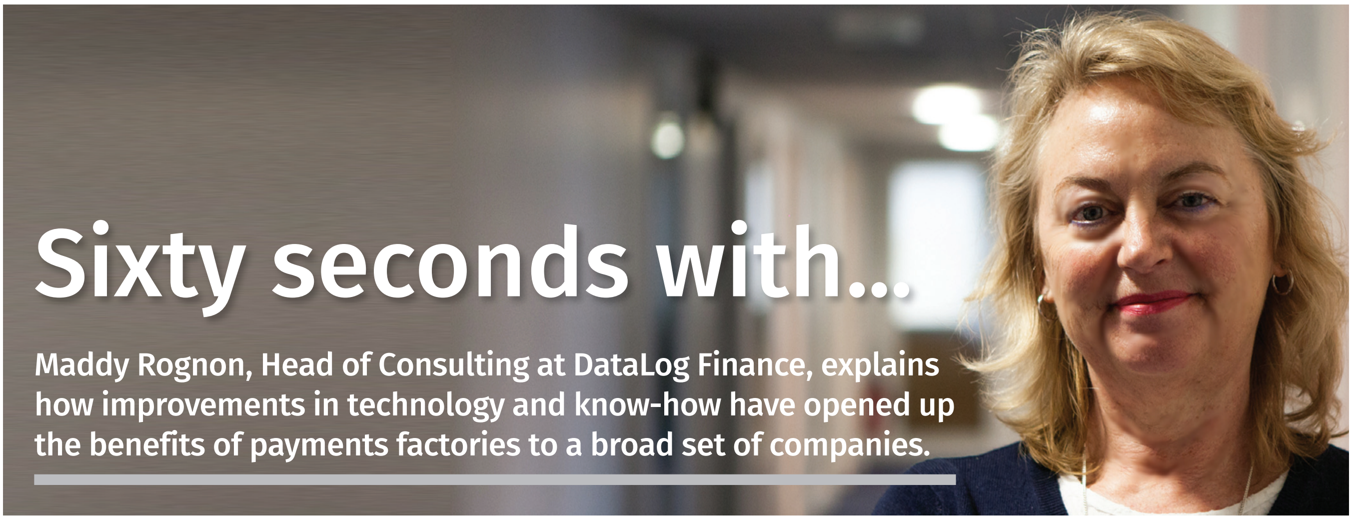

Sixty seconds with…

Maddy Rognon, Head of Consulting at DataLog Finance, explains how improvements in technology and know-how have opened up the benefits of payments factories to a broad set of companies.

What are the benefits for corporates of setting up payments factories?

Setting up a payment factory creates a single centralised platform for several – ideally all – payment and collection types and for all communications with banks, including not only all corporate to bank exchanges, but also balance and transaction reporting. The main benefits of such a platform are cost and risk reduction and higher cash visibility.

Cost reduction is achieved through rationalised processes, higher straight-through processing (STP), lower communication costs, reduced maintenance of formats and systems and fewer banks.

Risk of fraud is minimised by using a single and secure communication channel, with standardised and secure authorisation processes and access controls, both for end users and at the database level. Risk of errors is reduced through higher automation and the use of a central data repository.

Liquidity management is improved through optimisation of payments and central visibility into the group's real-time cash position.

Why are the benefits of the systems no longer just the preserve of larger firms and increasingly benefitting smaller and medium sized companies?

The main obstacles in the past were technology, expertise and cost. But solutions such as our CashPooler, the world's first web-based payment factory, and new communication protocols have made the implementation and roll-out of a payment platform much easier than it used to be.

Several models of payment factories have been in use now for many years. We now know that a payment factory can be built in several steps and that a corporate does not need to build an extremely sophisticated and complex structure involving all flows and all entities from the start. "On behalf" payment, for example, and intercompany lending can be implemented in a second phase. This makes expertise a smaller challenge than before.

So cost is also less of an issue, knowing that the investment can be spread over several phases and several projects. And new possibilities in bank connectivity have also contributed to cost reduction.

How can payments factories be connected to other treasury management systems to enhance operational efficiency?

A payment factory, by its very nature, is nested right in the middle of the corporate's information system. It needs to communicate – and most times it is a two way communication – with the ERP (or ERPs), with HR systems, with other treasury management systems (TMS), and with banks. So the main features of a "good" payment factory solution are its ability to read and to produce files and messages in all possible formats and to allow a simple and quick set up of new formats. It must also be capable of handling different types of electronic banking protocols and, again, setting up a connection with, for example, a new bank, must be fast and easy. If these two conditions are not fulfilled, then STP will be very hard to achieve and operational efficiency will be low.

If communication with other systems is direct and immediate, such as in our solutions suite, where, for example, payments processed through the payment factory can automatically create forecasts in the liquidity tool, or bank statements retrieved by the payment factory can directly be used by the reconciliation module, or deals captured in the market and risk module can automatically create confirmations and/or settlements in the payment factory, then, of course, operational efficiency is maximised.

What are the limits to the potential automation of firm's payments and reconciliation systems?

Limitations do not come so much from systems, but rather from other factors such as corporate policy or the environment the corporate operates in. For example, a group may prefer in some cases and in some areas to keep a regional expertise rather than centralise, or to maintain local banks even if they are not connected to the central platform. Tax regulations or other restrictions may be an obstacle to cash pooling or to "on behalf" payments.

How can the systems help firms cope with market instability and more efficiently manage financial risk?

Our payment factory is fully integrated into Treasury Line, our new TMS that embraces all aspects of cash and treasury management, from front to back, to payment, and to booking. Positions in Treasury Line allow treasurers to scrutinise their risk exposure (liquidity, rate, FX and security) and to simulate the positive or negative impact of their hedging or funding scenarios.

For further information: **www.fx-mm.com**