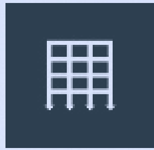

2016
Transaction Banking Survey

REPORT OF SURVEY RESULTS

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Foreword

The results of the 2016 Transaction Banking Survey are dramatic. Corporate satisfaction levels with their main bankers is down 19%, product satisfaction is down 34%, while reviews of banking relationships is up as well as the level of use of non-banks. Corporates and institutions now see finance in the same way that they connect their supply chain—part of the integrated real-time digital system—and are looking for their finance providers to deliver services in this way.

At the same time, corporate and transaction banking is going through massive operational change driven by national and regulatory bodies. Already these banks operate across a complex jurisdictional map. Penalties for improper transactions are more than significant and we see the importance of security and control taking a prominent position in this year's Survey for the first time. Coupled with this, real-time payments, opening up of competition by EU directives such as PSD2 and the adoption of messaging standards (ISO 20022) are global, regional and local issues shaping an already competitive industry. Banks are remaining inwardly focused in light of these market trends while making piecemeal changes to address corporate satisfaction. The overwhelming conclusion of this year's Survey is that piecemeal change is not sufficient.

Corporate satisfaction fell across the board with the largest decline in smaller private companies. Only 38 percent of corporates say they are staying with their existing main bankers—down from 52 percent last year. The two prime reasons are seeking economies of scale and integration—60 percent, and improving digital servicing and products—55 percent. For the first time, corporates are less concerned with pure cost and are focused on ease of use and service quality. Lack of coverage, security concerns and credit availability are all factors at an average of 23 percent. Instead of seeing a contraction of banking relationships, the survey shows the opposite with 58 percent of corporates now having multi-bank relationships of six or more. They are shopping for security and control standards (87 percent), highly efficient and integrated technology systems and processes (85 percent), strategic alignment (85 percent), best-in-class product (83 percent), and digital customer servicing (75 percent). Given the increase in the number of banking relationships, corporates are finding it hard to meet their criteria and so are opting for more banks rather than less. This implies churn before concentration.

Good news for the banks is that corporates have not yet moved en masse to non-bank facilities; however, many are planning to in the next 12 months. Particular products or services under threat in the near future are FX (50 percent), payments (63 percent) and supply chain finance (50 percent), with third party services such as KYC and on-boarding at 30 percent and 59 percent respectively. These demonstrate that the threat to banks' business is real, significant and fast approaching.

"Security, stability and control have emerged as a differentiator, not an overhead."

Banks are focused on improving customer experience and innovation; however, this is marginally ahead of cost reduction and compliance. In particular, the discrepancy between corporate desire for harmonization of standards between banks and seamless multi-bank integration of services and processes is wide. Banks are generally being slow to adopt open APIs as a way of accelerating change. On questioning banks about PSD2, the two highest areas of concern were cost of implementation and security. Systems limitations are restraining banks' competitiveness.

In summary, corporates are shopping for client-centric banking organizations with the technology capabilities to support their digital future. Open APIs coupled with harmonization of standards are key accelerators of change. While corporates are more and more multi-banked, fast-moving banks who deliver this response will be the winners, as corporates then consolidate. Security, stability and control have emerged as a differentiator, not an overhead. Banks need to react decisively to engineer the enterprise changes needed. It is clear from this short introduction that there is a huge amount of important data in the results this year; I hope you enjoy reading them.

Penny Hembrow
Senior Vice President, Global Financial Services

Client Experience and Satisfaction

Client Overall Satisfaction

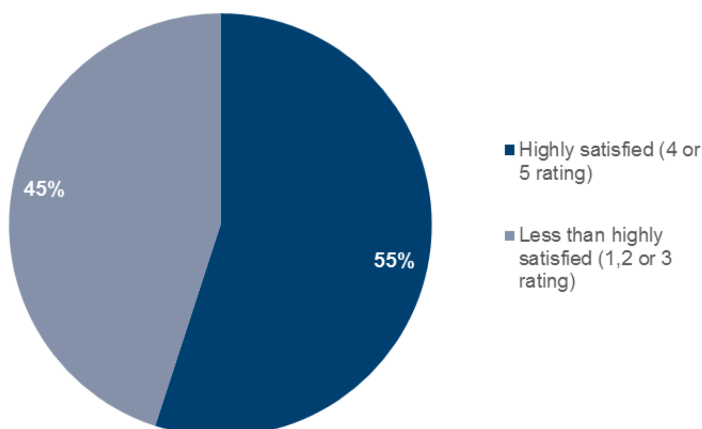
This year's survey saw the single largest drop in corporate practitioners' satisfaction with their banking partners since the Transaction Banking Survey began in 2013, with satisfaction also reaching the lowest level that we have seen since the survey began. While a majority of organizations are still satisfied with their banking partners' services, the majority is slim – 55 percent rated their banking partners' services a 4 or 5 on a 5-point scale (where 1 was "not at all satisfied", and 5 was "very satisfied"), while the remaining 45 percent were less than highly satisfied, rating banks a 1, 2 or 3.

Overall, satisfaction with services provided by main banking partners has declined steeply, by a full 13 percentage points since last year (68 percent satisfaction in 2015 versus 55 percent in 2016).

Publicly owned companies are slightly more satisfied than their privately held counterparts; 47 percent of public companies say they are highly satisfied (rating their banking partners a 4 or 5 on a 5-point scale), compared with 43 percent of private companies.

Organizations based in North America and in the Asia Pacific region are marginally more satisfied with their partners' services, with 58 percent from these regions reporting that they are highly satisfied. 55 percent of those from Western Europe are highly satisfied with their banking partners' services.

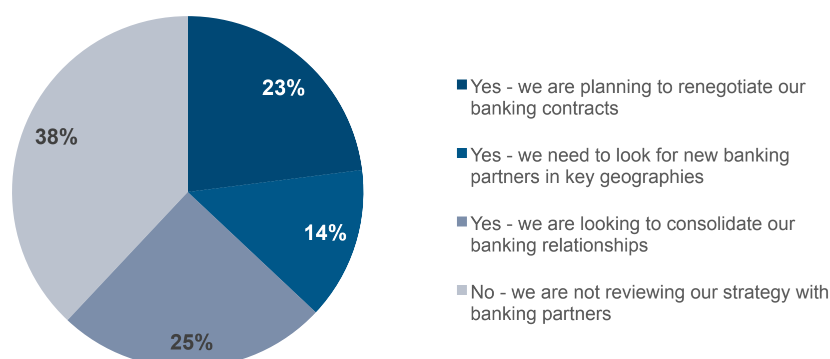
Overall Satisfaction with Service Provided by Main Banking Partners
(Percentage Distribution of Corporate Practitioners Rating Service "4" or "5" on a 5-point scale)



Reviewing Banking Relationships

Overall, 62 percent of corporate practitioners are planning to review their organization's strategic relationship with their main banking partners, a 14 percentage point increase on last year and the highest level of corporate reviews since this survey began. Of those who said they are reviewing, the largest percentage (25 percent) are looking to consolidate their banking relationships, while 23 percent are planning to renegotiate their banking contracts, and 14 percent say they need to look for new banking partners in key geographies.

Review of Strategic Relationship with Main Banking Partner
(Percentage of Corporate Practioners)



There were dramatic differences of opinion among organizations of different income bands. For example, nearly half (45 percent) of businesses with yearly revenues of more than $5 billion are looking to consolidate their banking relationships. Meanwhile, 31 percent of those with $500 million to $4.9 billion annual revenues, and less than one-fifth (19 percent) of businesses with annual revenues of less than $500 million, are planning to do the same.

More businesses based in the Asia Pacific region than in other geographic regions indicate that they need to look for new banking partners in key geographies. Nineteen percent of Asia Pacific respondents cited this as a reason for reviewing their main banking relationship, compared with 14 percent in Western Europe, and 13 percent in North America.

Forty-four percent of publicly owned organizations are looking to consolidate their banking relationships, compared with just 25 percent of those that are privately held.

Companies with smaller incomes were generally happiest with their strategy with banking partners, as more than 43 percent aren't looking to review. The greater a company's income, the more likely it is to review; 65 percent of organizations with $500 million to $4.9 billion annual revenues are looking to either renegotiate their banking contracts, look for more banking partners in key geographies, or consolidate their banking relationships. Three-quarters (75 percent) of organizations making more than $5 billion a year said the same.

Overall, privately held companies were happier with the status quo, with 39 percent having no plans to review their strategy, compared with 26 percent of publicly owned companies.

Smaller companies are slightly more likely to say they need to look for new banking partners in key geographies: 16 percent of organizations with annual revenues of less than $500 million indicated this, compared with 14 percent of organizations making $500 million to $4.9 billion and 10 percent of firms with revenues of more than $5 billion a year.

Thirty-eight percent of treasury professionals say they are not reviewing their strategy with banking partners. Organizations making less than $500 million a year appeared to be the most satisfied with the status quo when the findings were compared by income, with 43 percent not currently reviewing their strategy.

Review of Strategic Relationship with Main Banking Partner
(Percentage Distribution of Corporate Practitioners)

Respondents were asked: "Are you reviewing your organization's strategy with your main banking partners?"

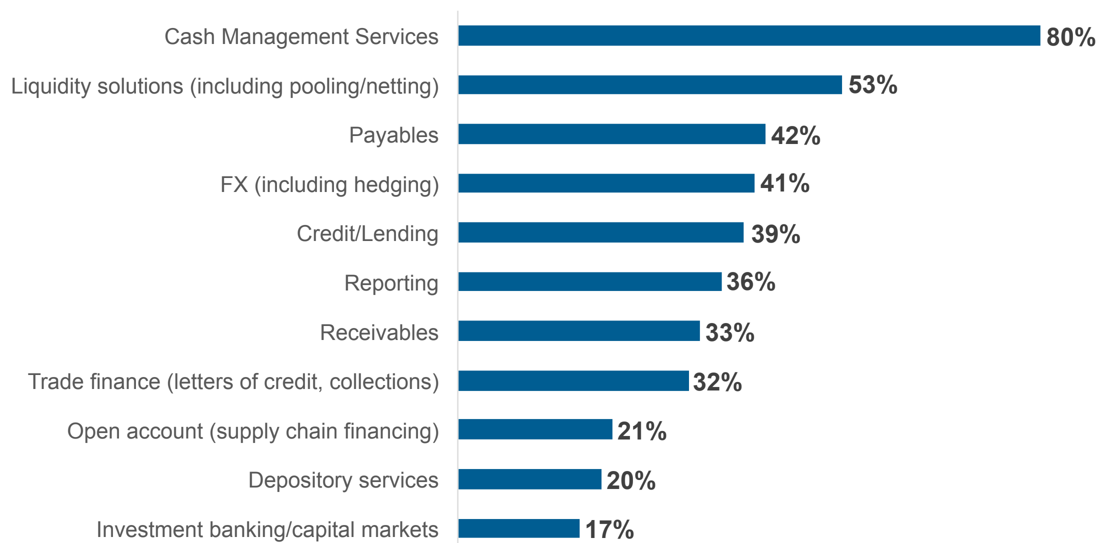
	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
Yes – we are planning to renegotiate our banking contracts	23%	22%	21%	20%	19%	23%	20%	22%	23%
Yes – we need to look for new banking partners in key geographies	14%	16%	14%	10%	11%	14%	19%	13%	14%
Yes – we are looking to consolidate our banking relationships	25%	19%	31%	45%	44%	25%	29%	29%	30%
No – we are not reviewing our strategy with banking partners	38%	43%	35%	25%	26%	39%	32%	35%	34%

Bank Products Under Review

In the organizations surveyed, the bank product that is by far the most likely to be under review is cash management services, with 80 percent of survey respondents citing this. Cash management services were cited most often by organizations based in North America (91 percent), and by companies that are publicly owned (90 percent).

Bank Product Areas Under Review

(Percentage of Corporate Practitioners Planning to Assess Current Relationships with their Main Banking Partners)



Privately owned companies are not reviewing their cash management services quite as much – 74 percent indicated that they were reviewing this product area. The greater a company's annual revenues, the more likely it is to be reviewing its cash management services: 71 percent of companies with annual revenues of less than $500 million said that their cash management services were under review, compared with 84 percent of companies making $500 million to $4.9 billion a year, and 87 percent of those with more than $5 billion in annual revenue.

The next most cited bank product area overall was liquidity solutions (including pooling or netting) at 53 percent, 27 percentage points behind cash management services. The product third most likely to be under review was payables, at 42 percent. At the other end of the scale, respondents are least likely to be reviewing investment banking and capital markets, with just 17 percent reporting that this product area was under review.

Bank Product Areas Under Review

(Percentage of Corporate Practitioners Planning to Assess Current Relationships with their Main Banking Partners)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
Trade finance (letters of credit, collections)	32%	29%	32%	33%	25%	33%	27%	24%	27%
Open account (supply chain financing)	21%	24%	21%	27%	5%	33%	24%	21%	24%
Cash Management Services	80%	71%	84%	87%	90%	74%	85%	91%	87%
Reporting	36%	48%	37%	33%	30%	41%	39%	43%	36%
Payables	42%	52%	32%	47%	40%	48%	39%	41%	47%
Receivables	33%	43%	16%	40%	35%	37%	32%	31%	33%
Liquidity solutions (including pooling/ netting)	53%	43%	58%	60%	70%	52%	54%	55%	56%
Depository services	20%	24%	11%	20%	30%	7%	20%	24%	18%
Investment banking/capital markets	17%	24%	21%	7%	10%	19%	17%	17%	11%
Credit/Lending	39%	57%	37%	27%	35%	56%	37%	33%	33%
FX (including hedging)	41%	33%	63%	27%	60%	37%	44%	43%	40%

Changes in Banking Relationships

The majority of organizations (56 percent) have maintained the same number of banking relationships in the 12 months from June 2015. A quarter of respondents said that their organization had increased the number of banking partners, while 19 percent had reduced this number.

Changes in Bank Relationships in the Past 12 Months
(Percentage Distribution of Corporate Practitioners)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
Increased	25%	26%	31%	14%	32%	20%	28%	21%	21%
Decreased	19%	16%	21%	29%	25%	16%	15%	20%	26%
Unchanged	56%	58%	48%	57%	43%	64%	57%	59%	53%

Larger companies are more likely to decrease the number of bank relationships and less likely to increase the number of banking relationships; only 14 percent of companies with more than $5 billion annual revenues reported that they had increased their number of banking relationships, while 29 percent reported this had decreased. Meanwhile, for companies making less than $500 million a year, the figures were 26 percent and 16 percent respectively.

Companies based in Western Europe are more likely to have decreased their number of bank relationships in the last 12 months, compared to companies operating out of other regions. 26 percent reported a decrease in banking relationships over the past year, compared with 20 percent of respondents based in North America and 15 percent in Asia Pacific.

In keeping with this trend, companies operating in the Asia Pacific region were most likely to have increased their number of bank relationships, with close to a third (28 percent) reporting an increase over the past 12 months.

According to the survey, corporate practitioners are most likely to consolidate their organization's number of banking relationships because it is easier to maintain fewer of them – 32 percent reported this as the primary reason. More than a quarter (26 percent) said that cost was a factor.

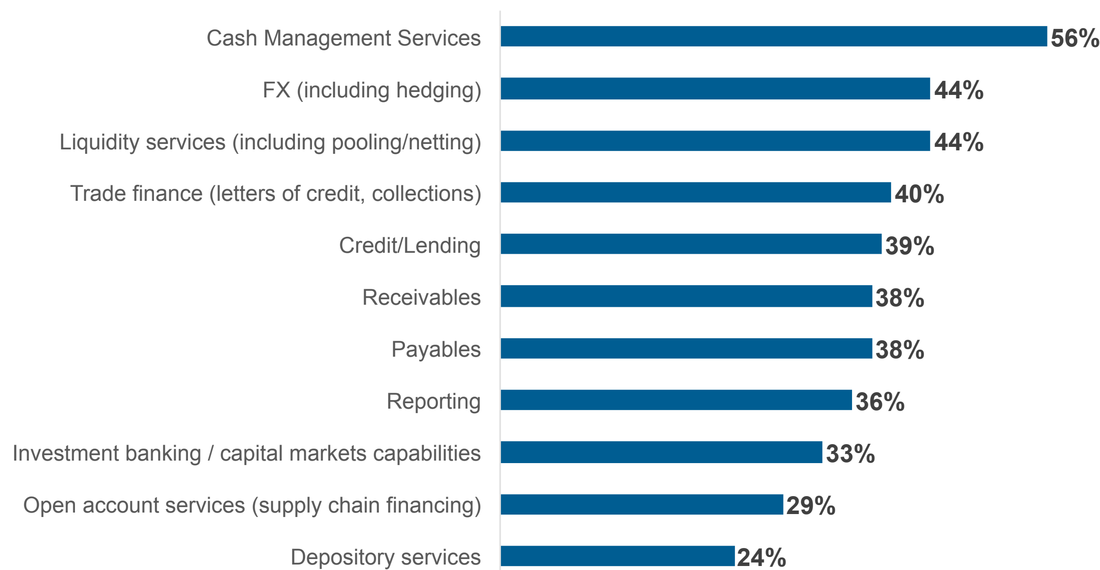
Client Overall Satisfaction with Specific Services

We asked corporate practitioners to rate their level of satisfaction with their banking partners for a range of different services. The chart below illustrates the proportion of financial professionals that rated their partners “excellent” or “good” in each area.

Across the board, respondents were most satisfied with cash management services, with more than half (56 percent) rating this as “good” or “excellent”. However, this is a big drop from last year, when 71 percent of corporate practitioners rated their service a 4 or 5 on a 5-point scale, and could point to the reason so many corporate practitioners say they have reviewed cash management services in the last 12 months.

Corporate practitioners were least satisfied with depository services, with just 24 percent reporting the quality of this service to be “good” or “excellent”.

Overall Satisfaction Provided by Main Banking Partners for Each Service
(Percentage of Corporate Practitioners Rating Service as “excellent” or “good”)

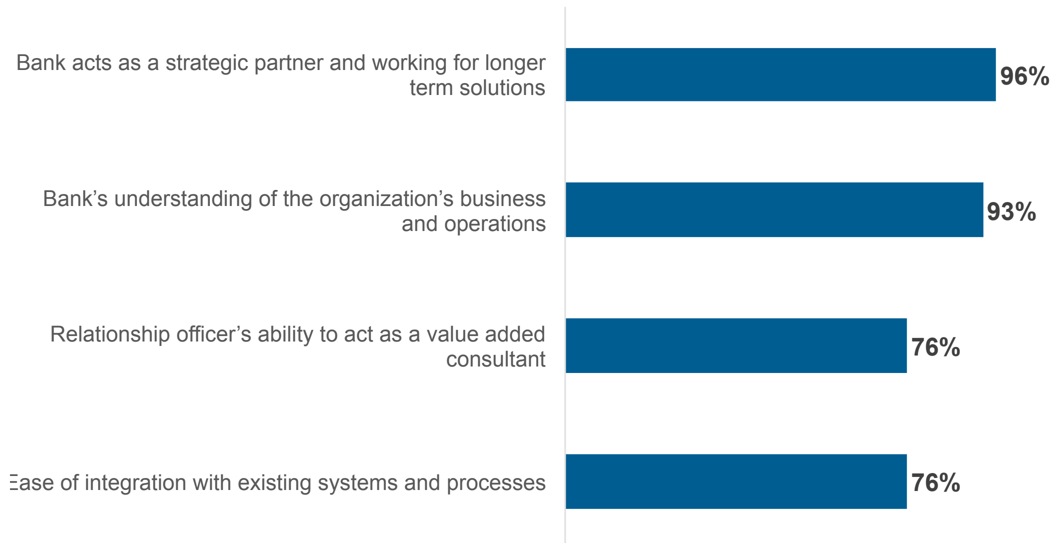


Valuable Aspects in Relationship with Main Banking Partners

A bank's ability to act as a strategic partner was widely rated by practitioners as the most valuable aspect of the relationship with corporate practitioners, with 96 percent of firms naming it either "very valuable" or "quite valuable". Its understanding of the organization's business and operations was ranked as the second most valuable aspect, with 93 percent ranking it "very" or "quite valuable".

These two are far and away the most valuable aspects in relationships with main banking partners, but financial professionals also rate "relationship officer's ability to act as a value added consultant" and "ease of integration with existing systems and processes" as valuable, with 76 percent of respondents deeming these either "very" or "quite valuable".

Valuable Aspects in Relationships with Main Banking Partners
(Percentage of Corporate Practitioners Rating the Level of Value "very valuable" or "quite valuable")



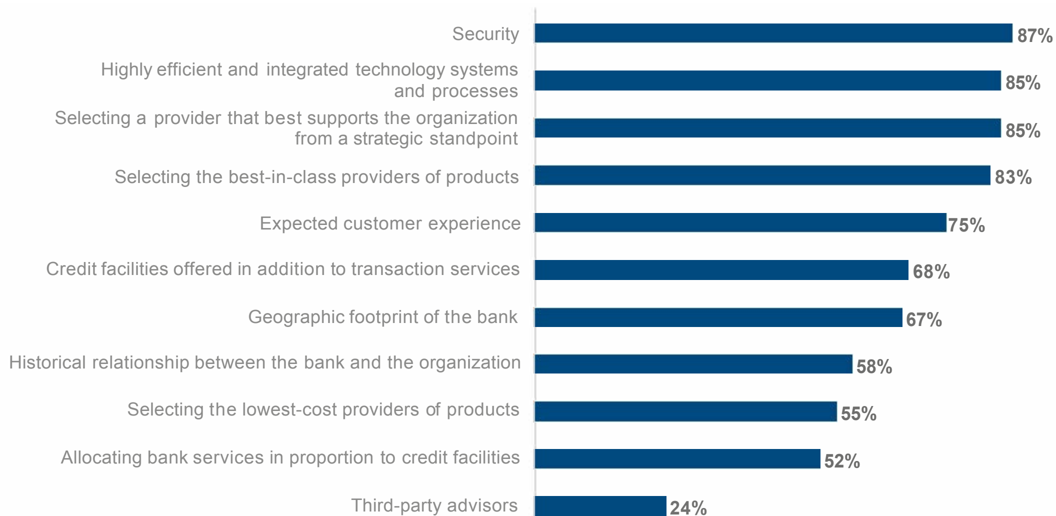
Bank Selection

Corporate Practitioner Perspective

Perhaps unsurprisingly, the factor considered most important to corporate practitioners when establishing a new banking relationship was security, described by 87 percent of respondents as “very important” or “quite important”. The next two highest rated criteria were “Selecting a provider that best supports the organization from a strategic standpoint”, cited by 85 percent as “very important” or “quite important”, and “Selecting the best-in-class providers of products”, at 83 percent.

Third-party advisors were deemed the least important of the criteria we gave, with just 24 percent of corporate practitioners naming them “very important” or “quite important”. However, 36 percent named third-party advisors “somewhat important”.

Factors Considered When Organizations Establish a Banking Relationship
(Percentage of Corporate Practitioners Rating the Level of Value “very important” or “quite important”)

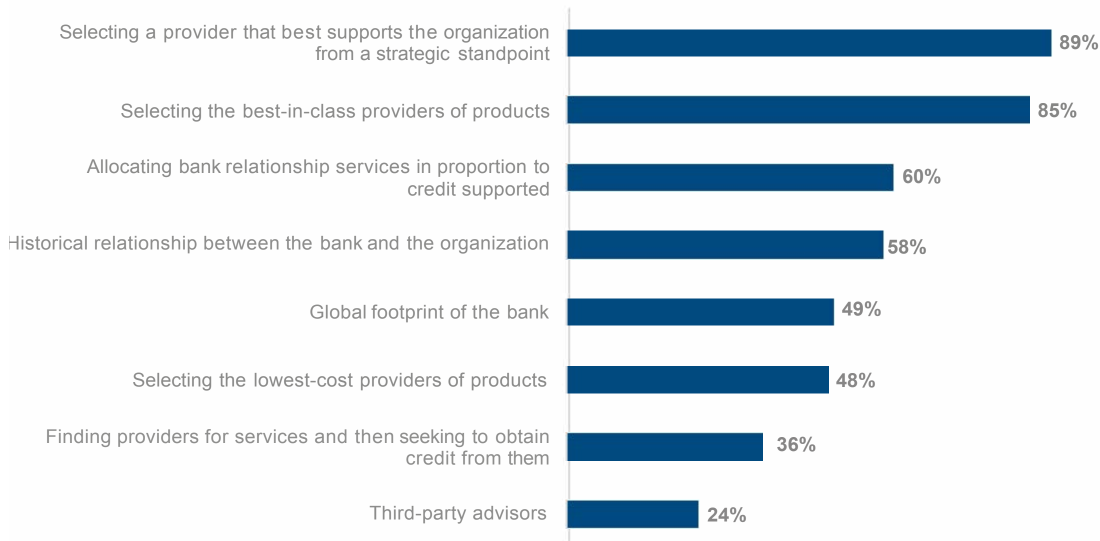


Banking Service Provider Perspective

The factor banks consider most important to their corporate clients in selecting their banks or maintaining business with their banks was selecting a provider that best supports the organization from a strategic standpoint, described by nearly nine-tenths (89 percent) of all banks surveyed as "very important" or "quite important".

After "selecting the best-in-class providers of products", deemed by 85 percent of banks to be "very important" or "quite important", no other factor came close. The third most cited factor was "allocating bank relationship services in proportion to credit supported", 25 percentage points behind the second place factor, with 60 percent of respondents considering this to be "very" or "quite" important.

Factors Considered When Organizations Establish a Banking Relationship
(Percentage of Banking Providers Rating the Level of Value "very important" or "quite important")

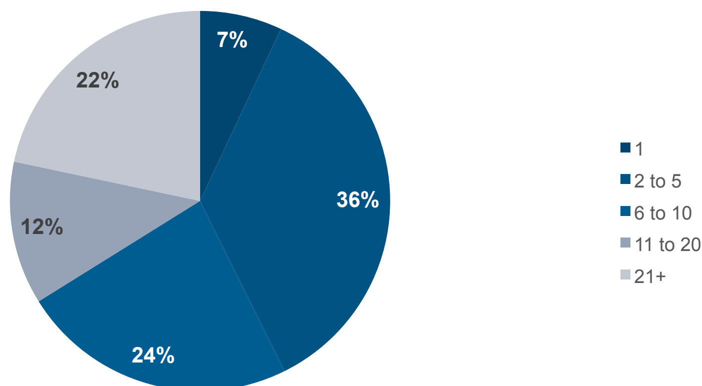


Bank Activity

Number of Banking Partners

The number of banking partners with whom organizations work varies widely across demographics. Most organizations (60 percent) are working with between two and ten banks. Six out of ten of those are working with two to five banks, and the remaining four out of ten are working with six to ten banking partners.

Number of Banks Organizations Work With on a Regular Basis
(Percentage Distribution of Corporate Practitioners)



Twelve percent of organizations are working with 11 to 20 banks on a regular basis, while 22 percent maintain 21 or more banking relationships. Only organizations with less than $500 million annual revenues had just one banking relationship.

Unsurprisingly, the larger the company, the more banking partners are involved. More than half (57 percent) of companies with more than $5 billion in annual revenue have 21 or more banking partners, while just 21 percent of organizations making between $500 million and $4.9 billion a year have more than 20 banking partners.

Just 10 percent of the larger companies (those with annual revenues of more than $5 billion) work with fewer than five banks. For organizations with yearly revenues of less than $500 million, this figure was 78 percent.

Number of Banks Organizations Work with on a Regular Basis
(Percentage Distribution of Corporate Practitioners)

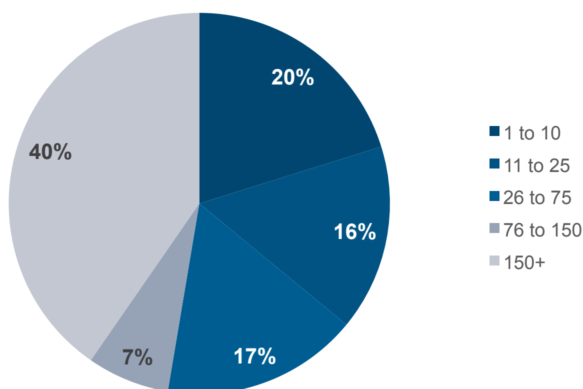
	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
1	7%	16%	0%	0%	4%	7%	1%	7%	5%
2-5	36%	62%	31%	10%	18%	50%	28%	21%	22%
6-10	24%	11%	35%	24%	32%	16%	23%	25%	24%
11-20	12%	11%	14%	10%	7%	16%	16%	17%	16%
21+	22%	0%	21%	57%	39%	11%	32%	31%	32%

Bank Accounts Maintained

The most frequently cited number of bank accounts used or maintained by corporate practitioners is more than 150: 40 percent of corporate practitioners reported they maintain this many accounts. This is a considerable increase from last year, when 30 percent of corporate practitioners said that their organization maintains more than 150 bank accounts.

Again, the number of bank accounts maintained was strongly correlated with the organization's size – nearly half (43 percent) of organizations with less than $500 million in annual revenue maintain one to ten bank accounts, compared with just 5 percent of companies with annual income of at least $5 billion. In fact, nearly all of these larger companies (86 percent) maintain more than 150 bank accounts.

Number of Bank Accounts Used or Maintained
(Percentage Distribution of Corporate Practitioners)

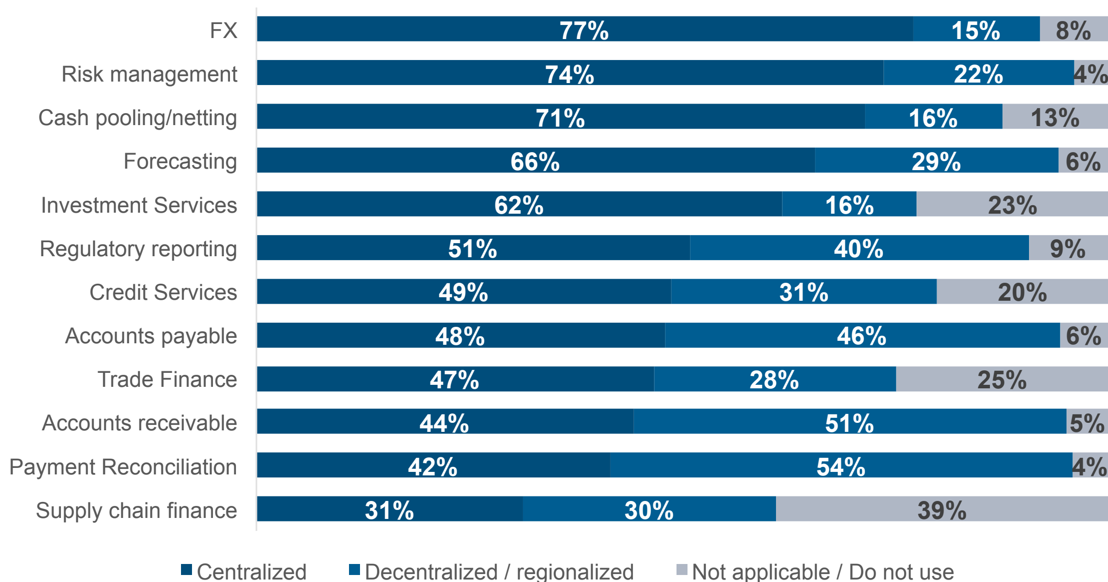


Centralized Treasury Functions

The three most commonly centralized functions among corporate practitioners are FX (77 percent), risk management (74 percent) and cash pooling or netting (71 percent). These functions were ranked in exactly the same order last year, though the percentages this year are slightly greater. Both investment and forecasting services are centralized in at least 60 percent of organizations.

Accounts payable, accounts receivable, and payment reconciliation are the most commonly decentralized services among the organizations surveyed, at 51 percent, 46 percent and 54 percent respectively.

Centralization and Decentralization of Treasury Functions
(Percentage of Corporate Practitioners)



Banking Channels

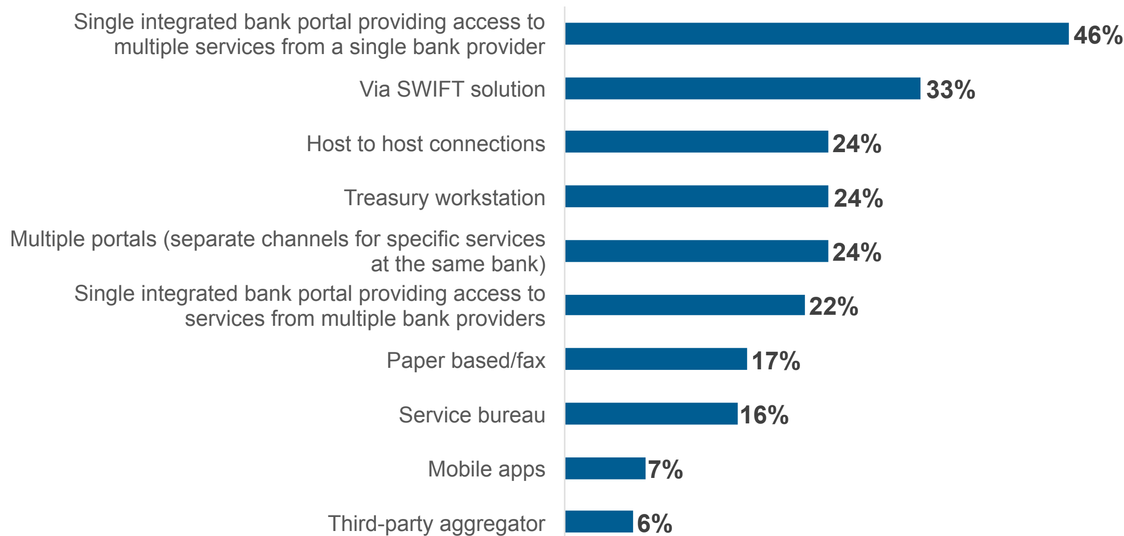
Finance professionals use a variety of channels to access their banking partners' services. Most common is the single integrated bank portal; 68 percent of corporate practitioner respondents indicate that their organizations access services provided by at least one of their bank partners via an integrated bank portal. Of these, 46 percent use the single integrated portal to access multiple services from a single provider, while 22 percent use it to access services from multiple bank providers.

Other channels include:

- Via SWIFT solution (cited by 33 percent of corporate practitioner respondents)
- Multiple portals (separate channels for specific services at the same bank) (24 percent)
- Treasury workstation (24 percent)
- Host to host connections (24 percent)
- Paper or fax-based (17 percent)
- Service Bureau (16 percent)
- Mobile apps (7 percent)
- Third-party aggregator (6 percent)

Having a single integrated bank portal providing access to multiple services from a single bank provider is the preferred option for many smaller organizations and those that are privately held. Larger organizations with a revenue of at least $5 billion and organizations in the public sector are more likely to opt for a SWIFT solution or host to host connections than are their counterparts in smaller or privately held companies.

Channel Used When Connecting/Accessing Banks
(Percentage of Corporate Practitioners)



Bank Access

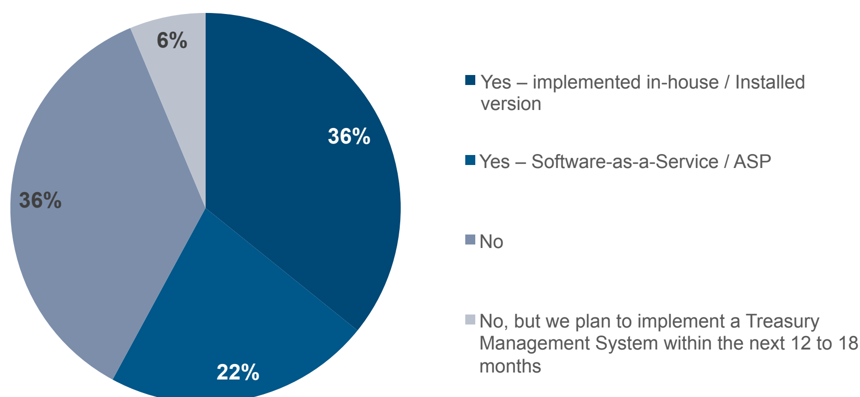
Treasury Management System

Fifty-eight percent of corporate practitioners use a Treasury Management System. Of those, more than three-fifths use an in-house or installed version, while the remainder use Software-as-a-Service or ASP. This is very similar to the results of last year's survey, in which 53 percent of corporate practitioner respondents indicated using a Treasury Workstation.

Thirty-six percent of respondents are neither using a Treasury Management System nor do they plan to install one in the near future, a slight decline from last year's 41 percent. A very small percentage—6 percent—plan to install a Treasury Management System within the next 12 to 18 months.

Use of a Treasury Management System

(Percentage Distribution of Corporate Practitioners)



There are substantial variations in the usage of Treasury Management Systems by organization demographic. Larger organizations (with annual revenues of at least $5 billion) are nearly twice as likely as smaller organizations (with annual revenues of less than $500 million) to be using a Treasury Management System (76 percent versus 42 percent). Furthermore, larger organizations are nearly three times as likely as smaller organizations to have a Treasury Management System installed or in-house (52 percent versus 18 percent).

When it comes to plans to implement a Treasury Management System in future, 11 percent of all smaller organizations say that they plan to implement a TMS in the next year to 18 months. By contrast, no larger organizations reported any such plans at all. Medium-sized organizations with annual revenues of between $500 million and $4.9 billion sit in the middle: 66 percent of medium-sized organizations are currently using a Treasury Management System, while 7 percent have plans to implement one in the next 12 to 18 months.

Publicly held organizations are more likely than their privately held counterparts to be using a Treasury Management System, with 67 percent of publicly held organizations using a Treasury Management System versus 46 percent of privately held organizations. However, privately held organizations are catching up, with 11 percent reporting that they intend to implement a Treasury Management System within the next 12 to 18 months, compared with just 4 percent of publicly held organizations.

The usage of Treasury Management Systems varies little across different geographic regions; usage is most widespread in North America, with 65 percent of organizations reporting that they use a Treasury Management System, followed by Western Europe at 63 percent, and Asia Pacific at 62 percent. A broadly similar percentage of companies operating in the three regions have plans to implement a TMS within the next 12 to 18 months, ranging from 6 percent in the Asia Pacific region to 5 percent in West Europe and North America.

Use of Treasury Management System
(Percentage Distribution of Corporate Practitioners)

Respondents were asked: "Are you using a Treasury Management System?"

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
Yes – Implemented in-house/Installed version	36%	18%	41%	52%	39%	27%	39%	39%	40%
Yes – Software-as-a-Service/ASP	22%	24%	24%	24%	29%	18%	23%	26%	23%
No	36%	47%	28%	24%	29%	43%	33%	30%	32%
No, but we plan to implement a Treasury Management System within the next 12 to 18 months	6%	11%	7%	0%	4%	11%	6%	5%	5%

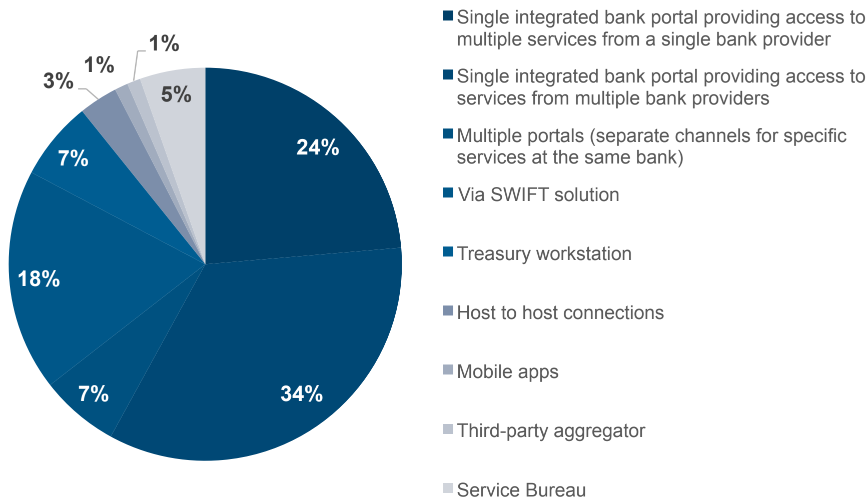
Preferred Bank Access

There is often a noticeable gap between the most commonly used forms of bank access, and those which organizations would prefer to be using. In the case of this year's survey, a single integrated bank portal giving access to multiple services from a single bank provider is the most commonly-used channel across the board (cited by 46 percent of respondents), but only 24 percent of respondents cite it as their preferred method of access.

A larger percentage, 35 percent, would prefer to access their bank(s) through a single integrated bank portal providing access to services from multiple bank providers, otherwise known as a multi-bank portal. Organizations of almost every demographic, from small organizations (with an annual revenue of less than $500 million) to privately-held organizations, cite multi-bank portals as their preferred access method. This is a similar finding to last year's survey, in which 45 percent of corporate practitioners indicated that a multi-bank portal was their preferred form of access.

Preferred Bank Access Methods

(Percentage Distribution of Corporate Practitioners)



Preferred Bank Access Methods
(Percentage Distribution of Corporate Practitioners)

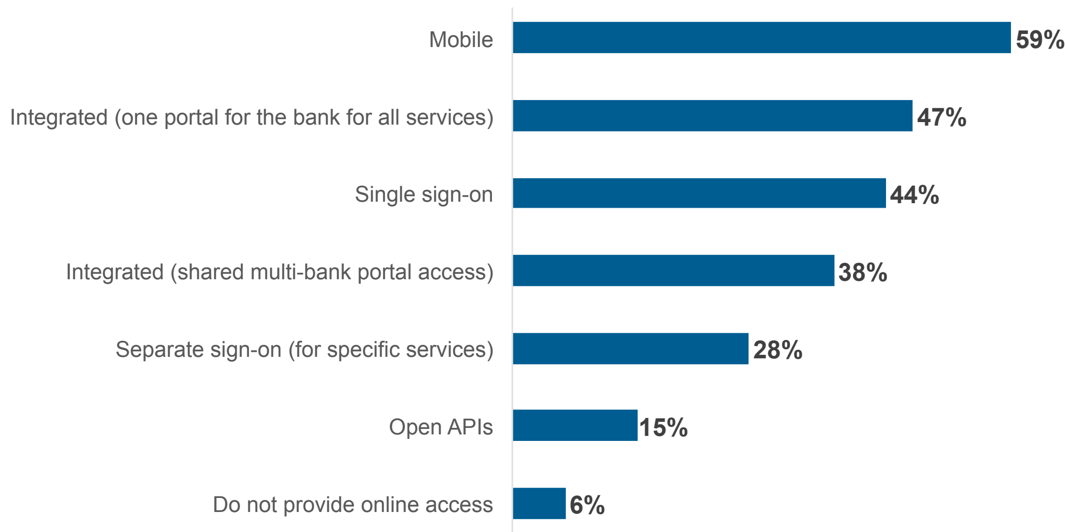
	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
Single integrated bank portal providing access to multiple services from a single bank provider	24%	29%	21%	14%	11%	24%	14%	18%	12%
Single integrated bank portal providing access to services from multiple bank providers	34%	34%	39%	29%	30%	42%	41%	34%	36%
Multiple portals (separate channels for specific services at the same bank)	7%	11%	0%	5%	4%	4%	10%	7%	9%
Via SWIFT solution	18%	3%	18%	48%	41%	9%	24%	21%	24%
Treasury workstation	7%	8%	11%	0%	0%	9%	4%	7%	7%
Host to host connections	3%	8%	0%	0%	7%	0%	2%	4%	3%
Paper based/fax	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mobile apps	1%	3%	0%	0%	0%	2%	0%	0%	0%
Third-party aggregator	1%	3%	0%	0%	0%	2%	0%	2%	2%
Service Bureau	7%	3%	11%	5%	7%	7%	6%	7%	7%

Types of Access to Bank Services

Thirty-five percent of finance professionals indicate that they prefer multi-bank access and, correspondingly, 38 percent of banks provide shared multi-bank portal access via online services to their corporate clients. The most widely provided type of access to online services is via mobile, cited by 59 percent of respondents, a slight decrease from the 67 percent who reported last year that their bank offered mobile services to their corporate clients. A little under half (47 percent) of banks are offering their clients a single portal with access to all services, while 44 percent are providing a single sign-on feature.

Larger banks (those with annual revenues of at least $5 billion) offer their clients greater access to online services than smaller ones, a similar finding to last year's survey. Banks operating primarily out of North America and Western Europe also provide greater access to online services compared with banks who operate primarily in the Asia Pacific region, 7 percent of whom do not provide any access to online services at all.

Types of Access to Online Services Offered to Corporate Clients
(Percentage of Banking Services Providers)



Online and Mobile Services Provided for Corporate Clients
(Percentage of Banking Services Providers)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Asia Pacific	North America	Western Europe
Integrated (shared multi-bank portal access)	47%	27%	48%	46%	42%	42%	43%
Integrated (one portal for the bank for all services)	38%	32%	38%	62%	56%	59%	52%
Single sign-on	44%	38%	38%	49%	47%	48%	40%
Separate sign-on (for specific services)	28%	27%	52%	27%	23%	22%	27%
Mobile	59%	56%	57%	68%	62%	66%	62%
Open APIs	15%	24%	5%	8%	12%	15%	16%
Do not provide online access	6%	3%	0%	3%	7%	5%	5%

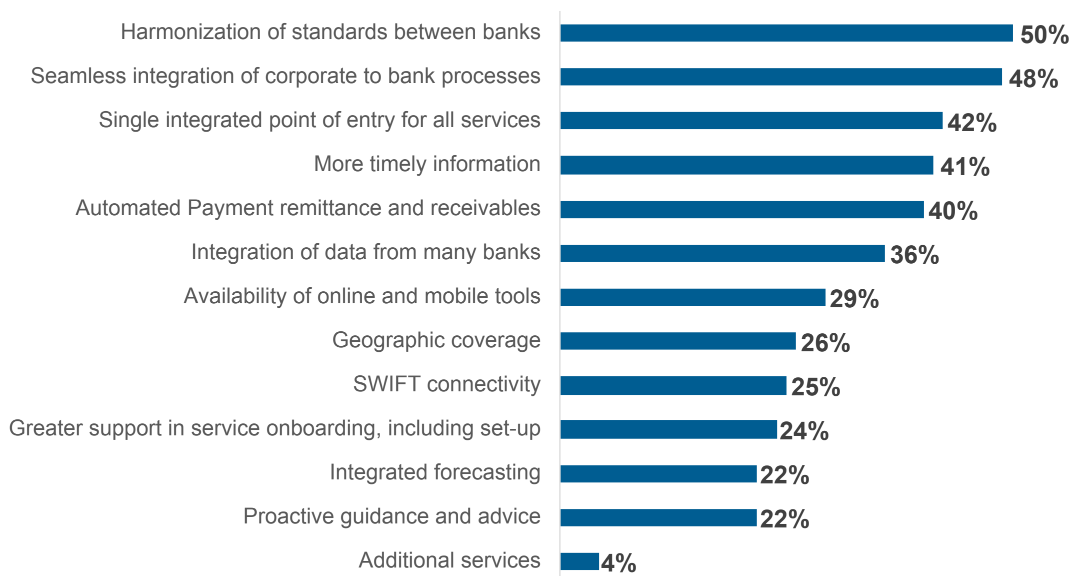
Areas for Improvement

While a majority of corporate practitioners are satisfied with their banking partners' services, they also believe there are opportunities for banks to improve their offerings. As was the case in last year's survey, harmonization of standards between banks tops the list, albeit with a slightly lower percentage than in 2015: 49 percent of practitioners cite this as an approach that would improve their banking partners' services, down from 58 percent last year.

The second and third most desired areas of improvement both relate to integration: seamless integration of corporate to bank processes was the second most cited area for improvement, by 48 percent of respondents, while having a single integrated point of entry for services came in third, cited by 42 percent of corporate practitioners.

Desired Areas of Improvement for Banks

(Percentage of Corporate Practitioners)



Desired Areas of Improvements for Banks
(Percentage of Corporate Practitioners)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
More timely information (e.g., real time instead of next day)	41%	55%	24%	33%	43%	47%	33%	30%	26%
Harmonization of standards between banks	50%	40%	59%	52%	54%	47%	55%	55%	56%
Single integrated point of entry for all services	42%	40%	52%	33%	46%	40%	41%	39%	40%
Availability of online and mobile tools	29%	40%	24%	10%	18%	33%	28%	25%	19%
Geographic coverage	26%	18%	24%	43%	39%	20%	35%	25%	25%
Integration of data from many banks	36%	42%	35%	24%	18%	44%	33%	36%	35%
Seamless integration of corporate to bank processes	48%	42%	52%	57%	46%	44%	61%	57%	54%
Automated Payment remittance and receivables tracking and reconciliation	40%	42%	35%	38%	43%	31%	49%	39%	40%
Proactive guidance and advice	22%	24%	17%	19%	18%	24%	20%	21%	19%
Greater support in service onboarding, including set-up and data input	24%	26%	17%	24%	25%	22%	28%	21%	25%
SWIFT connectivity	25%	13%	31%	38%	39%	20%	35%	29%	30%
Integrated forecasting	22%	32%	14%	14%	21%	29%	24%	16%	21%
Additional services	4%	5%	3%	5%	4%	4%	6%	5%	7%

Challenges

Challenges Faced When Integrating with a Bank for Cash Management Services

Practitioners did highlight some challenges their organizations face when integrating with a bank for cash management services. A majority of corporate practitioners (60 percent) cite issues with KYC, or Know Your Customer, onboarding as the greatest constraint they face. A little under half also cite file formatting issues as the biggest challenge they face when integrating with a new bank provider.

A far greater share of finance professionals from large organizations (annual revenues of at least $5 billion) see KYC onboarding as a restriction compared with those from small (annual revenues of less than $500 million) and medium (annual revenues of between $500 million and $4.9 billion) sized organizations: 81 percent versus 50 and 59 percent respectively. KYC onboarding issues are also greater obstacles for countries operating primarily in the Asia Pacific region (76 percent) than for those in Western Europe (70 percent) and North America (62 percent).

KYC onboarding is an extensive process made all the more complex by a hodge podge of differing regulatory requirements in different regions worldwide. The ideal KYC onboarding process would be completely centralized, involving a single set of KYC specialists, a single client data repository and a single set of guidelines. But all too often the KYC onboarding process in banks is either partially or completely decentralized, raising costs and extending the length of time it takes to onboard each customer due to inefficient processes and duplicated efforts.

Challenges Faced When Integrating with a Bank for Cash Management Services
(Percentage of Corporate Practitioners)

Respondents were asked: "What are the biggest challenges you face when integrating with a new bank provider?"

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
File formatting issues	45%	40%	52%	43%	43%	47%	48%	49%	50%
Differences between what was sold versus what is to be implemented	32%	42%	21%	29%	18%	42%	38%	36%	39%
Testing procedures for new bank services including technology	33%	32%	38%	24%	29%	29%	32%	33%	27%
Use of their security protocols and procedures	26%	29%	35%	14%	25%	24%	24%	29%	23%
KYC onboarding	60%	50%	59%	81%	68%	60%	76%	62%	70%
Ease of integration into your environment and processes	34%	18%	45%	48%	57%	16%	34%	40%	38%
Other	7%	5%	10%	5%	4%	7%	6%	4%	5%

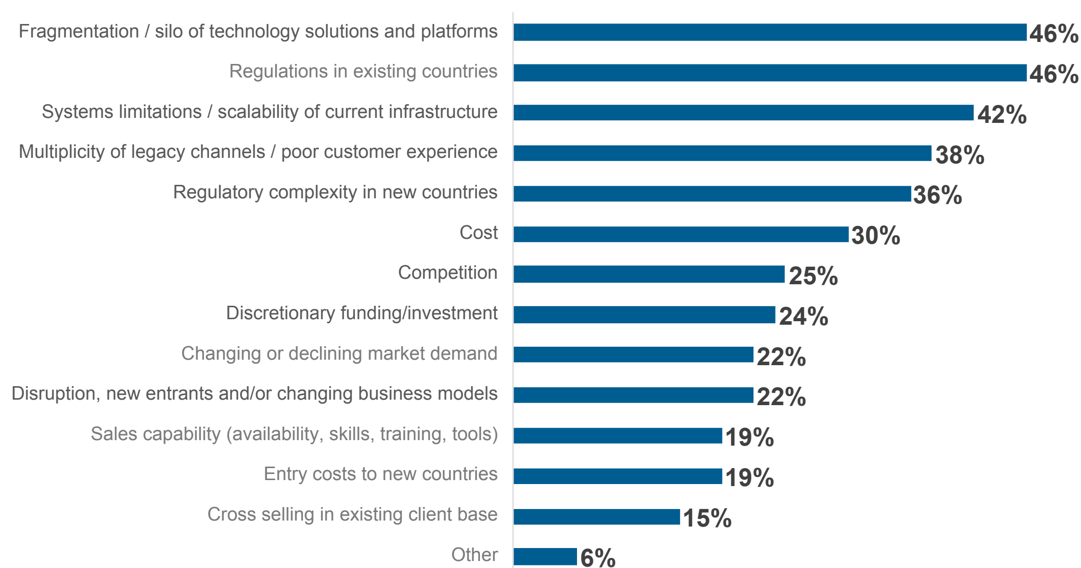
Challenges for Banks

In addition to the opportunities and concerns corporate practitioners express about their banking partners, banking providers themselves face challenges that restrict their ability to expand their business and improve the services they offer their clients. Foremost among these barriers to growth are regulations in "existing countries" (countries in which they already operate), and the fragmentation or silo of technology solutions and platforms, both cited by 46 percent of respondents.

Regulations in countries that banks already operate within was also the challenge most cited by respondents to last year's survey, but the percentage that cited it has decreased significantly, from 59 percent to 46 percent. The fragmentation or silo of technology solutions and platforms, on the other hand, has risen slightly, from 38 percent to 46 percent.

Other factors restricting bank growth and improved offerings include the multiplicity of legacy channels or poor customer service (cited by 38 percent of banking service respondents) and regulatory complexity in new countries (cited by 36 percent).

Greatest Barriers to Bank Growth
(Percentage of Banking Services Providers)



A majority (57 percent) of finance professionals from large banks with annual revenues of $5 billion or more cite regulations in existing countries as a constraint holding back their expansion. This is a reduction from last year, when 69 percent of large banks cited this as their greatest barrier to growth; nevertheless, it is still the most cited barrier to growth by large banks, with the fragmentation or silo of technology solutions and platforms the second most cited at 54 percent.

"Fragmentation or silo of technology platforms" was also the most cited constraint holding back the expansion of medium-sized banks (with an annual revenue of between $500 million and $4.9 billion) at 67 percent. This was tied with systems limitations or scalability of current infrastructure, also at 67 percent. Smaller banks (with annual revenues of less than $500 million), meanwhile, reported far fewer barriers to growth across the board. Regulations in existing countries, and multiplicity of legacy channels or poor customer experience, were the two impediments most cited by smaller banks, both at 33 percent.

Greatest Barriers to Bank Growth

(Percentage Distribution of Banking Services Providers)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Asia Pacific	North America	Western Europe
Entry costs to new countries	19%	18%	19%	16%	21%	13%	17%
Regulatory complexity in new countries	36%	21%	33%	43%	45%	40%	41%
Regulations in existing countries	46%	32%	57%	57%	45%	43%	45%
Multiplicity of legacy channels / poor customer experience	38%	32%	57%	35%	42%	42%	35%
Systems limitations / scalability of current infrastructure	42%	24%	67%	51%	42%	38%	39%
Fragmentation / silo of technology solutions and platforms	46%	27%	67%	54%	48%	45%	46%
Discretionary funding/investment	24%	15%	29%	30%	27%	21%	17%
Sales capability (availability, skills, training, tools)	19%	27%	19%	16%	13%	17%	16%
Cross selling in existing client base	15%	24%	14%	8%	8%	9%	12%
Disruption, new entrants and/or changing business models	22%	15%	38%	19%	24%	26%	23%
Changing or declining market demand	22%	18%	29%	24%	13%	13%	15%
Competition	25%	24%	19%	35%	23%	25%	22%
Cost	30%	18%	48%	32%	34%	26%	29%
Other	6%	12%	0%	5%	7%	8%	7%

Reviewing Relationships

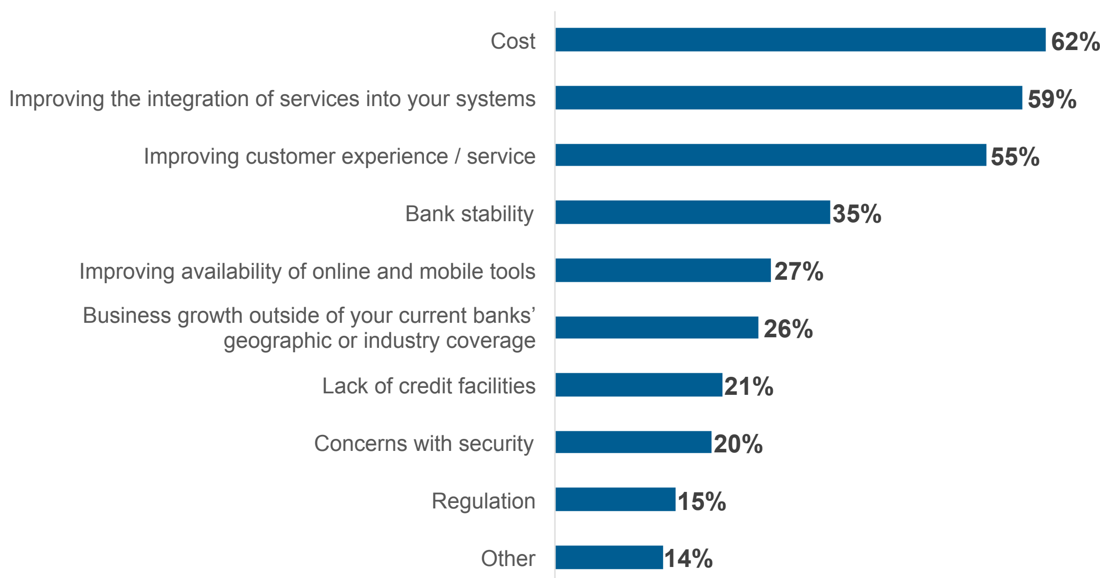
Drivers for Change

Banking relationships should be mutually beneficial for both corporate and bank. A banking relationship differs from a normal vendor relationship in that corporates have a financial dependency on their bank, and there is typically a deeper, advisory relationship between the two.

When a corporate reviews its bank, the qualitative aspects of the relationship tend to be at the forefront. Do the bank's products work well? Is the service good? Do you like your bank relationship manager? But for a relationship which at its core is about finance and numbers, data-driven considerations are also vital. The responses to our question about banking relationships show that a majority of respondents – 62 percent – are thinking primarily about cost when they review their banking relationships.

Bank fees are increasingly coming under scrutiny from corporate treasurers and finance directors, and both the lack of transparency and higher charges have already triggered initiatives for change, such as the Bank Services Billing initiative developed by non-profit industry group TWIST. The introduction of new regulations such as the Basel III capital adequacy regime are also triggering discussions on costs and fees between corporates, their treasury departments and banks; so it comes as no surprise that costs have prompted a number of our respondents to review their banking relationships.

Reasons for Reviewing Banking Relationships
(Percentage of Corporate Practitioners and Banking Services Providers)



The second most important consideration for respondents is a technical one: improving the integration of banking services into their systems, cited by 59 percent of respondents as a factor driving them to review banking relationships. In the previous section we saw that respondents face a number of challenges when integrating with a bank for cash management services, foremost among which is Know Your Customer (KYC) onboarding.

Any issues with banking services integration are liable to incur costs and eat into corporate time and resources, and therefore this is likely to be a key consideration when corporates come to review their banking relationships. Improving the integration of bank services is a particular concern for respondents from large organizations, 73 percent of whom cited it as a consideration.

A majority of respondents (55 percent) also cited improving customer experience or service as a motivating factor for reviewing banking relationships. As we saw at the beginning of the survey, customer satisfaction with banks is on the decline, while banking relationships are increasingly in flux as more and more corporate practitioners opt to review their relationships with their banking partners. The responses by finance professionals in this section leave little doubt that there is a connection between the two.

Rating Performance

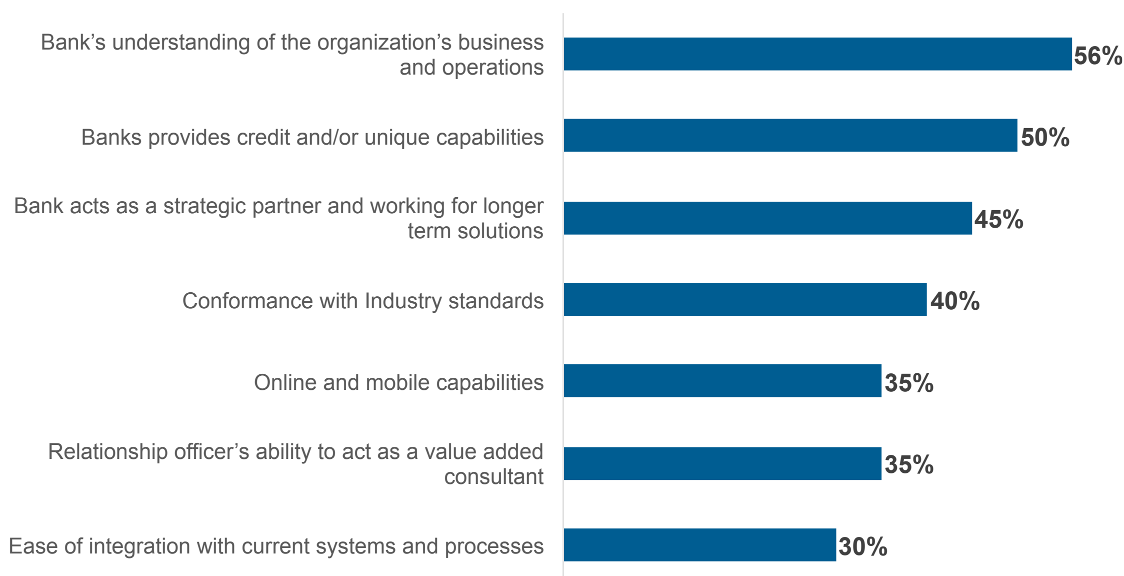
The responses by finance professionals to the question of how they would rate their banking organization's current performance in various aspects shows that they are broadly satisfied with their banking partners, but that banks still have a great deal of work to do to achieve a higher standard in many areas.

At least two thirds of respondents rate their bank as "good" or above (at least a 3 on a scale of 1 to 5) in every area. However, no bank achieves above 14 percent "excellent" responses (a 5 on a scale of 1 to 5) in any one area. Similarly, while less than 10 percent are rated as "poor" in any given area, many still achieve only a rating of "satisfactory" or "good", equivalent to a 2 or a 3 out of 5.

The area in which banks appear to be most successful is in understanding an organization's business and operations, with 56 percent of respondents rating their bank a "very good" or "excellent" for its performance in this area. Half of banks also achieve a "very good" or above in providing credit and/or unique capabilities, while 45 percent were rated a "very good" or "excellent" by respondents in their performance of acting as a strategic partner and working for longer-term solutions.

At the other end of the scale, the area in which most banks seem to fall down is in ease of integration with current systems and processes, with a full 33 percent of banks achieving only a "satisfactory" or "poor" from respondents for their performance in this aspect. This continues a theme we have seen repeated throughout the report: respondents recount experiencing a number of different challenges in integrating with banks, and when asked what is driving them to review their banking relationships, improving the integration of banking services was one of the foremost considerations, cited by 59 percent of respondents.

Performance of Organization's Current Banking Partners
(Percentage of Corporate Practitioners rating "good" or "excellent")



Twenty-eight percent of respondents also rate their relationship officer's ability to act as a value added consultant as merely "satisfactory" or "poor", versus 35 percent who would rate this capability as "very good" or "excellent". Small organizations (with annual revenues of less than $500 million) are by far the most likely to be dissatisfied with their relationship officer, with only 24 percent of respondents from small organizations rating their relationship officer's ability to act as a value added consultant as "very good" or "excellent", versus 41 percent who found it "satisfactory" or "poor".

By contrast, 38 percent of medium-sized organizations (annual revenues of between $500 million and $4.9 billion) rate their relationship officer's ability to act as a value added consultant as "very good" or "excellent". 52 percent of large organizations (revenues of at least $5 billion annually) give their relationship officer the same rating, versus just 19 percent who find them to be "satisfactory" or "poor". 21 percent of medium-sized organizations rate their relationship officer as "satisfactory" or "poor" in this regard.

In last year's report, 85 percent of respondents cited "Relationship officer's ability to not just sell the organization on products, but act as a value added consultant" as one of the most valuable aspects in relationships with main banking partners; but their responses to this year's survey show that organizations are expecting a higher level of service in this area than relationship officers currently provide.

Service Providers

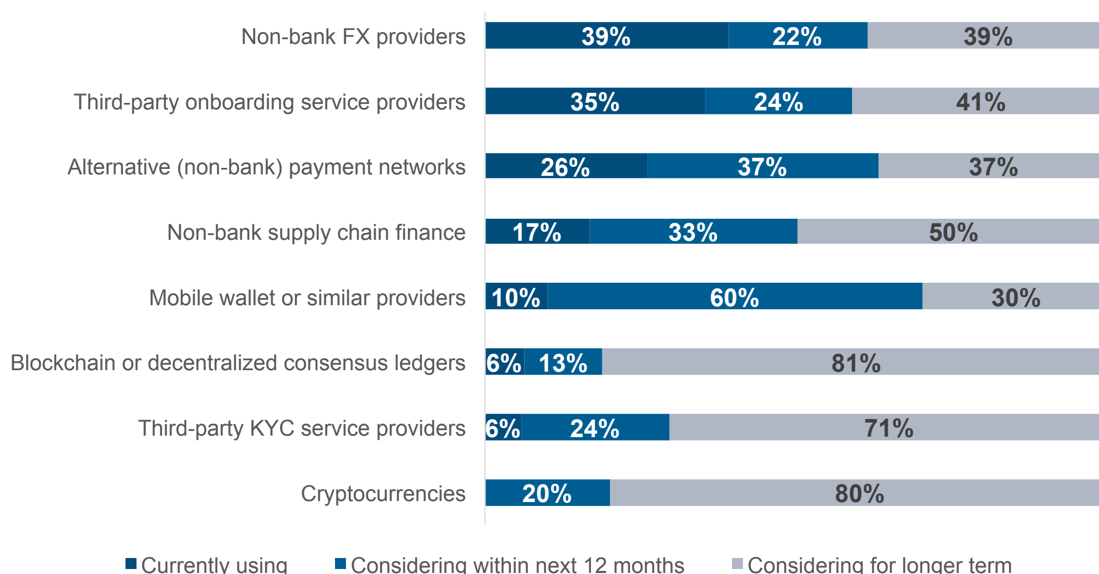
When asked about their usage of a range of different financial service providers and services which compete with banks, such as mobile wallets, cryptocurrencies and third-party KYC service providers, only a minority of finance professionals were currently making use of each one. But many have plans to implement them in the near or longer term future.

Of the services that respondents are considering using within the next 12 months, the most popular is mobile wallet, cited by 60 percent of respondents. Although mobile wallet technology has been slow to penetrate the mainstream, it is clear that many finance professionals are now starting to look more seriously at this technology for the future.

A large percentage of corporate professionals are also looking to blockchain and cryptocurrencies to provide their financial needs in the longer term future, with a full 81 percent of respondents indicating that they are considering blockchain or decentralized consensus ledgers for the longer term, and 80 percent showing the same interest in cryptocurrencies.

Blockchain, as a single immutable record of events, offers some compelling benefits for finance professionals in areas such as fraud prevention, risk mitigation and payment flow transparency. The only thing that is unclear is within what sort of timeframe the technology will mature and see widespread adoption. This is likely the reason why finance professionals are not planning to implement the technology more immediately, despite their considerable interest. And, as we will see in the next question, many corporate practitioners still do not view these technologies as reliable, and are thus unwilling to take the risks of implementing them just yet.

Thinking of non-bank competition, do you use or would you consider using any of the following as potential reliable service providers or services?
(Percentage of Corporate Practitioners)

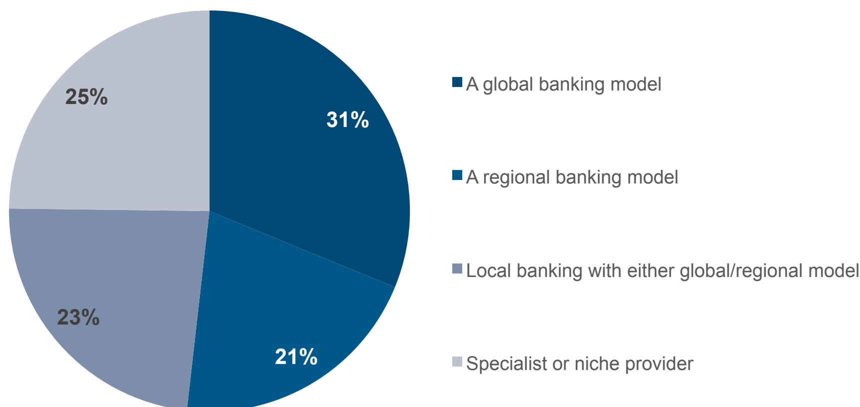


Scope of Service

Banking respondents are remarkably evenly split in terms of the scope of services that their bank provides. The most common model by a small margin is the global banking model, with 31 percent reporting that their bank provides services on a global scale. A quarter of respondents report that their bank provides specialist or niche services, while 23 percent have a local banking model with either a global or regional model. A comparatively lower percentage of respondents work for a bank providing services on a regional scale, but this model is still favored by more than a fifth of banking respondents (21 percent).

Over half (52 percent) of large banks with annual revenues of $5 billion or more currently provide services in a global model, while nearly half (49 percent) of small organizations, defined as having annual revenues of less than $500 million, currently provide services in a specialist or niche provider model. The most common scope of service among respondents from medium-sized banks (with annual revenues of between $500 million and $4.9 billion) is local banking with either a global or regional model, at 48 percent.

Scope of Service Provided
(Percentage of Banking Service Providers)



Scope of Service Provided

(Percentage Distribution of Banking Service Providers)

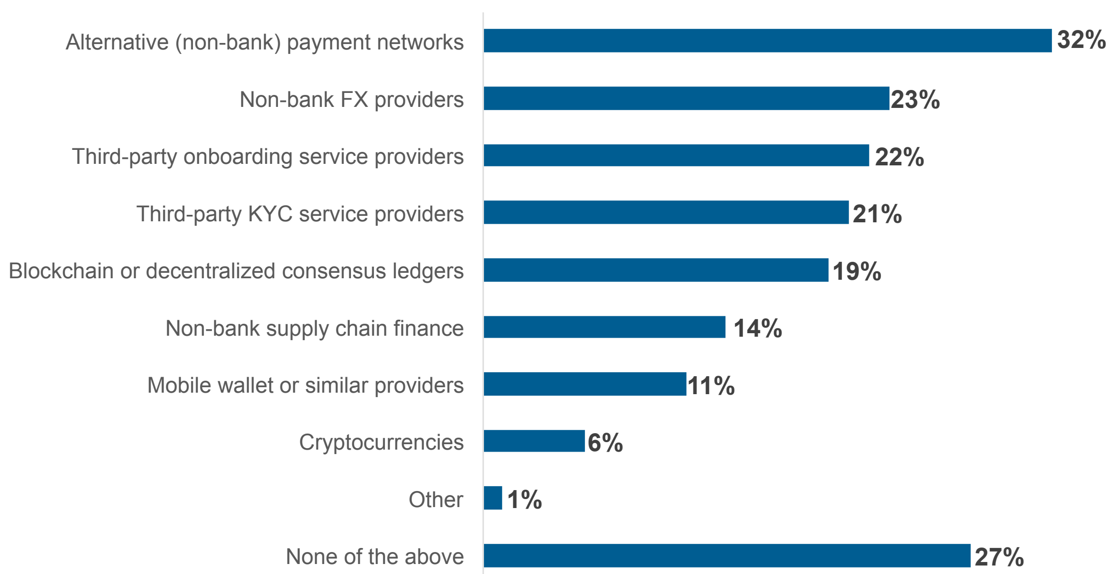
	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Asia Pacific	North America	Western Europe
A global banking model	31%	18%	14%	53%	42%	41%	38%
A regional banking model	21%	18%	29%	21%	17%	17%	16%
Local banking with either global/regional model	23%	15%	48%	24%	19%	17%	18%
Specialist or niche provider	25%	49%	10%	3%	22%	24%	28%

Reliability of Non-Bank Services or New Technologies

We asked corporate practitioners about whether they used, or would consider using, a range of different financial technologies and services as reliable service providers, in order to gauge the levels of competition that banks are facing from non-bank alternatives in the fintech world.

As was the case last year, no single non-bank or technology received a majority vote (more than 50 percent) from banking service providers. The three items believed to be the most reliable are alternative (non-bank) payment networks, cited by nearly a third (32 percent) of respondents, followed by non-bank FX providers (23 percent) and third-party onboarding service providers (22 percent).

Reliability of Non-Bank Services and New Technologies
(Percentage of Corporate Practitioners)



Overall, and positive news for banks, the reliability of many non-bank services and new technologies is deemed to be lower than it was last year, showing that fintech has failed to gain ground in spite of plummeting rates of satisfaction with banking partners. As an example, the service deemed most reliable last year was alternative (non-bank) payment networks, with 38 percent of those surveyed citing it as reliable. This year, while the service is still viewed as the most reliable overall, that figure has fallen to 32 percent.

Mobile wallet or similar providers, ranked last year as the second most reliable non-bank service or new technology, appear to have comprehensively fallen out of favor. Last year 35 percent of corporate practitioners cited it as reliable, versus just 11 percent this year.

Cryptocurrencies are still considered “unreliable” – just 6 percent of banks believe them to be reliable. However, confidence is rising in blockchain or decentralized consensus ledgers – where just 7 percent saw them as reliable in 2015, this has nearly tripled to 19 percent this year.

Future Growth Strategy

When it comes to planning future growth for their banks, respondents are again fairly evenly split among different growth strategies. A quarter of respondents say they are moving towards a global banking model, which offers the convenience of numerous locations throughout the world, as well as increased lending capability and third-party partnerships to provide certain services to clients. Fifteen percent are moving in the direction of a regional banking model, with a slightly larger presence than a local bank, but operating on a smaller scale than global institutions. An equal percentage are moving towards local banking with either a global or regional model.

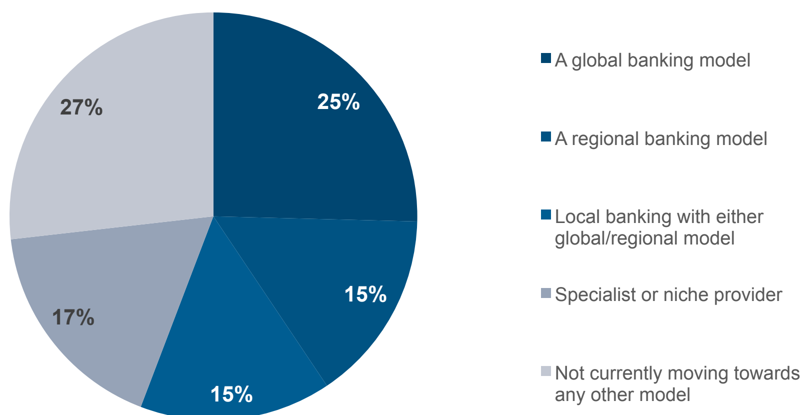
Models

Among banks of different sizes, respondents from large banks (with annual revenues of at least $5 billion) are most likely to be moving towards a global model, while medium-sized banks (with revenues of between $500 million and $4.9 billion annually) favor a regional model. Respondents from small banks (with annual revenues of less than $500 million) are most interested in moving towards a specialist or niche provider model, although an equal proportion are not currently moving towards any other model.

Small banks are also most likely to be sticking with their existing model, with 27 percent of finance professionals from small banks reporting that they are not currently moving towards another model, versus 25 percent from medium-sized banks and 18 percent from large banks.

As the responses to a previous question showed, small banks are most likely to be currently operating under a specialist or niche provider model, while large banks are most likely to be using a global banking model. The responses to this question show that those small banks who don't already use a specialist model are likely to be moving towards one, and the same for large banks with a global model. Interestingly, medium-sized banks are more likely to be currently operating local banking with either a global or regional model, yet are comparatively more interested in moving towards a regional model in the future.

Thinking about your future growth strategy, which of the following models are you moving towards?
(Percentage of Banking Services Providers)



From a regional perspective, a global banking model is most favored by banks operating primarily in North America, cited by 40 percent of respondents versus 31 percent based in the Asia Pacific region, and 33 percent based in Western Europe. In each region, roughly 30 percent of banking respondents are also sticking with their current model and are not presently moving towards another model in their future growth strategy.

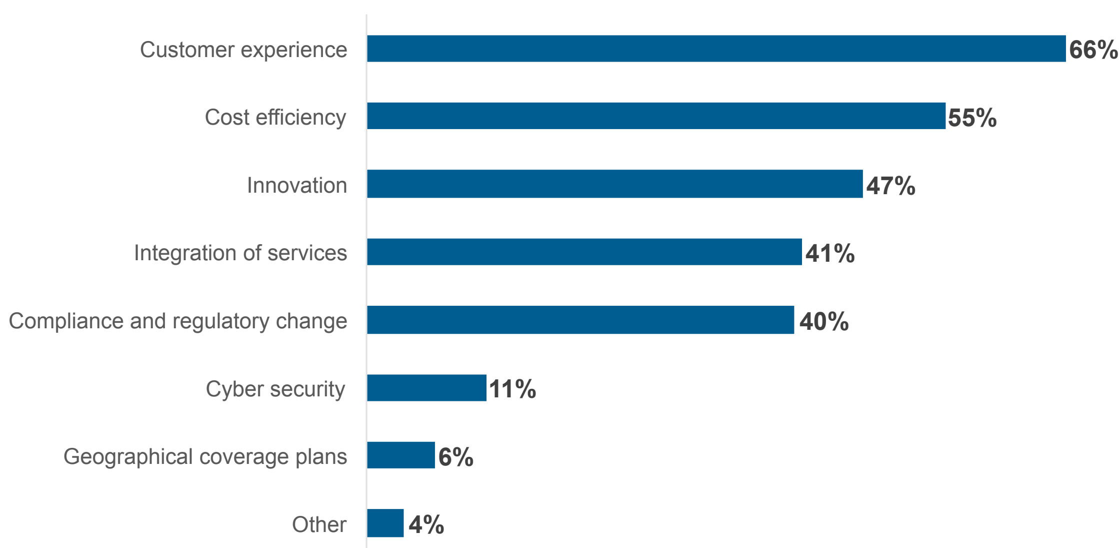
Thinking about your future growth strategy, which of the following models are you moving towards?
(Percentage Distribution of Banking Services Providers)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Asia Pacific	North America	Western Europe
A global banking model	25%	18%	25%	34%	31%	38%	33%
A regional banking model	15%	12%	30%	18%	13%	6%	6%
Local banking with either global/regional model	15%	15%	15%	26%	13%	10%	12%
Specialist or niche provider	17%	27%	5%	3%	15%	16%	20%
Not currently moving towards any other model	27%	27%	25%	18%	28%	30%	30%

Business Strategy

Customer experience, cost efficiency and innovation are the three primary areas of focus for banks' business strategies, with 66 percent, 55 percent and 47 percent of banking respondents respectively citing these as key priorities for business strategy. Other areas of priority for banks are integration of services (cited by 41 percent) which, as we have seen, is also a key concern for corporate practitioners; and compliance and regulatory change (cited by 40 percent).

Areas of Focus in Business Strategies
(Percentage of Banking Services Providers)



Among banks of different sizes and from different parts of the world, customer experience is the single highest priority across the board, cited by anywhere between 64 percent of respondents from small banks (defined as having annual revenues of $500 million or less) to 76 percent of respondents from medium and large banks (defined as having annual revenues of between $500 million and $4.9 billion, and $5 billion or more, respectively). Many finance professionals have already been prompted to review their relationships with banks with a view to improving customer experience or service. It is clear that banks have also recognized the need to up their game in this area – but will it be enough?

Banks of all sizes and from all regions are making innovation a key area of focus, particularly medium-sized organizations, 67 percent of whom say they are prioritizing innovation in their business strategy. Across different regions, the focus on innovation is highest in Western Europe, with 53 percent of respondents citing it as a top priority, compared with 51 percent in North America and 47 percent in the Asia Pacific region.

One possibly worrying finding is that cyber security is one of the lowest areas of priority for banks of all demographics. Cyber security was cited as a predominant area of focus by only 11 percent of banks overall, ahead of only geographical coverage plans (cited by 6 percent as a priority). Medium-sized banks are revealed to be the segment which places the highest priority on cyber security, but even then, less than a quarter (24 percent) consider it to be a key area of focus. Less than 11 percent of respondents from large banks cite cyber security as a predominant focus area—in spite of the fact that these banks have arguably the most to lose from a possible breach.

Cyber security is a serious matter for banking institutions and financial corporations alike, and advances in fintech and other digital technologies have made it an even more pressing issue. One might argue that cyber security considerations should go hand in hand with innovation, especially as the continuing adoption of fintech APIs and cloud computing could introduce further vulnerabilities. Improved cyber security also plays into customer satisfaction in a big way, so perhaps if banks truly want to prioritize their customer experience, they should invest more time and effort into making sure their systems are secure.

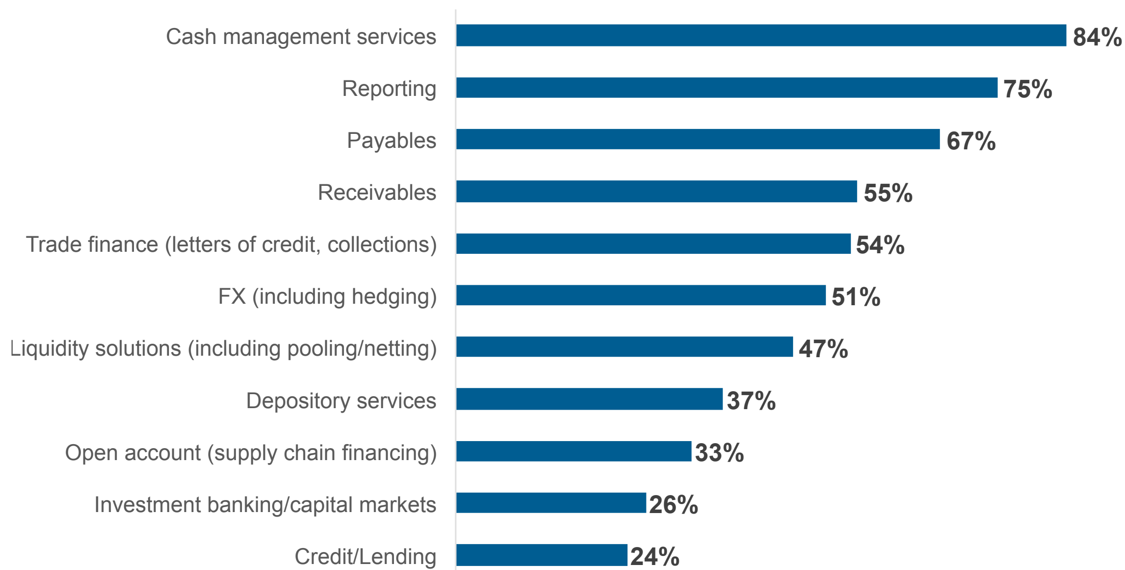
Areas of Focus in Business Strategies
(Percentage Distribution of Banking Services Providers)

	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Asia Pacific	North America	Western Europe
Cost efficiency	55%	49%	48%	61%	56%	51%	48%
Customer experience	66%	64%	76%	76%	71%	71%	66%
Innovation	47%	42%	67%	45%	47%	51%	53%
Integration of services	41%	36%	62%	45%	42%	43%	42%
Cyber security	11%	15%	24%	11%	14%	16%	10%
Compliance and regulatory change	40%	46%	14%	34%	41%	43%	49%
Geographical coverage plans	6%	3%	5%	11%	7%	1%	5%
Other	4%	6%	5%	0%	3%	1%	3%

Mobile Solutions

Fifty-eight percent of banks surveyed provide mobile access to online services, compared to just 6 percent of those surveyed who do not provide online access at all. Of the banks that do offer mobile solutions for corporate clients, the most-offered services were cash management (84 percent), reporting (75 percent), and payables (67 percent). Unsurprisingly, smaller companies (those with less than $500 million annual revenues) do not offer as many services as their larger counterparts.

Banks Offering Mobile Solutions for Corporate Clients
(Percentage of Banking Service Providers)



Respondents were asked: "For which of the following products does your bank provide mobile or online banking services?"

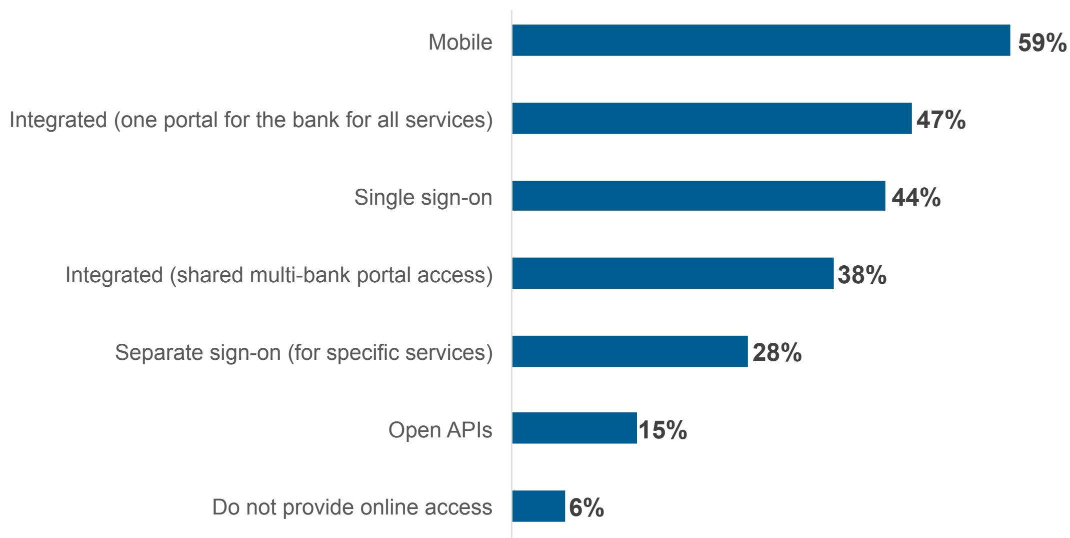
	All	Revenue Less Than $500M	Revenue Between $500M and $4.9BN	Revenue At Least $5BN	Publicly Traded	Privately Held	Asia Pacific	North America	Western Europe
Trade finance (letters of credit, collections)	54%	41%	52%	72%	70%	38%	66%	66%	57%
Open account (supply chain financing)	32%	16%	38%	50%	46%	21%	41%	39%	36%
Cash Management Services	84%	72%	91%	92%	95%	71%	88%	92%	88%
Reporting	75%	63%	76%	78%	77%	67%	77%	80%	78%
Payables	67%	47%	91%	78%	80%	54%	72%	73%	71%
Receivables	55%	31%	71%	67%	66%	42%	62%	64%	61%
Liquidity solutions (including pooling/ netting)	46%	34%	62%	50%	59%	33%	59%	58%	50%
Depository services	37%	28%	38%	39%	45%	25%	37%	41%	32%
Investment banking/capital markets	26%	16%	33%	36%	34%	25%	28%	29%	26%
Credit/Lending	24%	25%	29%	28%	27%	21%	25%	22%	21%
FX (including hedging)	51%	28%	48%	69%	61%	42%	63%	64%	57%

Online Services

More than half (59 percent) of all banks surveyed provide online services on mobile—this was the most commonly cited service. Just under half (47 percent) of banking service provider respondents said that they offered an integrated service, where there is one portal for the bank for all services, while 38 percent offer integrated shared multi-bank portal access.

Just 15 percent of banks provide open APIs, while 6 percent do not provide any online access to their corporate clients at all.

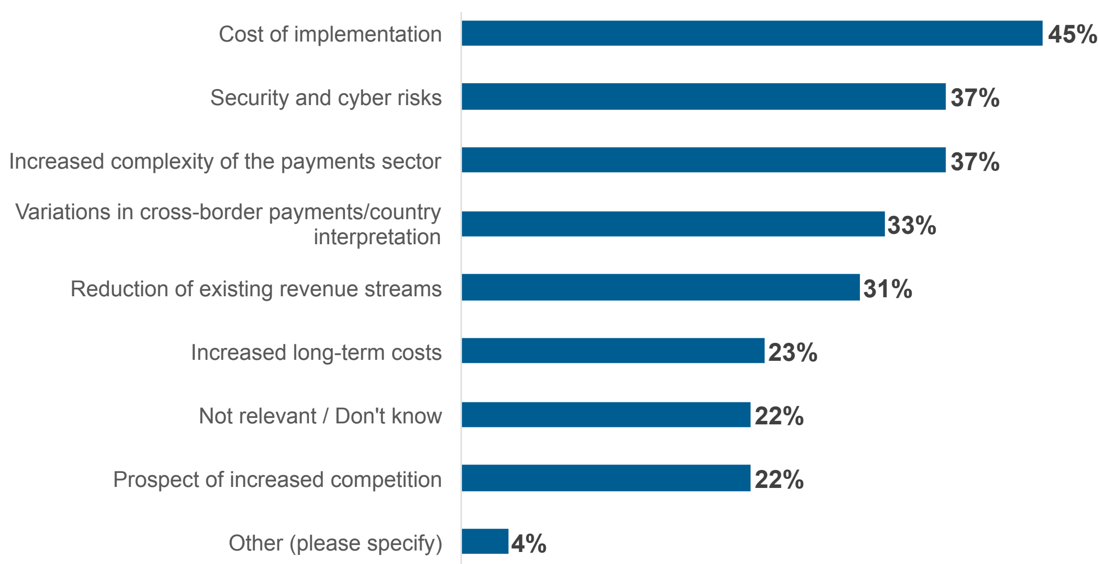
Types of Access to Online Services Provided by Banks
(Percentage of Banking Services Providers)



PSD2: The Revised Directive on Payment Services

The Revised Directive on Payment Services, or PSD2, was adopted by the European Parliament in October of last year; making this the first opportunity we have to see how the directive is impacting banks, and what their concerns are. In our survey, we asked banks to list their primary concerns surrounding the implementation of PSD2, checking all that apply. The greatest concern from banks surrounding the implementation of PSD2 is cost, with more than two-fifths (42 percent) of all banks worries about the cost of implementation. Security is also a key worry, with security and cyber risks cited by 37 percent of banks as a primary concern, joint with the increased complexity of the payments sector, also at 37 percent.

Primary Concerns Surrounding the Implementation of PSD2
(Percentage of Banking Services Providers)



Interestingly, smaller banks, or those with annual revenues of less than $500 million, are less concerned about the cost of implementation of PSD2, with just 29 percent citing it as a primary concern. Meanwhile, 52 percent of those with incomes greater than $500 million named cost as a concern. For the smaller banks, increased complexity of the payments sector was the most cited concern surrounding the implementation of PSD2, with 35 percent naming it.

When it came to security and cyber risks, the larger the bank, the more likely it is to be concerned; while 29 percent of smaller banks listed it as a primary concern, 33 percent of "mid-sized" banks (or those which have annual revenues of between $500 million and $4.9 billion) did, while 41 percent of the largest banks (or those with yearly revenues of more than $5 billion) named security and cyber risks a primary concern.

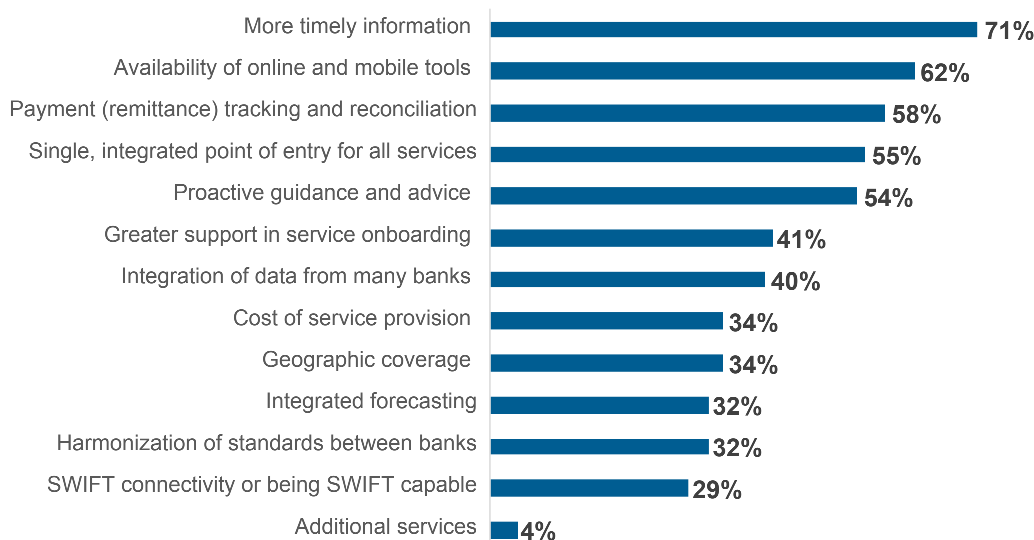
Smaller banks were more concerned about the long-term costs of PSD2 rather than the cost of implementation itself; 29 percent cited "increased long-term costs" as a primary concern, compared with 19 percent of mid- and larger sized banks. The prospect of increased competition also differed among the three different income bands—larger banks were more worried by this, with 27 percent citing it as a primary concern, compared with 24 percent of mid-sized banks, and 18 percent of smaller banks.

Competitive Differentiation

Nearly three-fourths (71 percent) of banks view more timely information (e.g. ‘real-time’ instead of next day) as likely to create the greatest source of competitive differentiation with corporate clients. More timely information was most cited by the banks surveyed, followed by availability of online and mobile tools (62 percent) and payment (remittance) tracking and reconciliation, cited by 58 percent.

There are some notable differences between the three main income bands of what factors are viewed as creating the greatest source of competitive differentiation. For example, for 24 percent of banks with incomes of less than $5 billion, it is thought that harmonization of standards between banks will create competitive differentiation, while nearly twice as many banks with more than $5 billion yearly revenues (42 percent) think the same.

Areas Thought to Create the Greatest Source of Competitive Differentiation
(Percentage of Banking Services Providers)



Similarly, larger banks tend to value proactive guidance and advice far more than smaller ones, as 35 percent of banks with yearly revenues of less than $500 million a year cited this area, compared with 62 percent of banks that make more than this amount.

Regionally, financial professionals tend to agree on what areas will create the greatest source of competitive differentiation with their corporate clients.

Other Partnerships

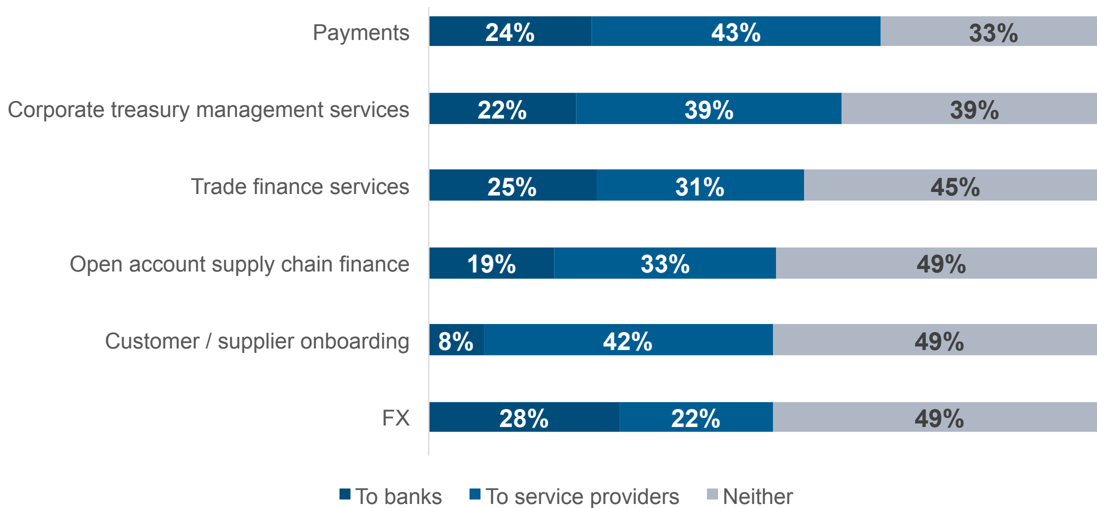
We asked banking respondents whether they would consider outsourcing to, or partnerships with, other banks or service providers for a range of back office services.

The area banks were most likely to consider outsourcing was payments, with two thirds (67 percent) of banking respondents saying they would consider outsourcing or partnership in this area: 24 percent would outsource to other banks, and 43 percent would outsource to other service providers. In second place was corporate treasury management services, which 61 percent of banks would outsource.

Banking respondents were least likely to consider outsourcing open account supply chain finance, customer or supplier onboarding, and FX to other providers, with only 51 percent of respondents saying they would outsource these to either other banks or service providers.

Banks were least likely to consider outsourcing customer or supplier onboarding to other banks, with just 8 percent saying they would consider outsourcing or a partnership with other banks—although 42 percent would be willing to consider outsourcing to other service providers.

Back Office Services Considered Outsourcing to Other Service Providers
(Percentage of Banking Services Providers and Corporate Practitioners)

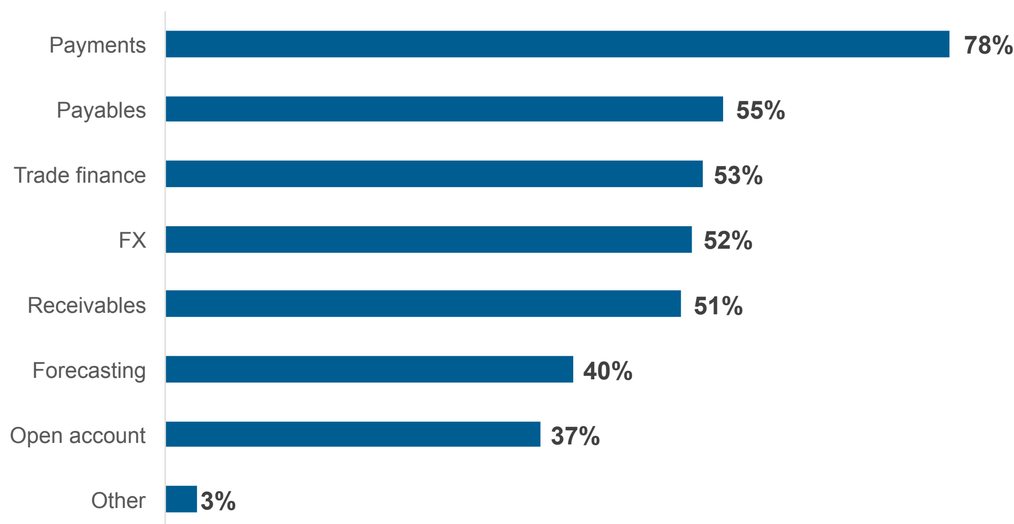


Transaction Services

By far, payments are the transaction service that respondents would consider to be the most valuable to their bank if delivered in an integrated and standardized way, cited by 78 percent of bank providers. The next most cited was payables, at 55 percent—a full 23 percentage points behind payments—followed by trade finance at 53 percent, and FX at 52 percent.

Open account is considered the service least likely to bring value to banks if delivered in an integrated and standardized way, cited by less than two fifths (37 percent) of respondents. Forecasting is not far above this, with only 40 percent of banking respondents considering that forecasting would bring the most value to their bank if delivered in an integrated and standardized way.

Transaction Services Thought to Deliver Most Value
(Percentage of Banking Services Providers)



Conclusion

The Survey this year highlights that the relationship between Corporates and Banks is strained. Finance, the glue in digital supply chains, needs to transform. Many banks understand the strategic imperative to transform, yet have major barriers to doing so. Corporates are out seeking for the right banks to work with. For banks, the time to transform is now.

Banks are now investing in their global transaction banking platforms; however, they need to make sure that the dollars are focused in the right areas. The research shows that there are big differences in the demands of the corporate and the strategic plans from the banks; indeed, the only area of real convergence is in digital customer experience. Corporates want much more than this now, including significant improvements in security, an area which savvy banks could turn into a differentiator.

"There are big differences in the demands of the corporate and the strategic plans from the banks."

The research clearly demonstrates that there is real urgency required by the banks to move ahead quickly, or corporates will start to migrate key services to non-bank providers. As the introduction of open APIs begins to take hold, this is only likely to accelerate.

At CGI, we believe that the introduction of the Open API Economy will have a profound impact on how banks service their corporate clients. This research strongly indicates that those that get it right, and open up their services to integration and deliver a seamless customer experience across services, will be the winners.

More than ever before, now clearly is the time to deliver digital transformation in the corporate and transaction banking market.

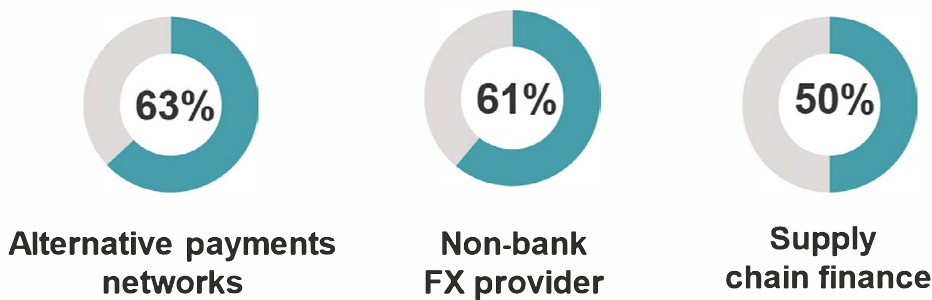
Key Takeaways

Corporate satisfaction with main banker falls

Overall satisfaction with banking partners' service is decreasing. 55% of corporate practitioners are 'highly satisfied' with their main banking partners' service, compared with 68% last year – a 19% decrease.

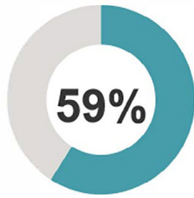
Corporates are looking to non-bank providers

Percentage either using or plan to over next 12 months:



Corporate interest in non-bank service providers is high, with many bankers either using or planning to use services like alternative payments networks, non-bank FX providers and supply chain finance.

Key drivers for reviewing banking relationships:



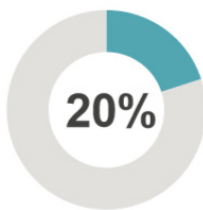
Improving the integration of services

Improving customer experience / service

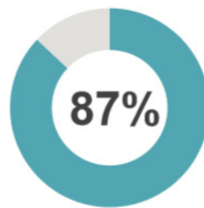
When it comes to reviewing banking relationships, integration of services and customer experience are front of mind for corporate practitioners.

59 percent of corporate respondents cited improving the integration of services into their systems as a motivating factor for reviewing banking relationships, and 55 percent were driven by the desire to improve customer experience or service.

Security is driving review and selection of main bank



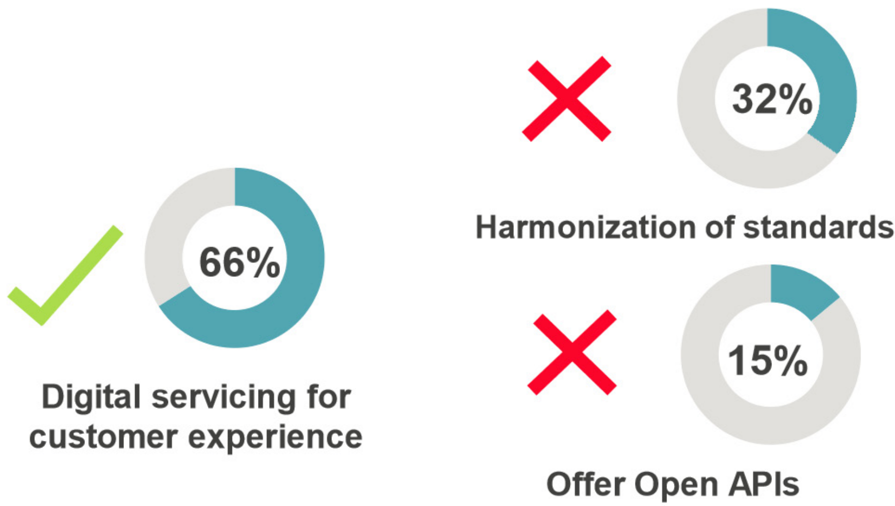
Review of main bank



Selection of new banker

Corporate practitioners are also prioritizing security both in their reviews of existing banking relationships and when establishing new banking partners.

Are the banks moving fast enough?



Are banks doing enough to keep up with the pace of industry change? Two-thirds of banking respondents say that customer experience is a priority, a necessary response to declining corporate satisfaction.

But banking services providers and their corporate clients aren't seeing eye-to-eye in other key areas. Harmonization of standards topped the list of desired areas of improvement for banks from corporate respondents, yet only 32 percent of banks believe this is an important area of competitive differentiation with corporate clients. Meanwhile, even in this digital age, only 15 percent of banks offer open APIs as part of their online services.

About the Survey

In June and July 2016, GTNews conducted the 2016 CGI Transaction Banking Survey. The survey was sent to GTNews corporate practitioner subscribers and banking services members. The primary purpose of the survey was to better understand attitudes and emerging trends in banking services and also identify how banking services are meeting the needs of finance professionals.

More than 300 responses were received, of which more than 170 were from banking services providers, and more than 140 were from corporate practitioners. Due to the sample size obtained, regional analysis was limited to responses from the Asia Pacific, North America and Western Europe regions.

GTNews would like to thank CGI for its underwriting support of the 2016 CGI Transaction Banking Survey. The following tables present the demographic profile of survey respondents.

Type of Organization *(Percentage Distribution of Organizations)*	
Corporate practitioner working in my organization's treasury/finance function	45%
Banking services provider	55%

Annual Revenue (USD)
(Percentage Distribution of Organizations)

	All	Corporate Practitioners	Banking Service Providers
Under $50 million	19%	22%	17%
$50-99.9 million	8%	8%	8%
$100-249.9 million	4%	3%	5%
$250-499.9 million	8%	10%	7%
$500-999.9 million	7%	10%	3%
$1-4.9 billion	21%	23%	19%
$5-9.9 billion	5%	2%	8%
$10-20 billion	13%	9%	16%
Over $20 billion	15%	13%	17%

Ownership Type *(Percentage Distribution of Corporate Practitioners)*	
Publicly Held	47%
Privately Owned	38%
Non-Profit	7%
Government (or government-owned entity)	8%

Scope of Organization's Operations
(Percentage Distribution of Organizations)

	All	Corporate Practitioners	Banking Service Providers
Our business operates within a single country	14%	16%	13%
We primarily operate within one geographic region	24%	21%	26%
Our business operates globally (across multiple regions)	62%	62%	62%

Industry Sector *(Percentage Distribution of Corporate Practitioners)*	
Banking/Financial services	8%
Business services/Consulting	9%
Construction	3%
Energy (including utilities)	11%
Government	6%
Hospitality/Travel	1%
Manufacturing	19%
Non-profit (including education)	8%
Real estate	4%
Retail (including wholesale/distribution)	7%
Software/Technology	8%
Telecommunications/Media	2%
Transportation	1%
Other	13%

Geographic Region
(Percentage Distribution of Organizations)

	All	Corporate Practitioners	Banking Service Providers
Asia Pacific	20%	18%	21%
Central & Eastern Europe	15%	16%	14%
Latin & South America	12%	13%	11%
Middle East & Africa	15%	15%	15%
North America	18%	19%	17%
Western Europe	21%	20%	22%