



Twelve Months to Take-Off



Heathrow's Alliance Lite2 Journey

London Heathrow is the largest airport in Europe, with more than 76 million passengers and 1.54 million tonnes of cargo passing through in 2016. Eighty-one airlines operate through the airport, serving 194 destinations in 82 countries. In 2016, Heathrow recorded 473,231 air transport movements, equivalent to almost 1,300 air transport movements each day. As a critical element of the UK's infrastructure, the highest standards of security, risk management and efficiency are required across the organisation.

Treasury plays a key role in delivering these objectives, such as managing bank risk, and ensuring that financial processes, controls and transactions take place within a robust and secure infrastructure. This was the background to Heathrow's recent project to replace its primary clearing bank and implement a new bank connectivity framework based on SWIFT Alliance Lite2.

Treasury organisation

Heathrow has a centralised treasury function based at the airport, covering both front office (risk monitoring and hedging, cash and liquidity management, debt capital markets, transaction execution and bank relationship management) and back office (accounting and valuation, hedge accounting). In addition, a Business Service Centre (BSC) based in Glasgow supports transaction settlement and confirmation matching, account reconciliation and centralised processing of all operating payments, including payroll. Both treasury and BSC were included within the scope of the new connectivity project.

Business context

Vandana Vajir, Head of Treasury Systems at Heathrow, introduces the background to the project,

“We had used host-to-host connections to our partner banks in the past, but we wanted to manage our bank risk more effectively by implementing bank-agnostic connectivity to which a new bank could be added quickly if necessary. We also recognised that even in the normal course of our business, the cost of change and resource implications of implementing host-to-host connections to new banking partners was unrealistic for a department of our size.”

Heathrow’s treasury quickly saw the benefit of SWIFT connectivity to overcome these risk and operational challenges. SWIFT’s cloud-based solution, Alliance Lite2, provided a simple, cost-effective means of accessing SWIFT services and connectivity without the need for specialist resources or an additional service bureau partner. SWIFT would allow the organisation to add or switch banks more easily, whilst also fulfilling its critical security, resilience and efficiency objectives. Furthermore, Heathrow was seeking to standardise file formats, which were previously costly and time-consuming to maintain, and to enhance efficiency and control of payment and information flows.

In March 2015, treasury put together a business case for SWIFT that covered both treasury and BSC. To support the business case, Vandana and her team conducted a rigorous due diligence process, which included several reference calls,

Key Points

- London Heathrow Airport decided to replace its primary clearing bank and implement a new connectivity framework
- Treasury quickly saw the benefits of SWIFT connectivity and chose its cloud-based solution, Alliance Lite2, to be implemented in both treasury and the airport’s Business Service Centre (BSC)
- The strict governance process for implementing IT projects at Heathrow involved bringing together a diverse group of stakeholders and extensive planning, collaboration and effort
- Treasury went live on Alliance Lite2 in February 2016, followed by the BSC in April, and was able to transition smoothly between its clearing banks, meet critical timelines and deliver the project objectives

“It was really helpful to speak to other organisations that used the same systems, i.e. FIS’ Integrity and Oracle, in conjunction with SWIFT. This gave us confidence in the project outcomes, and our external suppliers’ ability to support us effectively.”

One month after the project kicked off, however, treasury found itself in a position where it was obliged to select a new cash management bank, as the credit rating of its incumbent bank had been downgraded. Consequently, treasury had both to select and implement a new clearing bank, as well as transitioning to SWIFT Alliance Lite2. This created significant urgency to achieve secure, robust communication with the new bank, and ensure a smooth transition.

Multi-stakeholder

A key characteristic of this project was the strict governance process for implementing IT projects at Heathrow. The project was conducted according to a rigorous project methodology with comprehensive documentation and evaluation at each step, involving a wide variety of internal and external stakeholders. Externally, for example, the project necessarily included personnel from both the incumbent and replacement banks, treasury management system (TMS) provider FIS, IT outsourcing provider Capgemini, BACS provider Experian and SWIFT. Internal stakeholders included the wider finance function, BSC, Heathrow IT and internal audit.

One of the biggest challenges was to



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Vandana Vajir, Head of Treasury Systems, London Heathrow



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bring together a diverse group of stakeholders, ensure common objectives and priorities, and co-ordinate activities. As Vandana further explains,

“Given the critical nature of both bank replacement and connectivity, there was significant internal scrutiny to avoid disruption to Heathrow’s activities. As a result, it was not uncommon for 20 or 25 people to be involved in project calls or meetings, which required careful management and disciplined project management.”

Multi-dependency

Implementing a new banking relationship, in addition to a new connectivity channel, brings a variety of complexities. For example, Heathrow needed to advise customers of the new settlement instructions, and redirect all outgoing payments, including direct debits and BACS payments. Static data in relevant internal systems needed to be updated, and processes and controls reviewed, without interrupting the payment process. Thorough testing had to be done to ensure that all processes were captured and all scenarios were tested.

Treasury also needed to complete all the relevant documentation to fulfil know your customer (KYC) obligations, and ensure new mandates and signature authorities were in place with the new bank.

Connectivity was a key element of the bank implementation, but the new clearing bank had not yet been selected before commencing the Alliance Lite2 project. This meant that the opportunity for defining and testing new formats was limited early in the project, creating more pressure in the latter stages. Heathrow worked with the different stakeholders to overcome this by defining the new formats in the TMS while the due diligence was still taking place with the chosen bank. Test formats were sent via email during the early implementation phase rather than waiting until the new bank was accessible via SWIFT and this helped keep everything on track in terms of the aggressive go live targets. Once the SWIFT connection was in place, some final penny testing ensured that all file formats were validated end to end.

Treasury’s communication requirements were more straightforward, as they were largely restricted to more limited numbers of higher value treasury

payments and balance and transaction reporting. The BSC, however, needs to support a far wider range of payments, including supplier payments, contractor payments, payroll and expenses, amongst others using Heathrow’s ERP, Oracle, which is managed by Capgemini. Vandana and her team therefore worked with Capgemini to perform rigorous end-to-end testing of each payment type.

Outcomes

Treasury successfully went live on Alliance Lite2 in February 2016, followed by the BSC in April, and was therefore in a position to transition between its clearing banks smoothly. The project was successfully delivered on time and within budget. Vandana adds,

“We are now in a far better position to tender for additional banks in the future if necessary. In addition, we would be able to change banks at least six months quicker than we could in the past, therefore mitigating a key risk for Heathrow. We may now, for example, set up a ‘dormant’ bank to mitigate our bank risk, create price tension and avoid the potential time and cost associated with migrating banks in the future.”

In addition to managing bank risk more effectively, Heathrow has significantly improved its visibility, efficiency and control over payment and information flows. This in turn has increased productivity and scalability, enabling the treasury and BSC teams to expand their activities in line with evolving future demands without adding further resources.

The success of the project was the result of a huge amount of planning, commitment, collaboration and effort from Vandana and her team, and the wider community of both internal and external stakeholders. Vandana concludes,

“This was a critical, high profile project, and its success was largely the result of careful planning, managing stakeholder expectations and communications, and the commitment of our key partners such as SWIFT and Capgemini. We were particularly impressed by the quality of consulting support and expertise that SWIFT offered, which contributed significantly to our ability to meet our critical timelines and deliver on our project objectives.” ■