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Redefining Bank Account Management

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This article examines the efficiency and security of eBAM through retaining the best parts of the paper-based process.

Technology is redefining all aspects of how companies interact with their financial institutions. Complexity and regulation in the worlds of commercial banking and corporate treasury management increase by the year, sometimes without the corresponding improvements needed to help corporations manage that complexity. Companies managing hundreds, or even thousands, of bank accounts are all too familiar with this challenge. The processes around account management (i.e. opening, maintaining, and closing accounts) and signer and mandate changes have been very manual and paper-based, leading to high costs and inefficiencies for both banks and their customers.

Studies show that on average a corporation may work with around 20 different banks. Because organisations work with many banks, they often invest time and effort in meeting requirements of specific banks that are different in form, but identical in substance. Worse yet, information does not magically come off these forms when you need it, so consolidating information for audits or regulatory filings is yet another manual and error-prone process. Over the years bankers and their customers have come to have a true understanding of the problem, but no answers when it comes to a solution. This has resulted in the proliferation of disparate spreadsheets and/or database applications designed to treat the symptoms rather than address the cause.

Consolidating Banking Processes

Signature cards, board resolutions, certificates of incumbency, service requests and various other collateral materials all contained the same information, and serve the same purpose, but the forms that hold the information varied from bank to bank and company to company. There was also a lack of consistency within corporations and banks as to processes used to control account, signer and mandate management activity. And, adding to the problem, bank account and signatory processes touch numerous departments of a company: legal, human resources, local, regional and/or central treasury, accounting and audit. Coordinating all that detail and synchronising information between departments, with all those departments and all those people, seemed an impossible task.

The possibility of dematerialising these processes has been widely discussed for decades. In 2006, we started work with a small group of corporations and banks to investigate why these methods had not advanced with technology and to set about finding the solution. At the core of the issue were a set of challenges that needed to be addressed:

• The combination of both structured and unstructured data that could not be accommodated by any of the existing legacy treasury applications.
• No systems to coordinate the controls between and among the various departments.
• No standard for the transmission of account management activity between banks and customers.
• No systems on the bank side to receive data and process changes through to their back office applications.
• No means to ensure the non-repudiation of account management communications without a ‘wet signature’.

The result is labour-intensive processes, which are rife with security risks and ultimately expensive and challenging to audit. We discovered that the problem is ubiquitous, affecting companies of all sizes, across all industries around the world and is shared by banks of all sizes in all regions.

The old saying goes “Difficult things take a long time. The impossible takes a little longer.” The challenge is to capture the best parts of the paper-based processes, namely simplicity, flexibility and low upfront investment, while enhancing the veracity, efficiency, controls and audit-ability that can only result from automated processes. That was the approach that finally brought us to the dawn of electronic bank account management (eBAM). What emerged is estimated to be a $1bn market for eBAM.

The holistic approach to eBAM encompasses the set of end-to-end processes which define controls and workflows for account signer and mandate management inside and between a bank and its corporate customers. These include management of the internal controls, approvals and documentation; transmission of requests and confirmations between banks and their customers; and processing of account management transactions through the bank's back office systems. The first commercially available version of an eBAM application was introduced in early 2007, and was specifically designed to address the corporate side of the problem including:

• Enforcement of internal controls around account and signer management.
• Coordination of the work between people and departments.
• Generation and storage of all documentation requirements.
• Collaboration of account management requests with bank counterparties.

SWIFT joined the effort in 2008 and has defined a set of XML schemas required to automate BAM messages. These schemas will also be initiated for approval as UNIFI (ISO 20022) standards by the ISO Standards Evaluation Group. Banks are now starting to address the final piece of the straight through process: accepting the messages and generating confirmations. Banks have concluded that by receiving and processing account management requests online they stand to reduce millions in operating expenses, and realise vastly improve levels of customer satisfaction.

Benefits of eBAM

By itself, the efficiency gained upfront for both corporations and banks is compelling. Tasks that once took days or months - adding or removing signers, opening accounts, audits, verifying mandate adherence, delegating authority, etc. - now be reduced to minutes. Ultimately, data flows and paper does not. When critical information related to bank relationships, account structure, signers and authorities is locked up on paper and squirreled away in rows of filing cabinets and storage boxes, accessing that information for audits or regulatory filings becomes a daunting task.

As an example, a simple year-end audit of accounts and signers typically takes a company up to three months to pull together from paper-based records. After that, an auditor prepares and sends an audit letter to the bank, where it can take another month or two to gather and information and reply to the request. With eBAM, live data exists at both the corporation and the bank, audit confirmations can be done online on a regular basis, making audits more of a control mechanism than is possible in a paper process.

A critical key to combating fraud is to automate operations in workflow-managed processes, where enforcement of internal controls such as segregation can be automated. Such processes provide additional benefits during control testing, since not only is the testing easier for automated controls, but the control testing itself can often be automated via audit and security reports.

Simplification of regulatory compliance is yet another downstream benefit of account management. Complying with regulations such as the Report of Foreign Bank and Financial Accounts (FBAR) can take up to six months to pull together from typical spreadsheets and databases and paper forms. Once the data is freed from paper, filing cabinets and spreadsheets, and controlled at the source, such regulatory compliance becomes a byproduct of your control environment, and not a process unto itself.

Conclusion

Although standards will not resolve every challenge, banks that adopt eBAM automation will be able to provide fast, efficient and reliable account management to their customers improving both customer satisfaction and the bottom line. Corporations employing eBAM will be able to drive cost and inefficiency out of the account management process, significantly mitigating fraud risks and exposures breezing through audits and ensuring compliance with global regulations.

The reality of eBAM is upon us, and adoption is inevitable. As has been true of so many technological advancements, corporations, banks and regulators all stand to benefit and some day we will look back and wonder how we ever lived without it.