

Extending the EBICS Value Proposition

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With SEPA migration now complete, treasurers are able to leverage the opportunity to harmonise payment and collection processes, formats and infrastructure, both in Europe and beyond. Treasurers in Germany in particular face a dilemma: how to supplement the existing domestic payments protocol, EBICS, to facilitate efficient payments in other markets? Or is there an opportunity to leverage this protocol to support their international business strategy? Andrej Ankerst, Head of Cash Management, Germany & Austria and Steven Lenaerts, Head of Product Management Global Channels, BNP Paribas write in the Innovations in Payments and Collections Special Edition of TMI.

One of the most significant industry changes that has taken place in payments and cash management over the past decade is the introduction of the Single Euro Payments Area (SEPA), replacing domestic credit transfers and direct debits with consistent payment instruments and formats for both domestic and cross-border euro transactions across the Eurozone. With migration now complete, treasurers are able to leverage the opportunity to harmonise payment and collection processes, formats and infrastructure, both in Europe and beyond. Treasurers in Germany in particular face a dilemma: how do they supplement their existing domestic payments protocol, EBICS, to facilitate efficient payments in other markets, or is there an opportunity to leverage this protocol to support their international business strategy?

A catalyst for payments transformation

Although SEPA payment instruments are now well-established, most companies in Germany migrated to SEPA on an 'as is' basis, i.e., without changing their business processes or organisational structures. Now that these payment instruments and formats are bedded down, treasurers and finance managers are seeking to centralise, rationalise and harmonise payment and collection processes, bank account structures and communication channels. Furthermore, as ISO 20022 formats, on which SEPA formats are based, are widely recognised as a global standard, treasurers are able to achieve efficient payment and information flows beyond the Eurozone and across their geographic footprint.

The nature of these centralisation and optimisation projects differs across enterprises; however, whether companies are centralising payments through a payments factory or SSC, building a regional or global treasury centre, or optimising existing processes and organisational structures, an efficient, robust and secure bank communication platform is essential. The challenge for treasurers is not the lack of choice, as there is a range of opportunities available, from SWIFT through to banks' web-based or host-to-host platforms.

However, in many cases, these solutions would be additional to the payments protocol already in use for domestic payments and information flows in Germany.

The value of EBICS

Most companies in Germany are already accustomed to using EBICS (Electronic Banking Internet Communication Standard), the industry standard for bank communication in Germany, for domestic payments. In particular, treasurers are attracted to the high levels of security that EBICS offers, the ability to standardise payment and information flows through a trusted infrastructure and consistent formats, and the close integration of EBICS into treasury management systems (TMS) that are widely used in Germany, such as Hanse Orga and BELLIN. Many treasurers and finance managers are reluctant to replace this protocol with an international alternative; similarly, it is not cost- or resource-effective to use EBICS for domestic accounts, and implement another solution for accounts maintained in other markets. Consequently, many treasurers in Germany are looking to understand how they can extend the value of EBICS to manage payments and information flows outside Germany.

Local solution, global advantage

As a major cash management bank in Germany, committed to supporting our customers' payments and cash management requirements both within Germany and internationally, BNP Paribas pioneered the concept of 'global EBICS' in response to this demand. This solution extends the use of EBICS across our entire network, providing customers with the same convenience, security and standardisation across their cash management business globally, wherever in the world they do business with BNP Paribas. Furthermore, customers can take advantage of the integration with their TMS that they already enjoy.

The ability to leverage EBICS globally, rather than for domestic cash management alone, has been received enthusiastically by customers, from mid-market companies through to large corporations. For mid-market (Mittelstand) companies, leveraging an existing, trusted protocol such as EBICS is often preferable to implementing a separate infrastructure for payments outside Germany, while larger corporations recognise that global EBICS can be a viable alternative to SWIFT.

An unexpected development has been the level of interest amongst companies that are headquartered outside Germany, for instance in Denmark and Austria. As German TMS providers further expand their geographical foothold, these companies are attracted to the degree of integration, security and breadth of capability for payments globally that EBICS with BNP Paribas offers.

Extending the value

Since BNP Paribas first pioneered global EBICS in 2014, other banks have introduced similar services for their clients. However, there remain some valuable differentiators:

Firstly, the value of global EBICS depends on the breadth and depth of the bank's network. With the largest banking network in Europe, extending across 24 countries, and a comprehensive global footprint, BNP Paribas offers unrivalled opportunity to clients to extend the reach of EBICS both across Europe and beyond.

Secondly, the bank needs to support the global and local formats required for the various payment instruments in each country. For example, in Germany we support both the CGI XML SEPA formats as well as German local variants. Therefore, customers can use CGI formats, German-specific formats or a combination, depending on their ERP or TMS system. This offers benefits today for companies operating in multiple locations in the Eurozone, but will

also facilitate a smooth migration should the local variants used in Germany be phased out in the future. We also support domestic instruments and the associated formats that are not replaced by SEPA, such as RIBA and local tax payments in Italy, as well as payments outside the Eurozone.

Indeed, BNP Paribas clients that use global EBICS are now doing so across our entire footprint.

The potential for global EBICS extends beyond customers located in Germany. EBICS has also become the market standard protocol in France since replacing ETEBAC. Consequently, we are able to leverage our strength as France's flagship bank and expertise derived from developing Global EBICS in Germany to deliver comparable benefits to customers in France. In addition, the Swiss banking community has decided to adopt the EBICS protocol, and we are engaged in discussions to extend EBICS as a standard payments protocol into other countries.

Best-in-class connectivity

Global EBICS is an important example of BNP Paribas' strategy to provide a deep local offering, but leverage our global infrastructure to expand the value proposition of trusted solutions internationally. We have a strong commitment to meeting the diverse connectivity needs of our customers, so in addition to pioneering global EBICS, we have a leadership position in SWIFT for corporates, and offer best-in-class connectivity through our electronic banking channel Connexis Cash, offering both web-based and host-to-host connectivity. Our combination of local depth, global reach, technology innovation and support for multiple connectivity channels enables customers to implement the payments and cash management infrastructure that best meets the needs of their business, according to their technical, organisational and domestic and cross-border payment and collection needs.

As a growing number of companies, both in Germany and beyond, seek to optimise and centralise their payments and cash management infrastructure and processes, we expect to see greater adoption of international solutions such as global EBICS and SWIFT. Just as importantly, the value that treasurers and finance managers derive from these channels is increasing. The right connectivity channel offers not only efficient, secure and automated transaction processing, but also plays a vital role in delivering sophisticated, timely and useable information to obtain cash visibility, manage liquidity and risk more effectively, and drive automated processes such as reconciliation. As treasurers navigate an extended period of market and regulatory uncertainty, the efficient exchange of transaction and information with trusted banking partners is a higher priority, and offers greater opportunities, than ever.

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