



STREAMLINE LIABILITY MANAGEMENT WITH ENHANCED COMPLIANCE IN CROSS-BORDER MONEY TRANSFER OPERATIONS

Abstract

Cross-border money transfer operations involve individuals and businesses transferring funds across different countries. These operations are subject to local and foreign regulatory requirements. Given the involvement of multiple countries with varying regulations, adhering to treaties and agreements becomes increasingly critical as well as challenging. Ensuring compliance entails monitoring for terror financing, fraud, and taxation, making it imperative for banks, fintech companies, and money transfer operators (MTOs) to record and maintain liabilities accurately per prevailing regulations. This paper shows how Regulatory solution for cross border payments by Infosys can help effectively manage liabilities in banks and MTOs for consumer-to-consumer (C2C) cross-border payments.

Introduction

The exponential growth of digital business has presented a new challenge: ensuring regulatory compliance. Compliance with regulations is of utmost importance in cross-border payments, as any negligence in this area can result in significant financial penalties and damage to business reputation, potentially leading to the suspension of licenses.

Banks and money transfer operators (MTOs) must adhere to multiple regulatory requirements set by authorities, including anti-money laundering (AML), know your customer (KYC), Financial Action Task Force (FATF), data protection and privacy, sanctions screening checks, and customer due diligence, as well as the Dodd-Frank Wall Street Reform and Consumer Protection Act (commonly known as Dodd-Frank), among others. Effectively managing the liability of banks and MTOs towards customers in C2C cross-border payments, also known as consumer liability, is a critical aspect of these compliances. Consumer liability management applies to all types of money transfers, including retail agent or franchise-based, retail own store or branch-based, semi-digital, hybrid, fully digital, and wallet-based money transfers.

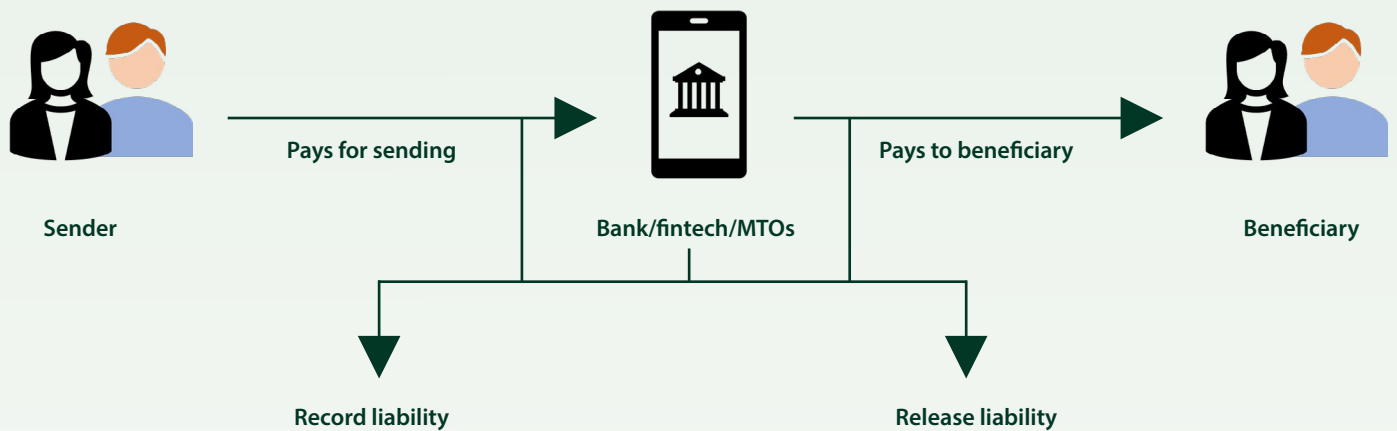


Fig 1: Seamless money transfer

In simple terms, liabilities need to be recorded when banks and MTOs receive money from senders and should be released when they make payments to the beneficiaries. Figure 1 depicts seamless money transfer from sender to beneficiary. While this may seem simple, it involves numerous complexities. Booking and releasing liabilities are inherent to the receipt and payment of money, making them integral to the settlement of funds.

Oracle Revenue Management and Billing (ORMB) is a product that offers comprehensive functionalities, including settlement, billing, and payment. It has strong capabilities to manage product pricing, charge calculation, billing, payments, and end-to-end traceability. It can support humungous transaction volume to calculate charge and create bills. The Infosys solution complements Oracle Revenue Management and Billing and caters to liability management in C2C cross-border money transfer operations.

Multiple Processes of Liability Management

Liability management involves various processes, each with its unique characteristics. Some processes are time-bound due to different regulations across various countries. Figure 2 lists the processes involved in liability management.

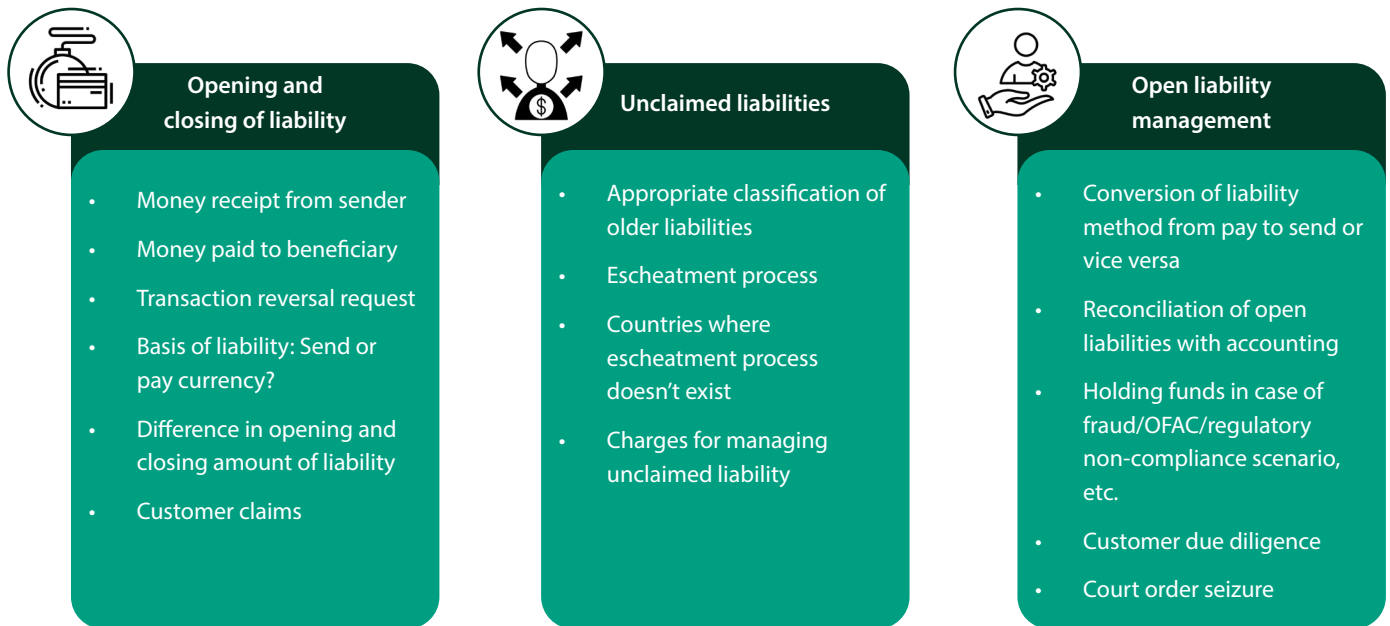


Fig 2: Overview of the liability management processes

The nature of operations in money transfer further complicates these processes. For instance, liabilities are recorded either in the sender's transaction currency or the beneficiary's payment currency. Additionally, if unclaimed within the regulated timeframe, there is a need to consider whether the liability can remain in the same currency indefinitely.



Streamlining Liability Management in Cross-Border Money Transfer Operations with Regulatory Solution for Cross Border Payments by Infosys

Infosys' comprehensive solution provides end-to-end capabilities for effective liability management in money transfer operations. Our solution is an extension to Oracle Revenue Management and Billing, seamlessly integrating with it to ensure smooth settlement and billing operations for banks and MTOs. As liability management is integral to these operations, Infosys' solution offers a seamless and efficient approach. Figure 3 lists the key features of the Infosys solution.

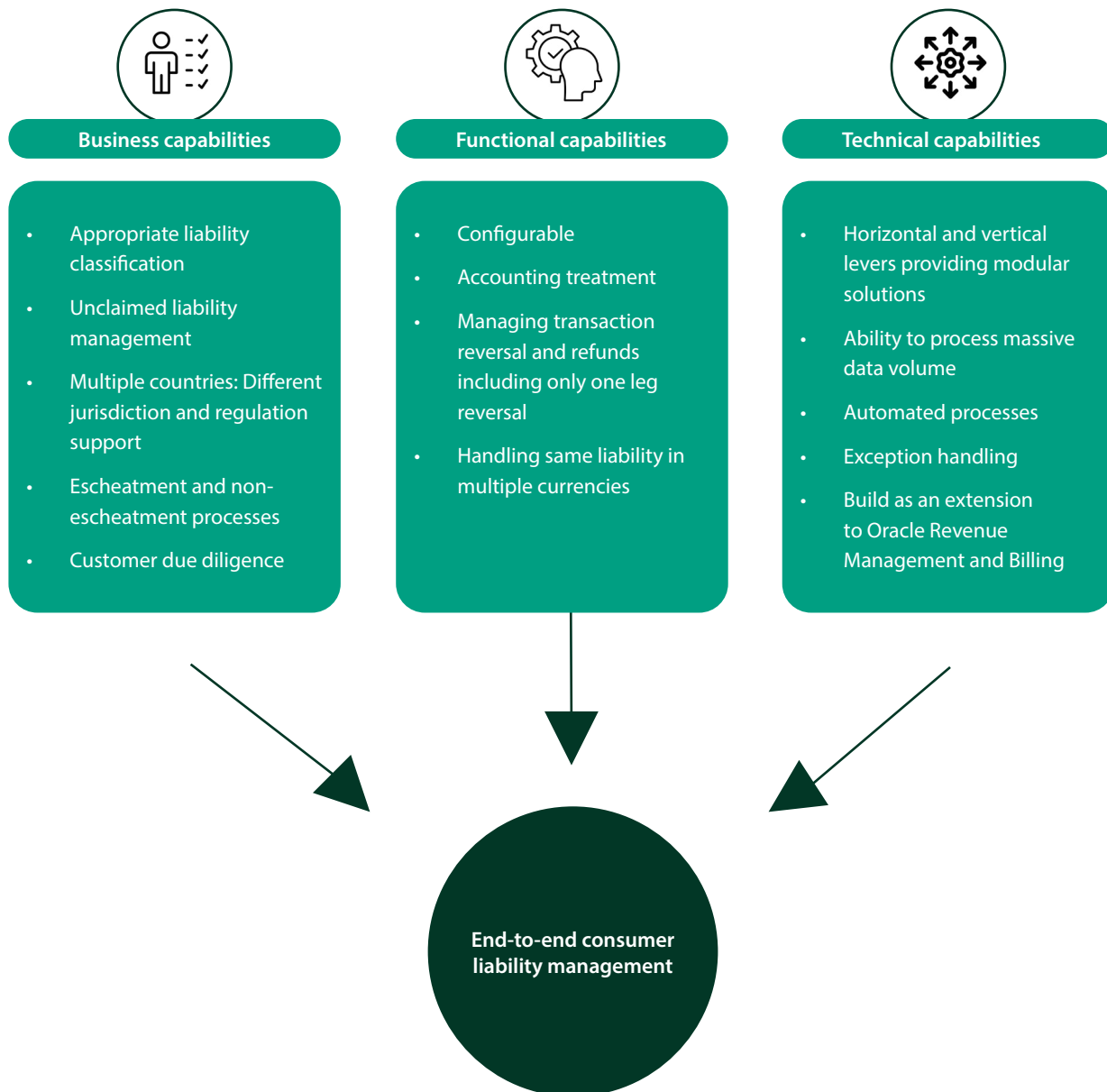


Fig 3: Key features of Infosys solution

Business Capabilities of Regulatory Solution for Cross Border Payments by Infosys

Infosys solution offers a range of powerful capabilities to enhance liability management for your business. Key business capabilities include:

Classifying liabilities



Businesses must classify liabilities into appropriate categories. The solution offers the option to classify each liability appropriately. For example, in cases of cross-border money transfers falling under the sanctions list, it would be appropriate to classify it under the Office of Foreign Asset Control (OFAC)

Handling escheatment and non-escheatment processes



Different jurisdictions have varying regulations for escheatment processes of unclaimed properties. The solution equips businesses with capabilities for both escheatment and non-escheatment processes, ensuring compliance with the respective regulations

Managing unclaimed liabilities



Some business scenarios involve liabilities remaining open for extended periods. Managing such open liabilities can be a tedious task, and organizations may levy any charges associated with these liabilities. Our solution enables configurable automated charge calculation to manage open liabilities efficiently

Ensuring customer due diligence



The solution ensures that customer due diligence is adhered to for open liabilities



Functional Capabilities of Regulatory Solution for Cross Border Payments by Infosys

From providing customizable options to supporting multiple currencies in C2C cross-border payments, Infosys has tailored the solution to streamline operations and ensure compliance. The functional capabilities of our solution include:

Providing configurable options

The solution design follows a theme of adaptable options, allowing configuration based on business and regulatory requirements. For instance, it provides the option to configure the jurisdiction and age of liability for appropriate classification. Being configurable, it supports global implementations, catering to all countries and multiple jurisdictions within each country



Configuring accounting treatment

The solution offers configurable accounting treatment for different adjustment types processed to account for the difference in opening and closing amounts of liabilities



Handling reversals and refunds

In order to provide excellent customer service, banks, fintech, and MTOs offer reversal and refund options to customers. Infosys' solution covers liability treatment in the case of transaction reversal and refund, supporting complete reversal, partial refunds, and one-leg reversal, among others



Supporting multiple currencies

C2C cross-border payments typically involve more than one currency. Due to different accounting and regulatory treatments in different geographies, recording the currency of liability can vary. The solution supports configurable liability methods based on the sender's transaction currency or beneficiary payment currency. It also facilitates currency conversion for liabilities when required



Technical Capabilities of Regulatory Solution for Cross Border Payments by Infosys

The solution efficiently manages changing regulations to support future growth while ensuring seamless operations and best-in-class performance. The solution has the following technical features:

Modular solution

The modular solution is designed with horizontal and vertical lever concepts to handle perpetual regulatory changes efficiently and support future business growth

Automated and manual processes

Our solution provides automated calculations of liability adjustment based on different thresholds, tolerances, and defined purposes. Simultaneously, it offers flexibility for manual adjustments with audit and approval workflow functionalities

Supports high volumes

The solution can support huge transaction volumes for banks, fintech, and MTOs, as it has been designed with a focus on performance aspects

Exception handling

The solution incorporates exception handling features, such as tolerances, notifications, and approval workflows for resolving mismatches in liability opening and closing amounts, ensuring smooth operations

Benefits of Regulatory Solution for Cross Border Payments by Infosys

Our solution stands out for its ability to streamline operations and enhance compliance. Here are some of its key advantages:



Comprehensive solution: Covers liability opening, managing open liability, the release of liability, and accounting of liability, all in a single system

Integrated with the settlement system: Functions as an extension to the settlement system in cross-border payments, eliminating the need for maintaining a standalone system and building additional integrations for liability management



Ensures regulatory compliance: Supports regulatory compliance for multiple geographies, simplifying adherence to varying regulations

Effortless reconciliation: Reconciliation with transactions becomes effortless as it uses the same set of transactions used for cross-border payment settlement



Streamlined operations through automation: Reduces business efforts by automating operations related to closing liability with payments, calculating management fees, classifying based on the age of liability, and handling errors and exceptions

Conclusion

Amidst the acceleration of business growth along with transformation of settlement and billing systems in cross-border payments, it is critical to not lose sight of regulatory aspects. The Infosys solution for cross-border money transfer, powered by Oracle Revenue Management and Billing, offers robust regulatory compliance features. Further, it seamlessly integrates with other packaged and commercial off-the-shelf (COTS) products, as well as various Infosys solutions and products. This includes Infosys Accounting and Reconciliation on Cloud and Infosys Transaction Reconciliation System, among others. With its in-built regulatory compliance, this solution ensures rapid transformation, while its configurable features provide agility, resulting in an overall higher success rate for both IT and business.

About the Author



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Ramesh, a Chartered Accountant, has over 17 years of experience in IT consulting and delivery. He has successfully guided organizations in their cloud-enablement journeys and spearheaded complex digital transformation programs within the financial services industry. He has extensive experience in leading finance transformation, digital transformation, billing and reporting transformation, and implementing ERP and reporting solutions, as well as finance and accounting process implementations.

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