

Convergence in Corporate Banking

How Technology Drives Opportunity for Banks and Corporates

Craig Jeffery, Strategic Treasurer

Wendy Conley, Finastra

Adrienne Terpak, TD Bank

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Today's Presenters

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Craig Jeffery, CCM, FLMI
Founder & Managing Partner
Strategic Treasurer

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs. His 20+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



Wendy Conley
Head of Cash Management Solutions
Finastra

Wendy Conley brings extensive experience in both banking and financial technology. Prior to Finastra, Wendy served as a Strategic Account Manager for the large financial institutions group at FIS. In the 15+ years with ACI/S1, she held the position of VP of Operations, VP of Sales for their enterprise business unit, and led the pre-sales and product management teams.



Adrienne Terpak
*VP Treasury Management Services-
CSB Segment Manager*
TD Bank

Adrienne Terpak started her career as a corporate treasury practitioner and held senior management positions at Prudential Financial and Sharp Electronics Corporation, with responsibility for Treasury Operations, Accounts Payable and Accounts Receivable. Adrienne joined TD Bank in 2013 and currently manages the Corporate and Specialty Banking (CSB) Segment for Treasury Management Services.

Topics for Today

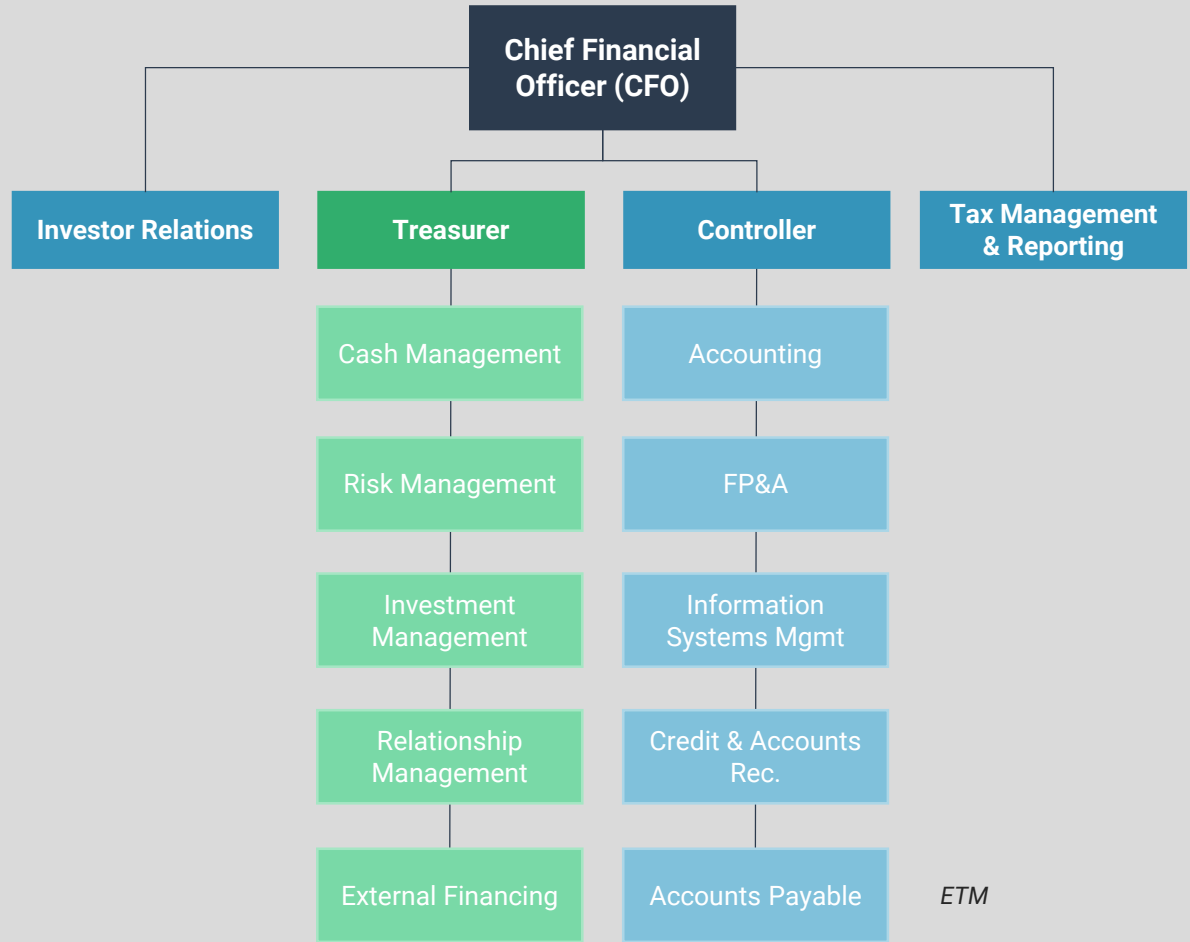
- Treasury as the Steward of Assets
- Current State of Treasury
- Treasury's Technology Needs
- Treasury's Corporate Banking Needs
- Corporate Treasury & Banking: Areas of Friction
- What Does Treasury Ultimately Want from their Banks?
- Corporate Treasury & Banks: An Ideal Relationship
- Case Studies & Examples
- Final Thoughts, Q&A



Treasury's Position

Treasury's Roles

- Developing strategy & implementing treasury policies/procedures
- Selection & implementation of financial technology
- Overseeing daily liquidity and cash management
- Short and long-term investing
- Arranging short and long-term external financing
- Managing financial risk
- Managing relationships with banks/financial institutions
- Managing domestic and international payments
- Overseeing financial reporting and compliance



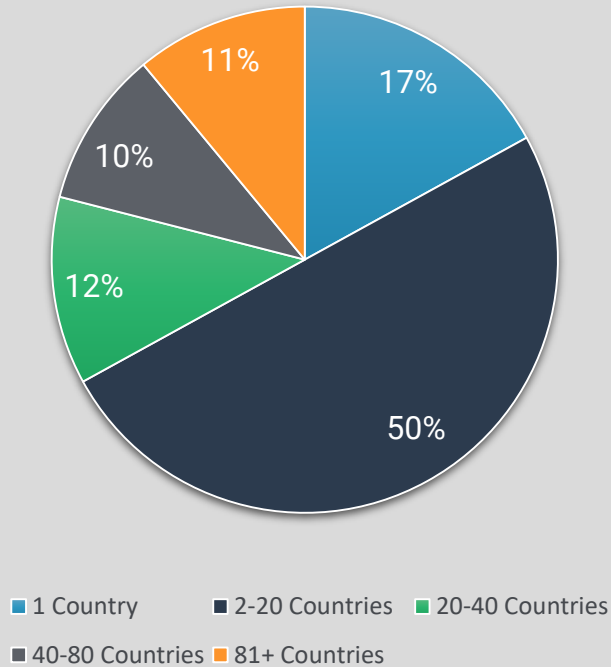
Treasury's Internal Position. The position of treasurer is one with primary responsibility and authority over a number of key financial activities and operations within the organization.

Current State of Treasury

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Globalized Nature of Operations

Our business operates in this many countries:

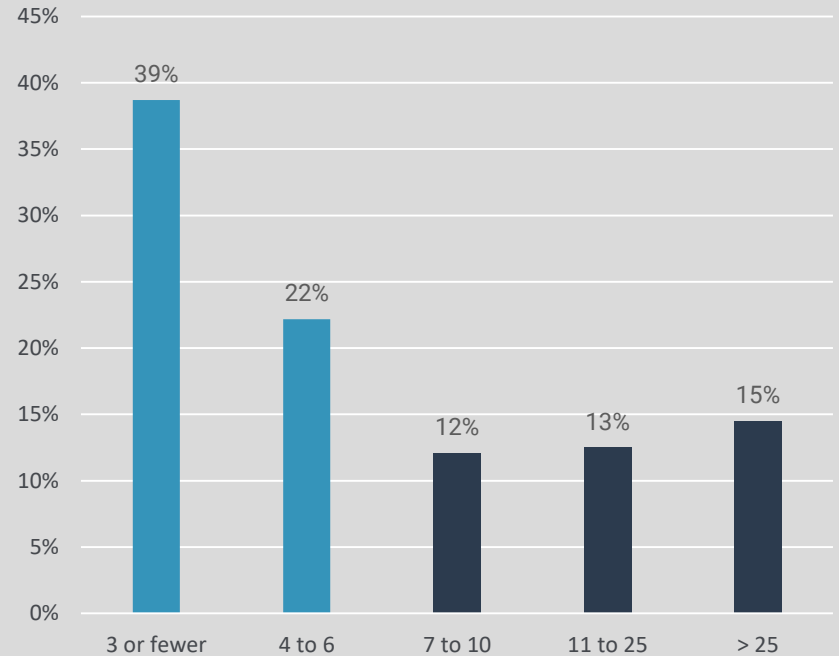


Strategic Treasurer's 2017 B2B Payments Survey, sponsored by Bank of America Merrill Lynch and Bottomline Technologies

Global Expansion. At the present time, the global footprint of many organizations is quite large, which means that treasury's operations are frequently global or multinational in scope. This means more currencies, more risks, more banks, and all manner of other complications such as compliance.

Size of Treasury Teams

How large is your global treasury organization, including analysts?



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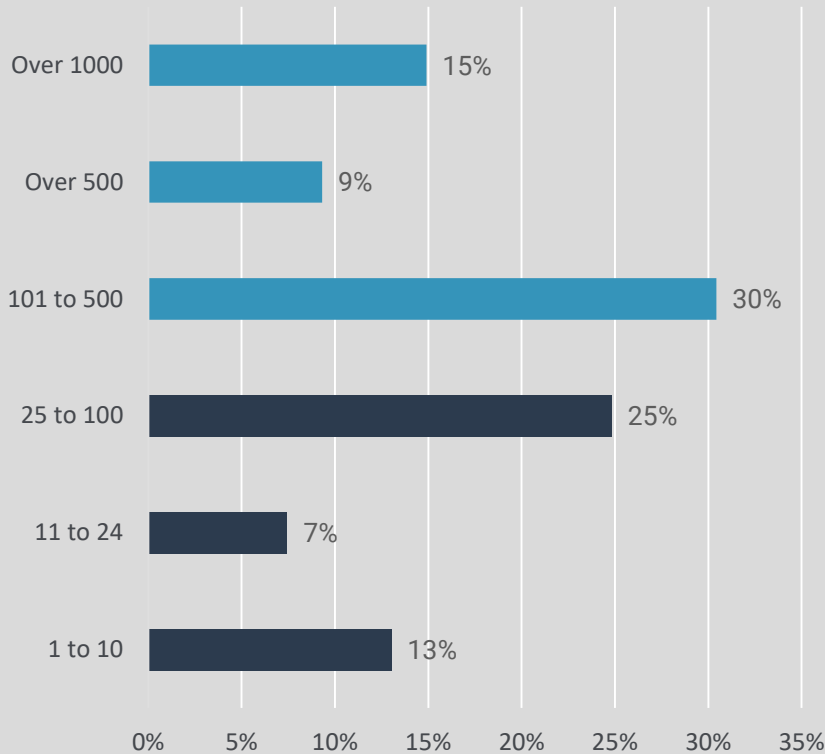
Small Staff Size. While the global nature of today's business environment persists, the reality for many treasury teams is a staff size consisting of less than six people. This commonly results in staff members wearing multiple hats, and an increased need for greater workflow automation and STP.

Current State of Treasury

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Number of Bank Accounts in Use Globally

How many bank accounts do you have?

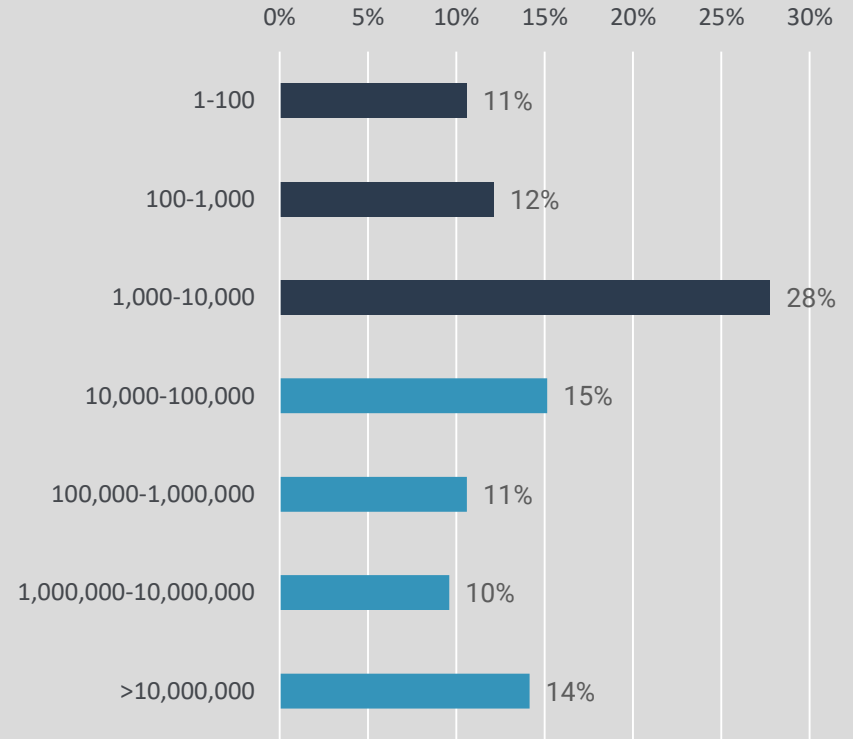


Strategic Treasurer's 2017 Cash Forecasting Survey, underwritten by Bottomline Technologies

Diverse Bank Relationships. As organizations expand their operations internationally or open up new lines of business, a common result is the expansion of their bank relationships to include new partners, either in new countries or that have experience in a certain field of area of service.

Global Monthly Total of Payment Volumes

What is the approximate volume of payments you generate globally per month (check, ACH, wire, etc.)?



Strategic Treasurer's 2016 Global Payments Survey, underwritten by Fides Treasury Services

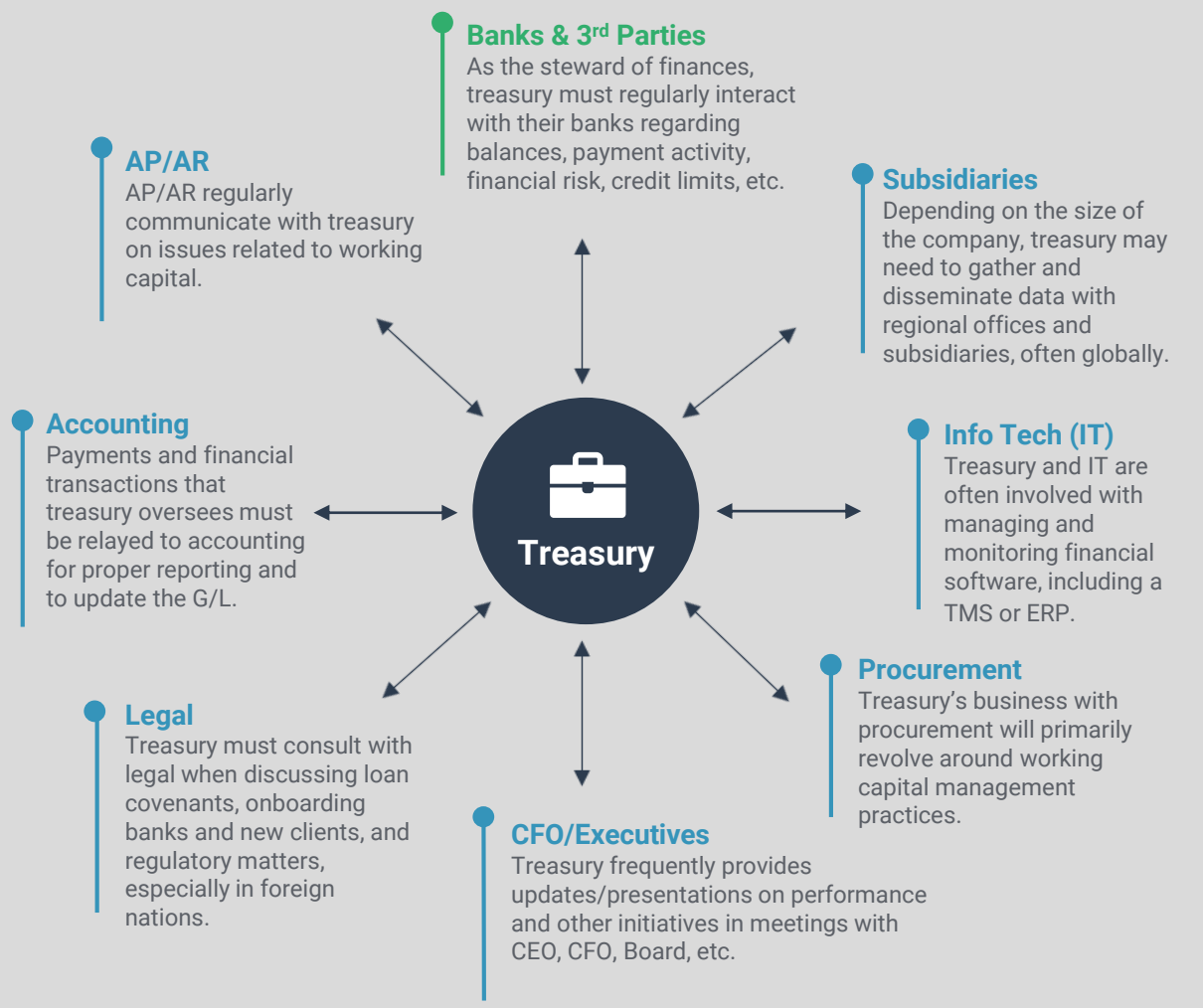
High Payment Volumes. Currently, approximately half of organizations make *at least* 10,000 payments globally every month. When accounting for different banks and accounts, currencies, compliance expectations, reporting requirements, etc., this can quickly become a burden.

Treasury's Technology Needs

Treasury's Tech Needs

- Treasury often acts as an information source for other departments and entities.
- Much of the information that treasury collects is gathered from bank statements/portals.
- Treasury relies on their banks to deliver information that is then used to create forecasts, update cash positions, manage liquidity, etc.
- As treasury's communication with other departments depends on timely feedback and information from banks, the need for efficiency, accuracy, and flexibility is high.

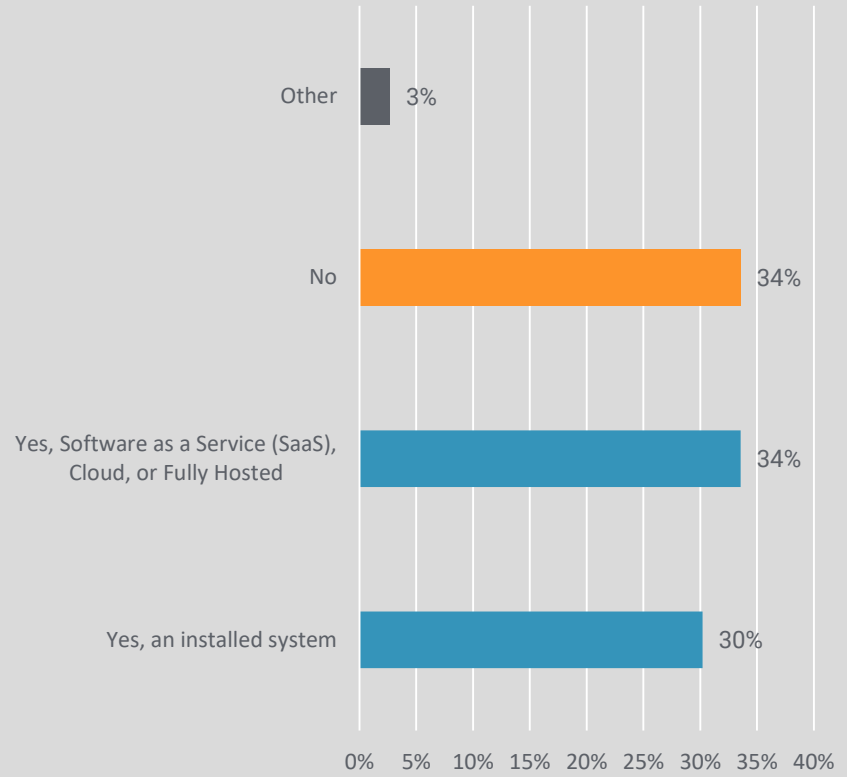
Treasury as an Information Hub



Treasury's Technology Needs

Technology Systems Used

Do you have a treasury system besides Excel?

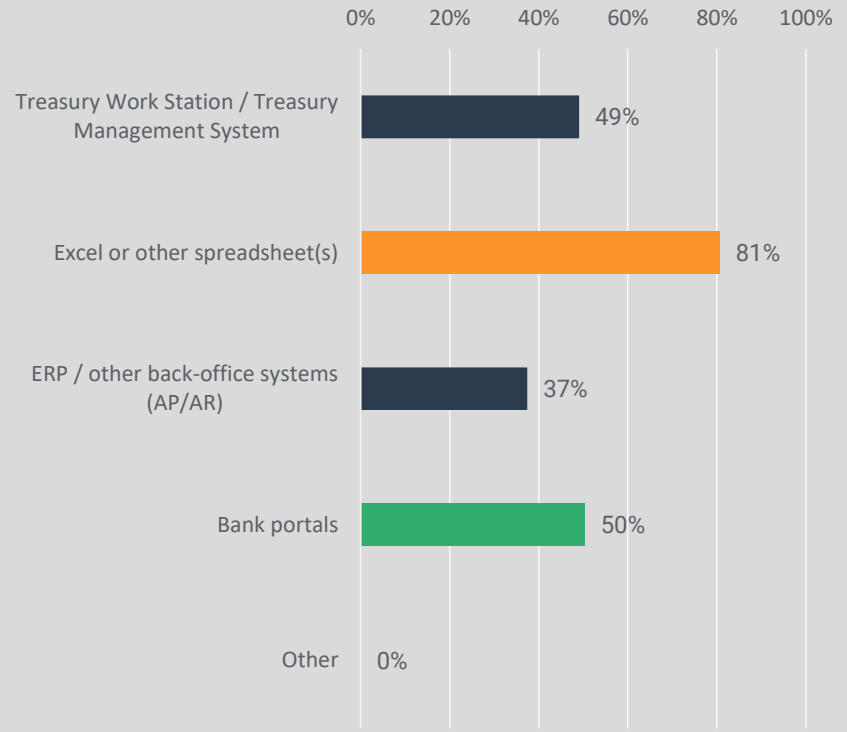


Strategic Treasurer's 2017 Treasury Technology Survey, underwritten by TreasuryXpress

Treasury Technology Use. At this point in time, the majority of organizations have begun to utilize a treasury system beyond just spreadsheets or Excel. However, the use of Excel as the go-to tool is still common for smaller organizations.

Reporting Tools Used: Corporates

Which tools are you currently using for cash reporting?
(Select all that apply)



Strategic Treasurer's 2017 Cash Forecasting Survey, underwritten by Bottomline Technologies

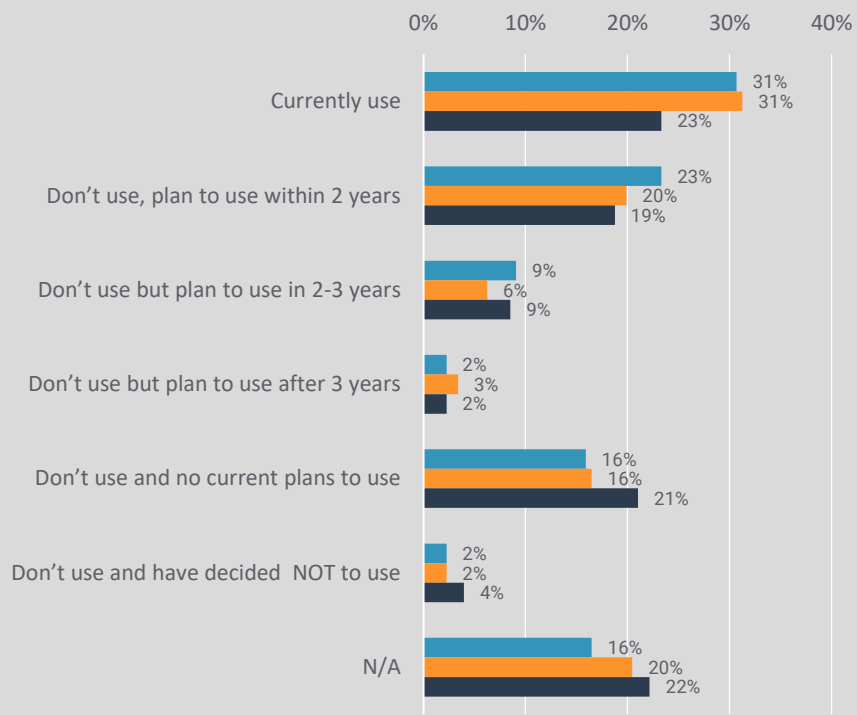
Corporate Cash Reporting Tools. Treasury's diverse technology uses are demonstrated when looking at the various tools used for cash reporting – while some respondents were using just one of these tools, the majority were utilizing 2-3 tools simultaneously (i.e. TMS, bank portals, and Excel).

Treasury's Technology Needs

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Messaging Formats Used: Corporates

XML – Our status for using XML (ISO 20022) for payments and information reporting is as follows:

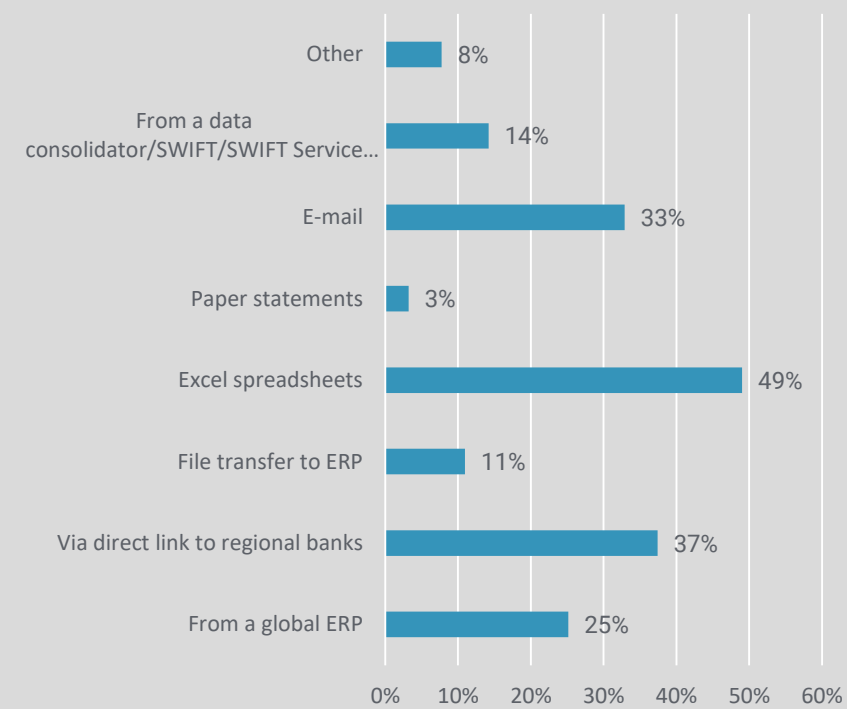


Strategic Treasurer's 2016 Global Payments Survey, underwritten by Fides Treasury Services

Corporate Messaging Formats. In 2016, approximately 1/3rd of corporates were utilizing ISO 20022 messaging, and many were using a spread of formats, including ISO 15022 (MT), EDI, BAI, and other proprietary or bank-specific formats.

Receiving Treasury Data: Corporate Treasury

How do you get data from your offices/headquarters?
(Select all that apply)



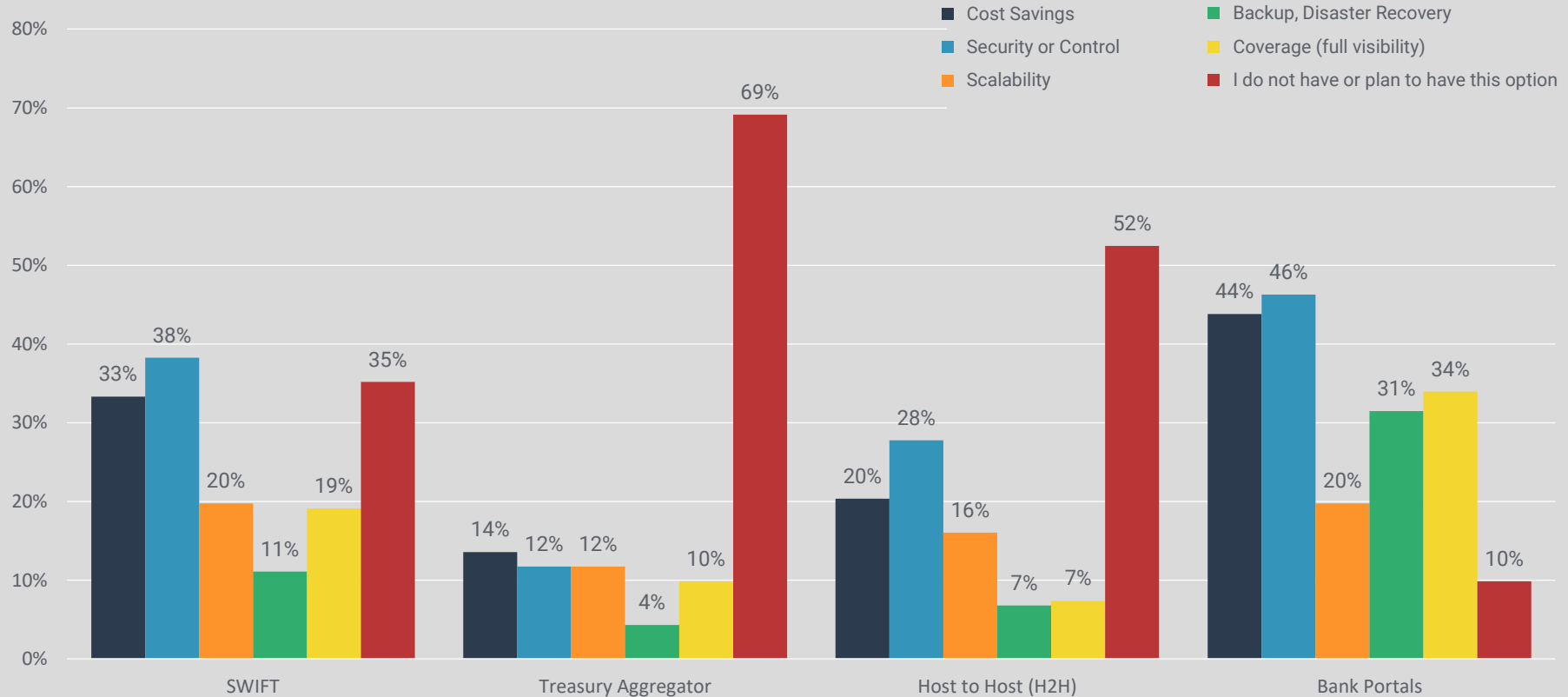
Strategic Treasurer's 2017 Cash Forecasting Survey, underwritten by Bottomline Technologies

Variety of Formats. When looking at the methods through which treasury receives information from other departments/subsidiaries, it is clear that there is no standard workflow or process across the board – treasury must often manage multiple workflows, systems, and formats simultaneously.

Treasury's Technology Needs

Connectivity Options: Corporates

Why do you have or hope to have the following connectivity options?:



Strategic Treasurer's 2016 Global Payments Survey, underwritten by Fides Treasury Services

Current Corporate Connectivity Options. This chart highlights the uses of various connectivity options by corporates and pinpoints the underlying reasons why such connectivity options are being utilized. Currently, the two most frequently used connectivity options include bank portals and SWIFT, while Host-to-Host (H2H) connectivity and Treasury aggregators are less frequently utilized. Other connectivity options not shown that saw notable use include clearinghouses and regional networks such as Bacs in the U.K. and NACHA in North America.

Treasury's Corporate Banking Needs

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Financial Advisor. Refers to a banks' overall task of answering corporate treasury questions, providing guidance and insight on the market, being knowledgeable on new technologies/services, etc.



Transaction-Processing Services. Transaction processing can relate to check, card, or electronic payments, and ranges from regional to global services.



Information Reporting. Information reporting is particularly important for treasury regarding account balances and transaction details, as well as lines of credit, FX rates, investment rates, etc.



Foreign Exchange (FX). FX services are particularly important for multinational organizations or companies with currency exposure/hedges in multiple countries.



Financial Risk Management. As a bank typically has insight to a firm's chief operating procedures/practices, they can provide advice on hedge/risk mitigation and also provide data.



Fiduciary Services. A corporate may entrust their lead banks with the management of pension funds or the trustee of stock issuances, where the bank has a fiduciary duty to carry out specific responsibilities.



Trade Services. There are a wide range of trade services offered by banks both domestically and internationally, which include standard supply chain financing, letters of credit, documentary collection, etc.



Credit Services. Banks can offer a wide variety of credit services, loans, etc. to corporate clients.



Deposit Accounts. This involves the use of both demand deposit accounts (DDAs/Checking) as well as savings accounts.

Corporate Banking: Technology Pain Points

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Legacy/Siloed Bank Systems

- Many institutions continue to use outdated technology systems that are overly manual and only offer partial or segmented views of data for their corporate clients.
- In these circumstances, it takes excessive amounts of time for corporate treasury to locate and extract the information they need for daily operations.
- Corporates often revert to “screen-scraping” data from bank portals in these cases.



Data Transformation/Integration

- A common pain point for treasury lies in the transformation of financial messages/data passing between systems or parties.
- The use of proprietary bank formats or inability of banks to support certain formats means that corporates are either limited in their format options or must implement a solution for data transformation and format conversion.



Bank Onboarding

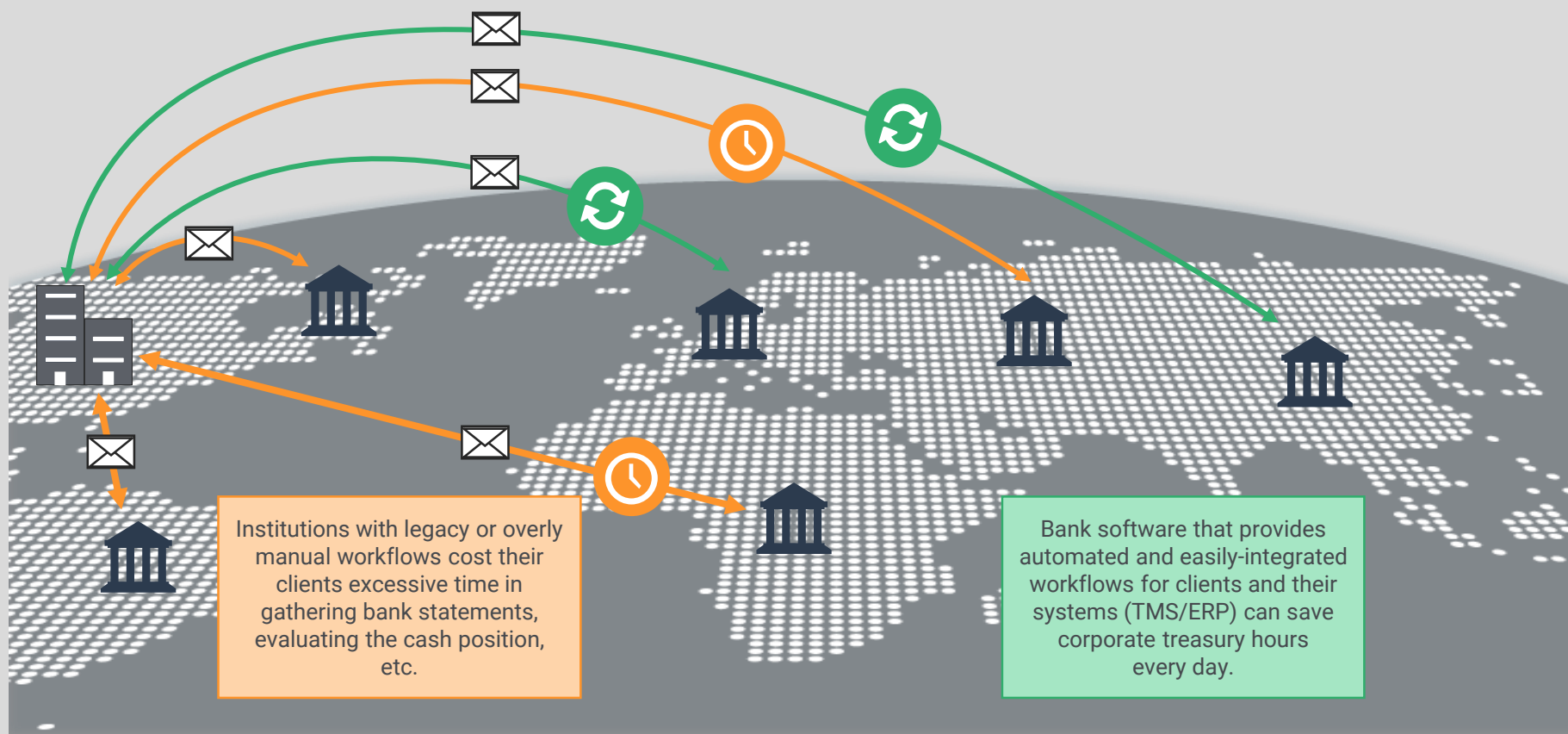
- The bank onboarding process, specifically for corporates implementing a new TMS or other software solution, can take months.
- This is repeatedly listed as one of the more complicated and confusing steps in an implementation, due largely to documentation requirements, processing delays, and system anomalies on the bank’s end.

Corporate Banking: Areas of Friction

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Siloed Bank Systems, Manual Information Workflows

- Corporates often have subsidiaries and banks dispersed globally that they must communicate with and obtain data/information from.
- Many banks have legacy systems or outdated tech infrastructures that make data transformation difficult and overly manual.
- In an era where automation and efficiency are coveted, banks must adapt to streamline information flows with their clients.

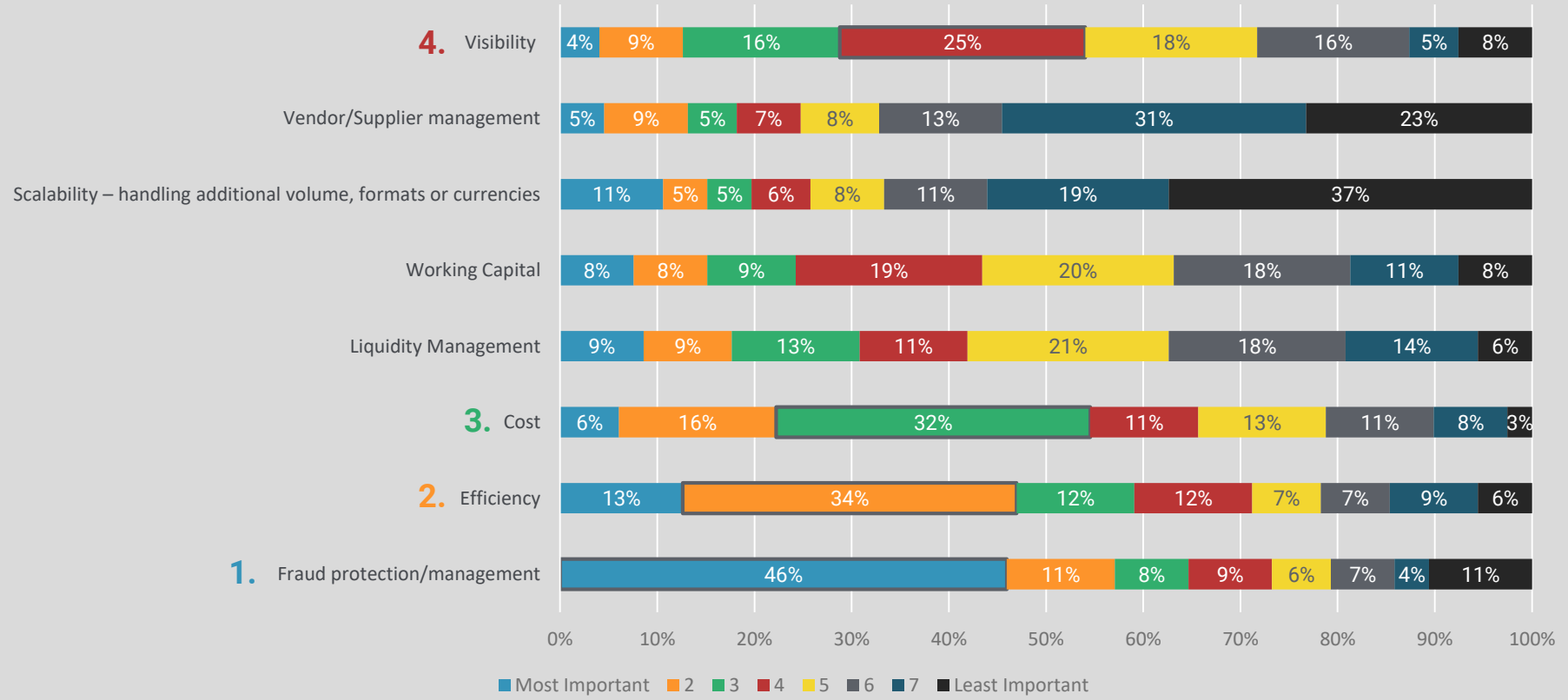


What Does Treasury Ultimately Want?

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Corporate Payment Drivers: Areas of Focus

Rate the following payment initiative drivers on a scale from (1) most important to (8) least important.



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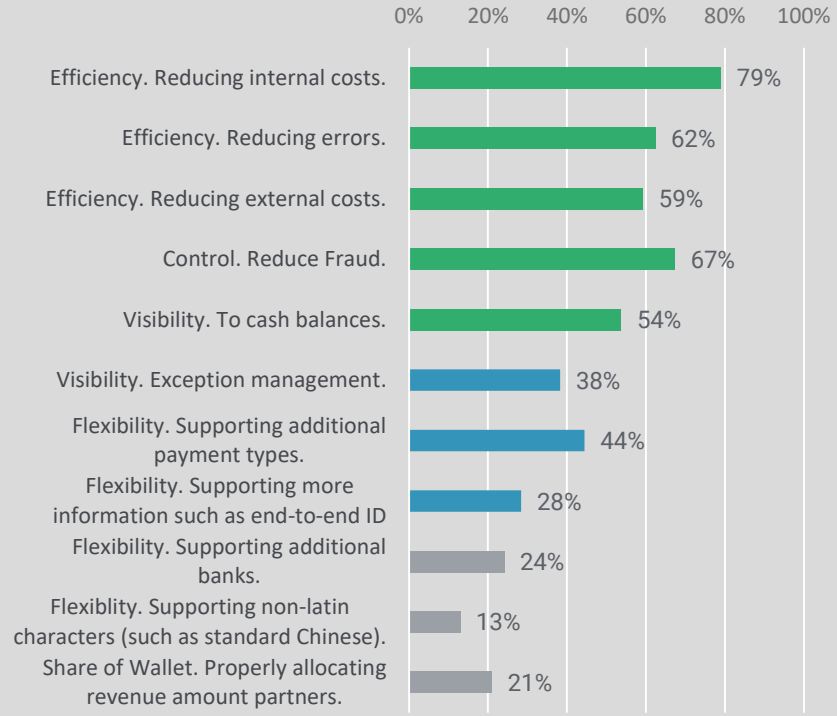
Corporate Payment Initiative Drivers. When viewing the drivers or key factors that influence treasury to make changes to their payments environment, the primary areas of importance are fraud prevention/security, efficiency, cost, and visibility.

What Does Treasury Ultimately Want?

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Control, Efficiency, & Visibility

Where do you see the value in making changes to payment methods and formats? (Select all that apply)

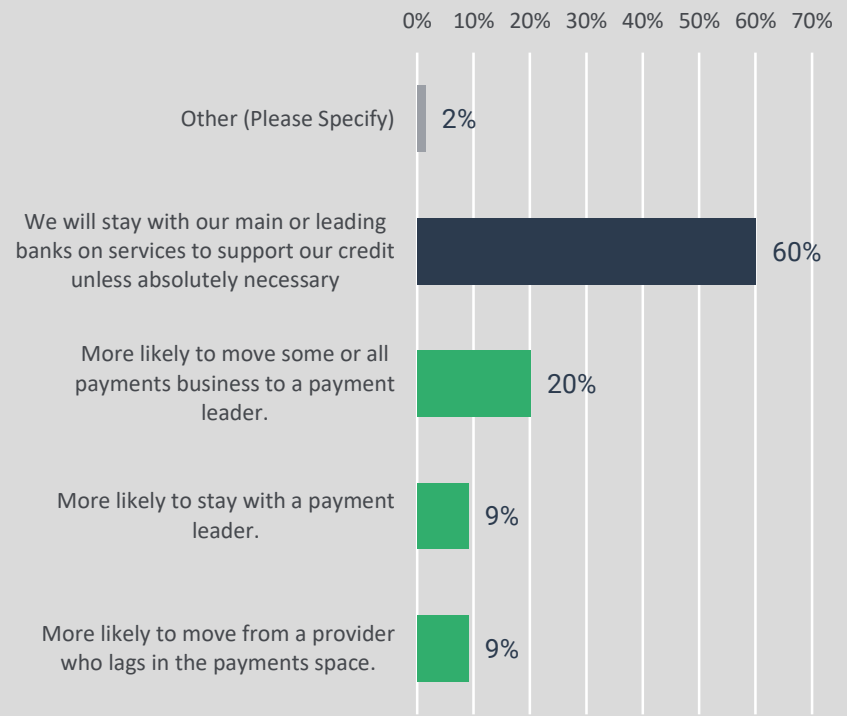


Strategic Treasurer's 2016 Global Payments Survey, underwritten by Fides Treasury Services

Payment Format Value Drivers. Overall, the biggest drivers behind corporate adoption of new payment methods and formats were to improve efficiency through lower costs and the reduction of error-prone processes, and security/control for reducing fraud.

A Leader in Payments

How could a payment provider's adoption or lack of adoption of new faster payment initiatives (Same Day ACH, Faster Payments, gpi, blockchain, etc.) influence your behavior towards them?



Strategic Treasurer's 2016 Global Payments Survey, underwritten by Fides Treasury Services

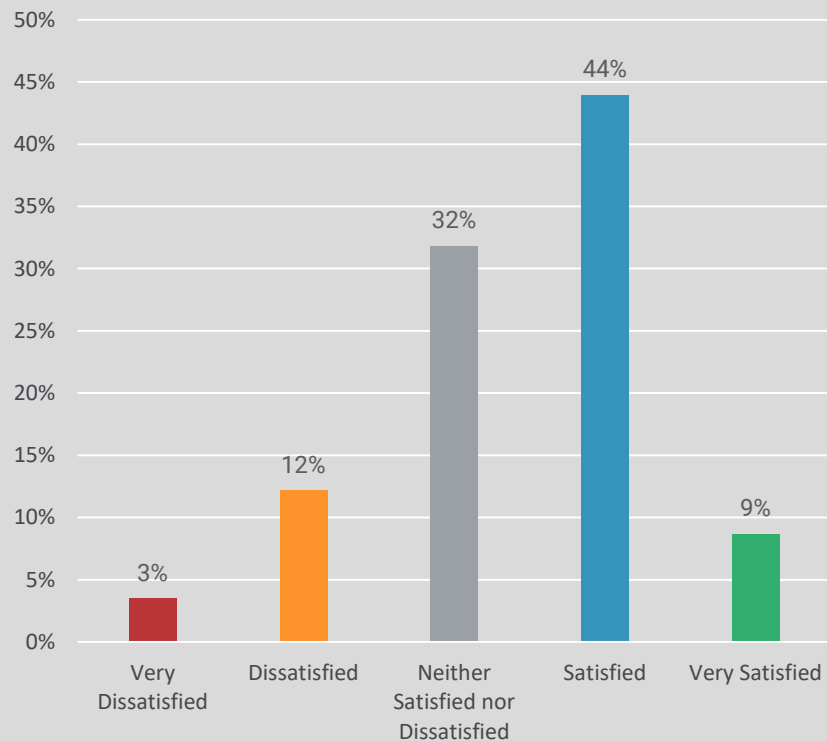
Payment Provider Initiative Adoption. This question saw a sizable minority (38%) of corporates willing to seek out leaders in the payment space, even if it meant switching their services to another provider.

What Banks Should be Doing

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Providing Leading-Edge Technology Solutions

For payments, how satisfied are you with the integration between your financial system(s) and the bank?

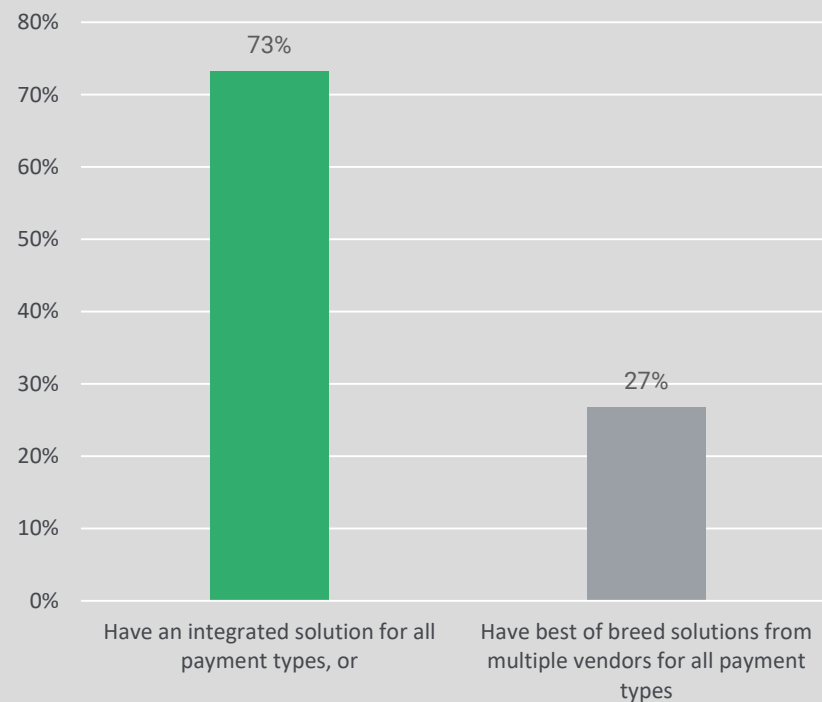


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Corporate B2B Payment Preferences. While over half of corporates are satisfied with the integration between their bank and financial system, there is still room for improvement. 15% of corporates were dissatisfied and another 1/3rd were neutral.

Streamline Workflows & Integrate Wherever Possible

For B2B payments, is it preferable to:



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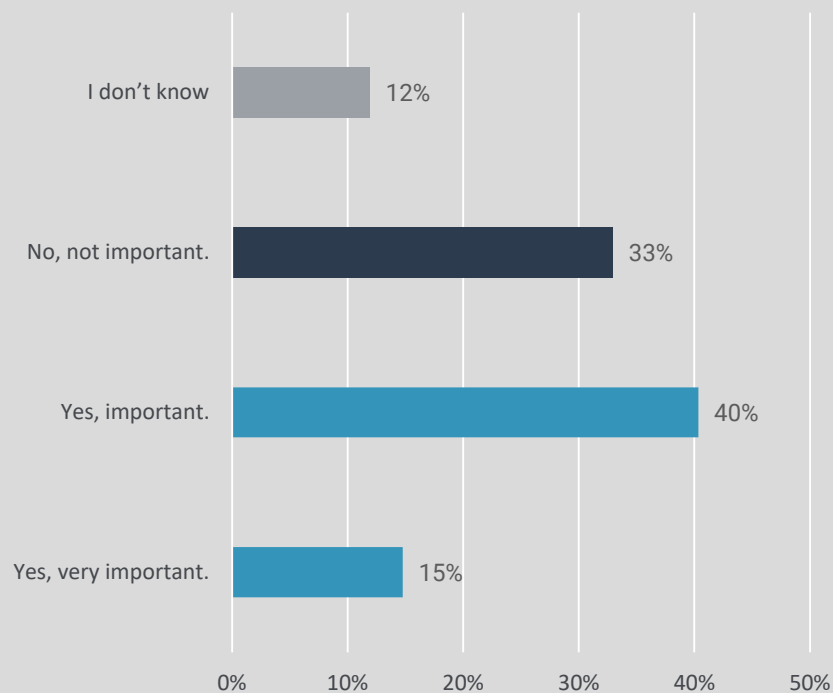
Corporate B2B Payment Preferences. When polled over their preference for either one integrated solution for payments or multiple best-of-breed solutions, the overwhelming majority of organizations selected one integrated solution.

What Banks Should be Doing

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Driving Innovation for Corporate Clients

Is it important to you that your bank(s) invest in commercial/corporate banking applications for mobile devices?

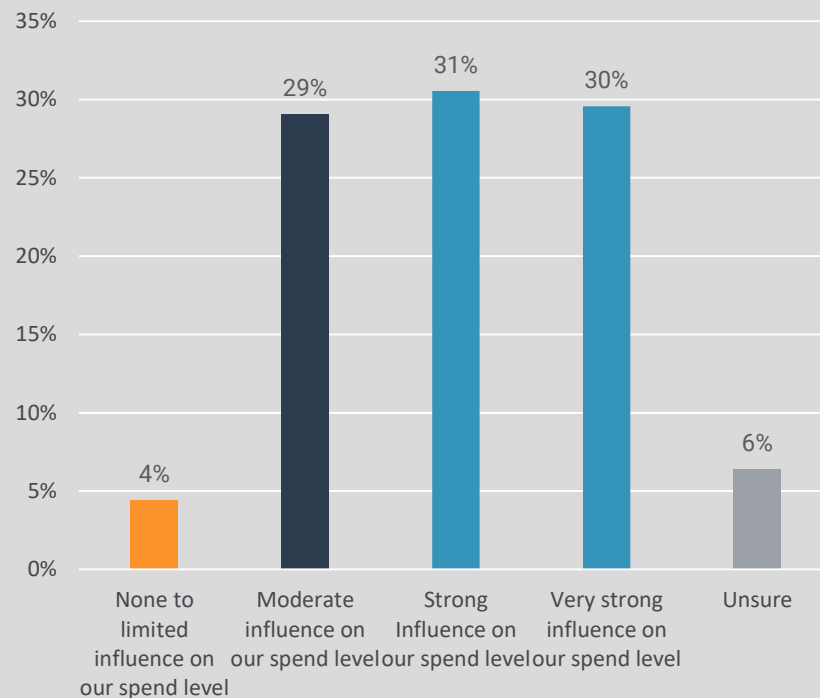


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Corporate Perspectives: Bank Tech Investment. While there are corporates who have no strong opinion on developments such as mobile banking, the majority of organizations have shown that such investments by their bank are important.

Addressing Key Concerns/Priorities (I.e. Fraud)

What influence do security concerns have on your current or planned technology spend?



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Corporate Perspectives: Security Concerns. Banks must recognize the importance of security to their clients and make every effort to provide enhanced controls, protocols, and technology to address fraud/security concerns.

Corporate Banking: An Ideal Relationship

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Corporate (Client)



- 
Financial Advice. Banks can provide advice and guidance on new services/initiatives/technology. Banks are commonly the go-to source for financial information in the eyes of corporates.
- 
Leading R&D. Corporates tend to lag behind the curve on R&D in new technologies, and rely primarily on their banks to offer new services/solutions.
- 
System Integration. Bank solutions are compatible and easily integrated with corporate solutions.
- 
Information Reporting. Information reporting for corporate across all areas of service can be easily obtained and imported, preferably in real-time or near real-time (balances, transaction details, credit limits, interest rates, etc.).
- 
Fraud Prevention. Security and fraud prevention controls are put in place for both information in transit and at rest (encryption on files in transit, robust firewalls/antivirus, multifactor authentication, user monitoring, etc.).

Bank (Vendor)



Key Takeaways for Treasury:


- Treasury is tasked with a wide variety of responsibilities, many of which directly involve interaction with their banking partners.
- As the globalization of business continues and treasury staff sizes remain small, treasurers must utilize all resources at their disposal to stay on top of things.
- As it stands today, treasury must rely on their banks and on technology to help with a number of financial operations, including payments, risk, compliance, etc.
- The financial technology available to banks and offered by banks to their corporate clients has a direct impact on the wellbeing and efficiency of their clients, especially where information reporting /payments/security is concerned.
- Banks must strive to stay abreast of leading practices, both from a technology standpoint and strategy standpoint, to keep their corporate clients satisfied and safe.




Speaker Contacts

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Additional Resources: Hear a discussion on open APIs with Finastra and United Bank.



The Advantages of Open APIs

AFP Conference 2017: Strategic Treasurer Fintech Hotseat Discussion

Anoop Basavarajaiah, Finastra

Raina Petrova, United Bank