

STREAMLINING ELECTRONIC BANK COMMUNICATIONS

GAIN EFFICIENCY, LOWER COSTS,
AND OPTIMIZE CASH FLOW

To reduce operating costs and strengthen compliance, treasury departments want to integrate cash management and payment processes with their banking partners. The SAP® Bank Communication Management application meets this challenge by enabling efficient integration of financial systems with multiple banks.



The Problem with Today's Electronic Bank Communications

Companies can seldom rely on a single financial institution. Even midsize companies must maintain several banking relationships to stay competitive in the global marketplace. To maintain electronic connectivity between their banking partners and their enterprise resource planning (ERP) systems, companies require a myriad of communication interfaces that are often based on a wide variety of protocols, proprietary standards, and technologies. These interfaces include expensive custom-built point-to-point connections. The average cost for maintaining each proprietary interface often exceeds US\$50,000 per year. For global companies with multiple banking relationships, these costs can easily exceed \$1 million annually.

In addition to technology costs, companies must contend with the inefficient, fragmented processes that result from having multiple banking interfaces. Few proprietary interfaces provide straight-through processing, so items such as payment orders and electronic bank statements must be handled separately for each bank – often through manual intervention. This results in high costs and productivity losses, excessive handling of exceptions (especially during bank-statement reconciliation), and an overall lack of transparency in payment flows.

These inefficiencies impact treasury professionals, who must spend considerable time rekeying data, handling exceptions, and reconciling information to get a consolidated view of a company's cash position across several financial

institutions. They also make it difficult for professionals to track transactions across the entire payment cycle, since many proprietary interface applications cannot process incoming status messages from banks. Finally, fragmented processes hinder compliance efforts. Payment processing is highly sensitive and requires sophisticated controls, approvals, and audits to ensure companies meet ever-increasing regulatory mandates.

Enhanced Communications Between Businesses and Their Banks

The SAP® Bank Communication Management application, one of several treasury applications from SAP that fall within the SAP ERP Financials solution, helps companies streamline payment processes and lower the cost of managing multiple bank communication interfaces. The application also helps companies reduce complexity, improve control over the release of payments, strengthen compliance, and increase operational efficiencies by enabling:

- Analysis of payment status information and full payment-flow transparency
- Multiple approval levels for outgoing payments
- Logical structuring of individual payment batches
- Comprehensive audit trail of payment approval decisions
- Digital signatures for internal audit purposes
- Automatic escalation of processing exceptions
- Support for international payment standards
- Seamless integration with other applications in SAP ERP Financials

Transparency Across the Complete Payment Cycle

SAP Bank Communication Management gives companies an accurate, real-time view of payment transactions across the entire payment cycle. An intuitive payment-status monitor allows authorized users to view the status of payment transactions, pending approvals, and exceptions as well as view incoming status messages from electronic payment networks and individual banks. In addition, companies that are members of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) can receive acknowledgment messages or delivery notifications that automatically update the status of pending payments. In the event that SWIFT or an individual bank is unable to process a

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payment transaction, the application can receive error or negative-status messages and display them in the payment status monitor. It accesses the SWIFT network through a companion application, SAP Integration Package for SWIFT.

SAP Bank Communication Management can also be configured to generate approval workflow items or escalate the processing of exceptions. For example, financial managers can specify automatic follow-up activities – such as blocking a vendor account or reversing a posting – to be triggered immediately when an error message is received. In addition to tracking the status of payment transactions, treasury professionals can also view both master data and transactional data (such as customer account information or posted documents) as well as the actual payment files created by SAP ERP Financials.

Enhanced Compliance

Accounts payable and treasury professionals must adhere to their organization's compliance policies. And to meet the increasing requirements of regulatory authorities, they must also ensure that outgoing payments comply with internal controls and receive necessary authorizations. SAP Bank Communication Management gives financial professionals a high degree of flexibility and control over payment processes. It also enables companies to establish sophisticated compliance procedures by allowing users to configure rules that govern payment release processes. For example, a company can establish tiered release procedures based on parameters such as the payment amount. Payments above a certain threshold may require multiple reviews and approvals while payments below a minimum threshold can be released without triggering approval workflows at all.



SAP Bank Communication Management helps companies reduce complexity, improve control over the release of payments, strengthen compliance, and increase operational efficiencies.

Users can access assigned payments via a personal work list through which they can review and approve, reject, or resubmit payments based on designated authorization rules. SAP Bank Communication Management also enforces specific internal control and compliance requirements for user authentication. For example, when a manager wants to approve a payment, the application prompts him or her to authenticate the transaction with a personal digital signature. When that step is completed, payments can be released on an individual basis or on a batch level. In the

event a higher-level manager decides to override the previous processor's approval, the signature applied to the payment is automatically removed. If a user decides to delay a payment, that payment is removed from the current approval work list and added to a future batch on the designated resubmission date. In addition to enabling robust workflow and approval rules, SAP Bank Communication Management provides a full audit trail that facilitates thorough and efficient analysis of all payment activities, clarifying potential disputes with internal or external stakeholders such as banks or business partners.

Support of International Payment Standards

The application also supports the Universal Financial Industry (UNIFI) message schemes defined by the International Organization for Standardization (ISO) and SWIFT – schemes referenced as ISO 20022. These standards are one of the key enablers of electronic payment adoption. The Single Euro Payments Area (SEPA) initiative, designed to harmonize payment conditions, rights, and obligations for all companies doing business in Europe, is leveraging the ISO 20022 standards. When the SEPA initiative becomes effective in 2008, it is expected to change the European payment landscape significantly by enabling more efficient cross-border payments – doing for European payments what the euro did for currencies. To compete effectively in this new environment and

benefit fully from the SEPA-supported improvements in cash and liquidity management, companies need applications that are compatible with standardized payment schemes. SAP Bank Communication Management fully supports the newly designed XML payment schemes defined by the European Payments Council, the governance body that defines the standards and rules for euro payments.

Treasury Applications from SAP

SAP Bank Communication Management is just one component of the treasury applications from SAP, a comprehensive suite of cash, liquidity, and financial risk management applications within the SAP ERP Financials solution. Other applications include:

- The SAP Cash and Liquidity Management application, for managing and optimizing liquidity
- The SAP In-House Cash application, for centralized control over company payments
- The SAP Treasury and Risk Management application, for managing financial positions and market risks

Like SAP Bank Communication Management, these applications are modular in design, allowing you to configure and deploy individual components according to your specific business needs.

SAP Bank Communication Management gives financial professionals a high degree of flexibility and control over payment processes and enables companies to establish sophisticated internal controls and compliance procedures.

Benefits Overview

SAP Bank Communication Management significantly increases payment-flow transparency, giving companies a better understanding of what happens between the initiation of a payment and its settlement as well as a clear view of intraday or end-of-day bank balances. In addition, it makes compliance easier and more effective while providing seamless bank communications that can dramatically reduce total cost of ownership. Finally, the application allows a company to take full advantage of all the benefits of standardized electronic payments such as the SEPA initiative.

For more information about SAP Bank Communication Management and other treasury applications from SAP ERP Financials, please visit the SAP Web site at www.sap.com/solutions.

Summary

To decrease operating costs and increase process transparency, treasury departments are turning to applications that enable them to streamline communications among multiple banks. The SAP® Bank Communication Management application can help them do just that – and much more.

Challenges

- High operating costs
- Fragmented and manual payment processes
- Inability to track transactions across the entire payment cycle
- Weak compliance

Supported Business Processes and Software Functions

- SAP Bank Communication Management – Streamlines communication among multiple banks, makes processes transparent, improves compliance, and reduces total cost of ownership
- SAP ERP Financials solution – Includes applications that help manage and optimize liquidity, configure payment factories, and manage financial positions and market risks
- SAP Integration Package for SWIFT – Automatically updates status of pending payments
- SAP NetWeaver® technology platform – Unifies technology components into a single platform to reduce complexity; provides the best way to integrate SAP and non-SAP software

Business Benefits

- Streamlined communications among all of a company's banks and financial institutions
- Lower operating costs
- Straight-through processing across multiple banks
- Ability to see and track transactions end to end
- Improved compliance with existing and upcoming standards and protocols

For More Information

Call your SAP representative or visit us online at www.sap.com/solutions.

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