

THE PERFECT STORM

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In recent years, Transaction Banking, in conjunction with various market-changing dynamics, has significantly reshaped the landscape of financial services. With the rapid evolution of technology, traditional banking methods have given way to more efficient, digital solutions. Transaction banking has become increasingly prevalent as a backbone of enabling financial transactions in a world that is extensively automating itself to make way for efficient and instant gratification in money management. It encompasses areas such as cash management, payment services, trade finance, and securities services. This move towards digital solutions has not only streamlined operations but also improved transparency and security, thus enhancing customer experience. Moreover, it has unlocked new revenue streams and opportunities for businesses, fostering growth and innovation in the banking industry.

An upcoming white paper will look at 7 focus themes of market perspectives and 3 key strategic directions adopted by banks.

Market Perspectives – From PMC Treasury

1. The speed of financial risk is real-time, but most corporate Treasury operating models are batch - As real-time payments are adopted, transactions will settle throughout the day. In today's batch world, transactions largely settle overnight (except for largely predictable collection activities and known urgent payments), while in the new real-time world understanding one's cash position and the level of precision in the cash forecast becomes vastly more critical

2. Fraud risk is intensifying at the intersection of digital channels and social engineering - Treasury departments beset with staffing challenges or turnover are particularly vulnerable and would clearly benefit from stronger controls and predictive intelligence to flag and prevent fraud.

3. Supply chains are normalising post-COVID, but many companies have significant friction and inefficiency in the working capital cycle - Companies are trying to digitise and automate the working capital cycle to maximise efficiency and accelerate execution and insights. Winning firms will leverage data and disciplined management processes to improve forecasting and collaboration around exceptions and disputes through the integration of critical data with customers and suppliers.

4. We face economic uncertainty - exacerbated by increased political risk - with attendant risks to shifts in rates, inflation, and currencies - Many companies were unprepared for the impact of recent events on currency, interest rate and commodity markets and incurred financial losses as a result. Today's turbulent market suggests that additional "tail events" could arise.

5. Banks must construct a diversified operating franchise to thrive in the face of changing customer behaviour - The recent banking crisis reminded treasurers and CFOs that uninsured bank deposits – and moreover, the ability to clear transactions – are only as secure as a bank's credit position. With the increase in interest rates, firms are also waking up to the value of their cash and increasingly seeking yield.

6. Corporates and banks must do more with less in a period of accelerating change – and hiring, developing, retaining staff is harder than ever - Most treasury and finance functions are small and sub-scale: prone to key-person risk, with disjointed data and technology, and inadequate automation and process orchestration. CFOs and Treasurers must address this challenge in multiple ways.

7. Everyone knows AI is going to change the world, but how it will do so – especially for Treasury groups - is unclear - The internet is abuzz about AI, and AI is accessible to the world through ChatGPT and other online tools that eliminate the need to understand complex mathematics to unlock the power of AI. Many firms are already using AI, unaware that it is central to their financial processes, as these solutions are embedded in critical tools.

Strategic Market Directions – From Intellect Global Transaction Banking

1. The face of commercial banking as we have known is changing - The needs of the individual drive the needs of the institution - In other words, the needs of the end users in commercial banking is increasingly being driven by the focus on "consumerisation", which is literally the way in which the behavioral, operational and technological aspects of an individual consumer shapes up and dominates

how businesses think and work.

2. “With great power comes great responsibility” – Solution providers are making quantum leaps in their ability to assist banks in accelerating their pathway to becoming the principal banker for their clients - If you break it down to the basics, when banks look at enabling Transaction Banking capabilities for their clients, they trying to solve for three basic needs, which are to Make Money, Move Money and Manage Money.

3. Technology frameworks with an eMACH.ai compliant framework will be key to helping banks to compose their own signature solution - Banks of today are faced with the need to create a highly competitive environment where the need to identify themselves as a best-in-breed offering for their clients dominates the thought behind creating a solution that is highly unique to the bank, which means that is has to be extremely composable.

eMACH.ai is the framework that offers a broad, comprehensive, composable and contextual platform that delivers the capability to compose technology solutions to revolutionise the way financial services institutions operate.

Recap: Preparing for smooth sailing across turbulent seas

Today's Treasurer and CFO must ensure they are working efficiently and effectively – and exerting proactive leadership to preserve and create value. Banks must understand the options and challenges facing their clients and decode how best to help their customers attend to threats and seize opportunities.

- Deploy automation and value-added analytics to accelerate and improve processes, controls, and decisions.
- Prepare to adapt to a real-time world. In the short-term, pilot and experiment, focusing especially on risk and liquidity.
- Automate or outsource repetitive tasks in a manner that reduces risk, improves governance, and delivers value-added analytics.
- For banks, leverage transactional data to deliver value-added insights to customers. • Experiment with AI – learn and discover the full range of applications and benefits that can be realised.