Bank Chains Process in SAP

Applies to:
SAP ERP 6.0. For more information, visit the Enterprise Resource Planning homepage.

Summary
Sometimes, the vendor cannot be directly into its bank account by the organizations. They would have to be paid through intermediary banks. This can be due to legal requirements or due to limitations on the part of the vendor bank account. This document presents the use of Bank chains configuration and master data requirements to make the payments through intermediary banks.

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# Table of Contents

Abstract ............................................................................................................................................. 3  
Defining the Bank Scenarios .................................................................................................................. 3  
  Determination of Bank Scenarios: ....................................................................................................... 3  
  Activating the Bank chains: .................................................................................................................. 4  
General Bank Chain: ............................................................................................................................ 4  
  Define the banks and accounts: ......................................................................................................... 4  
Usage of General Bank Chain ................................................................................................................. 5  
Business Partner Dependent Bank Chains: ........................................................................................... 6  
  Determination of bank chains in case of Vendors ............................................................................. 6  
  i. Execute Transaction code – FIBPU ................................................................................................. 6  
  ii. Execute payment proposal ............................................................................................................ 8  
  Determination of bank chains in case of Business Partners ............................................................... 8  
  i. Execute Transaction code – BP ..................................................................................................... 8  
  ii. Execute payment proposal – F110 .................................................................................................. 9  
Bank Master data management ............................................................................................................ 10  
  Bank directory: .................................................................................................................................. 10  
  House bank data: ............................................................................................................................... 10  
  Vendor Bank data ............................................................................................................................. 11  
  Business partner bank data ................................................................................................................ 11  
Appendix ............................................................................................................................................... 11  
Related Content .................................................................................................................................... 12  
Disclaimer and Liability Notice ............................................................................................................. 13
Abstract

Electronic transfers can generally be made between two banks in a domestic currency. If a payment is being made outside the country, then it can be either made to the beneficiary bank or can stay within the sending country. If the funds have to remain in the sending country, then it has to be via correspondent bank of beneficiary.

The correspondent bank and the beneficiary bank should have an agreement among them so that funds can be transferred using this method.

Bank chains are used to make payment via more than one bank, for example via the correspondence banks of the house bank, the recipient bank, or the intermediary banks. You can define up to three banks.

Note: To use the bank chain function, implementing the function Automatic Payments in either the Financial Accounting (FI) or the Treasury (TR) application component is a pre-requisite. However, configuration of Payment program and FBZP transaction is not a part of the scope of this document. The document only provides information regarding the incremental configuration and master settings required for making payments using Intermediary Banks.

Defining the Bank Scenarios

A scenario describes which criteria are used to find a bank chain (multi-level payment path) stored in the system. The payment is made using this bank chain (correspondence banks for the receiving and sender banks, as well as an intermediary bank).

- a) generally, i.e. not dependent on certain business partner bank details (general search)
- b) dependent on the business partner (recipient-specific search)

Determination of Bank Scenarios:

The below could be the possible scenarios and available in the system:

- a) No bank chain determination (Scenario – 0001)
- b) Sender bank oriented (Scenario – 0002)
- c) Receiver bank oriented (Scenario – 0003)
- d) Receiver oriented (Scenario – 0004)

The scenario can be defined in the below path:

Financial Accounting – Bank Accounting - Bank Chains - Define Scenario

Below screenshot shows the various scenarios available in the system. It is advisable not to change the standard settings. Generally, the standard settings meet most of the general business requirements.

Note: If any changes are required to these settings, then it is best to copy the existing one and modify to suit the requirement. However, it is further advised to check with SAP to create table index for these new scenarios.
Further, for each of the above scenarios, it can be defined whether the system should search the bank chain depending upon the sender bank, recipient country or receiver bank chain or in general. In the below, step we define the respective settings.

**Display View "Scenario characteristics": Overview**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Ranking</th>
<th>SenderBank</th>
<th>Reciptry</th>
<th>Rec_bank</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>0002</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0002</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Activating the Bank chains:**

Depending upon the scenario which is required for a particular implementation, that scenario can be activated. In doing so, it is specified that a bank chain is to be determined for a payment. Only one scenario can be active per production client.

Financial Accounting – Bank Accounting - Bank Chains - Activate Bank Chain

**General Bank Chain:**

In this configuration it is defined that the payments can be processed via a general bank chain and are not dependent on the business partner's bank details.

**Define the banks and accounts:**

In this step, the sequence of banks and the accounts from which payments are to be made is specified. Further, we also define the correspondent bank through which the payment would be made. This configuration should be done when the sender bank and the correspondent bank will remain same for all the payments.

In the below path, the general bank chain is defined:

Financial Accounting – Bank Accounting - Bank Chains - Create General Bank Chain

In the below the step we define the correspondent bank details using bank chain ID. This correspondent bank remains the same for a combination of receiver and send banks.

**Change View "Bank chains": Overview**

<table>
<thead>
<tr>
<th>BankChn ID</th>
<th>Type</th>
<th>Correctory</th>
<th>Correct Bank Key</th>
<th>Bank acct</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEST</td>
<td>1</td>
<td>ES</td>
<td>1474000000</td>
<td>12323456</td>
</tr>
</tbody>
</table>

Further, it is necessary to define per bank chain ID, the sender and receiver bank details as shown in the below screenshot. It is optional to use the payment method.

**New Entries: Overview of Added Entries**

<table>
<thead>
<tr>
<th>Ctry</th>
<th>Ctry</th>
<th>Bank Key</th>
<th>Ctry</th>
<th>Bank Key</th>
<th>PrmtMhSu</th>
<th>BankChn ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>US</td>
<td>021000021</td>
<td>GB</td>
<td>CITI1999GB</td>
<td>TEST</td>
<td></td>
</tr>
</tbody>
</table>
Usage of General Bank Chain

In order to use the general bank chain created in above steps, we need to be sure what type of scenario would be using as this remain for the entire client. Depending upon the receiver or sender details in the above settings and the values in the vendor master data and Business partner, the correspondent bank is pulled at the time of making the payment run.

In the current scenario, we have activated the Receiver bank oriented (0003) scenario.

The bank details in the vendor master:

![Display Vendor: Payment transactions](image)

The below screenshot show the results of payment proposal which shows that the correspondent bank is picked based on the receiver bank details entered in the bank chain configuration.
Business Partner Dependent Bank Chains:

Business partner dependent bank chains are primarily dependent on master data setup for the vendor/customer/business partner.

The below steps describe the master data setup required for each of business partners.

**Determination of bank chains in case of Vendors**

For any vendor payments which involve the correspondent bank chain set-up, this transaction code - FIBPU would be used to create a link between the House bank, Vendor Bank and Intermediary Bank.

i. Execute Transaction code – FIBPU

Enter the vendor and Company code details and click on the outgoing payments:

**Edit bank chains for creditors/debtors**

![Image of bank chain setup form]

System will pull the vendor bank details from the vendor master as show below:

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Ctrl Bank Key</th>
<th>Bank Account</th>
<th>IBAN</th>
<th>Account Holder</th>
</tr>
</thead>
<tbody>
<tr>
<td>29255</td>
<td>68</td>
<td>ZEITI95688</td>
<td>I2345678</td>
<td></td>
</tr>
</tbody>
</table>
Double Click on the vendor to enter the below details

Sending currency:
Bank Country Sending:
Bank Key Sending:
Enter the house bank details (House Bank Country and House Bank Key) from which the funds would be transferred.

### Bank chains for creditors/debtors

**Recipient bank data**
- **Ctry**: GB
- **Bank Key**: CITI185008
- **Bank account recip.**: 12345678

**Selection**

<table>
<thead>
<tr>
<th>No.</th>
<th>Ctry</th>
<th>BankCtryS</th>
<th>Bank key S</th>
<th>PmtMthSu</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td>GB</td>
<td>02130021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Click on the Sending bank Row and Click on the dialog structure “Bank Chain Assignment” to enter the intermediary bank details.

Enter Correspondent Bank Details as mentioned below:

- **No.**: 1
- **Type**: 2
- **Corr. Ctry**:
- **Corr. Bank Key**:

### New Entries: Overview of Added Entries

**Recipient bank data**
- **Country**: GB
- **Bank Key**: CITI185008
- **Bank account**: 12345678

**Sender bank data**
- **Ctry**: US
- **Bank Key**: 02130021

**Other limitations**
- **Currency**: USD
- **Pmt mth.spl.**:

**Bank chain assignment**

<table>
<thead>
<tr>
<th>No.</th>
<th>Ctry</th>
<th>Corr. Bank Key</th>
<th>Bank acct</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
<td>502108900</td>
<td></td>
</tr>
</tbody>
</table>

Note: Depending upon the scenario, 4 types of correspondent banks can be defined as provided in the drop down for Correspondent type.
ii. Execute payment proposal

Executed the payment proposal for the vendor and the Correspondent bank details are pulled in the payment run as shown in the below screenshot.

Determination of bank chains in case of Business Partners

The master data settings for bank chains in case of Business Partners are done in transaction code – BP. For any treasury payments, which involve the correspondent bank chain set-up, an appropriate BP role will have to be selected. The BP role controls the whether the bank chain is allowed or not. In the below steps an example of role FS0000 has been used which has the setup to use the bank chain.

i. Execute Transaction code – BP

By the use of Role – FS0000 – Financial Services BP, a new “Recpnt Bank Chains” or “sending bank chains” will appear.

Depending upon the how the bank chain has to be pulled the appropriate master data setup can be done. If the bank chain has to be pulled based on the recipient bank, then settings in the receipt bank chain has to be done. If the sender bank chain has to be considered then the sender bank chain data has to be setup. But only of them should be ideally setup.

In this paper, we are focusing to pull the bank chain based on the recipient bank details

Click on the Beneficiary bank details and click on “Recpnt Bank Chains”, the below screen will appear.

Enter the below details

Sending currency:

Bank Country Sending:
Bank Key Sending:
Enter the house bank details (House Bank Country and House Bank Key) out of which the funds would be transferred.

Click on the Sending bank Row and Click on the dialog structure “Bank Chain Assignment” to enter the intermediary bank details.
Enter Correspondent Bank Details as mentioned below:

No.: 1
Type: 2
Corr. Ctry:
Corr. Bank Key:

Note: Depending upon the scenario, 4 types of correspondent banks can be defined as provided in the drop down for Correspondent type.

ii. Execute payment proposal – F110

Executed the payment proposal for the business partner and the Correspondent bank details are pulled in the payment run as shown in below screenshot.
Bank Master data management

For the bank chain data to be pulled correctly there are three types of master data that needs to be created and managed appropriately:

- Bank directory
- House bank data
- Vendor bank data
- Business Partner Bank data

Bank directory:

For every bank that will be used by House bank, Vendor master, Customer master or Business partners, the bank directory need to be defined. The bank directory constitutes several fields such as Bank key and SWIFT code. These fields may be required or optional depending upon country specific requirements.

House bank data:

Here we link the bank directory data of the house bank with two major components:

Account number, account currency, control key, and corresponding GL account number against which cash transactions will be posted.
Vendor Bank data

Once the bank directory for a vendor bank is loaded, it can be mapped to corresponding vendor account number. In the vendor, customer or business partner master, the following data is mandatory:

- Bank country
- Bank key
- Account number

Business partner bank data

Once the bank directory is loaded, it can be mapped to corresponding business partner account number. In the business partner master, the following data is mandatory:

- Bank country
- Bank key
- Account number

Appendix

Transactions       Description
FI01              Create Bank directory
FI12              House Bank account master
FIBPU             Vendor Master bank chains
BP                Business Partners Bank Chain setup
XK02              Vendor master creation
Related Content

Payments

For more information, visit the [Enterprise Resource Planning homepage](http://www.sap.com).
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