

# A few clicks away

E-CONNECTIVITY IS CLEARING THE WAYS TO COMMUNICATE BETWEEN BANKS AND PLATFORMS, SPEEDING SERVICES THROUGH INTERNET OR HOST-TO-HOST LINKS. IT'S GREAT FOR EFFICIENCY, SAYS **ANKUSH BHATNAGAR**.

E-connectivity refers to the service that allows a bank customer to obtain information and perform banking transactions through a computer via the internet or by using host-to-host connectivity. Typically, services offered through e-connectivity include account reporting, transaction information, cash and trade transaction initiation and foreign exchange services. Today, as banks develop new products, these are being integrated into their online offerings as the primary means of delivery.

**KEY ELEMENTS OF E-CONNECTIVITY** Connectivity between banks and corporates consists of four principal components.

- **Customer accounting platform**: This is where the customer's accounting, payroll, treasury and other financial data is stored. In recent years, with the development of enterprise resource planning (ERP) systems, these platforms have become increasingly sophisticated. It may also include a dedicated treasury management system (TMS) from providers such as SunGard[1].
- **Banking interface**: This is how the customer core accounting information interfaces with the bank. It can be done via dedicated software provided by an ERP provider, the bank's internet banking application, custom-built connectivity or SWIFT (see later). This interface can perform a variety of functions from formatting of data, security and authentications to creating and executing transactions. The level of functionality of this interface will in many ways depend on the level of sophistication of the customer accounting platform.
- **Communication layer**: This refers to the technology used in the transmission of information between the corporate and the bank. In the last few years, the internet has become the dominant way of sending information to and from banks for corporate customers. Previously companies often communicated via dial-up lines or dedicated lease lines. Both of these alternatives lack the ease of use and low cost of the internet.
- **Bank system**: This represents the bank's information and processing systems, which store data and perform transactions on the bank's side.

**DEVELOPMENTS IN CUSTOMER ACCOUNTING PLATFORMS** Oracle, SAP and Microsoft hold the largest share in the ERP world and are now focusing on connectivity with banks[2].

- **Oracle's Peoplesoft financial gateway:** This product allows a corporate to manage all payments from a single platform. It assists in the preparation, formatting, validation, approval and release of payment instructions to the bank or an external payment system.
- **SAP for Banking**: This suite of solutions runs on the SAP NetWeaver integrated technology platform. It is designed to improve collaboration within the organisation, provide visibility into enterprise data and increase the speed and flexibility of business processes.
- **Microsoft Dynamics GP**: This system provides software and banking services to enable a company to automate the process for sending and receiving files to and from banks, as well as to reduce administrative costs and manage cash more effectively.

**CHALLENGES FACED BY CORPORATES IN E-CONNECTIVITY** Corporates can face challenges across all parts of the e-connectivity chain. Many organisations have

multiple accounting systems, which store different parts of the information required to complete banking transactions. In some cases the systems may not be able to perform the functions required, so these need to be done within the banking interface. Examples may be the transaction authentication process or where double byte characters are required. This can mean the corporate needs to use a bank's internet bank service to meet its needs.

Banking interfaces can create their own issues. Corporates may have many banking relationships and so may need multiple interfaces. These different banking interfaces may also require the user to repeat steps and processes already performed on the company's ERP system. When combined with multiple accounting systems, multiple bank interfaces can mean, for example, that the aim of understanding a corporate's cash position becomes a complex process.

Integrated interfaces can also be expensive, which for many organisations (especially small ones) can mean that the bank's internet platforms offer a better alternative.

While connectivity via the internet has proved both low cost and flexible, there are concerns about security and stability. Although these concerns have generally been met by existing solutions, they remain in the eyes of many companies.

Limitations within banks and their systems may also create issues. The limited product range and network coverage of a corporate's relationship banks will introduce the need for multiple banks and thus interfaces. Some banks may also have limitations on how they can interface and connect with their clients, and a corporate may make a deliberate choice to maintain multiple e-connectivity with banks as part of its banking relationship strategy.

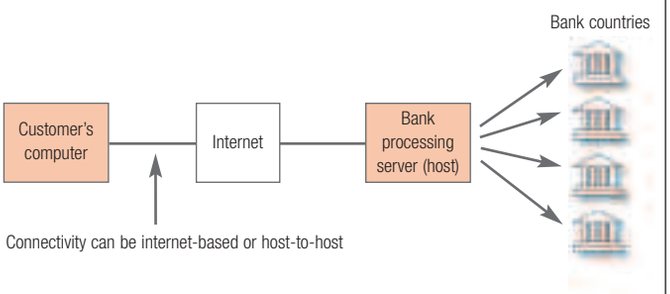
The effect of these issues is to create a multi-connected world and consequently an operating environment that is not ideal, as illustrated in Figure 2.

**AVOIDING THE MULTI-CONNECTED WORLD** The first step to avoiding the multi-connected world is via rationalisation and integration of internal corporate systems. This has been the objective of many corporate programmes. These programmes often use ERP systems from the main providers to create a single integrated accounting platform across the organisation. Levels of success vary and the fast-changing pace of the modern business world means there is always more to do.

Another popular choice has been to use one lead bank for all core transactional activities. This may be on a country, regional or even global basis. This option allows a corporate to reduce the number of banks it deals with. This alternative does mean that the company is limited to choosing from a select number of banks that have the network, operational and technology infrastructure and product capability to support its operations. The levels of integration required can also make it more difficult to change provider. While this approach has been popular in the past, with the recent financial crisis there is some indication of customers looking to broaden their banking relationships.

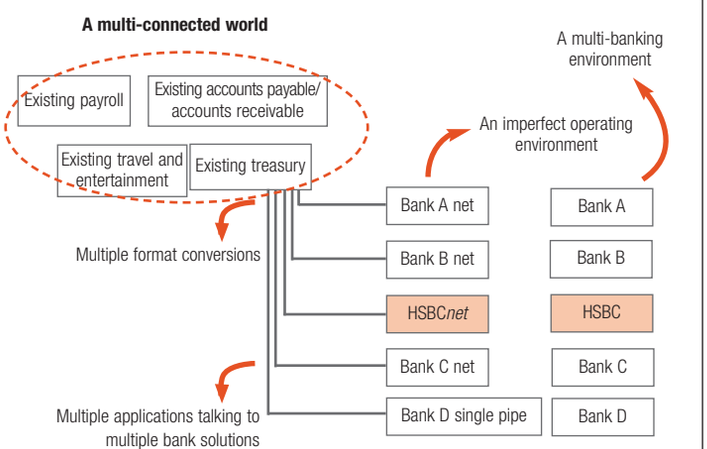
An alternative that is gaining increasing popularity is connecting to banks via SWIFT (Society for Worldwide Interbank Financial Telecommunication). SWIFT is the co-operative organisation supplying secure, standardised financial messaging services and interface software to more than 8,300 financial institutions in more than 208 countries[3]. The SWIFT community includes banks, brokers/dealers and investment managers as well as their market infrastructures in payments, securities, treasury, trade and, more recently, corporates.

**Figure 1**: Customer-to-bank connectivity



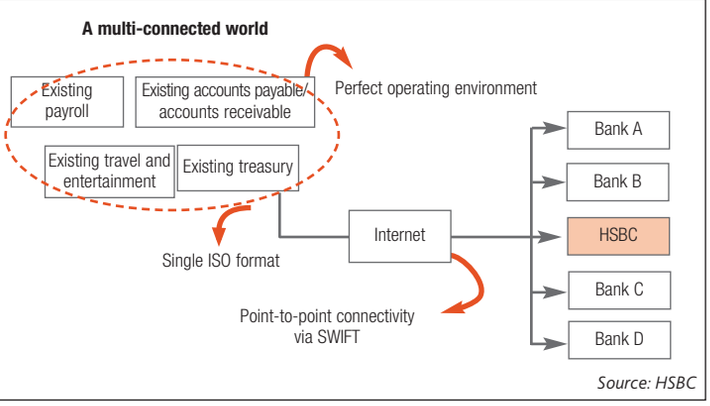

*Source: HSBC*

**Figure 2**: A multi-connected world




*Source: HSBC*

**Figure 3**: Helping to create a perfect operating environment




*Source: HSBC*



SWIFT provides its services through SWIFTNet, an advanced internet protocol-based messaging platform. SWIFT provides a single connection between the customer and several banks for the exchange of both messages and files supporting both information and transactional flows. It allows information to be sent to and received from several banks in a standard way. To date, corporates have used SWIFTNet both with primary banks and in multi-banking operating environments.

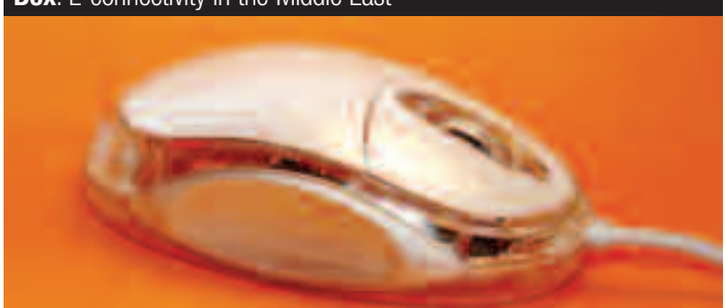
E-CONNECTIVITY BETWEEN CORPORATES AND THEIR BANKS CAN SIGNIFICANTLY IMPROVE THE EFFECTIVENESS AND EFFICIENCY OF THE FINANCE FUNCTION.

**HSBC'S E-CONNECTIVITY OFFERINGS** Given the differing needs of its client base, HSBC has created a range of integrated offerings that allow customers to interface with the bank's global capabilities in the manner of their choice.

- **HSBCnet**: HSBC's strategic internet banking channel for transaction banking provides customers with access to the bank's global franchise. HSBCnet presents information and transacts in a flexible and varied way and can be used with HSBC Connect for online file handling (uploads via HSBC Connect and authorisation via HSBCnet).
- **HSBC Connect**: HSBC's fully automated host-to-host solution, which provides a single interface for a range of HSBC services. Designed for sending and receiving large volumes of data between HSBC and a company's internal systems, the HSBC Connect mainframe application is able to receive, validate and acknowledge instructions from a customer and create the appropriate transaction. It also generates statement and reconciliation of data. Both of these processes are achieved in a format of the customer's choice and on a fully straight-through processing (STP) basis.
- **HSBC Connect to SAP**: an HSBC proprietary host-to-host connection designed specifically for corporates using SAP as their ERP system. The connection allows information to be exchanged between HSBC and the customer without leaving SAP, thus enabling shared processing to take place and for transactions to be made in a seamless fashion.
- **Swift Corporate Access**: Corporates can opt to use HSBC as their SWIFT corporate access bank, with HSBC Connect powering the file exchange. This option provides a single connection between the customer and several banks for the exchange of both messages and files. It allows information to be sent to and received from several banks in a standard way that allows the customer to retain its independence and makes supplier switching a little easier. Thus, the corporate has the freedom to choose from several banking partners and enjoy streamlined e-connectivity through SWIFT.

**CONCLUSION** E-connectivity between corporates and their banks can significantly improve the effectiveness and efficiency of the finance function. The chosen path to e-connectivity will depend on the corporate's organisational and technology requirements as well as the capabilities of its bankers. Developments from ERP providers, banks and SWIFT mean that corporates can now operate in a multi-bank environment without sacrificing operational efficiency.

**Box**: E-connectivity in the Middle East



With rapid economic growth and increasing global integration, the Middle East is evolving as one of the fastest growing and most demanding markets for corporate-to-bank connectivity.

Most international and local cash management banks in the Middle East have advanced electronic banking interfaces for corporate banking. However, the region is lagging behind in the area of corporations implementing solutions for e-connectivity. There are a number of economic, cultural and technical reasons for this: some corporations tend to be more conservative about technology implementation and the need for e-connectivity, and many global payment, cash management or treasury solutions do not suit local business needs.

This situation may now be changing. Global ERP providers are launching their products in the Middle East to cater to local market demands. Corporates in the Middle East, many of which are mid-sized, are keen to join SWIFT since the launch of SWIFT Alliance Lite (a cheaper and simpler way to connect to SWIFT).

As local companies increasingly establish e-commerce strategies for their businesses, barriers to e-connectivity will be overcome. Electronic banking interfaces for corporate banking will probably advance in the next two years and will improve the feasibility of regional e-connectivity solutions.

*References*
*1. For more information, see www.sungard.com.*
*2. For details on these products, see www.oracle.com, www.sap.com and www.microsoft.com.*
*3. As of February 2008. For more information on SWIFT, see www.swift.com.*

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