

# TREASURY AGGREGATOR BANK CONNECTIVITY SOLUTIONS

ANALYST REPORT SERIES



## CRAIG JEFFERY

Founder & Managing Partner  
Strategic Treasurer



### WHAT.

Analysis, discussion and takeaways from the 2020 Treasury Aggregator Analyst Report.



### WHEN.

Wednesday, February 17, 2021  
11:00 AM – 12:00 PM EST



### WHERE.

Live Online Presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)



Certified Corporate  
Financial Planning &  
Analysis Professional



This presentation is provided by Strategic Treasurer.

# SPEAKER

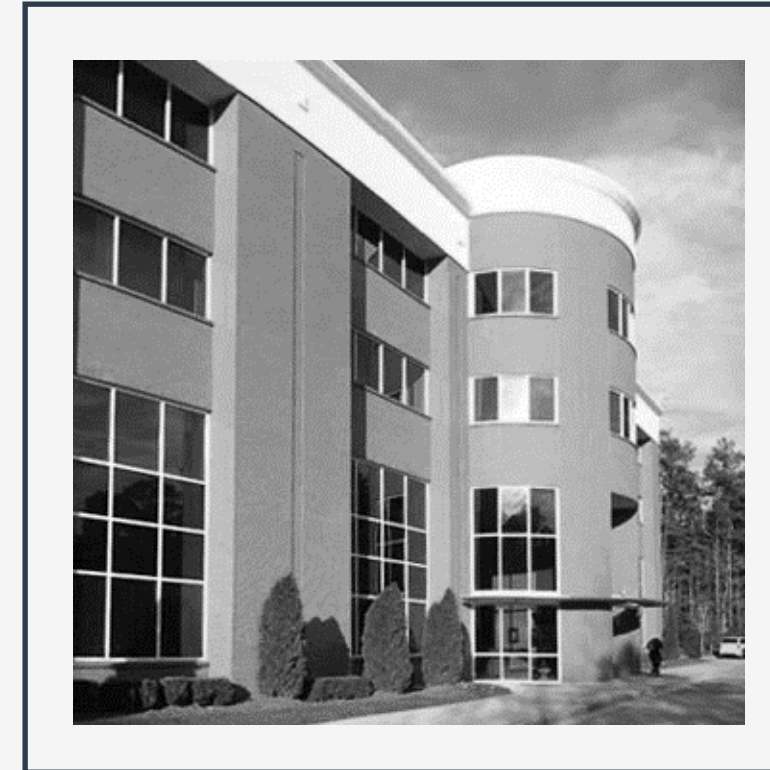
GET TO KNOW YOUR SUBJECT MATTER EXPERT



## **CRAIG JEFFERY, CCM, FLMI**

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 30+ 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.



## **STRATEGIC TREASURER**

Strategic Treasurer provides consulting, research and professional services for treasury management, security, technology and compliance. Corporate clients, banks and fintech providers throughout the world rely on their deep awareness of current practices, plans and perceptions through their annual surveys and decades of treasury experience.

With a mission to advance the practice of treasury by advising clients, assisting teams and informing the industry, Strategic Treasurer guides practitioners through real-world, mission-critical issues that organizations face today.

# TOPICS OF DISCUSSION

## KEY AREAS OF FOCUS

Treasury technology is complex. We hope this webinar will help treasury practitioners select and implement a solution that meets their needs, improves their workflow and enhances treasury operation.



### TREASURY COMPLEXITY

Industry challenges



### TREASURY AGGREGATOR

TA vs. TMS – What's the difference?



### DRIVING AGGREGATION

Who needs a TA



### PROBLEMS & SOLUTIONS

An aggregator can help



### THE FUTURE

Looking ahead at treasury  
aggregation



### LEADING PRACTICES FOR USING A TA

Avoiding the pitfalls

# TREASURY'S DILEMMA

COMPLEX & OPERATING WITH LIMITED RESOURCES

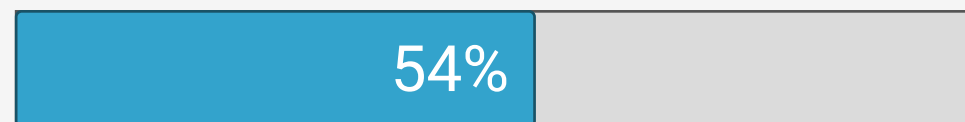
## Multiple Banks.

Corporates are issuing payments out of 3 or more banks.



## Multiple Currencies.

Making regular payments in 3 or more currencies.



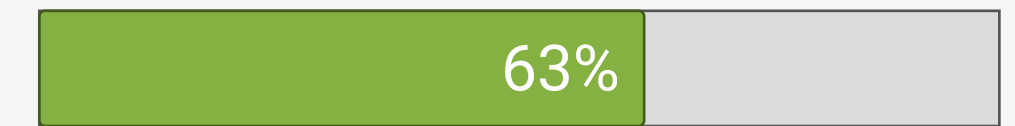
## Multiple Systems.

Using between 2 and 20 ERP and standalone systems to support AP. The same percentage of systems are reported to support AR.



## Operational Challenges.

#1: Manual processes.  
#2: Lack of tech or investment in operations.



## Staffing Level.

Treasury department is not appropriately staffed.



## Lack Time.

1 out of 3 have responsibilities that they don't have time to perform.



# POLL QUESTION

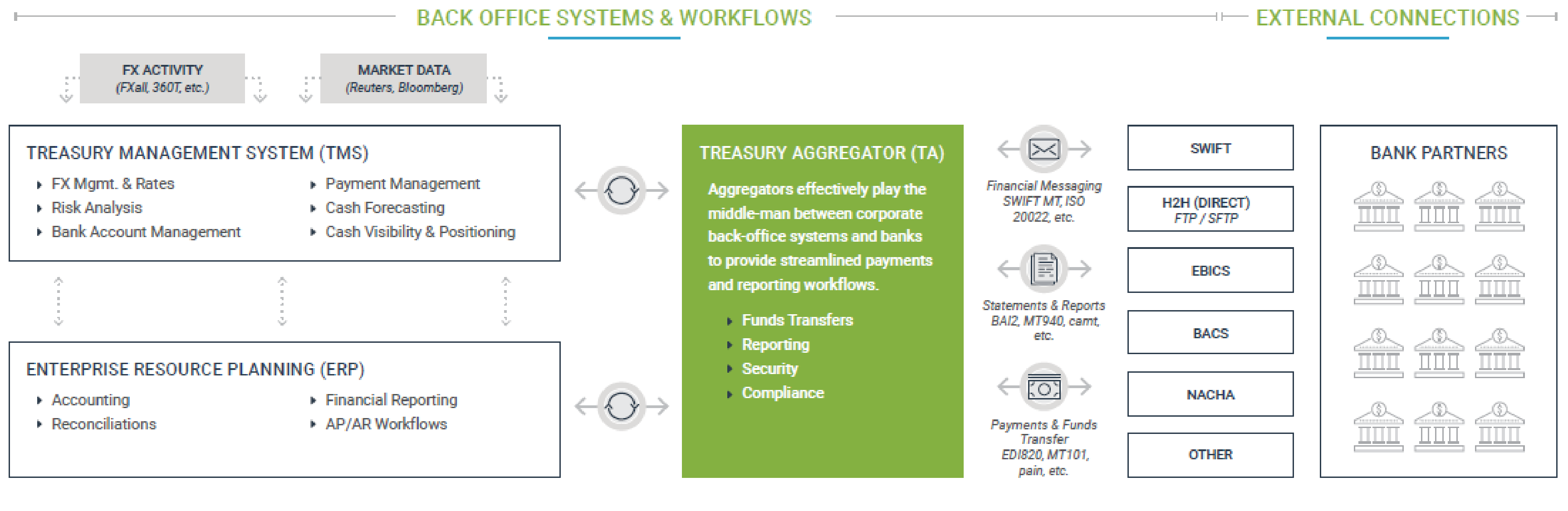
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# WHAT A TREASURY AGGREGATOR DOES

## DATA IN, PAYMENTS OUT

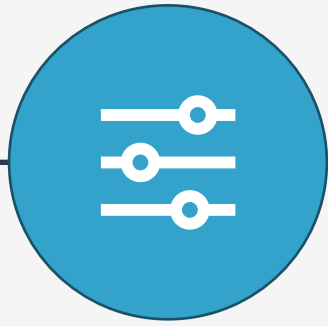
1. Connect to banks and gather (aggregate) your bank data
2. Send payments out (very much like a payment hub, but payment hubs don't do job #1)

### Sample Technology Infrastructure



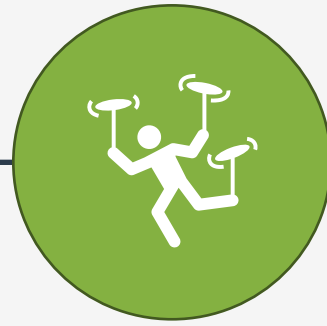
# WHO NEEDS A TA?

## A NON-EXHAUSTIVE CHECKLIST



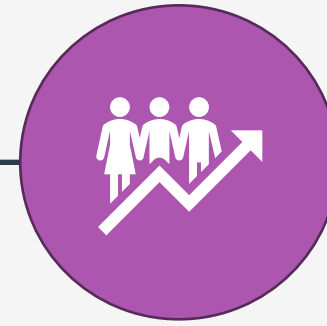
### **ALWAYS ADAPTING TO NEW FORMATS**

Your department routinely devotes significant amounts of time to adapting to new message formats for payments and reporting.



### **MULTIPLE PLATFORMS**

Your treasury team is juggling multiple systems that may not integrate smoothly with each other; or you have disparate payment processes and manually hand off information between systems.



### **RAPID GROWTH**

Your company is seeing rapid growth, expansion into new regions, or acquisitions of other companies at a rate that outpaces the growth of the treasury department staffing.



### **SECURITY & COMPLIANCE CONCERNS**

You recognize the increased threat levels from fraud and have seen internal expectations for security rise.



# DRIVING TREASURY AGGREGATION

## THE CHALLENGES

**34%** of respondents ranked complex message formatting as their top bank connectivity challenge.

### CONNECTIVITY OBSTACLES

**21%** ranked diverse connectivity channels (e.g., SWIFT, H2H, etc.) as their top connectivity challenge.

### TREASURY PAYMENTS COMPLEXITY

**42%** of corporates generate 10,000+ payments globally every month.

### OPERATIONAL CHALLENGES

**44%** of corporate treasury departments consist of three or fewer employees.

### FRAUD & COMPLIANCE CONCERNS

**72%** of corporates see the current compliance environment as being more restrictive than historical norms.

**76%** of corporates believe the threat of fraud has increased or significantly increased over the past year.

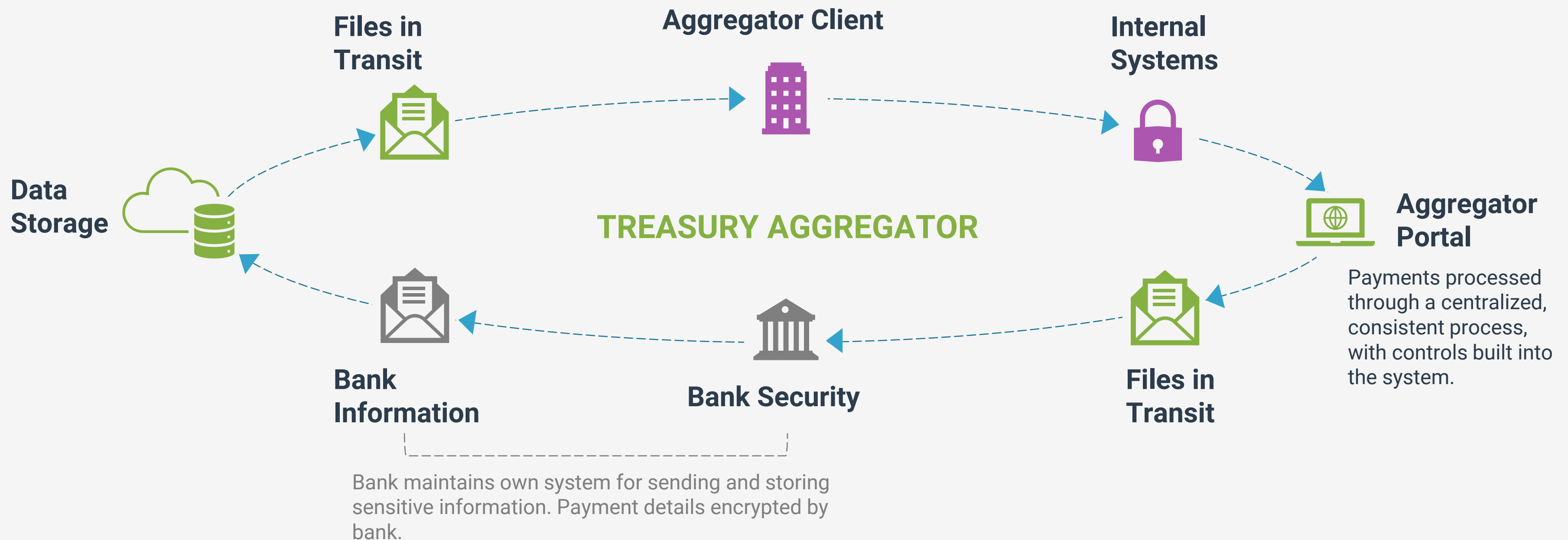
**83%** of corporates have experienced a BEC fraud attack within the past 2 years.



# AGGREGATOR SECURITY COMPONENTS

SIMPLIFY THE DEFENSE

Your firm's information and assets are made most vulnerable to attacks at the handoff points, and handoffs multiply with complexity. The more banks a company with manual processes has, the more logins it has that can be stolen. The more payments you make, the easier it is for a fraudulent payment to slip through. The more manual an approval process, the easier it is for steps to be bypassed and for staff to be too confused to recognize a real problem.



# PROBLEM I: PAYMENT TYPES & CHANGING FORMATS

SOLUTION: A "TRANSLATOR" THAT IS FLUENT IN ALL MAJOR FORMATS

## OLD STYLE

This file illustrates Version 2 transmission formats.

```
01,122099999,123456789,040621,0200,1,65,,2/
02,031001234,122099999,1,040620,2359,,2/
03,0123456789,,010,+4350000,,,040,2830000,,/
88,072,1020000,,,074,500000,,/
16,,115,450000,S,100000,200000,150000,,,/
49,9150000,4/
03,9876543210,,010,-500000,,,100,1000000,,,400,200000
88,500000,,,110,1000000,,,072,500000,,,074,500000,,,04
88,-1500000,,/
16,115,500000,S,,200000,300000,,,LOCK BOX NO.687
49,4000000,5/
98,13150000,2,11/
02,053003456,122099999,1,040620,2359,,2/
03,4589761203,,010,10000000,,,040,50000000,,,074,4000
88,400,50000000,,,100,60000000,,,110,20000000,,,072,1
16,218,20000000,V,040622,,SP4738,YRC065321/
88,PROCEEDS OF LETTER OF CREDIT FROM THE
16,195,10000000,1,,,/
49,180000000,6/
98,180000000,1,8/
02,071207890,122099999,1,040620,2359,,2/
03,0975312468,,010,500000,,,190,70000000,4,0,110/
88,70000000,15,D,3,0,20000000,1,30000000,3,20000000
49,140500000,3/
98,140500000,1,5/
02,071207890,122099999,3,040620,2359,,2/
03,7890654321,,010,800000,,,040,6000000,,,110,500000
88,4,/
49,11800000,3/
98,11800000,1,5/
99,345450000,4,31/
```

BAI

```
CHASUS33
940
MIDLGB22
:20:123456
:25:123-304958
:28C:123/1
:60F:C090123USD395212311,71
:61:090123C50000000,NTRFNONREF//8951234
ORDER BK OF NYC WESTERN CASH RESERVE
:61:090126C5700000,NFEX036960//8954321
:61:090127C200000,NDIVNONREF//8846543
:86:DIVIDEND LORAL CORP
PREFERRED STOCK 1ST QUARTER 2009
:62F:C090123USD451112311,71
:64:C090123USD445212311,71
:65:C090126USD450912311,71
:65:C090127USD451112311,71
:86:PRIME RATE AS OF TODAY 11 PCT
```





MT940

## NEW STYLE

```
<GrpHdr>
  <MsgId>2012-12-28-21.57.10.212988</MsgId>
  <CreDtTm>2012-12-28T20:57:10Z</CreDtTm>
  + <MsgPgntn>
</GrpHdr>
- <Stmt>
  <Id>2012-12-28-21.57.08.985714</Id>
  <ElctrncSeqNb>512</ElctrncSeqNb>
  <CreDtTm>2012-12-28T20:57:08Z</CreDtTm>
  - <Acct>
    - <Id>
      - <Othr>
        <Id>50070010/98765430000</Id>
      </Othr>
    </Id>
    <Ccy>EUR</Ccy>
  - <Ownc>
    <Nm>Example Customer</Nm>
  </Ownc>
  - <Svcr>
    + <FinInstnId>
  </Svcr>
</Acct>
- <Bal>
  - <Tp>
    - <CdOrPrtry>
      <Cd>CLAV</Cd>
    </CdOrPrtry>
  </Tp>
  <Amt Ccy="EUR">2856200.15</Amt>
  <CdtDbtInd>CRDT</CdtDbtInd>
  - <Dt>
    <Dt>2012-12-28</Dt>
  </Dt>
</Bal>
- <Bal>
```

CAMT (XML)

## ENRICHED FORMATS

-  Flexibility
-  Accuracy
-  Efficiency
-  Details

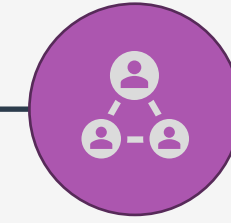
# PROBLEM II: DECENTRALIZED PAYMENT PROCESSES

SOLUTION: SECURE, SIMPLIFIED  
PAYMENTS THROUGH A  
CENTRALIZED PROCESS

As financial processes become more complex, our data and money end up scattered across multiple payment processes. This causes fraud vulnerabilities, confusion, lack of visibility, inefficiency and other problems. Centralizing payments through a TA allows the organization to grow safely and provides multiple other benefits, such as STP, rationalization, relationship management, centralized expertise, and validation and confirmation.



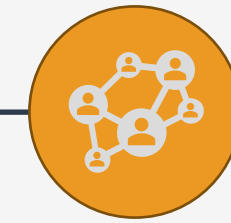
**STRAIGHT-  
THROUGH  
PROCESSING (STP)**



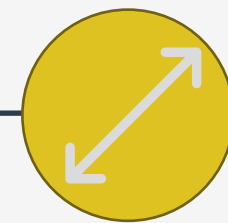
**VALIDATION &  
CONFIRMATIONS**



**SIMPLIFIED  
DEFENSE &  
ENFORCED  
CONTROLS**



**CENTRALIZED  
EXPERTISE**



**RATIONALIZATION  
& SCALING**



**BANK  
RELATIONSHIP  
MANAGEMENT**

# POLL QUESTION

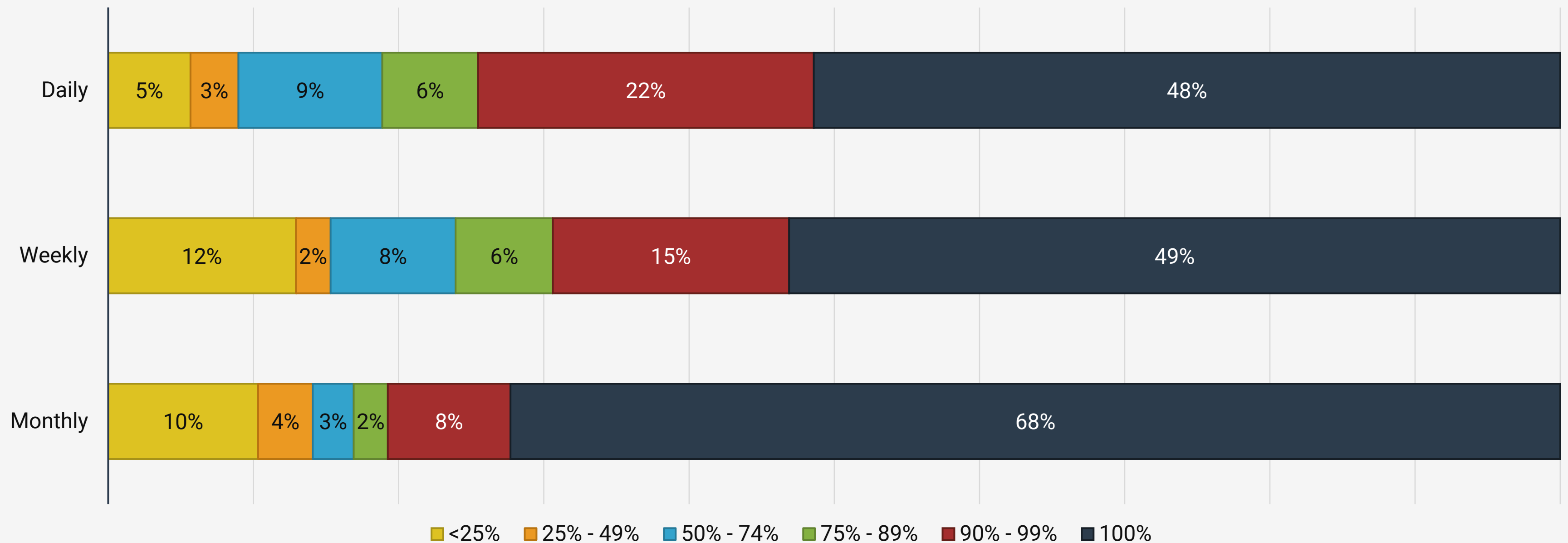
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# PROBLEM III: BANKS & BANK ACCOUNT COMPLEXITY

SOLUTION: AGGREGATING DATA FROM ALL THE BANKS AND ACCOUNTS

When accounts multiply as an organization expands, a point will come when manual processes for achieving visibility can't keep up. Rather than abandoning 100% daily visibility, many firms look to aggregators to automate the data gathering and aggregation portion, helping them maintain secure and efficient processes while supporting organizational growth.

» Corporate: What percentage of your bank accounts do you have VISIBILITY to within the following timeframes?

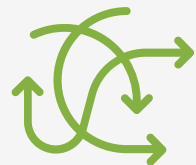




# PROBLEM IV: DATA SILOS

SOLUTION: AGGREGATING ALL THE INFORMATION

## HAPPENING NOW



### MISMANAGEMENT OF INFORMATION

Many organizations struggle with data siloes, where different information is kept in different departments and systems, and data is not smoothly shared across the company.

This results in repurchased data, version control issues, and interdepartmental conflicts, to name just a few of the problems. A treasury aggregator's connectivity helps by gathering large amounts of a company's financial data and connecting cleanly to other systems.

## THE FUTURE OUTLOOK



### EXPLOSION OF DATA

Data is growing annually by 40%, which means a quadrupling occurs every four years.

This explosion of data and the resultant increased expectations placed upon treasury mean we must have a method for accessing, organizing and exploiting information in a more automated manner.

# POLL QUESTION

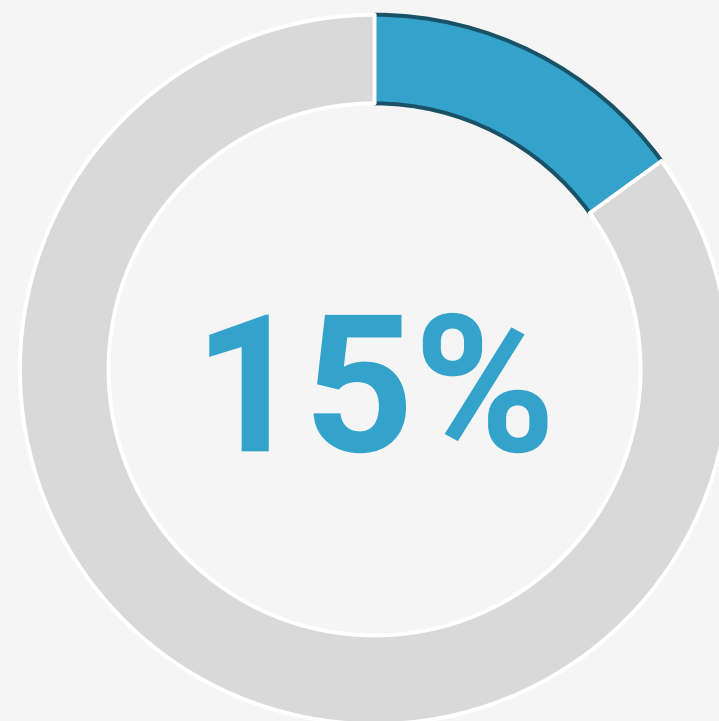
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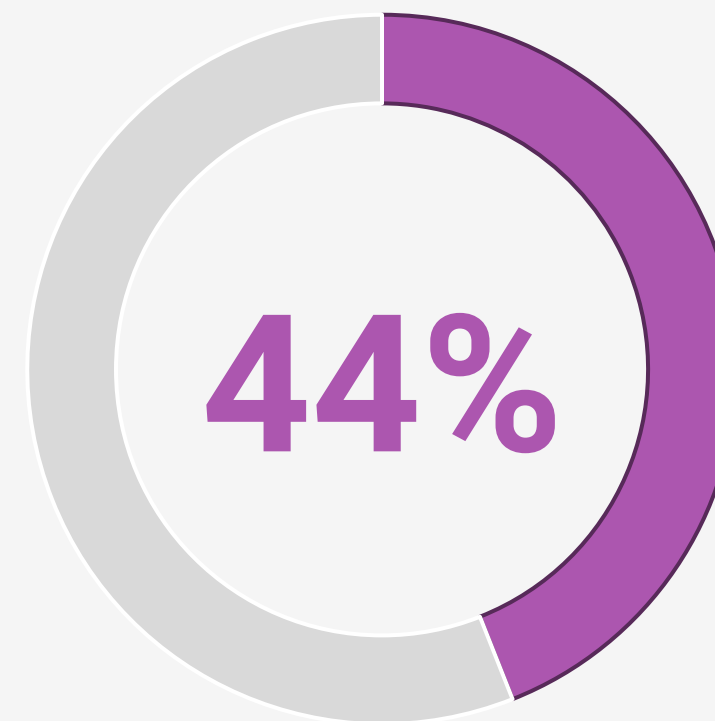
# PROBLEM V: PAYMENTS WITH SANCTIONED PARTIES

SOLUTION: SCREEN ALL PAYMENTS BEFORE THEY LEAVE THE BUILDING

Many companies are accustomed to relying on banks to bear the responsibility of sanctions screening, but governing organizations have started holding corporations responsible for transacting with sanctioned parties, with fines reaching over \$100,000,000 in recent years. Most aggregators will screen all payments against current sanctions lists, greatly easing that burden.



Inadvertently made or received a payment from a sanctioned party in the past 12 months. This is up from 11% the previous year.



Do not screen – their processing bank is the first party that would identify any sanctioned parties.

# FUTURE OF AGGREGATION

## EMERGING TECHNOLOGIES



### NETWORKS

Value of a network = who's on it + what you can do with it. Major networks include SWIFT, EBICS and Zengin. Many countries are seeking to improve payment network options, whether by creating new payment rails or by adjusting around a network already in place.



### APIs

Application programming interfaces (APIs) are seeing rapid adoption driven by PSD2. There are two main types of APIs treasurers should be aware of: RESTful APIs are highly efficient and preferable from a data management standpoint, but they are less commonly available. Web Services APIs are more common but comparatively roundabout and inefficient.



### FASTER, BETTER PAYMENTS

The corporate world is looking to increase its use of RTP (real-time payments), same-day ACH, SWIFT gpi, and other faster/better payments. It's not all about speed. Visibility, cost and enriched information are also factors.



### BIG DATA AND BI

Companies have plenty of data to analyze, and they have a need to analyze it. Finding, storing and managing that data is, however, difficult.



### MOBILE PAYMENTS

While banks are promoting mobile B2B payments, corporate interest is actually relatively low.



### BLOCKCHAIN

There is some interest in blockchain right now, but it's limited. Mixed signals make it difficult to anticipate how much corporate use will grow in coming years.

# POLL QUESTION

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# LEADING PRACTICES: OBTAINING & USING A TA

## SELECTION



### KNOW WHAT YOU ARE AIMING FOR

- Identify target state or operating model
- Understand that cost structures and connectivity options vary by vendor
- Perform due diligence on each potential vendor's financial strength and industry position

## IMPLEMENTATION



### NO TWO ARE THE SAME

- Realistically look at your organization's circumstances
- Use banded timeframes for completing steps instead of hard cutoffs
- Find the help you need:
  - IT
  - Vendor support
  - Third-party consultants

## USE



### TRAINING & COMMUNICATION ARE KEY

- Train staff in close proximity to use – too early and they forget what they learned, too late and bad habits may have already formed
- Communicate with IT on integration
- Give bank onboarding plenty of time for compliance and documentation

# ANALYST REPORT SERIES

TREASURY'S GO-TO SOURCE FOR INSIGHTS INTO THE LATEST  
DEVELOPMENTS, TRENDS & SOLUTIONS



## VENDOR ANALYSIS

Each vendor section includes a company overview and snapshot for at-a-glance comparison, along with a detailed summary of their relevant solution(s). Additional coverage related to customer experience, servicing, event attendance, product release notes, and more can be found via vendor pages (updated quarterly) on [strategictreasurer.com/reports](https://strategictreasurer.com/reports).



## THE DEFINITIVE GUIDE TO TREASURY AGGREGATORS (BANK CONNECTIVITY SOLUTIONS)

The Treasury Aggregator Analyst Report includes a vendor section detailing individual treasury technology providers.



[Download Report](#)

