



Tomorrow's World
Creating the Future Together



Expert Tips for Setting Up a Payment Factory in SAP

Searching for an optimal solution

A Global Chemical Company

Agenda



1. **Company Profile**
2. Treasury challenges
3. Designing a Treasury Centre
4. Implementation of a Payment Factory
5. Lessons Learned
6. Q&A

Hanse Orga Group



FinanceSuite

Financial Optimisation in SAP

HANSE ORGA
INTERNATIONAL

SAP standard

Treasury Consulting and
implementations

SymQ

Multi ERP

Finance solutions

cogon

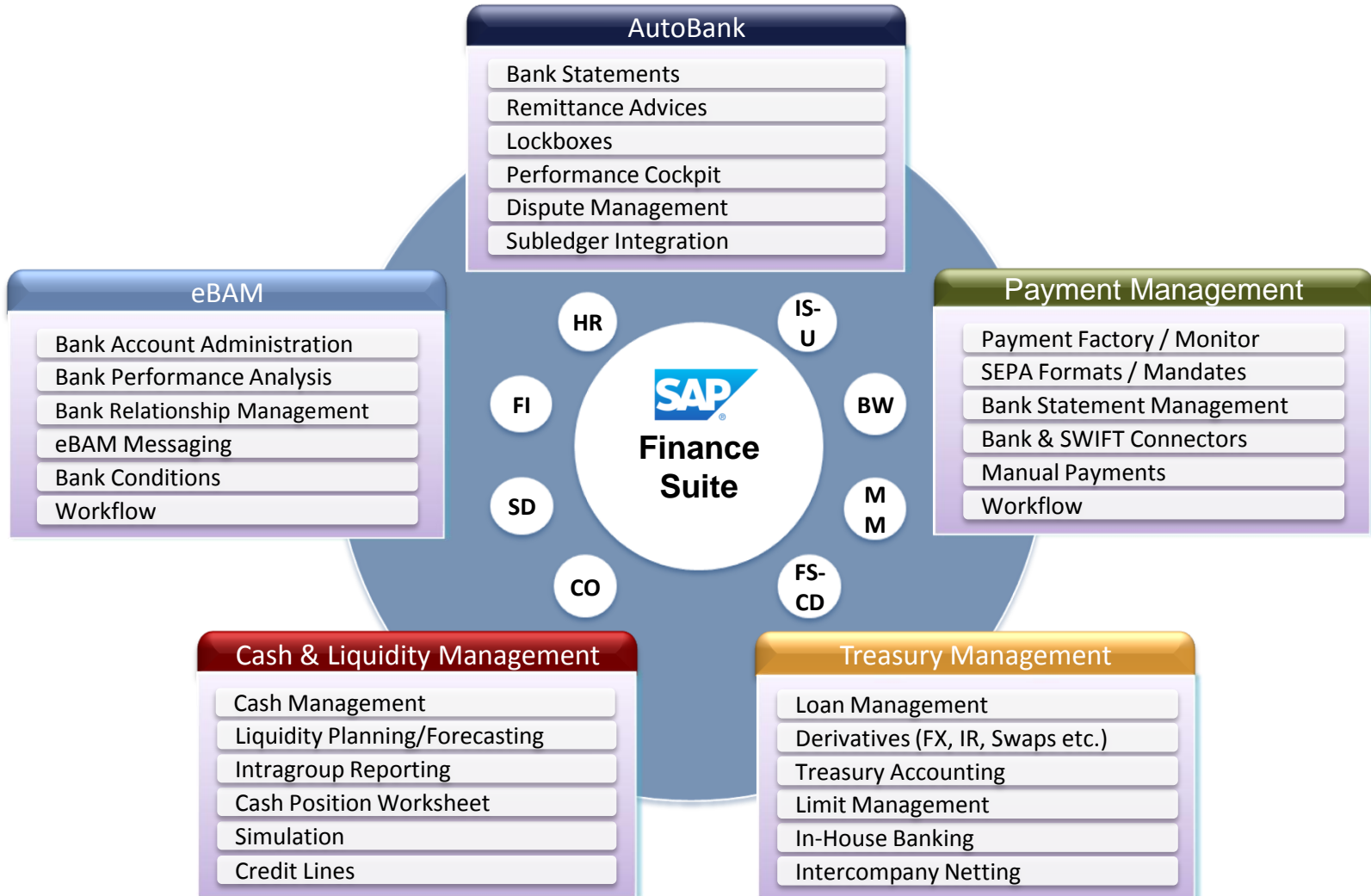
Offices:

Germany (HQ), Netherlands, France, USA

Key figures:

1000+ clients, 200+ staff, 93% projects on time/budget

FinanceSuite

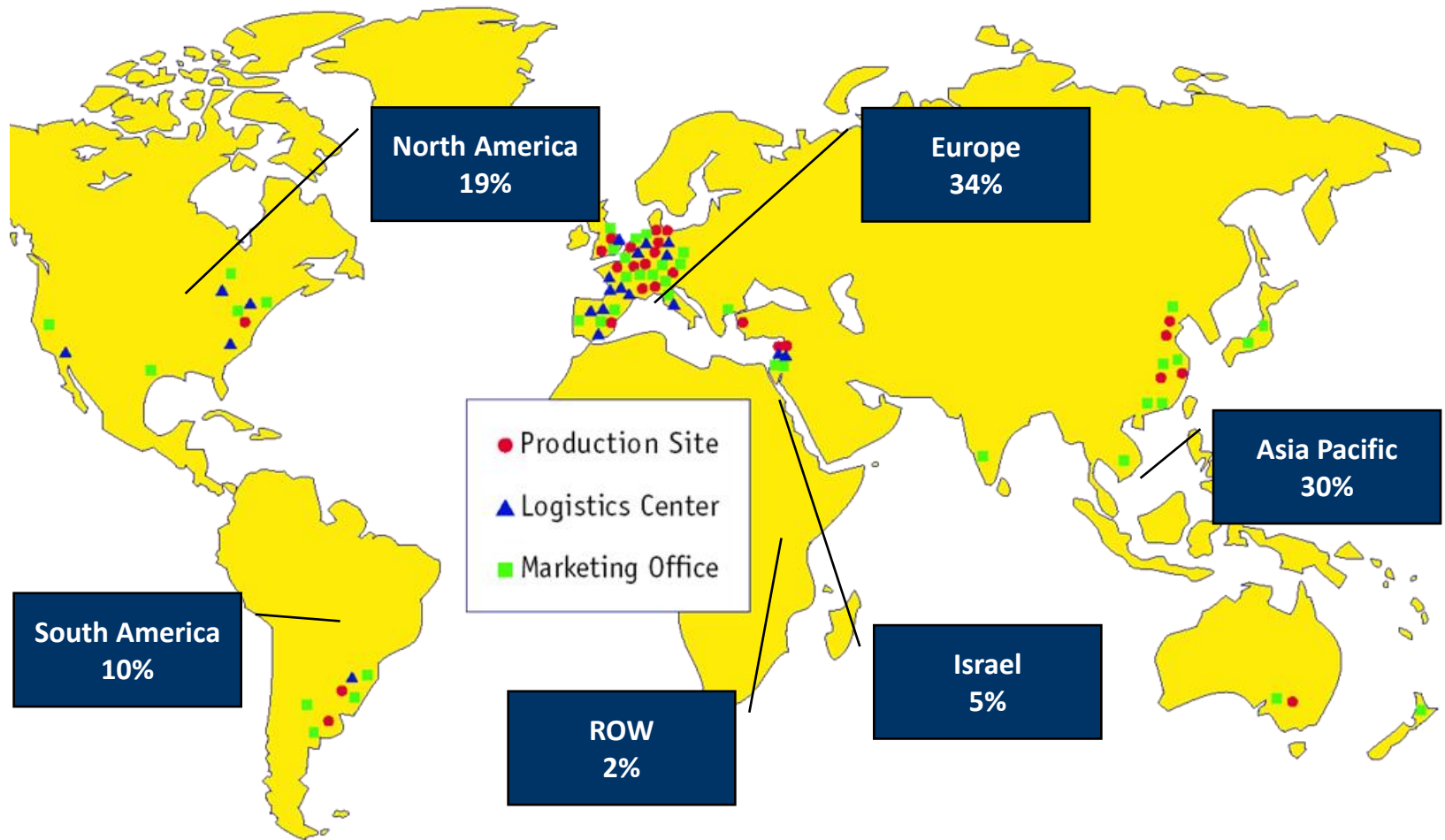


Company Profile (Client)



- A Global stock listed manufacturer and supplier of chemicals
- Total revenues of 7,5 Bln. USD
- 12,000 employees
- Worldwide operation > 200 entities

Global Production, Marketing and Logistics



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Treasury Organization & Development



- From “decentralized” to “centralized” organization, keeping local involvement
- Necessary tool to implement Shared Financial Service
- Central control and consolidated information of cash position, cash flow and potential cash leakage.
- Establishment of In House Bank and Payment Factory
- Platform to use professional capabilities for the benefit of all companies
- “Best business practice” of multi national companies
- Not solely to rely on a proprietary banking system

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Activities In The Treasury Center



- Cash Management services
- Payment services
- Transaction services
- Reporting services

Implementation Steps



- European pilot phases - 4 companies
 - Visibility of Cash Positions
 - Automated Bank Reconciliation
 - In House Bank & Payment factory
 - Treasury management (loan/deposits & foreign exchange deals)
- Worldwide bank connectivity (SWIFT) directly after successful implementation in the Pilot
- Full European implementation of all other phases directly after successful implementation in the Pilot
- Rollout to USA

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What is a Payment Factory?

Many people may define a payment factory differently:

- A hub to centrally manage communication to and from the banks.
- A Shared Service Center for payables.
- A group responsible for optimizing the company's disbursements on behalf of its affiliates.
- A payment management solution that enables organizations to streamline payment processing and control costs centrally.

Types of Payment Factories



- Focus on centralizing and standardizing payment flows enterprise-wide
 - All company-wide payment flows (batch and manual) are routed through the payment factory
 - All bank communication and payment formats are managed centrally

- Focus on consolidation and optimization of payment processing
 - Business rules are utilized to route the payment through optimal channels (e.g. transformation of cross-border payments into domestic payments)
 - Smart (re)grouping and/or aggregation of payments (might require In-House Bank set up)

- Decentralized operated payment factory
 - Roles and responsibilities are still retained at the level of the subsidiary
 - Entire organization uses one central system for managing payments and bank connectivity

Why do I Need a Payment Factory (1) ?

- With the credit crunch, treasury departments must focus on better management of cash
 - Require improved working capital
 - Need to reduce costs
 - Need to optimize efficiencies
 - Require better control and visibility into cash forecast
- To meet audit and compliance requirements, treasury organizations are being asked to tighten controls in the financial supply chain
- To achieve future growth goals, treasury departments must be able to quickly react to business conditions
 - Ability to quickly integrate acquisitions
 - Ability to compete in new international markets and handle new payment types
 - Ability to quickly react to issues with counterparty risk

A payment factory is one of the necessary components in achieving these strategic requirements.

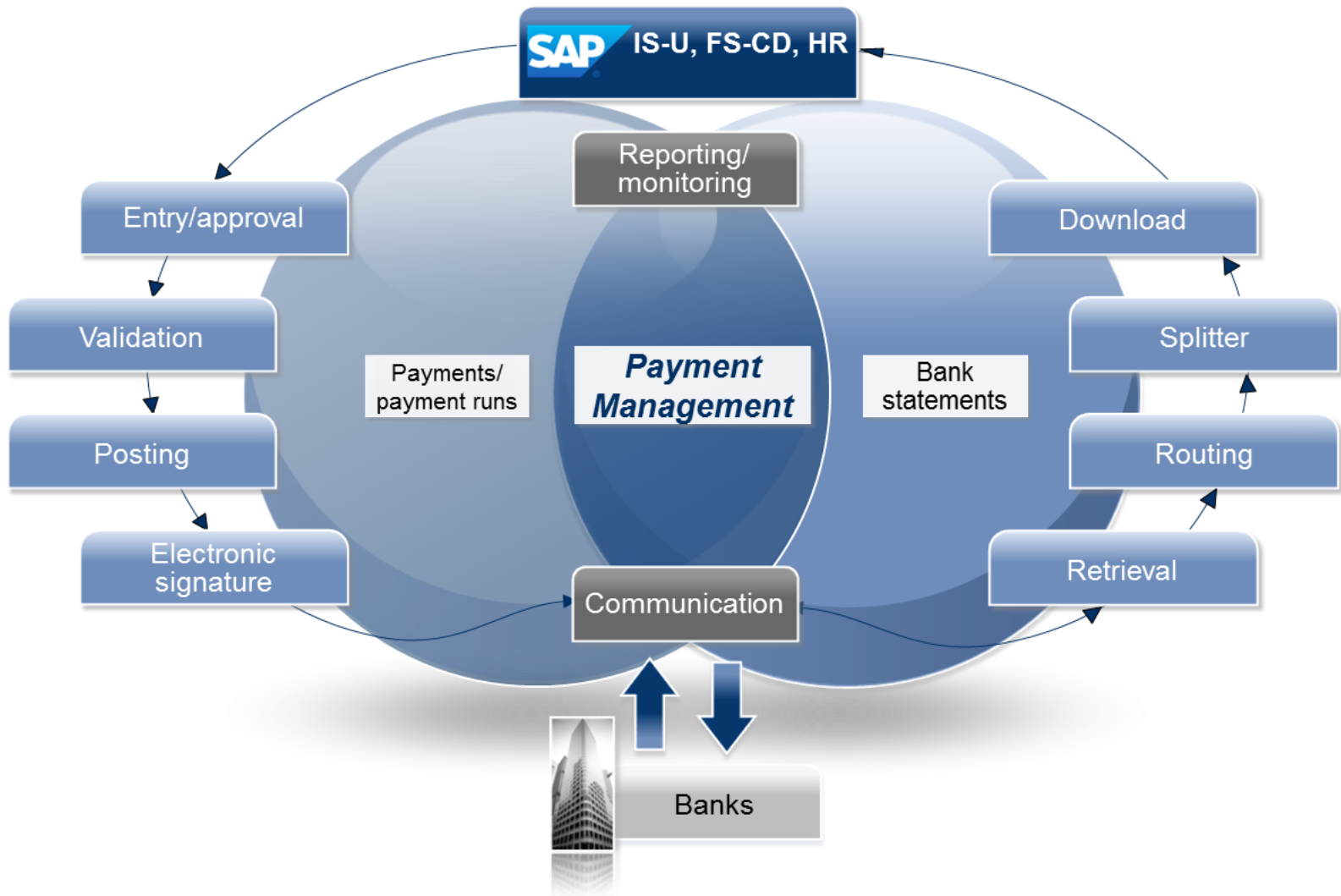
Why do I Need a Payment Factory (2) ?



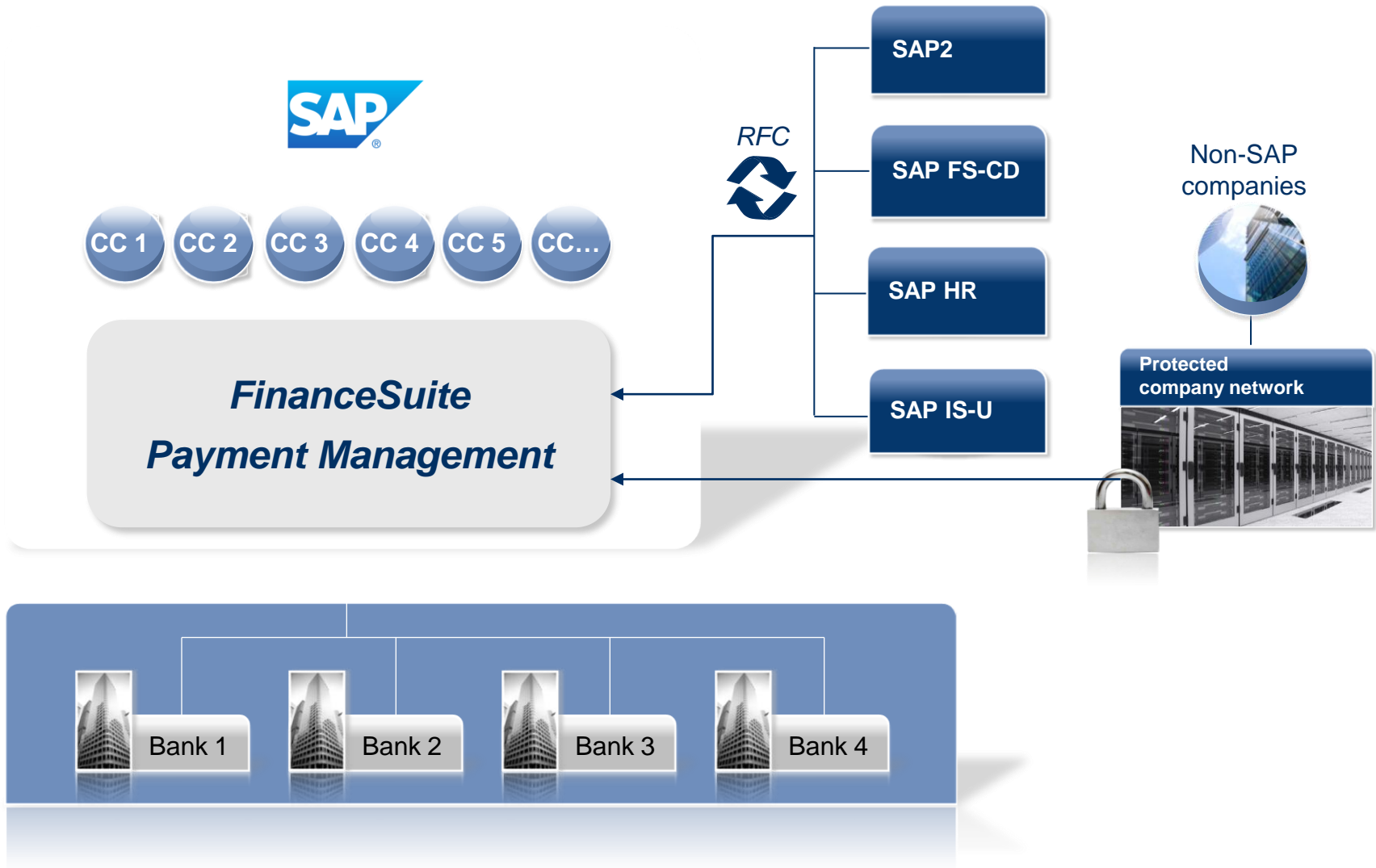
- Many organizations utilize a variety of decentralized e-banking solutions
 - Carries risk and is error prone
 - Lacks integration with the ERP
 - Carries high costs and high maintenance
- The decentralized processes lack control and standardization
 - No group-wide overview of all cash flows
 - No standardized approval processes and workflows
- The decentralized process increases inefficient manual efforts
 - Time-consuming effort to manage multiple bank connections
 - Manual effort to determine cash positions and create cash forecast

A payment factory is one of the necessary components in improving the operational efficiency

FinanceSuite – Payment Management within SAP®



Payment Factory Structure



New Way of Working



System Help SAP

Worksheet

Leave admin mode Accompanying sheet Bank protocol

● ● Erroneous
 ● ● Attention
 ● ● Ok
 Status: Initial

Payment runs
 Bank statements
 Payments
 Ext. payments

Bank access	Status	Format check	Split	Data transfer	Journal number	Target system	Source system	File name	SWIFT code
Deutsche Bank AG	STA imported	● ●	● ●	● ●	1000012384	File	Deutsche ...	reinemt940.sta	
Deutsche Bank AG	STA imported	● ●	● ●	● ●	1000012382	File	Deutsche ...	reinemt940.sta	
Commerzbank AG	STA no data	● ●	● ●	● ●	1000012381	File	STA Abruf		
Citibank AG	STA imported	● ●	● ●	● ●	1000012288	File	Citibank ...	Bwmdabg8.sta	
Commerzbank AG	STA imported	● ●	● ●	● ●	1000012287	File	Commerzba...	Bwmdabg5.sta	
Dresdner Bank AG	STA imported	● ●	● ●	● ●	1000012286	File	Dresdner ...	Bwmdabg7.sta	
Deutsche Bank AG	STA imported	● ●	● ●	● ●	1000012285	File	Deutsche ...	Bwmdabg6.sta	
Citibank AG	STA imported	● ●	● ●	● ●	1000012273	File	Citibank ...	Bwmdabg8.sta	
Commerzbank AG	STA imported	● ●	● ●	● ●	1000012272	File	Commerzba...	Bwmdabg5.sta	
Dresdner Bank AG	STA imported	● ●	● ●	● ●	1000012271	File	Dresdner ...	Bwmdabg7.sta	
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SWIFT LATS	STA Complete	● ●	● ●	● ●	1000011544	LATS File...	SWIFT MT9...	10-942-NVR-T005.RJE.fin	
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Citibank AG	STA imported	● ●	● ●	● ●	1000011383	File	Citibank ...	Bwmdabg8.sta	
Dresdner Bank AG	STA imported	● ●	● ●	● ●	1000011382	File	Dresdner ...	Bwmdabg7.sta	

Report & Search options



System Help SAP

Display bank statements (List level 1: Accounts)

checks bank statement

M_MUICOB

System Help SAP

Display bank statements (List level 2: Statements)

checks bank statement

M_MUICOB/EUR1 (Commerzbank EUR)

Statement Date Stmt no. opening balance total debit total credit closing balance Currency No. of pos. check. inc. paym. ext. date. out. paym. ext. date. ext. bank balance

13.07.20
14.06.20
14.06.20
14.06.20
29.12.20

System Help SAP

Display bank statements (List level 3: Line items)

checks

Account M_MUICOB/EUR1 : Statement no. 00237 of 29.12.2005

Stmnt no.	Posting date	Value date	amount	Currency	posting text	note to payee (line 1)	note to payee (line 2)	note to payee (line 3)
237	29.12.2005	29.12.2005	2.720,33		AUSLANDSUEBERWEISUNG	GID G0053632893601 BOOK REF	PAY BK ID GCNXUVDE4PAY BK	CITIBANK NA NYBD CITICORP D
237	29.12.2005	29.12.2005	14.062,50		AUSLANDSUEBERWEISUNG	GID C0053632804001 CHP02096	64 REF DF P202443 PAY BK ID	0257 PAYBK BARCLAYS BANK P
237	29.12.2005	29.12.2005	15.852,50		AUSLANDSUEBERWEISUNG	GID F0453630133F01 FED20051	229G1B76E6C003966 REF PAY B	K ID 071000152PAY BK NORTHE
237	29.12.2005	29.12.2005	23.351,69		AUSLANDSUEBERWEISUNG	GID F0753630002601 FED20051	229B1Q8984C000007 REF PAY B	K ID 021001088PAY BK MARINE
237	29.12.2005	29.12.2005	24.876,48		AUSLANDSUEBERWEISUNG	GID C0053633842001 CHP02808	39 REF SWF OF 05/12/29 PAY	BK ID 0002 PAY BK JPMORGAN
237	29.12.2005	29.12.2005	3.555.086,28		AUSLANDSUEBERWEISUNG	3555086.28 RETURNED FROM NA	SSAU SWEEP . 3.4500.0.	.P.
237	29.12.2005	29.12.2005	403.454,89		AUSLANDSUEBERWEISUNG	GID G0053631098401 CHP00865	10 REF AZV0536300100001 CR	BK ID 0002 CR BK JPMORGAN C
237	29.12.2005	29.12.2005	3.232.494,89		AUSLANDSUEBERWEISUNG	ACT TRANSFER ---- ACCOUNT 3	0260022 R.V VERSICHERUNG AG	FROM YOUR ACCOUNT TO ACCC

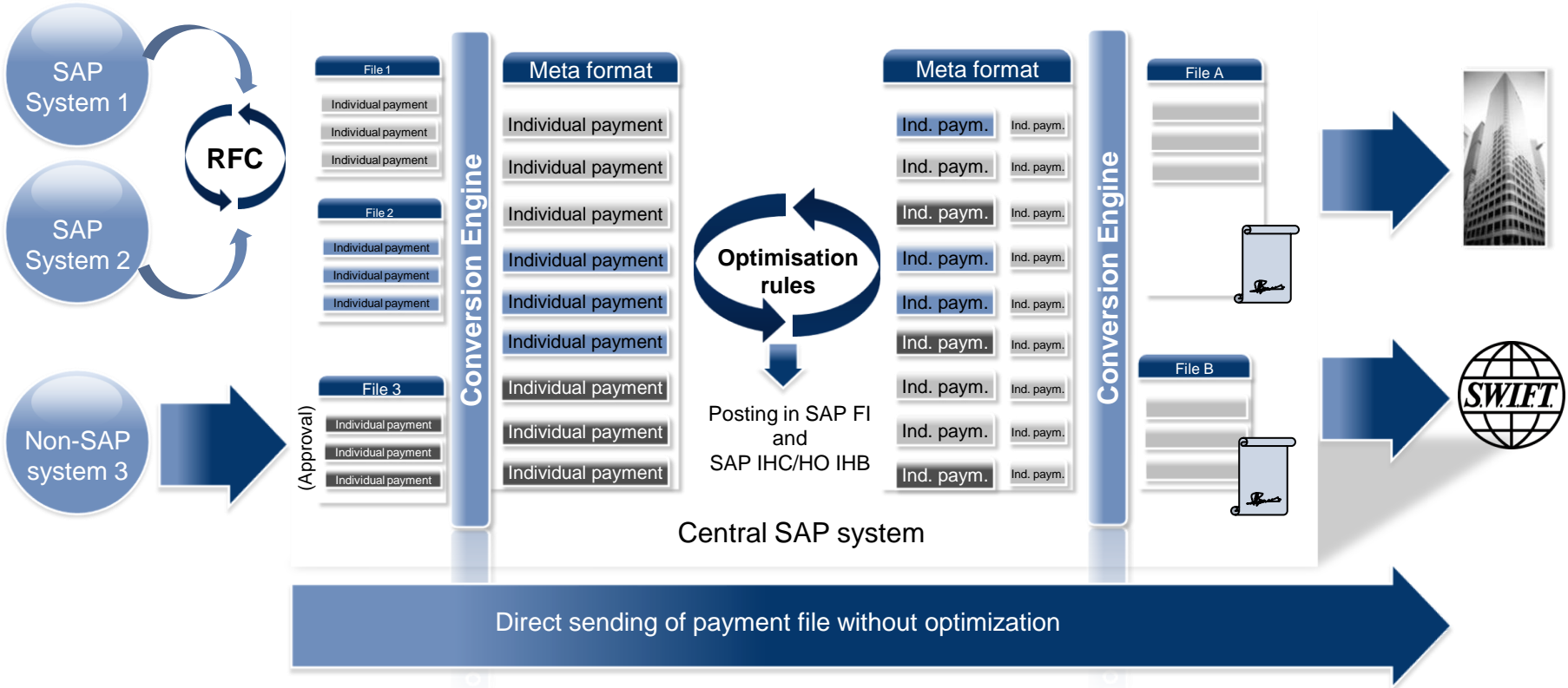
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Advantages Working the New Way

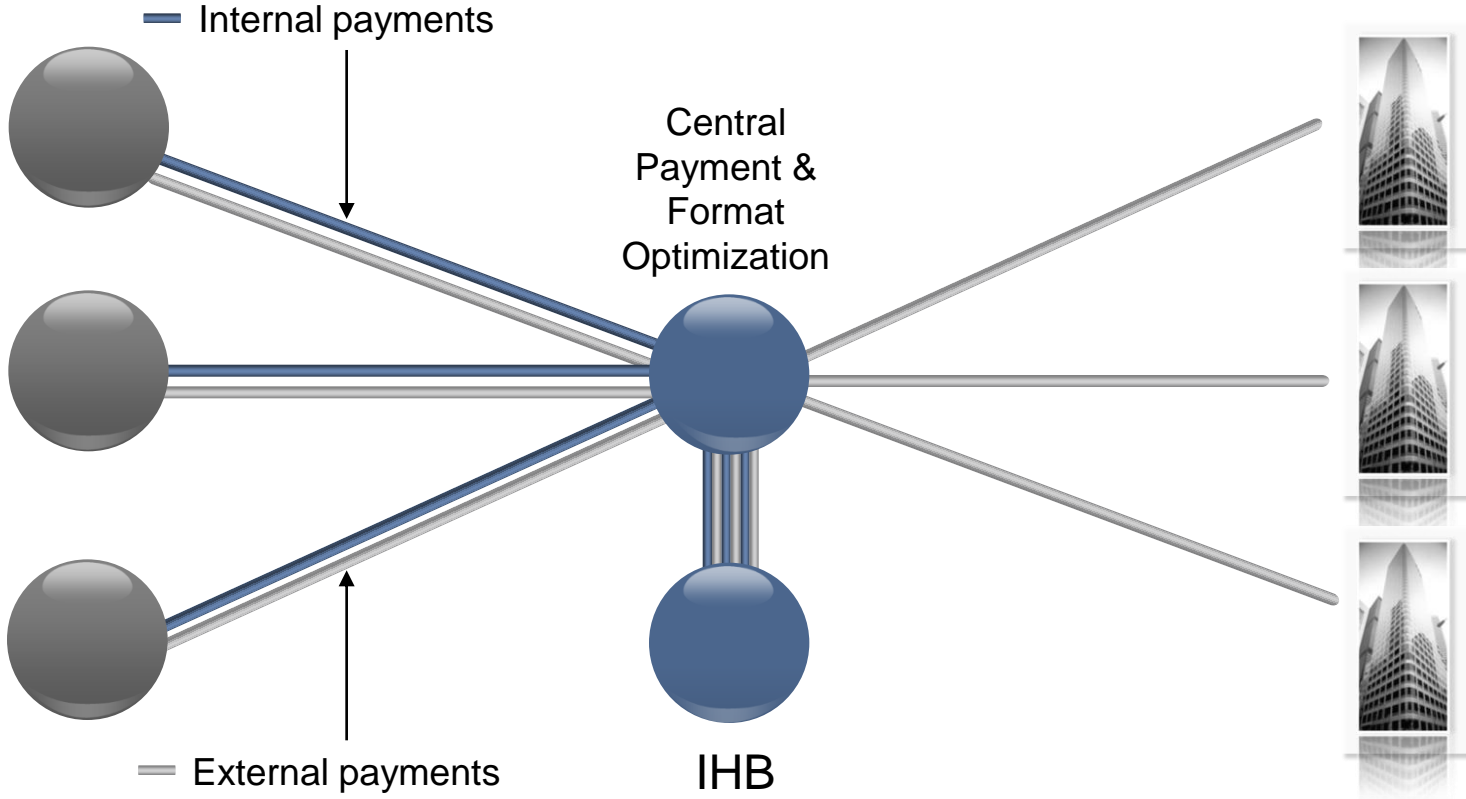


- Straight Through Processing
 - No more up and download of payment files in different systems with possibilities of manipulation / errors
 - Stricter workflow , more efficient / better integration of processes, standardized processes throughout the group
 - Centralized control
- One way of connection to banks, reduction in propriety systems due to this better control on outflow of funds, increased security
- Making use of SAP user authorization table
- User has not to be trained in a new system, SAP integration is full
- Integration of Payment Factory with In House Bank, Treasury Management System, Automatic Bank Reconciliation and Forecasting / Short Term Planning
- Much faster implementation than standard SAP, with a much better predictable outcome

Process Payment Factory



How Does In-House Banking Relate to a Payment Factory?

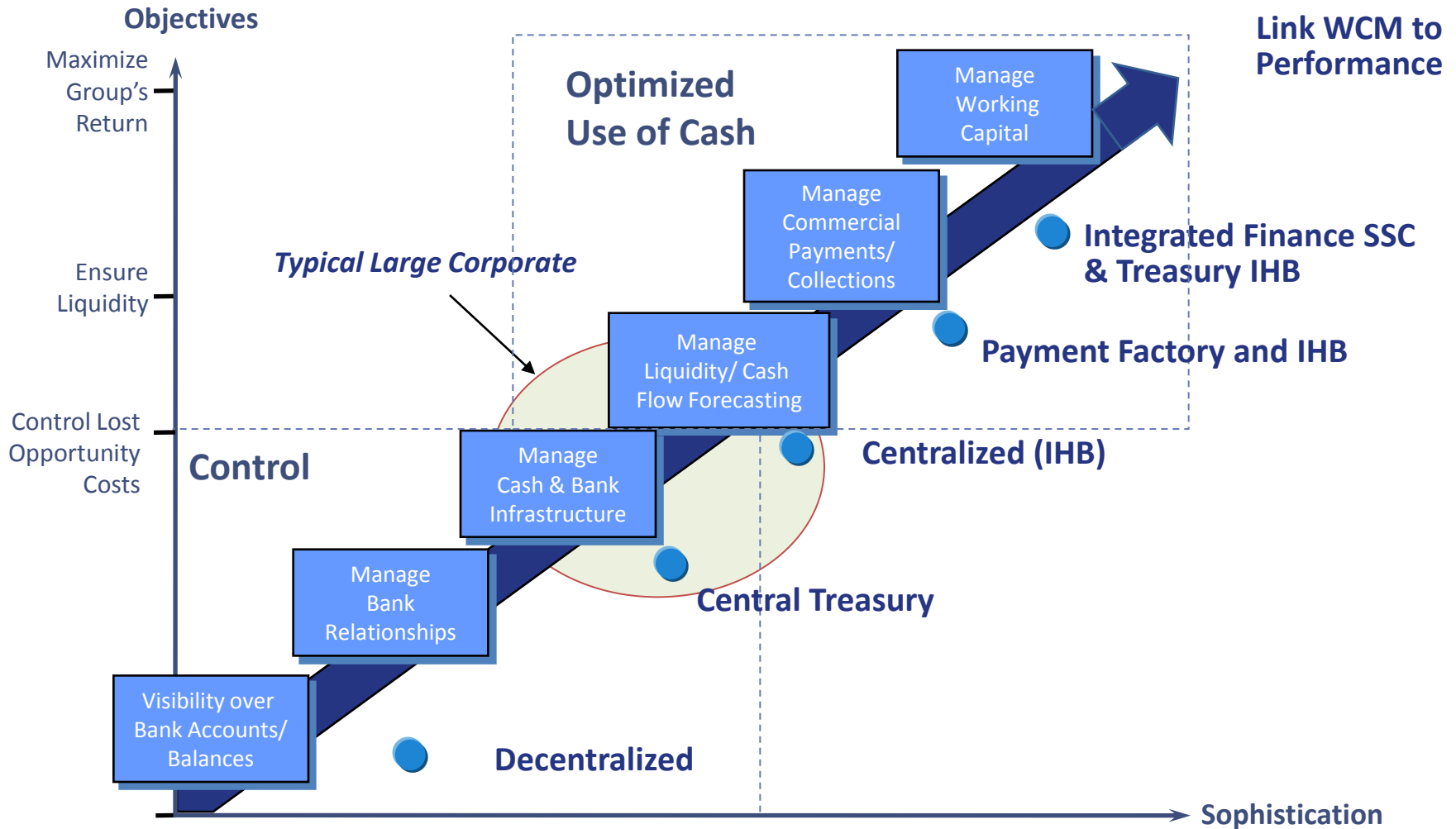


Benefits of In-House Banking (IHB)



- Management of Intracompany Payables and Receivables
- Without an IHB, intracompany payments occur through the external banking system and therefore have real transaction fees and settlement delays
- Instead, a netting process occurs which allows for the net value of the transactions to be exchanged between the In-House Bank accounts of each subsidiary
- Payment optimization allows the In-House Bank to pay on behalf of subsidiary
- Multiple payment structures are possible
- Multiple accounts & interest compensations models are supported
- In-House Bank can provide Loans and take deposits (more efficient and cost effective than with third parties)
- The In-House Bank can monitor and settle a cash pooling structures

What Strategy is Right for my Organization?



Treasury Reshaped



- Cash Management responsibility for the is moved from the local companies to the Treasury Center
- Treasury Center is responsible for In House Bank accounts and Payment Factory
- All hedging activities will be made with the Treasury Center as counterparty. The Center will perform the hedging activity with the external banks.
- Loan / Deposit management (interest payment, repayment) will be moved to the Treasury Center
- Major part of the reporting to HQ will be done from the Treasury Center
- Bank statements will first arrive in the Treasury Center, who will distribute the statements to SAP instances of local companies
- Bank reconciliation and payment authorization will remain unchanged the responsibility of each local company
- Continue to work with a large number of banks and improve the use of local knowledge

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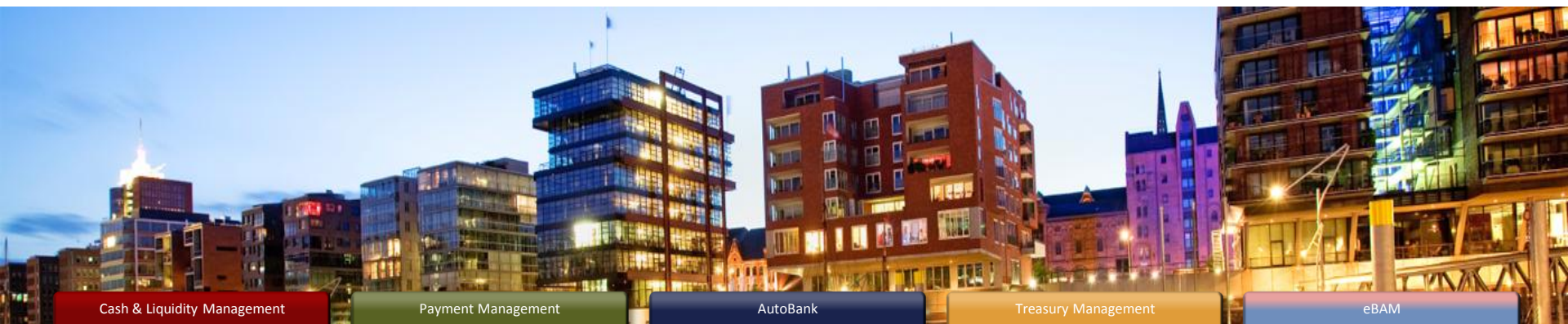
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5. [Lessons Learned](#)
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Lessons Learned



1. The new system should be bank independent and not rely on a proprietary banking system
2. Standardization of communication between corporate and bank
3. Due to the items above it will become much easier to make a switch between banks
4. Integrate Treasury activities in one system
5. Market your project to local subsidiaries
6. Centralize activities, but keep local knowledge
7. Take your time to implement

Q&A



Cash & Liquidity Management

Payment Management

AutoBank

Treasury Management

eBAM

Thank you for your attention!



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