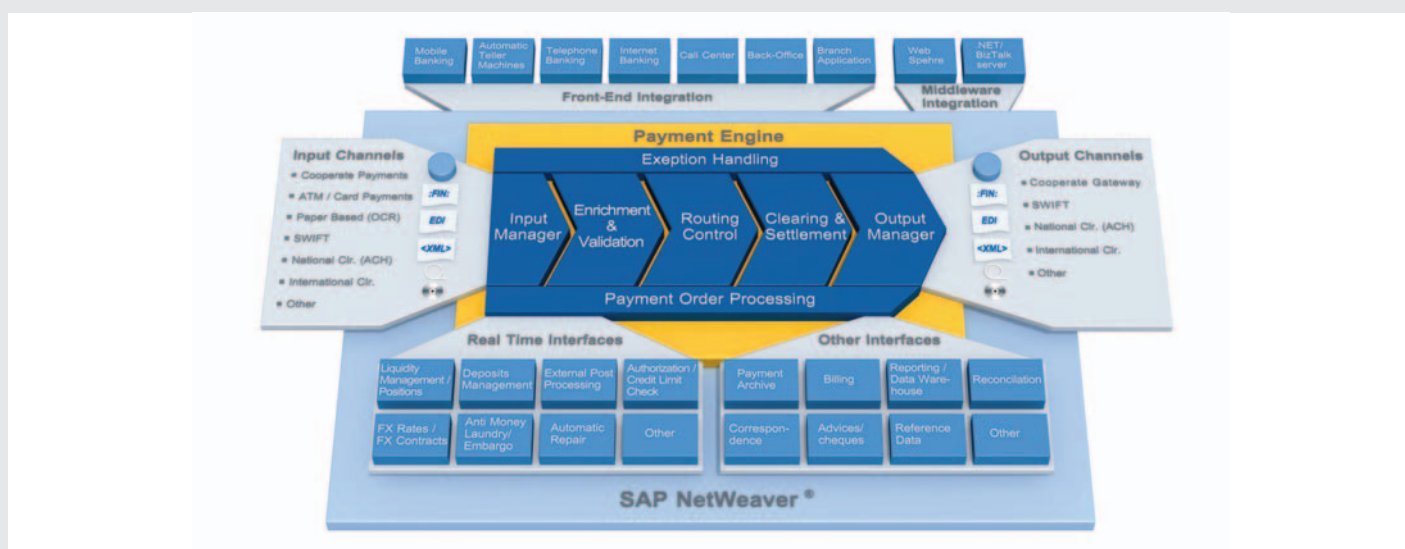




SAP Payment Engine: Making payments just like at home

Any bank customer in Europe who wants to transfer money or pay bills in the euro area will often spend more time, effort and money than for domestic payments. A European guideline should put a stop to such disparity in payment processing. This is not only good news for customers; it's also a powerful show of strength for the banks. And the SAP Payment Engine helps them to meet the new guideline with ease.



It's just before nine o'clock in the morning. Tobias, a German student studying in Italy, is pacing anxiously up and down in front of the Machiavelli Bank, because he's short of cash. Yesterday, the utility company in Florence cut off his electricity. But where's the money that his parents transferred to him from Hamburg a week ago? The bank opens its doors. "Buon giorno, signore." – Yes, the money is there. At last!

The European Payment Council (EPC) wants such scenes to be a thing of the past, and soon. By 2010, a unified payment area called the "single euro payments area" (SEPA) will be created with unified payment standards. Within this SEPA, banks will have to deal with foreign euro payments in the same way as domestic ones. They will not be allowed to be more expensive, less secure, or slower than domestic payments.

Processing in real time

According to Dirk Guttzeit, program manager for the SAP Payment Engine, the SEPA hits the Achilles' heel of the banks: "Many payment systems used by banks are developed in-house and are more than 20 years old," said Guttzeit. "It is very time-consuming and costly to adapt them to the new standards." Developers and administrators with special know-how are rare. Heterogeneous systems also make straight-through processing (STP) more difficult. Continuous automatic processing is, however, crucial for competition since payment transactions are mass business for banks, and they need to keep the unit costs down. This can be done with an integrated payment transaction system such as the SAP Payment Engine.

"The Payment Engine supports standards for international payment transactions such as IBAN and BIC as well as enhancements specific to



Dirk Guttzeit, Program Manager, SAP AG
Eckehard Stolz, Payment Project Manager, Accenture

the bank or country,” explains Eckehard Stolz, Payment project manager from Accenture. As a strategic alliance partner of SAP for Financial Services, Accenture is responsible for developing the Payment Engine, which SAP, together with a charter client, is tailoring to the SEPA requirements. Their aim is to open up potential cost reductions for the banks through a high level of automation.

Customer-specific services

Costs mainly arise for banks from manually processing incorrectly filled-out forms. The Payment Engine automatically corrects errors. This reduces manual effort and lowers costs. Because the workflows use a process called Exception Handling to help control activity, processing staff only have to intervene in exceptions.

“Banks can use the Payment Engine to introduce assets such as revenue-oriented service models to improve loyalty in high-value customers,” explains Stolz. Banks can also stand out from the competition by connecting the Payment Engine to their customer portal. Many customers use online banking and also want this convenience for euro payments abroad. The Payment Engine processes payments around the clock in real time.

Outsource or insource

Given the background of requirements described, most banks are asking themselves questions about a long-term, robust business model: Should a bank process payment transactions itself, outsource payment processing or create a combination of the two?

“The Payment Engine supports all options for setting up the value chain. It is scalable and multiclient-enabled. Banks can separate the legal payment transactions according to customers on one platform, and thereby act as an insourcer, for example,” says Guttzeit.

The architecture of the Payment Engine also makes outsourcing payment transactions easier. “Many banks process availability queries, such as the credit limit for a customer, and payment transactions in a monolithic system. This restricts flexibility, therefore, we have decoupled payment transactions from account management in the Payment Engine,” explains Stolz. Both systems run on the SAP NetWeaver technology platform which, thanks to close integration, enables STP. Payment Engine can also run in combination with other technology platforms.

Migrate early

Stolz expects the SEPA standards further to increase competitive pressure. “Banks should begin with the migration early, to get a head start on the competition and permanently lower costs,” advises Stolz. After all, this is a market with 500 million customers and around 100 billion cashless euro transactions a year.

“Banks that change to the Payment Engine will profit from a one-time expense, since we are constantly developing the solution further and adapting it to the SEPA requirements,” says Guttzeit. Accenture and SAP are already planning the next Payment Engine release, focusing on international payment transactions for global banks. According to the proven method, SAP and Accenture are jointly undertaking the development, sales and consulting for the solution. This project should also involve a charter client.

Curious and open-minded?

What else are SAP, Accenture and their customers doing to develop the payment transaction standards of the future? How might your company benefit from being a charter client? For answers to these questions or for more information, contact Dirk Guttzeit or Eckehard Stolz on the SAP and Accenture Booth at SIBOS Copenhagen booth number **C204**.