A meeting of minds

When one of the world’s leading money transfer companies sought out a banking partner to optimise its European business, a priority was to master the regulatory landscape of SEPA and the technology of XML. Another was to ensure the right geographic coverage using XML schema – business reaching out into new markets.

Botond Vincze, global account manager for UniCredit (far), and Preston Moerke, director, senior treasury manager at MoneyGram (near), explain why it took very little time for the companies to realise that they were a perfect fit for each other.

In 2014, MoneyGram already had some experience with the European payments system defined by SEPA and with the XML technology that forms a key part of it. As a leader in the global money transfer space, it certainly understood the regulatory landscape, but without first-hand experience it needed the right banking partner to help optimise its European operations.

Based in Dallas, Texas, MoneyGram is the second-largest money transfer company in the world, has two key business areas – global funds transfers and financial products, or money orders – and its operations are led by individuals and businesses through a network of agents and financial institutions. At present, it has over 350,000 agent locations in more than 200 countries.

Optimising its European reconciliation process has been a key priority for over a year and it has made great strides working with UniCredit.

The partnership of a bank that is heavily focused on unveiling the opportunities inherent in SEPA and an informed client that is committed to optimising its payments network in Europe has enabled both to move swiftly up the value chain. This is the next step in a relationship that has already yielded some substantial benefits.

The project began with UniCredit becoming intimately acquainted with MoneyGram’s business model during intensive meetings in London and Dallas before putting forward a proposal under which it would provide a settlement hub based in Germany. MoneyGram was able to adopt virtual accounting, which helped it to streamline its collection process.

MoneyGram knew what it wanted to achieve and we have a view of the European landscape encompassing SEPA, XML, virtual accounts and cash-pooling. We are supporting the whole reconciliation process; SEPA represents a different regulatory need and European treasurers are clear about it now. But even though it is based in the US, MoneyGram also had a good understanding of it. It was well prepared, but it still had something to learn about its full potential,” says Botond Vincze, global account manager for the US cash management sales portfolio at UniCredit, based in Munich, Germany.

The tangible benefits of virtual accounting

There was a time when European financial institutions saw SEPA implementation as a slow and laborious process, but since its adoption in 2012 to a single European market for retail payments, and the switch in 2014 to an environment in which all credit transfers and direct debits in euro would be made under the same format – SEPA Credit Transfers and SEPA Direct Debits – it has come to be viewed as a platform that provides opportunity rather than simply a compliance burden.

“We knew a lot about SEPA before our project with UniCredit began. We have been involved in SEPA Direct Debit for a while now and we were among the first to implement it. Through MoneyGram’s transformation over the past two years we know about SEPA, Credit Transfer and SEPA Direct Debit but we needed to roll it out. We have had XML schema for four years – we migrated to SWIFT – so there has been no steep learning curve for us. We have a European XML file run out of Dallas and Minneapolis and we have a seasoned Oracle ERP team, so we got up to speed very quickly,” explains Moerke.

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The real difference is that we now have a bank that responds very quickly to our needs and truly understands our goals. The ease with which we have got structures in place is very satisfying and the framework is ready now, so all we need to do is implement it.”

Unlocking opportunities

For many corporate clients of banks, XML remains an untapped resource. They have not embraced it as willingly as might have been hoped, but UniCredit can explore much more of its capabilities through a successful collaboration with an informed client such as MoneyGram.

“In terms of XML, we are not yet there with customers. Banks had to get used to XML but corporations don’t use the full potential of it yet. It is much like NFC capability for payments – it is there and useful but its uptake has not been as big as expected,” MoneyGram, however, had a good understanding of it. Real use of XML is not in the minds of many corporates yet, but the SEPA region in the future will have the same fee – through camt.086 – for example so XML will play an increasingly important role in the SEPA 2.0 world,” says Vincze.

Using camt.086 in XML-based ‘bank service billing’ a bank can provide a detailed report about fees related to account management payments and cash management services at a level of detail that allows a client to check and analyse bank services in terms of price, service quantity, and costs. It is a structured format that enables fully automatic and central processing.

“There is certainly an opportunity around camt.086, so there is much more that we can exploit here,” notes Moerke, who recognises that cash-pooling is another area in which value could be gleaned, through it at a very early stage for MoneyGram.

One of the keys to success for this partnership is UniCredit’s continued commitment to SEPA-related services. “SEPA is very important for us. Its introduction may have led to banks losing fees on foreign payments, but we have to embrace it and continue to develop opportunities. The first iteration of SEPA was about technology – IBAN and XML – and regulation. It was about the basics and focused on compliance. SEPA 2.0 is the world we are in now – the world of virtual accounts and different usage of the XML format (like fee reporting and the recalling of payments). People have grasped the idea of SEPA through the need to be compliant and now they understand that they can do most payments through one SEPA hub,” says Vincze.

As the synergistic relationship between MoneyGram and UniCredit evolves, more opportunities will arise, including cash-pooling with a master account in Germany. With the right partner, a rapid evolution of services is possible, which helps to wring out value at every stage on the journey.

Further information

UniCredit
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