Swiss Federal Railways is the fourth largest company in the country with over 31,000 employees located mainly in Switzerland. It transports more than 360 million passengers per year and manages over 3,000 kilometres of track.

Founded in 1902, it has been a special stock company since 1999, owned by the Swiss Federation. In 2009, the company decided on a strategy of simplification and centralisation within its corporate treasury function, which would have wide ranging consequences for financing, cash and liquidity management, during a period when many of Europe’s railway networks were under threat from bankruptcy. To exercise more effective control over its finances it had to ensure payments were authorised via single system. In order to do so, it implemented a single payments connection, and chose a service bureau operator to provide fast, efficient and affordable SWIFT connectivity.

Swiss Federal Railways (SBB) is organised in divisions and likewise a lot of core treasury processes were run at a divisional level. Payment processes, management of liquidity risk, management of market risk and even the external financing of rolling stock were all performed within these separate divisions, which created internal issues around the division of responsibility particularly in areas where there was no clear segregation.

Stefan Eggli, Head of Cash Management, Corporate Treasury at SBB AG says, “The starting point was SBB’s increasing debt position; it was constantly increasing over the last few years and the company needed to control the free cash flow. That is why corporate finance had to take control over investments and cash management. We didn’t want our position to become so bad in the long run that we risked a financial reorganisation.”
At a practical level, this meant the corporate treasury function had to take over full control of the treasury processes, while also taking over responsibility for management of bank accounting and the cash pool.

Although SBB already had one of the largest installations of SAP in Switzerland, on the treasury side it had been using a stand-alone system from another vendor. As the starting point of the whole centralisation process a treasury system developed by SAP, called TRM, was implemented.

Within payments there were two different systems in use at the firm. One was a platform which was only supporting Swiss payments and the other was a stand-alone system, that was being used by a single division within the company. This stand-alone system was replaced by the treasury module TRM within SAP in 2009.

Less direct means were also being employed. SBB was sending out faxed instructions to payment banks, where there was no electronic banking function to initiate payments. Where internet banking tools were available, they were commonly used to connect with the firm’s house banks, a practice that is still being used now although it will be phased out in the medium-term.

Then in 2011 when SBB tried to connect a major European bank with the Swiss system and discovered it was not possible, that became a catalyst to look for an alternative payments solution.

“We wanted to have payment within the SAP system formally approved by local staff, before having it sent to the banks, and to have the bank signatures applied by treasury people. It was important to us to implement best practices and to meet compliance requirements.” explains Eggli. “This represented quite a change because people think they need a bank signature to run their business. From a technical point of view it wasn’t a big step but from an organisational point of view it was.”

The firm wanted to replace the Swiss payments system with a fully integrated payment solution in enterprise resource planning (ERP).

“We came from having two stand-alone payment systems and several internet banking tools, plus faxed instructions, and we decided to boil it down to one integrated solution, which is the SAP payment management system,” says Eggli. “One of the reasons is that we have a very strong IT team supporting SAP, so we knew we had the required support when it came to implementation.”

However there was now the question of how the SAP payment system should be connected to the banks. There were three alternatives: host-to-host connections, EBICS, or SWIFT.

“From our experience, we didn’t want to negotiate about the channels with the banks so we didn’t go for a host-to-host solution because of the internal effort involved,” Eggli explains. “Our bank portfolio was streamlined enough that we were able to use SWIFT. But then we had to think about connectivity.”

The main reason for selecting SWIFT was its ability to provide one point of connectivity to all of SBB’s banks. However having SWIFT infrastructure installed on the premises was considered excessively costly and so in order to deliver this connectivity the company decided to use a service bureau.

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Stefan Eggli, Head of Cash Management
“For infrastructure that is outside of SAP we have to rely on a third party telecom provider, which can become expensive,” Eggli says. Using a bureau meant SBB would not only save costs but would also be spared the cost and hassle of developing or hiring for additional skills. Instead, they could rely on the expertise of the service bureau. That would prove helpful whenever the project required a work-around; for example when adaptations in the format of messages such as MT101 definitions or FileAct were required.

“If those types of modifications had been done in SAP, it would require a lot of effort; so the “time to market” when it comes to file naming structure or format modifications is very good with a service bureau in place,” Eggli says.

As a public company, SBB was obliged to run a request for proposal (RFP) process whenever it asks for services and it contracts service bureau services in Switzerland, including D+H (formerly known as Fundtech’s BBP financial messaging group).

SBB identified criteria with which to evaluate the service bureaux. Most important was the number of projects each service bureau had run with large Swiss corporate treasuries. By then the firm had chosen the SAP payment management solution already so it wanted to make sure the bureau had worked together with the chosen supplier of the SAP software.

During the process one factor that proved very positive for D+H was its experience with another federal institution. Swiss Federal Railways is naturally close to other federal institutions and the fact that the D+H team was able to offer the same project leader to manage the process, and that D+H had already accepted the terms and conditions of working with federal institutions in Switzerland during the previous project, cut down on the time required for negotiations substantially. The Switzerland bureau already had existing relationships with all of SBB’s banking partners in Switzerland and Central Europe so there was a broad overlap of experience. “We are really happy that we have chosen D+H,” says Eggli.

Today, with the D+H bureau now providing a single point of connectivity, the ERP system is able to function as a cash flow reporting tool across the divisions, with reports on incoming and outgoing cash flow, investments, payroll and payments delivered via a single centralised platform.

SWIFT intraday bank statements will be used to replace internet banking tools; by importing the statements to the internal SAP cash and liquidity management tool, SBB is able to keep track of its liquidity situation intraday.

Following the removal of divisional responsibility for cash management, the company has saved two full-time equivalents (FTE) with everything absorbed under the corporate treasury function.

“We have better control on our cash flows so we can predict our liquidity situation much more effectively,” says Eggli. “So we know when to go the Federal Government for additional funding and we can control our liquidity position at the end of the year within CHF20-30 million, which was not the case previously.”

The two greatest benefits of the overall project are the elimination of different payments systems and the full transparency and control of cash flows, and the clear segregation of duties which allows SBB to dramatically reduce the power of attorney.

From the point of view of SWIFT connectivity, it was important to select a service bureau and a software provider with a proven track record of how to connect the banks to SWIFT, both with contacts in the banks and contact with the SAP solution provider.

“The success factors for such projects lie very much in the handling of the details,” he says. “The service bureau is the middle man and helps you to make it happen.”

D+H’s expertise was called upon time and again throughout the project. SBB found that the protocol messages sent from some banks were not properly processed within the SAP. The service bureau was able to come up with a solution to transform the process and the messages in such a way that SBB has been able to process them in SAP automatically.

One of the firm’s house banks did not accept specific file formats by the FileAct channel, so an alternative method was required. D+H delivered that by using a VPN solution.

When SBB received bank statements via the FIN channel, it found that if the statements were large they were not sorted.

“D+H came back with a solution to that problem within days,” Eggli says. “If we had done that via SAP it would have taken much longer. They have absolutely proven themselves.”
About D+H

D+H’s Global Transaction Banking Solutions Group, formerly known as Fundtech, is the leader in treasury services solutions. D+H is a leading financial technology provider the world’s financial institutions rely on every day to help them grow and succeed. Our lending, core, payments, channel, optimization and treasury services solutions are trusted by nearly 8,000 banks, specialty lenders, community banks, credit unions, governments and corporations. Headquartered in Toronto, Canada, D+H has more than 5,500 employees worldwide who are passionate about partnering with clients to create forward-thinking solutions that fit their needs. With annual revenues of more than $1 billion, D+H is recognized as one of the world’s top FinTech companies on IDC Financial Insights FinTech Rankings and American Banker’s FinTech Forward ranking. For more information, visit www.dh.com.