



Accurate matching of purchase order, commercial invoice, transport, insurance and certificate data

Benefits

- Improved liquidity management processes
- Flexible access to financing
- Structured receivables management
- Automated reconciliation
- Cost savings

SWIFT's Trade Services Utility

An Efficient Solution for Supporting your Financial Supply Chain

Industry requirements

The improvement of corporate liquidity through the optimisation of working capital management and the cash conversion cycle, as well as the reduction of cost through the rationalisation of billing and invoice reconciliation processes, are core requirements for international trading companies today. Measures used here include the reduction of inventory by optimising purchasing conditions as well as the negotiation of improved, standardised payment terms. Flexible use of external financing, adapted to the status of the related ordering, production and delivery processes, will contribute to the maintenance of optimum liquidity. Financing costs can be reduced by regularly informing banks about the movement of goods and associated cash flows. Further potential lies in structured receivables and collections management. Finally, managing processes that are relevant to liquidity can insulate the company from the risk of a declining credit rating through to the prevention of insolvency.

The condition for meeting these requirements in terms of best practice is, however, a standardised and reliable data structure, which can only be achieved by networking all of the IT systems relevant to the liquidity management process across all of the corporate functions. These include acquisitions, logistics, cash management, treasury management and credit management. International trading companies and exporting industrial

enterprises also have to consider a multitude of gateways to external service providers such as banks, logistics and insurance, suppliers, clients and authorities in a global environment.

The banks' response

Banks undertake a special role in the part they play in supporting payment transactions, risk management and liquidity supply. Changing customer requirements have caused many institutions to redirect their range of products and services to address the customer's value-added supply chain. Financing transactions has become increasingly more important, traditional products such as factoring being offered in competition with more innovative forms of financing such as reverse factoring or supply chain finance. Moreover, banks increasingly consider themselves as service providers who support their customers in the collection and analysis of data. International cash management, e-invoicing and the creation and matching of commercial documents are just some of the services offered. The quality of data is of central importance for banks too, as it forms the basis of successful customer relationship management alongside financial profile analysis.

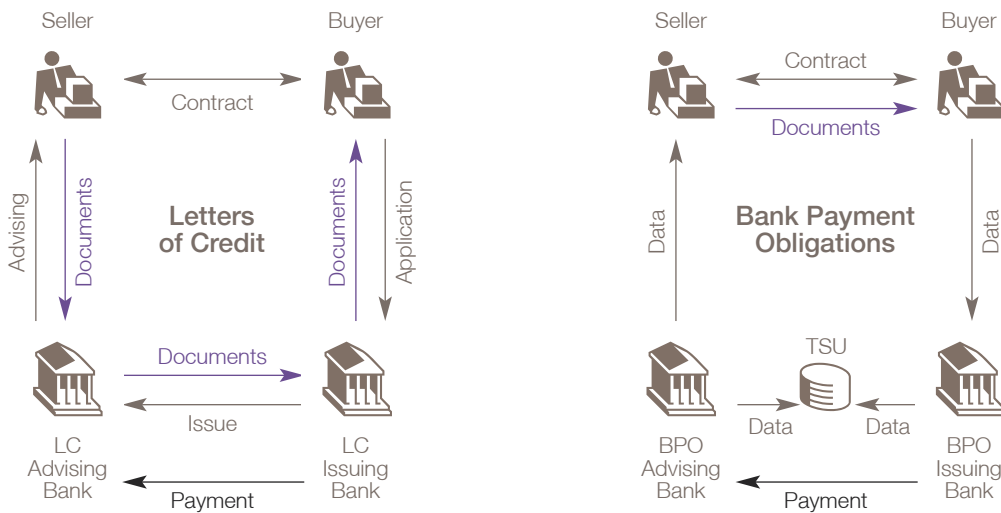


Figure 1. The Bank Payment Obligation relies on the presentation of data in the TSU

Support through SWIFT's Trade Services Utility

In international business, the collection of data and especially the continuous monitoring and matching of data throughout the transaction lifecycle in order to reduce risk and create greater transparency are particularly challenging.

There are no standardised electronic invoicing formats, let alone common standards for other commercial documents. In response to changing market conditions, including the widespread adoption of trade on open account, SWIFT has introduced a new solution to the market, the Trade Services Utility (TSU). The TSU is a communications-based bank-to-bank application through which detailed purchase order, commercial invoice, transport, insurance and certificate data sets can be automatically exchanged and matched.

The requirement is that companies make this data available accordingly. Moreover, there is the possibility to incorporate a standardised irrevocable payment instruction – a Bank Payment Obligation (BPO) – through a buyer's and/or third party bank.

The BPO is due when the data is accurately matched or when all financial institutions involved have accepted any discrepancies or mismatches.

It may be said that the BPO is somewhat similar to a letter in credit in nature (see Figure 1), reliance being placed on the automated presentation of compliant data in the TSU, as opposed to the physical presentation of compliant documents through the banking system.

Business benefits for corporates

There are many business benefits for corporates (see Figure 2). These depend on the banks' range of products and services that are set up to take advantage of TSU features and functions:

Example 1: Pre-shipment and Post-shipment finance

Data matching via the TSU, with or without a BPO, allows banks to offer attractive and competitive forms of supply chain finance.

Example 2: Cost reduction in the settlement process

The electronic matching of commercial and transport data creates increased transparency and security in the settlement process. Discrepancies can be recognised earlier, cash losses can be avoided and processing times between delivery and payment can be shortened.

Example 3: Improvement of working capital
By matching trade requirements to accounts payable, balances and outstanding payments can be more easily identified and managed before they become due.

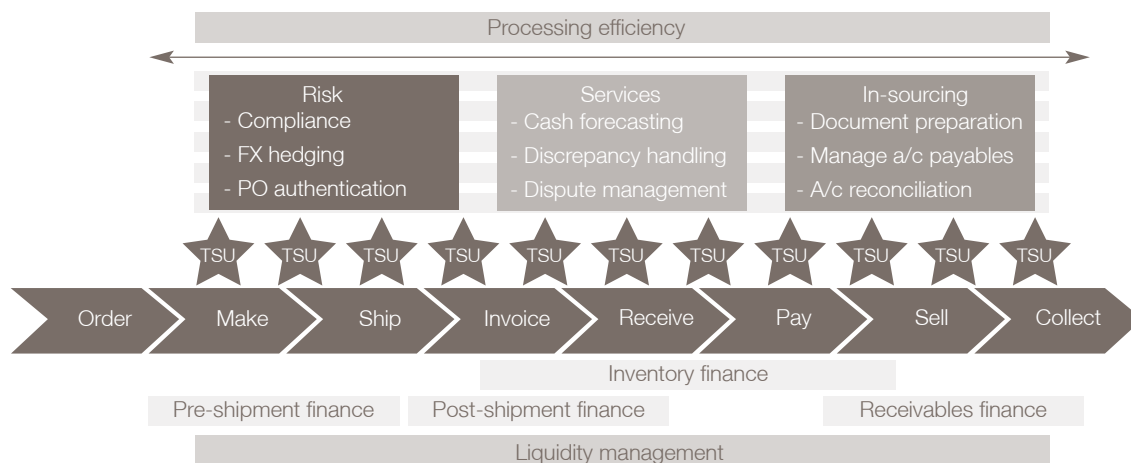


Figure 2. There are many business benefits for corporates

Example 4: Exchange rate management
By viewing customers' delivery and payment deadlines, it is possible for the banks to offer proactive management of exchange rate risks.

Example 5: Cost reduction in accounting
Receivables management can be actively supported by the banks.

Example 6: Preparation of annual statements of account
Obtaining confirmations from debtors can, if necessary, be replaced by automatic TSU matching.

These are just a few examples of business applications. Ultimately, the benefits to be obtained will depend upon the company's individual requirements and on the requirements of its financial supply chain, which the banks can help to determine.

Your SWIFT account manager will happily make contact with the specialists at your company's bank.

For more information please contact david.hennah@swift.com.

About Swift

SWIFT was founded as a cooperative in 1973 with its headquarters in Belgium in order to facilitate communication within the financial industry.

Since it was established, SWIFT has continued to develop and now represents the standard solution in electronic communication for more than 9,000 banks, securities companies and corporate clients. The network is available in over 208 countries and allows many different communication needs to be made automatic through the wide range of standards and products. Moreover, SWIFT acts as a forum for the financial industry and traditionally works closely with standardisation initiatives such as ISO. Consequently, developments are fundamentally focused on user needs.

