany payments but we have no firm plans to extend this further at present. At present, we can receive up to \$99m through ACH, which is cheap and reliable. There are, however, potentially a number of large customers who would wish to pay through SWIFT, and we will probably migrate some accounts payable at some stage.

The next step is likely to be to implement ISO 20022 messages. We are currently using an early iteration of these standards, and we will see how things progress. As a company, we have a preference for XML-based messaging both into and out of the

company, so using ISO 20022 for financial messaging is consistent with corporate standards.

The importance of SWIFT for corporates

One of the challenges with projects such as SWIFT implementation, and the migration to ISO 20022, is how to prioritise these initiatives bearing in mind the various calls on treasury's time and budget. We found that the best time to tackle these issues is when embarking on a related project: for example, we were fortunate in that the TMS implementation gave us the opportunity to implement SWIFT. However, the financial crisis has changed the way that corporate treasurers view their banks. Increasingly they value the bank agnosticism that SWIFT connectivity provides, and its importance in contingency planning, so we are likely to see SWIFT Corporate Access becoming more prevalent within the corporate community as a result. ■

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Don has been a driving force in the financial eCommerce field first with Financial EDI and then as a champion of new internet technologies such as XML. He holds a degree in Financial Administration from Michigan State University and has over 20 years' experience in financial systems with companies such as General Motors, EDS, Vision Service Plan, The City of Sacramento California and Intel Corporation.