

# “What’s Our Cash Position?” – How SWIFT is Helping Corporates with Global Liquidity Management

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- With credit conditions tightening around the world, corporates are focusing more than ever on effective liquidity management.
- Many banks are urging their corporate clients to look to SWIFT as part of their solution.
- In Asia, where international trade plays such an important role for large and small companies alike, SWIFT’s global reach is especially appealing.
- Today’s turbulent financial landscape calls for increased community cooperation so that individual institutions can achieve their goals.

Early in 2009, a corporate treasurer speaking at an HSBC event in Hong Kong explained that, before the global economic crisis took hold, his discussions with his company’s chief executive officer (CEO) focused on profits and revenues. Today, he said, the first thing his CEO says to him is: “What’s our cash position?” Large and small corporates across Asia can relate with this shift in priorities and all eyes are on opportunities for improved liquidity management.

With credit conditions tightening around the world, corporates are focusing more than ever on effective liquidity management. To handle these difficult situations, large and medium-sized corporates in particular are looking for solutions that enable straight-through processing (STP) and improve their communication with banks. This global trend has led treasuries to re-engineer their operations, introducing automation and STP wherever possible. As a result, many banks are urging their corporate clients to look to SWIFT (Society for Worldwide Interbank Financial Communication) as part of their solution.

SWIFT, a member-owned cooperative, provides the communications platform that connects more than 470 corporates across multiple industries with more than 900 banks in more than 200 countries.<sup>1</sup> It enables its users to exchange automated, standardised financial information securely and reliably.

Asian corporates are catching up with those in Europe and the US by joining SWIFT. To date in Asia, 55 corporates have already joined SWIFT, including the likes of Samsung, LG Electronics, Panasonic and Petronas, which are considered as trendsetters for treasury and cash management practices in the region. Smaller corporates active in international trade are likewise following suit.

Other corporates on SWIFT range in size and industry across the globe and include Air France, Chevron, DuPont, eBay, Google, Iberia, LG, Samsung, Siemens, Tesco and UPS, as well as mid-size corporates such as Alten, Belcorp and Décathlon.

## What’s Keeping Corporate Treasurers Awake at Night?

Conversations with company treasurers in Asia in recent months have highlighted three main concerns common to all, regardless of the size of their operations.

First, global cash visibility. Every treasurer wants to know how much cash is available and where it is located. Second, many corporates are re-examining their approach to counterparty risk. In recent years,

1. For more information on SWIFT, see [www.swift.com](http://www.swift.com).

corporates generally tried to reduce the number of their banking relationships. In today’s uncertain climate, however, there is a growing trend to again diversify risk across a larger number of banks. Third, corporates are looking to sustain their access to credit as individual financial institutions tighten their lending criteria.

SWIFT for corporates addresses these concerns, giving corporates a gateway to SWIFT with a common platform and standards for communicating with each of their banks. Corporates can receive regular statements and intra-day updates in a consistent way across all their banks, thereby providing better cash visibility and improved risk management. One standardised channel also improves corporates’ abilities to expand their banking relationships.

## Banks and Other Industry Partners see the Benefits and Can Help

Banks are increasingly active in promoting SWIFT for their corporate customers. Andrew Long, Group General Manager and Head of Global Transaction Banking at HSBC, says: “Banks that are at the forefront in corporate-to-bank connectivity are actively supporting their customers’ desire for more flexible standardised connectivity, richer information and greater security.”

Likewise, SWIFT’s partners continue to extend their “SWIFTReady” applications relevant to the corporate market. A new SWIFTReady consultancy label recognises the important role played by management consultancy firms in advising company treasurers. Accenture, UTSIT and Zanders have been successfully certified on SWIFT since the inception of the programme in late spring 2009.

## Reaching Out to Mid-Sized Corporates

This year, joining SWIFT has become easier, as SWIFT embraces mid-sized companies as well as multinational corporations. First, instead of being required to be listed on a regulated stock exchange in a Financial Action Task Force (FATF) member country, a company can now simply join by receiving a letter of recommendation from their bank. Recommending a company for SCORE simply means confirming a willingness to exchange traffic with that company over SWIFTNet.

Second, while larger corporates tend to connect to SWIFT directly or via a service bureau, Alliance Lite is proving to be an easy, affordable option for smaller corporates. Alliance Lite is SWIFT’s newest connectivity option and provides users with the ability to access SWIFT without requiring SWIFT-specific software or additional hardware.

In Asia, where international trade plays such an important role for large and small companies alike, the ability to use SWIFT is especially appealing. While the simplest way to consolidate funds is to use a single bank, this is not always easy for companies to do because local branches want to use local banks – and because often the overseas branches of Asian banks may not be sufficiently integrated into those foreign domestic markets. And, just as you really can’t talk about Japanese companies without talking about their overseas businesses, the same is true for many Asian companies, whether the overseas business is in other Asian countries or in Europe or the Americas.

## Expanding the Reach of SWIFT across Asia

In the past, SWIFT had been perceived as being relevant mainly for cross-border payments and for large banks, which move funds around globally on a regular basis. The reality, however, is quite different, as SWIFT expands its reach globally, including across Asia, and to corporates and other non-bank financial institutions.

### Alliance Lite

The launch of Alliance Lite has made SWIFT much more easily accessible to new customers across Asia. SWIFT can now be easily installed on a personal computer, with no back-office configuration adjustments. The pricing scheme is more flexible – fixed price or transaction-based – allowing the customer to chose the

option depending on their traffic volumes. As a result, smaller financial institutions in many Asian markets, such as in Indonesia and Malaysia, are looking to connect to SWIFT, thereby accessing their overseas counterparties directly (as opposed to through another institution) and thus introducing efficiencies in their operations and improving customer service.

### Customer Base

SWIFT is reaching out to a considerably expanded customer base in Asia as elsewhere. Whereas traditionally, large banks made up the bulk of its customer base, now smaller banks, broker dealers and investment managers – as well as corporates – are also SWIFT users.

### Increased Functionality

The increased functionality of SWIFT is particularly applicable to the Asian customer base. The Trade Services Utility, for example, which facilitates open account trade, is being used by banks in the large trading economies of China and Korea. Similarly, SWIFT messaging in securities services is being used by countries such as Vietnam, to develop their infrastructure, as in the case of the Vietnam Securities Depository.

### Payment Systems

Real-time gross settlement systems in many Asian markets, including Hong Kong, Singapore, Thailand and the Philippines, are on SWIFT. This segment, together with low-value payments, represents a significant growth opportunity for SWIFT in domestic payment systems, and is being pursued across the region. SWIFT, by assisting in the development of payment infrastructure in Asia, is helping to limit the need for proprietary investments by financial institutions, which in turn helps customers of these financial institutions make payments more efficiently and economically. As more domestic markets adopt SWIFT standards, it could facilitate market harmonisation efforts within the region.

### Single Connectivity

SWIFT’s single connectivity helps corporates and financial institutions streamline their operations and reduce risk, thereby improving business performance. Traditionally, these institutions have had to connect separately with their banks or counterparties, often involving different types of channels (such as faxes, lease lines, Internet systems, etc.), and therefore did not always provide a complete view of the institution’s liquidity globally. With SWIFT’s single connectivity, corporate and institutions can get full global visibility of their cash position and thereby make informed business decisions.

### Standards

The launch of XML standards<sup>2</sup> allows the use of local characters. In addition, through the set up of user groups in individual markets as well as in the region, SWIFT is facilitating the discussion of unique requirements in Asian markets, which could be driven by language or local practices. This in turn facilitates the adoption of global standards in Asia as well as changes to the global standards to accommodate the requirements in Asia.

### An Expanding Offering

For cash and liquidity management, SWIFT for corporates means that transaction information and cash positions can be shared between corporates and banks over a single platform, in real time, enabling corporates to manage liquidity more efficiently.

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2. XML (Extended Markup Language) is the standard language for machine-to-machine communication across the Internet. It has been adopted by SWIFT as part of its SWIFT Standards initiative to support standardisation in the financial industry.

In addition, confirmations of foreign exchange spot, forward and swap deals, foreign exchange options, money market, forward rate agreements and currency interest rate swaps are all instruments catered for by SWIFT messages. SWIFT's centralised confirmation matching service, Accord, enables real-time handling of exceptions to further reduce operational risk. SWIFT supports the automation of the trade cycle from confirmation of the deal to settlement, thus reducing operational risk.

To ensure centralised processing and transmission of commercial payments, SWIFT also offers a secure file transfer service. This allows corporates to centralise all commercial payments and collection activities, both domestic and cross-border, in a single payments and collections factory. The file transfer service supports all data formats and character sets.

Beyond standard cash and treasury management services, new bank services are now available, including exceptions and investigations, secure mail and trade messaging. SWIFT's approach to messaging – based on bilateral agreements between banks and corporates – provides a consistent way of handling the specific data that corporates need to send to their banks, and vice versa. It permits logical processing, numbering and routing of messages, to allow banks to process the data with minimal conversion. The approach provides flexibility for adding message components should the need arise.

Security and compliance, which is expected to continue increasing in importance, remain key to corporates' demands for bank communications. Once connected to SWIFT, corporates can use a single security set-up with all financial service providers. Rationalising security mechanisms leads to tighter security management and control, as SWIFT uses encryption and authentication technology, which results in the highest levels of security. Operating a single communication platform, as opposed to multiple and diverse electronic banking systems, also simplifies auditing processes and, therefore, potentially leads to better compliance with internal control requirements.

## Conclusions

As corporates look to improve their treasury and cash management practices in today's turbulent financial landscape, they are re-engineering for the future, trying to automate, standardise and centralise more. The financial crisis and the related liquidity crunch has been received as a wake-up call, reminding corporates that it is essential to always know where their cash resides and to be able to move it around quickly.

Banks and their corporate customers in Asia and around the globe are therefore increasingly looking to SWIFT for the advantages it brings in terms of operational, risk and cost efficiencies. Banks have understood that their customers benefit from being connected to SWIFT and are keen to offer solutions to their customers that add value. This kind of industry mobilisation and cooperation across geographies is critical to assure corporates have an integrated solution in their quest for visibility and more flexible technology. SWIFT for corporates provides just that – a ready-made solution for treasury.