

CASE STUDY



BFC Bank
and the Faster Payments system





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Client background

BFC Bank, part of the Bahrain-owned BFC Group, was launched in the UK in March 2018. The Group has been operating in the UK for 20 years, developing a business focused on global remittance transmissions. It decided to apply for a full UK banking licence when it perceived a gap in the market for more complete support for small and medium enterprises that were focused on providing FX and international money transmission services to their clients.



The opportunity arose because traditional banks have declined this perceived higher-risk, fee-based transmission business which didn't fit their risk appetite. Since BFC used to be a payment service provider itself, it understood the significant challenges that these organisations can face trying to get a bank account. With 100 staff based in London's Canary Wharf, the bank is focused on B2B (business to business) and B2B2B relationships. Its main activity is to provide banking services to SMEs who have international payment and FX needs, with ~ 120 SME customers.

It also runs a wholesale banknote business, which provides services to central banks and travel companies and retailers. It also has nine retail branches around the city, offering foreign exchange services to individuals remitting funds to the Gulf and Indian sub-continent. Reliable, timely and accurate transactions are vital to these end customers and their families.





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The Challenge for ERI

The approval of BFC Bank's registration in the UK demanded a major review and overhaul of its technical and core banking systems, with appropriate software to support bank accounts and international payment trails. Where SWIFT and CHAPS are well established as a way of moving high value payments around the world, BFC Bank selected the Faster Payments platform for sterling payments to support its rapidly growing SME business. ERI already supported BFC with its OLYMPIC Banking System, now used by more than 300 clients in over 55 countries.



“ERI’s OLYMPIC Banking System powers all our customer activity” noted David Young, COO at BFC Bank. “It is a very stable system, very reliable, with good code on a good platform, and a very good scheme manager.

David Young

ERI is known mainly for its private banking and wealth management expertise, but we decided to ask them to support our Faster Payments system as well. Development went very well.”

ERI’s OLYMPIC Banking System provides an integrated approach to fully STP financial service processes and services. It is delivered via a best practice-based Model Bank which comprises predefined products, transaction templates, input screens, enquiries, menus, portfolio displays, reports, pre-parameterized system tables and business processes. The flexible template significantly decreases implementation time and related costs for clients. The multi-language, multi-currency, multi-entity, multi-date system can accommodate evolving needs and meet customisation requirements through parameter changes.

The BFC Bank mandate was the first Faster Payments scheme ERI has delivered. The challenge was to test and integrate the changes to the system in an aggressive timescale of 12 months, giving BFC the present and future capacity, flexibility and service speed it needed – without affecting any of the other live operations. The OLYMPIC Banking System’s components can be installed and operated on a number of standard platforms, operating systems, DBMS and Application Servers. It is certified on IBM i, IBM AIX, Red Hat Linux, Oracle Solaris, Oracle Exadata, and Microsoft Windows Servers. BFC Bank uses the Linux operating system with an Oracle database.



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“What we quickly discovered is that the Faster Payments rules are simple, but the process and the technology is not,” said David Young. “Every payment system uses a unique type of message. ERI had to make its OLYMPIC Banking System compatible with the Faster Payments standard (ISO20022), which was the first time they had done this.”

“We had exceptional support throughout, to the point where BFC Bank has been complimented as the Faster Payments member with the best uptime performance in the UK. We have not missed a single test, even amid the strain imposed by the current COVID19 crisis. Payment testing can be run remotely or onsite. Additionally, the cost and efficiency offered by ERI is outstanding.”

The Faster Payments Scheme

The UK-based Faster Payments Scheme Limited was launched in May 2008. Its key differentiation is the speed of processing transactions between the Remitting customer and the Beneficiary customer through a range of access channels. Four types of payments can be processed: Single Immediate Payments, Forward-dated Payments, Standing Orders and Direct Corporate Access. The maximum value for individual payments is £250,000. However, individual banks and building societies may set their own value limits for retail and corporate customers.

The scheme has extremely demanding compliance and reporting standards. Potential members undertake a programme of exhaustive stress and scenario testing and certification before accreditation. On admission, they submit to an annual attestation of compliance. The scheme also reviews the collective operational risk and integrity amongst members, ensuring that if one fails for any reason, others can respond and take appropriate action.



Many financial institutions cannot consider membership because they cannot guarantee the intense level of staff expertise and monitoring required. BFC Bank is among only 33 Directly Connected participants in the scheme. December 2019 saw the highest monthly volume of Faster Payments processed to date, with 226.7 million payments going through over the month.

The Faster Payments Scheme is a UK-registered not-for-profit company. It does not make any financial return, or provide other advantages to its guarantors that are not available to all participants. Equally, it does not expose its participants to risks or liabilities without their express consent.



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The Solution

ERI’s mandate was to support BFC Bank with its application to join Faster Payments, including the serial testing required. As its name promises, transaction speed is critical for the scheme. Where other systems operate mostly during business hours, Faster Payments runs 24/7 for both sending and receiving funds. While most banks offer payment transactions within 24 hours, Faster Payments completes the Customer to ‘Other’ destination in under five seconds for 99% of transactions, while still conducting screening for fraud or other reasons.

Uptime is a key performance indicator. Scheduled outages are permitted, but unscheduled downtime is a major negative. Operations must be robust, resilient and without errors. Members must provide consistent levels of service and pass regular system tests to maintain membership. Evolving external compliance obligations must be met at all times.

With its highly qualified staff members, all with substantial experience in both banking and information systems, ERI is able to provide a wide range of services that are key to systems implementation, including project planning and development, staff training and support, organisational model definition, maintenance and hosting.



Nicholas Hacking, Director at ERI, commented

“Our teams, both technical and functional, were really committed to making this project work. We believe that we mutually benefited from the work we did together with the bank, and were delighted that the cooperation resulted in such a positive outcome. We look forward to making the Faster Payments functionality available to others in our expanding UK client base, and to taking the lessons learnt to instant payment projects in other geographies.”

Future developments

Globalised business and highly mobile international workforces underpin the ever-increasing demand for rapid and accurate financial payments made within trusted and secure regulatory frameworks. BFC Bank has rapidly developed its B2B money transmission business in the UK over the last two years but it has further ambitions in the sector. As an established member of the Faster Payments scheme it is now able to sponsor other ‘indirect participants’ and guide them through the compliance process, informed by its own experience and expertise, and ERI’s support. The bank is ready to use these ‘rails’ to help other providers offer reliable, robust services in a sub-contracting model which will also help reduce its own fixed costs.

The parent company of Faster Payments, Pay.UK, is seeking to develop further the scalable, global infrastructure for its innovative New Payments Architecture model, which will take over the processing of more than £6.7 trillion in payments annually from 2021. It aims to standardise and simplify the rules, standards and processes that banks and others need to follow to use the system.

ERI is pleased to have completed the project for BFC Bank. It further confirms the highly successful expansion from ERI’s traditional client base in private banking and wealth management, extending its expertise in reliable, full-service solutions to fintech, retail, corporate and central bank clients.



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