

Enhancing Straight-through Processing Through Business Integration

Richard Spong, Sterling Commerce - 12 Jan 2010

Improving the integration of business units can not only improve straight-through processing (STP) but also compliance and customer satisfaction.

With the advent of globalisation and increased competition across all industries, businesses are looking for ways to more accurately and methodically track their financial transactions. The best way to do this is with advanced technological tools to better enable STP. This allows the entire process for payment and financial transactions to be conducted electronically, thus minimising costs and risks associated with human errors.

While the opportunity to enhance STP capabilities has been possible for years, many financial services firms have not achieved the full STP possible. One barrier to effectively achieving STP is the web of technology complexity within and outside an organisation. Bank infrastructures are extremely complex too, owing to siloed efforts to accommodate regulatory demands, compliance requirements and the numerous industry standards. Mergers and acquisitions can further compromise a bank's ability to execute STP with its customers.

However, financial institutions can overcome this complexity by leveraging advanced technology solutions. The key is to focus on three steps: connectivity, data integrity and format standards. First, connect to conduct more transactions electronically, then enhance those connections through improved data integrity, and finally, find a way to meet format standards so the bank can adapt to rapidly changing business partners and industry and legislative mandates.

Integration solutions are critical in automating manual or data information integration processes, comply with government regulatory mandates by providing security, audit and reporting controls of data in motion, and provide proactive service level agreement (SLA) management. Such solutions include capabilities that can improve business agility, efficiency and performance through secure and flexible integration, seamless automation, and the visibility and access to actionable information across IT and business processes - all while supporting various format standards.

Connectivity

A study conducted by Forrester Consulting commissioned by Sterling Commerce shows that nearly two-thirds of those surveyed within the financial services industry rate their integration capabilities as only somewhat, or not at all effective for enabling IT to quickly respond to new business needs or regulatory requirements. Deployment of improved integration solutions can enable banks and financial firms to automate the manual processes of data and information integration to reduce their customers' implementation costs and implement new transaction services faster and more effectively.

Another challenge for financial institutions is found in legacy systems that are not designed to provide real-time visibility to information buried inside those systems. Customers now demand solutions that provide real-time details about their business, most commonly information about cash management and working capital. Integration solutions can bridge diverse data processing technology and ensure standardised clearing system connectivity that accelerates global financial data movement. For example, one bank implemented new managed file transfer capabilities, reducing file transfer time from seven hours to three minutes. This enabled the bank to offer a unique product that discounted receivables in only a few minutes and allowed customers to engage in real-time transactions.

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Data Integrity

As banks automate the connections within the ecosystem of customers, partners and suppliers, the amount of data they process increases. The Data Warehousing Institute estimates it costs US businesses over US\$600bn per annum to trace and correct bad data. Globalisation and the reliance on technology have seen data become an invaluable resource, critical to success in today's highly competitive business environment. This reliance on data, together with the increasing volumes and the inherited complexity of the infrastructure, causes organisations to exhaust considerable resources, time, money and effort in a continuous search for missing data, amending wrong or incomplete data, and developing methods to resolve data conflicts.

Improved STP can be achieved through business integration capabilities that can validate, translate, reconcile and, if need be, amend the data on the fly. These solutions can connect and match supply chain events with related financial transactions to increase STP capabilities and customer service levels, all while maintaining comprehensive data and process security.

Format Standards

Once banks have a firm grasp of data integrity, it's time to prepare for change. Whether it's bringing in new customers, changing business partners, or new industry or legislative mandates, these changes introduce new formats, standards and protocols. Organisations should endorse industry standards and be able to handle various formats via a standards library maintained by a reputable partner.

A financial service standards library provides standardised translation capabilities necessary for financial transactions and information exchange with customers and banking partners. By providing this technology, banks can help customers handle new formats, standards and protocols without increasing customers' costs. This in turn improves STP, increases customer satisfaction and reduces the time and cost of staying current with financial standards. And that gives corporate customers what they need to bring STP closer to reality than ever before.

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