

Real-time cash reporting gains momentum

It's been several years since the introduction of real-time cash reporting initiatives into the market. Whilst adoption was slow at first, as banks focused on regulatory compliance and other priorities, the momentum has picked up. All agree that it is not a case of if, but when, real time practices are adopted industry wide. A growing number of banks are now seeing the benefits of real-time information beyond just the nostro management function, and looking to improve operations and the bottom line in treasury and cash management, credit control and risk management. Real-time information also has a positive impact on customer service and in supporting banks' current compliance initiatives while helping them proactively prepare for the next round of regulation.

This rising momentum comes at a time when Gresham has taken on the lead role in the hub service known as Cable & Wireless RTN. The service is an integral part of Gresham's suite of solutions and services that cover areas such as payments, cash management and lending.

Fast, incremental adoption

The banks that are today successfully benefiting from real-time cash information began by realising that taking advantage of it doesn't necessarily require wholesale re-engineering of the bank's systems. In fact, an incremental approach can make much more sense, allowing organisations to decide how far they go in incorporating real-time information into their processes.

Banks can commence by taking a consolidated, consistent real-time view of their nostro positions by way of a browser window. They can take it a step further, by integrating a streamed push feed of this information into their back office reconciliation systems.

Developing a business case for a real-time cash reporting initiative doesn't require a lot of time or investment but it does demand careful planning and clear, phased objectives. And by participating in the Gresham user group, prospective and new users can share approaches, best practices and demonstrated benefits.

Demonstrated business value

Significantly reduced funding costs

A simple way to start thinking about the value that real time information can bring is to look in hindsight at a set of troublesome transactions. Thinking back, what could the bank have done differently if the information had been more timely? With a liquidity cut-off fast approaching, an organisation might realise it's short and so goes into the market and borrows. Then, a client pays in an unexpected amount covers the banks short position and more. But with an overnight batch run this wouldn't be identified and the bank unnecessarily bears the cost of borrowing.

It is worth focusing on the value derived from the benefits of managing intraday nostro accounts, not just in terms of major currencies but specifically those considered

volatile and where rates are high for late receipts or overdrawn positions. With real-time information a bank is better able to manage the unexpected.

Improved customer service

Banks can significantly improve customer service by eradicating mistakes intraday. Banks have reported very positive customer feedback as a result of them being able to transparently identify and fix any shortfalls or erroneous trades even before the customer has realised the error exists.. Whilst it is difficult to put a tangible financial number on the benefits of improved customer service this is often the prime reason that banking relationships endure over a long period. And it is a great defence mechanism against price erosion.

There can also be a knock-on effect of customer service for corporate customers of a bank using and passing on real-time information. Increasingly transactions are based upon important timeliness. For example, in the case of an oil supplier, a ship can be held in port pending notification of receipt of funds. Loading doesn't commence and tides are missed, all because of a lack of knowledge about the payment status. With real-time data the corporate can send immediate notice for the underlying transaction, in this case oil, to continue,. Receiving more timely notification would result in faster turnaround time for deliveries.

Increasing trading opportunities

The benefits can be about trading the efficiencies as well as managing inefficiencies in a bank's processes. For example, one bank has been able to perform more trades and generate more revenue through better monitoring of real-time information against client trading limits. In this instance either existing limits can be utilised more, or lower with greater utilisation can be set. Further, in Gresham's cash reporting solution, intraday currency limits can be uploaded to the service., which then generate alerts when limits are to be breached.

Discover the potential

These are just some of the benefits that banks have already realised and demonstrated in business cases for the adoption of a real-time, cash reporting service. In our experience ,it is when senior level management can see potential for such improvements across various business functions that a bank decides to make a concerted effort to pursue a real-time strategy.

We invite you to contact Gresham or any of the information providers and users of our cash reporting service to find out more about just how easy it is to develop a solid business case and start benefiting quickly from real-time information.

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