

Corporate Banking: Towards A Paperless Haven

The banking industry has seen investment of millions of dollars in technology-led business transformation. Myriad systems exist in a bank to manage corporate customer relationship, maintain customer databases, regulatory compliance, origination and on boarding, financial analysis, accounting, transaction management, portfolio management and much more.

But query the quintessential corporate relationship manager, account officer or the commercial loan administrator, and the picture painted is that of an office space overflowing with paper, co-existing with the forlorn desktop computer. It would be worthwhile to navigate the typical day or week of a corporate relationship manager, to understand the business processes, and how technology can play a role in each stage, to bring process efficiencies, aiming for the ultimate paperless haven.

Account planning

The 'Corporate Relationship Manager' (RM) is typically assigned a set of corporate houses and or specific geographies / industries which would be his domain. The RM would undertake an annual account planning exercise to chalk out the business plan for each corporate house in his designated area. The plan would detail out the existing relationship with the customer, share of wallet, potential opportunities for the forthcoming year, projected revenue and account strategy.

Customer relationship management applications can replace paper-based planning, and make it easier to capture, track, update and manage the account planning process, in addition to providing powerful MIS for senior management.

Contact management

Customer contact is by far the most important part of the relationship management process for corporates. A day in a RM's work day, could be filled with multiple customer appointments. This could be a visit to the senior functionaries in the finance and treasury department, CFO and CEO

level contact, or joint visits with the bank's specialists to trade, foreign exchange, capital market or cash management heads in the bank. The purpose of contact is both business development/relationship management and complying with the credit process.

Banks expect relationship managers to document their customer contacts as part of the relationship management and credit process. In many parts of the world this has been a largely paper-based process. Often the capture of the contact is an after thought, and evokes a 'groan', from the RM, given the paper work involved. Replacing the paper work with an electronic system, for capture and access by all concerned electronically, would provide significant benefits in enforcing the discipline for contact management.

Many regulators / bank risk management would like to see front end account officers having a robust customer contact program, so that the bank engages the company management on the health of the business and detects early signs of deterioration of credit quality.

Technology enables transparency in the process, with designated senior business managers and risk management being able to access electronically the contact details of RM's with customers.

Opportunity management

Opportunities abound in the market place. And so does competition! The relationship manager needs to have his ear constantly to the ground, to get wind of an upcoming opportunity. An announcement of a new project, a declared urge for acquisition, expansion in regular business, could all point to opportunities for the corporate / commercial bank to offer its products to the customer. The annual account planning exercise would also help in a more focused approach to opportunity management

The opportunity needs to be tracked from start to closure. Maintaining a spreadsheet in the desktop, e-mailing the same to senior colleagues, with associated paper printouts is not the ideal way to track opportunities. A customer

relationship management application can offer deal and pipeline management as a better alternative. Myriad details like size of the opportunity, potential revenue over various time periods and product segments, competition, probability of winning the deal, customer contacts made etc can be maintained.

Corporate/commercial loan origination

This is the subject that's worthy of in-depth treatment. The process is quite paper intensive, with multiple documents accompanying a corporate credit application. The application is typically a 10-30 page document created with popular desktop applications.

Financial analysis involves spreading, ratio and cash flow analysis, sensitivity analysis, and risk grading. Premier credit rating organizations have standard applications to carry out financial analysis with be spoke features for large banks that have their own standards.

Often the credit application is accompanied by annual reports, third party reports for valuation, assessment for vulnerability to natural disasters for commercial properties, industry / broker / analyst reports etc.

Banks are used to paper-based origination though the trend is increasingly moving towards electronic systems. Imaging and document management systems can play an important role in replacing the highly paper intensive process with an electronic one.

'Workflow' capabilities can be offered by origination systems so that the process moves electronically from the initiator of the credit application to multiple levels, and finally the approver.

The paper-based signatures can be replaced by electronic signatures, through capture of the user id of the recommenders and approvers along with time of approval. This would form an important part of the electronic audit trail, and do away with potential disputes in a paper-based process.

Facility documentation

In most parts of the world contractual documents are paper-based. Origination systems can help in maintaining electronic templates, and also provide 'edit' capability wherever the legal language needs to be rewritten to be agreeable to both the borrower and the bank.

Storing the scanned / electronic copy of the physical documents would help in easy retrieval.

On boarding

The credit documentation team, in many banks, provides a 'compliance' certificate to the loan account opening team, confirming that all approvals for the facility are in place, requisite documents obtained, the terms and conditions complied with, and security / collateral perfected. This paper-based document can readily be replaced with electronic confirmations, which is all the more easy, where the origination and loan accounting systems are the same.

Loan servicing

Calculation of interest, interest rate resetting is automated in most banks. Technology can play a role in sending advices through e-mail or secure means, replacing paper.

Covenant monitoring

In approving facilities to corporate customers, banks stipulate financial and non financial covenants, to be complied with periodically. Customer relationship management applications can help in assigning and tracking these covenants for ensuring compliance. Inquiry mechanisms using various filters can help in replacing the paper-based monitoring.

Covenant monitoring is an important part of the bank's risk management process and is subject to internal and supervisory audits. Replacing paper-based processes with systems, can improve efficiency, bringing transparency and audit controls.

Delinquency management

Business cycles go through their ups and downs. Spotting early warning signs of credit deterioration is an important part of the credit process. Indicators could come in the form of market reports, quarterly financial statements, substantial movement in input costs and finished product prices, corporate developments, industry trends. Banks have processes in place to flag such early warning signals in their corporate / commercial customers. Unfortunately these are largely paper-based.

Technology can help in capturing the justification for placing customers in the early alert category, and also send the internal memos electronically to senior management and risk/credit administration department. This would provide powerful electronic audit trail and inquiry capabilities.

If the signs of stress continue, this could involve placing the customer in the non-performing category. Again there is substantial scope, to make this process electronic and do away with paper. The ultimate step of course is a 'request to write off', and this could stem from recognition that the loan is impaired beyond hope of immediate recovery. Electronic data capture, 'workflows' and approvals can go a long way in replacing paper here.

Electronic credit file

The entire corporate banking process from account planning to opportunity management, contact management to credit approvals and write offs, is often captured for posterity (for audit, compliance and regulatory requirements) in bulky credit files. Even if some of the individual parts of the process are electronic, corporate relationship managers tend to take paper printouts and maintain bulky physical files. It is a common sight in corporate banking departments to see RM's, account officers and credit analysts lugging these huge files from their storage cabinets to their desks, back and forth. There is potential for missing pieces of paper and documents leading to potential audit issues.

There is tremendous scope for technology to convert the physical filing systems to electronic files. The various documents and approvals, can be electronically stored at the customer level, and would be amenable to ready access for audit and inquiry.

One Day in the Life of a Relationship Manager

Technology has provided tremendous business benefits to banks while at the same time helping them comply with myriad regulatory requirements. But, the relationship management process continues to be saddled with paper. A typical day of a RM would still see him / her struggling with printouts, paper approvals and bulky physical files. Having a holistic view of the process can make relationship management a fully electronic one, enabling RM's to spend more time with their customers. After all, it is the Relationship Manager who is the focal point of the bank's relationship with corporate customers. A day spent less in chasing paper and more with the corporate customer, is indeed a day well spent.

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