

Markus Straußfeld
Head of International Cash Management Sales



This is the year for Single Euro Payments Area (SEPA) implementation. How ready are corporates?

Even though the clock is ticking down to 1st February 2014, there remain substantial proportion of corporates that are quite late in starting their SEPA projects. Of those larger corporates who started early, many took the opportunity to do more than just migrate to SEPA instruments; they decided instead to use SEPA strategically to initiate a centralisation programme.

We observe that corporates are implementing SEPA in one of two ways. On the one hand, some have implemented a centralised hub from which to process and send files – this is quite popular with big billers because they can gain a much better view of their cash position. On the other hand, some are migrating at a local level, where they are preparing the files locally and sending them to a centralised hub, which forwards the files onto the banks for further processing. The latter method allows companies to have more control over their cash and gives them greater visibility in terms of incoming and outgoing flows. For those who are late movers, we support them to achieve the basic SEPA-readiness. On top of this, we also offer a Mandate Management System to help handle SEPA Direct Debit (SDD) schemes and its maturities and due dates.

Centralising payments can be challenging. What benefits do virtual accounts offer corporates?

Virtual accounts can be useful when moving to a centralised approach, via payment factories or shared services centres (SSCs), because they allow a company's subsidiaries to maintain accounts held in their names while at the same time treasury headquarters can operate from a centralised perspective.

UniCredit splits its virtual account services into two types. The first uses virtual accounts for incoming liquidity. For example, a big biller sends an invoice to a payer showing a specific bank account number for that customer only. When the invoice is paid through this account, the biller can identify that it is from this specific customer, even if they do not provide all the remittance information. This allows the biller to greatly improve its matching rates. The second uses virtual accounts for outgoing payments. For example, a large supplier that has many subsidiaries, all of which want multiple bank accounts, can use virtual accounts so that treasury headquarters can reduce the overall number of accounts. All transactions are booked on the central account, but each outgoing payment looks like it is booked on the local subsidiary's account.

In summary, the benefits of using virtual accounts are greater transparency and control over cash, reduced administrative burden, finality of payment and improved matching rates. With such services UniCredit supports its customers willing to go for a centralised approach, taking full advantage of SEPA to become more efficient and transparent. In SEPA countries payments can be handled from centralised hubs, and local accounts might only be needed for remaining national-specific payments such as tax payments.

Which SEPA innovations are UniCredit offering to improve treasury operations?

UniCredit has heavily invested in XML ISO 20022 services. It was one of the first banks to offer camt.086, which is used to transmit bank service charge, tax, currency and adjustment data from a bank to its commercial customers – effectively improving bank fee transparency. The bank also offers other camt services such as: camt.052: balance and interim transaction report (replacing MT941/2); camt.053: end-of-period bank statement (replacing MT940/950); camt.054: debit/credit notification (replacing MT900/910 or national specific formats such as DTI in Germany or Cremul in Austria).

UniCredit has tried to standardise these services as much as possible, relying on global standards which allow customers to increase their matching rates. Many local standards, such as Deutsche Kreditwirtschaft (DK) in Germany, Interbank Corporate Banking (CBI) in Italy and Common Global Implementation (CGI), are all a different flavour of XML. In order to be able to process any format a corporate client delivers, UniCredit has decided to continue using native XML formats.

Other than innovations around SEPA, what else is UniCredit working on?

UniCredit's footprint includes more markets outside than inside the SEPA zone, and therefore we aren't putting other developments on hold, even though SEPA is the top priority for our core markets. In Russia, for example, UniCredit is one of the first banks offering cross-border cash pooling. Previously, the legal structure was so complex that it was almost impossible to do cross-border pooling in the country, but UniCredit has now fulfilled the legal audits and requirements, as well as automated these services. The bank is also able to directly handle request for transfer (MT101) messages. This is an innovation in the Russian market because until recently only domestic organisations were authorised to act directly on behalf of MT101s. In addition, the bank is setting up cross-border cash pooling structures in other challenging markets, including Croatia and Bulgaria where a number of customers are involved in pilot programmes.