Featured Articles

Case for Regional Solution for Transaction Banking Leveraging on Hitachi eBworx Digital Transaction Banker

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OVERVIEW: The need for a global or regional cash management solution has in recent years been a key consideration prompting several large regional banks to upgrade and change their systems to cater to the needs of their corporate customers. Banks are actively looking to tap into this large market potential and have begun to exploring various models of implementation. Here, Hitachi eBworx shares their view on implementing a global solution, including an analysis of some of the guiding principles and critical success factors in such an implementation. Hitachi eBworx Digital Transaction Banker has been successfully deployed in some of the largest regional banks in Southeast Asia and is quickly gaining interest among banks in Japan, China, and Europe.

INTRODUCTION

TRANSACTION banking as a whole in Asia has seen a rise in the need to provide regional or global solutions as local corporations and conglomerates grow away from their local markets into regional markets as well as large multinational corporations moving into Asia making this one of their key focus markets. Banks in the region that were focused within their domestic market have mostly followed suit and adapted their strategy to include expansionary strategies.

Specifically in the areas of transaction banking, banks have begun to expand their strategy especially with the opening of markets and proliferation of foreign direct investments, areas in which corporate customers have begun to demand more sophisticated cash management requirements. In many cases, this has to do with the expansion of these corporations out of their local operations. Banks are aggressively expanding in the market both organically and via acquisitions including establishing overseas branches and offices to tap the potential revenue from loyal customers.

As corporations begin to grow internationally, they seek a banking partner that can help support their expansion and provide them with global services.

TRANSACTION BANKING OUTLOOK IN SOUTHEAST ASIA

Banks today have started to offer more complex cash management services and the level of sophistication of these services has increased over the years. Although the more established banks have begun to provide more comprehensive transactional and liquidity services, these have been largely domestic-oriented.

Banks in Southeast Asia in particular have started to explore and embark on providing single-platform, global cash management solutions, and this is an area that is garnering interest as corporate demands increase. The super-regional banks of Southeast Asia [DBS Bank Ltd., Oversea-Chinese Banking Corporation, Ltd. (OCBC), and United Overseas Bank Ltd. (UOB) of Singapore and Maybank and CIMB Bank Berhad (CIMB) of Malaysia] and large tier-one banks have aggressively expanded into the region, and have all mostly looked into changing and implementing a global solution for their transaction banking needs[1] [2] [3].

Research by gtnews[4] found that corporations expanding overseas seek centralized control of cash but are likely to require a hybrid solution where regional autonomy is provided (due to the nature of their business, inter-corporate relationships, local expertise, and regulatory requirements). In the study, over 30% of these corporations required global oversight, 30% required global cash management, and only 5% local autonomy, while the rest had no considerations or had not thought about this.

Local corporations have begun to flex their capabilities overseas through both organic expansion and mergers and acquisitions. The need for a global cash management system to assist these corporations

to manage their liquidity and cash positions is very important. For these corporations that are growing overseas (as well as incoming foreign multinationals), the need for a global cash management solution is rising.

However, provision of a global cash management system is not merely about providing more functions or about providing multiple local cash management solutions in isolation from each other. Banks need to understand the expectations of today's globalized corporations, the competitive market landscape and what technologies are available that can be leveraged to provide such a global transactional platform.

The key questions arising are:

- What are the key issues and challenges faced by banks when they consider implementing a truly global solution?
- What constitutes a good solution to serve their international banking customers? What kind of services, features and functionalities?
- How can banks differentiate themselves and grab market share in servicing these large corporations?
- How can banks compete in their market as well as against foreign banks?

Implementing a single cash management platform (web-based, multi-language, multi-currency, multi-country, multi-function, multi-bank, and multi-time zone with a global architecture meeting local requirements) has many benefits for the bank besides meeting customer requirements. In a single-platform environment, banks can manage the system and its requirements centrally, yielding considerable cost savings. The system, of course, will need to come with configuration and parameter settings that befit a global system, where products can quickly be rolled out across a regional network.

Faced with so many questions and potential challenges, it is not easy for banks to consider all their options. Hence, it is important for banks to look for a partner that combines experience in consulting for banks with similar visions with implementation experience and proven solutions that can help the bank carry through the implementation of a strategic

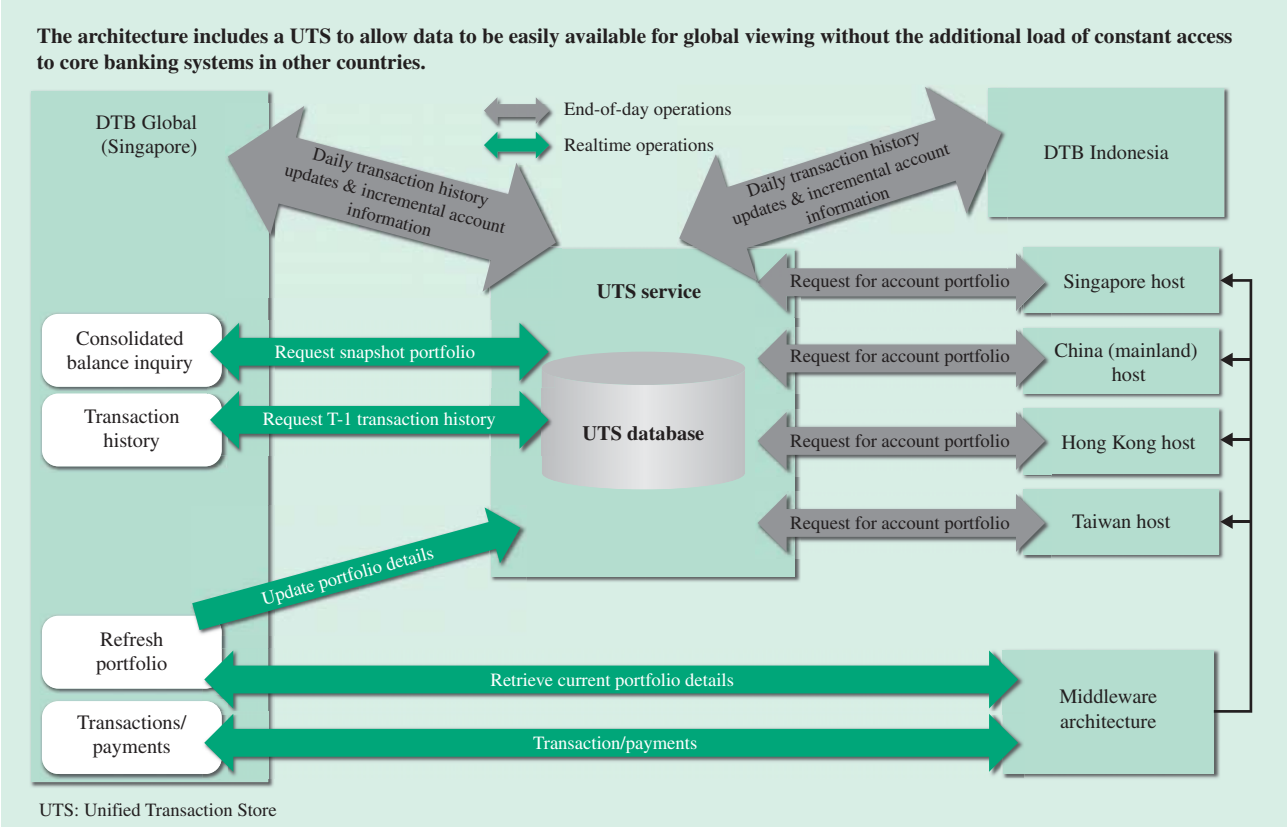

Fig. 1—UTS Architecture.
This figure shows how the UTS architecture facilitates global portfolio view especially in consideration to manage volume of requests to the various core banking systems in multiple locations. Customer portfolio information are downloaded via an end-of-day operation to the UTS database (this can be periodic intraday as well) after which customers will be able to enquire their global positions. Realtime requests are then fired on-demand basis rather than having to pull the entire portfolio from the various core banking which may result in heavy 'data traffic'.

and well-thought-out plan, thereby ensuring that the bank obtains the targeted benefits of implementing a global transaction banking system.

DIGITAL TRANSACTION BANKER (DTB) —GLOBAL CASH MANAGEMENT PLATFORM

There are various approaches to and interpretations of what defines a global cash management platform. The investment for such a solution will be considerable, and hence it is important that the bank is armed with the necessary information to make the decision. Based on our initial analysis and understanding, the deployment of a global cash management platform should be based on four key criteria. Our Digital Transaction Banker (DTB) solution is designed based on these key criteria:

1. Single global platform
2. Ability to segmentize customers
3. User-centric solution
4. Mobile-ready

Single Global Platform

a. Global Platform

Customers do not want to login to different systems in different countries to perform simple transactions, or even to carry a 'keychain' of tokens in order to login to the various systems. DTB provides a single global platform based on a global, single-source architecture, with multi-language, multi-currency, and even multi-bank capabilities (ability to create multiple entities even within the same country), supporting customers with business footprints that span a number of countries and time zones.

b. Global Portfolio Management

The ability for a corporation to view its cash position (portfolio of balances) and transaction history across different subsidiaries as well as across borders is a key feature in a global cash management system.

DTB's Unified Transaction Store (UTS) brings data from various core banking and legacy systems over a wide-area network without congesting the network with frequent requests (multiple account requests)(see Fig. 1). It integrates with various systems across borders and ensures that optimal performance is still achieved. This allows customer to have a single consolidated view of their account portfolio across regions, giving them the ability to make informed decisions based on their total holdings. For corporations seeking global oversight, this information helps them assess the position of all their subsidiaries.

This also facilitates controlled disbursement, where corporations with knowledge of their global and local positions are able to make snap decisions on whether to allow large disbursements of funds on a daily basis.

c. Cross-border Transactions

Cross-border transactions are important. These are achieved through remittance services such as outward telegraphic transfers. DTB is equipped with robust features to support international payments such as:

• Flexible Product Configurator

When deploying in a new country, or when changes are needed to payment attributes, such as the cut-off time, limits, or other product attributes, DTB's Product Configurator makes it easy to make the required configuration changes by bank (see Fig. 2). Also important is the ability to use global standards such as SWIFT (Society for Worldwide Interbank Financial Telecommunication) messages.

• Global Signature Matrix

Today's transactions might be created from a shared service center in the Philippines, verified in Hong Kong, and approved in Singapore, for example. This is only possible if the implemented solution has a global architecture in place, such that transactions can easily move between different entities and countries to facilitate a truly global community of users. To address these geographical challenges, DTB's Signatory Matrix is built on top of a single global platform which makes regional approval possible.

• Intelligent Transaction Processing

Global companies will not necessarily know the correct settings for each country when submitting a transaction. For example, a corporate submitting payroll from one country to various subsidiaries in other countries may not have details of the local payment systems and hence may not differentiate between the various payments mode [automated clearing house (ACH), real time gross settlement (RTGS), and various other in-country formats or standards]. Hence, the system should have the intelligence to 'decide' on the payment mode based on certain rules specified in the configuration so that it can send the transaction for processing in a way that is transparent to the initiating corporation.

Ability to Segmentise Customers

DTB has a complete onboarding module that allows the bank to onboard customers in a timely manner and to tailor services and other content for different customer segments.

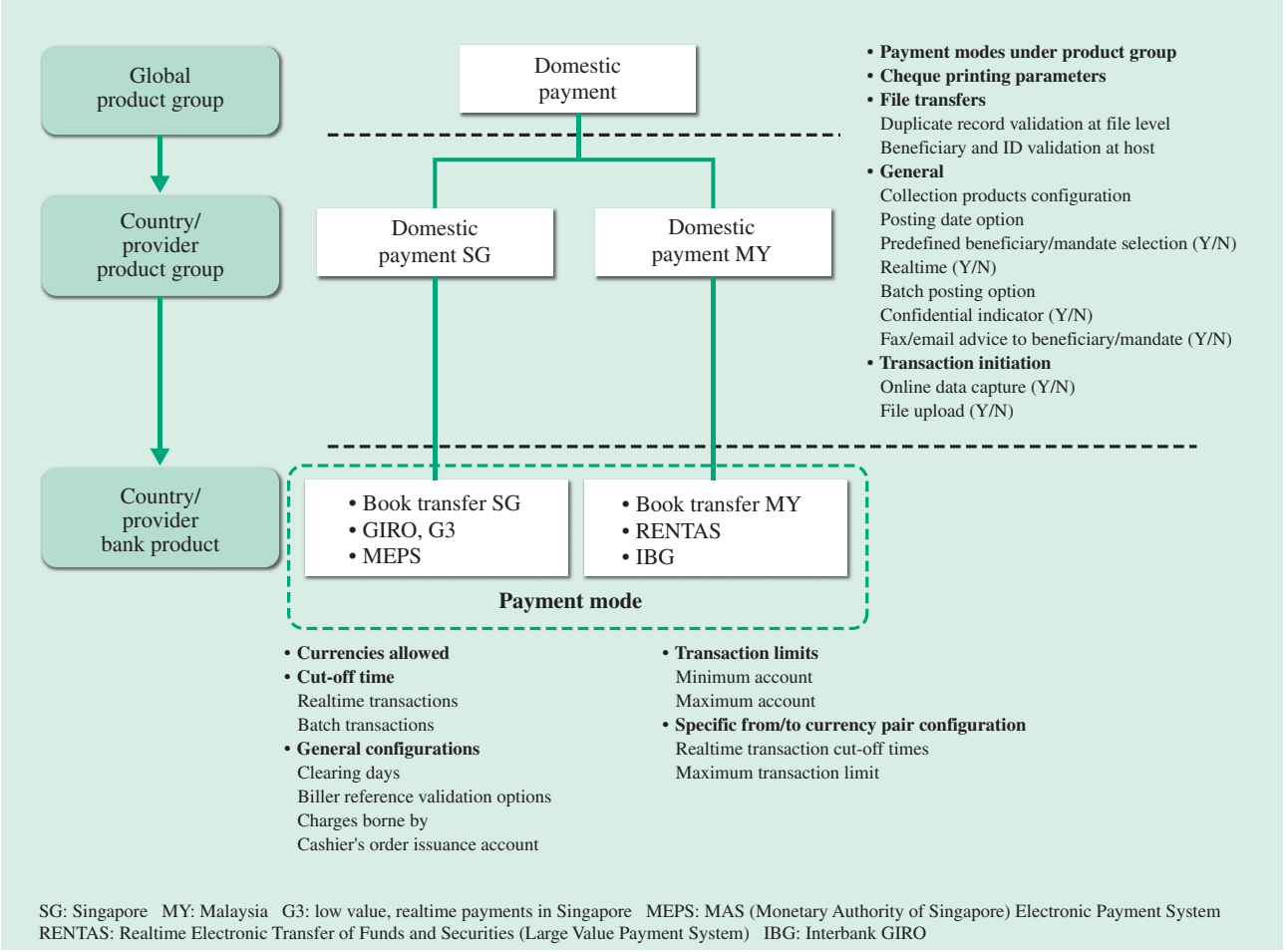

Fig. 2—Product Configurator.
The Product Configurator allows creation and maintenance of groups of common payment types across different countries facilitating easy deployment in a multi-country scenario. Another example will be to group International Payment (Global Product Group) followed by Outward Telegraphic Transfer (OTT) and Demand Draft (DD) for the various countries (Country Product Group and Country Bank Product). The term Provider is used because some banks may wish to deploy the system in a country where the bank has more than one entity thus the Provider concept allows another level of granularity.

a. Targeted Platform, Segmented Customers

A global platform should have the capabilities to allow the bank to target different services and content at different customer groups. The ability to differentiate customer segments by industry and role, and to define and configure targeted content and functions accordingly, has many advantages when the platform is used by corporations globally. This is made possible by our Digital Portal Manager (DPM) whereby the bank can tailor content based on various customer segments and even user roles (see Fig. 3).

For example, (in addition to inquiry and transactional capabilities) the platform should present Singapore-specific news and information to manufacturing industry decision makers in Singapore, while showing their Chinese counterparts content that is more specific to China. There should also be the ability to configure and personalize content to fully maximize productivity when using the system. The days of static systems with fixed content are disappearing.

b. Rapid and Flexible Onboarding

One key issue that becomes particularly relevant when the offering goes global is the speed of onboarding a customer. Currently, banks are taking longer than before to onboard customers due to various issues such as comprehension of and compliance with the corporation's board resolutions on setting up their cash management service, the requirement for corporate-specific features such as custom products, pricing, a complex signatory matrix, and configuration of the corporation's file formats (sometimes including development and coding).

Onboarding a customer in an orderly yet timely manner is important to achieving high customer

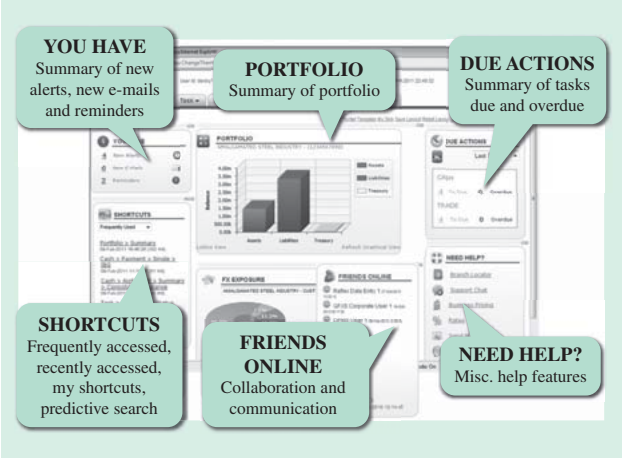

Fig. 3—Digital Portal Manager (DPM).
Today's transaction banking system is expected to come with strong collaboration and personalization features to facilitate easy information management for the corporate users. The use of Web 2.0 (or more aptly Enterprise 2.0) is an integral component in the presentation of information and to promote greater usability of the system. DPM allows targeted content presentation to different segments of customers.

satisfaction, and to expediting the generation of revenue from the use of the system. In order to onboard efficiently, the DTB Onboarding module is designed based on the following key considerations:

• Rich parameters for onboarding

This provides the flexibility to configure the corporation's account tagging and attributes, account accessibility, signature type, user groups, and users. Also important is the flexibility to cater for scenarios that include "verifiers" and "releasers" (as well as "makers" and "authorizers"), and different account and function accessibility for different roles and user groups.

• Customizable service packages

Product attributes can be customized (if required) to allow global corporations to comply with their own internal processes. The ability to provide things like better cut-off times or alternate transactional limits is important for very large corporations. This goes hand-in-hand with our flexible Product Configurator.

• Universal file format configuration

As corporations have their own file formats, banks need an easy method to configure corporation file formats quickly and map them to the bank's file schema. The ability to do this is particularly important in a global cash management situation as file formats will come from different subsidiaries, including from different countries. DTB's Universal File Exchange (UFX) provides this flexibility along with "ownership" so that the bank, or even the customer, can configure the various file formats.

• Flexible pricing engine

Pricing translates to revenue for the bank. It requires the flexibility to have default charges as well as pricing by selected packages, corporations, or even pricing at the level of the account used (in which the pricing depends on which account is used for a transaction). DTB's Pricing Engine is able to support different pricing for single and bulk transactions, tiered pricing (whether tier or slab pricing), and cross-currency support.

• Global signature matrix

As discussed above, the signature matrix is another important configuration.

User-centric Solution

a. Customer Experience

As solutions become richer, and with it more sophisticated and complex, customer experience becomes increasingly important. Customers do not want to spend too much time wondering how to navigate and use the system.

Decision makers are getting younger, and this generation of users is demanding that their experience using the system be of a certain standard. They are not afraid to voice their dissatisfaction and shift their business to another bank that will listen to their needs.

DTB has been designed with consideration for customer experience and user friendliness. It is built hand-in-hand with the DPM framework, which provides easy navigation and targeted content.

Hence, customer experience management is very important, especially when customers can tarnish the bank's brand by posting their dissatisfaction (quite immediately) on social media networks.

b. Delegated Administration

Large corporations require control of how the system is used. The solution must have the capability to satisfy configuration requirements that are sometimes complex. Some of the key corporate administration items in DTB include:

a. Account accessibility
b. User groups and users
c. Signature types and signature matrix
d. Self-service report design and generation
e. Self-configuration of file format for file uploads/transfers
f. Define and manage files (outgoing and incoming/return files, generated reports, MT SWIFT files)

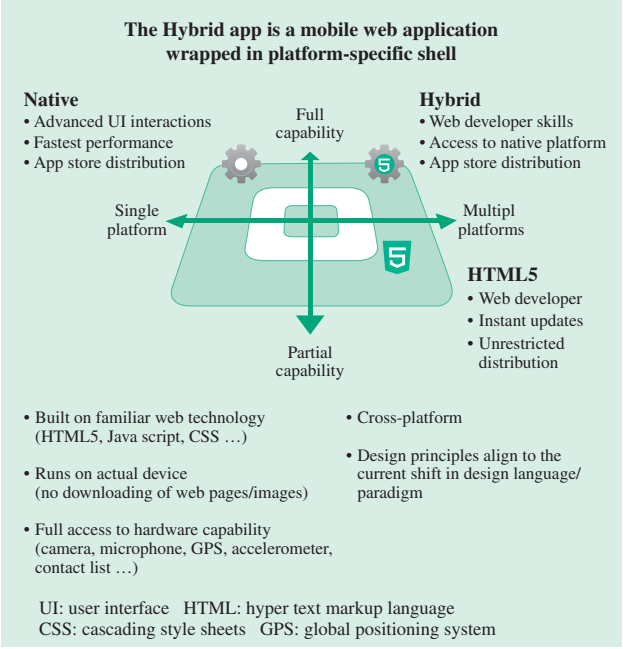

Fig. 4—Mobile on Hybrid Technology.
Today's transaction banking system is expected to come with strong collaboration and personalization features to facilitate easy information management for the corporate users. The use of Web 2.0 (or more aptly Enterprise 2.0) is an integral component in the presentation of information and to promote greater usability of the system. DPM allows targeted content presentation to different segments of customers.

Mobile-ready

With today's younger generation of leaders fully embracing the use of mobile technology, it is essential that banks provide their banking services on smartphones and tablets, and support platforms such as iOS[*1], Android[*2], Windows[*3] Mobile 8, Blackberry[*4] 10, as well as upcoming platforms.

Banks need to examine their approach to cross-device support.

The bank needs to have a mobile strategy and have a clear understanding of the services to be made available on mobile. In the case of cash management, because decision makers are the target market for mobile services, these services should not follow the path of retail mobile banking targeted at the general public.

Our signature Mobile hybrid has taken the above into consideration and made the implementation of mobile platforms easier and faster (see Fig. 4).

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CONCLUSIONS

These are but some of the key considerations for banks in deploying a global cash management solution. In order to further research and explore this matter, it would be advisable for a bank to look for an experienced partner to advise on some of these topics and to help the bank to identify, define and derive an implementation roadmap.

It is important to find a solution provider with the right experience and track record to help advise the bank on architectural and implementation requirements, accommodating regulatory and bank compliance with regards to data and systems residing inside and outside the country. Hitachi eBworx has the right experience and has partnered with various banks in successfully implementing DTB across regions.

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