



Pioneering SWIFT Corporate Connectivity in China

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At China Merchants Bank (CMB) we have a long history of delivering quality and excellence to our institutional customers, including both domestic Chinese corporates and international corporations seeking to expand their activities in China. Although not the largest bank in China, we have a very strong reputation for corporate banking, supported by an extensive domestic network and a robust international network through our correspondent banking partners. We offer innovative technology, a comprehensive range of products and services, and high quality skills and expertise to help our customers grow and thrive. As part of our on-going commitment to supporting our corporate customers in their activities both within China and internationally, we were one of the first banks in China to offer SWIFT connectivity to our corporate customers through SCORE (Standardised Corporate Environment).

Rationale for introducing SWIFT connectivity for corporates

With a significant increase in the number of foreign companies doing business in China in recent years, and ambitious overseas growth plans amongst Chinese corporations, we made the decision to introduce SWIFT connectivity for our corporate customers in 2008. We recognised that this would enable them to leverage a single banking platform for all of their cash management activities worldwide, across all cash management banks, avoiding the risk of fragmented processes and information as they expanded their geographic footprint. In this respect, CMB was a pioneer of SWIFT corporate connectivity in China, as one of the first banks to offer this service.

Addressing the challenges of multiple banking relationships

Many corporations both within China and internationally have multiple banking relationships for cash management in order to support their payment and cash management requirements in



each country and region. There is also frequently a strong correlation between the banks that provide financing and those that are selected to provide financing services. Although there is typically a trend amongst corporates to reduce the number of cash management banks, this may not always be easy to achieve in practice. Consequently, companies are seeking to halt the proliferation of different electronic banking systems, each of which may use different file formats and have separate integration requirements, and rationalise their bank communication infrastructure.

At a global level, the preferred way of achieving this is through a bank-neutral, non-proprietary platform through which

corporates can communicate with all their cash management banks. This provides greater flexibility for corporate users as their banking needs and cash management partners change in the future. SWIFT provides industry-leading security and reliability, and is the network through which banks globally communicate amongst themselves. Therefore, extending this network to corporate market participants was a logical and desirable development. Today, there is a wide range of services that corporates can access through SWIFT, including payments, account information, trade services and most recently, electronic bank account management.

Corporate user profiles

SWIFT connectivity has grown in popularity amongst corporates worldwide, and since CMB introduced corporate connectivity through SWIFT in 2008, China is no exception. There are two groups of customers that we find are most attracted to SWIFT: Chinese companies with an international growth trajectory, and foreign multinational corporations investing in China. By implementing this, these companies enjoy a consistent experience when communicating with their banks worldwide.

There are some differences in the way that SWIFT is used amongst corporates in China from that in other parts of the world. For example, Chinese companies are leveraging SWIFT to obtain bank account balances from their accounts across the world, as opposed to using it for payments at this stage. One reason for this is that their Chinese banking partners are still in the process of developing their international branch networks, although this is changing quickly. Secondly, many Chinese corporations are pursuing opportunities in developing markets where there may be limited options for electronic payments. SWIFT offers considerable benefit to Chinese headquarters to enable them to monitor account balances and manage liquidity across their subsidiary companies globally without the need to establish individual connectivity channels.

Another difference between SWIFT in China and in parts of the world is that the service bureau model has not yet extended to China, so the only option is direct connectivity. This typically presents few difficulties for large foreign or Chinese corporations, as they have the resources and expertise to manage it. Smaller companies rely more on CMB to provide SWIFT connectivity on their behalf. To achieve this, these companies use our web-based or host-to-host electronic banking solutions to retrieve or send information via SWIFT, or access one of our branches.

SWIFT in a wider bank connectivity context

Corporate access to SWIFT is just one element in our banking technology portfolio at CMB. Therefore, those corporations not using SWIFT, perhaps because they have only a few bank relationships, and/or limited international activities, are able to access our payment, collection and account information services through our reliable, secure and convenient electronic banking platforms. Companies with a high volume of payments and collections that have implemented an ERP or other large-scale payments and cash management systems may prefer a host-to-host solution, that integrates customers' ERP directly with CMB's systems, allowing straight-through processing for maximum security and minimum user intervention. Those with lower volumes may prefer our secure web-based solution that can be accessed from any location with convenient transfer of files between customers' internal systems and the bank or intuitive manual input.

As a bank committed to delivering a flexible service that is specifically designed to meet our customers' needs, we will continue to extend our range of solutions, and the markets in which we deliver them, as our customers require. We have a very strong correspondent banking network with whom we work closely to provide our customers with comprehensive access to information, and consistent solutions and services, whilst supporting local requirements in each country. □

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