

Case Study

WACHOVIA



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Name of Solution:

Wachovia Global International Cross Border, Low Value, High Volume Transaction Processing

The International Payments Challenge

The competitive pressures that have resulted from globalization are growing, and now require banks to offer their corporate clients a wide variety of advanced and cost effective global services. One example that has been particularly challenging for banks has been low-value international cross border transaction processing services.

Mike McCallion, Director, Global Rates FX Technology, Wachovia Securities, states: "Options previously available to Wachovia customers to facilitate overseas money transfers were fairly limited, primarily restricted to wire transfers and traditional checks. Many of our internal systems existed within silos, which made accurate, competitive and timely international ACH processing a challenge. We realized that by integrating our disparate systems and

FAST FACTS

Location: Charlotte, NC
Assets: \$542bn
Solution: OmniPAY™

BUSINESS BENEFITS

- Advanced tools for international payments.
- I-ACH eliminated the need for expensive wire transfers for our customers.
- Substantial decrease in expense associated with managing out-of-country bank relationships.
- Successfully leveraged existing Wachovia channels.

leveraging a centralized and sophisticated STP payments platform, we could provide our clients with customized solutions to meet their international low value, high volume payments needs. ”

Wachovia's Global Foreign Exchange and Treasury Services Technology teams faced the daunting task of designing a comprehensive global solution for their cross-border, high volume, low value foreign transaction business. Customer requirements and internal processing infrastructure defined the development objectives: an integrated system that would allow customers to initiate a transaction through existing customer facing payment channels; processing the transaction through the existing foreign exchange business applications; and transaction routing to Wachovia's existing settlement partner bank for payment; all in "near-real-time".



To achieve these goals, Wachovia realized they needed to develop an integrated solution that delivered:

- Comprehensive FX conversion alternatives, including fixed-to-variable, variable-to-fixed, and fixed-to-fixed.
- Immediate trading and currency risk management.
- Advanced functionality to manage the subtleties of ACH processing overseas, including timing, variations in customs, and associated risk.
- Proper accounting and timing of credits and debits taking into account all the fine details of making cross border payments and covering FX deals.
- A means to effectively navigate the parameters and regulatory frameworks from geography to geography.
- Regulatory compliance for international payments.
- An expeditious, cost-effective, efficient payments process.

Selection of Fundtech Corporation

To achieve its strategic objectives, Wachovia partnered with Fundtech to develop a pioneering international ACH solution that was integrated into their complex payments environment. Wachovia chose Fundtech based on its extensive cross border clearing expertise; its high performance payments products; and its proven delivery methodology.

Business Benefits

Working together, Wachovia customized and added functionality to Fundtech's rules-based intelligent payments hub named OmniPAY™. By building upon this solid base, Fundtech and Wachovia were able to leverage an industry leading solution and successfully meet the requirements of Wachovia's Global Transaction

Processing project. Modifying and extending OmniPAY allows Wachovia to offer their clients highly automated and tailored payments services that meet their demanding needs.

Partnership Approach

Wachovia and Fundtech merged their delivery methodologies to ensure:

- Complementary and mutually supportive process, covering various internal groups with different project expectations;
- Objective decision making regarding division of labor between the bank and Fundtech;
- Rapid and prudent mid-course corrections and adjustments to assure the project was delivered on time, on budget and precisely to plan;
- On-site relationship building to cultivate trust combined with periodic steering meetings to maintain continuity and foster open and honest business level decision making;
- In-depth operations and international processing training; and
- Knowledge transfer to assist Wachovia with implementation of additional technologies including SUN, Oracle, and BEA.

To create this cutting edge offering, the Wachovia Global Foreign Exchange Technology team created a platform which:

- Leveraged existing communication infrastructure;
- Enabled integration to internal enterprise applications;
- Provided a comprehensive solution for numerous business units;
- Worked with several databases, messaging systems, and vendor packages; and
- Supported the release of source code developed by a concentrated internal core team in less than 6 months.

Real-time STP

In order to facilitate real-time Straight Through Processing (STP) of customer payments, Wachovia began by integrating their internal payments, foreign exchange trading, risk, pricing, DDA, and credit systems. These systems were then integrated into OmniPAY for rapid, seamless processing. Finally, SWIFT settlement files were created for distribution to a third party relationship bank, enabling funds to be distributed to customers' final beneficiaries.

Results

Fundtech and several teams at Wachovia designed a system that successfully leveraged existing Wachovia channels to seamlessly receive transactions from existing and new customers.

The first phase of the implementation went live in January, 2006, and enabled Wachovia customers to distribute and collect Canadian and US Dollar funds effortlessly with Canadian domiciled beneficiaries with minimal latency, delivering unparalleled functionality that incorporated, among other features:

- Same-currency and cross-currency transactions without the requirement of in-country accounts, removing the need for Wachovia customers to establish a Canadian in-country account, resulting in a substantial decrease in expense and effort associated with managing additional and out-of-country bank relationships
- Flexible payment origination methods permitting fixed-to-variable, variable-to-fixed and fixed-to-fixed payment origination that enabled Wachovia to automatically convert transactions to USD or the appropriate foreign currency, eliminating the need for customers to keep up with changes in currency exchange rates
- The Wachovia solution provides customers with advanced tools to meet and exceed their international payments requirements. According to Tammy Eugenius, Accounting Manager for Maple Leaf Bank, "Working with just Wachovia kept it simple for our organization

and meant we didn't need accounts with multiple banks. International ACH also eliminated the need for expensive wire transfers for our Canadian members and gave them the ability to receive and make our payments automatically."

Conclusion

In the new global marketplace, firms must offer integrated solutions that cross business lines in order to maintain efficiency and support strong revenue channels. By combining their Treasury Services and Global Rates Businesses to develop an integrated solution that spans operating lines, Wachovia is now able to offer a single solution to its customer base, guaranteeing Wachovia maintains efficiency and remains competitive in the international ACH arena.

Subsequent phases are now in progress, and will offer customers the ability to send funds in 'EUR' based currency as well as the remaining European countries not in the EURO community. Additionally, future expansion is planned for Latin America and Asia.

By partnering with Fundtech, Wachovia was able to leverage a vast amount of knowledge and an existing product (OmniPAY). Using a team approach enabled Wachovia to meet its functional requirements and its deadlines. Fundtech was able to extend the functionality of its product, and therefore make it more competitive in the marketplace.

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Enabling and Accelerating the Financial Supply Chain