ELECTRONIC BANK ACCOUNT MANAGEMENT: GETTING AHEAD, GETTING STARTED

Abstract

Electronic Bank Account Management (eBAM) has made great strides since it was first introduced in the early 2000s. The idea of eliminating paper-based forms and moving to a single platform for account opening, modifications, and mandates was always appealing, to say the least, and a compelling story for a runaway adoption. But fast forward to today, more than 15 years since the idea was introduced, and eBAM adoption rates remain much lower than expected, even though it has been standardized and incorporated in SWIFT APIs. Several impediments are responsible for this, especially, disparate security policies amongst banks, incomplete conceptualization, and reluctance to disrupt existing mechanisms. In this paper, we attempt to present a course of action to overcome these impediments and achieve the promised value from this innovative concept.

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Understanding electronic bank account management (eBAM)

Back in the early 2000s, the account management systems lacked a centralized process and had no group-wide unified overview. There was no control over the processes related to the opening, maintenance, and closing of a bank account, resulting in information disarray with potential compliance issues. After spending years manually managing their accounts across different banks, corporates finally could breathe easy with the evolution of eBAM. eBAM was the result of collaborative efforts between banks and corporates which were cemented together with the standardization provided by SWIFT.

eBAM uses the SWIFT connectivity to automate and homogenize the opening, maintenance, and closing of bank accounts. The solution's main feature is that the authorized signatory of each corporate account and transactional signatories of these accounts can be updated through SWIFT transmission in addition to making other modifications on the account. Banks offer eBAM through the ISO 20022 XML standards. eBAM provides the necessary framework for digitizing account opening, maintenance, mandates, reports, and audit, thus easing the lives of corporates and banks alike. The concept and framework were remarkable – a digital answer to the paperwork and complexity involved in corporate account maintenance. Some of the big banks offering eBAM are Citibank, Royal Bank of Scotland, BNY Mellon, and more. Many vendors including Wipro, IdenTrust, PegaSystems, and others also offer eBAM solutions.

Visibility and transparency

Provides a central view and better visibility over all legal entities and the corresponding account status and mandates / signer information for each account that a corporate maintains.

Increased efficiency

Corporates internally communicate with banks using the standard formats ISO 20022 messages. Integrated workflow with the eBAM framework ensures streamlined and straight through processing.

Single point control

Uses a single platform for all the account creation, maintenance, authorization, rules setup, and workflow activities, making it a single tool necessary for referencing accounts and documents across banks and corporates.

Seamless integration with other systems

The standard format ISO 20022 provides a host of options to integrate with other systems such as HR, ERP, TMS, etc., through the host-to-host, direct channels, or dedicated lines.

Compliance and security

A common repository of information across all banks and approval workflows lends efficiencies in capturing and auditing information, thereby reducing the risk of fraud.

Reporting

Complete reporting needs of the banks and corporates can be satisfied as the eBAM system provides consolidated information across all banks for a corporate, and across corporates for a bank.

Additional benefits from SWIFT connectivity

Companies are looking beyond the basic offering of SWIFT connectivity to derive more benefit from their investment in SWIFT.

New services

eBAM can be used to provide additional services such as a complete overview of online account structures, treasury services, and service requests. This ensures a strong negotiation position for corporates with banks.

eBAM framework: The benefits

Looking back: The evolution of bank account management

Bank account management is a centralized approach to managing bank accounts and the authorized signatory information within a corporate. Earlier, the account information in the current account management system was located in disparate systems and was unmonitored. The corresponding processes involved were manual and repetitive. There was no synchronization of account management with the corporate's current ERP system and connectivity to the bank. This gave rise to potential compliance and internal control issues. For eBAM to be successful, it was important to answer certain BAM questions such as who can sign off and on which payments, how much can be signed off, whether the central treasury is aware of all the accounts of the corporates globally, etc.

Current account management system

- Lacked transparency over the bank accounts of the group
- No strategy on account handling of various entities within the group
- Increased cost due to inefficient assessment of bank account services including the bank fees being paid, etc.
- Failed audits due to inefficient tracking of account information
- Disarrayed multiple processes
- Poor standardization of the account management process
- Lack of visibility and control over the internal and external payment processes

Bank account management system

- Streamline internal bank account processes
- Create a centralized policy and framework for bank accounts
- Create an account relationship structure with the entire service list and corresponding authorized signatories
- Audits on the current account management process

Electronic bank account management

- Centralized payments and treasury hub
- Banking relationship consolidation
- Straight through processing
- Standardized internal and external processes and systems
- Harmonized payment methods and formats
- Integrated bank connectivity
- Globalized cash management
- Exchange of messages and documentation electronically with banks
- Central repository to track and manage bank accounts globally
- Management and control of users and signature rights for various accounts

Account management systems: A comparitive analysis

Three key challenges in eBAM adoption

Despite the overarching need for eBAM framework, its adoption has been disappointing. About 25 banks and around 45 corporates have adopted eBAM.

This is disappointing, considering the framework's enormous potential and the obvious cost savings and efficiencies it brings to the table.

Three key challenges encountered in the mass adoption of this framework are responsible for the dismal adoption rates:

Standardization	Security	Regulation
• Standard platform	• Different security policies and concerns across banks	• Different regulations across countries and across different types of banks
• Different styles and models for eBAM implementation with varying needs and infrastructure	• Different encryption and hardware tokens in place which makes the data to be treated specific to a bank	• Priorities across banks lie in complying with immediate regulations such as BASEL 2 and Dodd-Frank rather than eBAM
• Interpretation of standard protocols differently based on individual bank, corporate needs		

Three key challenges

Other challenges include:

- **Requires investment**
  Typically, to implement any major change in a bank requires a corresponding business case wherein the cost of doing business is evaluated against the cost of not doing it. With eBAM, banks are in the 'watch and wait' mode and lack strong incentives to move towards a standardized platform, disrupting existing ways of doing business with corporates.

- **Lack of standardization**
  Lack of a standard platform or model for integration had resulted in multiple versions of eBAM being offered. While the integration of the eBAM framework with the bank is through the common SWIFT network and protocol, there are many ways in which eBAM has been provided. For instance, eBAM created and hosted by banks, hosted by corporates within their networks, and hosted by third-parties. Even within the ISO 20022, the interpretation of the message fields for eBAM is different within different banks, corporates, and vendors.

- **Security concerns**
  Security has always been a sensitive matter for banks. Each bank has its own security policy which aligns with the individual bank's DNA. The security policy governs the encryption to be used, and the protocols and the restrictions in place. It dictates the use of certain tokens and hardware specific to the bank. An eBAM platform built for a particular bank and corporate would not necessarily work for others due to these concerns, thereby defeating the entire purpose of the eBAM solution across banks.

- **Region specificity concerns**
  Different laws and regulations across geographies make it difficult to provide a single eBAM, especially if the corporate were to have relationships with banks across countries. Rules regarding sharing of data and maintaining information across borders is one of the main concerns regarding a central repository required for eBAM.

- **The missing 'big brother'**
  Without the overarching pressure accompanied by the regulatory requirements, banks and corporates are unwilling to invest on a new framework voluntarily, unless it becomes a compelling business case or is required for survival. In fact, most of the recent investments by banks were in the SEPA and Dodd-Frank regulations in Europe and the US respectively. This eclipsed investment in other initiatives such as eBAM, and it remains in the radar of many banks.

Overcoming the barriers: What we can do differently

Corporates are rationalizing their bank accounts to improve their cash forecasting and visibility. As a result, corporate activities are limited to a set of banks providing increased control and visibility over the transactions while increasing corporate dependency on the principal banks. Though diversified banking relationships provide greater flexibility to corporates and limit the bank's default risk, it also increases the cost and time needed for account management and setup with increased fees being paid due to multiple banking relationships. Integrating the corporate's ERP system through eBAM and SWIFT could help seamless processing for internal and external processes.

A bank-neutral solution needs to be offered with both facilities of BAM and eBAM to evade a bank-specific system's intricacies. A central eBAM platform will allow corporates to add new banks as their preferred banking partners and measure the bank's performance on the basis of their fees, exchange, and interest rates.

Segregating implementation across banks as each bank has its own security and design principles, specific to the way the bank operates, is the way forward. Enforcing banks to adopt common standards with respect to security, design, and infrastructure capabilities may not be effective, especially in the short-term.

eBAM should be implemented with the least resistance for faster adoption. To achieve this, eBAM consolidation should occur on top of the existing constraints and topology. Having a multi-bank infrastructure, which builds a Chinese wall across the different eBAM implementations for bank-corporate relationship and provides a single view and control over the entire process, may be a step in the right direction. Each bank could integrate with eBAM using its own security and standards.
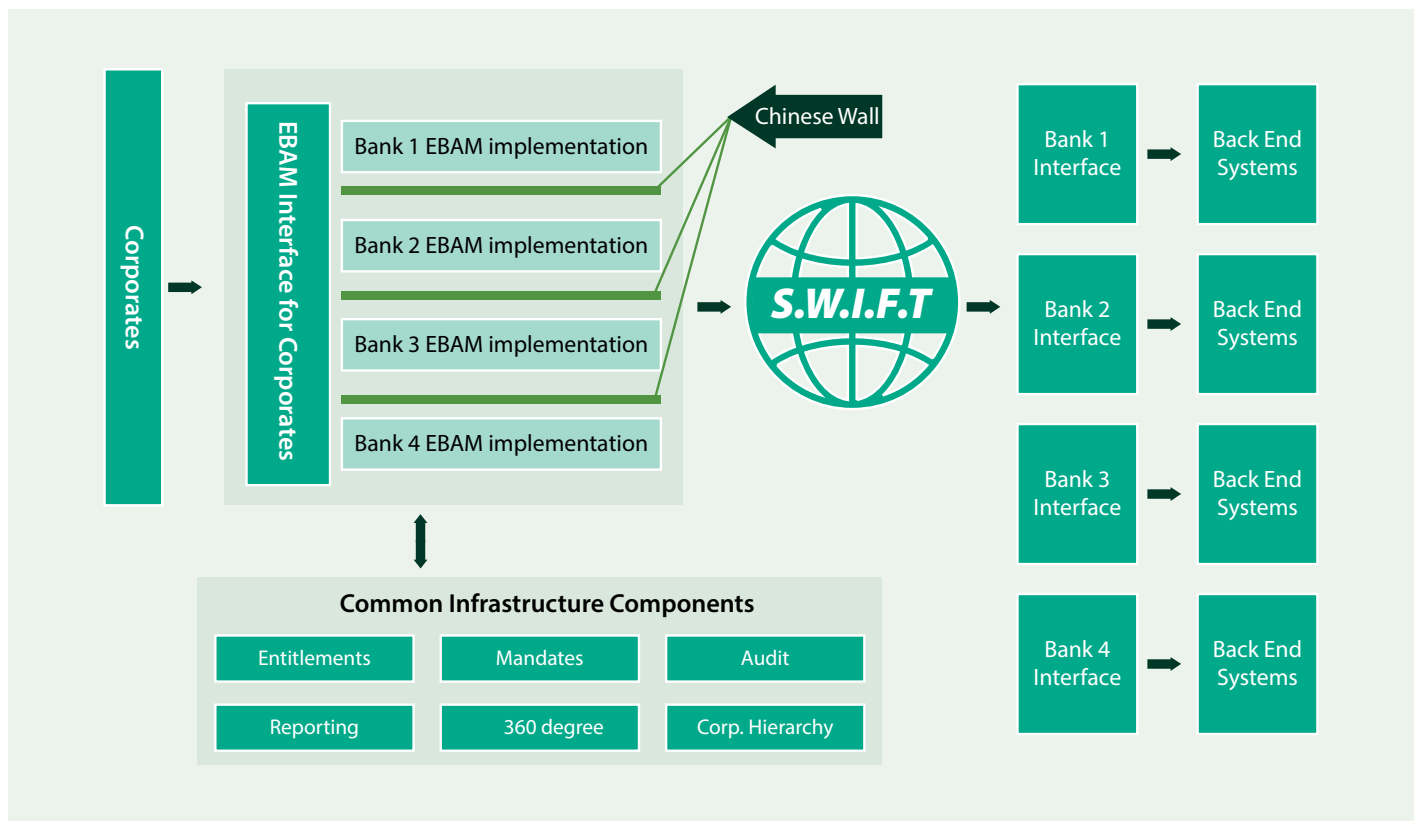
eBAM Proposed Change

This would provide the convenience of a truly integrated eBAM functionality leveraging on the commonality and at the same time, compensating for the heterogeneity of the elements in the demographics. The benefits would include:

- **True eBAM implementation**
  Allowing corporates to deal with multiple banks without having to deal with extensive paperwork or multiple ways of working with different banks. Wherever possible, the Chinese walls could be leveraged and implementations merged. This infrastructure would give the flexibility and convenience that corporates look for.

- **Common infrastructure**
  Leveraging on the common infrastructure for components such as audit trail, workflows, digital signatures, mandates, maintenance, and more would ensure common minimums required are captured and consolidated, thus leveraging the eBAM benefits.

- **Minimum disruption**
  Banking interfaces and protocols need not undergo a lot of change to accommodate eBAM. Each bank would have its own flexibility in terms of continuing with its own security infrastructure and swift integrations. Implementations across borders could also be attuned to the sensitivities of the geography and either a full-fledged eBAM or a scaled down information capture could be designed.

- **Entitlements**
  Having the Chinese walls enables segregating entitlements across banks, allowing only privileged users to perform and view bank activities. This could help support the complex regulatory and country-specific restrictions, and improve control and audit account authority.

- **All the eBAM benefits**
  The benefits associated with an eBAM implementation allowing for single point account maintenance across banks and eliminating cumbersome paperwork is an absolute.

Deriving more: Five additional benefits

While the eBAM's business benefits are obvious, there is more value that can be achieved, making it more compelling and attractive to potential investors.

- **Cloud sync up**
  Offering the eBAM interfaces over the cloud-as-a-service and providing readymade interfaces to many banks on-demand could offer a powerful value proposition for corporates to invest in the technology. It could help cross the 'having to build the entire eBAM infrastructure from scratch' hurdle. Besides, changing product versions, SWIFT formats, and bank specifics can all be abstracted from the corporates. The solution is reusable and a plug-and-play for corporates. Doubts pertaining to privacy, data security, and performance could be laid to rest with the advances in cloud technology and the plethora of options available to cloud consumers.

- **Analytics**
  Additional analytics and predictive capabilities could be added into the eBAM layers, benefitting both the corporates and banks. For example, a corporate user could be easily guided to the best possible rates and options available for his / her requirements, cash flow needs, and risk appetite. Having an information repository across all banks, their offers, and promotions, could enable corporates to take informed decisions and invest wisely.

- **Integration with Customer Information File (CIF) / Master Data Management (MDM) systems**
  One major factor affecting the tying together of CIF / MDM with eBAM was the different approaches taken by banks towards Know Your Customer (KYC), Anti-Money Laundering (AML), and other regulations. Segregating bank-specific implementations could enable a thorough integration with CIF / MDM systems at the bank's end. This would allow for a holistic view of the accounts, bank, events, and actions to be performed.

- **360 degree view**
  Having a 360 degree view of all accounts and relationships across banks would be a great asset for managing the portfolio. With the accounts data across banks and corporates, a single view of the customer and accounts could be obtained with all the information. Various reports and analytics could be drawn from the information to present a true picture of the accounts and aid in regulatory and decision aspects.

- **Event notifications**
  Ability to notify users across banks and corporates of specific events could potentially save huge money, avoid reputational damages, and precipitate prompt action. Alerts on events could provide enough headroom to take better decisions and avoid last minute rush. Events such as rate change, delays in on-boarding, and account maturing could be built into the solution.

In summary

eBAM and its potential benefits have been debated and understood for some time now. Its widespread adoption though, might require a different solution and considerations, especially the need to spend less and realize benefits quickly for both banks and corporates. Any solution that offers a non-disruptive and easy adoption will be a winner and potentially, a game changer.

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