

# 2017 Transaction Banking Survey

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Challenges and imperatives of real-time payments  
and liquidity

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## Summary

### Catalyst

The banking services required by corporate treasurers in the modern business environment are changing rapidly – more rapidly than banks are responding. Over the next few years, this will change further, as the major economies of the US and the European Union implement real-time payment (RTP) infrastructures, and open banking through API access to accounts is rapidly adopted.

To more clearly understand the operational issues facing today's corporate treasurer, as well how changes in payment infrastructures affect the way in which banks can enhance their service offerings to address those needs, Ovum undertook a major research project in 2Q17.

This report provides insight into the priorities and attitudes of today's corporate treasurer and shows where the banks that service them need to invest to satisfy their needs.

### Ovum view

Corporate banks' lack a complete picture of the needs of their corporate treasury clients. The introduction of RTP infrastructures allows them to develop product and service offerings that go some way to addressing core corporate treasurer pain points in several areas – notably, cash and liquidity management.

In addition, the move to real-time systems will be a key enabler in the development of new customer services and business opportunities, as the complementary effects of API-enabled open banking ecosystems develop.

But, while RTP capability allows banks to address some of the immediate challenges facing corporates, it also raises the expectations that corporates have of their banking partners. Awareness of the complexity of managing accounts seems to increase once RTPs show clients what is possible.

The winners will be those banks – and non-bank service providers – that look beyond the immediate concerns of compliance, realize how profound and how rapidly change is coming over the horizon, and develop capabilities and strategies to compete in the new environment.

### Key messages

- Corporates are increasingly willing to change service provider – in countries that have yet to implement RTP infrastructures, 80% said that they had considered moving their main banking relations in the past year. This figure falls to 75% in countries that have RTPs – both considerably higher than the 52% that gave the same response in 2016.
- Corporates are increasingly concerned about their ability to access bank data for decision making – the percentage of respondents citing this as their top challenge rose from 1% in 2016, to 13% in 2017.
- Managing multiple relationships is a growing concern – 18% of respondents say this is their top challenge, up from 12% in 2016.
- There have been improvements in the provision of up-to-date cash positions – 15% saying this is a top issue in 2017, down from 23% last year.

- Virtual accounts are high on the agenda for all banks – 53% of corporate banks plan to provide virtual accounts in the next 12–18 months, rising to 37% among banks operating in countries with RTPs.
- Moving to RTP infrastructures poses financial crime risks for banks – 69% of all banks said that know-your-customer (KYC) risks are increased; among Tier 1 banks, this rises to 80%.

## Recommendations

### Recommendations for financial institutions

It is hard to overstate the changes that will result from open banking initiatives, mandatory or otherwise. Financial institutions must recognize that RTP infrastructures are the first step in that transformation and plan accordingly.

It is also an international trend, and although the impetus in different regions is driven by domestic concerns, there is already a movement towards internationalization, which is a more important consideration for corporate and transaction banks.

In the immediate short term, a tactical deployment of a RTPs platform alongside existing systems may be the most appropriate solution, but only if undertaken in the context of a longer-term view. Building new products and services, such as virtual accounts, on top of real-time capabilities (and in the context of open banking) is the real benefit that will be realized from the move.

### Recommendations for vendors

With the implementation of RTP infrastructures well advanced in many countries internationally, many vendors will have practical experience of their development and rollout, while others will have patterned with or acquired specialist vendors with such experience.

They are strongly placed to leverage their knowledge and tools in markets close to implementation, but they must bear in mind several considerations: Firstly, not all domestic schemes are the same and this will have a bearing on how banks see their strategy developing – Australia's New Payment Platform features real-time settlement, for example, which will put issues of risk management and fraud uppermost in the minds of participants.

Equally, they must bear in mind that some corporate banking arms will see RTPs and open banking as wider bank concerns, and not consider or be aware of the opportunity to improve products and services. Vendors should look to develop a partnership relationship and help banks understand how the true opportunity comes from addressing customer needs by layering new products and services on top of real-time capabilities.

## Corporates face many challenges, some of which are due to gaps in bank services

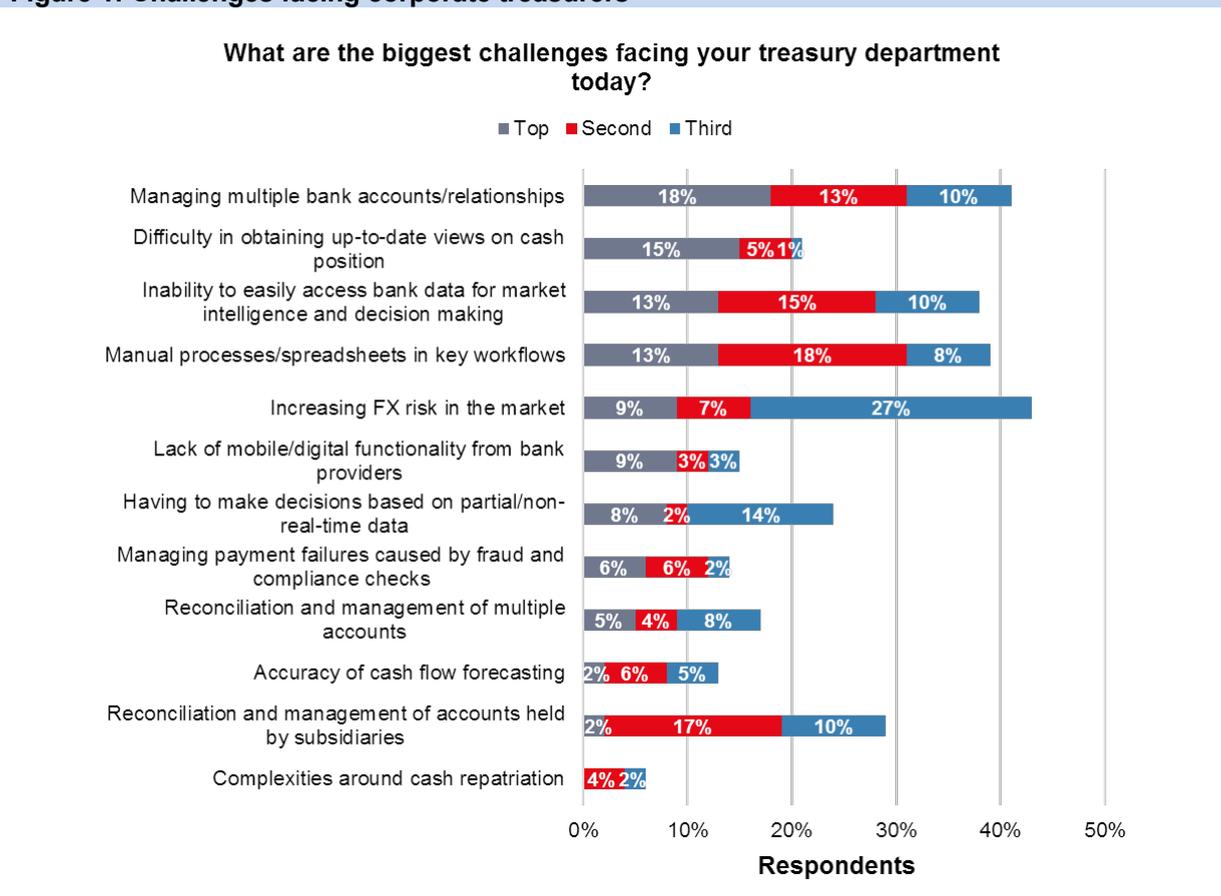
### Managing multiple accounts and obtaining easy access to transaction data remain key issues

Having multiple banking relationships and the difficulty of obtaining up-to-date views on cash remain core problems for corporates, with 18% saying multiple relationships is the biggest challenge their treasury departments face.

Overall, 42% of corporates sampled have relationships with more than six banks, rising to 53% for those corporates with revenues larger than \$5bn. This latter group also has an average of eight accounts per bank – giving them at least 42 accounts to manage across different providers. Aside from the inevitable challenges this poses to effective liquidity management, this necessarily involves manual steps and complex work-arounds to obtain the minimum level of intraday balance oversight.

The treasurers interviewed for Ovum's 2017 Corporate Treasurer survey said that the highest valued services are in data access and availability.

**Figure 1: Challenges facing corporate treasurers**



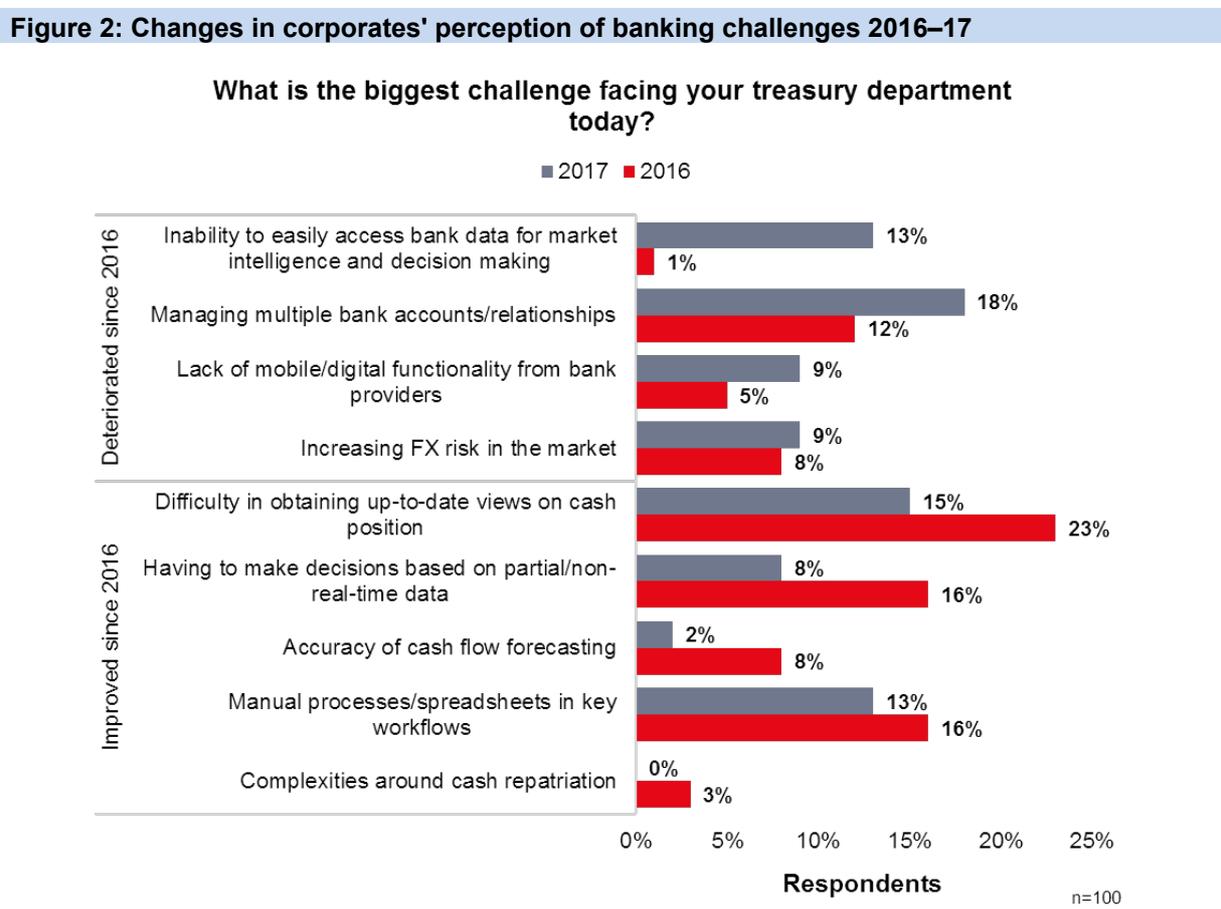
Source: Ovum 2017 Corporate Treasurer survey

## While corporate needs are changing, managing cross-bank complexity and data access remain key unaddressed issues

Comparing this to the results from Ovum's 2016 survey of corporate treasurers shows how the needs of corporates continue to evolve; in many areas, it also demonstrates where some banks have delivered enhancements to their overall service proposition.

As shown in Figure 2 (below) the management of multiple banking relationships is a growing concern, cited by 18% for the corporate treasurers as their single biggest operational challenge, as compared to 12% in 2016.

Perhaps most interesting is the focus around access to data. Driven by a growing awareness (and, in some cases, direct experience) of open banking initiatives, the proportion of corporates that view the inability to easily access their transaction data as their most important operational challenge has increased from 1% in 2016, to 13% in 2017.



Source: Ovum 2017 Corporate Treasurer survey

## There are gaps in understanding between what corporates need, and what banks believe they need

Comparing corporate views with what corporate banks believe are the issues facing their clients shows that only in a few areas do banks' views of customer challenges match up to the views of corporates themselves (see Figure 3). While 27% of banks recognize the problems their clients have in reconciliation processes – close to the 29% of corporates that cite this as a problem – they fall very

short on understanding worries about FX risk (24% of banks against 43% of corporates) or accessing bank data for management information and decision making (18% of banks against 38% of corporates).

They also considerably overestimate the importance corporates place on the difficulty of making decision based on partial or non-real-time data, with 40% of banks citing it against 24% of corporates. Having had to manage for many years with this situation, most treasurers have found solutions. However, this does not mean that it is not a core area for institutions to look to develop enhanced offerings around.

**Figure 3: There is a clear mismatch between what corporates report are their top three business challenges, and what corporate banks believe**



Source: Ovum 2017 Corporate Treasurer survey, Ovum 2017 Corporate Banking survey

Interestingly, those banks operating in countries that have implemented RTP infrastructures have a different understanding of the issues relating to data incompleteness and the lack of real-time data in decision-making processes, and place a higher importance on the issue; in RTPs countries, 43% of banks say the biggest challenge facing their client is having to make decisions based on partial or no real-time data, compared to 30% in countries that have yet to implement RTPs.

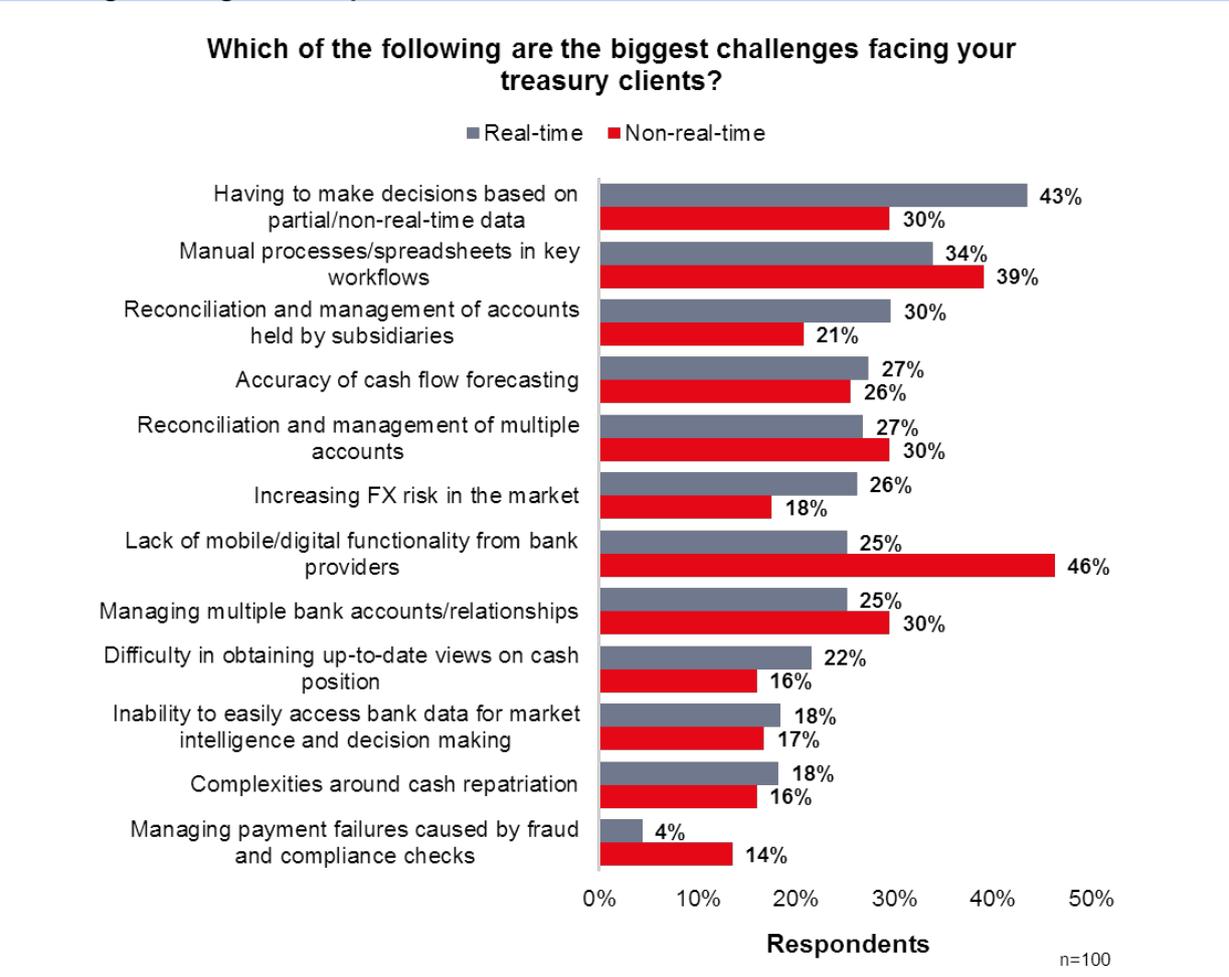
The likely explanation for this is in the consumer banking roots of RTPs in countries such as the UK; prior to the introduction of Faster Payments, business and corporate account holders had a better view on their accounts through dedicated portals (for which they were charged a premium). Widespread consumer use of RTPs turns that on its head, and in many cases it is currently possible that a business account holder will be paying for a banking service that is less capable than they are

used to receiving from the personal banking app on their smartphone. As a result, they are demanding more from their banks, and banks are noticing.

In other areas, it is clear that banks in non-RTP countries see other challenges as more important to their corporate clients, notably among the 46% who see the lack of mobile/digital bank services as the top issue.

Again, the consumer experience suggests that mobile banking and RTPs go hand in hand, and it is impossible to have a rich customer experience (either as a personal or business users) with a smartphone or tablet app that is not getting up-to-date account information.

**Figure 4: There are differences between how banks in RTP and non-RTP markets view the challenges facing their corporate clients**



Source: Ovum 2017 Corporate Banking survey

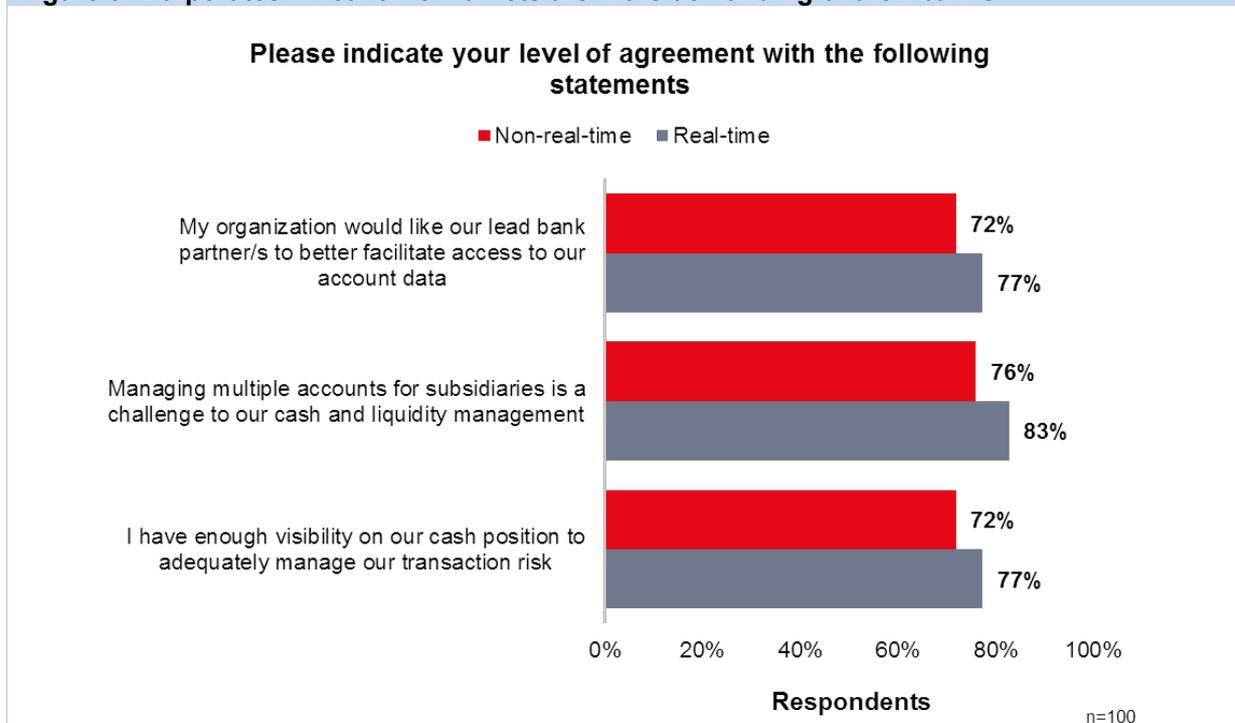
## Real time provides a platform for wider enhancements to corporate banking services

### Access to RTPs increases the expectations corporates have of their bank partners

While RTP capability allows banks to address some of the immediate challenges facing corporates, it also raises the expectations that corporates have of their banking partners. Awareness of the complexity of managing accounts seems to increase once RTPs show what is possible, with 83% of corporates in RTP countries citing this as a challenge, compared to 76% in non-RTP countries.

This suggests that banks need to do more than simply put real time in place; they need to invest in additional services on top of the infrastructure to address the core needs of corporate customers.

**Figure 5: Corporates in real-time markets are more demanding of their banks**



Source: Ovum 2017 Corporate Banking survey

A key indicator that banks in all markets really need to double-down on their investments to enhance the service offering is shown by the fact that corporates are increasingly willing to change service provider; in countries that have yet to implement RTP infrastructures, 80% said that they have considered moving their main banking relations in the past year. This figure falls to 75% in countries that have RTPs, but both are considerably higher than the 52% that gave the same response in 2016.

### Real time enables immediate enhancements to several areas of the corporate banking proposition

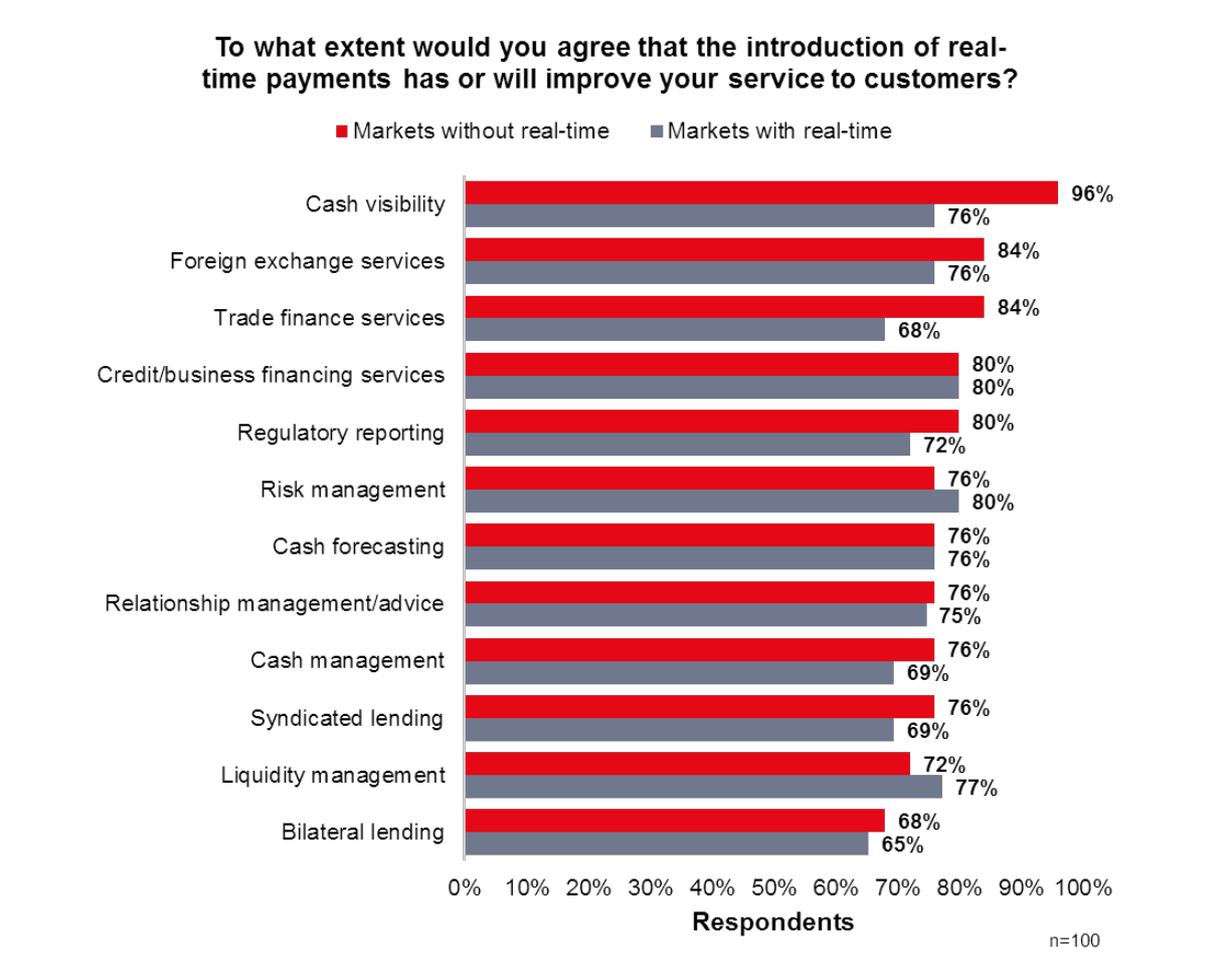
Those banks (and corporate treasurers) operating in countries yet to implement RTP infrastructures can learn from the experience of those that have been through it. Many corporate banks are recognizing that the new capabilities RTPs bring will allow them to make considerable improvements

in their service offering, but they have a different set of expectations from those that have been through the process (see Figure 6).

In general, banks in markets without domestic real-time infrastructures have a more optimistic view of where they will see improvements, notably in cash visibility, where 96% (perhaps justifiably) expect to see an improvement, against the 76% of banks in RTP countries who said that this has happened in their experience. Their expectations of improvements in foreign exchange and trade finance are also ahead of the experience of those operating in RTP countries.

Conversely, banks in these non-RTP countries underestimate the potential for improvements in liquidity management (72% against 77%) and risk management (76% against 80%); in both cases, the availability of real-time domestic payments – coupled with the benefits from the systems enhancements required to deliver this – has meant that banks have been able to enhance their offerings to corporate customers.

**Figure 6: Expectations over RTP-inspired service improvements differ from reality, with risk management and liquidity management two key areas**

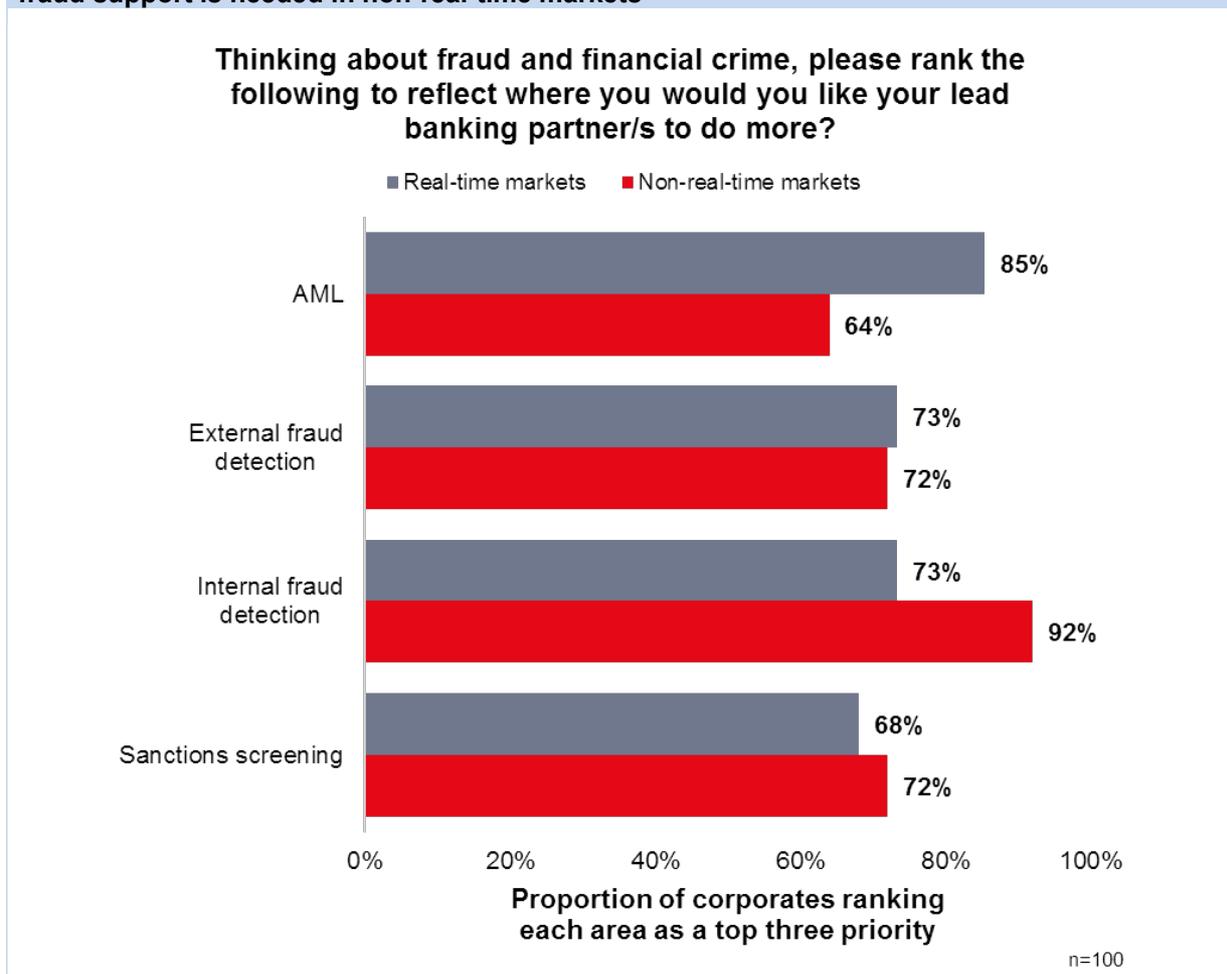


Source: Ovum 2017 Corporate Banking survey

## An additional benefit of real time is that investments in reducing financial crime risk can also solve a clear corporate pain-point

Unsurprisingly in the current operating environment, corporates report a clear need for new services from their bank partners to assist them to combat financial crime risk, especially in areas where they feel banks are better placed to address these. This is a common theme across all markets, but particularly among those with RTP infrastructures. With most banks investing in upgrades to reduce their own financial crime risks as part of the move to real time, this is a further additional benefit that banks can derive from their wider investments in RTP infrastructures.

**Figure 7: Corporates in RTP markets want banks to help them address AML, while internal fraud support is needed in non-real-time markets**



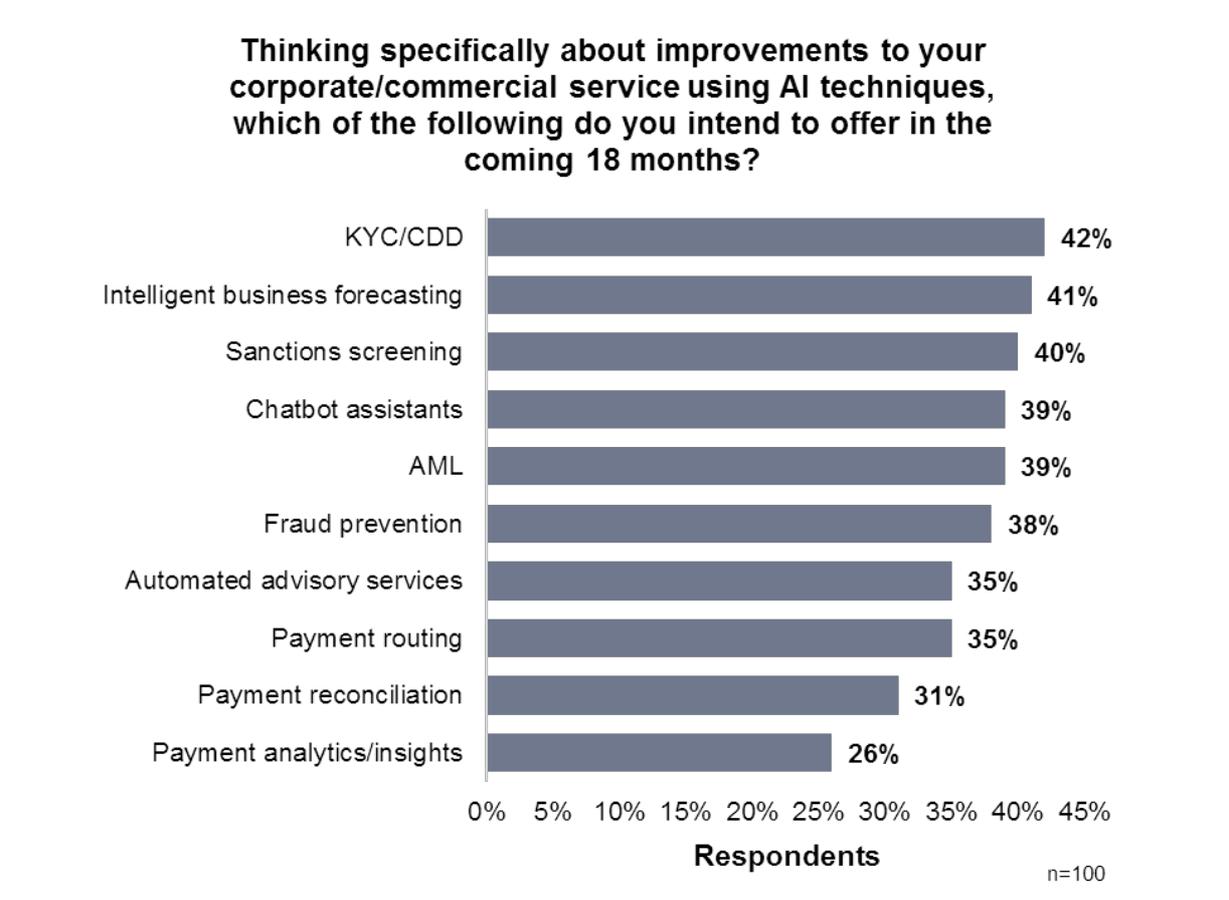
Source: Ovum 2017 Corporate Treasurer survey

Banks see artificial intelligence (AI) techniques addressing some parts of the financial crime issues as a route to better compliance and process. Enhancements to KYC, sanctions screening, and anti-money laundering (AML), unsurprisingly, are all high up the list. Just 9% say AI is not part of their immediate plans, with 49% reckoning they already use AI (although given the hype in this area, that may reflect the confusion with advanced analytics).

Interestingly, the figure is lower (39%) in the real-time markets, but that is probably because they have already had to make improvements. In markets with no RTPs, 52% are going to invest in AI-based KYC solutions in 2018.

AI is also seen a route to providing intelligent business forecasting by 42% of respondents, addressing another strong requirement of corporate clients.

**Figure 8: AI features strongly in corporate banks' plans to address financial crime**

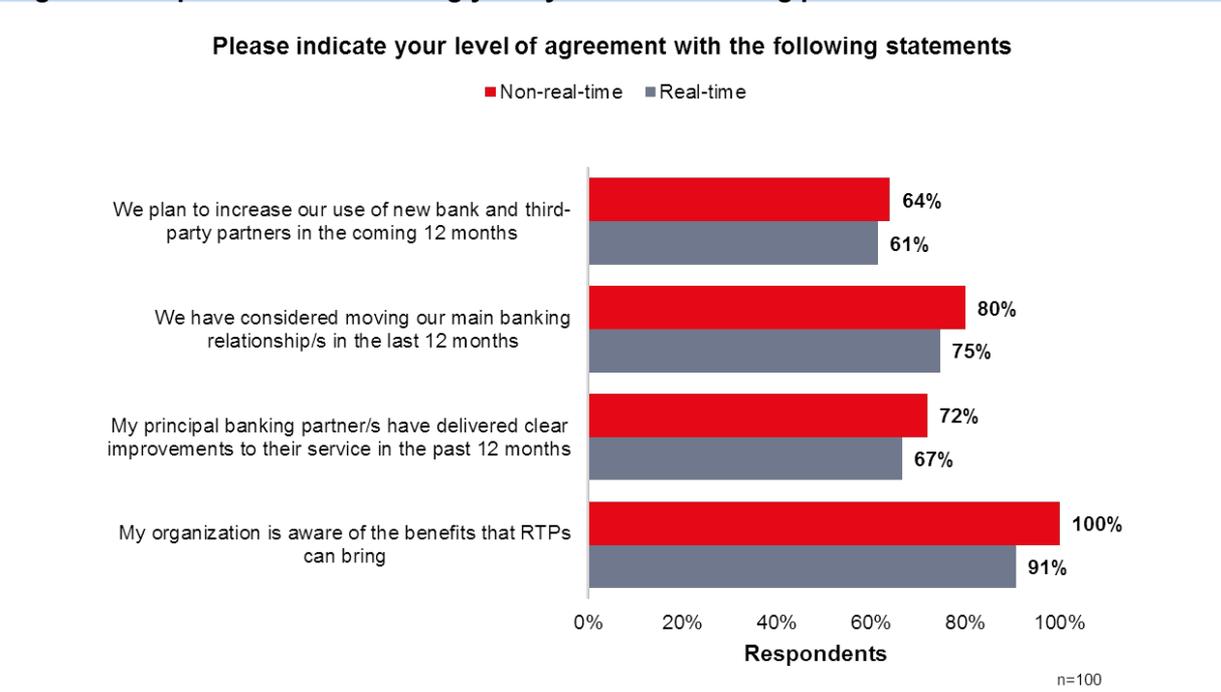


Source: Ovum Corporate Banking Survey 2017

## Ultimately, it is investments on top of real time that will allow banks to address future corporate needs

The benefits of RTPs alone do not make a meaningful difference to corporate satisfaction

**Figure 9: Corporates are increasingly likely to switch banking providers**



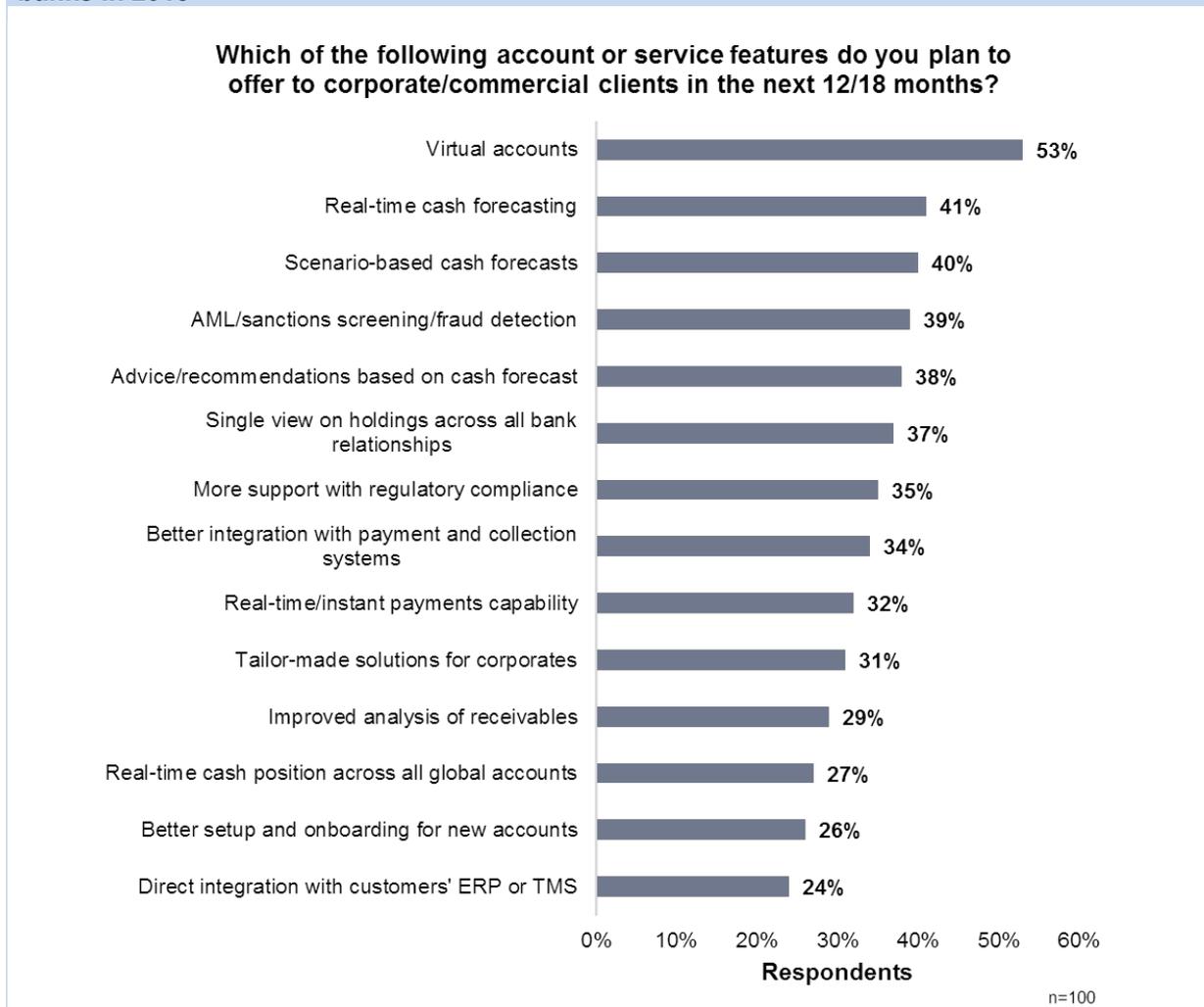
Source: Ovum 2017 Corporate Treasurer survey

## Diverging development plans between those markets with and without real time will drive gaps in future corporate services

Not surprisingly, the ability to introduce new services is greatly dependent on the functionality of underlying platforms. Indeed, while there is broad agreement on the priority areas on which to focus from the corporate-need perspective, some of the more advanced developments are set to occur in countries with RTP infrastructures in place.

Overall, the introduction of virtual accounts tops the list of new services planned among corporate banks globally, with 53% of respondents citing it as a top three enhancement area, ahead of real-time cash forecasting (41%) and scenario-based forecasting (40%). There has been much discussion around virtual accounts in the industry over the past 12 months, with many viewing this as a solution to some of the challenges facing treasurers, particularly in the area of liquidity management.

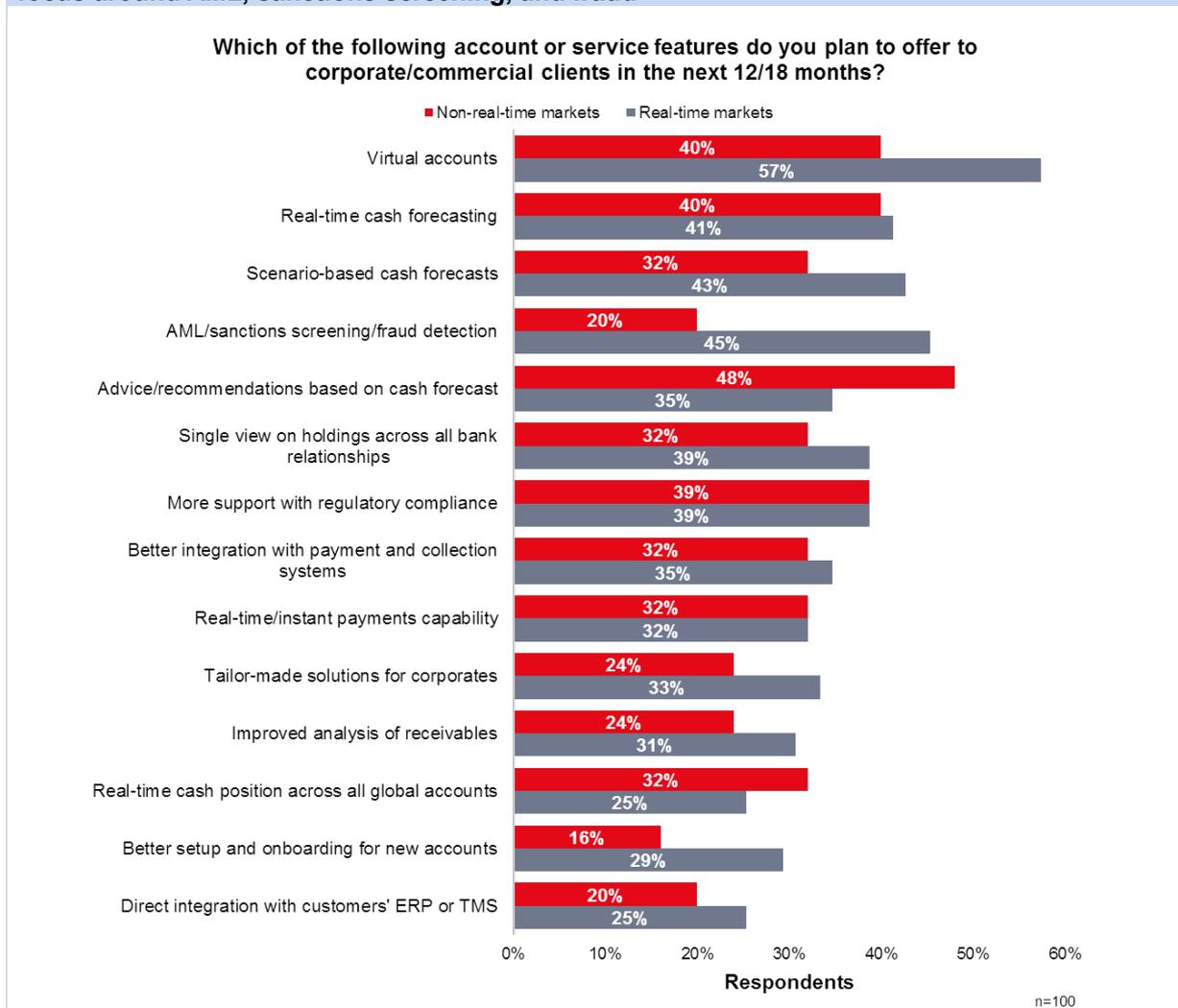
**Figure 10: Virtual accounts tops the list of planned account or service features for corporate banks in 2018**



Source: Ovum 2017 Corporate Banking survey

The dominance of virtual accounts in the overall figure is driven largely by banks in RTP countries, where 57% are planning such service as opposed to 40% among those in non-RTP countries (see Figure 11). As in a number of other areas, the systems upgrade and enhancement investment needed to deliver RTPs to corporate clients can be (at least partly) leveraged to offer virtual accounts.

**Figure 11: The focus on virtual accounts is greatest in RTP markets, along with increased focus around AML, sanctions screening, and fraud**



Source: Ovum 2017 Corporate Banking survey

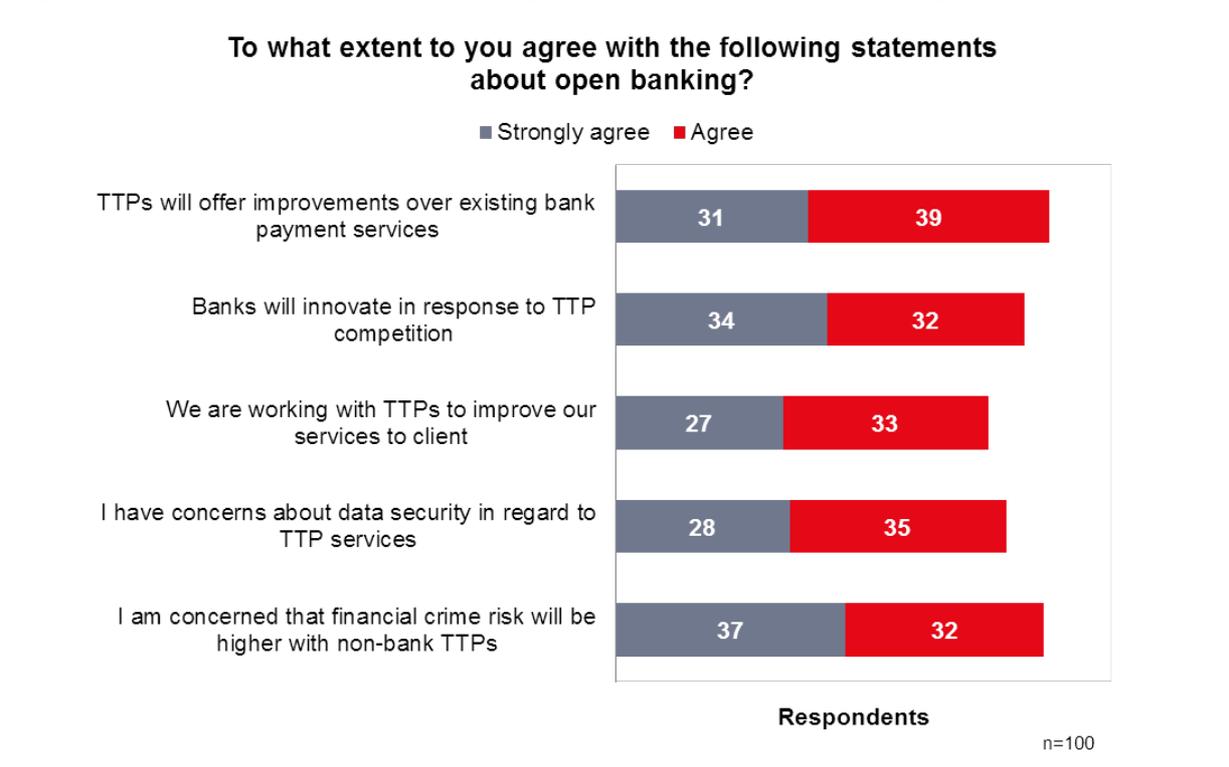
## The combination of real-time and open banking initiatives will enable further improvements for banks

Despite initial reservations and inherent conservatism, corporate banks are positive about the benefits that open banking will bring, with 60% saying that they are working with trusted third parties (TTPs) to improve their services to clients.

A large majority of banks (70% – as opposed to 55% of corporates), see TTPs offering improvements over bank services, and 66% of banks believe that TTPs will drive bank innovation, although they register far greater concerns about data security and financial crime risk than corporates.

Interestingly, despite the increasing willingness of corporates to turn to TTP for specific functionality – notably, data aggregation across multiple accounts – they are less confident that TTPs will improve services across the board. Again, this indicates a major opportunity for banks to reengage with customers and exploit the trust that still exists in corporate banking relationships.

**Figure 12: Banks see third parties helping to improve their service strategies**



Source: Ovum 2017 Corporate Banking survey

## Appendix

### Methodology

In 2017, Ovum conducted two surveys (one to corporate banks and one to corporate treasurers) in order to gain a detailed and comparative view across the market, with the ability to compare the needs, challenges, and successes of RTP users vs. those that are yet to implement.

These two surveys formed a global study designed to understand how well banks are meeting the needs of their corporate clients, as well as to gain insight into exactly what role a series of new regulatory and technological initiatives – led by RTPs – will play in shaping the leading offerings in the market in 2018.

The surveys were conducted between July and September 2017, and further demographic information is shown below.

**Table 1: Survey respondent demographics**

Total respondents	Corporate banks		Corporate treasurers	
	100		100	
<b>Respondents by region</b>				
Americas	17		20	
Asia-Pacific	17		22	
Europe	45		40	
Middle East and Africa	21		18	
<b>With domestic RTPs</b>	75		75	
<b>Without domestic RTPs</b>	25		25	
<b>Size</b>	<b>Assets</b>	<b>Annual revenue</b>		
	Up to \$1bn	2	\$500m–\$1bn	16
	\$1bn–\$9bn	15	\$1bn–\$5bn	28
	\$10bn–\$50bn	25	\$5bn–\$10bn	13
	\$50bn–\$100bn	13	\$10bn–\$15bn	12
	\$100bn+	45	\$15bn+	31

Source: Ovum

## Further reading

*Instant Payments: The Industry's Next Frontier*, IT0059-000116 (July 2017)

"Open banking initiatives are high on the investment agenda for 2018," IT0059-000124 (September 2017)

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## Ovum Consulting

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