

{ TREASURY INSIDER }

UNKNOWN UNKNOWNNS

Implementing SWIFT will take you on a new and interesting journey, but be prepared for some surprises, warns our Treasury Insider

➤ Treasurers don't typically look to ex-US defence secretaries for inspiration. But the two words that came to mind when I was framing my thoughts around our SWIFT project will forever be connected with Donald Rumsfeld.

'Unknown unknowns' – things we don't know that we don't know – captures much of my SWIFT experience of the past two and a half years, and certainly more than any other treasury initiative that I've been involved in. In a world where we're always seeking information on which to base our risk management decisions, our SWIFT project took us into an unrivalled world of technical and logistical complexity.

Now, before any SWIFT novices take fright, that's not my intention. The benefits of SWIFT connectivity are extensive and compelling. If you're yet to prepare a business case, I encourage you to do so. If it's not for you, so be it. If it is, hopefully the following will help your planning.

Our SWIFT project – to provide a single, bank-agnostic, online platform for bank statements and payments activities – was scoped and signed off two and a half years ago. We were particularly struck by the simplification of any subsequent transfer of clearing banking arrangements – sensitivity to counterparty risk being heightened at that time. The opportunity to enhance our controls framework was also attractive. Throw in plenty of operational efficiencies and senior management were onside.

So there we were, in good company with many other corporates in coming to the party, some time after the early adopters. And this gave rise to the first batch of unknown unknowns, being the extent to which there was very little standardisation across the various participants – the banks, service bureaux,



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treasury management system (TMS) providers and accounting platforms – despite this hardly being a new initiative.

We were particularly struck by some banks grappling with issues they appeared not to have come across before. Standard legal agreements, payment messaging formats and technical specifications – surely other corporates had asked for these previously? Some variation by territory was entirely reasonable, but our expectation that the banks' central relationship teams would be able to collate their local requirements was some way off the mark.

➤ The second batch of unknown unknowns arose from our internal organisational relationships. Every company I've ever worked for always has staff that claim it's the most complex place to work – by virtue of the number of legal entities, geographic locations or organisational structure – and, in our

case, the challenge came from outsourced service providers.

With different third parties managing our IT infrastructure – and, therefore, development of the interfaces between SWIFT, our TMS and our accounting platforms – and financial support processes, our stakeholder landscape was broad, and our centralised control limited. Keeping colleagues in treasury, financial accounting, accounts payable and accounts receivable all travelling in the same direction, at the same speed, was hard enough. Add a couple of third parties into the mix, and the communication and management challenges expanded significantly.

So it's been hard work. There have been bumps and detours on the way. And by the time we're done with our current plan, there will no doubt be some new SWIFT functionality available (hopefully electronic bank account management). So, SWIFT is long haul, and stakeholder expectations need to be managed as such. For us, SWIFT has evolved from a project, not quite to business as usual, since it remains transformative in nature, but it is now very much a part of the team's ongoing activities.

Although there's still much to do, the gains start accruing quite early. So we've had 18 months of seeing at least some of the benefits that swayed my bosses when we were blissfully unaware of our unknown unknowns. ♥

ILLUSTRATION: IMAGE SOURCE



The Treasury Insider works in corporate treasury at a well-known institution in the UK