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Electronic Bank Account Management: The New Normal

Glen Solimine, Wall Street Systems, Inc. - 07 Sep 2010

The world of bank account management is changing. Ironically, the credit crisis has helped create an environment that puts eBAM high on the corporate agenda. Banks need to react quickly to this trend, or risk being left behind.

If you cast your mind back to the pre-internet age, when bank services were delivered personally or by fax, you will be reminded of the transformative power of computer-based technology. Few parts of our everyday and working lives are still to be touched by it.

And yet one important aspect of corporate treasury - bank account management - has taken longer than expected to jump on the technological bandwagon. Until very recently, corporates seemed wedded to paper-based systems, with most essential tasks - adding or removing signatories, opening accounts, audits, verifying mandate adherence, delegating authority - taking days, weeks or months.

The sudden growth in interest in automated processes for bank account management can partly be attributed to the coordination between the banks and their customers. The delay may have been due in part to the lack of willing service providers and the tendency for vendors to try and shoehorn this new discipline into ancillary legacy applications. Most of these applications were built in technology platforms and domain models that do not adequately support the requirements for electronic bank account management (eBAM). Nevertheless, things have accelerated in the past four or five years, and the situation looks very different today.

A number of major banks are responding to huge customer pressure, to be the first to achieve critical mass in customer base and claim the title of 'pioneer of eBAM'. Before long, the banks will begin migrating their entire customer bases towards eBAM, as the new normal. But this change has been a long time coming.

What Took You so Long?

eBAM was in its infancy when the global financial crisis hit, and the world's banks suddenly turned inward. This, undoubtedly, was a big setback for the implementation of eBAM from the bank side, as introducing new automated processes took a back seat to shorter-term goals. The same goes for their corporate customers.

However, though the crisis was a distraction, it may have also been a blessing in disguise for eBAM. The credit crisis drove home the need for companies to be completely on top of their finances - the ability to pinpoint their liquidity and credit situation at any given time became paramount.

With paper-based processes, this is difficult - quite basic information on bank relationships and account structures from various disparate sources can be hard to reconcile. It can be difficult to gain a clear picture of control and responsibility. The need for a centralised, easy-to-access system to manage this information soon became obvious. Easy auditing also makes for easier compliance with new regulations - an ever-present threat post-crisis.

Likewise, the ever-changing credit situation during the crisis required a degree of fluidity, responsiveness and flexibility in bank account management. As banks moved in and out of danger, it became important to have the ability to respond by moving money between banks and accounts, reducing exposure and credit risk.

Since the crisis, this has morphed into a desire to spread risk across different banks, making account structures and requirements ever more complicated. Doing this without some sort of centralised control, or an ability to enact account management decisions quickly, soon became very hard indeed. In some cases, it was found that signatories on various accounts that needed closing or shifting had left the company years ago or even died - not only leaving the company open to fraud risk but also making management decisions painfully slow.

The Next Steps

So far, corporates have been the driving force behind the adoption of eBAM - recognising that the paper-based system of management is increasingly archaic in an automated world. Indeed, for many, it has become inevitable. The banks themselves, however, have been a little slower on the uptake, reluctant to invest in the changes required to upgrade their systems and receive eBAM messages.

Increasingly, however, banks are realising that there is something in eBAM for them too - efficiency savings make as much difference to the banks as they do for customers, and cut out the need for extra personnel. The granting of an ISO certification earlier this year, creating a standard for all eBAM messages, has also helped to increase trust and confidence in eBAM as a system.

Additionally, eBAM is now being put into practice. At Wall Street Systems, we are seeing evidence that banks are focussing on eBAM as a priority, and putting real effort into promoting its roll-out. Big banks have been the keenest adopters, though mid-tier banks are catching on too. With the level of enquiries and interest on the rise, it is becoming a requirement that banks develop an eBAM capability, or at least have concrete plans to do so.

The tipping point for the spread of eBAM will be when banks begin to drive customers to adapt to the new technology, rather than vice versa. This is not hard to envisage in the short-term - when you think of how zealous the consumer banks have become in promoting internet banking, it is not hard to imagine something similar happening with eBAM and corporate customers.

What Should Treasurers Do Now?

Corporate treasurers have found themselves in the spotlight post-financial crisis, with attention turning to cash management, exposure, and liquidity management in a way that has not been seen before. The board is willing to give extra time to treasurers right now, and it is an opportunity that should not be wasted. While eBAM connectivity might seem a hefty investment, the efficiency savings and arguments around auditing and fraud risk are persuasive. There is a strong incentive for treasurers to act now, while they continue to enjoy a high level of influence.

If anything can be taken from this, it is that the widespread adoption of eBAM should now start to be considered an inevitability. It is hard to put an exact timing on such things, but we can predict eBAM will become a standard business practice within the next two years. It follows that corporate treasurers - and indeed banks - have a short window of opportunity to act if they are to avoid falling behind.

The world of bank account management is changing - now, more than ever, it is vital to change with it.

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