

Building a Better SAP® Payment Process

Identifying the right tools for payment success



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Bankers
ALMANAC

Integrate Data to Optimise Payment Processing in your SAP® System

Today, corporate treasury professionals face a greater set of challenges than ever before. Reduced liquidity and enhanced volatility means firms must manage cash and financial risk more efficiently, while higher costs, fewer resources, and more complex transactions require greater transparency and control to drive better financial results.

In addition to these challenges, firms must contend with inefficient, fragmented processes and policies that result from maintaining multiple banking relationships. Despite a wealth of powerful financial processing capabilities available to companies deploying SAP, issues such as compliance, payment rejections and repairs and the manual research necessary to reconcile payment orders and electronic bank statements can still result in higher processing costs and lower productivity.

The key to managing these issues within SAP lies in securing the right banking data while ensuring access to the relevant information when needed. Without the correct data or necessary access, payments can grind to a halt, costing thousands of dollars in repair fees, staffing hours or lost or delayed vendor services. Worse, for time-sensitive, high value transactions such as accounts payable receipts, securities transactions or supply chain financing, the damage can be upwards of hundreds of thousands—or even millions—of dollars.

In order to take advantage of all of the benefits SAP offers in providing payment flow transparency, seamless payment and settlement processing, the necessary resources within the application must be populated and updated with the most complete and up-to-date bank master data.

Meeting the Update Challenge

As a sophisticated, powerful enterprise resource planning (ERP) solution used by companies and treasury professionals around the world, SAP offers the ability to maximise payment flow, gain greater insight into payment processing and settlement and provide real-time analysis of intraday or end-of-day bank balances. Multiple applications are available for SAP to help achieve these goals, including SAP Treasury and Risk Management, Payment Engine, Bank Communication Management, Cash and Liquidity Management, Integration Package for SWIFT and more.

Within these solutions, a wide range of core modules, including those relating to vendors, customers and personnel management, rely on access to critical bank-related data to set up payments initiated throughout the system. Reference information about financial institutions required to create payments, such as an institution's bank code, SWIFT/BIC, bank name and more, are housed in the bank master table, or BNKA. In addition, bank references also appear in individual documents stored throughout the system, or in third-party, industry-specific solutions, such as utility, telecommunications, or insurance applications attached to the ERP platform.

The BNKA data is often manually or automatically updated and can be maintained by treasury professionals, accounting clerks or IT staff, while entering and updating larger amounts of data requires a separate upload programme. For many firms, however, maintaining a correct and up-to-date bank master can require considerable effort. As companies today seldom rely on a single banking institution, firms must also maintain relationships with several banking partners that can require a myriad of communications based on a variety of protocols, proprietary standards, and processes, further adding to existing complexities. Payments within SEPA, for instance, need to comply with the European Payment Council's SEPA directive requiring provision and maintenance of IBAN and SWIFT/BIC with other bank details in vendor and customer records. In some banking countries, to leverage the benefits of low-cost national clearing systems, payments require data in a local language, such as Chinese, which can require access to non-Latin character sets to process payments.

Taken together, these and other challenges require access to the highest quality payments data to drive complex accounting, financial supply chain, treasury and managerial accounting functions.

The Importance of the Right Data at the Right Time

Even with the right data in place, payments within SAP can prove less efficient and more costly than necessary if the information is not consistently available within the solution to those departments and resources that rely on bank data to perform.

Take, for example, the scenario of creating a vendor record within SAP for a new supplier relationship a company has gained. As an employee captures information such as the vendor's name, address, bank account and banking routing information into the relevant SAP table, that data is often taken directly from an invoice or other documentation supplied by the vendor itself. However, should relevant information about that bank not already exist in the BNKA, SAP will prompt the employee to manually create the necessary information in the BNKA. Even if the information is able to be added successfully, lacking access to a definitive table of bank routing data could result in partial BNKA records with only BIC fields populated, missing an ability to have the associated national routing code. For a SWIFT/BIC or local bank code for cross-border or local payments, respectively, the process may need to be repeated, leading to duplicated data entry.

In such a scenario, multiple inefficiencies can abound. For example, treasury staff can spend considerable time rekeying data, handling exceptions and reconciling information to resolve payment issues. For some firms, these costs can be substantial. In addition, whenever a payment instruction is created based on incorrect BNKA data, bank reconciliation or

repair fees can be levied on the firm to process those payments. All this can quickly lead to a decline in overall payment efficiency.

Due to its potentially sensitive nature, many SAP customers have the underlying BNKA data "locked down" and managed exclusively by a Master Data Management Policy Administrator, Data Protection Management group or equivalent. While such a process may be advantageous for a number of reasons, it can also introduce a number of challenges to normal day-to-day operations such as supply chain management. When attempting to create a vendor record and facilitating payment for a new supplier, for example, the process can be halted if the associated bank details for the supplier are missing from the BNKA. Often, this requires an employee to stop and create a "work order request" to be sent to the appropriate authority, who then research and add a bank record before the payment set up can continue.

For firms with central database management controls, such "adds" may be reserved only for specialised teams to address. This would inevitably drive delays in the process, additional work flows and the firm may need to hold off conducting business with the vendor.

Finally, firms must have operational processes in place to avoid the risks associated with regulatory non-compliance of making payments to vendors or partners associated with sanctioned banks. The solution for firms is simple, undertake a bank sanctions check against globally accepted sanction watchlists (EU, HMT, OFAC and UN) at the time of vendor onboarding, and everytime a payment is made. In this way accurate and clean bank master data can be optimised.

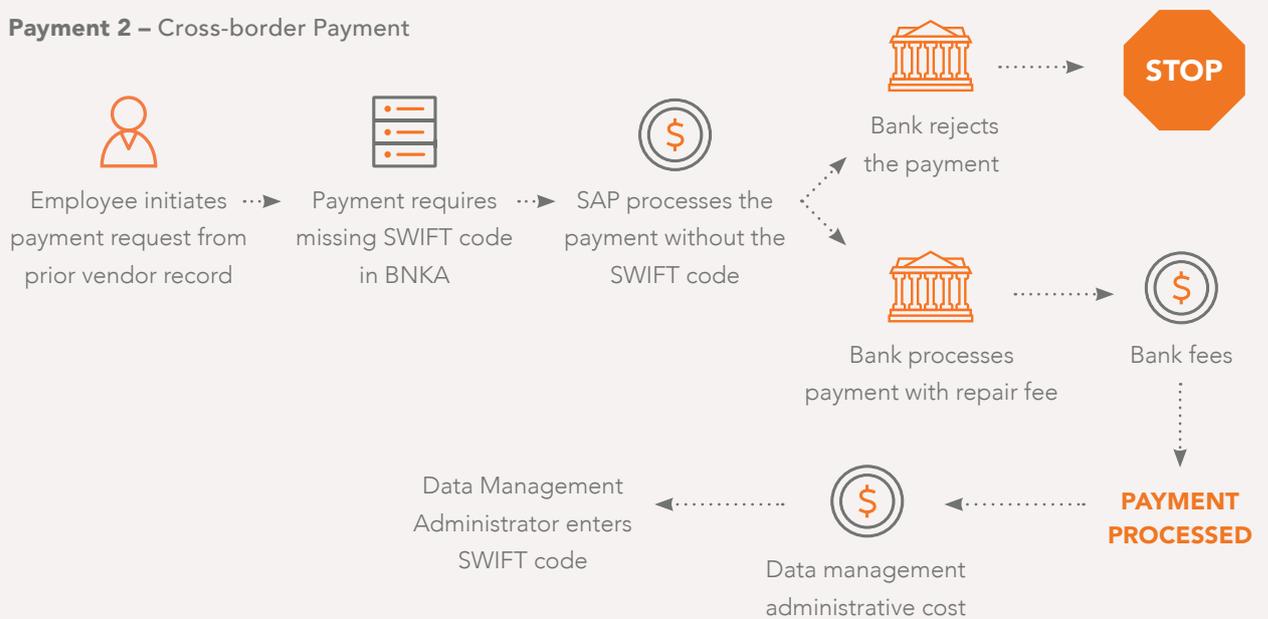


Inefficient, Costly Payments without Correct Bank Data

Payment 1 – Invoice Received



Payment 2 – Cross-border Payment



Successful Cross-border Payment with Accurate, Up-to-Date Bank Data





Delayed Payments Can Mean Lost Opportunities

Opportunity costs like these are often 10 times greater than any bank fees for fixing non-STP transactions, and can be more disruptive to day-to-day operations than enhanced staffing costs or increased bank fees.



Slowed or stopped supply chains—A payment to purchase a critical part essential for a production assembly line is delayed by several days, resulting in a severe hit to revenue potential as products are not brought to market as expected.



Delayed and uncollected accounts receivable—A broken payment as part of a collection effort for accounts receivable means the treasury department may need to access more credit lines to sustain day-to-day operations.



Missed opportunities and lower liquidity—Delays in a payment to fund a substantial securities purchase of even a few hours could mean a significant shift in price or availability of a sought-after security, compromising the goals of treasury operations.



Lose credibility with vendors and customers—Failed payments can affect the trust that your vendors and customers have in your business and may also leave your business with a poor reputation going forward.



Increased risk of regulatory non-compliance—Allowing payments to proceed to banks included on global sanctions watchlists creates a significant risk of regulatory non-compliance for the remitting firm, and could be stopped by settlement banks and sent back for repair or cancellation.



How Accuity Can Help

Timely payments are critical for maintaining cost effectiveness and protecting your reputation with your suppliers, partners and employees. Accurate bank master data and standardized data governance processes can drive this success.

Bankers Almanac for Payments solutions provide up-to-date information that directly integrates with all major enterprise resource planning (ERP) vendor systems, including SAP and Oracle. Our tools help you to protect against the consequences of inaccurate payments, achieve more efficient payments processing and realise best practices in data governance.



Bankers Almanac Global Payments Data Cleanse—Refresh your payments database with a thorough analysis that highlights data decay in your legacy payments data and repairs outdated information. Our experts review your data to validate, standardise and repair your information to ensure your system is driving greater payments accuracy.



Bankers Almanac Global Payments ERP—Integrate accurate, reliable, and up-to-date payments information directly into your enterprise resource planning (ERP) and vendor management systems. Improve treasury efficiency and maintain regulatory compliance by accelerating payment processing from onboarding vendor validation including checking for sanctioned banks to back-office enrichment and investigation.



Bankers Almanac Global Payments File Local Language Supplement—Expedite payments into countries where non-Latin characters are used for domestic transactions. This solution provides payments data in 13 languages to facilitate payments in countries with non-Latin alphabets, such as Cyrillic script and Chinese characters.



Bankers Almanac IBAN Complete—Connect to complete information for SEPA and IBAN compliant payment messages. Validate and convert IBANs and identify connected SWIFT/BICs for outgoing payments and vendor master lists.



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Accuity offers a suite of innovative solutions for payments and compliance professionals. Our portfolio includes comprehensive data and software that control risk and manage compliance, and accurate data and tools that optimise payments pathways. Backed by our deep expertise, the industry-leading solutions from our Fircosoft and Bankers Almanac brands deliver protection for individual and organisational reputations.

Accuity is part of The RELX Group, one of the world's leading business information and data providers, and has been delivering solutions to banks and businesses worldwide for 180 years.