NDC InFocus

Settlement with Orders Program (SwO) for Airlines and Sellers (travel agents, OTAs etc.)

Why is this important

The Settlement with Orders Program has developed with the industry a lean XML data exchange standard and a process to simplify the settlement between travel industry partners.

It will enable the settlement of NDC Orders through IATA BSP, including a fully automated reconciliation.

The standard relies on a simple claim message initiating the settlement of the pre-agreed payment amount between two parties for an order. The claim is followed by an immediate notification to the other party. Based on a schedule, IATA will aggregate and net all claims and inform them about the settlement result with a notification.

The SwO standard applies to the settlement between Airlines and Sellers (Agents, OTAs, TMCs, etc.), using the current BSP agency program framework. It is also expected to be extended to the settlement between partners, to support interline and multimodal business models (leveraging on the Future of Interline framework).

Using the SwO standard, the NDC carriers and their sellers benefit from the IATA BSP settlement for BSP cash method of payment and soon IATA EasyPay.

Extension of order usage

Airlines and sellers now benefit from a full order-based distribution framework all along the value chain from distribution to settlement and accounting of payables and receivables, without the complexity of the ticket-based processes for settlement. It complements NDC and ONE Order benefits, regardless of whether tickets/EMDs are issued in the background or not, bridging the gap also for ticketless carrier settlement, which means it is also applicable to ticketless carriers.

Benefits for Airlines and Sellers

Say Goodbye to painful and lengthy reconciliation of your NDC payments. Enjoy automated reconciliation - This very lean standard includes remittance and settlement dates into the messages and summarize in interactive messages the transactions settled. This allows a fully accurate and automated reconciliation at time of Remittance and Settlement. At the time of remittance and settlement, the bank movement (credit or debit) can be instantly matched back with the claims for an automatic reconciliation of bank payments

Better cash flow forecasting and liquidity visibility - At the time of sending and receiving the claim notification, the carrier and seller immediately receive the respective settlement and remittance
dates, greatly facilitating cash flow management and debtors or creditors visibility

**Seamless integration between Distribution and Finance** – The usage of the SwO standard allows a mapping and reconciliation between the distribution orders, their payments and their settlements. This means a perfect integration between Distribution, Payment and Finance systems (accounting systems, and ERPs).

**A simpler & more efficient way to settle**

- **Step 1**: Once a payment is committed between a carrier and a seller, using the messaging standard supporting NDC, the carrier provides a clearance request to the Settlement Manager (e.g. IATA BSP). The carrier in return receives a clearance response and the seller receives a clearance notification.

- **Step 2**: at the agreed time (SwO schedule), after the consolidation of all clearance requests received for the period, the Settlement Manager informs the distribution partners about their consolidated net positions by sending Transfer Notifications messages:
  o The final Payer receives a Remittance Transfer Notification
  o The final Payee receives a Settlement Transfer Notification
  o Payer and payee can be seller or airline, depending on the net position at time of final settlement

- **Step 3**: based on the outcome of step 2, the payer will remit the funds to IATA and IATA will remit the funds to the payee.

In Summary, implementing the SwO standard in Finance allows airlines to:

- Leverage their NDC APIs to drive the collection and accounting of receivables and payables
- Reduce the complexity of their NDC implementation for settlement and accounting integration

**Zoom into the topic**

**Built with the industry, for the industry**

The SwO standard is built with the industry, including 13 airlines in the Settlement with Orders Group and 13 IT providers who have provided their inputs.

**How it works, in a nutshell**

As explained in the SwO implementation guide, the process enabling the settlement with orders using the SwO standard is fairly simple:

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**Industry State of Play**

After a pilot phase, British Airways and Click Travel, the UK based TMC, are using the standard in production since April 2020. The IATA BSP platform has now been enhanced to support the SwO standard, paving the way for future mass adoption.

From the beginning of 2021, it is expected that other carriers and sellers will adopt and implement the IATA SwO standard, benefiting from the BSP SwO platform. For more information visit the IATA SwO website or write to swo@iata.org
NDC InFocus: Settlement with Orders Standard
A simpler & more efficient way to settle NDC sales

Thibaut Ruy / Philippe Truchet / Gianna Monsch / Momchil Momchilov

17 July 2020
Agenda

- A new Airline Retailing world with NDC and SwO
- How does the Settlement of NDC Orders work with the new SwO standard?
- What are the benefits for the Industry?
- The program roadmap
- A transformation built with the Industry, for the industry
- Next Steps
- Q&A with the SwO Team
A new Airline Retailing world with NDC and Settlement with Orders (SwO)
Airline Retailing, NDC without SwO

Sellers / IATA Travel Agents

Offer Management

Order Management

Ticketing

Revenue Accounting

Accounting

Payment / Settlement

Airline
Airline Retailing, NDC with SwO

Sellers / IATA Travel Agents

Offer Management

Order Management

Fulfillment (Ticket or Order)

SWO

Finance

Payment / Settlement
Data flows to enable the Settlement in 2020
The SwO Standard Framework is enabled

<table>
<thead>
<tr>
<th>Contractual</th>
<th>Technical</th>
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<tr>
<td><em><em>PaConf</em>/42 - October 2019 approved</em>*</td>
<td><em><em>PSC</em> - October 2019 approved</em>*</td>
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| Resolution 866 – Update to Definitions of Terms Used in Passenger Agency Programme Resolutions to enable SwO usage | SwO Standard Carrier-Seller  
  - PSC Resolution 750a  
  - SwO messaging standard Rel 19.2.  
  - Unanimously approved by PSC on 14 Nov 2019 WAW |

*PaConf: Passenger Agency Conference  
*PSC: Passenger Service Conference
Settlement with Orders: How does it work?
SwO between Carriers and Sellers

**STEP 1**
**Distribution:**
Order processing

**STEP 2**
**Finance:**
- Order Accounting
- SwO Remittance & Settlement processing & Accounting

**STEP 3**
**Banks:** Transfers of funds processing & Accounting
SwO messaging flow

**Seller System**
(Mid-/Back-office - Finance)

- Clearance ID: 202095400000111
- Agreement ID: 1234567890
- Commitment ID: 0987654321
- Payee: Airline ABC 945
- Payer: Agent X
- Currency: EUR
- Net Clearance Amount: 1'000
- Remittance Date: DD MM YYYY
- Remit ID: SWR00000001

**Airline System**
(Finance)

- Clearance ID: 202095400000111
- Agreement ID: 1234567890
- Commitment ID: 0987654321
- Payee: Airline ABC 945
- Payer: Agent X
- Currency: EUR
- Net Clearance Amount: 1'000
- Settlement Date: DD MM YYYY
- Settle ID: SWS00000001

*Remittance and Settlement Dates follow RSP calendars
SwO Agreement ID = NDC Order ID
SwO Commitment ID = NDC Payment ID
SwO beyond Carrier-Seller settlement

Order Management System

Post Booking
Mid-/Back-office
Finance System

Offer Order retailer

Shop/Offer
Order + Payment Commitment
Cash or EasyPay

IATA
SwO
Carrier-Seller
Remittance & Settlement

Finance System

Bank

Order Management System

Offer Order supplier

Shop/Offer
Order + Payment Commitment
Cash

IATA
SwO
Carrier-Carrier
Interline Settlement

Finance System

Bank

Bank

Order Management System

Funds Transfer

Post Booking
Mid-/Back-office
Finance System

Order Management System

Funds Transfer
The SwO standard is published!

The full standard documentation is available:
- https://airtechzone.iata.org/industry-programs/swo
- 19.2 & 20.1 versions
- Implementation guide, XSD schemas, XML samples
SwO: What are the benefits for the Industry?
SwO complements & supports NDC

Streamlined & Efficient
Simplified settlement of your NDC Orders

Easy to implement
Lean XML data exchange standard
Simplified process

Re-usable
For settlement between any NDC travel industry partners

Supports AIR Vision
Any type of service
Does not require ONE Order
A first step
SwO Benefits for finance (Airline & Seller)

Without SwO
- Manual
- Costly
- Time consuming

With SwO
- Fully automated reconciliation
- SwO strengthen your NDC implementation
- Fast and accurate cash visibility
- Fast and accurate cash visibility

Without SwO
- Not accurate
- Not timely
- Manual or somehow automated
- Not visible in ERP

With SwO
- 100 % accurate
- Early visibility
- In ERP

Manual
- Automated
- Efficient
- Fast!
- 5-6 days saved monthly!
What is the SwO roadmap?
SwO High-level Roadmap 2018 - 2021

Disclaimer: will change due to Covid-19 impact

- **2018**: SwO Draft Standard
  - POC Dec 2018

- **2019**: SwO Standard 19.2
  - Test Pilot Nov-Dec 2019
  - POC Aug-Oct 2019

- **2020**: SwO Standard 20.1 / 20.2
  - Live Pilot April 2020
  - Go-Live 01 May 2020
  - Test Pilot TBD

- **2021**: SwO Standard 21.1 / 21.2
  - Industry Adoption 01 Jan 2021
  - Go-Live TBD
  - POC TBD

Colors:
- **Indirect Sales (Seller)**
- **Retailer Interline**
- **Retailer Partners (Hotels, etc.)**

17 NDC InFocus - Settlement with Orders
17 July 2020
Built with the Industry, for the industry
Airlines - Settlement with Orders Group (SOG)

- Airlines set the SwO Standard
- 13 airlines participated: AA, AF, BA, CX, EK, HR, JU, KL, LH, LX, SQ, TK, UA, QF
- Reports to the Pay-Account Standards Board (PASB) under the Passenger Services Conference (PSC)
- Deals with all aspects of financial settlement between two parties – payer and payee – where at least one of the parties is an airline, and within the scope of IATA resolutions
- Sales payment & settlement processes experts with accounting and finance process knowledge
Providers - SwO Adoption Group

Working together with various providers to allow adoption

.... more to come
First successful implementation!

- Test Pilot: Nov & Dec 2019
- Live Pilot: April 2020
- In production since 01 April 2020
- Major benefits materialized
  - Lean messaging
  - Cash Flow Management
  - Automated Reconciliation
The world has changed with COVID-19
SwO supports post-COVID restart

Reduce Cost

Simplified Finance

Better Cash Management

Automated Reconciliation

Generate Cash

Support NDC

For Ticket or Order

Enable New business

For carriers and sellers!
Next steps
Get ready, embrace the SwO standard!

**Airlines**
- Bridge the gap
- Contact your provider(s)
- Create SwO business cases
- Link SwO strategy with NDC one
- Build a plan

**Sellers**
- Bridge the gap
- Contact your provider(s)
- Create SwO business cases
- Link SwO strategy with NDC one
- Build a plan

**Providers**
- Involve your clients
- Get ready for SwO
- Create a plan
- Support the industry transformation

Contact IATA
Sign Expression of Interest letter
Pass certification
Contact the SwO team
swo@iata.org

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Head Settlement with Orders Program

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Settlement with Orders Group Secretary

Philippe Truchet
Head, Risk and Settlement with Orders Implementation

Gianna Monsch (consultant)
Settlement with Orders Strategy & Mobilization