

Introducing the Back Office: activities, technicalities, and special features



Numerous internal services contribute to the smooth running of the Bank: one of these is the Back Office.

In order to get a better understanding of what's hidden behind this service, we asked Giuseppe D'Onghia to answer a few questions.

Giuseppe D'Onghia
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As the Head of Back Office, what do you do and what are your main business activities?

The Back Office is divided into two areas: **Payment Transactions** and **Securities**.

Payment Transactions is mainly responsible for accounting for incoming transfers, outgoing payments in various currencies via different systems (most of these transactions are carried out automatically by our e-banking platform, GoBanking), currency market (forex) transactions carried out by the Trading Room, foreign exchange forwards, standing orders, etc. Another activity involves trouble shooting – solving problems relating to outgoing and incoming payments, such as delayed transactions and missing or incorrect transactions.

The main activity of the Securities section is registry opening, which involves registering securities and their particulars in the relevant system. This activity is essential because only after the registration is complete is it possible for advisors/clients to carry out the desired operations. We also have separate areas for Securities Administration – which deals with coupons, dividends, transfers of securities, corporate actions, etc. – and Stock Exchange, which deals with carrying out the accounting relating to securities trading on behalf of clients.

Dealing with invoices is an activity that concerns each and every one of us closely: how does Payment Transactions deal with outgoing and incoming transfers?

Like I said, most outgoing domestic and SEPA payments (about 80%) are processed directly via GoBanking and no longer go through our service. The rest of them, including domestic and international paper-based transfers, require a certain amount of manual handling. In this regard, the Back Office operators are responsible for registering payments and checking what's been registered by the various advisors, and that our institutional operating instructions have been followed. For international payments, the operator's involvement also includes deciding which transfer system to use based on the client's requirements (beneficiary bank, currency, division

of costs, etc.). The Payment Transactions service also gets the appropriate intermediaries involved depending on what agreements are in place.

In terms of incoming payments, around 97–98% of them are in Swiss francs and euros, but we only get involved if there's a problem. Incoming transfers via SWIFT, on the other hand, are processed manually because the transaction involves more than one intermediary. The Back Office operators first check that the amount can be covered by the partner bank we use for the particular currency, and only then do they credit the client's BPS (SUISSE) account. For this reason, it takes a few days for the transfer to appear in the beneficiary's account.

SEPA, (euro)SIC, SWIFT: what do these acronyms mean, in simple terms?

Clients may not be aware of this, but every time a transaction is carried out it involves one of the following processes:

- SEPA: the *Single Euro Payments Area* – a system launched by the European Union to standardise cashless payments in euros between member countries using a single set of rules and procedures. Payments must comply with certain rules to be processed through SEPA, for example the costs must be shared equally between the payer and the beneficiary, and both institutions must be members of the scheme.
- (euro)SIC: *Swiss Interbank Clearing* and euroSIC are Swiss payment systems. SIC processes cashless domestic transfers in Swiss francs, and euroSIC processes transfers in euros that are not part of the SEPA system.
- SWIFT: *Society for Worldwide Interbank Financial Telecommunication*. This is a communication network between banks for handling international payments that can't be processed through either of the above systems.

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How do you interact with other banks? Are there rules?

Direct contact can only be made if the beneficiary's bank is a member of the SIC and euroSIC systems, or if the other institution exchanges the SWIFT "key" (the authorisation that allows two banks to communicate directly and carry out transactions without the intervention of intermediaries). Where no direct interaction is possible, the transaction requires the intervention of third parties; the more institutions involved in the transaction, the longer it takes and the higher the costs to the client.

In terms of rules, yes – there are rules in some countries. A representative example is the United States, which only allows US dollar payments to be processed within the country by US banking institutions. This means that any foreign bank (including us) has to go through its corresponding institution in the country.

Introducing the Securities Back Office, you mentioned "corporate actions". What are these?

A corporate action is any action carried out by a listed company that involves changes to its share capital. This includes acquisitions and mergers between organisations, capital increases and stock splits – in other words,

increasing the number of shares in the company without increasing the share capital, which means the value of each share is reduced.

How has technological development affected the work of the two Back Office areas?

Technology has definitely facilitated the automation of certain operations. Automatic processes have created added value for both Back Office operators and the Bank itself. On the one hand, technological developments have meant that the most recurring and monotonous tasks have been taken over directly by the machine, thus relieving employees, making their work more varied and with fewer errors. On the other hand, the workforce has diminished over time as a result of technological progress, and consequently the Bank's personnel costs have been reduced in favour of investment in IT. Some examples of technologies introduced include GoBanking for Payment Transactions, and more recently the automatic stock-market ordering process STP (*straight-through-processing*) or trading online for Securities.

How do you think the service activities will develop in the future? Will "human" intervention continue to play an important part, or will technology ultimately streamline the activities?

Ad-hoc manual intervention will always play a part in both areas of Back Office, especially where transactions or other actions need to be executed urgently.

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Even for trouble shooting, the verification of credit coverage, as well as the triggering of corporate events in the area of Securities Administration, manual intervention will continue to be paramount.

Nevertheless, with the help of technology, further tasks and processes can be streamlined - this will enable to offer a "higher quality" service oriented towards controlling the efficiency of processes and flows.

Payment Transactions and Securities are two very different services. Do you think there are commonalities?

Absolutely! Both are services provided for the client – which in this case being the “Front” office (advisory). They have no direct contact with external clients. They are operational offices which carry out requests that come in; no decision-making is involved. In addition, both are responsible for our institution in Switzerland as well as the one in Monaco (MC). Last but not least, although Payment Transactions deals in “money” while Back Office Securities deals in “securities”, their activities are both primarily concerned with registration.

Finally, how did your career path lead you to your current position?

After completing an apprenticeship, I worked at another banking institute for eight years before coming to BPS (SUISSE) in 1998. I worked in Payment Transactions from the start and took over as Head of department in 2000. Following a strategic decision made by the Bank in 2014, the two current areas of the Back Office were brought together, and I was put in charge. The new assignment was certainly a challenge but the experience I'd gained over time and the highly skilled colleagues made the job easier for me.

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