



SWIFT Alliance Lite 2 at AGRANA

With a successfully implemented project to improve data quality and timeliness and to avoid manual tasks in the subsidiaries, the Corporate Treasury of the AGRANA Group is stepping up its proactive cash management via SWIFT Alliance Lite2. This brings about a significant improvement in working capital, combined with the optimisation of net interest income. The «Payment Factory» sub-project is presented below.

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Initial situation

The Corporate Treasury of the AGRANA Group is responsible for Group-wide financing and cash investments, as well as for cash pooling, and performs almost 100% of the interest rate and currency hedging centrally. About seven years ago, an independent, non ERP-linked treasury system was introduced. Most of the financial information - such as bank statements - was fed into the system on a local basis from the companies' respective sites. Payments took place in the countries via electronic banking systems (eb) systems.

Due to the central FX hedging and the implementation of SEPA, in the past, the outgoing payments were performed on behalf of the subsidiaries by Corporate Treasury via the in-house bank on a manual basis. However, due to the growing business volume and the greater centralisation of financial activities, the business had reached such a degree of complexity within Corporate Treasury that a new, optimised procedural and systemic integration had become necessary. This triggered the launch of a project called TOPP - Treasury Operations, Payments & Processes. This paper presents the «Payment Factory» sub-project.

The TOPP objective

The following core objectives are to be achieved by the project:

- A common language of communication with the banks
- Centralised and optimised payment transactions
- Collection of bank statements
- Compliance and auditing through an integrated approval process
- Consolidation of bank accounts and eb systems

A bank communication language

Today, millions of payments and messages are exchanged every day via the SWIFT network founded in 1973. The common «language» of the banks in this network, which is also used by more and more companies, consists of so-called message types (MT). That is why we have chosen this form of communication that allows all AGRANA companies to exchange messages via the same direct channel to our banks.



We started off by examining several alternatives for the connection to SWIFT - such as the use of SWIFT Service Bureaus. Ultimately, we decided in the light of a cost/benefit analysis for the Alliance Lite 2 (AL2) service. The rollout of the AL2 server environment and the establishment of communication between the Payment Factory and the respective banks is admittedly complex, but with the support of the IT specialists and system vendors a challenge that is eminently surmountable at the end of the day.

We discovered that not every bank offers the sought-after SWIFT communication service and opening up the channel from the bank to the company can be technically and administratively laborious from the point of view of the bank and incur high one-off and follow-on costs. This means that you are better off focusing on the growing number of banks that offer this service. Given today's risk management challenges, it also makes sense to simultaneously reduce the number of banking partners and accounts.

Outbound: payments

To date, the outgoing payments were carried out independently by each Group company. Individual payments or payment runs generated by the ERP system were uploaded via the local eb systems and transmitted to the banks.

Since the introduction of Payment Factory, payment files are sent through a central interface via SWIFT AL2 to the banks. The payment runs are structured as follows:

- payment runs in the national currency (except Euro) are executed as so-called transport-only files (TPO) directly from the local bank account of the subsidiary.
- payments in euros or in a currency other than the local currency will be transmitted to the Payment Factory as SAP idoc files via its own payment method:
 - internal company payments are automatically detected and booked through clearing accounts,
 - the remaining payments are executed «on behalf» of the subsidiaries by the in-house bank (any foreign currency payments are cleared at the current rate via internal accounts).

Inbound: MT940 bank statements

The goal is to receive the daily account statements from all AGRANA companies world-wide. For this purpose, the companies conclude the necessary agreements with their banks. The electronic account statements are then sent daily either by FIN or FileAct to the AGRANA SWIFT address (AGRATWW). From there they are uploaded by the Payment Factory directly into SAP or the Treasury module. For NON-SAP companies, the statements are also provided on a separate drive and can be downloaded from there into the local ERP system.

In addition, the in-house bank generates daily account statement for the clearing accounts of the subsidiaries it holds (such as for example revenues from cash pooling, FX hedging, etc.), which are also automatically entered into SAP.

Compliance: approval, authorised persons, authorised signature

A major goal of this project was to make the payment approval process uniform and compliance and audit-proof and allow for processing through a centralised tool. This led to the introduction of an internal workflow system, in which all payment runs (also so-called «ad-hoc» payment transactions) are taken up and approved by authorised persons. This makes it possible to always ascertain who approved which payment and when. If necessary, it is enough to block the SAP ID and a bank approval by this person is no longer possible. After releasing the file number, it will be sent from Payment Factory via SWIFT to the respective bank.

Since banks recognise the payment orders placed via SWIFT as being duly authorised, an elaborate personal registration of persons with authority to access the various bank accounts is no longer necessary. Externally, the payment files come with an electronic signature. Internally, the approvals – as described above – can be assigned directly to individual persons.

Consolidation of electronic banking systems

Several eb systems are in use throughout the AGRANA Group. In fact several systems were up and running in some countries. The aim of Payment Factory is to drastically reduce these systems, although cost cutting is not the main priority. Rather, the centralised and unified communication channel provides transparency regarding users and their approval rights. Moreover, each payment authorised via the Payment Factory flows directly, before execution, as planned items into Cash Management. To date, this information were not always available in the decentralised and non-networked systems.

Finally, the project should serve to improve the quality and timeliness of the data and to avoid manual tasks in the local companies. This allows Corporate Treasury to step up its proactive cash management and contributes to a significant improvement in working capital, combined with an optimisation of net interest income. Add to that the cost effects from the streamlining and harmonisation of processes, we expect a ROI from the project within about two years.