

# Enterprise Payments Platforms: A Solution for Today's Economy

By Mark Brousseau



The payments operations at most organizations typically consist of platform and application silos, creating significant processing challenges. Platform silos inhibit an organization's ability to integrate customer, bank and payment data across multiple payment channels. Application silos increase transaction cost and operational risk due to redundant processing. They make compliance difficult. And the cost to adapt and integrate these legacy systems to meet changing needs is extremely high.

The combination of evolving payments channels, new compliance and fraud requirements, and rising cost control pressures are forcing processors to rethink this old stove-pipe approach to payments.

"Everything we're hearing in the market now is about reducing costs and increasing efficiency," said Mario Villarreal, president and chief operating officer of Houston-based US Dataworks, Inc. "It's not enough to have the best technology and the most advanced payments system. Processors want to know how it's going to help them gain operational efficiencies. This is where enterprise payments solutions excel."

"With an enterprise platform to manage paper-based and electronic check payments, from origination through returns, financial institutions and billers are able to react quickly to emerging processing demands, while achieving levels of cost reduction, efficiency and economy not possible with stove-pipe solutions," Villarreal said. True enterprise payment solutions accomplish all of this by enabling:

- Clearing capabilities for all deposits (e.g., Check 21, ACH)
- Sharing of data and services across payment channels
- Streamlined payment and exceptions management
- Flexibility and scalability for future business needs
- Consistent user experience across channels, streamlining training and troubleshooting

And as the payments environment changes, as volumes of one payment mechanism drop or a new mechanism becomes available (mobile commerce, for example), enterprise payment solutions adjust to the new

realities and allow users to support new payment formats in a cost effective way. In addition, enterprise payment solutions help processors differentiate themselves in a crowded market – providing a platform to efficiently handle all of a biller's transaction types, while reducing clearing costs.

Providing global accessibility and monitoring, enterprise payments platforms can seamlessly integrate with any legacy payment system, business process and protocol, Villarreal noted.

The continued move to distributed processing, combined with the drastic reduction in storage costs, has helped make enterprise payments feasible from a technology point of view. It also has provided an infrastructure that is robust enough to avoid a single point of failure. And this is important.



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President & COO of US Dataworks, Inc.

"One of the historical issues with enterprise payments systems, in the days of centralized processing on large mainframes, was the concern that running all transactions through a single system presented significant risk if something happened to that system, creating processing bottlenecks," said Mark Webster, CPA, CCM, a partner at Treasury Alliance Group, LLC, specialists in payments and cash management. Webster has helped organizations implement enterprise payments solutions. "The redundancy and throughput of parallel and grid-based systems provides a solution to this issue."

Webster adds that he's seeing more and more organizations that think an enterprise payments platform like the one offered by US Dataworks is a viable solution to their business requirements.

## The Business Case

The case for companies to centralize their payment flows across retail, commercial and wholesale businesses is beginning to receive more attention, said Rahul Kapur, managing principal of Capco, which has worked with financial institutions and billers to define and implement enterprise payments solutions. "The business case for enterprise payments solutions

### The Business Case for Enterprise Payments

- Reduced cost
- Real-time monitoring
- Fewer exceptions
- Network agnostic
- Flexible migration path
- Faster response time
- Open standards
- Improved compliance
- Available technology
- Improved Straight ThroughProcessing (STP)

has matured and now is more solid," he said. "Organizations have been able to realize significant expense reduction in their payment operations by beginning to migrate to a centralized enterprise payments solution."

He adds that, "In our experience, initial rollout of enterprise payments solutions – usually focused on a single core business segment, such as retail remittance or wire – can lead to operating expense savings in the 25 to 30 percent range. When combined with additional savings resulting from enhanced risk and compliance management, and the flexibility for expansion of businesses to new channels and across the full range of clearing networks, the business case is extremely compelling."

Webster commented that he has seen clients who expected to save several million dollars a year in reduced maintenance costs alone before operational savings and efficiencies were even considered. He went on to say: "but the real business case builds on the improved visibility to your data that an enterprise platform allows. By consolidating all of your existing channels, you gain the ability to see patterns and mine your payments data for risk, compliance, and additional value added purposes."

Villarreal said this enterprise payments approach delivers significant value, including:

- Optimized multi-channel payment processing
- Reduced risk through data management/shared services
- Improved compliance, control and reporting
- Improved technology and process standardization
- An agile foundation for future payments initiatives

Just as organizations sought to centralize many back-office finance and human resources functions throughout the 90s during the ERP wave, many organizations now see transaction processing as a ripe opportunity for new efficiencies in light of the growing convergence of payments channels.

"Check and ACH (automated clearing house) convergence is leading organizations to isolate the disparate front-end processes, potentially out-source those, and centralize and consolidate the clearing and settlement back-end processes to gain cost, risk and information advantages," stated Kapur.

Villarreal says the key elements of the business case for enterprise payments solutions lies in cost reductions, centralized cash management, improved visibility into payment operations, enhanced risk management and compliance, improved analytics, and flexibility to adapt to payments convergence.

Based on his client experience and market research, Webster believes the major benefit of enterprise payments solutions is having consistency across all payments channels and the ability to implement and monitor compliance at one spot for the entire enterprise: "Properly implemented, enterprise payments solutions provide a holistic view of all of the transactions flowing through an organization, increasing compliance capability and efficiency."

Capco's Kapur agrees that this centralized visibility is critical. "By breaking down silos, organizations can begin to ensure that all business units benefit from the activities of one," he said.

Kapur points to the Know Your Customer (KYC) compliance requirements as an example. The retail area of a financial institution, for example, can benefit from information gained about a customer during a securities transaction, potentially preventing the risk of future non-compliant activity. Since transaction data and corresponding compliance checks are stored centrally, any future payment made by that customer will have the relevant history attached, Kapur explained.

"A centralized enterprise gateway enables single point control for the 'common denominator' of transactions, regardless of the initiating channel," Kapur said. "Thus, compliance rules and checks for all ACH debits, credits, and ARC transactions, for example, are managed in one centralized system, rather than across multiple, siloed systems that at any time could diverge in their handling of compliance."

This holistic transaction view also assists in fraud prevention, Villarreal said. In the typical stove-piped payments environment, prevention measures need to be implemented multiple times, across multiple channels, and no one has a holistic view of the transaction stream. "The only way to catch some types of cross-channel fraud is to monitor across channels and all transactions," Webster said.

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Partner at Treasury Alliance Group, LLC



Based on this centralized cross-silo view of transaction activity by customers or counterparties, Kapur explained that an organization can offer different payment terms, set a maximum threshold on credit limits, and more rapidly identify potential risk activity across other lines of business.

### Key Considerations

One of the key considerations for billers considering an enterprise payments platform is the level of complexity of the organization's products and lines of business. "The more siloed an organization is, the greater the benefits it can receive from an enterprise payments solution, in terms of improved operational efficiencies, and enhanced compliance and risk management capabilities," Kapur said. "However, a business that is very complex can make the task of implementing an enterprise solution daunting."

For this reason, Kapur said it is critical that billers ensure the core payment capability is established, then expand the solution. "Organizations can undermine the ability to implement an effective enterprise payments solution by trying to 'run' before it 'walks,'" Kapur said. "While the ultimate

benefits of full centralization are significant, most organizations must be committed to a long journey. Centralizing first around the most common lines of business or services – such as ACH and ARC, for example – then expanding to lines of business with less in common – such as brokerage or commercial payments – will enable an organization to stabilize the platform off of which they can ultimately expand," Kapur said.



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Managing Principal of Capco

Webster agrees with this, adding that "Payments are such an essential part of business these days that the risk of a "big bang" approach is just too great. Fortunately, the newer enterprise platforms are effectively modular and can be implemented in a staged approach."

Webster says US Dataworks and its flagship Clearingworks enterprise payments platform, "rates favorably against the existing competition in all of the key criteria for enterprise payments solutions."

Clearingworks is the industry's first deployed enterprise payments platform for the end-to-end processing of any paper-based or electronic payments or clearing channel. The platform provides banks and billers with end-to-end payments processing – from originations to returns. Using Clearingworks, processors can consolidate all of the check and electronic check payments they receive, process the payments through a single platform, prepare the payments for clearing and deposit, generate electronic check presentment files, and handle any paper or electronic returns.

Providing global accessibility and monitoring, Clearingworks handles billions of items annually using Check 21, ACH and conventional remittance and lockbox processing, accommodates the conversion of all NACHA items (ARC, POP, RCK, TEL, WEB, PPD, CCD and BOC), and processes any substitute checks and image exchange files authorized under Check 21. The combination of ACH and Check 21 provides the ability to electronically convert all transactions, delivering a flexible framework for the migration from paper-based to electronic payments.

This enterprise approach to payments processing distinguishes Clearingworks from traditional payments solutions, which are still married to the old stove-pipe approach to processing.

"Clearingworks delivers end-to-end capabilities proven to increase operational efficiency and effectiveness, streamline compliance, control and reporting, and enhance customer service and fee-related revenues," Villarreal said. "Our enterprise payments approach is particularly important as organizations migrate from paper-based transaction processes towards electronic payments."

In addition to its enterprise payments capabilities, Clearingworks also is distinguished by its shared services framework, transaction-based pricing, rich returns capabilities, ability co-exist with legacy payments solutions, and scalable architecture that supports virtually any volume requirements.

## The Future

The emerging multi-channel payments environment is daunting and complex. That's why Villarreal thinks the days of inflexible, standalone departmental payments solutions are a thing of the past. Processors demand greater system integration, visibility and agility to meet current and future needs.

### Key Buying Considerations for Billers

- Completeness of the solution
- Vendor's long-term vision
- Capability to meet current processing and volume needs
- Scalability to meet future needs
- Stability of architecture
- Modularity of the platform
- Ease of integration with existing applications
- Vendor support for both migration and on-going development

"Today's challenging economy makes it imperative that financial institutions and billers alike find new ways to reduce transactions costs, while improving operational efficiencies," said Villarreal.

Our Clearingworks solutions meet the challenge, Villarreal added.

"Enterprise payments solutions provide organizations with a robust infrastructure to manage multiple payments processing and clearing channels," said Villarreal. "That's a far cry from the traditional siloed payments processing environment, where banks and billers find it difficult to manage the changing mix of payments, much less achieve cost savings and operational efficiencies."

“To be sure, the economic downturn and changing payments mix present new challenges for organizations. But our enterprise solutions are significantly changing the way our customers work, how they build their operations, and how they compete in their business,” Villarreal said.

In an ever-changing environment of regulatory and compliance pressures, new technologies and processes, and shifting customer payment preferences, enterprise payments solutions deliver a new paradigm in transaction processing, meeting the needs of today and tomorrow, he explained.

Over the next 12 to 24 months, Kapur sees continued growth in the demand for enterprise payment solutions across financial institutions and companies with large retail billing/remittance operations.

He adds that the current economy is a factor in several ways. First, the crunch on banks and other organizations continues to drive the need to closely manage cash and liquidity in a way that maximizes controls, pools cash positions, and reduces interest expense. Second, the increased ability to gain a full view of a customer across all payment activity leads to better monitoring and management of credit risk – an imperative of all organizations, given the events of the past year, Kapur notes. Finally, the structural changes seen in the banking industry will drive many organizations to re-think their payment operations. “With the recent mergers of financial institutions driving operational integration activities, payments will be a natural target for centralization,” Kapur said. “Financial institutions will seek solutions to tightly and cost-effectively manage their payment flows, while ensuring lean, flexible and scalable operations for long-term business expansion.”

Both Webster and Kapur believe the market will move toward enterprise payments solutions.

And that’s good news for US Dataworks.

“US Dataworks is uniquely positioned to help billers, banks and service providers reduce payments processing and clearing costs and improve customer service,” Villarreal said. “No other company has the full range of capabilities that banks and billers need to streamline the entire transaction lifecycle, including payments processing, retail payments processing, check processing, payments decisioning and routing, and returns management while offering a transactional pricing structure that eliminates upfront capital expenditures.” In these unsettling times, this integrated approach may deliver the peace of mind that financial institutions and billers are craving.

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## Federal Government Tabs Enterprise Payments Solution

A major U.S. Federal Government entity is standardizing on the US Dataworks enterprise platform, Clearingworks, to process all of its paper and electronic checks. The entity, already a US Dataworks customer, recognized the need to upgrade its existing Clearingworks platform and replace other standalone payments systems. The entity will use Clearingworks to process an estimated 300 million payments annually, with anticipated peak volumes of over 10 million payments a day.

US Dataworks was awarded the contract after a rigorous selection process that included separate evaluations of the company and its technology by two independent consulting firms. US Dataworks scored extremely well in both evaluations, with the product review identifying Clearingworks as the industry’s only true enterprise payments platform capable of consolidating payments from multiple channels and integrating into a single solution. The technology review recognized Clearingworks technology and scalability, stating that it positions the entity to support its future volume growth.

“Using our enterprise platform, this U.S. Federal Government entity is preparing itself to take its payments processing to the next level,” said US Dataworks President and COO Mario Villarreal.