

# Standardisation, Security and Integrity through SWIFT

by Suresh Dutt, Banking Connectivity Specialist, IATA

**F**ounded in Cuba in 1945, The International Air Transport Association (IATA) is the trade association for the world's airlines, representing around 240 airlines across 118 countries, or 84% of total air traffic. IATA supports many areas of aviation activity and helps to formulate industry policy on critical aviation issues. Headquartered in Montreal, Canada with an executive office in Geneva, Switzerland, IATA also has regional offices in Amman, Beijing, Brussels, Johannesburg, Madrid, Miami, Moscow, Singapore and Washington. In 2012, IATA handled cash flow of \$371.5bn, including \$51.9bn through its clearing house, \$36.1bn in currency clearing and \$251.8bn through its Billing and Settlement Plan.

In this article, Suresh Dutt, SWIFT Banking Connectivity Specialist at IATA discusses how SWIFT, together with internal payments processing system IRIS, has delivered improved efficiency, automation and control over payments, with straight-through-processing optimised through the use of SWIFTRef for referential integrity.

## Payments and connectivity challenges

Before implementing SWIFT, our bank communications was fragmented and labour-intensive to maintain, with multiple banking platforms, diverse formats and messaging standards, disparate security mechanisms and varying levels of reliability. We also had different internal systems from which payments were generated, again leading to inconsistencies in processes, security and reliability.

Our initial objective was to standardise and automate our payments to airlines. We have 300-350 accounts globally into which IATA agents make payments in a wide variety of currencies. We then calculate how much is due to each airline for each payment cycle and send a single payment. This requires a highly efficient bank statement retrieval and reconciliation process, and the ability to manage high value, high volume payments securely and reliably.

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## Optimising our payments processing infrastructure

As our existing infrastructure did not support these requirements effectively, we made the decision to review alternative payment solutions and bank connectivity platforms with a view to streamlining and standardising our settlements processing. We reviewed a variety of third party payment solutions but ultimately decided to implement a bespoke system specifically designed and developed to IATA's unique, high volume requirements, titled the IATA Remittance and Settlement Integrated Solution (IRIS). From a bank connectivity standpoint, we were already familiar with SWIFT Corporate Access but the value proposition for IATA had been unclear and the prevailing membership model at that time, Member Administered Closed User Groups (MA-CUGS), seemed too complex.

With the introduction of SCORE (Standard Corporate Environment) however, connecting to SWIFT became more straightforward and standardised. In 2011, therefore, IATA became an early adopter of SCORE. Initially, not all of our banks supported SCORE, although they have subsequently joined; furthermore, our banks had varying degrees of experience and expertise with SWIFT Corporate Access, but we found most were progressive and responsive.

## Achieving project success

We now receive daily MT 940 files (end of day bank statements) from 54 banks globally and send MT 101 (request for transfer) messages via FIN (SWIFT's store and forward messaging service). By the end of 2013, we expect to have 96% of settlements globally settled via SWIFT.

There were a number of factors that have contributed to the success of the project. Our project team was based in Geneva but we needed to engage expertise from across the group in order to collate a full list of the banks with which we needed to connect, and any specific formatting and messaging rules that were required when sending payments in particular currencies or countries. We started with a 'proof of concept' project phase that enabled internal and external stakeholders to understand the project and its benefits, and for the project team to ascertain what information would be required for each bank and region. Once we had embarked on the project, we held weekly project updates with the relevant banks so that all participants had a consistent and complete view of the project and to ensure accountability.

Engaging the right expertise is essential to project success. Early in the project we lacked access to sufficient SWIFT experience, but latterly, we engaged an expert consultant who was able to offer considerable value to our project, therefore mitigating some of the major risks inherent in a complex project. Banks also had varying experience of SWIFT Corporate Access, although this is less of an issue today than when we first started to roll out SWIFT. For example, the documentation process was quite lengthy for some banks as they had not concluded SCORE agreements before, while in other cases, we were able to incorporate SWIFT within existing agreements.

## Beyond connectivity

The success of the project is largely quantified in terms of straight-through-processing (STP) and straight-through-reconciliation (STR) rates. To maximise our STP and STR rates, referential integrity was essential in order to avoid failed payments and minimise manual processing, corrections and reconciliation. Consequently, we made the decision recently to implement SWIFT's new solution SWIFTRef (box 1). This enables us to source master data for agents and

### SWIFTRef

SWIFTRef, is a global reference data utility provided by SWIFT, providing any corporation, whether connected to SWIFT or not, with a full ISO registry of all BIC codes for financial institutions and corporates across more than 200 countries. SWIFTRef also provides national bank identification codes, bank name, address and contact details, SEPA data including routing information and IBAN validation and banks' standard settlement instructions for treasury and wholesale payments globally. This is supplemented with country, currency and holiday information, together with credit ratings and bank hierarchy information.

In addition to the quality and scope of SWIFTRef, it is easy to adopt and integrate into a wider financial processing infrastructure, supported with comprehensive documentation. SWIFTRef has global applicability and by ensuring that payments are correctly routed, the accuracy and timeliness of payments is assured, minimising failed payments and maximising efficiency and automation.

airlines globally and to incorporate changes quickly. When we take on a new agent or airline, and collect settlement instructions, information such as BIC and IBAN can be validated quickly, minimising errors and payment failures. This validation is also particularly important as part of our SEPA migration project, as payment messages need to include BIC and IBAN.

The implementation of SWIFTRef has been very quick and straightforward. We received the SWIFTRef file through FileAct, which could then be uploaded directly into the relevant database table in IRIS. We received comprehensive documentation from SWIFT so this integration process was not difficult. Updated files will then be uploaded every month. In the same way that SWIFT offers considerable future potential as a connectivity channel for a wider range of messages, SWIFTRef will also allow us to improve on, and validate, more data, such as account numbers and clearing codes. This in turn will facilitate even higher rates of STP and STR, and therefore improve the service we offer to agents and airlines.

## Extending the benefit

The advantages of a standardised, streamlined payment and bank connectivity infrastructure extend beyond the efficiency, control and cost-effectiveness of our day-to-day activities. Payments are initiated both from our centre in Geneva but also from our five regional offices. Recently we needed to close one of our regional centres temporarily at short notice; however, as we use a central infrastructure and standardised processing, we were able to relocate our payment activities to another location very quickly without loss of efficiency. Consequently, SWIFT has a major role to play in our contingency planning, together with a host-to-host backup of IRIS.

Based on the success of the project, many of the project stakeholders are keen to explore ways in which we can further leverage SWIFT. For example, we are considering extending our infrastructure to manage our clearing house, currency clearing service and operating payments. ■

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Suresh DUTT – SWIFT Banking Connectivity Specialist, is a specialist in payment solutions in the bank-to-bank and bank-to-corporate environment, responsible for the implementations of SWIFT interfaces for IATA globally. Suresh started his career at an integration consultant implementing SWIFT interfaces in investment and private banks such as ING Investment Management and JP Morgan Chase. He joined IATA in June 2012 and has already implemented connectivity between IATA over 50 banks globally making IATA's implementation of SWIFT the widest and largest in SWIFT for corporate history.