

Integrating payment networks

Banks take on new networks for a variety of reasons; responding to new regulations, mergers and acquisitions, regional consolidation and to pursue new revenue opportunities.

Whatever the reason, connecting to new payment networks is a significant challenge for banks, causing disruption to existing systems and consuming valuable IT resources.

Banks need rapid return on investment and cannot afford to wait months or years for new network connections.

Same processes, different systems

What makes payment network integration so disruptive and resource intensive? Surely payment networks are performing basically similar processes?

The underlying business processes that support different networks are inherently similar. However, at a technical level, no two payments networks are the same. They differ in message format, the delivery mechanisms into the network, e.g. batching rules, scheme-specific validation, processing feedback from the clearing systems, and the clearing windows available.

What are the challenges?

Banks need to consider a number of complex challenges when integrating their back-office systems with a new payment network.

- + New formats – bank systems need to map/translate payments and messages to and from their back-office systems and the new payment network
- + New feedback – the new payment network will have its own set of notification and alert messages, such as file acknowledgements
- + Large back-office projects – banks may have multiple back-office systems that will need to be updated to integrate with the new network
- + Where no hub exists, multiple point-to-point implementations will result in process duplication and inefficiencies
- + The cost and complexity of IT development resource to support differences between networks

How can banks maximise return on investment?

Despite these challenges, banks can shorten the time it takes to achieve return on investment by ensuring that they avoid some common pit-falls that can increase costs unnecessarily.

- + Realise re-usable, generic processes and components
- + Avoid creating duplicate process for each new network
- + Insulate multiple back-office systems from regular network updates

Insulating core processing systems and standardising processes and communications helps avoid future recurring costs and disruptions and is essential to achieving an efficient and streamlined payment system.



Ready Application

Financial EAI 2010

The Misys solution

Misys can help banks simplify new network integrations by providing a centralised payment hub that routes and manages payments and messages from multiple back-office systems to multiple payment networks through a central location. This allows standardised processing and is where updates can be rolled out, thus minimising disruption across the bank.

Centralised core-processing

Fig. 1 illustrates how our solution insulates back-office systems from the complexities of multiple networks and uses common, re-usable elements constituting “generic” processing.

Fig. 1: A payment hub to facilitate front-to-back integration

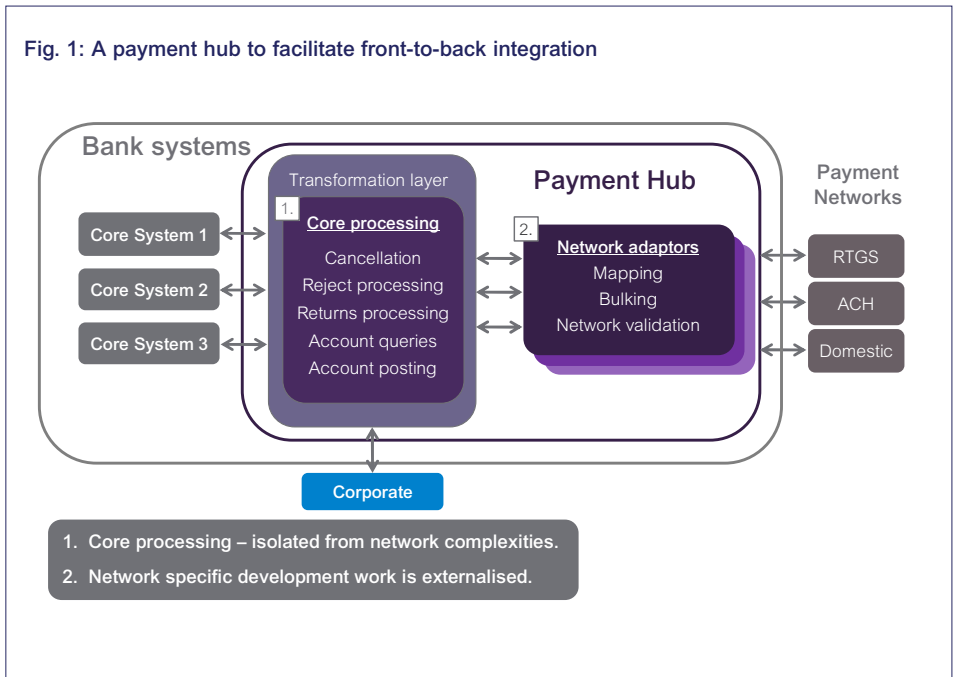
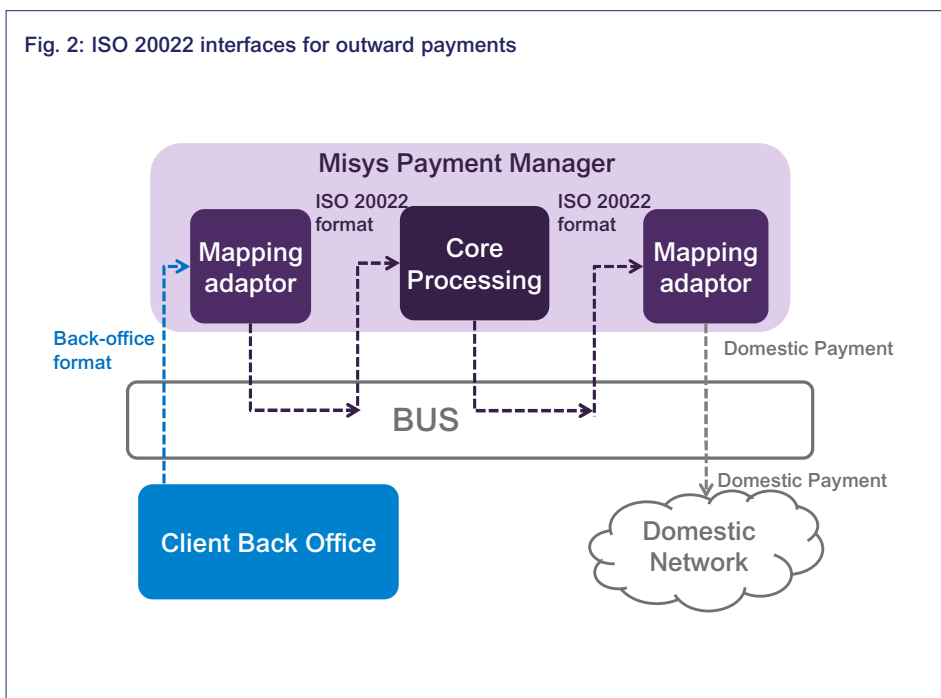


Fig. 2: ISO 20022 interfaces for outward payments



A standards-based solution

The core module exposes published interfaces; all payments and messages are transformed into standardised formats for processing. Dedicated network adaptors handle the message transformations to and from the external networks (see Fig. 2).

Network feedback and status updates are also converted into generic ISO message formats (i.e. payment status reports, rejects, returns and cancellations). Again, all core-processing / message updating takes place on generic ISO messages and communication to back-office systems is via a generic posting interface (see Fig. 3)

Externalising network specific processes

The integration of a new network brings with it a number of bespoke development tasks, e.g. mapping to the network format, network specific validation and bulking/de-bulking rules.

The Misys solution externalises these components as adaptors which handle network specific communications and talk to the core processing module via agreed ISO 20022 message formats (see Fig. 4).

Fig. 3: ISO 20022 interfaces for feedback from the external network

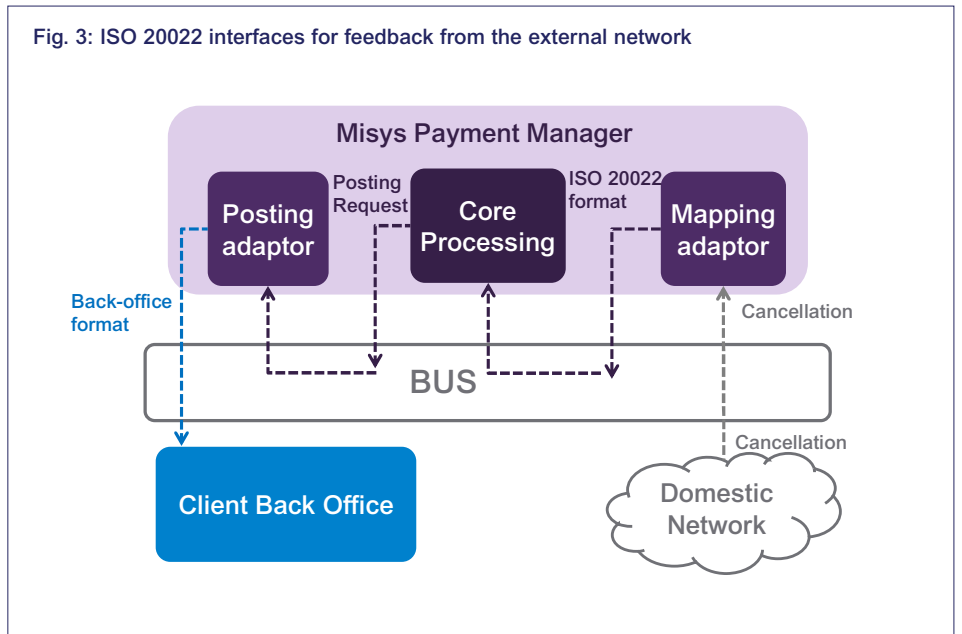
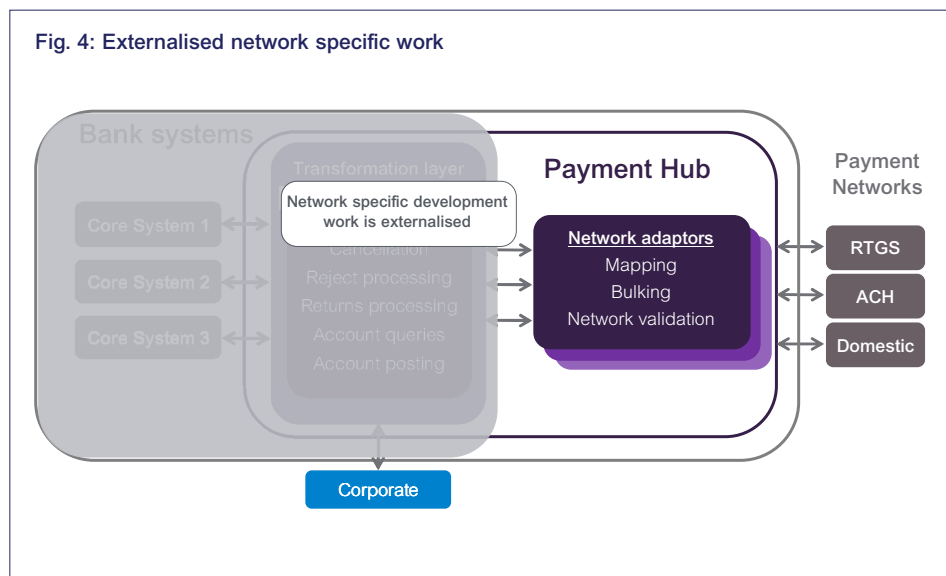


Fig. 4: Externalised network specific work



Multiple integration projects

Increasingly, banks have to manage multiple network integration projects simultaneously, which can present serious challenges in terms of resources and programme lead-times.

The Misys solution allows the boundaries of network specific development work to be clearly defined as individual packages of work. This facilitates the outsourcing of bespoke adaptors to local integrators or development houses - allowing banks to take advantage of local clearing expertise. The centralised payments processor is unaffected by the addition of a new adaptor.

Misys Payment Manager includes interfaces for a range of payment networks, including:

- + FEDWIRE - US
- + CHIPS - US
- + CHAPS - UK
- + SEPA via STEP2 - EUROPE
- + TARGET2 - EUROPE
- + HK RTGS - CHINA
- + SEP - UKRAINE
- + SIC - SWITZERLAND
- + SECOM - SWITZERLAND
- + SWITI – GERMANY
- + QATCH - QATAR
- + BANKSERV – SOUTH AFRICA

We are also working on a number of additional local clearing interfaces, including:

- + EGYPT
- + INDIA
- + CHINA (CNAPS)
- + JAPAN
- + AUSTRALIA

For more information on how Misys Payment Manager can help you, please visit:
www.misys.com/banking

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