



# eBAM

## The time is now.

### BEST PRACTICES

“eBAM didn’t start as a wiz technology thing. People had a pain. For so long we lived with a manual arcane process. Moving away from it is like moving from papyrus to Facebook.”<sup>1</sup>

So mused Glen Solimine, executive director of J.P. Morgan’s Electronic Bank Account Management (eBAM) effort and one of the pioneers in the eBAM evolution. Granted, eBAM has not quite achieved Facebook’s ubiquitous status. However, today, the ISO-certified eBAM messaging standards are widely accepted, major bank players are receiving eBAM messages from clients, and innovative multinational corporations and leading global banks are together forging a path to truly automate eBAM, end to end.

The pain points that initially drove the movement toward automation not only remain, they are growing in intensity and scale. Heightened awareness of the inherent risk in paper-based systems and the growing

pain organizations are feeling from federal regulatory compliance requirements are driving convergence at an accelerated pace.

Still, confusion in the marketplace about how best to connect with multiple banks, SWIFT versus other secure communications channels and what businesses need to do before they even approach eBAM setup is creating hesitation by many organizations that otherwise could begin to benefit immediately.

*(continued)*

<sup>1</sup> Essaiades, Nilly. *Corporate Treasurers Council CTC Guide, “Bridging the Gap: From BAM to eBAM.”* Bethesda, MD: Association for Financial Professionals, Inc., 2012.

**J.P.Morgan**

Compared to just a few years ago, the business case for eBAM is becoming crystal clear. For corporates, it is not just a time- and cost-savings solution. It is, in fact, a critical aid to corporate governance and increased focus on risk management.

The value of eBAM will only grow as adoption grows.

J.P. Morgan Treasury Services has prepared this Best Practices guide to assist those organizations that are leading the way, as well as those on the sidelines, in embracing eBAM now and, consequently, helping to shape its future.

### eBAM Today

Those in the know, eBAM visionaries and champions across the last decade, believe the next 12 to 18 months will see the realization of what eBAM has to offer. Already, J.P. Morgan is receiving eBAM messaging via its secure communication channel. Several leading banks, including J.P. Morgan, have conducted successful pilots with select clients. A spirit of collaboration is replacing skepticism and secrecy in eBAM process development. Electronic Bank Account Management is indeed ready to take off.

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Sarbanes-Oxley (SOX), the decade-old act that redefined corporate finance transparency, dictates that companies produce, on demand, the very information that eBAM makes possible – and accurate. SOX is credited with the increasing demand for electronic rather than paper audit trails for treasury operations as organizations realize the severe penalties for noncompliance of their financial controls.

The new pain point, and a probable acute one at that, is the increased enforcement of the IRS requirement to provide a Report of Foreign Bank and Financial Accounts (FBAR). Under FBAR, any individual or corporation with signing authority on one or more financial accounts held in a foreign country where the aggregate value of all accounts is \$10,000 U.S. dollars or greater must file a TD F 90-22.1 report of that relationship. Companies that automate their bank account management processes in preparation for eBAM will have less trouble complying.

For forward-looking banks, too, it is much easier to make the business case. The ultimate key to client satisfaction and retention is to prove value. In this growing high-pressure environment, eBAM increasingly is seen as an offering that will do just that. Yet, precisely because the client relationship stakes

are so high, banks are taking a cautious approach to developing the infrastructure and internal workflow to make eBAM a true multibank solution, one that offers secure end-to-end electronic processing. As Mr. Solimine of J.P. Morgan puts it, “We’ve got to get it right the first time.”

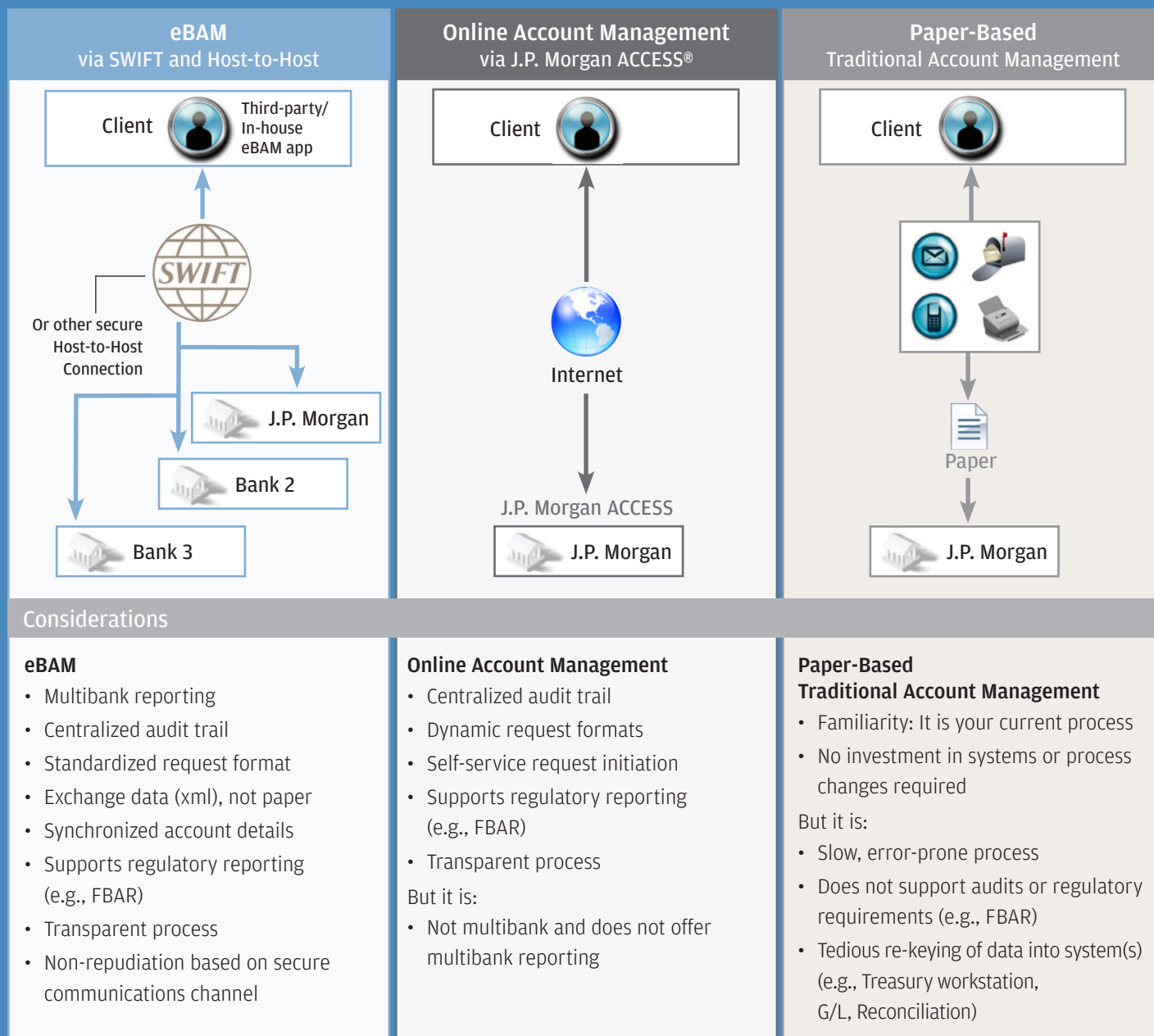
### One Thing Is Clear: One Size Will Not Fit All

An organization’s approach to bank account management will differ based on size, service area and level of sophistication. Considering this segmentation, large banks with a diverse client composition are working to address alternate communications models. Most will support multiple methods of account management as clients seek to take advantage of emerging eBAM capabilities. These include:

- eBAM file messages based on ISO 20022-certified XML messaging standards
- Account management requests submitted via bank-provided web-based portals
- Traditional means such as phone, fax, mail and e-mail

Generally, the more bank accounts and banking partners an organization has, the more advantageous it will be to pursue a multibank vendor application. Those with fewer accounts and banks will opt for bank-provided web solutions, which address each particular bank’s accounts only. Paper will remain an option for smaller businesses that do not have to manage numerous bank relationships; however, paper will become less relevant as clients migrate toward more sophisticated and feature-rich options via web and direct connection.

## Account Management Models



## The Technology Is Here, But So Are Differences in Methodology

With the widespread acceptance of the SWIFT-developed ISO XML messaging standard, common protocols exist for opening accounts, managing signatures, closing accounts and account information and reporting. Several software vendors can provide eBAM applications that allow corporates to send and receive eBAM messaging and channel those messages through their work processes.<sup>2</sup> Several major banks can receive standardized eBAM messages, but with varying degrees of internal workflow process integration.

J.P. Morgan, along with SWIFT and other leading banks, promotes the use of agreed-upon industry standard models for eBAM messaging and security to reduce cost and improve adoption.

The advantages of exchanging ISO 20022 XML eBAM messages to open, close and maintain accounts are many:

- Improved control
- Visibility across multiple banks
- Strong support for regulations and audits
- Straight-through processing (STP) between banks and your treasury workstation, G/L or HR systems
- Vendor support for implementation, maintenance and enhancements
- Ensured data consistency among banks and client systems

Similarly, an industry standard security model is also in the best interests of all involved. The goal is digital interoperability. The method of proving digital identity, however, is at the core of several banks' experimentation.

The SWIFT Secure Signature Key (SWIFT 3SKey) is a revolutionary, multibank and multinetwork personal digital identity solution that allows clients to manage their various banking relationships with a single signing device.

J.P. Morgan advocates the use of the SWIFT 3SKey with eBAM to replace the proprietary infrastructures banks currently use. By providing a market standard for electronic personal signatures, SWIFT 3SKey makes paper-based wet signatures a thing of the past and brings identity authentication into the digital age. The benefits for both banks and their clients are obvious. SWIFT 3SKey brings true digital interoperability to the marketplace, reducing complexity, costs and risk and enhancing banks' levels of customer service.

### 3SKey Benefits for Corporates

- Multibank signing solution built on industry standards
- Security based on the latest cryptographic technology
- Reduced complexity and cost by using a single device and process

### 3SKey Benefits for Banks

- Interoperability without reliance on other banks
- Enhanced customer service
- Opportunity to reduce investment in proprietary solutions

A competing digital signature solution delivers certain benefits also, but because it relies on a single facility to authenticate a single trusted individual (as opposed to an entity), it forces one bank to accept another bank's Know Your Customer (KYC) process — a situation many see as fraught with liability.

Still, several banks say they are planning to support both digital signature methods.<sup>3</sup>

<sup>2</sup> Association for Financial Professionals, "Bridging the Gap: From BAM to eBAM," 2012.

<sup>3</sup> Ibid.

## BAM – Simplified – With the J.P. Morgan ACCESS® Administration Center

J.P. Morgan ACCESS is a suite of integrated solutions that provides global cash management transaction and reporting functions. Clients have long benefitted from this multichannel (online portal, host-to-host and mobile) connection for payments, check services, receivables and liquidity/investment management.

Now, with the next-generation ACCESS platform, we are introducing the new Administration Center, a powerful and innovative entitlement engine that will address the chief client and employee pain points of bank account management and give clients one-stop efficiency and control for user administration. The new portal design represents a revolutionary step in the evolution of BAM automation, one that saves clients time and provides greater control and transparency. And it does it all in a user-friendly, self-service environment featuring flexibility, scale and ease of use.

# J.P. Morgan ACCESS

At the new ACCESS Administration Center, clients will:

- Set up the portal to align closely with their internal business tasks
- Handle a range of administrative activities, including new account opening requests and account maintenance
- View and manage the total relationship from their own perspective, including legal and operating hierarchies, products, accounts and users
- Easily manage thousands of users, groups and accounts
- View all user entitlements from a single screen by user, account or product
- Get up and running faster with limited training time due to the user-friendly, highly intuitive interface – designed by clients, for clients

The Administration Center integrates with all J.P. Morgan self- and assisted-service channels (ACCESS web channel, host-to-host/ file management and mobile) and sets the stage for near-future straight-through processing and client self-service of all product settings.

## The Language of eBAM

Because corporates and banks have built their own proprietary systems for managing bank account actions and transactions, they don't currently speak the same language. The goal of eBAM is to resolve this Tower of Babel situation with standardized messaging and identification and security protocols. What will not change is the hierarchy of actions that lie at the heart of the problem eBAM will solve. But anyone who is a student of eBAM history will agree that the terminology used to describe these basic components of bank account management is often misused or confused by both banks and clients.

We offer the following definitions:

**Mandates** are orders issued by an entity to a bank to request an account action, e.g., open, modify or close an account. A typical mandate will name the individual(s) allowed to sign on behalf of the account holder and provide specimen signatures, etc.

**Authorizations** grant approval, by a corporate to an individual, to order a transaction to be completed.

**Entitlements** are the bank's internal instruction sets that describe the exact privileges governing what authorized users can do on each respective account.



## To SWIFT or Not to SWIFT

As everyone concerned with eBAM knows, SWIFT, the largest bank consortium, is a major force in the eBAM movement. The organization has continued to serve as a central repository of eBAM knowledge and an important partner to the banks and corporates that are leading eBAM implementation.

Because of such market presence, there is some confusion as to whether corporates must join SWIFT or use the SWIFT channel at all. The answer to both is, No. However, without an alternative connectivity option (such as host-to-host or web portal), you will need third-party software to expedite eBAM message submissions.

Asking the right questions is critical in identifying a vendor capable of getting your eBAM program off the ground. SWIFT offers the following suggestions:<sup>4</sup>

- Are they ISO 20022 conversant?
- Can they live in a mixed environment (i.e., paper and electronic)?
- Can they reconcile against bank confirmation messages?
- Have they had experience working with your banks?
- Are they working with digital credentials?
- Do they need to have everything loaded before the system is useful?
- Do they offer installed software or Software as a Service (SaaS)?
- If they are not ready, do they have a target date?

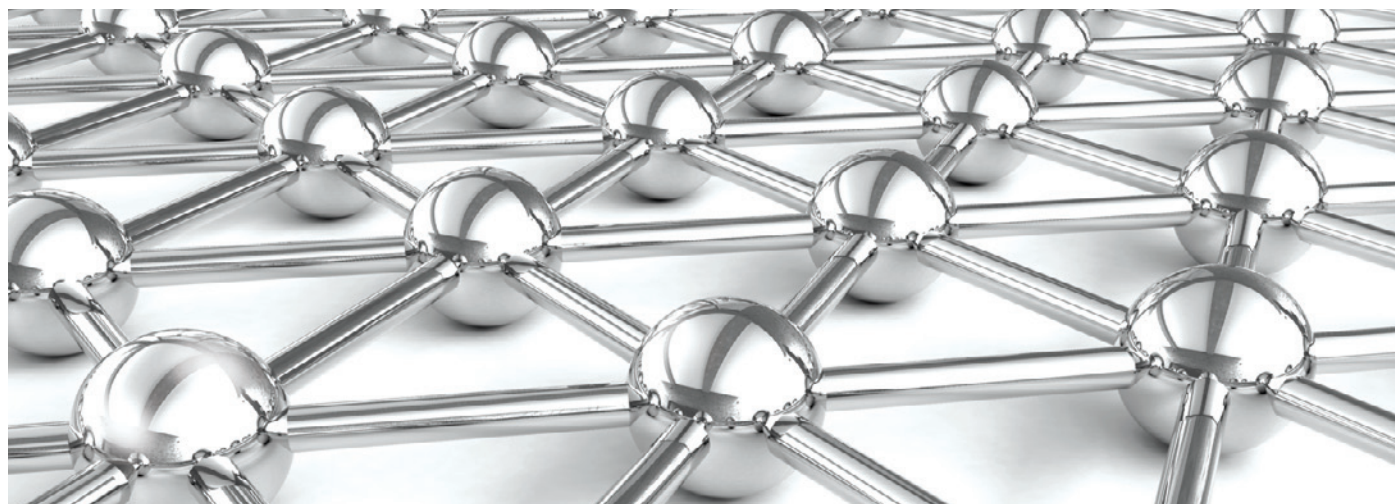
As part of our consultative approach to eBAM implementation, J.P. Morgan eBAM specialists can help your organization define the criteria for selection of an eBAM vendor.

## About the SWIFT Electronic Central Utility (e-CU)

Account owners have to understand what information is needed for their eBAM instructions per country and per bank. Without a central utility, SWIFT argues, there is a risk of different interpretation and usage of eBAM messaging standards. SWIFT's latest initiative, the e-CU, is a cloud-based eBAM messaging portal or hub that validates XML instructions. This central utility is intended to expedite the development of standardized workflow processes to realize maximum efficiency from eBAM.<sup>5</sup>

Though a recently completed pilot proved that the concept addressed these concerns, the e-CU remains under consideration and a decision on potential rollout may be far away.

Once again, although it could prove a boon to eBAM adoption and production, corporates should understand that the e-CU is *not mandatory* for their eBAM program design or implementation.



<sup>4</sup> Lindie, Antoine, Rosenthal, Stacy, Solimine, Glen, "eBAM and 3SKey – one year later," SWIFT Operations Forum – Americas," March 2012.

<sup>5</sup> Ibid.

## Best Practices in Preparing for eBAM

Communicating mandates, authorizations and entitlements in a universally accepted ISO format is the last step in the eBAM process. Before that step comes an often daunting process of organizing – and vetting – your organization’s bank account information. The accuracy of the information transmitted is the responsibility of the initiating organization. Having a centralized repository of current, detailed bank account information is critical.

### Organize your bank account information

How many bank accounts does your organization have? Where are they? What currencies are they in? What are their respective bank authorizations – and who has signing authority? In the current locally controlled, paper-based environment, this information may be scattered across the enterprise. In multinational companies, that can mean across the globe, with regulations and processes differing from country to country based on local customs and laws. Be sure to consolidate and verify all account information for input into your eBAM application.

### Confirm all authorized signatories

A simple change of signatory and limit restrictions can waste costly man-hours in confirming information internally, then processing the request with all necessary banking partners. Many organizations have dozens of staff members with signing and approval authority and with varying levels of restrictions. And many can recount situations in which an authorized signatory left the company but the signature remained on file, opening the door to fraud risk. Ensure that your signatory file is up to date.

### Manage digital signatures

Proper issuance and maintenance of digital credentials is important. The ability to attach digital signatures to eBAM communications will go a long way toward securing your transactions. Make sure that your digitized signature files are current.

### Know your bank(s)

Be sure to engage all your banks in your preparation process. Ask if they are ready for full eBAM implementation or when they expect to be ready. Plan your implementation strategy accordingly.

The importance of a centralized repository of accurate BAM information cannot be underestimated. Worldwide visibility over banking relationships across all divisions not only enables informed and effective risk management, it also provides the necessary leverage to manage those relationships to best advantage. In the ideal world, the internal processes for supplying and monitoring BAM information are automated.

## J.P. Morgan and eBAM

As one of the early members of the SWIFT eBAM working groups, J.P. Morgan is a proud leader in the global movement toward universal open standards in Electronic Bank Account Management. Our major role in eBAM concept development, messaging and security standards and ongoing technical evaluation, together with our investment in specialized eBAM expertise and infrastructure, uniquely qualifies us to lead industry eBAM efforts.

Most important, we understand that the demand for service innovation that benefits corporates’ bottom lines and provides enhanced control has never been greater.

J.P. Morgan’s next-generation eBAM solution answers that call with a robust, bank-agnostic, multichannel, self-service bank account management tool. It leverages industry standards, including the SWIFT 3SKey security solution, which we helped develop, while it maintains the best features of paper-based processes. Our online component will offer a full spectrum of account management functionality and will integrate file-based requests to provide a complete end-to-end view of bank account management activities across channels. We feel this approach is in the best interest of our clients and the industry, and will allow us to work with the widest possible array of vendors to meet diverse client needs.

eBAM holds tremendous market value for both banks and their clients. And so it is to everyone’s advantage to participate in the eBAM movement as quickly as possible to help drive the development of universally accepted processes and practices.

We welcome you to join us in making eBAM a reality for all.




### About J.P. Morgan Treasury Services

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