Using SWIFT to Optimize Your Treasury
Using SWIFT to Optimize Your Treasury

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24 August 2012

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Who is SWIFT?
SWIFT is the global provider of secure financial messaging services

- 212
- 10k+
- 23
- 11k IT changes per year
- 4b Messages per year
- 17.5m Messages per day
- 20m Peak day messages
- 5x9 Availability
A timeline

- SWIFT founded: 1973
- First OPC: 1976
- SWIFT goes live: 1977
- First Sibos: 1978
- First OPC: 1979
- US OPC: 1980
- Securities: 1987
- Interbank File Transfer: 1992
- Alliance: 1993
- SWIFTNet: 2001
- Distributed Architecture: 2008
- SWIFTNet migration: 2004
- First acquisition: Arkelis: 2010
- Gottfried Leibbrandt CEO: 2012
Platform

Secure, reliable and resilient platform

Directories & Information Services

Payments

Securities

Treasury

Trade

Standards Rules

Messaging services

Interfaces

Secure IP Network (SIPN)

Testing Services

Secure, reliable and resilient platform
Standards

ISO Organization for Standardization

ISO 20022 FOR DUMMIES

The common standards platform for the financial industry

A Reference for the Rest of Us!
Corporate Value Proposition
What issues are treasurers faced with?

- Currency risk
- Commodity risk
- Counterparty risk
- Security
- Liquidity
- Supplier risk
- Cost
- Working capital

**Technology**
- Implementation of a TMS
- Matching System

**Organisation**
- Centralise treasury operations
- Revisit security procedures

**Business**
- Establish more bank relations
- Set up supplier financing schemes
## Supporting financial services

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<tr>
<th>Treasury and Risk management</th>
<th>Monitor accounts and obtain global visibility on cash</th>
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<tbody>
<tr>
<td></td>
<td>Manage liquidity and pool cash company-wide</td>
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<tr>
<td></td>
<td>Invest surplus cash</td>
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<tr>
<td></td>
<td>Manage financial risk (FX and interest rate)</td>
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<tr>
<td></td>
<td>FIN MT940/942</td>
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<td></td>
<td>FIN MT101</td>
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<td>FIN MT3xx</td>
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<table>
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<tr>
<th>Cash management</th>
<th>Sent account payable files (e.g. pay suppliers/salaries, debit customers)</th>
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<tbody>
<tr>
<td></td>
<td>Manage reporting through account statements</td>
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<td></td>
<td>FileAct (ISO20022 or domestic format)</td>
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<tr>
<th>Trade finance</th>
<th>Send application for L/C or Guarantees (import/export)</th>
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<tbody>
<tr>
<td></td>
<td>Receive advice of L/C</td>
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<tr>
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<td>FIN MT798 or FileAct</td>
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<th>EBAM</th>
<th>Manage bank accounts: opening, maintenance, closing and reporting</th>
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<td>FileAct (ISO20022)</td>
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Corporate business case

- Security ↑
- Risk ↓
- Visibility ↑
- TCO* ↓
- Operational benefit

Additional benefits
- Financial benefit

Business case

Quantitative

Qualitative (More difficult to quantify)
Corporates on SWIFT
Where do we stand today?

Number of registered corporates

- 2008: 402
- 2009: 579
- 2010: 726
- 2011: 902

≈ 25,000 legal entities

Breakdown by region

- EMEA: 73%
- Americas: 18%
- Asia Pacific: 9%

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Profile of SWIFT registered corporates

Top 5 of industry sectors

- Automobiles & Parts: e.g. Daimler, Renault, Volkswagen,
- Food producers: e.g. Barilla, Ferrero, Nestle
- Software and Computer Services: e.g. Microsoft
- General Industrials: e.g. Louis Dreyfus
- Personal Goods: e.g. Henkel, Unilever, Yves Rocher

Corporates by annual turnover (USD)

- < 1 Bn: 41%
- 1-10 Bn: 28%
- > 10 Bn: 31%

Corporates by # banking relationships (corporates registered more than 1 year ago)

- 1-5 banking groups: 55%
- 6-10 banking groups: 25%
- 11-20 banking groups: 14%
- 21-40 banking groups: 5%
- More than 40: 1%
Citi and SWIFT
Citi and SWIFT – A Unique Partnership

- Citi is
  - the single largest user of SWIFT, globally
  - A founding member of SWIFT
  - Chairman of the Board (Mr. Yawar Shah)

- Citi works closely with SWIFT on governance, and is collaborator and innovator of many SWIFT solutions/initiatives (i.e. Corporate Advisory Group, National Member Groups)

- Citi representatives speak at SWIFT Business Forums as well as key speaking engagements at Sibos each year to demonstrate thought leadership across all markets/regions

- SWIFT regularly participates in Citi Client Forums in Greece, Zurich, Miami, Bangkok, etc
CitiConnect® for SWIFT

**Facts**
- 280+ clients globally use CitiConnect for SWIFT
- Citi is **#1 bank for volumes** of messages and files delivered through SWIFT network, in both Corporate and Bank markets
- **18% market share** of SWIFT Corporate market
- Citi is **#1 in geographical coverage**, with 90+ countries certified for offering SWIFT for Corporates

**Benefits:**
- A secure connection to Citi via industry-standard SWIFT™ network
- Support MT messages through SWIFTNet FIN, and batched files through SWIFTNet FileAct service
- An integrated and real-time connection for initiating payments, receiving information, and accessing services directly from your treasury management system
- Single BIC leveraging any of Citi’s branches for a global access for sending messages
- Reduces cost of implementation, integration and support
- True STP in all countries of operation
- Detailed and automated response messages
- Statement data aggregation capabilities
- File format choices through SWIFT FileAct, including ISO 20022 XML – leveraging CitiConnect for Files
- A single connection for multi-bank transaction initiation via other banks
CitiConnect® – The Architecture

Support of industry standards for communications and custom formats

Unparalleled global reach with TTS and SFS capabilities covered worldwide

ERP Integrator

Communication Protocols

FTP
SFTP
HTTP
HTTPS
AS2
VAN
MQ Series
ConnectDirect
SWIFT

A multitude of connectivity options

Security

Entrust
TD Comm Press
S/MIME
SWIFTNET Security
PGP

Cash & Trade

Processing/Routing

Enrichment Transformation
Bundling/Un-Bundling
Multi-Destination-Routing

Issuer Services

Multi-Destination-Routing

Investor Services

Tracking

SLA Monitoring
File/Msg Monitoring
Runtime ID
Reconciliation

Statements & Reporting

Single Connectivity Window to Citi’s Investor Services, Intermediary, Cash, Trade, and Card products

ERP

TMS

A multitude of connectivity options

Single Connectivity Window to Citi’s Investor Services, Intermediary, Cash, Trade, and Card products

ERP

TMS

A multitude of connectivity options
Proprietary Connectivity vs. SWIFT

Bank proprietary host-to-host connectivity solutions

Pros
▲ Once investment made, lower service and usage fees
▲ No extensive agreements
▲ Fewer hops make connectivity troubleshooting easier

Cons
▼ Multiple bank connections result in higher maintenance costs
▼ May need to maintain multiple standards in connectivity, security

SWIFTNet (via Service Bureau)

Pros
▲ One connection. Service Bureau manages connectivity via SWIFT to banks
▲ Cost efficient on-boarding and migration of banks
▲ Proven reliability: over 99.99% availability

Cons
▼ Agreements required by banks, SWIFT and Service Bureau
▼ Initial cost of migrating to SWIFT /Service Bureau
▼ Additional intermediary charges by Service Bureau and SWIFT
Accredited Partners have a proven track record of assisting Corporates to do business with banks worldwide using the SWIFT network.

These service bureaux will organise the corporate’s project end-to-end, including:

- Project definition
- Implementation plan with banks
- Connectivity and message formats
- System integration for SWIFT connectivity
- Running and monitoring your services

Citi maintain working relationship with leading Service Bureaux, for smoother client on-boarding for mutual clients.

Check here:  www.swift.com/corporates/partners.htm
The SWIFT Road to Efficiency

**Phase 1**
Treasury centralisation

- Joining SWIFT
  - FIN services are often chosen as the first step
- Most popular combination of FIN messages:
  - MT101 for treasury payments & MT199 for rejects / validation status
  - MT940 for EOD statements & MT942 for Intraday updates
  - MT300/320 for confirmations of treasury deals

**Phase 2**
Payment Factories & Shared Service Centres

- Addition of FileAct service
  - Move of batch Payments and Direct Debits flows follows to SWIFTNet follows as the next step
- Often limited to only a channel migration at this stage - does not involve change of adopted file formats

**Phase 3**
Further standardisation and move to strategic formats

- Harmonisation of SWIFT-enabled Treasury and Shared Service Centres business processes
- Adoption of ISO20022 XML standard
Electronic Bank Account Management (EBAM)

Today

- Slow
- Expensive
- Low integration
- Low satisfaction

Tomorrow

- Automated/STP
- Dematerialised
- Standardised
- Faster/cheaper

XML messages
Supporting documents
Personal Digital Signature

= Faster/cheaper
3Skey: Some of the drivers for personal digital identity

- Service: Checking of signatures’ entitlements delegated to the bank
- Automation: Dematerialisation of approvals through digital signatures
- Control: Authorize financial data at the level of one or multiple individuals
- Security: Major responsibility for banks and corporates
- Audit: Tracking of WHAT, WHEN and WHO approved transactions
Challenges for the corporate users

Multiple devices
Multiple passwords
Multiple systems

ONE token
ONE password
ONE process

• No uniform mechanism
• Different system per bank
• Costly & difficult to maintain

• Multi-Bank
• Multi-Network
• Multi-Application
• Multi-Country

The Financial Professionals Forum 2012
Key benefits

For Corporates
One token, one process, one password across banks, networks and countries

For Banks
Cost effective use of shared infrastructure whilst keeping control over the user identity

For Vendors
Benefit from interoperable solution, easy to integrate and can be used across banks globally
Thank you
In January 2007, Citi released a Climate Change Position Statement, the first US financial institution to do so. As a sustainability leader in the financial sector, Citi has taken concrete steps to address this important issue of climate change by: (a) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of alternative energy, clean technology, and other carbon-emission reduction activities; (b) committing to reduce GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (c) purchasing more than 52,000 MWh of green (carbon neutral) power for our operations in 2006; (d) creating Sustainable Development Investments (SDI) that makes private equity investments in renewable energy and clean technologies; (e) providing lending and investing services to clients for renewable energy development and projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy & mitigation