Electronic Bank Account Management – The Treasurer’s Panacea

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For a while now, there is growing displeasure being voiced by both banks and corporates about the efficiency of bank account management processes. The paper heavy processes are considered to be an anachronism in this day and age of modern technology.

This paper attempts to address the pitfalls of the paper based processes while also shedding light on a potential electronic solution (eBAM) and the benefits of such a solution. We conclude the paper by talking about the industry reaction and industry response required to make eBAM a reality.
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**Introduction:**

Today's dynamic environment makes it imperative for corporates to deal with numerous bank accounts across the globe and maintain multiple banking relationships. The average corporate may work with around 15-20 different banks and a significant effort is spent in meeting requirements, and are governed by multiple laws and bylaws. To compound the problem most of the existing methods to fulfill account management activities are paper based and are extremely time consuming.

The below table gives an insight into the discrete number of functions that are collectively termed bank account management:

<table>
<thead>
<tr>
<th>Function</th>
<th>Account Management</th>
<th>Signer Management</th>
<th>Mandate Management</th>
<th>Reporting</th>
<th>Legal Entity Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Bank Account</td>
<td>Open Bank Account</td>
<td>Add Authorized Signatory</td>
<td>New Mandate Addition</td>
<td>Legal Entity Reporting</td>
<td>Addition of legal entities</td>
</tr>
<tr>
<td>Modify Bank Account</td>
<td>Modify Bank Account</td>
<td>Remove Authorized Signatory</td>
<td>Closing a Mandate</td>
<td>Status Changes reporting</td>
<td>Modify legal entity information</td>
</tr>
<tr>
<td>Close Bank Account</td>
<td>Close Bank Account</td>
<td>Alter signatory limits</td>
<td>Modifying Mandate Terms</td>
<td>Account and Authorized Signatory level reporting</td>
<td>Close Legal Entity</td>
</tr>
</tbody>
</table>

The next few sections will highlight the pitfalls of the traditional method. This paper will also examine eBAM as a solution and what a typical eBAM solution framework for banks would look like. We also attempt to clearly call out the benefits and impediments of the eBAM philosophy.

eBAM is not a completely new philosophy and some organizations have already invested some time and effort in coming up with some preliminary solutions. A section of the paper is dedicated to analyzing what the world is thinking about eBAM.

Finally we end the paper with what we perceive to be the road ahead for eBAM from our perspective.
Pitfalls of the Archaic Brick and Mortar Solution

Imagine; A chief treasurer of a large multinational corporation quits. His / Her wet authorized signature has to be replaced with his successor’s signature in all the banks (lets take 10 banks for example). The corporate then executes this signature transition process as per its own amendments. During the whole process significant treasury functions goes waste while the account itself is in a state of “pending action”. What we are referring to is a simple signatory management process that is executed by the conventional method.

The below illustration summarizes all the pain areas of the paper based solution

Is e –BAM the panacea banks and corporate are seeking?

In a world where everything from launching rockets to buying groceries is governed by technology why should banks and corporates stick to the archaic brick and mortar methods of account management? The discrete number of activities and the volume of change within the account management space clearly calls for a concise, de-materialized electronic
solution that allows easy transfer of vital information between banks and corporates. This is the genesis of eBAM or Electronic Bank Account Management

What does eBAM mean to banks?

Implementation and integration of eBAM solution involves upfront investments, spending time with clients in consulting and integrating their treasury systems. However, Banks need to start looking beyond the initial cost investment to be able to truly reap the below mentioned benefits of an eBAM solution.

Increased Productivity

Recent studies have found that it takes up to 10 personnel and about seven business days to get a new account opened using a paper based process. With eBAM the entire process is a lot more streamlined and banks can be assured of faster turn around times. Also eBAM enables straight through processing which helps bank honor more requests in lesser time.

Reduced Risk

With paper based solutions comes a need for manual intervention and hence risk of errors. Once an electronic solution is implemented and stabilized there is little to no chance of entering wrong information in a request. This results in a lower risk for stakeholders arising from bad data being processed.

Superlative Audit abilities

Arguably, the greatest win for banks by implementing an eBAM solution is the ability to electronically record, track and retrieve information about all the requests serviced by the bank. The icing on the cake is the ability to have robust compliance reporting abilities based on the audit information.

Standardization – A breaker of all barriers

eBAM as a solution works for the very reason that it forces organizations to adopt a common standard that transcends geographical and size based restrictions. A case in point is the potential adoption of the SWIFT defined ISO 20022 as a standard to transmit eBAM requests

Impediments to the eBAM philosophy

Despite eBAM being considered a cure all for efficient bank account management, there are a few obstacles that organizations need to overcome before successfully embracing the philosophy.

One size does not always fit all

One of the major drawbacks of the eBAM solution is its reliance on standardization. While it can be safely said that most organizations require exchanging the same information to service bank account management requests, the treatment to
the requests may vary between institutions. These organizations will have to make amends to their IT infrastructure to cope with the differences and this may reduce acceptance.

**Digital Identity Authentication**

Despite increasing awareness of its authenticity, digital signatures are constantly under scrutiny as there are deep rooted concerns about digital signature authentication and management. Put this together with the fact that banks and corporates are concerned about the liability management in the event of a dispute, it is no surprise that the digital signature based authentication is a slow starter in certain markets.

**Heavy Upfront investment**

Of paramount consideration is the fact that eBAM comes with a huge initial investment. Not only does the infrastructure need to change to include the new eBAM components, but eBAM also mandates an overhaul of the existing infrastructure to move them from a batch based system to near real time. This factor may be the single most detrimental factor that prevents organizations from embracing eBAM with open arms.

Every innovation would come with its share of baggage and one can be reasonably sure that the industry players will work towards perfecting the eBAM philosophy.

**eBAM Solution Components – Through the Looking Glass**

Contrary to popular perception eBAM is not a readymade solution but a philosophy. eBAM allows financial institutions and corporates for several interpretations and implementation methodologies. However in recent times several banks (Citibank, HSBC, RBS) and corporates (Shell, HP, Merck) have come together to try and create a standardized solution that can address the needs of both the financial institution as well its corporate treasurers.

In this paper, we tried to look at what financial institutions should have as an infrastructure to support account management requests from the corporate customer. So we are assuming that corporate treasurer has an infrastructure which generates these requests and channels such request through a message carrying infrastructure such as SWIFT.

The below solution components are derived from the generic eBAM model, but are blown out a little to cater to the bank’s operational needs.
A careful observation of the illustration will reveal that the eBAM solution infrastructure consists of three major components

- The SWIFT Interface (considered for carrying the instructions)
- The Core eBAM components
- The back office integration channel and the back office systems

- **The SWIFT interface**: The SWIFT Interface serves as the entry point for all incoming account management requests. As part of a pilot program, SWIFT has been working with corporates and banks to determine the various requests that can be de-materialized and has created appropriate message types that can be sent via SWIFT infrastructure
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- **Core eBAM Components**: A message processor receives the incoming message and breaks it down to logical data components. These data components then undergo a set of validations based on a pre-defined set of rules defined by the bank. The outcome of this action results in a request being tagged as a valid or invalid request as may be the case.

Once a message is processed, all valid requests are pushed into an authorization queue. Some requests may be deemed to be auto authorized and such requests go straight to the scheduler to be pushed into the back office for fulfillment. An invalid request is sent into an exception queue and a workflow item is generated to notify the appropriate exceptions personnel.

One of the core components of the eBAM solution is a request authorization that provides the account management personnel to access the various requests and work through them. The system would determine what functions are available to the user based on the role associated with the user. The primary functions of this system are to assist the exceptions personnel to work through invalid requests and also to generate outgoing instructions back to the corporate requesting for additional information. The other important feature is the ability for the system to alter or authorize pending authorization requests. Authorized requests are sent to the scheduler that would periodically push this down the back office integration infrastructure. The various personnel access the requests assigned to them through a set of dashboards and a UI layer.

One more important aspect of the core solution is to be able to report based on various criteria such as daily authorized reports, exception reports etc. The reporting module associated with the request checker system is used to perform these reporting functions.

- **Back Office Integration**: All valid requests would eventually be fulfilled by the back office systems. Considering that different requests have different fulfillment systems, the back office integration enriches the request to include its destination. In addition the integration layer also transforms the request data to be compatible with the destination system. The mechanics of the fulfillment is beyond the purview of the eBAM solution and is not being detailed in this paper.

**Industry Initiatives so far...**

The birth of eBAM can be traced back to almost 5 years ago. In this time, several banks and corporates have spent time and money in an effort to try and come up with comprehensive solutions that can overcome the barriers created by the paper based manual processes.

There have been significant efforts among the stake holders and proponents of eBAM to design solutions and standards to take the concept to an ideal state.

Primarily the development has been in the following areas:

- **eBAM Product Suites**: A few technology vendors have recently introduced out of the box solutions to try and automate certain bank account management functions. Most products offer to electronically manage account opening / closing/ administration activities, manage signer reconciliation and document management.
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Considering that authentication is of paramount importance, some technology vendors have introduced unique authentication mechanisms for facilitating the corporate treasury bank account management functions.

- **Financial Services Firms**: Frontrunners in these areas are JPMC and Citibank. Their core offerings include opening, maintaining and closing accounts electronically. They offer to automate processes based on streamlined workflows which reduces the manual, paper-based account processes.

- **Standards by Networks and Associations**: The two key players in this are SWIFT and Iden Trust – TWIST (Transaction Workflow Innovation Standards Team). SWIFT has defined standard XML messaging formats and instructions in conjunction with its standardized gateway to facilitate and complement the eBAM initiatives. On the other hand TWIST focuses on streamlining the account opening process for treasurers and to facilitate Straight Through Processing (STP) between banks and their wholesale customers.

While it’s early days to measure the results, these solutions have done enough to provide a wake up call to banks that hope to streamline their bank account management process and make it less tedious. Infact the smart banker could actually create a revenue generating mechanism by smartly adopting the eBAM solution.

**The Road ahead for eBAM**

There has been a growing consensus among the participants (banks, corporate and solution providers) that eBAM (Electronic Bank Account Management) is a strategic component in the overall customer servicing approach which are being very well received within the overall corporate customer community. Customers are envisaging these types of models to provide them with more transparency, more control and save money. What is paramount is that eBAM needs to be cross channel viz. online, host to host, and traditional channels.
The important milestones in the journey to a successful, universally acceptable eBAM solution are

- **Integration**: Integration of eBAM is a key strategic vision. As the integration strategies are being laid out, the key considerations have to be that the solution needs to be connected effectively to the bank’s internal systems as well. The ERP system, cash management, human resource, and legal systems also need to be brought under the purview of the overall eBAM integration approach. Organizations like JPMC and Citibank are the front runners in these areas and are gearing up to rollout next generation eBAM solutions.

Another problem with the integration of a new age solution such as eBAM with legacy back office systems, lies in the fact that legacy systems are typically memo post or batch based solutions and do not support high degrees of real time interaction.

- **Regulatory Acceptance**: A blend of the new world and the old world is an absolute key to successfully implementation of eBAM. The pillars of the paper based process have to be retained while embracing new age techniques for non-repudiation such as digital signatures. Paramount to that cause is the legal acceptance of electronic signature and de-materialized transfer of documents.

- **Standard Messaging Format**: It has dawned upon banks and corporates that the absence of a standardized messaging format will render the vision of a true eBAM solution ineffective. Organizations like SWIFT, IdenTrust (TWIST) are investing their energies in defining standard formats which will summarily eliminate the need for multiple disparate forms.
Wipro Advantage

Wipro has decades of experience in implementing Corporate banking solutions and has developed expertise in messaging based solutions. Wipro has deeper understanding of SWIFT protocols and implemented solutions in the account management and other payments solutions using standardized technologies across the globe.

Wipro is today engaged with leading financial institutions in providing solutions for addressing eBAM challenge. Wipro can bring the right solution and partnerships to the table to address your specific eBAM requirements.

Conclusion

Though the evolution of eBAM has been significant so far, a lot of technological and operational gaps have to be bridged in order to make the concept acceptable among the stake holders. The Collaboration between the banks, corporates and technology solution providers will go a long way in achieving this. Also the regulatory acceptance of this new concept and process can be a significant challenge going ahead. What has to be realized by various parties/ beneficiaries/ proponents of eBAM is while enhancing the electronic aspects of corporate bank account management, the simplicity, ease and other best features of the paper based model should not be sacrificed. One thing that all of us will have to agree upon is that the journey from paper based processes to automated bank account management has certainly started...it only remains to see what that final destination looks like and how soon will banks and corporates get there!

Acronyms

eBAM – Electronic Bank Account Management

TWIST - Transaction Workflow Innovation Standards Team

SWIFT – Society for worldwide interbank financial telecommunication

JPMC – J.P Morgan Chase Bank

STP – Straight Through Processing

ERP – Enterprise Resource Planning
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Wipro has dedicated practice focus towards Cards & Payments and works with leading financial institutions and payment service providers globally in developing cutting edge solutions. Wipro worked across Issuer, Acquirers, Processors and Card Associations in the Card industry. With its deep functional understanding, Wipro offers full range of IT services in this area including Application development, support, BPO and Consulting service to leading Card issuers and payment service providers.