

# Payments Hub Integration

## Addressing the integration challenge

The transformation of payment systems using a payments hub or engine solution is being planned or in process for most banks. While the name may differ from bank to bank—global payments system, utility, common payments platform or EEA payment hub—the objective is the same: to support the payments business with effective processes and architecture.

Increasingly, a payments hub is seen by a bank as the primary lever to improve efficiency, reduce costs and provide agility in areas such as sourcing models. But turning plan into action can be difficult as many banks must implement new systems while untangling the legacy payments application landscape.

Moving to an implemented payments hub can bring tremendous cost savings, but transformational projects can also carry higher risk. Potential barriers to success may include:

- Diverse formats, standards and file formats such as XML, SWIFT, HIPAA and flat file
- A large number of interfaces
- Lift and drop approach to complex functions
- Multi-country rollout and localization

In addition, as with any large scale project there is a risk of concurrent projects which impact the payments system and governance and project management challenges which can result in cost and schedule overruns.

# Mitigating risks for your payments hub initiative using a three lever approach

**Together, such challenges potentially jeopardize the projected benefits of implementing a payments hub. But banks can mitigate these risks and accelerate the project by adopting transformational best practices across three levers: business, technology and program.**



## Lever 1: Business

The Business lever addresses the structural aspects of transformation and includes two steps.

### Harmonize the product before migration

Before jumping into the lift and drop approach to migrate all functions, the first step should be to simplify the product portfolio by rationalizing specific products developed over time. This can reduce the efforts for migration, configuration and integration.

### Adopt an industry standard architecture

By leveraging industry standard reference architecture, your bank can assess the impact on functionality and the application landscape, saving downstream design and development efforts. Banks can define atypical services, logical interfaces and islands of stability to better plan a phased integration approach. Selecting the right architecture can help the bank enable future sourcing models by providing the abstraction of external systems from the payments function. The architecture can also enable end-to-end operational effectiveness through instrumentation and monitoring, the acceptance of mixed payment files and alternative routing.

## Lever 2: Technology

### Select the right data exchange platform

Banks should leverage tools that support intuitive data translation without coding, real time transformations and large file transformations. While most banks implement solutions with these features, selecting technologies and architectures that can aid in monitoring and managing messages has become increasingly important in a multi-party integration scenario.

### Choose broad protocol support

Banks can select platforms that support multiple protocols such as AS2, MQ Series, FTP, OFTP, and HTTP. Broad support for encryption and decryption mechanisms is a strong requirement, using PGP, SSL, DES, AES and others.

### Plan interfaces

A payments hub requires that banks plan for the centralization of messaging across the enterprise. Front end integration with channels needs careful calibration to minimize complexity and repetition. For example, payment validation services may be part of by multiple applications instead of designed as a separate application to avoid duplication,

### Adopt standards

To minimize the existence and proliferation of multiple formats, banks should adopt standards. Standards provide a commonality which helps streamline designs for conversion or re-conversion. Additionally, aligning with customer requirements such as ISO20022 PACS for reporting can help support reuse.

### Increase straight through processing and transparency

Banks should design the rules around straight through processing and client visibility of cash flows to drive value added services. For example, triggering standing instructions based on value incoming payment or on demand initiation of intraday information.

Blending such rule based processes for client facing information and transaction purposes can improve customer retention and increase revenues.

### Validate and comply with regulations

Large banks with complex messaging requirements can target upfront business and structural validation of messages as per target format such as SEPA. This can prevent data contamination in downstream systems and improve end to end handling of messages.

## Lever 3: Program

### Utilize a risk-based approach to testing

Banks can use a risk-based testing approach to prioritize testing efforts for features and functions based on the risk of failure. This allows testing budgets to best target functions based on their importance and likelihood or impact of failure.

### Plan a tight release schedule

A tight release management schedule is integral to achieving payment hub implementation success. Loaded release plans and the constant addition of priority functionalities late in the project can cause significant re-work and slippage, resulting in potential downstream issues.

A good practice is to design the requirements at the 'core / bank level' while providing for 'overlays' at the country level to balance implementation integrity and flexibility.

### Prepare for migration

An integrated migration plan is an essential part of a payment hub transformation and integration program. Migration should address both business and technology levers while planning to sunset legacy systems and meet regulations.

### How Can Capgemini Help?

Capgemini has worked with leading banks and ACHs around the world to implement and integrate payment hubs. We build on lessons learned and best practices to create re-usable artifacts such as:

- Reference architecture
- Logical interface definitions
- Use cases
- Process models
- Migration methodologies

These accelerators have helped our clients save up to 20-25% of integration efforts and costs. Capgemini has alliances with leading payments vendors to provide services and solutions that can help simplify the integration journey. These experiences and resources help Capgemini provide a payments integration and transformation solution that meets the unique needs of your bank.

For more information on Capgemini's solutions for payments hub integration, email us at [payments@capgemini.com](mailto:payments@capgemini.com) or visit [www.capgemini.com/payments](http://www.capgemini.com/payments).



### About Capgemini and the Collaborative Business Experience

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Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™.

The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients.

Present in 40 countries, Capgemini reported 2010 global revenues of EUR 8.7 billion and employs around 112,000 people worldwide.

Capgemini's Global Financial Services Business Unit brings deep industry experience, innovative service offerings and next generation global delivery to serve the financial services industry.

With a network of 18,000 professionals serving over 900 clients worldwide, Capgemini collaborates with leading banks, insurers and capital market companies to deliver business and IT solutions and thought leadership which create tangible value.

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