

Bangladesh Automated Clearing House: Optimizing the clearing process for digital banking and transferring fund through wire.

Summary

Since the beginning of the banking business in Bangladesh a continuous challenge to optimize the clearing process and monitoring local banks was in front of central and local banks. An initiative on digital roadmap taken by the Bangladesh bank was initiated in 2009. Bangladesh Automated Clearing House (BACH) was the first step of the journey. After implementation of BACH the immediate step was inaugurating the Bangladesh Electronic Funds Transfer Network (BEFTN).

With an aim to provide better value services and to improve million clients satisfaction, Agrani Bank, Trust Bank, Mutual Trust Bank and Habib bank has introduced the modern banking system through online clearing process and BEFTN. BY connecting all branches together BACH and BEFTN has improved the management decision to deploy resource based on the transaction volume. By lessen the effort spend to carry the paper cheques from remote location to central bank BACH and BEFTN has enabled banks to process cheques and money transfers within hours. By limiting processing time to few seconds for authentication and verification, BACH and BEFTN has enabled the effective resource utilization.

A three tier team was formed among Spectrum, Banks and DMS (Implementation Partner From Sreelanka) which brought such projects to live. Inter connectivity with Bangladesh Bank was established and hardware security through devices has ensured safety passage for valuable information.

Client background

Agrani Bank Limited in pursuance of Bangladesh banks order 1972 came into being in 1971 taking over the assets and liabilities of the east while Habib bank Ltd. and commerce bank Ltd. which were functioning in then at East Pakistan. Now, with around 1000 outlets, Agrani bank is a pioneer commercial name reaching customer throughout almost all the commercial areas in Bangladesh.

Mutual Trust Bank Limited known as MTBL is a Private Commercial Banks in Bangladesh founded at 1999. The Company (Bank) operates through its Head Office at Dhaka and 94 branches.

Trust Bank sponsored by the Army Welfare Trust (AWT) is one of the leading private commercial banks with a network of total 72 branches in which 50 Branches are across Bangladesh to cover the important commercial areas.

Habib Bank Limited is a Pakistani owned private, commercial bank operating in Bangladesh. In Bangladesh it started to function in 1976. Till now it has 5 branches in Bangladesh.

All four banks have in total around 1300 branches. With such volume of transaction point base, Spectrum started to accelerate the existing business process of automation for all branches and has initiate the solution to implement the automation in the online clearing process and EFT on 2009.

BACH and BEFTN has ensured smooth operation of the internal process. The applications has option to integrate with the core banking solution to have better operational efficiency and productivity.

Business challenge

Successful banking institutions are in need to reassess their operating process and address the effects of regulatory reform, competitive dynamics, evolving markets and delivering consumer expectations. They have to optimize their processes, control their cost structure, and explore new operating models using tools and technologies.

As the financial markets has started to evolve in Bangladesh, institutions are working to grow and maintain profits while adjusting to ever-changing regulations and the downturn's effects on profitability and performance.

Analyzing the opportunity to improve operations across branches, improving efficiency according to management frameworks are some of the areas where banks can find to leverage their services through information technology.

Due to geographic location and transportation system it was hurdle for branches to clear cheques within one business day. Sometime for clearing a cheque, was taking more than three days.

Spectrum along with its Sreelankan partner DMS has come up with an automated clearing house solution to provide best value addition through standard best practices.

With a prior knowledge in customized software development and large scale ERP implementation expertise Spectrum provided the BACH and BEFTN solution as per the standard of central banks on time with world standard user interface navigation facility.

Spectrum's Role

Spectrum has won the price bidding in 2009 among several local and international vendors. By collaborating partnership with Sreelankan vendor DMS, Spectrum was lowest in the bidding. When the project was launched, two teams were formed.

To improve the customer satisfaction one team started to working development based on the local team feedback related to requirement, technology standards and planning. The typical work process includes followings,

- The local team was built with background of software engineering and banking domain. Local team was assigned to conduct the communication and clarification about the process, standards defined by Bangladesh bank. The local team and DMS project team took the responsibility jointly to deliver the client's needs to streamline the software business cases. In some cases team advised process re-engineering and role allocation to Agrani bank for improving the banking efficiency and readiness of operation environment. Within the period of six months, a demonstration of the software was made in front of Bangladesh bank. Now, the solution is running at 1200 branches.
- In Sreelanka, a software development team was working parallel to deliver Bangladesh bank standard specific solution named DMS-Imago. At first the inward and later on the outward process was automated. After completing the go live operation, the team started to build the Electronic Fund Transfer module.

Now, most of the banking transfer is done by BEFTN as it is easy to manage and takes less effort. After BEFTN completion the team started to work in the online version of the DMS-Imago solution. Now, all banks branches are empowered with DMS-Imago, BEFTN and Web version of clearing.

Implementation Challenges

All client banks of Spectrum was on live according to Bangladesh banks provided date on 2010. The hardware security module setup for each bank were configured by Spectrum team, which was new in Bangladesh. To ensure the hardware and software operated correctly Spectrum provided a 24x7 support services to all client banks. A team was assigned later on to provide district wise training to all branches employees.

Value Delivered

The BACH and BEFTN projects introduced value to the Govt. of Bangladesh and the institution itself. Bangladesh bank has better monitoring capability through central information gateway, the local banks are benefited by reducing the cost incurred to clear cheques manually.

- A central monitoring system enables Bangladesh bank to closely monitor the irregularities and the banks overall clients.
- Bangladesh bank has reduced the manual overhead from 9 hours to only 6 hours.
- No local banks need to request Bangladesh bank to open the clearing after official hour.
- People who were clearing manual cheques are now employed in other important areas of operation.
- A new group of IT skilled people were recruited to fasten the digital banking roadmap journey.

Local banks had significant improvement in the operational efficiency which includes the following.

- Branches and stuffs are in less risk for the transportation of cheques and transfer orders.
- BACH and BEFTN reduced branches clearing to one day from three-four days.
- The transportation cost per request has been lessened to 80%.
- After integration with the core banking solution the verification will be in 3 seconds which is now about 10 seconds.

- Online version of the clearing process enables to work at any workstation in banks.
- The maker and checker concept ensures that the error is reduced to minimum level.
- A monitoring dashboard presents information to the top management about the total number of cheques cleared in each hours.
- Management can identify the peak business days of year and thus allocate human resources accordingly.
- Day end operation confirms that the information about all the cheques are processed and no cheques are left unattended.
- Postdated cheques processing enables the user and stuffs to input the late dated cheques for effective use of time.

About Spectrum

Spectrum Engineering Consortium Ltd. (SECL) is a top systems integrator in Bangladesh founded in 1995 and serving clients in more than 10 countries across the globe in areas of business and IT systems consulting, software system implementation and support operations. Spectrum is a CMMI level 3 certified company. To improve the client satisfaction it has already initiated an ISO compliance certification. It has a potential resource base over 200, working in local market. A complete team of software and hardware work together to improve the client's competency by delivering the error free and reliable solution. With success over the ERP, Billing and customized solution business, Spectrum is working at financial, banking, telecommunication vertical.