



Embracing digitisation

THE MIDDLE EAST HAS A RENEWED FOCUS ON DIGITISATION AND IS WELL PLACED TO SUCCESSFULLY HARNESS THE POTENTIAL OF NEW TECHNOLOGIES, SAYS NEENA PRAKASH

Corporates and banks have come a long way in their journey towards digitisation. The transformation is being driven by clients who are more digitally aware, plus new fintech innovations from start-ups and banks. Banks are starting to offer their customers an end-to-end digital experience where customers can use their smartphones or tablets to do everything from opening a new account, submitting KYC documents, making payments and conducting trade transactions – all without visiting the bank.

Although the Middle East has been slower to migrate to new technologies historically, we are now seeing an increased investment and focus. Companies are keen to explore innovative solutions in order

to achieve their business goals and sustainable growth. As late entrants, Middle Eastern banks and corporates can take advantage of the learning and experiences already gained in other parts of the world, allowing them to focus on those innovations that meet the specific requirements of corporates in the region and to address their pain points.

Global technology trends in banking

Banks are also revisiting their legacy operating models as they continue to navigate complex regulatory requirements, looking for agility and technology

expertise that will support their scale, security requirements and ability to comply with complex regulations. Banks have the option of either building these capabilities bottom-up or partnering with technology companies in order to meet the specific requirements of their customers.

One of the key trends emerging is blockchain technology, which is revolutionising the thought process around shared ledger management and smart contracts. A number of fintechs have built specific applications based on blockchain, such as real-time payment, transaction

and FX settlement systems. The trade finance ecosystem – with its requirements to issue letters of credit, validate trade documents and support end-to-end tracking of goods – is being explored for use with smart contract applications. However, these systems are yet to mature into real-world applications.

Another prominent trend is the use of advanced analytics to deliver an array of highly personalised best-in-class financial solutions. Corporate customers seek banking partners capable of making banking processes easy, and capable of leveraging insights to enhance engagement, making it intelligent and simple. From the design of online and mobile banking apps to the digitisation of documentation, the customer wants their financial partner >

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to be integrated with their daily activities.

In addition, application programme interface (API) banking gateways are becoming relevant as a means to structure simplified services from a single provider.

Corporate banking trends

The United Arab Emirates (UAE) historically has been a central trading hub, providing business-friendly processes and regulation. It is a diverse marketplace in terms of corporate cultures and values, ranging from family-owned local businesses to multinational companies. Uptake in the adoption of smart and digital technology in business has been increasing as corporates change their approach to customer engagement and as they explore automation as a means of achieving cost-efficiencies. Disruptive technologies are changing the role of corporate treasury, and regulatory imperatives are moving corporate banking strategy in new and unprecedented ways.

Traditionally, the main factors for choosing transaction banking partners have been costs and operational efficiency. However, in recent times, corporate treasury focus has changed, and price is no longer the key consideration for choosing a partnering bank. According to PwC's *Global*

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Treasury Survey this year, the corporate treasurer's priorities, when choosing a banking partner, include 'participation in credit and funding', 'quality of service' and 'banking capabilities'. Corporates are looking for service reliability, technological capability and the ability to provide an evolving range of products and services.

Added to these factors, workforce demographics are changing as millennials join the workforce in the Middle East. Many start-up companies and treasurers are tech-savvy and require banking partners that complement this culture with a digital framework for onboarding and digital account management.

Digitisation has led to the commoditisation of traditional services. In one manifestation of this, real-time connectivity and processing across the banking network has served to push down transactional costs between correspondent banks, a saving that can be passed on to corporates.

Blockchain allows value to be transferred without a central, controlling authority or a middleman to verify the transaction. Wholesale banking is heavily regulated and requires banks to provide

both relationship banking and advisory services to clients. Considering the trading environment in the UAE, banks will focus on providing simplicity and transparency in their settlement services and transaction banking to corporates, similar to the way price-comparison sites work in online retail. In the Middle East, blockchain is currently in its hype phase; that is to say, being explored with full commitment from regulators, banks and corporates.

Digital transformation in the UAE

Going digital has been a win-win situation for banks and corporates in the UAE as the economy diversifies. The UAE government is driving smart government initiatives aimed at delivering customer-centric services and building operational efficiencies within the economy.

For instance, a UAE smart government initiative to develop a single-payment gateway for government payments has transformed the existing payment method from cash to cards and digital payments. And the UAE Banks Federation has launched a mobile wallet project that

will allow bank customers to make payments with their mobile phones through near-field technology. The UAE's banks are also actively moving towards digitising their end-to-end processes to enhance usability and to better meet customers' requirements.

The road ahead – collaboration

Transforming customer experience is a difficult process and transitioning to a successful digital business requires clarity about the value drivers for the customer. Wholesale banking is investing in enhanced cash management capabilities, implementing real-time processing for trade and simplifying bank-to-corporate connectivity. Direct connected services, such as host-to-host and secure file transfer protocol and APIs, which provide real-time transaction processing to corporates, have become standard offerings.

However, successful adoption of new digitisation initiatives will require an enterprise-wide change and engagement from all stakeholders. Harnessing collaboration with internal and external partners, strengthening customer relationships and improving operational controls will ultimately result in a customer experience that delights at every level of interaction. Transaction banking is a relationship-driven business with a long life cycle, and so close cooperation with corporates will determine its ultimate success.



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