

Establishing a payment hub

Centralising payments promises many new opportunities for treasury departments. But implementation poses a number of challenges. By Gregor Opgen-Rhein

The automation and standardisation of payments, global cash visibility and increasingly stringent compliance requirements are driving corporates to consolidate their various Electronic Banking processes and solutions to a central, international payment hub. This can only be achieved by means of a structured approach including a comprehensive analysis of the technologies and system requirements. This analysis will identify where responsibilities for local payment types are located and will involve an evaluation of which communication channels should be in focus.

Country and bank-specific format requirements are ideally stored once in a central payment hub and not redundantly in the different ERP systems for accounting, treasury and HR payments. For this reason, the central payment hub should support a conversion function with interfaces for different ERP source formats, alongside a facility for keying payments in the required target formats.

The importance of EBICS is growing

As a standard for connecting to banks internationally, EBICS plays a central and increasingly important role. Among the reasons are the integrated security features and the lower set-up and operating costs in comparison to the SWIFT channel. The number of transaction banks supporting the EBICS channel is growing constantly, and settlement systems such as the Bundesbank and the EBA have joined the ranks as well. This enables even small and



Keeping an overview with a payment hub

medium-sized companies to establish a central, international payment hub.

Bank-specific Host-to-Host channels or APIs are predominantly proprietary channels that require complex implementation and do not fulfil the requirement of a bank-independent “plug-and-play” set by many corporates.

As a rule, the finance department of the holding company or a shared service centre acts as the corporate’s internal system provider. Cash pooling agreements are the basis for automating the transfer of liquidity within the group. “Payments on behalf of” or “collections-on-behalf-of” also allow for a centralisation of responsibilities. Such changes are often met with internal resistance.

But regulatory requirements must be observed, as well. The Payment Services Supervision Act (Zahlungsdienstenaufsichtsgesetz, ZAG) in Germany, for example, regulates not only the licensing requirement for payment providers and banks but also defines how they differ from privileged, “group-

internal” service providers. In order to obtain this group privilege, among other things, all administrative and operational processes must be comprehensively mapped, presented in a comprehensible manner and regularly reviewed. This includes the contractual documentation of internal services, compliance with and monitoring of legal regulations as well as internal and external compliance requirements and their regular review.

Complete documentation

Ideally, the central payment hub itself provides the necessary administrative tools, for example in the form of structured bank account management, integrated sanctions screening and denied party checks as well as a process management tool. The complete documentation of all outgoing and incoming operative payment transactions is an essential starting point. If these requirements for the group privilege are met, it should be possible to avoid further supervisory certifications.

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