



IFSA EDUCATIONAL SERIES

TODAY'S TOPIC

Centralize and Streamline Payment Processing in a Payment Hub

Presented by:

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Table of Contents / Topics to be Covered

- Industry Challenges
- What is a Payment Hub?
- Payment Hub Solutions
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Industry Challenges

Business Drivers				
1. Credit crisis	2. Regulation and litigation	3. Consolidation	4. New threats	5. Convergence
6. Globalization	7. Transparency	8. Network evolution	9. Customer demands	10. New products

Strategic Responses				
Risk management and mitigation	Segmentation	Payments hubs	Reintermediation	Cross-LOB product design
Centralized fraud and AML strategy	Liquidity solutions	Payments as a business	Enhanced fee income	Scale models

Technology Initiatives				
Price optimization strategies	Outsourcing and smartsourcing	Service-oriented architecture (SOA)	Decisioning	Customer information management
New form factors	Channel optimization	New fraud/AML models	Enterprise payment models	Network integration

- **Pain Points:**
 - **Different payment 'silos'** (retail, corporate, ACH, wire, checks,...) causes lack of visibility for stakeholders and sub-optimal solutions for customers
 - **Compliance Issues** (AML, SEPA, Check 21, Faster Payments...)
 - **New non-bank entrants** (FDC, Wall Mart, Western Union,...)
 - **Customer's preferences change:** strong move to e-payments, demand for STP in corporate banking
- **Solution:**
 - **Move to Enterprise payments:** convergence of payments
 - Adopt service oriented technologies
 - BUT evolve gradually – no Big Bang approach
 - Large banks investing in enterprise payment strategy



Changing Landscape of the payments business...



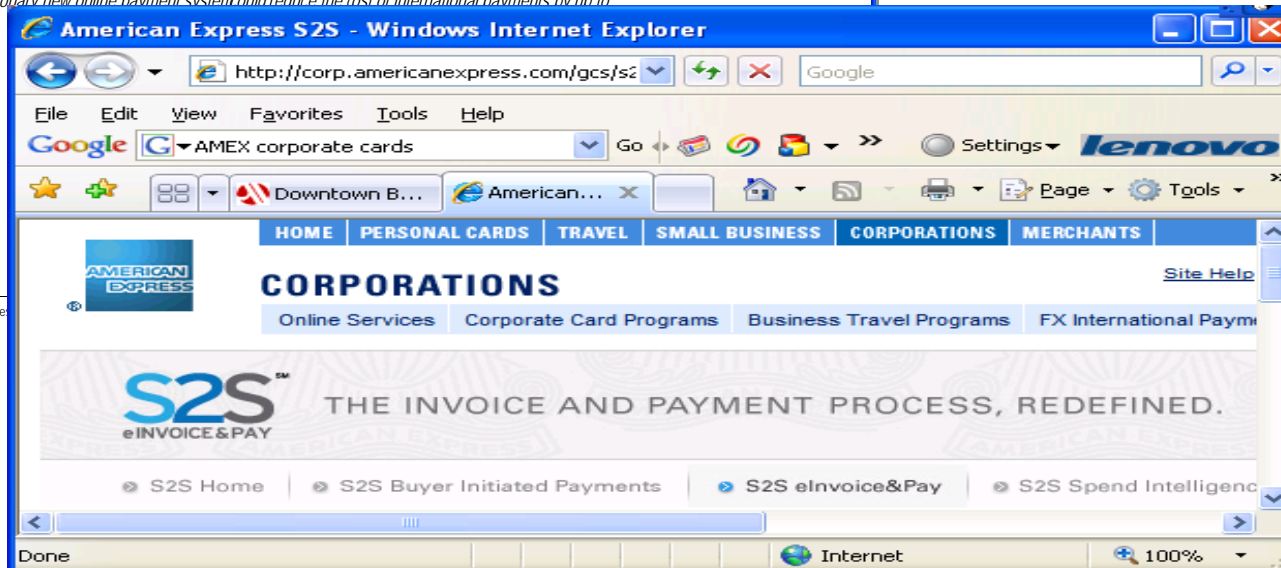
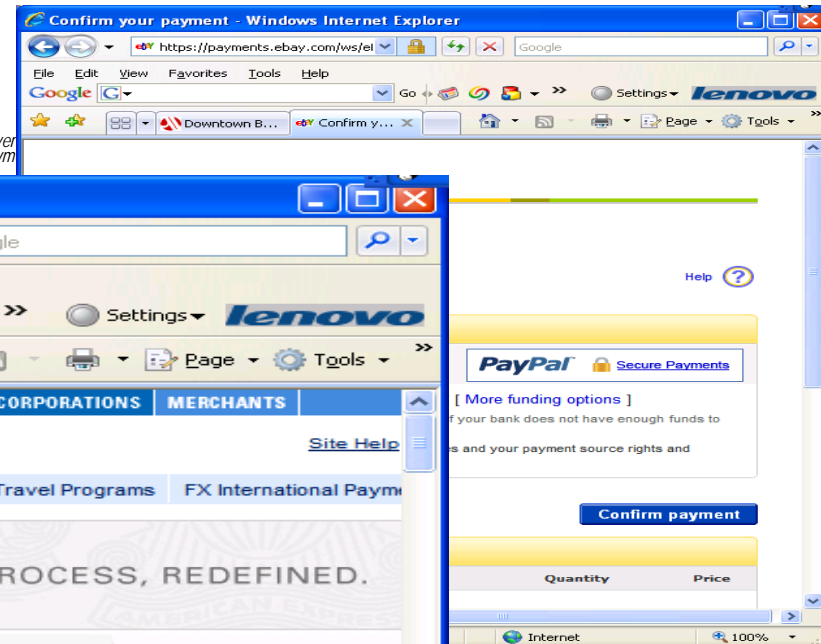
News Release

Embargoed until 00:01 on Wednesday 28th May 2008

UK FINANCE DIRECTORS REVEAL BARRIERS TO TRADING OVERSEAS

UK BUSINESSES CALL FOR SIMPLIFIED BANK PAYMENTS SYSTEM

- Over half of UK businesses experienced payment problems in the last 12 months
 - 44 per cent cite the time taken for payments to clear as the biggest barrier to trading overseas
 - 20 per cent of UK businesses spend at least four days a month managing international payments
- Revolutionary new online payment system could reduce the cost of international payments by up to 10%



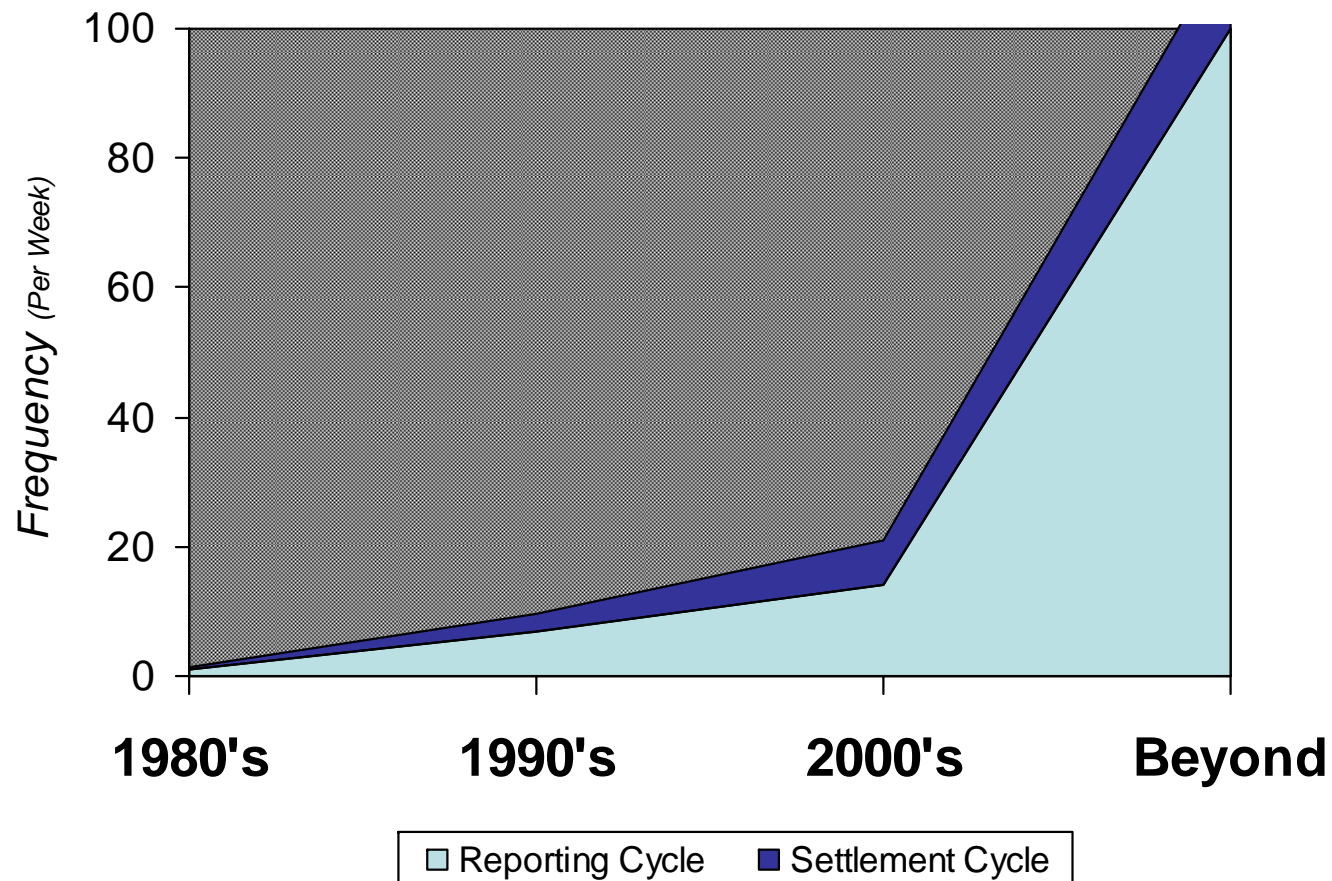
⁽¹⁾ UK busines



Current & Future Service Requirements for Corporates

- **Value added Services**
 - *Normalized Global Payment Support*
 - *Better Visibility & Integration at the Transaction Services Level*
- **Non-Proprietary Interfaces**
 - *SWIFT connectivity for corporations*
 - *Consistent Services across all platforms*
- **Continued Focus on Standards**
 - *FIN Messages*
 - *ISO 20022 XML*
 - *SCORE*

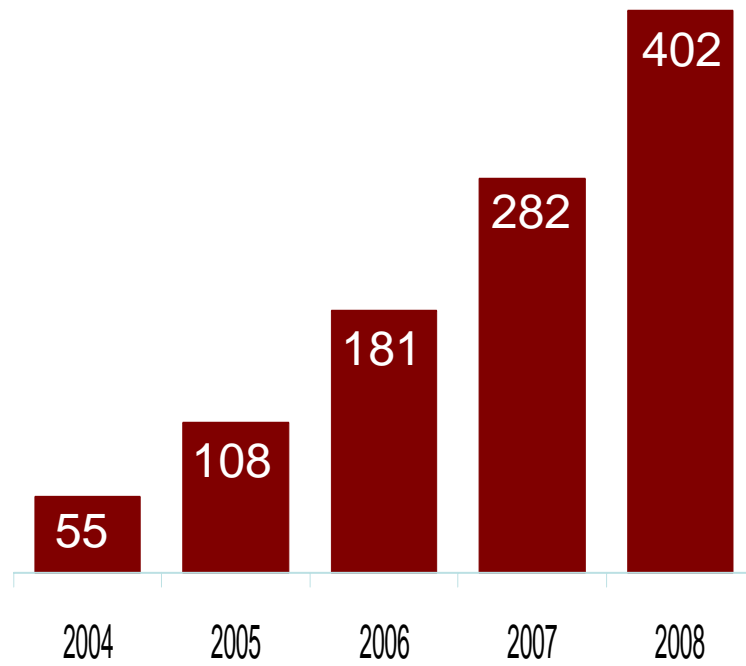
Reporting and Settlement Cycles Per Week





SWIFT membership – Five year growth

registered corporates



Profiles of corporates

- Geographic spread:
 - 70% EMEA
 - 20% Americas
 - 10% Asia
- Increasing number
 - Of smaller size (<1 bn EUR annual turnover)
 - With fewer banking relationships (even 1)
 - Using SWIFT for domestic transactions



FileAct Traffic Growth

FileAct			
Messages	YTD Traffic* December 2007	YTD Growth* December 2007	Monthly Traffic December 2007
Total number of files	3,491,037	80.4%	3,239,390
Average daily files*	13,936	80.3%	21,560
Total number of kilocharacters	279,011,846	111.2%	62,452,470
Average daily kilocharacters*	1,113,820	111.1%	3,431,454

*Business days (250.5 in 2007 vs 250.4 in 2006)



What do your corporate customers use/require...?

- **Your corporate customers...**
 - *Use Treasury & ERP Systems Globally*
 - Americas, EMEA, Asia Pacific
 - *Require standardized connectivity with ALL banks worldwide*
 - *...are almost always implementing a bank interface project at any moment of the year*
 - *Require a single interface for all transaction banking services across your entire branch network*
 - *Are looking for systems that can bring together receivables, treasury, and payables across their enterprise with banking services to match*
 - *Are more willing to outsource/use SaaS like solutions*



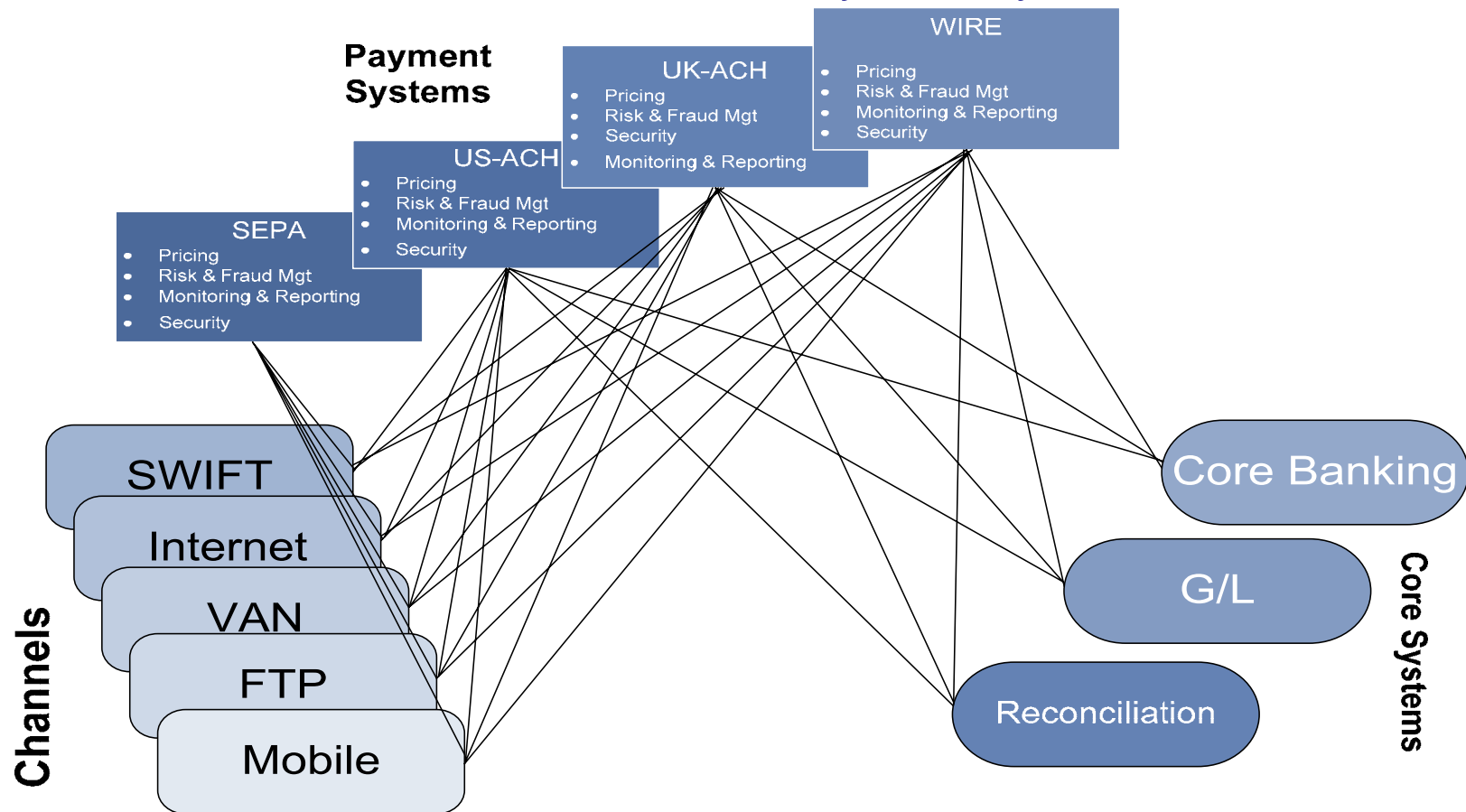
INEFFICIENCY

**ePAYMENTS
ADOPTION**

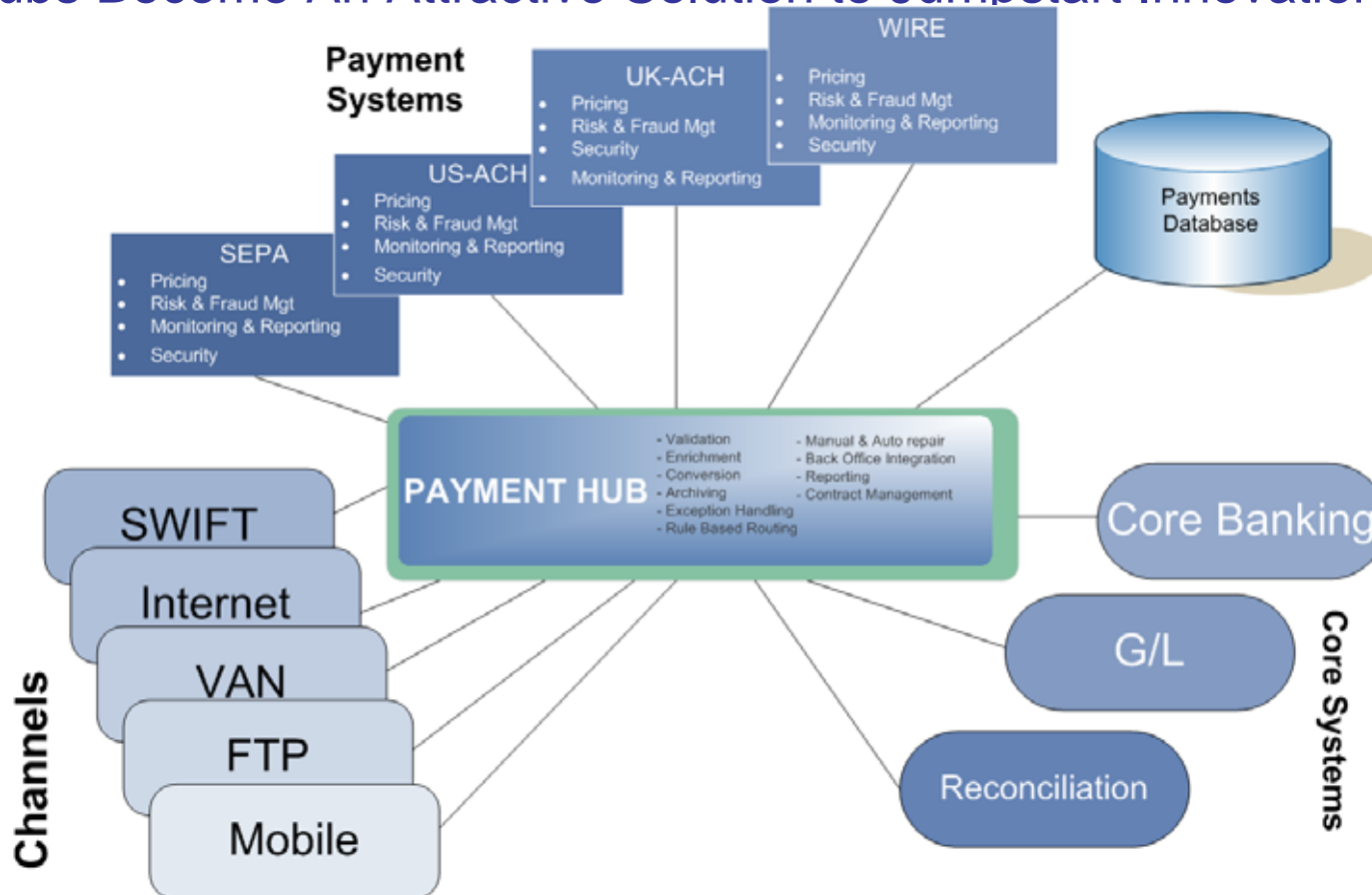
**COPING WITH
CHANGE**

COST AND RISK

Payment Innovation is Stuck Because of Payment Systems Architectures



Hubs Become An Attractive Solution to Jumpstart Innovation





What is a Payment Hub?

- An intelligent messaging hub that includes *business rules* for processing *multiple types of payments* – *Financial Insights*
- An intelligent and central engine, enforcing the capture and mapping of payment information, as well as the *rules* for all the different workflows, clearing and settlement routes and risk mitigation procedures – *Gartner*
- A payment hub is a ‘middle-aware’ financial IT *orchestrator*. Middle-aware is an integration solution that sits at the center of payment interactions, capable of invoking services and reacting to events that require other modules - *Gartner*



Technology Implications

- Services Oriented Architecture
 - Services include Enrichment, Validation, Authorization, Translation, communication
- Event based
 - Logging, alerting, invoking
- Message Oriented connectivity and integration
- Business Process Modeling and Orchestration
- Business Activity Monitoring
- Business Intelligence



Payment Hubs - Benefits

- Common business practices and processes are shared and implemented only once:
 - Validation
 - Classification
 - Enrichment
 - Approval and signing
 - Translation
 - Routing
- Cost effective way to adapt to changes
 - Compliance requirements
 - Payment type convergence requirements
- Shorter time to market for new payment services
- Consolidation of data – visibility across silos
 - Unlock value of information – selling data can create new revenue opportunities
 - Use payments data to link customers financial and physical supply chain
 - Standards Support (ISO 20022, domestic ACH, ...)
 - Translation services
- **Start small and grow the hub**



Pressures in the Corporate Bank

- Today's reality
 - Need for Standard business process:
 - SWIFT SCORE
 - SWIFT MA/CUG
 - SEPA
 - SDD, SCT
 - Mandates
 - Strong demand for Better Remittance information
- 'Corporate to Bank' instruction management is a strong candidate for 'hubification'
 - Create common processes
 - Comply with new regulation
 - Create new services for corporates



Instruction Management Hub

- Integrate across channels
- Integrate various instruments
- Integrate contract administration
- Integrate with back office
- Apply business processes to payment instructions:
 - Import
 - Validate
 - Check SLA
 - Classify
 - Route
 - Debulk and bulk
 - Status reporting to customers
 - Status updates
 - ...



Example 1 - Best Practices for Bank SEPA Compliance

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ADOPTION

COST AND RISK

Firm:

European Merchant bank active in Corporate Finance, Risk Management, Investment Solutions

Problem:

- Target 2 Clearing (RTGS clearing in EUR)
- Staying competitive
- Ongoing costs of supporting back offices



Example 1 - Best Practices for Bank SEPA Compliance

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ePAYMENTS
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COST AND RISK

Firm:

European Merchant bank active in Corporate Finance, Risk Management, investment solutions

Potential Solution:

- AMBIT TRAX PAYMENT HUB
 - Target 2 solution
 - Enrichment
 - Workflow
 - Expanded with domestic payments
 - Moving into SEPA payments



Example 2 - Best Practices for Corporate to Bank Transaction Processing

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ADOPTION

COST AND RISK

Firm:

European Tier 1 bank serving public sector market

Problem:

- Provide off-line eBanking channel for wholesale banking customer
- Integrate multiple payment and direct debit instruments, including SEPA
- Offer account statements reporting module
- Integrate with customers' back offices



Example 2 - Best Practices for Corporate to Bank Transaction Processing

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ePAYMENTS
ADOPTION

COST AND RISK

Firm:

European Tier 1 bank serving public sector market

Potential Solution:

- AMBIT TRAX CORPORATE2BANK
 - White labeled Payment Factory
 - Integration into overall eBanking Platform
 - Integration to customer's back office
 - SEPA compliant



Example 3 – Best Practices for Account Reporting Processing

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ePAYMENTS
ADOPTION

COST AND RISK

Firm:

European Tier 1 bank serving corporate market

Problem:

- Deliver consistent customer reporting (account statement, intraday reporting) across banking channels
- Apply business validations consistently
- Integrate with channels and back office based on SOA architecture



Example 3 – Best Practices for Account Reporting Processing

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ePAYMENTS
ADOPTION

COST AND RISK

Firm:

European Tier 1 bank serving corporate market

Potential Solution:

•AMBIT TRAX PAYMENT HUB

- Reporting Hub for centralizing account and intraday statements
- Apply consistent business rules and validations
- Integrate with channels and back office according to bank's internal standards



Summary

- Payment Hubs can solve tactical problems
 - Small and isolated problems
- Payment Hubs can expand and evolve in other areas:
 - Other payment types, other regions, other entities
 - Payment Hubs are designed for evolution – not a big bang
- Payment Hubs work across silos
- Payment Hubs are agile and flexible:
 - SOA based technology
 - Payment Hubs can mean considerable shorter time to market of new products and services
- Payment Hubs are a step to enterprise wide payments solutions



Q&A

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IFSA Educational Series

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IFSA Service Partners Committee

The goal of the Service Partners Committee is to broaden the industry point of view regarding issues confronting the financial community. The Services Partners Committee will add its knowledge and expertise to offer solutions in partnership with the financial community





About the Presenter

- David Dunmire, sales support director, SunGard Ambit
 - Provides subject matter expertise / solution development / sales support for SunGard payment and messaging products

About SunGard Ambit

- Used by more than 800 banks in 70 countries including 41 of the world's top 50 banks
- Provides a comprehensive core banking solution and best-of-breed point solutions for retail, commercial and private banking, straight-through enterprise processing, treasury management, payments, messaging and risk & compliance



About the IFSA

The International Financial Services Association (IFSA) is a not-for-profit trade association whose members are the world's largest international financial services organizations. At the current time the IFSA has over 165 Members and over 600 participating organizations headquartered around the world. The IFSA's focus is on international financial services, which includes trade services products such as documentary credits, funds transfer, treasury operations, compliance, regulatory reporting, etc. The IFSA membership represents over 98 percent of the letters of credit issued in the US as well as over 98 percent of the US funds transfer volume. In the 1920's, the IFSA created the first rules for the processing of letters of credit between banks. These rules were the model for the International Chamber of Commerce Uniform Customs and Practice for Documentary Credits.

The organization was founded in 1924 and has been in continuous existence since that time. The IFSA provides a forum for members to meet and discuss the various issues related to the financial services industry. The IFSA's primary functions are education, representing the membership to international bodies such as SWIFT and the ICC as well as the US regulatory bodies, and provide a community through which members can network. Much of the work of the organization is carried out by volunteers who participate on the organization's thirteen (13) technical committees. These committees represent the major disciplines of international financial services operations. Through these committees the organization establishes operating rules and procedures for financial services institutions and work with the global regulating bodies to provide input on laws and regulatory procedures/practices. For additional information log on to our website www.IFSAonline.org or contact the IFSA at Support@Intlbanking.org.



**The Next IFSA Presentation Series Webinar
is Scheduled for Thursday, March 12th @
11:00am and will be presented by:**

Deloitte.