Driving into the digital future

WHAT ARE THE CHALLENGES FACING BANKS IN THE TECHNOLOGICAL AGE? ISAAC THOMAS EXPLAINS

In today's financial world, success depends upon who holds innovative technology and how it can be leveraged to give added value to their counterparties. Corporate treasurers today are faced with a problem of plenty when it comes to banking partners. The future is a world without paper and a world where information is needed at the touch of a button if companies are to keep innovating.

According to recent surveys, corporate treasurers regard integration and standardisation of data between their own enterprise resource planning (ERP) systems and their banks' back-end systems as one of their top three most important criteria when they select their cash management banks.

In their drive towards a digital future, banks will need to evolve in the following key areas:

- Greater financial integration;
- Supporting the new-age treasurer;
- Greater focus on straight-through processing (STP) and client service;
- Innovative products and deeper understanding of client needs; and
- Keeping pace with fast-changing regulatory policies and initiatives.

Greater financial integration

Due to the growing commoditisation of standard cash management products and services in the United Arab Emirates (UAE), corporate and financial institutional clients are looking at achieving greater integration with bank systems, using standardised and bank-neutral formats such as SWIFT and XML. Banks are being actively pushed to provide comprehensive solutions that interface with their clients' suppliers, customers, telecom and utility companies, cash transport providers and credit card networks, etc.

Government policies and regulations also play an active part in developing an end-to-end portal/payment gateway for regulated services.

A major challenge today is the fragmentation of technology solutions and platforms that exist within the infrastructure of banks. This makes a seamless integration with the client's system extremely costly and time-consuming. Fortunately, some banks have been proactive in this regard and have invested in state-of-the-art technologies that are scalable and cost-effective.

Local and international banks within the UAE have varying levels of expertise when it comes to these services. And the technology-focused cash management banks are in an advantageous position in this regard. Typical implementation turnaround times for integrated solutions vary according to the complexity of the integrations, the formats used and the commitment levels of the clients in going ahead with such solutions.

Supporting the new-age treasurer

The modern-day treasurer is on the move and wants information at their fingertips. In this regard, the treasury needs to evolve beyond the standard, office-bound desktop and laptop capabilities. Among other activities, treasurers and finance managers increasingly need to approve payments, review their company's liquidity position, monitor time and expenses, and check utility bills through smartphones and tablets. So banks must quickly adapt to these new technologies and requirements if they are to survive.

In the UAE, banks have only just started to provide maintaining business with the banks. Banks in the Middle East, and specifically in the UAE, have not really focused on client service to date.

In general, the client experience needs to be more consistent. There is greater emphasis on service confidence levels and availability of service across different time zones. Clients are increasingly sensitive to needs to be more of a client-driven strategy and less of a product-driven strategy. Today, in the push for sophistication and speed to market, corporate treasurers believe that banks are not doing enough to really understand their needs.

Today, the larger and more sophisticated clients are pushing their bankers to discuss new ideas and

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mobility solutions for their clients. With these, corporate treasurers are asking banks to not only focus on the cash management and payment-related functions, but to also take a more holistic view of the business (for example, trade, receivables finance, factoring, payable financing).

Some client profiles, such as SMEs, require their banks to support them on digital cross-selling and online advice. They typically have cost and infrastructure constraints and hence look at mobility solutions to access bank-sponsored portals that function almost like their ERP systems.

In order to meet these demands, the bank legacy systems have to be quickly revamped and upgraded to the latest technology infrastructure (such as cloud infrastructure and computing) that is compatible and easily integrated to a host of client-centric delivery channels, including, but not limited to, mobile banking.

Greater focus on STP and client service

For treasurers, the quality and availability of services figure as the most important factor in selecting banks and high error rates and link bank service fees and compensation to the added value of the bank services. Some banks have been very proactive in this regard and have implemented several initiatives that focus on increased STP and proactive service models. Providing state-of-the-art e-channel solutions and industry strength standardisation are futile exercises if they still result in a paper drop when they encounter the bank's systems. Banks have to provide end-to-end automation for every client interaction with the bank if they are to be competitive in today's digital environment.

Client service models also need to be revamped to provide simple-to-use service tools such as client-centric customer relationship management (CRM), automated work-flow management, service reviews and mobility-based client service, etc.

Innovative products and deeper understanding of client needs

Technology will play a much greater role going forward when it comes to innovative product development and channel strategies. But this solutions. As a result, they are more willing to discuss their internal processes in greater detail and suggest solutions that lead to possible re-engineering of business and financial processes in order to achieve their objectives. Other, more relevant, client requirements today include client-based CRM solutions, complex integrations with multiple ERP systems and point of sale-based receivable solutions using virtual accounts, etc. Clients want to be part of product brainstorming sessions and to participate in joint proof of concepts for new product ideas. They also want to be involved in joint application testing much earlier in the product development cycle.

Keeping pace with fast-changing regulatory policies and initiatives

The regulatory burden on banks and clients will continue to be a real challenge, especially within the cash management arena. Basel III will affect the way that banks manage their clients going forward. Capital allocation will have to be compensated by transactional business such as cash management. Corporate treasurers appreciate this and hence will be more selective in the choice of their banking partners in future.

Due to the requirements and implications of the Foreign Account Tax Compliance Act and Dodd-Frank, treasurers increasingly prefer to work with banks that are able to leverage technology solutions for automated transaction monitoring, interdiction and screening, etc.

Central banks have been very progressive in markets such as the UAE where they are working with banks to launch new services that are helping to streamline banking practices such as automated wage processing services and direct debits. Some banks have had great success with thought leadership in matters relating to payment and land escrow-related initiatives.

In conclusion, the phrase 'trusted adviser' is often used in conversations relating to relationship banking. Never before has that phrase meant more than today and in the coming digital future. Relationship banking alone will not provide this comfort to corporate treasures. Banks need to embrace the digital changes and work with corporate treasurers because when that happens, banks with successful relationship banking and technology skills become extensions of the clients' own working model and infrastructure, and the future is then secure.

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