Building a payment factory: going beyond cost reduction

Whereas standardisation of banking communications formats has accelerated over the past few years, treasury issues remain for companies of a certain size.

"Even if standardisation has been introduced, the banking communication systems are still diversified" said Michaël Diet, Director of financial and SAP consulting services provider Intensum. "This means that a lot of payment formats and protocols differ from country to country and from bank to bank." As a result, payment activity within one same company is dealt through a range of systems, accounts and reporting tools. The multiplicity of payment systems and formats dramatically raises costs and prevents a company-level vision and standardisation from taking place. Intensum, a specialist in SAP Financial and Treasury solutions, has worked on a few projects in Luxembourg whereby companies centralised their entire payment activities within one single communication platform. "The trend we see on the corporate market is that companies want to centralise payment flows within one entity of the group," Michaël Diet said. "The aim is to rationalise the number of banks used by one company and reduce the number of banking payment systems and reporting tools." The advantages for companies are to have a single payment system for all banks they do business with, and use XML as a standard format to structure their banking-related communication.

The platform implemented by Intensum relies on the international banking network SwiftNet. All the company's branches can access this entity, which can play the role of virtual bank. "The virtual bank centralises all treasury operations for the group and all communications with the banks," Michaël Diet said. "Compared to a situation where each entity communicates with its own bank, one centralised platform can sharply reduce costs. It also increases visibility for the treasury department that has access to treasury information pertaining to the branches." Michaël Diet said that in Luxembourg a lot of groups already concentrate their payment and treasury activities. "Treasury could be centralised here too in order to better manage debts and investments, interest rates, currency, commodity hedging activities, etc." More so-called payment factories could be set up here for concentrating funds and cash. "This can also help achieving a better return for loans and deposits," he said. ROI for such a project are calculated on a case-by-case basis. "SwiftNet can be used by any type of company of a certain size; it's a cross-industry application," he said. "SAP and Swift said that starting with five banking systems a SwiftNet connection is a good opportu-

nity to reduce costs." A Swift project can also help speed up the access to the SEPA banking zone, whereby companies can reduce costs for cross-border payments. "Even in an era of standardisation where the XML format is widely used, the content of the payment file is not completely standardised yet. SEPA's aim is to standardise the communication formats used by banks." In a payment factory project such as one using the SwitfNet platform, the number of accounts and banks is reduced. In this context, using SEPA makes even more sense. Michaël Diet is confident Luxembourg could lead the example in the adoption of treasury solutions aiming for standardisation: "Luxembourg was one of the first to adopt the international banking account number (IBAN) format and could lead the example in other domains".

By Delphine Reuter

About

Intensum is an independent consulting agency that aims at aligning the business and IT departments through a unique SAP services offering focusing on finance, intelligence and innovation. The company strategy is to make a difference combining both Business expertise and latest SAP solutions to offer the highest added value to customers in the following areas: Finance and Treasury, Business Intelligence, and innovation. Intensum is a certified and recognised SAP Service partner for Belgium and Luxembourg and is member of the Financial Excellence Value Circle.

Michaël Diet, *Director of financial and SAP consulting services provider Intensum*

© Raoul Somers Photography