



The Power of Experience®

# Global Real Time Visibility through SWIFT Connectivity

## Microsoft®

### Background: Microsoft

- With revenue of over \$50 billion, Microsoft is the world's leading software development company.
- Headquartered in Redmond, Washington
  - Operates in over 100 countries
  - Employs close to 80,000 individuals

### Background: Treasury

- One centralized Treasury Dept. in Redmond (130 employees) with 5 business groups:
  - » Credit & collections located around the world
  - » Capital Markets (Redmond)
  - » Global Cash Mgmt. (Redmond)
  - » Corporate Finance (Redmond)
  - » Risk (Redmond)
- 1,000 bank accounts globally with 100 banks
- 5,000 Treasury wires monthly, value of \$70B
- Global implementation of SAP ERP and Treasury Workstation

*"Pockets of cash are all over the place... Want a single view of cash and business flows."*

*"A corporation cannot manage or control what it cannot see."*

## SWIFT initiative provides integrated view of cash and a 326% ROI for Microsoft

### THE CHALLENGE

With over 1,000 bank accounts distributed across more than 100 banking partners, Microsoft faced challenges in optimizing the concentration of funds globally and efficiently managing the reconciliation and posting of bank information. The point-to-point connectivity built with a handful of primary banking partners was not scalable across multiple banking partners due to the support required for multiple data formats, security protocols, transport layers and business logic. A view of balances in these other banks was limited to monthly statements making it impossible to effectively manage or control these balances, an increasingly unacceptable position in the current risk, regulatory and global business environment. The inability to aggressively consolidate and concentrate funds resulted in a sub optimal investment of cash.

### THE OBJECTIVE

Backed by its vision of a single enterprise wide financial messaging portal leveraging industry messaging standards, Microsoft's goal is to achieve a near-time / real-time view of cash across all accounts globally (every bank account reporting electronically into SAP every day over SWIFT). Further banking partner connectivity goals to achieve its vision include:

- A single secure, reliable, resilient and cost effective channel for communicating with all banking partners
- Leverage industry standard data formats (FIN, BAI, FINSTA/EDIFACT and ISO 20022 XML)
- Send and receive enriched data in order to increase automation and straight through processing (STP) to the SAP ERP system.

### THE INITIATIVE

Microsoft embarked on its SWIFT initiative in early 2006 with the installation of the SWIFT infrastructure and integration with SAP using Microsoft's BizTalk Server. The company went live October 2006 and as of December 2007 had 14 banks providing MT940's (prior day statements) for 420 bank accounts. Plans are to add an additional 60 banks in the next two years. The company is also receiving MT942s (intraday statements) from collection, concentration and custody accounts and in 2008 will begin sending treasury wires via FIN and receiving ISO 20022 XML next generation statements as well as billing analysis files via FileAct.

### SWIFT IMPLEMENTATION

#### Receive

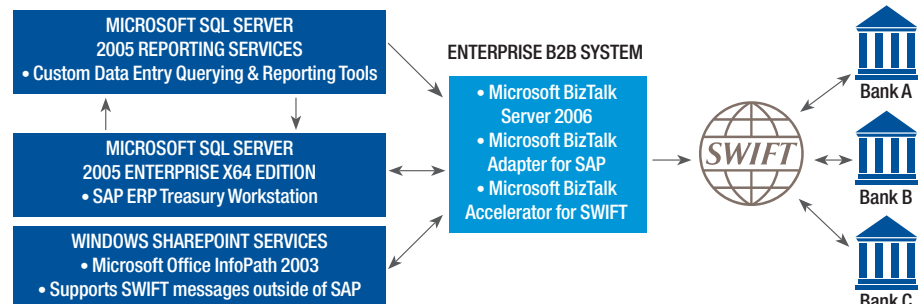
- Account info and statements MT940s & MT942s (FIN)

#### Planned

- Lockbox and billing analysis (822\BSB) data files (FileAct)
- Receive statements in XML

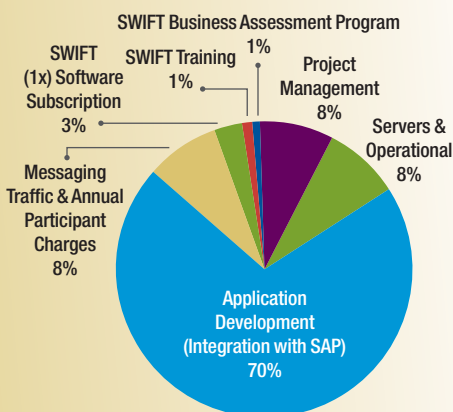
#### Send

- Planned 2008
- Treasury wires (FIN)

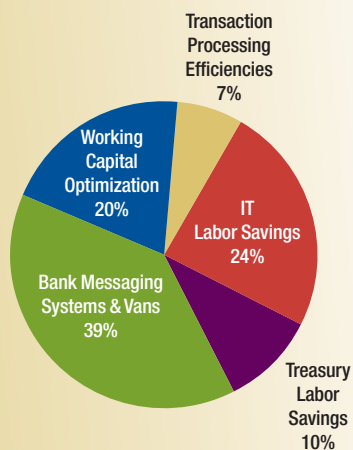




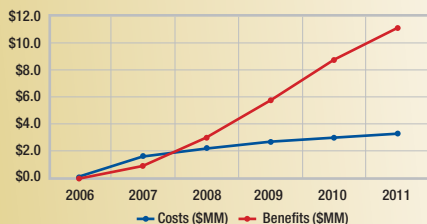
**Investment Components**



**Benefits Components**



**Breakeven Analysis**



**THE COST / BENEFIT**

Microsoft is realizing its goals of a near time / real time global view of cash, adoption of industry standard message formats and achieving straight through processing.

**Implementation and ongoing costs include**

- *Project management and operational costs*—time required to establish the SWIFT infrastructure, connections (Microsoft BizTalk) and system interfaces (SAP) and manage the server environment.
- *SWIFT costs*—including subscription, infrastructure and FIN and FileAct (future) traffic.

**Benefits include**

- *IT Labor savings*—elimination of/avoidance of time to maintain bank messaging systems
- *Treasury Labor savings*—reduced time to more effectively manage global cash, handle month-end close, monitor bank account balances, manage repatriations and reconcile accounts
- *Cost avoidance of establishing additional bank messaging systems*—70 over three years / 100 over 4 years
- *Working capital optimization*—later wire cutoff times will accelerate Microsoft’s access to cash and improved visibility to global cash will enable Microsoft to optimize un-invested cash more efficiently

The business case resulted in a net present value of \$4.9 million and ROI of 326% over 5 years, and a payback in 24 months.

Beyond the immediate plans to bring all banks on board, migrate existing treasury wire payment messages to SWIFT, and migrate the transport of lockbox and billing analysis files to FileAct, Microsoft plans to leverage SWIFT in the future for the following:

- Use of ISO 20022 XML for enriched data (statements, cash reporting, wire payment messages) in order to automate G/L postings and cash application in the ERP system
- Capital markets operations (trade confirms, FX settlement, etc.)
- Exception and investigation messages.
- FileAct for 822 and BSB billing analysis files as well as other data exchange processes

*“SWIFT is enabling Microsoft to build one centralized ‘source of truth’ for all banking data shared across the company.”*

**THE CONCLUSION**

With the implementation of SWIFT, Microsoft has laid the groundwork for and embarked on a course to realize a true global view of cash, a single and secure channel for banking data across the enterprise and increased automation and straight through processing through sending and receiving enriched data / industry standard messages.

*The above analysis was performed by Treasury Strategies, Inc. during the fourth quarter of 2007. For more information on this case study, please contact Treasury Strategies at: info@TreasuryStrategies.com or your local SWIFT office.*

**About Treasury Strategies, Inc.**

*Treasury Strategies, Inc. is the leading Treasury consulting firm working with corporations and financial institutions. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.*