



Corporate to Bank – A Financial Gateway

There must be a better way

Many large corporates that conduct business in different geographical regions have different treasury and payment systems for each region. The situation is further complicated where multiple subsidiaries are also involved. Add to this the fact that many will have multiple ERP systems supporting their business and will need to manage multiple banking relationships and e-banking connections and it is not surprising that many large corporates are struggling to execute their cash management strategies.

There is also a desire within large organisations to drive down cost, both operationally and from a change management perspective, together with a need to improve operational control frameworks and enhance treasury and cash management capabilities.

An obvious area for improvement is in their back-office functions. A “payment hub” can play a vital part of an organisation’s centralisation strategy.

Benefits of a Payment Hub

Corporate –

Cost Reduction, Improved Control, Enhanced Visibility, Increased Agility.

By centralising the settlement of transactions in a payment hub and adopting a standard approach, the corporate can concentrate its electronic banking interfaces in only one place, realising substantial benefits.

Additional benefits come from demonstrably better control and auditability (think Sarbanes-Oxley) and better management reporting as all of the payments are stored in a single ‘source of truth’.

This single ‘source of truth’ also provides the treasury and cash management functions with timely access to the payments flows (both in and out) across the organisation, optimising funding processes and working capital.

The centralisation that the payments hub provides insulates the corporate ERPs from the external interfaces, minimising the impact of regulatory or external change. This can simplify issues, such as SEPA compliance and also reduce the effort in maintaining and/or changing banking relationships.

Banking partner –

Service Improvement, Know your Customer

The local and global drivers in the payments industry are driving banks to examine a number of aspects of their corporate payments business, for example:

- Pressure on future low-value cross-border payments income from initiatives such as SEPA means banks are looking at cost reduction through technology inspired automation & channel integration.
- New market infrastructures and the extension of standardised messaging infrastructures offers corporates increased choice.
- Banks are radically reviewing the long-term economics of their payments businesses and consequently their customer value propositions.

Consequently Financial Institutions are looking at ways in which they can elevate themselves within their customer’s value chain to being a true business partner to the organisation. Implicit in this focus on value add to the customer is the generation of new revenues to replace the old.

Cost Reduction
Improved Control
Enhanced Visibility
Increased Agility
Service Improvement
Know your customer

In being able to offer their larger corporate, and their institutional clients products that offer greater flexibility and help in reducing cost will only help strengthen the relationship.

Benefits for both corporate and bank can be realised through a deeper relationship. By giving the banking partner greater visibility of its customer supply chain, the corporate reduces levels of risk and allows for more favourable pricing and more value-based services such as pre-emptive finance and invoice factoring

Oracle Financial Gateway

The Oracle Financial Gateway provides the corporate customer with the "Payment Hub" capability, and the institutional client with a treasury application for payments submission to the bank.

Corporations

The Financial Gateway will act as the payment "consolidator" for the corporate by taking in the payments from all the subsidiaries and differing ERP systems, eg Oracle, Peoplesoft, JD Edwards etc.

Corporate treasurers can then review and validate the payments with centralised payment processes bulking and formatting the payment instructions as necessary.

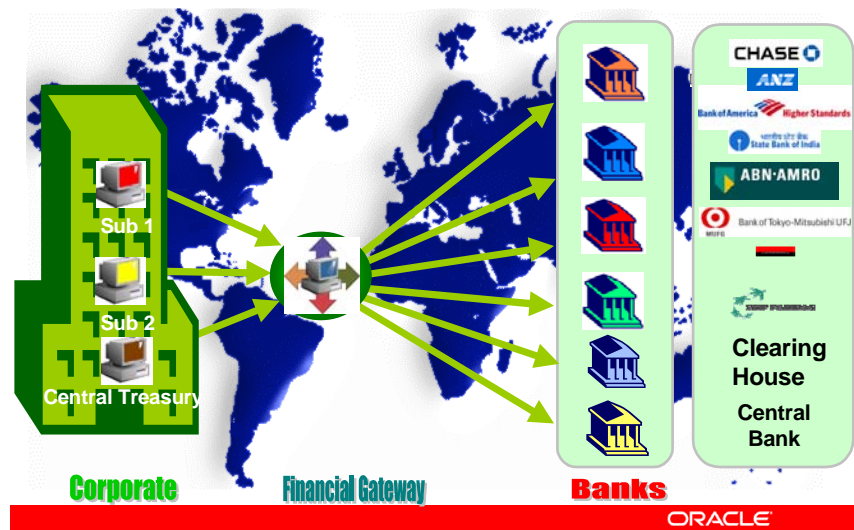
This payment file is then transmitted to the banking partner in the usual way (payment gateway, ftp(s), http(s), dedicated line, SWIFT).

Institutional Banking

The model above would also apply for the banks institutional clients. In this model the Financial Gateway product would be integrated not with ERP systems but with their payment engine. In this manner the Financial Gateway would act as the bridge between the two organisations.

Acknowledgements and statement information will follow the reverse route directly into the customers ERP system.

Solution: Corporate Payment Factory



For Further Information on Oracle Financial Services see http://www.oracle.com/industries/financial_services/index.html

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