

# BGC and VocaLink devise pioneering business model



BGC operates one of the most sophisticated ACH services in Europe. It needed to find a way to upgrade its technology to make it future-proof, and to accelerate product development as well as cut costs. Following a major evaluation of the options available, BGC agreed to outsource the processing and development of the Swedish Payments system Bankgirot to VocaLink. This is the first time the processing for a national payments scheme has been transferred to a non-domestic player.

**bgc**

Sweden is an early adopter of new technology. It is home to some of the world's largest and best-known telecoms companies. Both private and public sectors are at an advanced stage of technology integration and the people of Sweden have high expectations of technology providers.

The Swedish banking community has embraced technology as a way of reducing paper and moving customers to advanced electronic payments systems. BGC is the intermediary of retail payments between the banks and their customers and is responsible for running and developing the Bankgirot credit transfer and direct debit system. Payments that pass through the system originate in different ways, including the branch network and over the internet. BGC also provides additional services for banks and their customers including e-invoicing and a range of PKI services.

## The BGC challenge

BGC faces many of the same commercial challenges that banks are grappling with in a complex, changing environment. At a fundamental level, they need to reduce the cost of their services to customers while simultaneously improving service levels and meeting regulatory requirements. Although Sweden is not in the eurozone, it is still affected by SEPA and the PSD. Furthermore, if Sweden adopts the euro in future, this will alter the payments landscape for BGC services substantially - increased competition is inevitable.

A combination of the above issues was the driving force behind a major BGC initiative to examine business processes and look at alternative ways to meet short-term and strategic business objectives. BGC is the primary ACH for Sweden, so a fundamental prerequisite of the review was to minimise the impact on customers of any new systems implementation: the cutover to any new system must be seamless with no break in service continuity.

BGC examined the structure of their business and conducted an objective review of all processes and relationships. While the volume of transactions is substantial, BGC quickly realised that the Swedish market is not sufficiently large to justify the large-scale investment required to upgrade existing systems to meet future challenges.

After careful consideration, BGC decided to seek a long-term partner to address their operational and technological challenges. In 2007, having sought the approval of the Sveriges Riksbank (the central bank of Sweden) and Finansinspektionen (the Swedish financial services authority) BGC conducted a review of potential partners and initiated a competitive tender process.

## The need for partnership

VocaLink was chosen as a strategic partner for BGC. Why? VocaLink already processes over 15% of European payments on a modern technology platform that has proven to be 100% reliable and scalable. The scale of the VocaLink operation is also of great commercial importance: BGC and its customers will benefit from this in the form of reduced processing costs.

As well as systems expertise, VocaLink has recent experience of undertaking major systems implementations. In 2006, VocaLink delivered a complete technology refresh which culminated in the delivery of a new payments platform for the UK banking industry. This award-winning programme involved the largest ever customer migration in UK banking history. It was successfully implemented on time with no disruption to service delivery. BGC had watched this migration closely.

*“In selecting VocaLink we have revolutionised our business model and secured the future of BGC at the heart of the Swedish payments infrastructure.”*

*Christina Friberg, Director of Bankgirot*

In devising a solution based on partnership, VocaLink and BGC have exploited the synergies between both companies while keeping the relationship commercial. BGC has reduced its costs, mitigated risk and accelerated deployment of a strategic solution. Now BGC staff can focus on those aspects of the business where they add most customer value, leaving VocaLink to provide processing, IT development and support.

## The outcome

The partnership has been a radical change for BGC and the structure of the partnership with VocaLink is unique. BGC retains all of its current responsibilities with the Swedish banking community, firms and public agencies, including regulators. The new model involves outsourcing of processing to VocaLink, but BGC also gains a comprehensive multi-site business continuity capability compliant with the demands of the regulators.

BGC has also signed a strategic alliance with VocaLink for the development of new products and services for the Swedish market. This will generate economies of scale that permit more cost-effective payment services to be delivered to BGC customers in a shorter timescale.

Commenting on the benefits of this revolutionary agreement, Christina Friberg, Director of Bankgirot said “VocaLink’s scale and proven capability in delivering large payment industry projects is unparalleled. We now have a true partnership that will deliver value to all parties.”

VocaLink is Europe’s leading payment processor. To find out how you can benefit from our managed services, call +44 (0)1582 813 220 or email [info@vocalink.com](mailto:info@vocalink.com)