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## Standard Bank and Altron reap benefits of connecting via SWIFT

*Banks and corporates across Africa embracing SWIFT as their trusted network for secure, reliable financial messaging communications*

African corporates with multi-bank partnerships are realising benefits for both international and domestic payments processing. What is particularly noteworthy is that take-up of SWIFT is not restricted to large, multinational corporates – 39% of our customers have a turnover of less than USD1bn and 29% less than USD500m. This demonstrates that the focus by SWIFT in recent years to extend services deeper into the financial community, drive down the cost of SWIFT implementation and usage, and to promote the “bank readiness” program, is meeting the demands of both banks and corporates of all sizes.

South African corporate Altron recently made a bold move to change its treasury operating model. This will enable Altron to implement new and standardised financial messaging, automate processes that increase payment efficiencies and ensure accurate and timely financial reporting to its central treasury. Altron wanted to build a stronger working relationship with Standard Bank, which plays an integral part in the corporate’s new, streamlined payments environment.

The agreed financial messaging platform chosen was SWIFT and, together, Standard Bank and Altron have embarked on a truly remarkable journey which has realised many benefits for both the bank and Altron.

### The Challenge

Allied Electronics Corporation Limited (Altron) through its principal subsidiaries, Altron TMT and Altron Power, is invested in the telecommunications, multi-media, information technology and power electronics industries. The organisation is South African-based with revenues of approximately R22 billion, a presence in 17 countries, and employs more than 9,000 people. The centralised treasury is Johannesburg-based, operating as an in-house bank to the Group, which comprises 45 operating companies. The treasury maintains the Group’s multiple banking relationships and is responsible for the execution of all foreign and domestic payments. This currently involves activities across more than 385 bank accounts.



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## The key drivers for the change to the Altron treasury infrastructure were

1. desire for cash visibility improvements to assist with accurate cash forecasting
2. automate operations to remove manual processes and gain efficiencies
3. standardise payment formats across the Group
4. rationalise ERP systems
5. create a scalable model to support the organisation into the future

“It was very clear that we had many challenges with multiple operational groups, many decentralised and using manual based processes for gathering and processing our payments. After approaching our CFO with a proposal to build a business case for a new and improved treasury operation, we were able to gather the facts, assess the required changes and propose a way forward that would support future growth for the organisation. With the green light from our Board, we commenced our SWIFT journey” explains **Genny Walsh**, Group Treasurer, Altron.

## Transformation of a treasury operation

No small task, the first step was to evaluate the vendors who offered SWIFT connectivity options. The Altron team chose an indirect connection via a SWIFT service bureau to integrate with their TMS (treasury management system) and use middleware to link their various ERP systems to the SWIFT gateway. The experienced bureau had the credentials of SWIFT experience and expertise that Altron could see would be essential to a successful project.

“Embarking on a SWIFT project you have to make IT your new best friend,” commented **Debra-Lynn Marais**, Lead, IT Shared Services, Altron.

The next phase required building a closer working relationship with Standard Bank to ensure the challenges of processing data from multiple ERP systems, payroll and treasury systems could be overcome. It was clear that automation had to replace the manual processes and to ensure that information extracted from various sources could be transformed into financial messages that met the banks requirements and enabled straight

through processing, adopting the proven SWIFT international messaging standards based on ISO20022 was clearly the best solution.

This was further supported by the fact that the majority of ERP systems are SWIFT-enabled today and that Standard Bank together with the chosen SWIFT bureau offered support and guidance Altron needed as they stepped into the world of SWIFT messaging. Corporates typically have no wish to be SWIFT messaging experts but this does mean their partners must be more than capable of ensuring the integration between the Bank and Altron is in safe hands.

## Experienced Partners are essential

Standard Bank offers Corporates SWIFT messaging services and they are well versed in the challenges of consolidating multiple transaction messages into a single format that can be distributed out to multiple banks, domestic or international. “SWIFT Standards are key to managing 15 ERP iterations. The emergence of new international standards such as ISO20022 has allowed us to further standardise our messages with our banks with the richer message content ISO20022 provide,” says **Debra-Lynn Marais**.

The approach the bank has taken is to offer a hub and spoke model, where the hub is the single interaction point for the Altron treasury. When payments are received from Altron, using the standardised message formats, the system can identify exactly where the message needs to go, how to process the message and what to do with the responses.

The key piece of the puzzle for the Bank was to ensure that at the outset the on-boarding process for Altron was carefully managed. There are four key players namely, business and IT on the client side and similarly on the bank side and everyone needed to be fully informed and prepared for the project to succeed.

The Bank clearly understands their client's requirements and expectations and has developed a flexible solution that takes the set up step by step. Active in 18 different African markets, the Bank has developed a breadth of experience that is always being enhanced to provide service excellence.

In the case of Altron, supplier payments were the first process to prove the system. An individual on the bank side was appointed with sole responsibility to ensure every aspect of the process for both Altron and the Bank remained on track, ensuring all parties are synchronised and that any unforeseen issues can be handled quickly and transparently. It's always a learning process for all those involved and invaluable for building a trusted relationship between the Bank and its valued customer Altron.

## Where Altron and Standard Bank are today

The first phase of the project has successfully gone live with Bulk MT101 payments for supplier and Salary payments are being processed via SWIFT. Statements are being delivered using the MT940 format.

The next phase is to implement Salary payments through the XML PAIN SWIFT messages with a plan to go live in early December 2015, this will then conclude the Domestic payments project.

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## Lessons learned from the Altron perspective

### **Communication, the more the better!**

For Altron, this was a business-led project and communication with all those involved is vital to a project of this nature. Change often creates fear and it was important to ensure that in this case all those involved understood that the changes would enhance their working environments.

Communication helps manage the expectation levels, a sense of urgency has to be tempered with getting it right which is where testing plays an important role.

A central point of contact between Altron and Standard Bank, referred to as "the golden thread" ensures information sharing is consistent with the parameters of the project. Trust has to be built between all parties involved and constant communication is essential.

However inefficient a manual process may appear, taking the plunge to move people to a totally automated process and handing over the responsibility to an unknown quantity can be a scary prospect. It was essential to ensure everyone involved understood the whole process of where their information is going and how they could monitor the progress of payments. Document store and workflow tools have proved to provide a level of comfort for the Altron team who have real-time visibility of what is happening to their payments.

"Making a mistake and having 1,800 salary records rejected at 3.00 pm the day before pay day is not a pleasant experience," adds **Debra-Lynn Marais**. "With patience, honest, open and timeous communication, it was possible to allay fears of those involved and build confidence in the new process. You can never over-communicate when it comes to ensuring a seamless end to end user experience."

### **Data integrity is essential**

Owning the data is important to Altron, they no longer rely on the bank to fix data errors and this removed an expensive overhead. Implementing SWIFTRef has offered Altron an excellent way of checking data, resolving errors and improving the integrity of their information before it goes to the bank. With just 7 returned payments in 18 months, Altron can identify significant savings in both time and money in their new payment processing system.

## Lessons learned from the Banks' perspective

### **Understand client requirements**

Banks have used SWIFT messages for many years to interact with each other and are very familiar with the language of SWIFT. However this is uncharted territory for Corporates. The Bank acknowledges that a clear understand of their Corporate's requirements saves money in the long term for them and their customers. Developing a clear understanding of the payment process from the Altron side and how the Bank needed to execute the payments was fundamental to a successful implementation. Breaking down every aspect of the payment from tag by tag, payment by payment right through to clearing system by clearing system, and every element in between helped to maximise the system set up time.

### **Change management**

After sorting out the required message formats and connectivity mechanisms, dealing with the change processes in each other's worlds is an ongoing responsibility of both Altron and the Bank. The bank has very stringent governance rules but they also need to be aware of what may happen on the Altron side. For example ERP upgrades or acquisitions need to be factored in to enable appropriate changes can be dealt with without disruption to day to day business.

Then of course testing cycles must be run and results verified before transacting can commence. The bank established a test environment with Altron and trialed a set of scenarios before signing off together to allow the system to go into production. Once in production "penny tests" are done to simulate real transactions and when these were verified as successful the system went live.

"In real terms, there is a two week window every month to work with due to the increase in Corporate activity from the 20th of each month. Any slip in a testing cycle could mean a two week delay in going live. You can appreciate how important it is to have successful testing regimes." says **Jonathan Lamb**, Head, Channel Management, Standard Bank.

## Final word

Standardised financial messaging is proving to be a catalyst for moving to a digitised and automated payment processing model for many Corporates. No project is without its challenges, however the sharing of experiences within the SWIFT Bank and Corporate user community goes a long way to helping newcomers avoid making expensive mistakes.

As more and more African banks become certified for the SWIFT Bank Readiness program, Corporates will have confidence to move towards fully automated transaction process and extend beyond banks statements and payments into other areas of their business including FX.

Great steps have been made in the African region towards adopting of international messaging standards, embracing automation and realising the efficiencies and cost savings. There is much more to do and the Altron and Standard Bank experience provides an excellent example of how to tackle such a transformational treasury project.

*For more information, contact your SWIFT account manager or visit [www.swift.com](http://www.swift.com).*