

# Next Generation Bank Connectivity

## Today's Presenters

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## **Today's Discussion**

**Bank Connectivity — the need for automation**

**Challenges in connecting to banks — non-standardized formats**

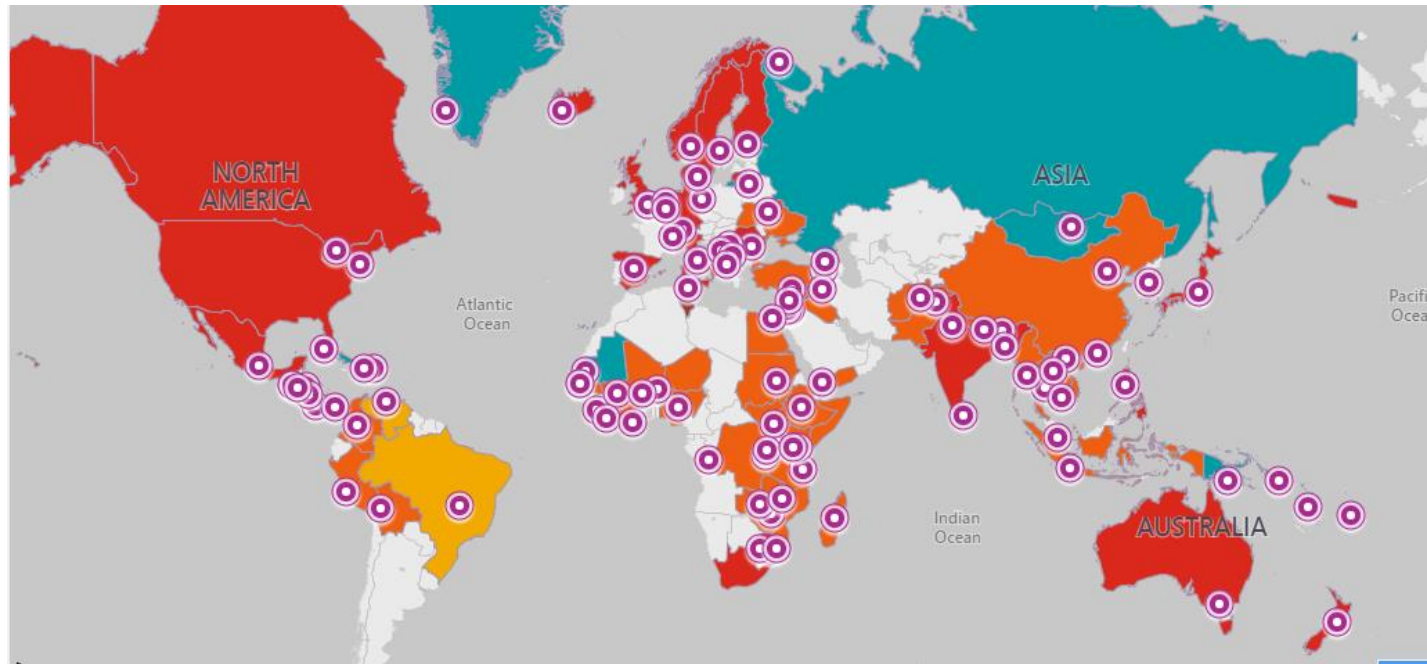
**Extending to Global Payments**

**Next Generation: What do APIs really bring to the table?**

# Our Organisation- Where we work

As of March 2021, Save the Children is working in 117 countries in a variety of capacities, including: 30 Members, 4 advocacy offices, 5 regional offices, 55 SCI Country Programs, 15 SCI partner-managed programs, 2 Humanitarian response countries and 11 Member-led programs.

About 490 accounts worldwide with 99 banking partners.



● Members    
 ● SCI Country Programs    
 ● Member led Programs

- |                          |                                |
|--------------------------|--------------------------------|
| Advocacy- Addis Ababa    | MEEE RO - Jordan               |
| Advocacy- Geneva         | Mozambique                     |
| Advocacy- New York       | Myanmar                        |
| Afghanistan              | Nepal                          |
| Albania                  | Nicaragua                      |
| Asia Regional Office     | Niger                          |
| Bangladesh               | Nigeria                        |
| Bhutan                   | Northwest Balkans              |
| Bolivia                  | Occupied Palestinian Territory |
| Burkina Faso             | Peru                           |
| Cambodia                 | Rwanda                         |
| Central African Republic | SC Colombia Member             |
| China                    | SC International (Centre)      |
| Cote D'Ivoire            | Senegal                        |
| DRC                      | Sierra Leone                   |
| Egypt                    | Somalia                        |
| El Salvador              | South Sudan                    |
| ESA RO - Kenya           | Sri Lanka                      |
| Ethiopia                 | Sudan                          |
| Georgia                  | Syria Response Office          |
| Guatemala                | Tanzania                       |
| Haiti                    | Thailand                       |
| Iraq                     | Turkey                         |
| Kenya                    | Uganda                         |
| Kosovo                   | Ukraine                        |
| Laos                     | Venezuela                      |
| LAC RO (Panama City)     | Vietnam                        |
| Lebanon                  | West & Central Africa          |
| Liberia                  | Yemen                          |
| Malawi                   | Zambia                         |
| Mali                     | Zimbabwe                       |

# Bank Statement Reporting- MT940

## Challenge in 2019

- Over 600 bank accounts based globally, many in less developed/ emerging countries and difficult to reach banking partners
- Less than half of them reporting on MT940
- Very limited and minimal real time visibility over bank account balances
- Less opportunity to have control over liquidity
- Limited visibility to daily credit exposure with counterparty bank risk
- Manual inputting of transactions and balances into the ERP system, less frequent bank reconciliations- open to risk and fraud

Period	# of Accounts	MT940 reporting	% reflection	Total cash value reported
Q1 2019	609	225	37%	82%


In March 2019, SCI Treasury was mandated to increase the number of bank accounts' statement reporting by working with our TMS provider and banking partners. Initial analysis provided us an optimistic (and ambitious) view of attaining 80% by the end of 2020.

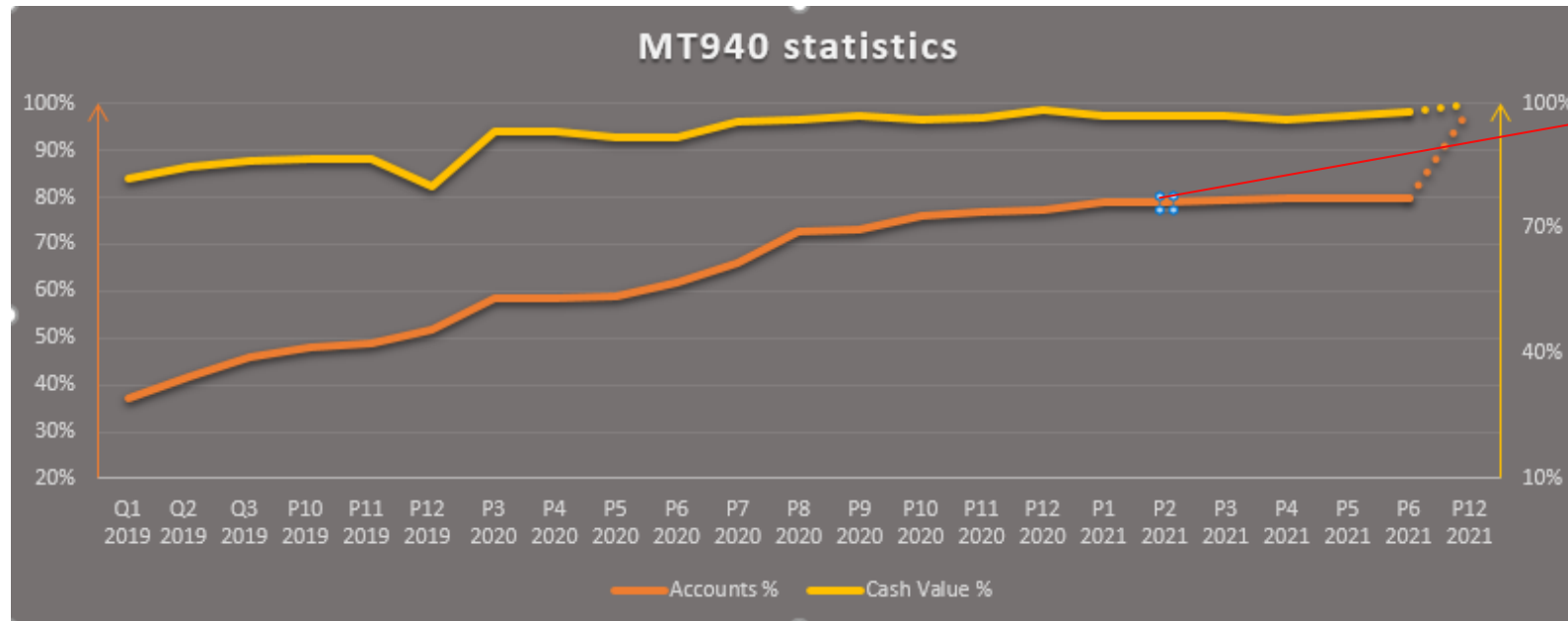
## Benefits

- Real time end of day reporting of bank balances in TMS and automatic feed to ERP
- Ability to perform daily/ weekly posting and reconciliations
- Visibility of global account balances in TMS to enable appropriate liquidity control measures and counterparty risk controls
- Precursor for Global Payments project to enable SWIFT connection and improve visibility of bank balances for cash forecasting

# Bank Statement Reporting- MT940

## How did we approach it and the final result till now?

- ✓ Reviewed the number of banks in the list vs their SWIFT SCORE membership 
- ✓ TMS provider was tasked to reach out to each bank via MT999 requesting to enable the MT940 reporting for our accounts
- ✓ Country & Regional offices were also instructed to review the number of open accounts to absolute necessary accounts
- ✓ Negotiated fees, submitted signed letters & forms to banks to activate MT940 reporting
- ✓ Worked with some banks to enable the right SWIFT membership for MT940 reporting to Corporates
- ✓ Reduced the number of total bank accounts from 609 to 488 accounts, huge administration reduction



80%

## Achievements

Ethiopia  
 South Sudan  
 Yemen  
 Palestine  
 Rwanda  
 DRC  
 Nicaragua  
 Colombia  
 Guatemala

# Bank Statement Reporting- MT940

## Next Challenge

Reached the end of what we could do as a team with our banking partners

### Remaining banks obstacles

- Do not have SWIFT reporting capability, IT resource or budget
- High MT940 reporting bank fees
- Small field office bank accounts
- Low activity accounts
- Only online e-banking tools
- Not pure banks, ie some are cash/money agents or mobile money providers
- Non standard and multiple bank-specific types of statement reporting (xls, pdf, txt, MT950, etc)

## How do we next get the last remaining 20% of accounts reporting on MT940?

TMS is built for standard formats and market standard flows for the broader community, with some flexibility for manual statements

Need a specialist partner who understands NGO's requirement, and is familiar with this nuance problem

Can cater to multiple banks' own reporting format and convert them to a standard MT940 format

Not a completely stand-alone platform but that can integrate with existing TMS- a marriage between our TMS and TPP solution

Requiring that new bank accounts need to have MT940 reporting (although we know in reality this is not always possible with where our programs are...)

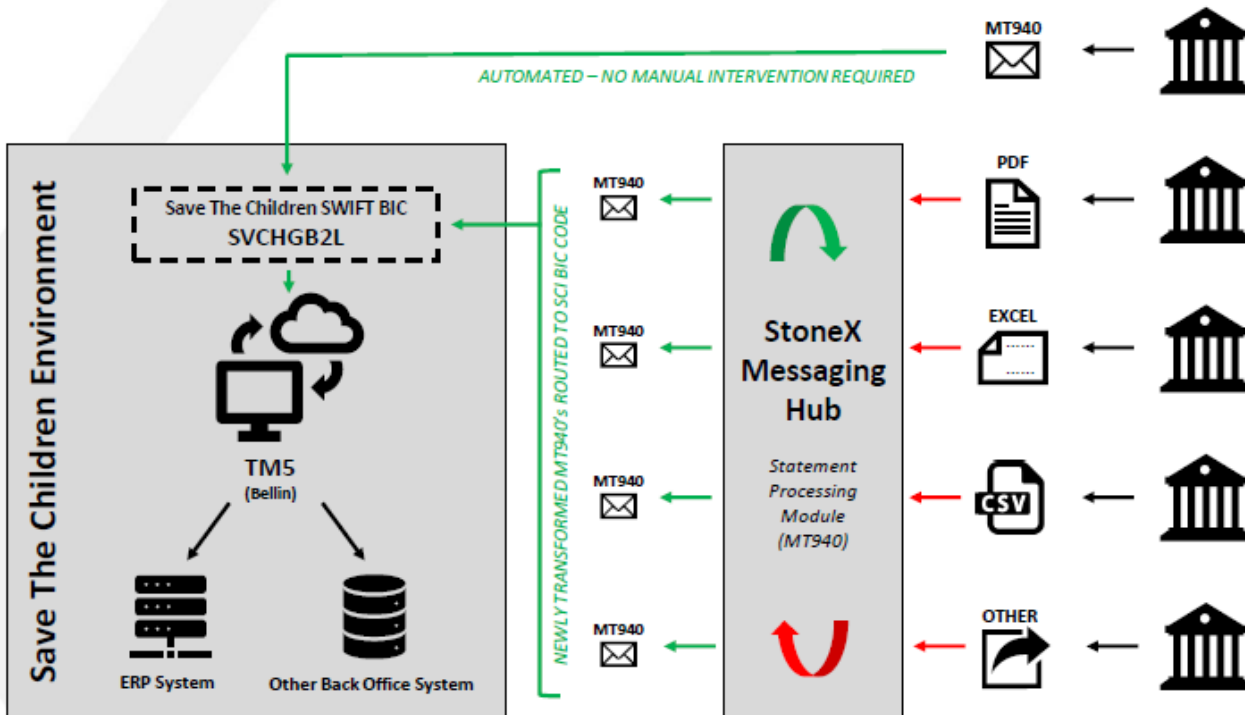


# Bank Statement Reporting- MT940

## StoneX Messaging Hub (XMH) Solution



XMH will transform all proprietary bank account statements into the MT940 format, ensuring that Save The Children's statement processing can continue to operate without disruption or delay



62 accounts with 16 banks

Banks in  
Sudan  
Somalia  
Iraq  
Afghanistan  
Nepal  
Bangladesh  
Cambodia  
Myanmar

Mobile Money agents

StoneX Messaging Hub will transform all non MT940 formats into an MT940 format, which is then routed to Save The Children's BIC Code which can then be automatically processed by the TM5 system.

# Global Payments Project

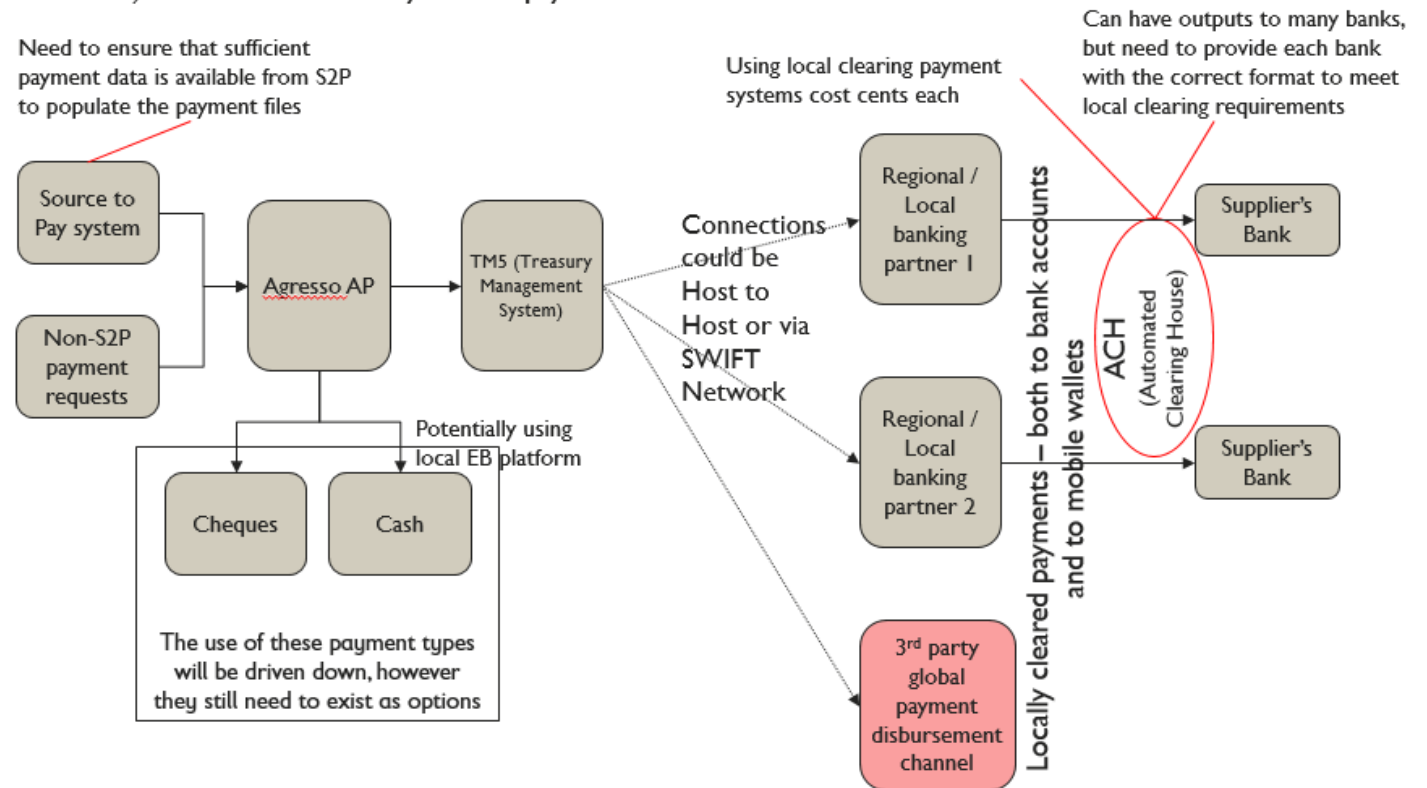
- ✓ Roll out of Procurement system with integrated ERP platform
- ✓ Standardised use of AP module in all 60 Country Offices by mid 2022
- ✓ Link in with TMS with 3 selected regional banking partners with most coverage
- ✓ Replace manual payment processing on e-banking platforms

## TMS integration project

- ❖ Centralisation and secure architecture of payment flow via TMS to banking partners
- ❖ Various payment specifications across 60 countries/ currencies in TMS
- ❖ Improve ERP system to cater to these market and bank standards
- ❖ Implement a global payment disbursement channel where regional banking partners cannot cover
- ❖ Next year, tackle Mobile Wallet solutions with 2 selected banking partners

The proposed state makes use of local clearing payment systems via a standard payment network (e.g. SWIFT). This will enable locally cleared payments to bank accounts and mobile wallets.

Need to ensure that sufficient payment data is available from S2P to populate the payment files





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# The Next Generation of Bank Connectivity



# APIs: Streamlining Connectivity...and a little bit more

- APIs offer an **alternative connection** for hard-to-reach banks
- APIs are the **catalyst for real-time treasury** => data moves in real-time to enable data-driven decision making
- Open (API) platforms **integrate new services** into existing treasury and payment workflows

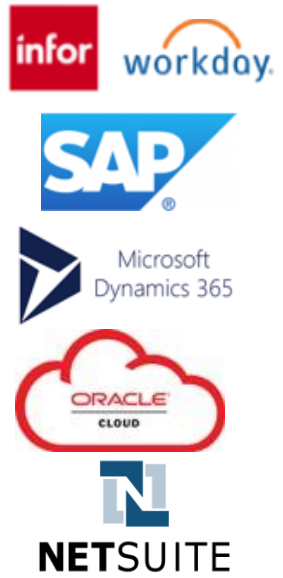


# The Payment Journey

Payment Initiation

Formatting

Transmission



# The Payment Journey

Payment Initiation

Formatting

Internal Governance

Transmission

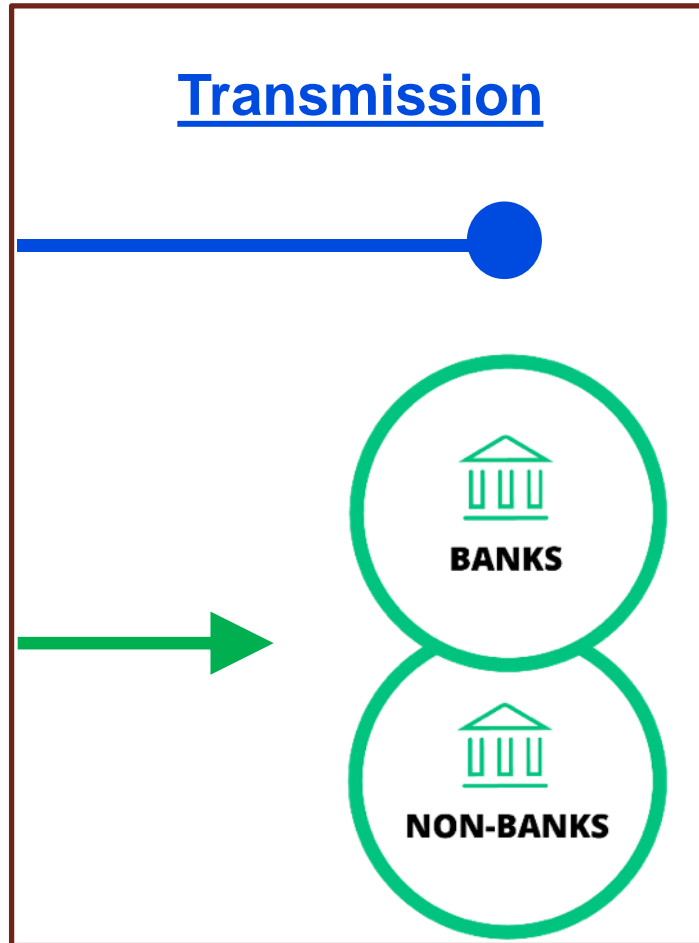


**Auto-formatting**  
to bank specifications (ISO20022, MTxxx, EDI)



# Breaking Down The Payment Journey

## Transmission



- **Bank connectors slowly moving to API**
  - Most banks still support FTP, SWIFTNet, Regional Networks (e.g. EBICS)
  - APIs initially available for new services (e.g. RTP, Cross-Border payments)
  - API standardizes the implementation = faster and productized (vs. custom configuration)
- **APIs open access to non-bank payment channels and services (e.g. fraud detection)**

## In Conclusion

- 1) **Bank Connectivity remains complicated**
  - There are solutions for format transformation and connectivity that can deliver visibility for digitally challenged banks
- 2) **Payments connectivity also affected by formats**
  - Governance, control, and fraud considerations to consider
- 3) **APIs are starting to open banking**
  - Also open the software that you use today to couple with additional services to help you