Boost Efficiency and Drive Revenue With Integrated Exceptions Processing

On the road to streamlined, cost effective payment processing, exceptions are the potholes—the unavoidable problem that gets more costly each year. Many processes are still manual and duplicated across disparate systems. And due to unique rules and regulations that must be applied to each item—whether a check, check image, ACH, wire or card transaction—the cost and complexity of resolving exceptions continue to pose formidable challenges for financial institutions.

Today the opportunity to centralize and optimize the handling of a majority of payment exceptions is already a possibility, especially in check processing, ACH and card environments. Intelligent workflow solutions in use by leading financial institutions today can be used to aggregate exception item information with supplemental data (check images, payment instructions and historical information, for example) from key payment systems and send exceptions through their paces—often cutting processing costs in half. Electronic payment types also enjoy a certain degree of optimization from centralizing operations and performing some of the processing virtually.

Despite many innovations in payment processing in recent years, exception processing has largely remained an expensive, labor-intensive business. For most financial institutions, exceptions involve a series of manual tasks using worksheets, calendars, paper forms and emails. Unique requirements for each payment type—including regulatory requirements, security protocols, processing windows, network standards, settlement rules and client requests—have limited the ability of institutions to automate and manage exceptions holistically.

What if all of a bank’s exceptions, regardless of payment type, could be tracked, managed and resolved using a single system? It’s a question on the industry’s collective mind, given that, according to Fiserv research, 80 percent of all payment processing costs are spent on exceptions prior to and after account posting processes and 50 percent or more of the tasks related to resolving them are common across all payment types.

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However, pressures related to payment accuracy, quality and reliability—demanded not only by regulatory authorities but also by customers—call for continued improvements in exceptions management and resolution. Exceptions processing must become more efficient to meet the demands of an ever-diversifying payments environment.
Three Critical Steps to Solving the Exceptions Headache

A new exceptions workflow platform must meet the following criteria in order to provide benefits that extend across the enterprise and encompass current and future payment types.

1) The solution should be designed with open source technologies that support ease of integration and real-time processing visibility throughout critical day-one and two exception handling activities. The use of open source technologies significantly improves time-to-market by enabling faster application development, automated test environments and support for multiple digital platforms (mobile, tablets and popular online browsers).

2) It should deliver an enhanced user experience by presenting composite application user interface designs that include all of the data, images and steps required to resolve each exception. This can be done by receiving exceptions from various core payment systems, performing user identification and entitlement permissions, identifying the situation context, and integrating each exception into a multistep workflow. Because workflows are unique based on payment type and other factors, the solution should also incorporate various levels of rule-based approvals. This would provide quantitative productivity improvements and reach higher levels of improved payment reliability.

3) The solution should provide multi-tierd approval processes and enterprise-wide views into exceptions activities. This would allow operations associates to build cooperative workflows that trigger events or actions much earlier in the core payment processing day. This emphasis on the early definition of exceptions issues and actions empowers users to configure and control their own work environment, passing data seamlessly among applications and perhaps across enterprise boundaries, to complete their tasks more quickly and with greater accuracy.

Utilizing these new solution approaches, Fiserv has documented dramatic results for financial institutions that include:

- 50% reduction in labor and costs
- 40-50% faster account reconciliation (on average)
- 33 – 50% daily improvement in Service Level Agreement commitments
Enhanced Employee and Customer Satisfaction

While increased efficiency and cost savings are the biggest benefits of an accelerated, optimized exceptions processing environment, they are not the only ones.

- Automating a significant percentage of previously manual tasks alleviates stress inherent in exceptions work and increases employee retention.
- Productivity gains improve a financial institution’s ability to meet service-level agreements and allow them to serve additional corporate clients without growing staff.
- Faster identification of payment fraud and unintentional errors increases payment accuracy, improves customer satisfaction and reduces risk for the institution.
- Greater enterprise visibility improves reporting and enables management to continuously identify and resolve issues related to productivity, errors, compliance and service.

Continued Innovation in Exceptions Processing

Integrated, exceptions workflow solutions help financial institutions make the gains in productivity they need in order to reduce costs and meet customer demands. These gains are essential to navigating the future payments environment, which will inevitably include new regulatory requirements and new payment channels.

About the Author

Payments transformation has been the primary focus of Thomas Dighiera’s career. He has 36 years of experience in financial services product development and project management, including more than 19 years with Financial & Risk Management Solutions at Fiserv. As a project manager for a top five U.S. financial institution, Dighiera helped guide the evolution of financial services through his work on a number of industry work groups and councils. Today his goal is to deliver payment processing solutions that address the ever-tightening exceptions processing timeline. He is responsible for exceptions processing software product management for ARP/SMS™, PEP+™ and Source Capture Solutions® from Fiserv.

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