Intro: Welcome to the Treasury Update Podcast, presented by Strategic Treasurer, your source for interesting treasury news, analysis, and insights in your car, at the gym, or wherever you decide to tune in. On this first episode of the 2020 Outlook Podcast series, Host Craig Jeffery sits down with Ranjana Clark, Head of Global and America's Transaction Banking and Bay Area President to discuss the major changes impacting the industry around the globe. Topics of discussion center around payment digitization, cyber security, process automation, globalization, and more. Listen in as they share valuable insights on how to position your organization for success in the year ahead.

Craig Jeffery: Welcome to the Treasury Update Podcast. This is Craig Jeffery, the Managing Partner of Strategic Treasurer, and today's episode is part of the 2020 Outlook series, and this is with MUFG Bank and I'm here with Ranjana Clark. Welcome to the podcast, Ranjana.

Ranjana Clark: Thanks, Craig. Good to talk to you.

Craig Jeffery: I've known Ranjana for a number of years and it's great to get her on the podcast to hear some of her thoughts, but just for setting the stage, some of the background, I wanted to talk about changes, a bit of an overview on changes before we get into the questions. Many industries, or most industries, have seen a really significant amount of change in the past five and 10 years across the globe, and the treasury payments, cash management space is certainly no different, whether it's with increasing fraud, changes in payments, the explosion of data, demand for more speed, transparency, end to end processing, visibility. These are oftentimes cited as areas of significant change that are impacting treasurers' roles around the globe. As global head of transaction banking for MUFG, Ranjana, you talk to so many customers about their pains, needs, and expectations and filter them into what you do for your clients, but can you tell me some of the most significant themes that you hear as you talk with your clients? Maybe summarize what they're saying, asking, or even demanding.

Ranjana Clark: I think that if I were to summarize it, I would say that a lot of what I hear from them is the need to streamline, streamline their working capital management routines, go straight through, automate, integrate. I think the other thing that I see, despite all the challenges with trade that are going on right now is the need to go global. So those are themes that are resonant across client groups. Any industry that is in transition, that is in disruption, a lot of the best examples of companies' capabilities that are successful are really driven by acknowledging client pain points, really the core needs of clients, and when I talk to clients, when I talk to consumers, customers, regardless of whether they're individuals or institutions, I hear them articulate three very simple needs. They say, "Save me time and hassle, save me money, and keep me secure."

Ranjana Clark: So when you look at a lot of what is happening now, and I would classify them into sort of three or four big areas. The first is a lot of innovation, experimentation, a lot of work that's going on in digitizing payments and the customer interface. So we can certainly talk about that, but digitization of payments and the CX is a big theme. Second, along with the digitization of payments and our own identity and information comes the need to protect our identity to secure against fraud. Cybersecurity is an increasing concern, and the third is around efficiency, whether that is the increased use of robotic process automation, the real demand for open standards, open architecture, open banking with the use of APIs so that they can consume data straight through. I think those are the big themes that I'm seeing.

Craig Jeffery: Of those, are you seeing any of those resonate more than others? I know we want to get into some details, but the payment digitization, you mentioned the CX, and I'm assuming that means customer experience. Is that top or is that secondary? How do you see that compared to some of the other ones you mentioned, like fraud and then the overall efficiency and automation?

Ranjana Clark: Yeah. So I think some of these are hygiene factors and some of these are motivators. So it's kind of like when you're flying in an airplane, if they say, do you want a safe flight or do you want free movies? I mean of course you want a safe flight first, and then of course you also want free movies. So safeguarding their information, their payments. So fraud and cyber security I would say is sort of a hygiene factor. We see that across client types, across industry verticals, and then I think that there is a big expectation with the consumerization of the payment experience where we as consumers participate more and more in frictionless payment ecosystem. I think that is becoming more often expectation for corporate payments as well, for cross border payments as well. There's a lot of friction in payments and in exchanging information, in particular, on a cross border, cross currency basis. So there's a lot of innovation going on there, but I think that the customer experience is a big arena of innovation and change.

Craig Jeffery: Yeah, and that's bleeding over into the corporate space pretty obviously, right? We can do it there, why can't we do it on our corporate banking activities, right? It used to be ... I've used this before. We could put a man on the moon, why can't we do X or Y? And nobody says that anymore. They say, "I can do that on my phone. Why can't I do that with my banking activities on the corporate side?" So when you say hygiene, the hygiene factor, this is the standard. It's got to be met, right? You're referring to -

Ranjana Clark: Yeah, [crosstalk 00:07:06] it's just sort of like Maslow's need hierarchy. Your basic needs of food and shelter before you get to self-actualization. So you need to keep your information, your payments, your data secure first, and then everything else follows.

Craig Jeffery: Excellent. Thanks for bringing Maslow in too. I know exactly what you mean. Yeah, so you brought up a bunch of good points. I want to dive into detail on those in a minute, but as we've talked to many people, MUFG is a huge multiline global bank. Not everyone, not all treasury people in North America, for example, are as familiar with the bank scale scope of offerings, it's origination. I was wondering if you could just give us a quick overview of the bank's coverage and maybe an abbreviated history, just so people ... they're hearing Union Bank, they hear MUFG. Just tell us a little bit about the bank.

Ranjana Clark: Sure. So I think as mentioned, MUFG is one of the largest financial institutions on a global basis. We were established over 350 years ago in Japan. We have a history and legacy in the Americas of over 150 years. Specifically in the Americas, we serve our corporate and investment banking clients under the MUFG brand. Our Union Bank brand serves our consumer wealth and commercial banking clients, and our vision for transaction banking is to become the preferred provider of working capital management and asset servicing solutions in our target markets. These include Fortune 500 multinationals, middle market and mid corporate companies, commercial property management, homeowner associations, labor government entities. We're pretty diversified across client basis.

Craig Jeffery: That's great. Thanks for giving a little more detail, but I want to I want to move now back into some of those areas you talked about. These are some of the things that you said, these were themes that relate to either time, hassle, money, or safety, and then you talked about some of those detailed themes, and maybe we could start with the bottom of Maslow's hierarchy, which was the hygiene factor and security. If we're talking about security, the increase of fraud, what are your perspectives on some of those changes that you're seeing with regard to fraud, security, cybersecurity in the space? How are you reflecting on that?

Ranjana Clark: Well, this is probably a long topic in and of itself, but what I would say is that the methodologies, the technologies, the sophistication that is used by cyber criminals is heightening every day on a worldwide basis. So I think that forms the foundation of the methodologies and the technologies and the analytics that we as financial institutions need to deploy in order to safeguard ourselves and our clients, their data, and their payment flows. So I think with that as sort of background, there are many different sort of technologies and modalities that are being experimented with, and some of which are being deployed at scale. The first of which is on cloud, and the second I would say is in the arena of identity and access management and authentication, and on the former, the public cloud infrastructure, virtual private cloud, a lot of sophistication is being applied to ensure that we are able to and the cloud providers are able to operate these infrastructures with very high degrees of security.

Ranjana Clark: So there's sort of a whole discussion we could have on the things we are doing and what the industry is looking at and where we see this going. On the question of digital identity of access management, the use of biometrics where it's not just user ID and password, but something that is really more securely authenticated and less easily copied, whether that is something you have, something you know. A lot of biometrics are being experimented with, and in certain cases deployed at scale. The big scale deployments of this are really in the Eastern part of the world. You're seeing a lot being done in China, in India, and some of the other economies, and over time I think that some of those will also be deployed here.

Craig Jeffery: It was interesting, you talked about the sophistication of the attackers, this growing, this escalation of the attack methods, sophistication and automation requiring a higher level of defense, and as you talked about the authentication biometrics, that makes perfect sense. The cloud, as you describe that, it seems interesting, the fact that the cloud, software as a service, the cloud portals, they were really built for efficiency but we're finding them to be a haven for more security, more attention to security. Do you see that continuing?

Ranjana Clark: Yes, absolutely, because I think that the move from data centers to use of cloud is pervasive and is anticipated to continue for a very long time, and so whether you are talking about the likes of AWS or Microsoft Azure or Google Cloud Platform or IBM or Oracle or any of these players, they are firstly putting a lot of their own data into the cloud. So, they are using their own infrastructure. They are deploying these at scale for certainly corporate clients but also governments, departments of defense. A lot of the country's security services and infrastructure are also using these cloud services and will continue to do so over time, and so a huge amount of resource attention and innovation is going into securing the cloud infrastructure and the data and the uses that it is being deployed for.

Craig Jeffery: With the defenses for that and the ongoing attacks, I wonder if you think we're going to see a lot more losses in the corporate world for those who might not be keeping up?

Ranjana Clark: Well, I think it's hard for me to speculate about that, but I think that certainly a lot of effort is being put in place by all players to ensure that this stays very secure.

Craig Jeffery: So Ranjana, another area you talked about had to do with efficiency, and you tied some of that into RPA and open APIs, open banking. What are some of the perspectives you have on that? What's changing? Which is more important? Is it RPA or open APIs? Is it both of them? How are you looking at those two items in the broader efficiency drive?

Ranjana Clark: Yeah, I think I see it as a continuum. I think that ultimately we would want to get to a sort of just a software to software interaction with APIs where data is being consumed directly, but we are not there, and presently even internally and with the interaction between clients and the financial institutions, there's a lot of manual work that is still prevalent and pervasive, and robotic process automation is really a way to automate manual work, and so as the first and probably even the second generation of making companies, making us more efficient, making sure that it takes the toil out of peoples' work, that our people and their intellectual horsepower can be released and deployed for sort of higher value added activities on analytics, helping identify sort of trends from data so that we can help our clients and they can help themselves become more efficient and more effective. So I see this as a continuum where both definitely have a place, again, in the longer term. I think the open environment is where the world is headed.

Craig Jeffery: Yeah. So with the open world, leveraging APIs, for example, open APIs, how are you seeing that making the change? It's just a more efficient connection than RPA, for example? Because some of the robotic process automation might be a little bit easier to break. As efficient as that is and helpful as that is, what are you seeing on the API front in terms of maybe where we are now and where that's heading? Because we have some track record with open APIs as opposed to the common APIs that were a little bit harder to set up in the past. Now there's more availability, more ubiquity and standardization.

Ranjana Clark: I think more generally, around the world there really is a move pushing, pushed by regulators in different jurisdictions, whether that is in Europe with PSD2 or in other jurisdictions around the world where open is becoming more of a standard, and so we in the West, we in the US, we in the Americas, we'll continue to see that as a move. The FinTech industry has been using APIs for an extended period of time. So it is maturing. I think that the use of that within banking, you start by opening it up internally before you open it up externally. Opening it up externally to clients, I think that institutions that have done that have sometimes been surprised by what they opened up versus what got consumed by clients, because so much is based upon client needs and the evolution of their industries and their own level of sophistication. This is a journey. It's a long journey, and I think that we are still in formative phases, but it is certainly one that will make us sort of more and more efficient over time where the innovation is not about exchanging data and classifying data and codifying data. It becomes about what are the analytics we are mining from it and how can that help us become more efficient as a company so that we can serve our clients better.

Craig Jeffery: That sounds good. It sounds like that mining the data and doing the analytics is a little bit higher up on the Maslow's Hierarchy in the way you're describing it. Thank you for that, and the other thing that you talked about in turn when you made the list of some of those items that people are talking about, you described changes in payments, developments there. You referred to it as payment digitization. Can you just unpack that a little bit for us?

Ranjana Clark: So payment digitization has been occurring probably since the beginning of time. At one time payments was in gold or exchanging physical things -

Craig Jeffery: Or beads, yeah.

Ranjana Clark: And it's in a sense fiat currency is payment's virtualization where a dollar, the piece of paper that it's on is really not worth a dollar. It's a dollar because somebody said it's worth a dollar and stands behind it. That's fiat currency, but with regard to digitization, we've seen ... Craig, you and I've been in the industry for a long time and we've seen the move from cash and check to electronic to card and now digital, and that is going to continue based upon sort of the industry that you're in, and certain jurisdictions around the world, they're going straight to digital payments. So I think part of it is dependent upon the pain points that are felt by customers, by consumers and corporates and institutions in the various jurisdictions. In the US we've had a pretty mature payment infrastructure that has been established for some period of time. In some other countries that is not the case, so they're going straight, as an example, to mobile payments. So that's probably the direction of the move and that will continue for some period of time.

Craig Jeffery: Yeah. I know I've spoken with some of the people on your team about some of the new payment initiatives and what MUFG has been doing with some of your clients. Quite interesting conversations there. I know we had more items on the list, but I wanted to start thinking about what's going to happen as we look farther ahead. So you outlined some of the major changes that are going on, from fraud to efficiency, the use of some technology, but as we think about the next few years, whether it's two or three years into the horizon, what is likely to either continue bringing us that change, or where do we see things dramatically? And I'll mention a couple of the things that we had either talked about on this podcast or when we were talking to prepare for some time. Maybe we can start with big data. You talked about analytics and data. You had mentioned big data earlier, and I wanted to just hear some of your thinking on is big data as important as it is from a buzzword perspective, or is it just a moderate opportunity?

Ranjana Clark: You know, in my view, sort of the big move is really around artificial intelligence and big data, and that is brought on by two or three things. One is the big shift in processing speed and the cost of processing per unit really going down dramatically. So the infrastructure itself is becoming less expensive. The technologies that can be used to mine this explosion of information that is happening has really become sophisticated over the years, with whether it's national language processing or use of Hadoop clusters with massive parallel processing capability and so forth. So I think the technologies are becoming a lot more sophisticated. I think the third thing is really the explosion of data that is here today, but going forward, the explosion of data that is going to be brought on by the internet of things. You add onto this 5G.

Ranjana Clark: 5G Is not here prime time today, but part of the reason that I think the industry is so excited about the potential for 5G is really the ability to deal with this massive exponential explosion of data that will occur once the internet of things becomes a reality. So you put all of this together, artificial intelligence, the ability to mine data analytics, insights, in so many ways is just so powerful and it just frees up people to really work on the most exciting parts of innovation and value capture. I mean AI is being used in a big way in the biopharma industry, as an example, where talking about in genetics and curative care and so on. Payments, again, like I said, there is a lot of pain today and a lot of cost and a lot of trapped value in payments, and payments is in very big industry. So I think that artificial intelligence and the potential of it is a big opportunity within our industry.

Craig Jeffery: Yeah. I know there's a number of people that are using that, leveraging that for having advances in forecasting, doing some of that analysis, and it seems like it's in this time frame as we look back and we look forward and we've gone from a hard time getting that data, getting it normalized and cleaned up and not being able to spend any time on analytics to this growth of data creates a big challenge in how do we harness vast amounts of data, whether it's from the internet or things or just the normal growth of data, that creates a significant challenge that we have to use automation to harness it. We have to use automation to fight the cyber criminals. We have to use automation to harness all the data that's coming out. In terms of data, are you looking at ... you mentioned a couple industries. Are you thinking that there's any other impact in terms of what banks do with their clients? What clients do with each other? Where are some other new areas that may come up if you think about that?

Ranjana Clark: You know, I think that all the use cases are probably very industry vertical client specific, but I would say we serve clients and industry leaders in a very wide range of sectors including oil and gas, power and utilities, media and telecommunications. We have a big technology sector focus, retailers, financial institutions, public agencies, and more. We serve clients in Canada, Latin America, the United States, just out of the America's business and globally from the global business, but I think the use cases, like I said, are very specific to the industry sector that we're talking about, and lots of innovation, lots of forward thinking that's going on in sort of many, many arenas.

Craig Jeffery: Now blockchain is something that people talk about. What's your thoughts on that as you look farther ahead, or even if as you look currently?

Ranjana Clark: I would say probably two or three things. One, that I think that block chain is a very important technology. I think there are people who are non-believers in it and think it's just a glorified database. There are very sort of smart people who believe it's the most revolutionary technology, but there is a lot of money and talent and intellectual horsepower that is looking to harness and explore this technology to drive better and more secure outcomes for the payments and financial services' businesses, and I believe it's an important technology. That said, I think at this point in time blockchain and also cryptocurrency ... at this point in time, there are no standard protocols, and so scaling it has been challenging. Everybody is sort of doing something a little bit different. There's a lot of experimentation and this experimentation, I think, is very healthy in the early stages of any industry and any important technology. This experimentation is natural, normal, vital. I think that my view is that there are very few protocols that this will converge around, probably more than one, but could be industry specific, could be use case specific, and I think once that occurs, I believe we will see faster adoption, but I do think that it's an important technology.

Craig Jeffery: Excellent. So are there other items that you would want to mention that we should be paying attention to as we just look out in that shorter horizon of two, three, or maybe even four years?

Ranjana Clark: I think we talked about most of them, and some of these are more at the infrastructure level, which is, whether it's cloud, whether it is a core banking system that is digitally enabled, agile, and secure, I think that we'll need to form the base of any sort of innovation that is going on so that companies can scale more rapidly, and then some of the other things that we talked about, whether that is open banking and APIs, big data, artificial intelligence, whether you call that just data on analytics or something more sophisticated than that, a lot of experimentation in blockchain, and then surrounding all of this is the need to keep our data identity authentication and our payments secure. Those are the things that really tie it together.

Craig Jeffery: Ranjana, I want to thank you for your time on this podcast and just give you an opportunity at the end to share any final thoughts with people, anything that would motivate them as we're coming to this period of great change and we expect at least as much change going forward. So I'd love to hear your thoughts on that.

Ranjana Clark: Yeah, so actually last night I was reading this article with Alibaba group chairman and CEO Daniel Chang, and what struck me is something he said. He said the key thing to ask yourself is do you still have curiosity about the world? If you are curious about the world, then you will find something different, then you will find new opportunities and you will move ahead. So my advice is stay curious, keep learning, talk to your bankers, talk to your advisors and colleagues so that you can leverage their ideas, and together you can get to a better outcome for your business and your clients.

Craig Jeffery: Well said. Thank you, Ranjana.

Ranjana Clark: Thank you.

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