

White Paper



Last mile connectivity to the financial networks

Enabling new and incumbent
players to meet today's challenges



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1. Introduction

We live in a truly global economy where borders are blurring and more money is moving faster around the world than ever before. For corporations, financial entities and financial technology providers, international reach, speed and security is paramount.

As with the way we pay, with expectations for instant, seamless transactions, so too has the payments landscape undergone a radical shift over recent years. Once dominated by larger, established financial institutions, this picture is quickly changing with a raft of new entrants emerging onto the scene, from Payment Service Providers (PSPs) and intermediaries to fintechs and challenger banks. These newcomers, enabled by Open Banking regulations, are wanting to hit the ground running and do things differently, better. They are looking for simplicity, flexibility and speed when it comes to performing global payments and seek to reduce the impact of compliance obligation and operational complexity wherever possible.

Yet it's not just these established players and newcomers who are alert to increased efficiencies and have an appetite for serious cost reduction. Corporates too can generate significant efficiencies by accessing the financial networks directly, especially valuable considering the plethora of innovative payment schemes flooding the market. Traditional payment methods, which can take two or more days to process, often with unexpected additional costs (as in the case of cross-border payments), are incompatible with modern business models. In contrast, instant payments, SWIFT gpi and other services work 24 hours a day, run in seconds or minutes, and are irrevocable. For a corporate, having a direct access to these services improves supplier relationships, accelerates invoice reconciliation and enables greater working capital efficiencies.

Last but not least, looking at the Technical Solution Providers space, the incredible pace at which changes are taking place in payments is heavily affecting many incumbent financial technology suppliers, with legacy core banking platforms and first-generation payments hubs lagging behind in the challenge to seamlessly integrate and enable emerging payments channels to the benefit of the end-user.

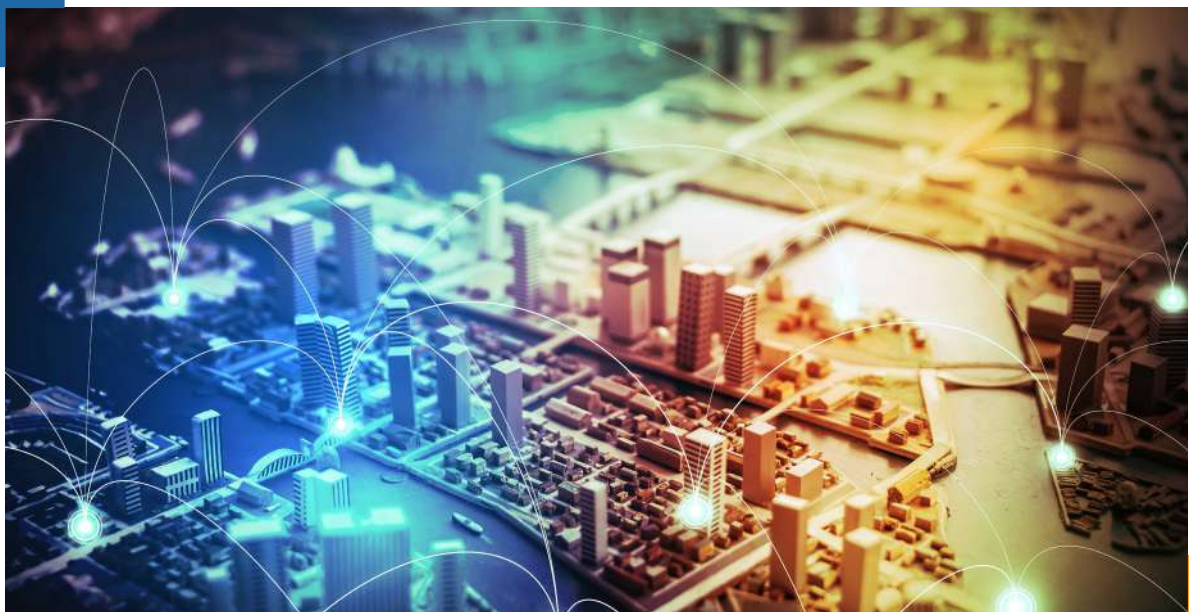
The scenario described above is clearly making the concept of the Service Bureau and Last Mile Connectivity a highly popular and viable business model for all ecosystem stakeholders: financial operators, their customers and suppliers alike.

2. Today's challenges with cross-border payments

In an age of immediacy and convenience, payments are increasingly expected to be not only secure but instant/real-time, seamless and traceable, enabled by richer data exchanges and a mass adoption of common messaging standards.

Coupled with a continued growth in cross-border transaction volumes, this puts considerable pressure on aspects such as reconciliation, security, liquidity management and more. To meet these rapidly evolving needs, payments regulations are being enacted with speed around the world and market infrastructures are responding through varying degrees of infrastructural redesign and technological development.

SWIFT, for example, has ramped up its efforts to secure its network infrastructure, increasing requirements in relation to its members in the areas of certification, testing, upgrades and so on.



While this provides operators with peace of mind, these increased levels of security and compliance do come at a price in terms of effort and cost. Such a demand on resources, both human and financial, can be prohibitive, especially to smaller operators.

Systemically critical market infrastructures increasingly require participants to join through a certified Network Service Provider (NSP), something that was witnessed with the recent changes introduced by the Eurosystem and how the new TARGET Services will soon need to be accessed. Connecting to NSP services is undeniably a daunting task, with strict protocols and rulebooks to respect, and requires having robust HW/SW infrastructures in place. All these requirements demand heavy investment to comply.

In response to this, payments market operators, both incumbents and new entrants are embracing cloud and SaaS to lower costs and increase agility and are turning to last-mile connectivity to access major financial networks like SWIFT.

3. Last-mile connectivity: the operators, the options, the benefits

Last-mile connectivity to the financial networks as a service removes many of the barriers and pain-points mentioned earlier, offering an extremely attractive and viable solution, especially for the new generation of PSPs.

Connecting to the SWIFT network directly, while allowing a participant to expand its international reach, involves incurring increased infrastructural costs, filling the technical skills gap and undergoing required external assessments, something that can prove challenging for many businesses.

There is, however, another option available; namely **outsourcing the connection to a third party**. This third party can be either a bank that is already a member of SWIFTNet, or a specialized technical outsourcer such as a **SWIFT-certified Service Bureau**.

The lure of a Service Bureau: making access to payment networks easy and effortless

Service Bureaus manage the “last mile” connectivity to financial networks like SWIFTNet on behalf of payments operators. In doing so, they can overcome problems such as the high costs and effort involved in maintaining an in-house SWIFT network infrastructure, and the necessary security certifications, compliance and protocol changes, such as the annual SWIFT Release.

By outsourcing connectivity via a service bureau, businesses can enjoy considerable cost saving and freedom from the onerous technical protocol upgrades and operational complexity. An attractive proposition to many businesses, especially new players looking for efficiency and cost-savings. By using a service bureau to access the financial networks instead of an

on-premise solution or an indirect access through an already connected operator, businesses can accelerate access procedures, take advantage of cost savings and at the same time enjoy maximum flexibility, independence and freedom to operate and develop the business.

Matters of compliance and operational upgrades fall squarely on the shoulders of the Service Bureau, and to play this role, they must first satisfy a roster of stringent requirements to obtain the status of being a certified provider.



In the case of SWIFT, the corporation created the **Shared Infrastructure Program (SIP)**: SIP mandates include the Customer Security Program (CSP) requirements, a set of rules that guarantee the security and reliability of the entire network.

The required know-how to satisfy the CSP, and more importantly the SIP, is very high and these programs are expensive for operators. Additionally, these programs require specialized technicians to implement and maintain them. No surprise then that many banks, PSPs and corporates choose to delegate these tasks to a SWIFT-certified Service Bureau, and to dispose of their in-house SWIFT facilities in favour of a connection in service mode. Apart from being more reliable and secure than having the installation on premise, SWIFT service bureaus are the most cost-efficient option.

4. TAS Service Bureau: the easiest way to connect to the Financial Networks

TAS is one of several **SWIFT-certified Service Bureaus** around the world that allow financial operators to access and exchange messages and files over the SWIFTNet. **TAS Service Bureau** offers operators a cost-effective straight-through processing (STP) solution that provides a secure, scalable, single channel for interbank and corporate-to-bank connectivity via a unified platform. Through this approach, operators can enjoy maximum ease and flexibility without needing to make any large investment to set-up their own SWIFTNet Gateway.

TAS Service Bureau's unique value proposition resides in the combination of the SWIFT interface infrastructure, optimized by TAS and managed by certified experts, and its tight integration with TAS Network Gateway, the ultimate proprietary financial messaging middleware technology, that also sits at the core of the Eurosystem's TARGET Services.

TAS, as a software development company, has extensive experience in the market of software solutions for banking and financial institutions, and TAS Service Bureau leverages these solutions by making them available to its customers. This provides the unrivalled capability to satisfy customers' needs for integration, time to market and exploitation of all the opportunities arising from the evolving payments landscape.

Core functionalities

- Message Management: including data entry, verification, authorization, four-eyes checks, messaging correction
- Graphical Interface (GUI): provides a configuration tool for traffic monitoring and alert setting
- Control Panel for verifying the outcome and message status
- Database and archive storage of sent and received messages
- Support for the SWIFT MT – ISO 20022 coexistence period for cross-border payments
- Exceptions & Investigations: manages message workflows (validations, manual authorizations, messaging correction, conversions and application of delivery rules)
- Validation of messages (syntax and semantics)
- Sophisticated routing engine based on message content
- Customizable transcoding engine for message conversions, bulking / unbulking operations and standard-to-custom format conversions
- Pre-set libraries of message conversion rules (e.g. FIN-XML-FIN)
- Built-in business logic for automatic processing of workflows and reconciliation (e.g. SEPA operations, Instant payments, TARGET2, T2S)

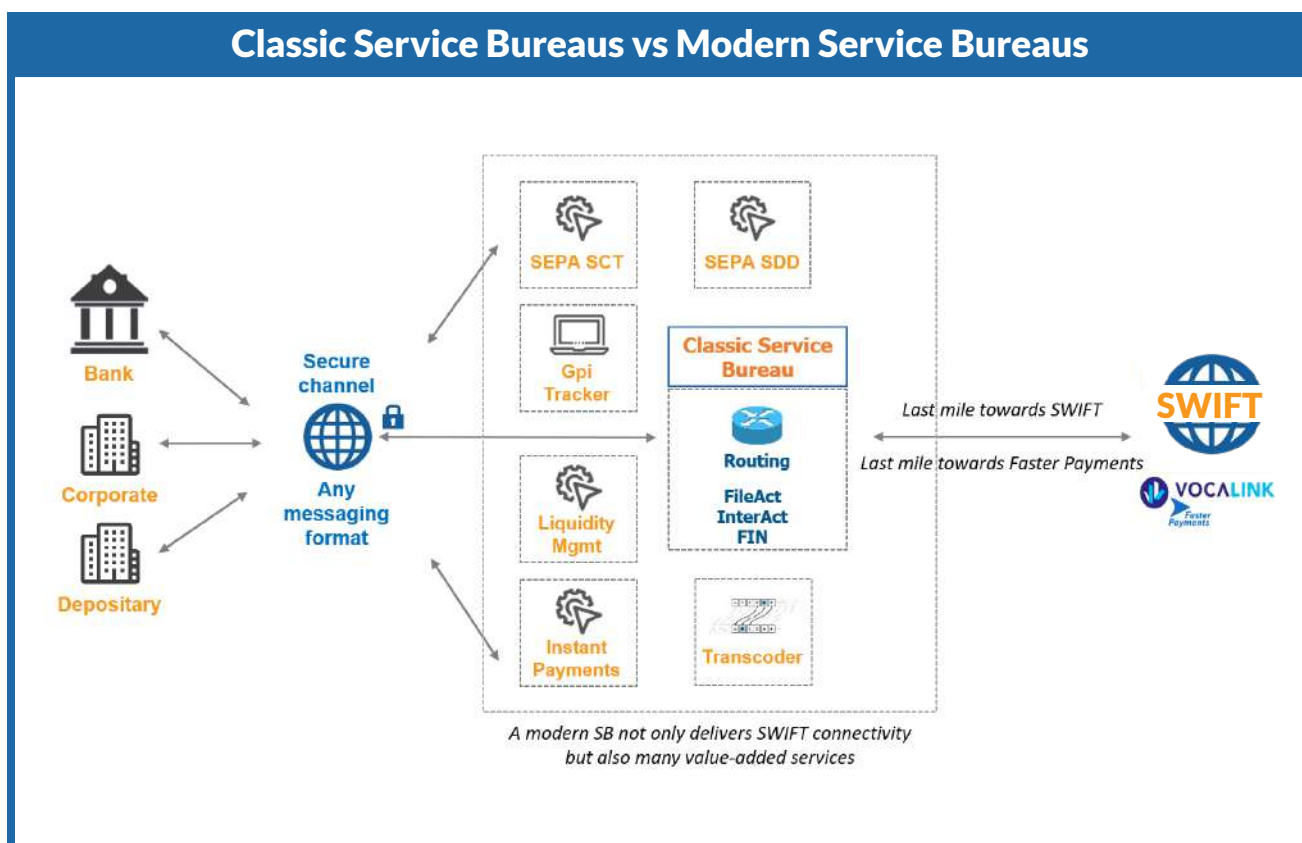
A rich range of value-added services

Thanks to the underlying TAS Network Gateway technology, TAS Service Bureau offers an entire range of value-added services that can be activated at the customer's request. Among these services the most popular are:

- SWIFTNet standard for funds, based on InterAct and ISO 20022 and EBICS
- SEPA Instant Payments based on AGI to reach both EBA RT1 and TIPS
- SEPA Credit Transfers (SCT) and SEPA Direct Debits (SDD)
- Anti-Money Laundering (AML) sanction screening
- Electronic Banking Internet Communication Standard (EBICS)

Beyond SWIFT: connectivity to other networks

TAS Service Bureau offers connectivity to major market infrastructures around Europe and beyond, including **UK Faster Payments** clearing operated by Vocalink and **EBA RT1 Instant Payments** clearing operated by SIA, as well as the TARGET Services of the EuroSystem. Decoupling the customer applications from the NSP (Network Service Provider) and network choice (SIAnet, SWIFTNet, EBICS, other regional or local network) is a growing need that TAS is continually pursuing in the product roadmap of its offering.



Reasons to choose TAS Service Bureau

With TAS you may:

- Start sending and receiving data via SWIFTNet in just days
- Enjoy easy access to the full range of SWIFT services
- Reach all the major financial counterparties and circuits in the world: central banks, commercial and investment banks, correspondent banks, automated clearing houses (ACHs), corporates
- Simplify your migration project from ISO-15022 (FIN) to ISO-20022 (XML) message formats
- Streamline your ad-hoc transcoding needs to tailor international standard message formats conversions to internal formats

Enjoy major benefits such as:

- Flexibility: add new features and services on demand
- Ease and simplicity: No need to manage certification of infrastructure nor individuals
- Reduced time-to-market: proprietary technology that adapts to formats and interfaces
- 24x7 qualified customer support
- Open architecture allows external services to be easily integrated
- Guaranteed compliance
- Scalability: can be scaled to meet specific business needs
- Lower TCO: no infrastructure and training costs
- Minimized exposure to security issues
- Optimized network costs: On-us operations to reduce network traffic

Unique to TAS is also the capability to adapt to your specific business type and growth strategy in a way in which the Service Bureau SaaS model can be transformed into an on-premise or hybrid insourced solution if desired.

As an example, established core banking/payments hub providers as well as TMS vendors are looking to transparent last mile connectivity as an enabler of their platforms, without having to relinquish ownership of their relationship with the customer. This flexibility is a winning characteristic of the TAS solution, made possible thanks to over 35 years of service provision as an Independent Software Vendor (ISV) to the Financial Industry, both to operators and their processors/ suppliers worldwide.

5. Conclusion

The last mile connectivity offered by TAS represents a highly attractive option for both new and incumbent players, empowering them to play a global role in the evolving payments ecosystem and seize the many opportunities on offer. By removing prohibitive and costly issues such as compliance burden and operational complexity, and by providing the necessary flexibility to keep pace as their business evolves, TAS Service Bureau can be a perfect alternative to direct connectivity and an ideal solution for FIs, PSPs, Fintechs and Corporates needing to process time-critical financial data securely and reliably in a cost-effective way.

About TAS Group

TAS Group is a leading provider of payments software, delivering innovative solutions for cards and digital payments for over 35 years. With a global reach and offices in 9 countries spanning Europe, North and Latin America, we empower customers around the world to unlock the infinite potential of digital and mobile payments in the open and instant era and play an active role in the new ecosystem. Trusted by European Central Banks to manage millions of financial messages each day, our longstanding reputation in the market and unrivalled domain expertise has made us an internationally preferred partner for banks, PSPs and corporations.

To learn more about our solutions and services, visit us:



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