

CASE STUDY: METLIFE

Knowledge and Resources to Gain Easier, Cost-Effective
SWIFT Access



INTRODUCTION

An estimated 585 non-bank corporations are now on the SWIFT network¹, and there is a growing interest in using SWIFT for multi-bank communications to lower financial transaction costs, enhance straight-through-processing and improve cash visibility. These are corporations with extensive expertise in treasury and IT operations, but most of them have little or no experience in determining the right resources, planning, implementation and operational requirements for SWIFT.

This paper offers advice from MetLife's Treasury and IT operations leaders on how they managed to cost-effectively implement SWIFT to meet their key corporate objectives by leveraging the expertise and resources of a Service Bureau approach. In the end, **MetLife will be able to achieve an estimated 69.5% internal rate of return (IRR) over the next five (5) years**, while improving straight-through processing, streamlining banking relationships and improving overall treasury, IT and other corporate objectives.

ABOUT METLIFE

MetLife is leading provider of insurance and other financial services to individual and institutional customers worldwide.

- Ranked #51 on the Fortune 500, based on 2009 performance.
- Over \$34 billion in premiums, fees and other revenues for 2009.
- 70 million customers around the world.
- Headquarters in New York City.
- Global operations.
- Over 52,000 employees as of December 31, 2009.

Because of their global operations and the financial nature of their business, MetLife needs to exchange financial payments, transactions and messages on a daily basis with their banks worldwide.

- 11 primary bank relationships.
- Hundreds of additional bank relationships.
- Transact payments, securities and other financial message format types with all of their banks, across all countries.

BEFORE SWIFT

In 2005, MetLife started to consolidate their banking connections to reduce operating costs and improve their overall treasury operations. As part of this effort, MetLife used a proprietary multi-bank processing system, provided by one of their major banking partners.

However, the proprietary multi-bank system was charging MetLife high transaction fees, in addition to the EFT processing fees. Additionally, without straight-through connections to each of their banks, MetLife was unable to automatically reconcile payments and cash positions. Furthermore, setting-up new relationships for payment processing via multiple banks took several weeks to complete as a result of bi-lateral agreements between the banks.

¹ Source: SWIFT Partner Meeting La Hulpe – 31 March and 1 April 2010

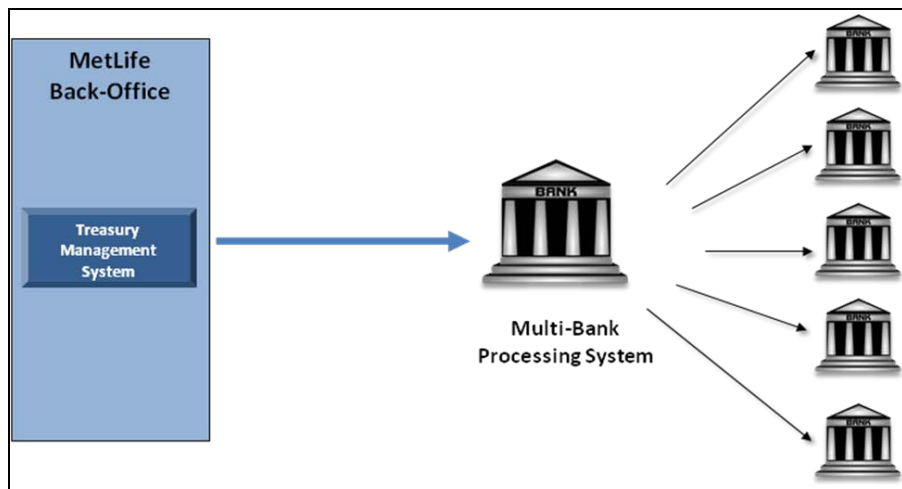


Figure 1 - MetLife's Old Multi-Bank Processing System offered one-way payment option

SWIFT BENEFITS

In 2008, MetLife's Corporate Treasury and IT teams worked closely together to evaluate the benefits of connecting to the SWIFT (Society of Worldwide Interbank Financial Telecommunications Society) network to further improve their treasury operations.

What is SWIFT?

- A worldwide network that enables financial messaging between banks, financial institutions...*and now corporations.*
- Used by over 8,300 banking organizations, securities institutions and corporate customers worldwide.

SWIFT Benefits to MetLife

- A highly secure, reliable alternative to a proprietary multi-bank processing system.
- Lower transaction costs, by avoiding the higher transaction fees charged for their bank's proprietary multi-bank processing system.
- Straight-through processing for any message format and data, including bank statements, both to their banks and coming from their banks.
- Reliable platform for future bank and message format requirements.

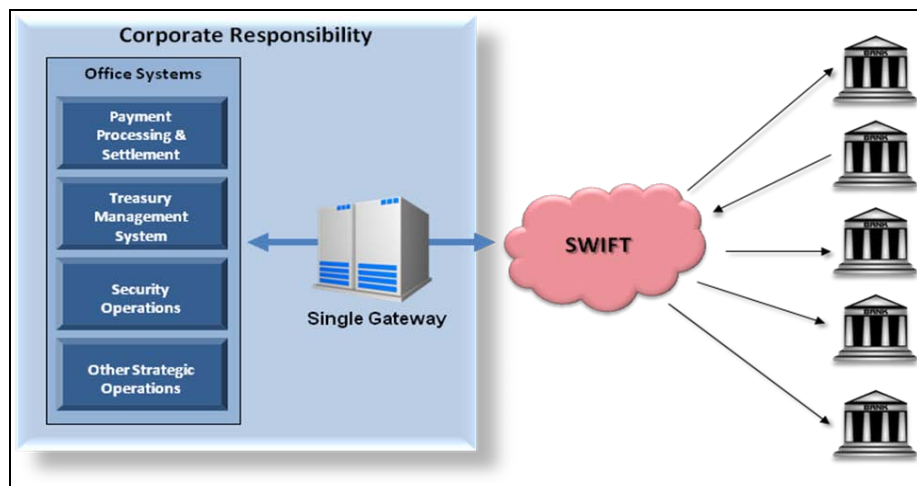


Figure 2 - SWIFT offers secure, reliable alternative to proprietary bank processing system and bilateral processing of any message format and data

METLIFE'S EVALUATION OF THE SWIFT OPPORTUNITY

Together with MetLife's IT and cross-functional business units, MetLife also conducted a comprehensive cost-benefit analysis that considered three primary approaches and evaluated all possible business areas that could benefit from SWIFT.

The main goals of the analysis were to:

- Determine how to gain the lowest transaction fees.
- Enable the sending and receiving of all required message types, including bank confirmations (MT900s), but also ACH files and custodial statements (MT535, MT536).
- Streamline and expedite bank on-boarding requirements and procedures.
- Establish the most timely and cost-effective approach that would not interfere with their operations.
- Determine opportunities for other business areas, such as MetLife's Securities division, to benefit from straight-through processing and SWIFT.

MetLife already had:

- Existing in-house experts in project management, IT and treasury operations.
- Treasury Management System that could process basic SWIFT message formats.
- Skills to develop their own message transformation middleware application and support.

Approaches considered:

1. **In-House Connection to SWIFT** – in this scenario, MetLife would have to buy all of the hardware and software to enable the SWIFT connection, and provide the staff.
2. **SWIFT Member Administered Closed User Group (MA-CUG)** – a structure devised by SWIFT that allows registered organizations and corporations to connect through an existing bank's connection to SWIFT.
3. **SWIFT Service Bureau** – a third-party company that fully implements, operates and manages all software, hardware and professional support services required for a SWIFT network connection through their service bureau.

BENEFITS OF USING A SWIFT SERVICE BUREAU

In 2009, after evaluating all three approaches, MetLife determined that a SWIFT Service Bureau could save them substantially on upfront and ongoing operating costs, while providing them the required SWIFT expertise and support they needed to ensure a cost-effective and timely implementation of SWIFT.

A thorough RFP process resulted in MetLife's choice of BankServ's Corporate SWIFT Service Bureau Solution. According to Frank Campione, MetLife's Corporate Treasury Manager, *"BankServ provided a full package, including the SWIFT expertise, robust technology and flexible terms and support that best met our needs and ensured us that the project would get done on-time and on budget."*

Service Bureau Benefits (as provided by BankServ's Service Bureau):

- Substantial reduction in upfront and ongoing costs.

"According to Frank Campione, an in-house solution would have entailed considerable upfront infrastructure charges for new servers, security software and additional staff. Annual support charges would have gone up substantially as well."

- SWIFT expertise and support to ensure cost-effective and timely implementation.
- All hardware, software and support services required.
- Single point project management and implementation of the service bureau.
- Access to professional development of all format and routing requirements.
- Integrated RMA (Bank Relationship Management) support to more rapidly establish new bank requirements and security authorization.
- 24/7 customer service and technical support.
- Ongoing support for disaster recovery, upgrades, standard changes and general maintenance.

Solution Set (provided by BankServ's Service Bureau):

- SWIFT FIN processing via BankServ's TurboSwift interface
- SWIFT FileAct processing through BankServ's TurboFileAct application for all other formats

In addition, MetLife continued to do their own message transformations through their in-house IT staff and middleware.

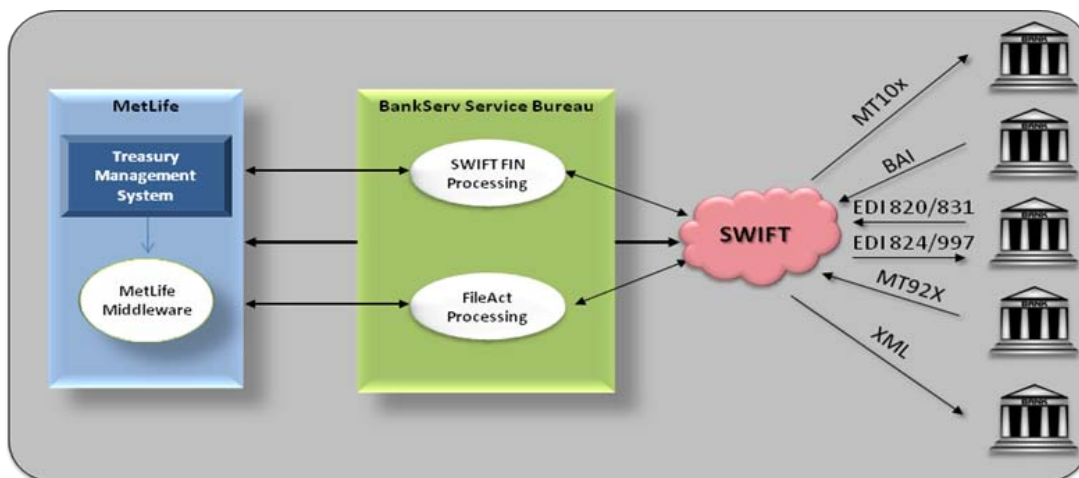


Figure 3 - MetLife's current SWIFT connection enables bilateral exchange of any format or data, while avoiding the high upfront and ongoing costs of maintaining the infrastructure, security and reliability.

IMPLEMENTATION: THE IMPORTANCE OF EXCELLENT PROJECT MANAGEMENT

Ana McDonald was MetLife's lead project manager for the SWIFT implementation, which officially started in September, 2009. She determined that there were many aspects to this project that had to be scoped, coordinated and individually managed in order to ensure a timely and cost-effective completion for the overall effort.

According to Ana, *“developing a plan with realistic dates was one of the key drivers for success.”* In addition, there were multiple team players and project management steps that needed to be considered.

Key Players

1. MetLife
 - Treasury Management: approximately 3 people.
 - IT: approximately 5 people, including the Master Project Manager, who created and managed the master project plan and coordination with all 11 banks, and 2-3 developers for the development of their format transformation middleware.
2. SWIFT
3. BankServ
 - Project Manager
 - Implementation Manager
4. The Banks – 11 primary
 - Each had their own project managers, as well as teams of specialists for each area, such as ACH, EDI, SEPA and reporting.

Phase 1 Timeline

Phase 1 of MetLife's SWIFT project focused on implementing connectivity to 11 banks. The actual SWIFT implementation was completed for all 11 banks in three months, even though obtaining an Investment Management Institution (IMI) SWIFT membership and finalizing contract terms caused delays.

- **January/February 2009:**
 - Conducted project and cost-benefit analysis, focused on treasury but also considering opportunities within other business areas throughout the company.
 - Issued RFP to qualified SWIFT service bureau providers.
 - Worked with winning SB on contract.
 - Requested SWIFT membership: IMI (Investment Management Institution) category.
- **September 2009:**
 - Established SWIFT Membership as an IMI.
 - Finalized Service Bureau (SB) contract and started implementation with SB.
 - Started working with BankServ, who provided advice on SWIFT and formatting requirements.
- **October-December 2009:**
 - Focused on MT900s.
 - User Acceptance Testing (UAT) and production testing, using a rolling schedule with requirements being done for one bank, while another bank is already in UAT.
 - Completed SWIFT Implementation for 11 tiered banks.

Key Success Factors

- Developed a thorough project plan, detailing due dates, all inter-related tasks and format/data requirements per bank and country.
- Contacted their banks to discuss technical, process and testing needs before firming up their timelines and requirements.
- Assigned an overall project manager in addition to the project manager required and provided by the BankServ SWIFT service bureau.
- Created a phased-in approach, focused on 1-2 banks and one message type at a time.
- Implemented a rolling production schedule, based on tight production monitoring. In this case, a rolling schedule means, you can determine the requirements for one bank, while you are working on the actual UAT and production testing and go-live for another.
- Strong teamwork across MetLife's business units, BankServ and the banks.

Key Challenges:

- Working with the banks:
 - Some banks were not prepared to work with non-bank corporations and could not process FileAct files.
 - About 50% could not do UAT testing per MetLife's deadlines and other requirements. As a result, MetLife had to adjust their schedules and compromise with the banks.
- Establishing an IMI (Investment Management Institutions) SWIFT membership took longer than expected due to contractual delays between legal parties.
- Contracts also took longer because the terms had to be mutually agreed-upon between all parties.

Next Steps

Beyond Phase 1, MetLife is looking into additional areas of their company that can benefit from SWIFT. As part of Phase 2, they will be looking into enhancing their A/P and Securities operations, which need to process ACH/BAC files, MT535/MT536 and MT950 FIN messages at lower costs. In addition, FileAct (a service built-into their BankServ SB solution) provides the means to process additional types of messages (such as NACHA files) at substantially lower transaction fees versus their existing international interface.

SUMMARY OF RESULTS

Thanks to the direction and concerted efforts from both MetLife's Treasury business units and IT group, combined with BankServ's service bureau expertise and resources, MetLife was able to achieve the following.

Key Results:

- Forecasted IRR of 69.5%.
- Straight-through processing (bilaterally) for all of their current and future payment and other financial message format types and data.
- Reduced transaction fees by 75%.
- Streamlined and expedited bank on-boarding requirements and procedures.
- On-time and on-budget SWIFT implementation.
- Improved overall treasury and IT operations.

FINAL WORDS OF WISDOM

1. Determine sound business objectives and make sure they align with the benefits achievable from a SWIFT implementation.
2. Develop a phase 0 to establish:
 - a. Written documentation of the objectives and requirements
 - b. Format, data and testing requirements by bank and country
 - c. Timeline that considers all related projects and sub-projects
 - d. List of all key players and tasks
3. Communicate and collaborate with all stakeholders, internal and external, before solidifying plans and timelines. This includes all of your banks, but also the service bureau and technology vendors, external consultants, SWIFT and other parties involved.
4. Assign an overall project manager to manage all projects and bank relationships.
5. Develop a comprehensive project plan for implementation, detailing the realistic timeline and tasks.
6. Consider a phased-in approach:
 - a. Do one set of banks at a time and prioritize projects. Ideally, these banks will be those with lower transaction volumes or domestic ones.
 - b. Implement one format at a time, starting with FIN (a more straight-forward format already accepted by the banks) for domestic and then by each foreign country; followed by other formats, such XML and other proprietary formats.