

BAWAG P.S.K. achieving compliance through partnership



BAWAG P.S.K. is the largest retail bank in Austria. It wanted to enrich its customer service and extend its geographic reach in a cost-effective way. Following a thorough review of the options available, BAWAG P.S.K. chose the VocaLink Euro Clearing and Settlement Mechanism (CSM). When SEPA Credit Transfers went live on 28 January, BAWAG P.S.K. became the first new VocaLink client to use the service.



BAWAG P.S.K. operates the largest centrally managed distribution network in Austria with over 150 branches and 1,300 post office outlets. The bank has 1.2 million private customers and more than 60,000 business customers. BAWAG P.S.K. is also a servicing bank for payments to and from the public sector. As all public authorities in Austria must be SEPA compliant, BAWAG P.S.K. had to find a solution that met compliance and business objectives while mitigating risk.

The BAWAG P.S.K. challenge: extending reach

The initial discussions between BAWAG P.S.K. and VocaLink in autumn 2007 were focused on geographic reach. The bank wanted to provide enhanced services throughout and beyond the eurozone to service both Austrian and multinational corporations looking to do business across Europe and globally.

BAWAG P.S.K. was also keen to facilitate payments to non-SEPA-compliant institutions. Not all banks are SEPA-compliant and making SEPA payments to non-compliant institutions increases the complexity and cost of formatting and processing. BAWAG P.S.K. was keen to adopt a solution that overcame the need to split transactions into SEPA-compliant and non-SEPA-compliant beneficiary banks, a process which is costly, time-consuming and hinders customer service.

Why VocaLink?

The VocaLink Euro CSM met all the BAWAG P.S.K. requirements for extended reach. Several reasons informed the bank's decision. BAWAG P.S.K. needed a SEPA-compliant service to ensure that payments would be delivered quickly and efficiently to domestic and international SEPA and non-SEPA-compliant banks through a single channel. With SEPA compliance a key priority, there was great comfort in the knowledge that VocaLink services offer instant and ongoing compliance with the EPC rulebooks.

BAWAG P.S.K. needed a cost-effective solution. In selecting the VocaLink Euro CSM, the bank now enjoys low processing costs that are transparent, predictable, and low risk, thanks to the multilateral net-settlement-before-output methodology. BAWAG P.S.K. is notified of net positions in advance of settlement across the bank's account within TARGET2. This approach allows the bank to manage a single account on TARGET2 for all euro transactions and have one funding requirement for all SEPA payments, regardless of routing. This arrangement also means there is no requirement for BAWAG P.S.K. to fund a collateral pool for use in the event of insolvency.

The outcome

The implementation programme was smooth and efficient. BAWAG P.S.K. now routes all transactions through a single interface, utilising the VocaLink Euro CSM's multiple routing options. These include arrangements with the VocaLink network of commercial banks to deliver payments to major geographies, delivery of payments via EBA STEP2 including the technical facilitator model, and support for their existing bilateral relationships.

BAWAG P.S.K. enjoys other benefits through the VocaLink Euro CSM. Speed of processing is improved thanks to multiple settlement cycles. These ensure same day delivery for payments received before 15.30 CET and with the settlement cycle taking place much later than many other CSMs the bank can take full advantage of later cut-off times. Also, by using the VocaLink Euro CSM, BAWAG P.S.K. removed the complexity of multiple formats at a single stroke.

"All the headaches and associated costs of handling different formats have been removed. We can now concentrate on paying full attention to giving our customers the payment services they really need."

Rudolf Pendl, Director, Payments Group, BAWAG P.S.K.

BAWAG P.S.K. no longer has to worry about the final destination of transactions or whether the recipient bank is SEPA-compliant. Rudolf Pendl, Director, Payments Group, BAWAG P.S.K. recognises the key benefits of this service: "VocaLink processes all of our payments under the same SEPA rules regardless of the final destination. This means that when a particular destination bank becomes SEPA-compliant, we will not have to make changes."

BAWAG P.S.K. is enjoying predictable pricing and is looking for other opportunities to work with VocaLink as the PSD becomes effective. Rudolf Pendl comments: "VocaLink and BAWAG P.S.K. share the same vision around modern payments systems which deliver real benefit to our business. Working with them is not only enabling us to do much more, but it also means we can focus on the key people that matter: our customers."

To find out how you can benefit from our managed Euro Services, call +44 (0)1582 813 204 or email info.euroservices@vocalink.com.