

Landmark outsourcing solution in payment traffic

The cooperation between UBS and PostFinance in processing UBS' standardized non-electronic payment traffic has been running successfully and productively since 2005. This example clearly demonstrates that with payment traffic processing, breaking open the cross-company value added chain actually works.

Parts of the entire value added chain that don't represent one of UBS' core competences were outsourced to PostFinance. Important prerequisites for such a successful cooperation are mutual trust and a solid partner relationship, with a clear, simple agreement as its base.

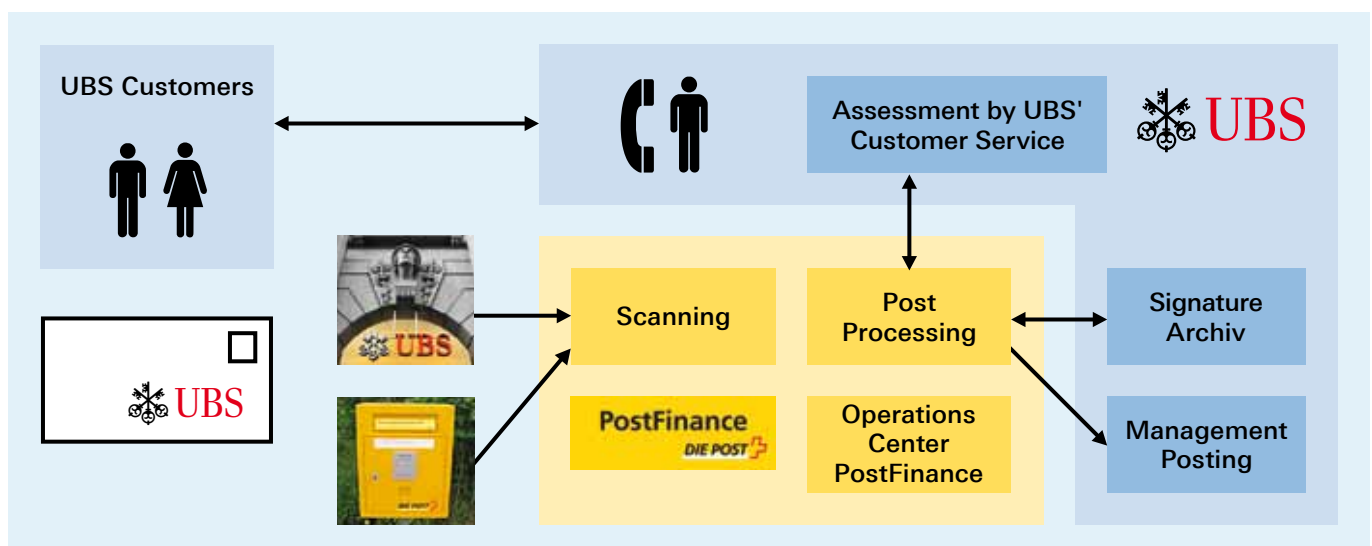
PostFinance processes all standardized payment orders using paper records, from entering the order at the PostFinance Operations Center to the transfer of the fully recorded and verified order data and digital record to UBS for management and booking. In 2008 there were approximately 22 million records.

Assessments of UBS customers are handled by UBS' customer service. PostFinance provides all necessary data for the evaluations to these UBS employees. The assessment results in turn are fed into the PostFinance processing to enable continued processing there.

The primary success factors

The most important prerequisites for the successful partnership and the productive, timely implementation of the project were:

- The joint belief by both organizations that the project could be led to success, even against many obstacles
- Agreement-bound business and IT requirements, as well as industrial and data privacy protection laws and regulatory issues
- Inclusion of all stake holders from both UBS and PostFinance in the project work; streamlined and efficient project organization, supplied with the necessary competencies and short decision paths
- Fast and open communication vis-à-vis internal contact persons; staff and customers helped significantly in overcoming resistance early on and were target oriented.



Measures for successful operations

The following measures designed for security and monitoring of high processing quality were implemented:

- Providing a simple business organization with regular networking and information exchange, both at management and operational levels. A joint Quality Circle is held in periodic cycles with representatives from participating operations areas of UBS and PostFinance.
- Using Key Performance Indicators, a penalty system is implemented and the most important quality factors in processing (number of errors, timely processing) are measured. If necessary, steps to correct possible mistakes are taken immediately.
- A core element of the agreement is the Service Level Agreement (SLA) that defines services provided by PostFinance and UBS, including the corresponding performance standards. The agreement also regulates consequences for departures from the performance standards.
- A legally binding set of processing regulations for PostFinance staff forms the basis of the agreement. It defines, from the UBS perspective, which mandatory regulations must be applied to processing by PostFinance.

Motivation for this cooperation

UBS was facing a watershed decision in the area of processing standardized paper-bound payment traffic for two reasons:

- The order volume had been decreasing by ten percent annually, resulting in an infrastructure at the four processing centers that was used to capacity less and less.
- The scanning infrastructure would have to be replaced after ten years.

The restructuring/reorganization would have led to massive changes within UBS as well, ultimately making the outsourcing option a logical, sensible, and economical consequence.

With the transaction volume still remaining rather high – continued decreases notwithstanding – the list of possible partners was a short one. For most of the providers, the UBS volumes would have required a tremendous expansion of processing capacity. UBS wasn't ready to take that risk. In contrast, payment traffic is one of PostFinance's core elements, with a Swiss market share of more than fifty percent. PostFinance possesses an efficient and volume-proven infrastructure with corresponding processes that can be used by third parties, as well. That's why PostFinance has put together a modular payment traffic services package for third parties that is also being used by Glarus Canton Bank, Bank CIC and die Ticino Canton Bank.

The biggest challenge

Fears concerning the privacy of customer data – without which payment orders cannot be processed – kicked off a series of intense discussions at UBS. The solution that was ultimately worked out provides PostFinance with the absolute minimum of data without negatively impacting efficiency. <

Urs Knecht

Head of Cooperations Payment Traffic, PostFinance
urs.knecht@postfinance.ch

Marco De Pizzol

Functional Management Payments & Investigations, UBS
marco.de-pizzol@ubs.com

Outsourcing benefits

- Low operating costs in payment traffic processing
- Fully flexible fee schedule for payment traffic processing (cost transparency)
- Lower investments in regards to payment traffic processes for replacement needs and technological improvements and changes.