



## A Global Messaging Hub for the **CHANGING PAYMENTS LANDSCAPE**

A flexible infrastructure solution from Misys and Sun Microsystems is helping banks to make the most of SWIFTNet, protect and grow revenues and meet the demands of regulators and clients

SWIFTNet was built on the concept of a single window: the idea that a financial institution should be able to interact with almost any other financial institution in the market place, or even a corporate client, through the same consolidated infrastructure. And since the end of 2004, when SWIFT completed the SWIFTNet migration, financial firms have been able to access a growing number of services and solutions via this new IP-based network.

SWIFT's portfolio of solutions covers every aspect of financial services processing, from payments and cash management through treasury and derivatives to the different stages of the securities trading life cycle. Banks are clearly keen to make use of them. A survey of 1,200 users recently conducted by Misys Banking Systems, one of the largest generators of SWIFT messages in the world, found that 92% expected their SWIFT usage to increase, with 35% predicting it would grow by more than 50%. Over 70% of respondents said they were already using SWIFT Solutions or intended to do so in the future.

Yet the vast majority of back-office core banking solutions are unable to generate, process or manage these new SWIFTNet services. Before they can make the most of SWIFTNet, almost every financial institution needs to tackle the weaknesses of existing messaging infrastructures and processing systems in a strategic way.



### Pressure to Re-Architect

SWIFTNet provides a key incentive, but it is not the only reason banks are opting for an infrastructure makeover. In most cases, payment products and services are their biggest earner, accounting, according to analysts, for between 40% and 60% of revenues. However, most of these products depend on mainframe-based systems, which over the years have evolved independently. In these circumstances, whenever a new service is introduced it simply adds to the complexity and cost. Now, pressure from regulators, non-bank competitors and consumers is forcing many banks to re-examine these systems.

The introduction of new structures and standards such as IP upgrades of both the Clearing House Interbank Payment System (CHIPS) and the Federal Reserve's Fedwire, the European Payments Council's Single Euro Payments Area (SEPA), PE-ACH, STEP2 and the European Central Bank's Target2 settlement system are prime examples of the mounting pressures. "The introduction of SEPA will seriously impact banks' revenues—estimates suggest it could reduce their direct payments revenue by almost 30 billion euros by 2010," explains Barry Kislingbury, Global Product Manager, Financial Messaging and Integration, at Misys. "Banks need to lower their payments processing costs dramatically to remain profitable. They need to remove manual processes and payments silos and implement modern centralized payments and messaging systems."

### An End-to-End Perspective

Banks are finding that to manage risk and regulation changes more effectively, lower costs, develop new products and grow revenue per customer they need to take a holistic approach to messaging and payments.

Working with the integration experts Century 24 Solutions, Sun Microsystems has developed an open architectural model for financial services that addresses these issues. The aim is to highlight technologies and best practices that can help financial firms modernize infrastructure to increase efficiency, lower risk and comply with regulatory demands. The Sun Consolidated Payments Architecture (CPA) is a key piece of the model.

Sun is working with key developers from the Java Payments Network to create a set of innovative applications that demonstrate the power of the architecture. Misys Message Manager is an implementation of the CPA piece known as the Java Payments Hub.

"Economic and regulatory pressures are forcing banks to re-engineer their existing infrastructure," says Stephen Pestell, Banking and Payments Marketing Manager at Sun. "With the CPA, our key priority has been to create a payments backbone that can deliver significant operational cost savings and greater business agility, while providing robust security and a good basis for compliance."

### The Payments Backbone

Twenty-five years' experience in the SWIFT arena has enabled Misys to design a financial messaging system that allows firms to take full advantage of SWIFTNet and other messaging services, while still protecting the investment in their existing applications. Message Manager is a global messaging hub that enables banks to handle not only all the different financial messaging types, but also regulatory changes and evolving payment standards. Banks can design and build their workflow and business processes so that, for example, certain messages can be sent for authorization and others routed to exceptions queues. Transactional data can be collected, enriched to generate the correct payment, formatted to the correct standard, validated, audited and then delivered via the best available channel.

"Message Manager controls the entire flow of messages between the bank's back-office applications and financial networks such as SWIFTNet," explains Kislingbury. "Banks can centralize their messaging in controlled phases—no big bangs—then start centralizing their payments infrastructure, removing the silos in phases. They can evolve with the numerous standards and regulatory changes going forward, yet protect their investment in existing technology while supporting the business's need to generate new revenue through new products and services."

Message Manager is a global enterprise thin-client application, built on Sun's Java 2 Platform Enterprise Edition (J2EE). The open, flexible architecture minimizes the impact of new services on existing legacy systems, while enabling straight through processing, message generation, validation, tracking, transmission and reporting with a complete audit trail and archive.

"J2EE is a good fit with where banks are headed," says Kislingbury. "A lot of the functionality they require is delivered in the J2EE layer: features such as transaction integrity come for free and high availability uses industry standard products. We worked closely with Sun on the technical design and architecture. Essentially, the product is a combination of our banking domain expertise and Sun's technical know-how."

### Message Manager in Action

As a typical multinational bank, Standard Bank of South Africa had been wrestling with the fact that its subsidiaries in the UK and elsewhere in Africa each had their own version of the SWIFT interface. Message Manager will enable it to make SWIFT a single service offering. When the implementation is complete, the bank will be able to bring everything together on a single platform, reducing staff numbers and processes, creating a single view for risk managers and lowering the total cost of ownership.

South Africa's central bank has taken a lead in encouraging the take-up of SWIFTNet services and solutions. As part of an initiative to reduce paper and eliminate obsolete communications channels, it has moved its Balance of Payments reporting to SWIFTNet FileAct, the SWIFTNet service that is becoming the norm for central bank reporting and bulk payments. The bank is using Misys Message Manager, running on Sun's flagship Solaris operating system, to consolidate its SWIFT infrastructure worldwide.

As a result, Absa Bank, also based in South Africa and now owned by Barclays, has responded by extending its SWIFTNet usage to include Balance of Payments reporting. The bank is using Misys Message Manager to consolidate its SWIFT infrastructure, supporting FIN, InterAct and FileAct services.

Absa has seen dramatic benefits from implementing the SWIFTNet FileAct component of Misys Message Manager. As the Bundesbank's pensions distributor in the region, the bank was used to receiving and processing a tape once a week. This largely manual process involved loading the tape, checking, validating and posting it to several systems, which generally took four days. However, by implementing SWIFTNet FileAct via Message Manager, the bank has reduced the processing time to 30 minutes.

### Misys Message Manager Technology

Message Manager provides a payments infrastructure by combining a comprehensive financial application with a powerful and flexible SWIFTReady Gold accredited EAI toolkit.

Standard connectivity to SWIFT and FIX, as well as customizable connectivity to internal applications, is available using J2EE compliant web servers; JMS; database via JDBC, flat files; TCP-IP sockets; web services— SOAP; Java RMI or email. This means firms can quickly and easily exchange and translate messages from a variety of platforms in many different formats, including FIN, XML, CSV, ISO 15022, ISO 20022 and FIX. Interfaces, messages, translations and STP business rules can be built and maintained quickly and cost-effectively, with both modern and legacy applications.

Message Manager delivers full services and support for generating, tracking and managing functions such as message validation, enquiry, composition, repair, bulking, debulking, cancel and amend, multiples, enrichment, archiving, verification and authorization. It provides full audit trails and comprehensive reporting capabilities.

## Escaping the Past

A common problem facing banks is the pain of migrating from ageing legacy systems. Typically, these systems have been developed in-house; they lack documentation and their dependencies on other applications are not well understood. Most banks view migration as both complex and risky, which prevents them from taking the necessary steps. However they need to look at the real cost of maintaining legacy systems: already some 70% of most IT budgets goes on maintenance and going forward that figure can only increase. But where companies really pay a price is in the lack of business agility. As competition intensifies and margins decrease, banks need to improve time to market for new products and IT departments need to ensure that they contribute to their organization's competitive edge.

Over the years, the business integration and client services teams at Sun and Misys have worked closely with customers to plan and execute migration strategies that minimize the problems and allow customers to improve their competitive position, while taking full advantage of market opportunities.

### Sun Microsystems' Java Payments Hub Sun's Java Payments Hub comprises:

#### Misys Message Manager

#### The Sun Java Enterprise System:

JES combines a high-performance, integrated software system architecture with a predictable, systematic approach to deploying, managing and updating infrastructure software and a revolutionary pricing structure that dramatically reduces software licensing costs and virtually eliminates the complexity of managing arcane licensing models.

**Solaris 10:** Sun's flagship OS is designed to help customers contain costs, reduce complexity and minimize business risk. Solaris 10 optimizes system utilization levels, delivers extreme performance and provides unparalleled security, all with relentless, around-the-clock availability.

### The Sun Java Availability Suite:

Sun's JAS is an integrated software platform delivering best-in-class high availability to business services, keeping global enterprises running 24x7, through planned maintenance, failures, wide-area outages or disasters.

**Plus** the Sun range of scalable SPARC and Opteron processor platforms and storage devices.



**Sun Microsystems, Inc.** 4150 Network Circle, Santa Clara, CA 95054 USA Phone 1-650-960-1300 or 1-800-555-9SUN Web sun.com

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