



Wholesale payments integration for banking: Increase profitability and pursue new sources of revenue.

> INCREASE POTENTIAL
TO IMPROVE MARGINS

> CREATE NEW REVENUE
STREAMS

> IMPROVE RISK AND
COMPLIANCE EFFORTS

> DETECT FRAUD
PROACTIVELY





Discover the payoffs of integrated payments systems

Sustaining wholesale payments processing as a profitable service can be challenging. Today, the industry is bombarded with a myriad of payment types along with new, lower-cost alternatives for some corporate payments. Least-cost routing and bulking transactions, for example, are particularly interesting to bank customers that seek to reduce costs as part of their own efficiency initiatives.

For more information on this solution, including demonstrations and customer case studies, visit ibm.com/banking/flexibility



Yet profits in the wholesale payments business are hard for banks to achieve because of the demands of sophisticated corporate clients, stiff competition and increasing payment volumes. Further adding to the cost burden are the responsibilities to contain operational risk and meet compliance requirements in the face of growing numbers of security breaches and fraud incidents. Finally, these costs are compounded by the fact that many banks have multiple payments systems within multiple business units — and manage them separately.


But if a bank can stay ahead of so many transactions, payment types and changing

government regulations, it can provide payments services as part of a broader set of corporate banking services — or even as an outsourced service to other financial institutions. Banks can do more than simply optimize the costs and efficiencies of wholesale payments. Today, banks can use wholesale payments to drive additional revenue streams from existing clients, such as corporate clients who are willing to pay for the benefits of direct electronic payments processing that is closely linked to their enterprise resource planning (ERP) systems — and potentially the systems of their payment recipients.

How can you improve the profitability of your payments business? You must find new solutions that help drive greater efficiency in a changing market. You need flexibility to implement cross-bank policies, reduce complexity and offer new payments services cost-effectively. When you do, you'll find it easier to adjust to market demands and adhere to new regulatory requirements — so you can focus on delivering the added-value services your clients really want.

Turn the page to learn more about how your bank can:

- > Increase potential to improve margins by reducing cost and complexity of wholesale payments operations.**
- > Help deliver enhanced payments services rapidly while capturing new revenue opportunities.**
- > Help speed response to new risk and compliance requirements.**
- > Embed proactive fraud prevention into your payments systems.**



Manage the profitability of payments

Leverage IBM's banking industry expertise to progressively transform your wholesale payments operations

IBM solutions for the banking industry bring together the extensive IBM portfolio of hardware, software and high-value services — and its wide network of Business Partners — to address the most prevalent challenges for clients in the industry. IBM solutions and banking industry experience help each client accelerate its progress in becoming an On Demand Business — so it

can respond with flexibility and speed to virtually any customer demand, market opportunity or external threat.

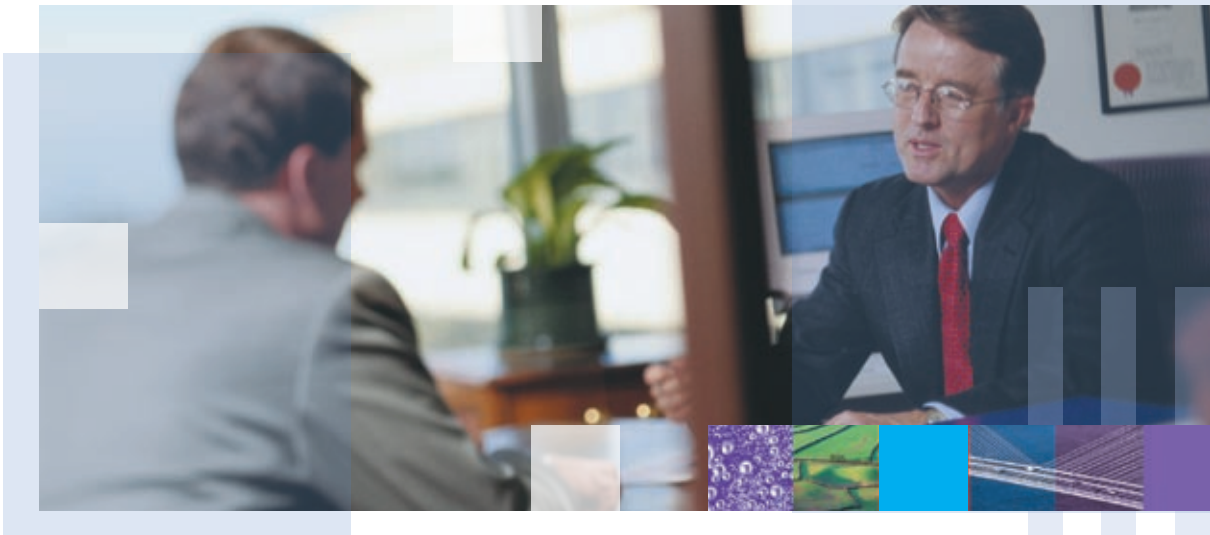
Creating business processes with a *service orientation* has emerged as the best way to achieve that flexibility and speed, as well as agility and resilience. Service orientation takes everyday business applications and breaks them into individual business tasks, called services. These services can then be shared with other departments within your organization, integrated with your trading partners and exposed directly to customers to create new or modified business

processes. As a result, you have the flexibility to easily respond to changing market requirements. And because these services can tie together existing ERP, human resources (HR), customer relationship management (CRM) and supply chain systems such as SAP, Oracle, Siebel and JD Edwards, there is no “rip and replace” required. Furthermore, these services can be used across multiple processes — rapidly, easily and consistently — to help drive improved time to value and reduced costs.



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IBM software, a key building block of the IBM solutions for the banking industry, is vital to employing a service orientation strategy. It helps our clients achieve business flexibility by enabling them to model, assemble, deploy and manage business processes for today's on demand business environment.

IBM's proven expertise in the banking industry and its strengths in software and open industry standards can help you transform your payments operations to support increasingly higher payment volumes as you effectively manage the profitability of your payments business. With IBM wholesale payments integration for banking, you can help establish

shared payments services to leverage across your bank, and with other institutions. As a result, you can increase operational efficiencies and adapt faster — and in a more secure manner — to new market requirements. IBM wholesale payments integration for banking can help you:

- Improve your return on wholesale payments operations by simplifying complex, back-end processes.
- Provide customers with expanded and differentiated services — such as straight-through payments processing — fast.
- Respond rapidly to new risk, compliance and regulatory availability requirements.
- Act quickly to avert new security and fraud threats.

Streamline back-end processes for improved profitability and efficiency

The numbers and types of payments banks process today are higher and more diverse than they were several years ago. As business volumes soar and new regulatory requirements surface, banks look for ways to control costs as they manage multiple payment types, such as FedWire and Society for Worldwide Interbank Financial Telecommunication (SWIFT) transactions. Simultaneously, corporate customers push for banks to use lower-cost options for payments processing. For example,



when the value of a payment is low enough and payment security is not as critical, banks can shift wholesale payments processing to the Automated Clearing House (ACH), a lower-cost system that was traditionally used only for consumer payments processing.

In back-office operations, banks often spend heavily to maintain discrete payments systems and processes for each line of business, such as trust and trade services. These systems have been built up over time or acquired in

mergers. They add complexity that makes it difficult to respond quickly to new market or regulatory requirements.

Consider a bank that — as a result of several mergers — maintains separate wholesale payments systems in a number of departments. The government now requires that all payments go through anti-money-laundering analysis and verification. But, because the bank has to implement this new policy independently in multiple departments, adhering to the policy is slow and costly — and there's no guarantee of consistent compliance across the bank.

Wholesale payments integration enabled by IBM WebSphere® integration software and IBM Information Management software can help you implement shared payments services for all your lines of business — and new payment policies centrally. As a result, you help lower the cost and improve the effectiveness of your cross-bank regulatory compliance initiatives.

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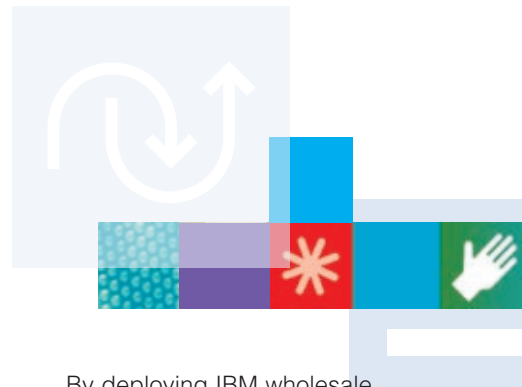
Additionally, you can use this software to support business processes that can intelligently route different types of payments across the bank. You can establish business rules, or parameters, that determine how to handle payments based on factors like account number, timing, bank codes, efficacy and budget priorities. Then, when a payment is requested, the software will automatically route the payment to the payments system that best fits your parameters.

You can also provide your customers with the ability to easily and directly control payment flow themselves. Because you and the customer determine in advance how to handle different payment types, you generate fewer exceptions, minimizing costs and headaches.

Differentiate your bank by quickly delivering enhanced payments services to customers

Considering the potential value of executing payments made within accounts payable windows, most corporate clients want to get the most efficient possible turnaround on payments services. For example, a corporate treasurer might ask your bank to provide direct interface to his systems for processing payments related to high-cost items his manufacturing company needs — an added-value service the customer will gladly pay to receive. But supporting this request requires that your bank have a direct interface to the customer's corporate systems.

By deploying IBM wholesale payments integration, you can help significantly reduce the time and cost involved in satisfying this client's request. With WebSphere integration software and IBM Information Management software, you can build on current industry standards to create a reusable interface to the client's systems, in cooperation with your client. When the need arises, you can employ this same interface again for different types of payment situations and, in cooperation with other clients, reuse it repeatedly to link other business clients' systems. This approach helps reduce the time and cost of development and maintenance on your end. At the same time, it opens countless opportunities to drive new revenue from your corporate clients.





Open new revenue opportunities

To make integration even easier, IBM partners with hundreds of independent software vendors — including top providers of business applications for the banking industry — to produce application adapters that speed the integration process.

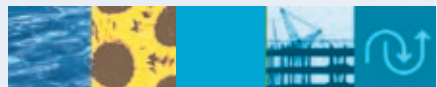
Keep pace with new risk, compliance and regulatory availability requirements

With wholesale payments equating to billions of dollars in transactions, payments systems are attractive targets for money laundering, theft and fraud. Banks must ensure that commercial payments transactions are secure. Banks are obligated to track and report to regulators their compliance with security rules — which even require that they maintain certain thresholds to prove high availability of financial networks. In fact, with regulations imposed by Basel II, banks must demonstrate that all processes, including payments, are managed within defined levels of acceptable operational risk.

Yet many banks still operate using a number of isolated departmental payments systems that can't be managed centrally across the bank. As a result, it is a substantial burden for banks to keep pace with customers' and regulators' demands across their disjointed systems. For example, if a bank needs to apply a policy designed to check payments above a certain amount against the Office of Foreign Asset Control (OFAC) list, the policy might have to be implemented separately by each business unit at the bank that manages a wholesale payments system.



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Combining WebSphere integration software and IBM Information Management software with business rules software from selected IBM Business Partners can help you implement new policies centrally rather than handling them in a piecemeal fashion. As a result, you can leverage your existing investment in individual payments systems while executing bank-wide policies. The benefits to your bank? You speed execution of new policies, and you can react faster to the increasing rate of new risks. And you help lower costs — by better managing operational risk, you help lower the capital allocation required to cover that risk.

As another way to augment this capability to reduce operational risk, you can employ IBM Tivoli® software to help maximize the availability of your financial networks. IBM Tivoli Composite Application Management software and IBM Tivoli Business Systems Manager can help you proactively pinpoint root causes of system failures or performance issues within your payments systems. By enabling you to quickly identify where performance and availability threats occur, this software can help your bank speed problem resolution times and increase resilience of payments services.*



Take a proactive approach to identifying and preventing new security and fraud threats

In today's banking environments, new and more sophisticated types of fraud — such as “payment trolling” — appear on the scene regularly. With payment trolling activities, parties with bad intentions eavesdrop over networks for payments transactions. Then, they pull out data that allows them to steal identity

information. As development of fraudulent techniques escalates, banks must turn to increasingly robust techniques to detect and block these security threats — such as carefully scrutinizing parties that request electronic payments.

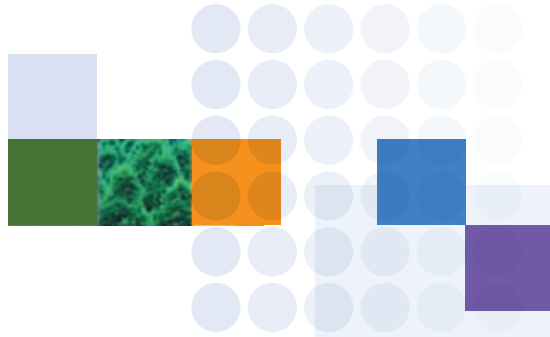
But typically, banks' analytic software creates large volumes of exceptions that have to be processed manually. Unfortunately, manual processes are costly — and not that effective at identifying subtle, or unobvious, suspicious relationships.

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With a wholesale payments solution from IBM that includes IBM Entity Analytics Solutions and exception management software from IBM Business Partners, your system can automatically search not only for known suspicious entities but also for unobvious relationships among payers requesting services. For example, the analytics software could bring attention to a small company in Europe that has conducted miscellaneous small transactions through a number of different banks with a variety of parties who each transact business

with a company on the OFAC list. Even though this company is several steps removed from the OFAC list, sophisticated IBM analytics software could prompt you to pull the company out of the queue to evaluate other relationships and determine if you should be suspicious. Other payees' transactions can continue to be processed as you limit your efforts to researching only those exceptions that truly require special attention.





Business Partners help further leverage IBM software capabilities

IBM wholesale payments integration for banking is complemented by applications and services provided by our IBM Business Partners — including the hundreds of

Business Partners specializing in service orientation — helping to make this solution a world-class foundation for driving the efficiency of payment services and also enhancing them. Working together with our clients, IBM and IBM Business Partners can help meet the needs of today's bankers.

For more information

IBM is unique in its combination of unmatched banking industry experience, deep service orientation skills, unparalleled Business Partner network, and software and technology product excellence — and as a result is a clear leader in service orientation. We can help you get started with service orientation, whether for the enterprise, a departmental initiative or a single project. IBM is the ideal resource for banks seeking to meet the challenges of turning wholesale payments operations into a profitable business; delivering value-added services to corporate clients; and responding quickly to new risk and compliance requirements while proactively preventing fraud.

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