

Beyond SEPA – Opportunities for Banks and Corporates

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According to recent studies of REL Consult, European and US corporates have an estimated € 580 and \$ 450 billions in excess working capital (Myers, 2006). Excess working capital is the result of inefficiencies in the Financial Value Chain (FVC) of the corporates. The FVC is the process of generating and using cash from operations. It represents the financial flows in the order-to-cash and purchase-to-pay cycles. Excess working capital costs money to finance, generates operating costs, increases risks, and worsens financial ratios.

According to a speech in October 2006 of Gertrude Tumpel-Gugerell, Member of the Executive Board of the European Central Bank (ECB), banks should adopt new products beyond their core payment services to help corporates

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in optimizing their FVC. The ECB refers to these developments under the title eSEPA. Value-added services and automated end-to-end processing will help to make many modern types of economic interaction more convenient, fast, and efficient. These value-added services, like e-invoicing, can help the corporates to optimize their FVC. Therefore, we will encounter a value chain crossing between the processes of banks and corporates. The E-Finance Lab has identified these opportunities with the first empirical research on the FVC in 2004 (Skiera et al., 2004) and subsequent publications.

The EACT and CAST

The EACT (European Associations of Corporate Treasurers) represents the financial profession;



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17 European associations with over 8.000 Treasurers, CFOs, and financial professionals working in 5,000 large and medium-size European companies. To expand the scope of SEPA beyond payments to improve E2E automation of the FVC, EACT has launched a market initiative that tackles three major problem areas: e-invoicing, e-signature, and e-reconciliation. The thrust of this initiative, called CAST (Corporate Action for Standards), is to put banks, corporates, service providers, and other stakeholders around one table to discuss and agree solutions, standards, and market schemes and allow interoperability of e-invoicing and e-signature in Europe. More than 40 European Banks and corporate sponsors participate actively in the initiative.

Re-engineering Financial Value Chain

The goal is doing more business with less working capital and reducing process costs.

For example, the EACT project on e-invoice aims at increasing corporates' awareness, eliminating fictitious barriers, promoting best practices, examining and validating new XML e-invoice standards, propose a model



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contract of interoperability, and create a network of European EBPP (Electronic Bill Presentment and Payment) operators to allow cross border e-invoicing. In particular, it is important to define a new relationship and new “modi operandi” between banks and corporates. Banks should offer innovative value-added services to help their customers to optimize the financial processes. We are looking forward to work together with banks, corporates, and academic institutions like the E-Finance Lab.

References

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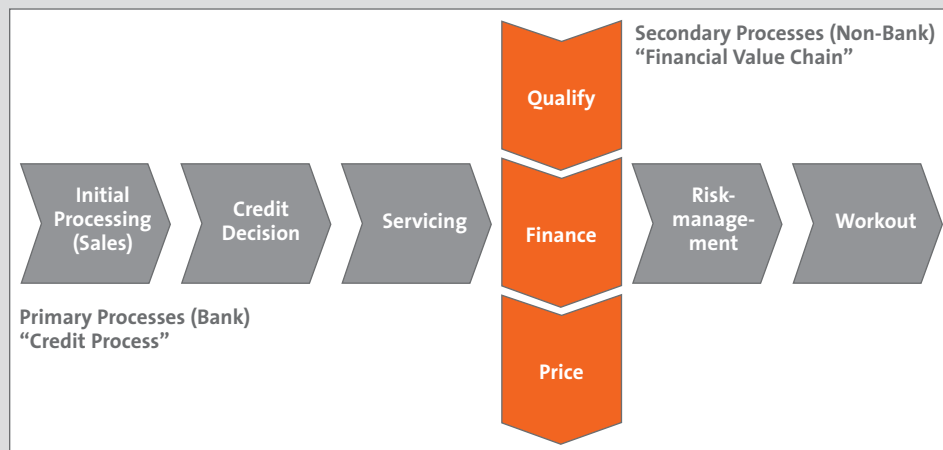


Figure 1: Financial Value Chain crossing of the processes of banks and corporates