

# CASE STUDY

## Treasury Payments

### A multi-bank international payments solution

*“The aim was to select a supplier who offered a fully featured TMS and integrated payments platform running as a high availability web based service to help standardise and automate our treasury operation”*

EDWARD COLLIS | Group Treasurer, Virgin Atlantic Airways Ltd

**Background** Most corporate treasurers agree that in order to maximise liquidity planning in volatile market conditions, transaction and balance information from multiple banks must be consolidated and available on a real-time basis.

Corporate treasurers who require independence from banks proprietary electronic banking systems (EBS) are looking to adopt payment gateways that support multiple banks and payment product to benefit from reduced costs and increased flexibility. Multiple EBS solutions often prevent automated straight through processing (STP) and lock the company into resource intensive, inefficient manual processes that attract higher banking charges due to payment repair costs and late payment penalties. Although banks have utilised the Swift payment network for decades, it wasn't until July 2009 that Swift changed their rules to allowing corporates to participate in Swiftnet.

Corporates now have the potential to increase flexibility, decrease complexity and lower costs by adopting the Swift network. Virgin Atlantic addressed the need for an integrated payments gateway by adopting the Bellin payment gateway and tm5 TMS Platform. The company and the task at hand.

Since it was founded in 1984, Virgin Atlantic Airways has become Britain's second largest carrier serving the world's major cities.

Now based at London's Gatwick and Heathrow airports and Manchester airport, it operates long haul services to thirty destinations world-wide as far apart as Las Vegas and Shanghai. Virgin Atlantic has carried around 58m passengers since it began operations. Group Treasury is managed from a central UK location with responsibility for all treasury activities worldwide using a hub and spoke approach.

Historically, day to day payments and liquidity reporting was performed using multiple electronic banking systems and manual spreadsheets. An increase in demand and the desire to adopt a payment factory model created the need for an integrated treasury management and payments gateway solution that could meet the growing demands of the company.

**Key Objectives** Standardise & future proof the payment processing platform

<i>Enable</i>	a payment factory model
<i>Improve</i>	the range of payment products
<i>Provide</i>	automated interfaces from multiple ERP, AP and AR systems
<i>Support</i>	straight through processing
<i>Optimise</i>	Cash Management and Liquidity Planning
<i>Reduce</i>	IT license & maintenance charges
<i>Improve</i>	security & controls (i.e. Support for the four-eyes principle)
<i>Implement</i>	the balanced treasury concept to achieve efficient distribution of treasury work throughout the group

#### Contact

Stefanie Heinzmann  
stefanie.heinzmann@bellin.de

**Selection Process** Several vendors offering a payment solution and integrated TMS system were shortlisted and asked to respond to an RFP. During analysis of the RFP submissions, it became clear that few suppliers truly offer a web based integrated Treasury and Payments platform and only one supplier was willing to offer an unlimited seat license to support a load balanced treasury approach.

**The Solution** The solution chosen was based upon the Bellin tm5 Treasury Management System and Payments Gateway. Bellin was chosen based upon a combination of features, cost and their real expertise in Treasury, a skill often in short supply from other treasury software vendors who struggle to configure their own system due to a lack of treasury experience. To reduce costs and to allow the project to start without any IT infrastructure delays, the Bellin supplied ASP hosted solution was selected with an Enterprise license, which meant there was no limit to the number of users who could use the system.

A key feature of the solution was to have a common payments process across the enterprise including system access controls and payment signing authorities. The four eyes principal for controlling system changes was adopted as this was an inherent feature of the Bellin platform. A number of sub-optimal interfaces between the internal ERP systems, external Electronic Banking Systems and IT vendor applications were replaced by the Single Payment Gateway which could send payment files to the banks and receive account balance and transactional information centrally.

The load balanced treasury concept pioneered by Bellin was seen as a key Virgin requirement. The solution required Bellin to build interfaces to banking systems which had not been fully deployed for corporate access, so testing needed to be rigorous. The project was managed by a distributed project team made up from the banks, vendors and Virgin Atlantic. The Single Payments Gateway was supplied by Bellin who built the technical interfaces with the banks and Swift. Bellin provided the technical development resource and consultants. Banking Alliance consultants imbedded in the Virgin Atlantic project team developed interfaces, established connectivity with the banks and swift, configured the Bellin system and managed acceptance testing on behalf of Virgin Atlantic.

**Rollout of the system** A phased implementation was agreed up front to encompass multiple banks, payment products and business units across several locations. This required existing payment systems to be maintained during the transition to the Bellin system. The Technical development was carried out in three stages:

- Stage 1 Host to Host connections between Bellin and the Electronic Banking Systems to provide the single payment gateway
- Stage 2 Deals and cashflows were interfaced from the existing TMS into Bellin to provide cash management reporting
- Stage 3 SwiftNet connectivity using File Act and Swift Net Fin messages

**Payment Product & Message Types** Payment products included USD ACH, International ACH, BACS debits and credits, Cheques, Cross Border wires, Sepa credits, Faster Payments, Chaps, Fed wire. XML ISO20022 file format and MT messaging was used between Bellin and the Banks. A key challenge was to ensure the payment status messages could be automated (confirmation, payment status and payment errors)

An MBTI multibank arrangement was established with Citibank to forward payments to recipient bank accounts over the Swift network. Banks who participated in the project included Lloyds Banking Group, Bank of America and Citibank. VOCA and Lloyds Banking group provided Swift connectivity to the BACS network.

**Innovation** The Virgin Atlantic Treasury project pioneered many new technologies and achieved several industry successes including:

*First* UK company to purchase the Bellin Treasury Management System & Payments Gateway

*First* corporate to use the Citibank CMX Platform

*First* corporate to use Bank of America Pay Mode Pass thru for ACH payments

*First* UK corporate to establish a “machine to machine” connection to Bank of America

*First* Bellin corporate client to adopt Swift

*First* company to establish an interface between SunGard Quantum and the Bellin tm5 Treasury systems

*First* corporate to adopt Enterprise Exchequer for US WIRES and ACH payments

In addition, the project was an early adopter in the following areas:

One of the first corporates in the UK to use a web based TMS and Payments platform

Adopting the XML ISO20022 payment standard

One of the first corporates to adopt Swift

**Benefits** The solution provides timely and accurate cash flow information with higher visibility of liquidity, bank fees and the payments process while obtaining a significant reduction in payment charges and an increased flexibility and choice of payment products. Adopting Swift allowed Virgin Atlantic to reduce transaction fees compared with multi-banking and EBS based transactions.

**Summary & Outlook** The solution involved banks and vendors within the UK, USA, Canada and Germany and has allowed Virgin Atlantic to use a payment platform of their choice. This solution was made possible by the expertise and dedication shown by all parties involved. The final stage of the project will be to transfer all Payments via the Swift network. The Virgin Atlantic Group Treasurer has nominated Bellin for the Paul Smith award run by Treasury Today magazine.

**BELLIN** Bellin is a leading supplier of treasury & payments solutions to organisation with over 6000 separate companies in over 120 countries. The Bellin Payments Gateway processes over £5bn payments every month (excludes payments made by self-hosting clients)

Banking Alliance

**Banking Alliance** is the Bellin Network Partner in the UK with over 35 years experience in Treasury, Payments, Banking, Risk & IT.

Please contact Banking Alliance on +44 871 5041418 for further information regarding this Case Study.