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Account management digitization via eBAM

Opportunities and relevance for companies

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Content

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The essentials in brief

ISO 20022 formats

- XML-based MX message types for electronic account management (eBAM) were developed based on the ISO 20022 standard.
- These include the standard business cases in the lifecycle of a bank account: account opening, amendment of mandates and limits, account closing, and account report requests.
- Standardization makes communication between companies and banks more efficient.

Use of systems and centralization

- Further efficiency gains can be achieved by centralizing account management within the company and using appropriate systems and digital signatures.
- More vendors of treasury management and payment systems are offering eBAM modules.
- Closely connected with eBAM is the topic of know-your-customer (KYC), a check that must be carried out by the bank when an account is opened to prevent money laundering and terrorist financing. The process is complex and non-standardized.

01. Overview

Opening and managing bank accounts is a challenge for companies. Regulatory provisions coupled with non-standardized and often complex communication, which in many cases is still paper-based, reduces efficiencies.

When communicating with the bank throughout the lifecycle of an account, formats and communication channels play a particularly important role. Bank communication is often mentioned as a pain point and expense driver, along with the legally required know-your-customer (KYC) check when opening an account. The complexity is particularly high in the case of international corporations with a large number of bank accounts and subsidiaries. Standardization has been pushed forward in recent years, although implementation on the part of banks and customers has recently been hesitant.

This white paper provides an overview of electronic bank account management (eBAM) from a format and process perspective. It shows how the new MX formats for eBAM can contribute as a building block to optimizing the associated processes. Finally, possible implementation strategies are outlined.

02. Electronic bank account management (eBAM)

2.1 Standard business cases in the life cycle of an account

The standard business cases in the lifecycle of an account are account opening, amendment of mandates and limits, account closing, and account report requests. These are often still paper-based and decentralized and have bank and country-specific peculiarities, especially when opening an account. It is therefore difficult to keep track of who is authorized to sign for which account across the group and whether authorization has been withdrawn from all employees who have left the company, for example. All of these business cases can now be fully digitized. It is possible to obtain an up-to-date overview of all authorized signatories for all accounts and banks at the touch of a button. It is even possible to open, amend and close accounts digitally. By combining this with the electronic signature, there is no longer any need to exchange paper with the bank. However, this usually requires an adjustment of the company's internal processes and systems as well as adjustments on the part of the account-holding banks.

2.2 Standardization via MX formats

The so-called "Common Global Initiative–Market Practice" (CGI-MP)[1] was founded in 2010 and is an initiative focussed on standardization of the MX formats relevant for communication between companies and banks. The CGI-MP is organized into various working groups in which representatives of various companies and banks participate. The most well-known are the CGI formats for payment transactions and account statements. However, there is also a working group that has taken on the topic of "electronic bank account management" (eBAM). In this group, various ISO 20022 message types of the acmt (account management) category were developed, which cover the eBAM standard business cases.

When using these formats, companies rely on them being supported by both the account-holding banks and appropriate software solutions (standard software or in-house developments).

2.3 Implementation status on the banking side

Some major banks now allow their customers to use these message types. Several treasury and payment solution providers have also implemented the format.

On the banks' side however, implementation is often immature. Some banks initially focused exclusively on the account opening process (the most complex sub-process) while others have so far only offered the message types for the less complex requests.

The same applies to connectivity. It would be desirable for companies to be able to choose between SWIFT, EBICS and host-to-host connections, which have their advantages and disadvantages depending on the company's strategy. However, in the beginning, banks usually only offer one of these connections.

1 CGI-MP: https://www.swift.com/de/node/34731

Some banks also have eBAM solutions integrated into their respective online banking portals. This can be useful from an individual perspective, but companies that work with many banks need a bank-independent, standardized solution. Geographical implementation at international banks also usually takes place in phases and is only gradually rolled out to other countries.

Despite the initially slow implementation, increased adoption is expected in the coming years due to the efficiency gains that can be achieved by both banks and companies.

2.4 Overview of relevant MX formats

The following tables show an overview of the message types used in eBAM from customer to bank or from bank to customer. The associated workflows are then explained.

Message types for electronic bank account management (eBAM)

	Client – Bank	
acmt.007	Account Opening Request	Account opening request
acmt.008	Account Opening Amendment Request	Addition to the account opening request (in response to acmt.009)
acmt.013	Account Report Request	Account report request (anytime)
acmt.015	Account Excluded Mandate Maintenance Request	Adjustment of account details other than mandate
acmt.016	Account Excluded Mandate Maintenance Amendment Request	Addition of adjustment of account data other than mandate (in response to acmt.012)
acmt.017	Account Mandate Maintenance Request	Adjustment of mandates
acmt.018	Account Mandate Maintenance Amendment Request	Addition of the adjustment of mdnates (in response to acmt.012)
acmt.019	Account Closing Request	Account closing request
acmt.020	Account Closing Amendment Request	Addition of the cccount closing request (in response to acmt.021)

Message types for electronic account management (eBAM)

	Bank – Client	
acmt.009	Account Opening Additional Information Request	Request for additional information for a valid account opening request (acmt.007)
acmt.010	Account Request Acknowledgement	(Technical) confirmation of a request (after checking authentication) (acmt.007-020)
acmt.011	Account Request Rejection	Rejection of any request (acmt.007-020)
acmt.012	Account Additional Information Request	Request for additional information for a valid maintenance request (acmt.015-018)
acmt.014	Account Report	Account report upon opening, closing, maintenance or upon request (acmt.013)
acmt.021	Account Closing Additional Information Request	Request for additional information for a valid account closing request (acmt.019)

2.5 Representation of processes

Account opening

These messages can be used to map a variety of sub-processes. One of the most important and complex processes is the account opening process, which is shown schematically in the following figure. In the best case, i.e., if all information and documents are provided with the initial request (acmt.007), the messages for querying and providing additional information (acmt.009 and acmt.008) are superfluous. In practice, however, they can also occur several times until the opening can finally be confirmed.

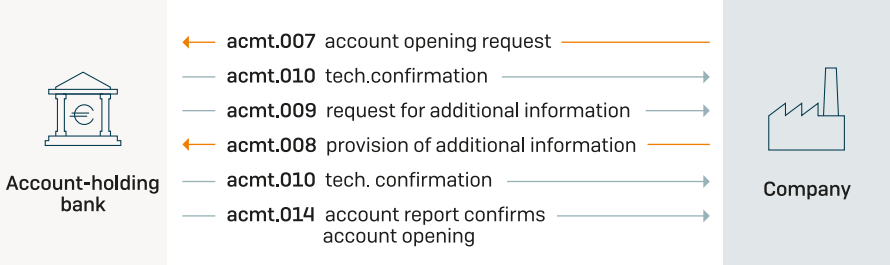

Figure 1: Possible account opening process via eBAM

When opening an account and authorizing new signatories, the bank must carry out a KYC ("know your customer") check. It is legally required to perform this in order to prevent money laundering and terrorist financing. The KYC process is not uniform across different banks, let alone across different countries. This means that the process can sometimes continue for weeks or even months, especially since it is often still partly paper- and/or email-based. In addition, usually queries from the bank have to be processed.

When using MX messages for eBAM, the documents required for the KYC check can be attached to the corresponding messages for opening an account or amending the mandate, which enables standardized processing. This can be used efficiently if, on the one hand, it is clear which documents the bank requires and, on the other hand, if these documents are kept centrally in a database.

The use of MX messages for eBAM can be one building block to optimize the KYC process. Usually, further building blocks will be necessary, but these go beyond the scope of this white paper.

Amendment of the account mandate

Another process that may be relevant for large companies is the amendment of the account mandate. Here too, the messages for querying and providing additional information (acmt.012 and acmt.018) are unnecessary if all information has been initially submitted (acmt.017). However, these messages may appear several times if information is missing until the changes are finally confirmed by the account report (acmt.014).

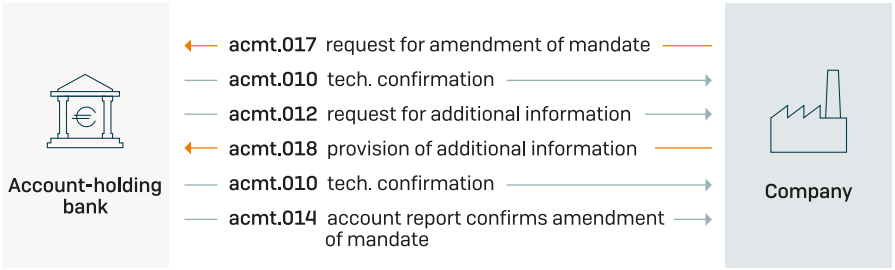

Figure 2: Possible process for amendment of mandate via eBAM

Account report request

Requesting the account report (acmt.013), which contains the various master data, is another process that can be useful at regular intervals. If all data related to an account (including mandates, etc.) is stored centrally in a company system, then differences between the account report and the system can be automatically determined and displayed. The user can then either generate amendment notifications to the bank (acmt.015 or acmt.017) or update the data in the system at the touch of a button.

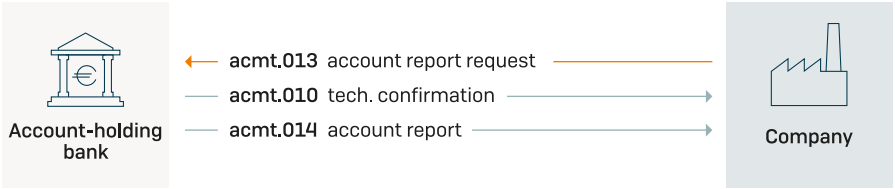

Figure 3: Process for account report request via eBAM

03. Implementation strategy

3.1 Consideration of the entire process chain

The topic of eBAM is complex and there is no single solution that fits every organisation. Nevertheless, efficiency improvements can be achieved compared to the current state. An important first step is to transfer responsibility for bank account management to a central location in the group, from which all banking communication is handled. Further steps would be to keep the KYC documents and data in a central database, either internally or externally, and to introduce eBAM software, either as an extension of the treasury management system or as a separate solution. Depending on the implementation stages of the new MX formats and transmission channels at the account-holding banks, this software can also initially be used to generate appropriate letters or emails for the standard business cases in the account life cycle. This can then be gradually shifted to MX formats, depending on the bank and country.

In preparation for implementation, it is important to determine which MX formats the various account-holding banks already support and which transmission channels they offer (SWIFT, EBICS, host-to-host, proprietary).

3.2 Concrete approach

The following approach has proven successful in our customer projects:

1 Workshop: It serves to take stock of the processes, systems and account landscape. We work with you to develop the optimization options that are best suited to your organisation.

2 Preliminary study: In this study, the effort, benefits and feasibility of various implementation scenarios are analyzed and compared. These are prioritized to make it easier to decide on implementation.

3 Implementation: Implementation follows the results of the preliminary study. If the planned implementation is large in scope or highly complex, a phased approach is recommended. The project can typically be divided into different end-to-end processes (and thus, for example, groups of message types) and banks, as well as countries.

With our extensive experience in the areas of treasury, cash management and payment transactions we would be happy to support you.

Contact

Do you see relevant aspects for your company? Would you like to discuss the possibilities or implementation with the d-fine experts for payment transactions, bank account management, cash management and corporate treasury and finance?

Contact us!

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