

P E R S P E C T I V E

EBAM: Electronic Bank Account  
Management Made Easy!



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For years, companies have struggled to manage their bank accounts which, thanks to the global nature of business, need to be maintained with multiple financial institutions all over the world. In a study of 1,500 corporate organizations, a leading provider of identity solutions found that on average, each company banked with 6 institutions, and 1 in 4 worked with more than 10! 2 out of 3 had multi-geography banking relationships across 25 countries, on average.

These numbers offer a peek into the burden and complexity of administering corporate bank accounts. Currently, these are managed individually, manually, mostly using paper documentation, and although Internet banking enables some automation, it still requires the user to log into each bank one at a time. Imagine how cumbersome that is in the case of global conglomerates which are known to open 2 or 3 accounts a day!

Studies show that a sizeable number of companies employ as many as 4 people for managing bank accounts – which is understandable considering that they need to comply with regulations under different jurisdictions and deal with multiple forms and processes in each country, while juggling with several identities and access mechanisms. Obviously, this is not only an expensive and inefficient way of doing things, but laden with risk and procedural delay as well.

Banks don't have it much easier either. They too encounter immense complexity in the form of multiple forms, processes, regulations, access techniques and so on. In addition, they face data management challenges in terms of having to retrieve information from multiple locations and feeding that into systems which variously call for manual entry, re-entry or format conversion, not to mention ensuring that it always complies with regulatory stipulations. But perhaps their biggest concern of all is to track each piece of paper as it flows through their mammoth organization.

Wouldn't life be easier for corporate banking clients if they could access, use and manage all their accounts regardless of location from a single online portal? The good news is that such an alternative is in sight by way of an innovative solution called Electronic Banking Account Management (EBAM). EBAM is the result of collaboration between global banks, corporate

entities, technology vendors and Swift, which is its driving force.

EBAM alleviates most of the pain of traditional bank account management by providing companies with an automated and standardized method to easily and reliably manage multiple accounts housed within different banks in different countries. Using a single online interface, companies can open, maintain and close their accounts in real time, incurring lower cost and very little effort or paperwork. EBAM electronically captures most of the information that is today transmitted on paper, and once that is encrypted and digitally signed, allows it to be securely exchanged between the bank and the corporate user. In its ideal version, EBAM is linked with the back office systems of the bank and the client.

#### The key features of EBAM include:

- Online data exchange between the bank and their corporate client using a set of 15 XML messages in ISO20022 Message format, covering 18 business processes, pertaining to account opening, regular maintenance – including changes to mandates, ownership, signatories, signing limits etc. – and closure.
- A facility to authenticate documents and information using digital signatures, and send them as attachments with the XML request.
- Centralized documentation for each account.
- An automated process for requests, approvals, account exposures etc. which ensures compliance with regulatory, corporate governance and internal / external audit requirements.
- Easy integration with back office systems.
- A common view of accounts and mandates for the bank and the corporate organization.
- A standard way to digitally sign XML messages and attachments to ensure total security, which is recognized by different technology vendors.

#### How EBAM works:

When a new account needs to be opened, an authorized company executive sends an electronic request to the bank, which is

acknowledged immediately upon receipt, hence, establishing a trail which brings transparency and accountability to the process. If the bank needs some more details, it sends out a message, which is responded to by the company and once again acknowledged. When the account is opened, the bank notifies the company enclosing the necessary details. All of these exchanges are conducted in a standardized format and authenticated by a digital signature which is validated before any information is sent out.

A similar process is followed for account maintenance and closure requests.

The point to note is that EBAM enables companies to seamlessly manage multiple types of accounts held in multiple banks through a single portal, even when each of those banks has implemented an EBAM solution from different vendors.

**Currently, EBAM is implemented using any of the following approaches:**

**Corporate Centric:** Under this model, the company acquires and owns the solution which it uses to manage its banking relationships. Therefore, its systems must integrate with those of its banks, which are probably supplied by different technology vendors. For this arrangement to work, it is required that the banks have similar infrastructure capable of providing information seamlessly to the company's system.

**Bank Centric:** In the Bank Centric Model, the bank owns and hosts a system that enables its corporate client to access and manage its accounts. Typically, the bank which hosts the system consolidates information from the corporate client's other banks. In order to allow the client access its complete relationship with multiple banks, each of the banks involved should have a similar system in place, capable of providing a consolidated view.

**Outsourced Hub Centric:** This model uses a secure, standard message communication mechanism for seamless information exchange in a multi-bank, multi-company, multi-geo scenario to enable companies to access data held within multiple banks in real time. This model overcomes the limitations of the other two models and enables technology vendors to

define the same processes and messages for exchanging information between multiple banks.

**The benefits of EBAM are many, and fairly obvious.**

Companies enjoy the convenience of centralized, standardized management of a plethora of account-related activities and better tracking and control through the process. Because everything is online and automated, they save a huge amount of time and effort. This is best illustrated with an example: When an authorized signatory quits, in the absence of EBAM, the company has to individually notify each bank of this event and launch another process to designate the new signatory. It may be several weeks before the loop is closed. With EBAM however, it is possible to perform this entire operation using a set of standard messages, which are instantaneously acknowledged and acted upon! In addition, EBAM saves costs and frees up valuable human resources which can be deployed into core business activities. Last but not least, it enables centralised, consolidated reporting for audit and other statutory purposes and supports Sarbanes Oxley compliance.

From the banks' point of view, EBAM is a tool to achieve higher efficiency, cut down error incidence, save time and render better customer service.

However, EBAM suffers from the singular limitation of not facilitating KYC compliance, which means that it may only be used by those corporate clients who have an existing banking relationship and hence, are already cleared from the KYC standpoint.

**EBAM pre-requisites and success factors:**

- Implementation of EBAM calls for some technology setup and investment at both ends. The bank needs to introduce the relevant software which will allow them to accept and respond to EBAM messages over the SWIFT network and also enable the creation of XML requests and digital signatures by the client. At the client site, the software must be integrated with their ERP system in order to achieve full automation.
- To be fully effective, the solution must support the management of accounts held with multiple banks across multiple countries.

- Complete security of information transmission is a pre-requisite for EBAM adoption, as is a convenient way to manage digital identities, for instance by instituting a single or federated identity management system which the company can use at all its banks.
- It is also advisable to translate the EBAM arrangement between the bank and their client into a legal contract.
- While EBAM is all about standardization, technology vendors must recognise the existence of unique needs, and accordingly build in the flexibility to allow some quick and easy customisation by the company.
- Creating awareness about the existence of such a solution among large corporate organizations, banks and technology providers is needed in order to speed up adoption.

#### The way forward for EBAM:

A collaborative exercise between SWIFT, global banks and technology companies has resulted in EBAM, a much needed innovative solution for corporate bank account management. After it was pilot tested in 2009, several banks, corporate organizations and solution vendors have started the process to implement EBAM to ease the pain of bank account management.

While EBAM adoption is still in the early stage, analysts expect all major wholesale banking participants to switch to it by 2012. Although this may be an optimistic view given that we still lack a mechanism to push widespread acceptance, EBAM is clearly on an uptrend.

Some of the key success factors include secure transportation of information, easy management of digital identities, support for compliance and enough flexibility to allow customisation as per user need.

At present, EBAM suffers from one serious limitation, which is that it does not include a KYC facility, mainly because it would like to steer clear of assuming any risk of admitting clients engaged in fraudulent or money laundering activity. Hence a bank can only offer this service to existing clients who are already KYC-cleared. If this hurdle is overcome sometime in the future, it could totally change the experience of corporate bank account management.

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