A. **Name of the request:**

Bank Account Management (BAM)

B. **Submitting organization(s):**

S.W.I.F.T. scrl

Standards Department

Avenue Adèle, 1

1310 La Hulpe

Belgium

C. **Scope of the new development:**

The Bank Account Management (BAM) project aims at facilitating the account management process between a bank customer (in particular a Corporate) and its financial institution (i.e., the bank). Objective is to provide standard messages for the opening, maintenance and closing of a cash account.

The targeted business area is 'account management'. In a first phase the following business processes will be covered:

- A bank customer requests its bank to open a cash account[1]. This will include the exchange and treatment of information such as account basic information (e.g., account mandates) and account services (e.g. communication channel, lockbox). It is foreseen that the bank communicates back to the bank customer.

- A bank customer requests its bank to maintain its cash account. This corresponds to the modification of the bank account information by the bank and on the bank customer request. Particular attention will be paid to the bank account mandates maintenance since this corresponds to the biggest market demand. As for account opening, it is foreseen that the bank communicates back to the bank customer.

- A bank customer requests its bank to close its cash account. This will include any necessary communication between the bank and the bank customer to properly manage the account closing (e.g., outstanding balance treatment).

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[1] Cash account: account to or from which a cash entry is made (ISO20022).

- A bank customer requests its bank to report on its cash account information: attributes and services. The report will contain an overview of the static information available for the requested account. This information is

  - ➢ account identification related information, e.g. account number, account status, account owner names, addresses, mandates, ...

  - ➢ related to account services, e.g. fee and interest information, allowed transactions like checks, lockbox, pooling, loan facilities,...

The bank account management process requires the ability to collect/exchange signatures. Signatures will indeed be needed either on documents (e.g., Terms and Conditions) a bank customer will have to send back to its bank, or as information needed to manage an account (e.g., bank mandate information).

If required, other phases of the Bank Account Management project may deal in the future with:

- Other kinds of accounts than cash account, for which different basic information and services might have to be defined. This will be based on the requirements and feedback of banks and bank customers after this project phase went life.

- The Know Your Customer (KYC) concern. This project will first concentrate on bank customers which are already in a relationship with their bank counterparty. Although some overlaps exist between the KYC and the account opening processes, the former will be treated later on to reduce complexity of the first phase.

- The modification of account attributes performed on the bank's initiative and reported to the bank customer.

- The standardization of the name of the documents required for account opening. SWIFT will, together with the project participants, investigate opportunities to harmonize documentation naming to make it easier to recognize and identify documents in their exchanges.

- This project aims at structuring and standardizing any piece of information that is needed between players to manage bank accounts and that can be encapsulated in a standard.

These phases may be started later on. In such a case, they will be subject to the introduction of relevant and corresponding Business Justifications.

Out of scope of the whole BAM project is:

- Standardisation and dematerialisation of all the required supporting documentation. This is simply not achievable due to:

  - ➢ diversity in market practices (e.g. what one bank requires is not the same for another bank given own risk aversion) and

  - ➢ diversity between local regulations

- The development of a digital signature. However, this project will make sure that produced standards will cater for the transportation of these digital signatures.

The Bank Account Management project has a distinct scope from the following existing UNIFI messages or projects:
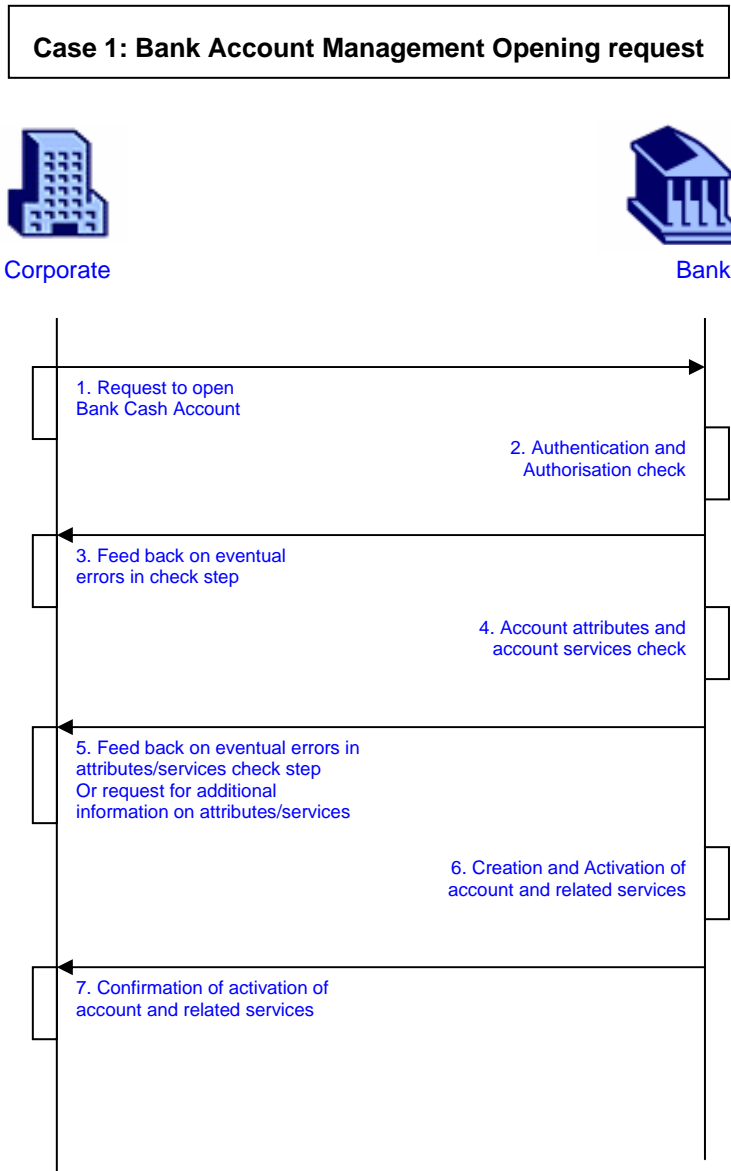
- The recently approved ISO 20022 Investment Funds Account Management Messages: These messages contain information related to accounts used for funds, cash settlement, investment plans, etc. The account attributes refer to specific account and account owner identification related to funds. These messages are not designed to open, maintain, close and report on cash accounts and their attributes, basic and additional services. Mandates management is not covered while it is a major requirement for cash account management.

- Business Justification 'Payments e-Mandates': the mandates of this business justification are not the same as the mandates referred to earlier in this document. In the Payments e-Mandates Business Justification, the mandate is defined as the authorisation and expression of consent given by the Debtor to the Creditor to allow such Creditor to initiate Collections for debiting the specified Debtor's account and to allow the Debtor Bank to comply with such instructions. The mandates we are talking about in this Business Justification are related to the Power of Attorney a person, the identification of the person or persons who can use the cash account for which type of transactions and up to which amount.

- Business Justification 'Change/verify Account Identification Information' submitted by the French SWIFT User group. The business process and message flows covered by the Bank Account Management Business Justification are between the account owner and the account servicing bank, while the business process and messages flows covered by the 'Change/verify Account Identification' Business Justification are between the creditor bank and the debtor bank or between the debtor bank and the debtor to report changes related to the identification of the account owned by the creditor.

To summarise, this Business Justification covers the following development:

- Standardization of the processes for the account opening, maintenance and closing through the usage of activity diagrams. The scenarios will be based on these activity diagrams. Messages will be developed by using the scenarios.

- Standardization of the data for the account opening, maintenance, closing and account reporting (including mandates).

- Development of the message models related to the account opening, maintenance, closing and account reporting (including mandates).

In view of the scope of the Bank Account Management project, we propose that the evaluation of the candidate ISO 20022 messages be dealt with by the Payments SEG.

Hereunder are the 3 main cases (Bank Account Management opening, maintenance and closing request) showed from a high level perspective. They just show the principles of the processes.
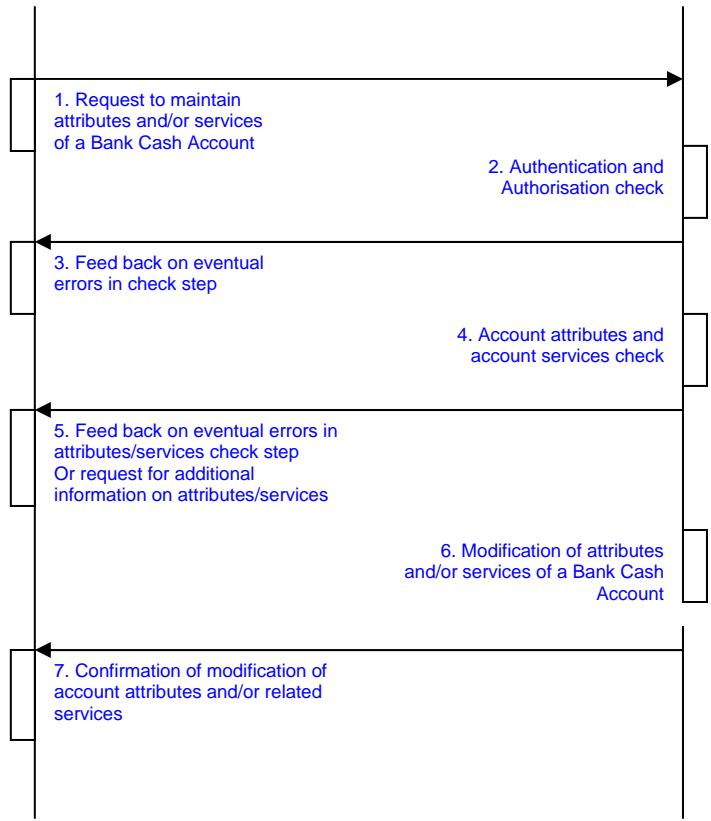

Case 1: Bank Account Management Opening request

Corporate   Bank

1. Request to open
Bank Cash Account

2. Authentication and
Authorisation check

3. Feed back on eventual
errors in check step

4. Account attributes and
account services check

5. Feed back on eventual errors in
attributes/services check step
Or request for additional
information on attributes/services

6. Creation and Activation of
account and related services

7. Confirmation of activation of
account and related services

Case 2: Bank Account Management Maintenance request

Corporate   Bank

1. Request to maintain attributes and/or services of a Bank Cash Account

2. Authentication and Authorisation check

3. Feed back on eventual errors in check step

4. Account attributes and account services check

5. Feed back on eventual errors in attributes/services check step
Or request for additional information on attributes/services

6. Modification of attributes and/or services of a Bank Cash Account

7. Confirmation of modification of account attributes and/or related services

Case 3: Bank Account Management Closure request

Corporate   Bank

1. Request to close a Bank
Cash Account

2. Authentication and
Authorisation check

3. Feed back on eventual
errors in check step

4. Verification of
account balance

5. Eventually request for
account funding

6. Closure
of account

7. Confirmation of closure of the
account
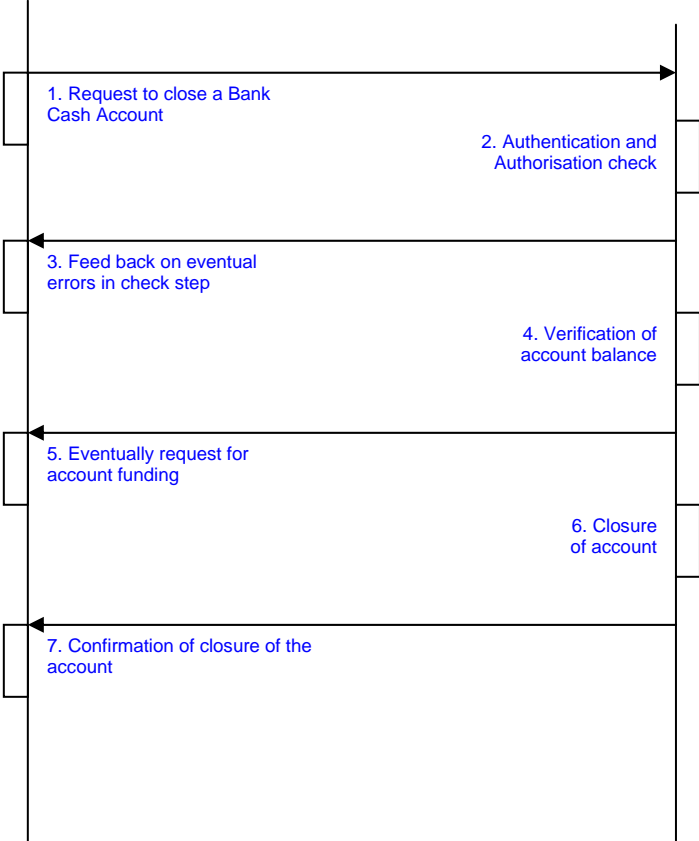
D. **Purpose of the new development:**

Today, the cash account management process (i.e. opening, maintaining, and closing account) is a very manual and paper based activity leading to high costs and inefficiencies for both bank customers and banks.

Despite some attempts to automate exchange of information, communication remains heavily paper based: for instance, required documents to open an account are sent – sometimes electronically - to the bank customer which fills them in and sends them back to the bank. As they most of the time require wet signature, these documents are sent back on paper by – express -mail to the bank which will then check them. Documents are at this stage scanned, bar coded and circulated between different bank departments which will update the customer information in their own back office applications. These data entries require most of the time manual activities. Original documents are archived and must be available within a pre-defined timeframe (e.g., 48 hours).

Although the above example already gives some indication on the problems banks and bank customer organizations face today, the business process analysis we already performed with the community –banks and bank customer organizations- enable us to summarize current problems as follows:

- **Long and painful process**: on average, total elapsed time between account opening request and bank account activation will reach two to three weeks. Bank account maintenance and bank account closing should not be under-estimated with a corresponding average of 5 to 10 days. These time lags do not help bank customer organizations meeting their business needs and bank customer treasurers to satisfy their internal customer demands;

- **Lack of standardization** between banks: managing an account is not at all a common process and since organizations work on average with more than 20 banks, they have to invest time and effort in meeting specific bank demands in areas which are for their vast majority very similar;

- These first two observations imply high degree of **customer dissatisfaction** that banks have decided to work on and to decrease;

- **Low STP**: bank account management process implies maintenance of information in back office systems of both banks and bank customer organizations. Today, and in the absence of standard and electronic format, this maintenance is mainly manual, slowing down the information maintenance process;

- As a collateral, the importance of manual tasks involves a high degree of **human error risk**;

- High **costs**: since current ways of working are heavily manual, paper based and lengthy, they do imply high processing costs mainly labor, archiving and mailing.

The implementation of a set of standards will not solve everything by its own but it is clearly seen as a key enabler to help the community to reduce the above listed problems. The community is unanimous on the fact that it will greatly improve internal process productivity and facilitate back office integration. But cost reductions and higher STP are not the only benefits the community is expecting: reduced risk and improved follow up of the bank account management

process are high on the list as well. Finally, banks do see in the implementation of a standard the opportunity to improve their customer service and therefore their customers' satisfaction.

E. **Community of users:**

The main beneficiaries of this project are clearly banks and bank customer organizations:

- In the banks, customer support services, relationship managers and cash product managers

- In the corporate organizations, mainly –treasurers, while accounting, legal and IT department are impacted as they interact in the management of associated data (e.g. mandate information, bank account numbers in ERP and Treasury applications)

In terms of benefits to this community of users, we do not have – yet – any tangible figures and extrapolations is a hazardous exercise today. We have a good view on areas where each stakeholder will gain from the implementation of a set of standards.

As a summary of the previous section, let us mention:

For banks and bank customers, the cash account management process automation will

- Result in potential cost savings, e.g. reduce the processing cost.

- Ease the integration with the back office.

For bank customers,

- Increase transparency and tracing capabilities, e.g. status of messages.

- Facilitate a centralised treasury implementation, as a consequence of practice harmonisation across the various countries in which a corporate organisation can be operating.

For banks,

- Meet customer satisfaction.

- Mitigate reputational risk, e.g. due to human error.

The initial sponsors of the project that are committed to use and promote use of these messages are for

The banks:	ABNAmro	BNPParibas
	Citibank	HSBC
	JPMC	Nordea
The bank customers:	Shell	Total
	EDF	

F. **Timing and development:**

SWIFT has already started work on building a business model and gathering requirements for these messages, in close consultation with bank customers and banks in US, UK, Singapore, France, Scandinavia, the Netherlands, Germany.

In the coming months, workshops with the main actors, i.e., bank customers and banks, will take place in order to reach an agreement on a set of messages that can be processed by all the parties.

The message models are planned to be ready for submission to the RA in Q4 2008.

Representatives of bank customers, banks, vendors and ERP vendors as well as standardisation organisations and industry bodies such as UN/CEFACT/TBG5 and EACT will be invited to participate included in the SWIFT Business Validation Group.

G. **Commitments of the submitting organization:**

SWIFT confirms that it can and will:

- Undertake the development of the candidate UNIFI business models and message models that it will submit to the RA for compliance review and evaluation. The submission will include Business Process Diagram (activity diagram), Message Flow Diagram (sequence diagram) and Message Definition Diagram (class diagram), and other descriptive material that will be used by the RA to generate the Message Definition Report

- Address any queries related to the description of the models and messages as published by the RA on the UNIFI website.

SWIFT will organise the pilot testing of the messages. The sponsors are committed to participate in the pilot testing and in the implementation as soon as the messages are available.

SWIFT is also committed to initiate and participate in the future message maintenance.

SWIFT confirms its knowledge and acceptance of the UNIFI Intellectual Property Rights policy for contributing organizations, as follows:

"Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free licence to use the published information".

H. **Contact persons:**

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I. **Comments received from RMG members and disposition of comments proposed by the submitting organisation**

Comments from France
The French community welcomes this interesting Business Justification proposal and would like to express the following comments:
1.) The Bank Account Management project seems ambitious, in particular if the future phase described will be developed.

2.) As in the first phase, documents sent by the customer to his bank would not be standardised, we would like to better understand which is the interest for a bank to develop such a new process.

3.) So we have some concerns as the interest of developing a standard for another matter than "maintenance".

PS: Please note that at this stage no French bank is sponsoring this BJ, but we would be interested in sponsoring it depending on the result of this consultation.

Disposition of France comments

SWIFT would like to thank the French market for its comments.

About the specific comments received regarding Bank Account Management:

1.) This project is indeed ambitious, certainly considering the possible future development phases. We want to stress that the business case(s) for such possible future phase(s) would need to be approved by the SWIFT community and would be subject to specific business justification(s) submitted to the approval of the RMG. The results of the pilot testing of the first phase will also be the key in determining the scope and opportunity of future phases.

2.) Market expectation is mainly about speed and customer satisfaction
Today, almost no automated and standardised exchange of info is in place. This result into high processing costs and delays to manage bank accounts: needed information is most of the time captured from paper based documentation which transits from department to department, implying human errors and process inefficiencies. Hence, even if the project objective is not to dematerialise the supporting documentation, the community highly value the delivery of a set of standards which will capture and transport all the necessary data elements to the management of bank accounts. In particular, Banks will get all critical info in once enabling them to address faster their customer requests.

In summary, main benefits Banks can expect from this project are:
➢ Customer satisfaction increase
➢ Opportunity to streamline internal processing and increase their STP
➢ Resulting from the previous one, cost reductions
➢ Faster revenue: faster make business with your customers
➢ Operational risk reduction

> ➢ Support vision and pave the way to future service improvements, such as documentation dematerialisation. Standards indeed become an enabler as they will play an important role in bridging the gap to fully automated exchange of info. Ideas already exist today as future standards could reference to dematerialised documents which would have been adequately certified, both standards and documents being sent together over any network.

3.) The opinion of the project participants is indeed that the main focus has to lay on the maintenance of the accounts and mainly on the mandates. This is also confirmed from a pure volume perspective, maintenance represents the biggest activity. Volume wise, we analysed that there is a ratio of 5 to 1 between account maintenance and bank account opening. We also observed that account mandate management was the main volume driver. As there was a global feeling to develop a generic solution for Bank Account Management the approach was to cover the whole 'life cycle' of an account, i.e. opening, maintenance, closure and reporting. Expected benefits (see point 2 above) though mainly come from the account opening process. In agreement with the SWIFT Board, it has been decided to cover the 3 process steps.

4.) We understand legal constraints exist on the dematerialisation of the supporting documentation. Although dematerialisation is not in scope, we appreciate that full benefits from the standard will be achieved if supporting evidence may be dematerialised and legally accepted. In particular, digital signature over dematerialised documents becomes an important player and adoption driver. To address the Community concern, we agree that an investigation is organised with the support of the Banks on these legal constraints and in the different countries in scope.

5.) We would certainly appreciate the sponsoring of the French community. Concrete actions are therefore planned already to consult the French Banking Community.

<u>**Comments from the UK**</u>

1.) The UK would recommend that rather than a separate category of messages for bank accounts, a generic approach based on the existing Securities accounts in the Funds area would be preferable

2.) Does bank legislation re account opening allow digital signatures?

<u>**Disposition of UK comments**</u>

SWIFT would like to thank the UK market for its comments.

About the specific comments received regarding Bank Account Management:

1.) The BAM project is different from the Funds account management because
  ➢ The account attributes and the account services are defined for cash accounts
  ➢ Mandate management is an important part of the cash account management. Dedicated messages will be developed to cope with the specific requirements for mandate maintenance.
  ➢ The project takes into account data dependency, e.g.
    • Account type and account services
    • For statements: the communication channels, frequency and delivery address
    • The mandate definition related to the transaction channel
  ➢ Security requirements are strong, i.e. the messages will allow the transportation of digital signatures to guarantee the necessary authentication and authorisation.

The actual approach for the Bank Account Management takes in account a more granular approach of message developments than the 'Investment Funds Account Management'. This means that in the Bank Account Management there are specific messages for the different stages and possible actions in an accounts life. Such an approach allows a more fluent development and integration of a message solution by all concerned parties.

One generic approach for all types of accounts in different areas isn't feasible:

  ➢ This would mean a redevelopment of the messages related to the Securities account to make them more granular and specific and to take in account the different stages and actions.

  ➢ A generic solution cannot cater for the dependencies without introducing a high level of complexity in the business rules.

  ➢ These Securities messages have a very specific usage area, namely the management of accounts related to the funds area. Whereas the Bank Account Management is a project covering the whole life cycle of a cash account, this means the management of accounts between banks and corporates taking in account the opening, maintenance, closing of an account and the reporting on an account. Also an error handling solution is foreseen during the exchange of the different messages in the Bank Account Management.

  To conclude: The specificities of the Investment Funds Account Management and the Bank Account Management are so different in terms of functionality, account

attributes, maintenance requirements and granularity of required message flows, that building and implementing a common, generic solution would probably impact negatively the two processes. Note however that the Bank Account Management messages will re-use as many components as possible from the Investment Funds Account Management messages.

2.) As the messages for Bank Account Management will be used on closed systems (e.g. proprietary channel, CUG), bilateral agreements between parties prevail (e.g. specifying the certificates and specific methods to use for the digital signature). Banks and corporates therefore contract together on questions and solutions about digital signatures. Consequently, both parties cope with the legislation applicable in their region/country and related to the usage of digital signatures.