CGI
Transaction Banking Survey 2019

CGI

THE GLOBAL TREASURER
From the GTNews team

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Foreword

For the seventh consecutive year, CGI is a proud sponsor of The Global Treasurer's Transaction Banking Survey, which offers critical insight into the corporate-to-bank relationship.

As with previous surveys, this year's data highlights a number of key areas in which corporates and banks have phenomenally different expectations of one another – and client satisfaction amongst corporate treasurers appears to have sunk to an all-time low. For the first time since this survey began, satisfaction with main banking services providers has dropped below 50%, which is likely part of the reason we're seeing a sharp increase in the number of corporates reviewing their bank relationships.

Respondents indicate there's a pent up demand for digital, 'best-in-class' products, as well as real-time products and services from banking partners. In engaging with banks, client access is shifting from one bank with a single sign-on to single bank portals capable of accessing multiple services and even multi bank portals – and as expected, open banking and APIs look like a total game changer. Only 8% of banks told us open banking would not affect the way they work with clients.

Another key challenge for banks is the increasing market presence of non-bank providers offering corporates a number of key services – with a large proportion of corporate treasurers telling us they would consider outsourcing functions like supply chain finance and payments to non-banking fintechs.

Despite these challenges, there are a lot of positive notes and lessons to take away from this year's survey and tremendous business and customer opportunities for banks in the year ahead.

The rate of change in corporate and transaction banking is accelerating, with an increasing number of banking services providers working to improve cross-border payments through innovations like SWIFT gpi; while a majority of banks told us they're working to address demand and add value for clients by enhancing services like working capital management, blockchain support and access to alternative supply chain finance platforms.

Bearing that in mind, it looks like the next 12 months are going to be an incredibly eventful period for corporate treasurers and banking services providers. We look forward to watching it unfold.

CGI is a world leader in delivering consulting, systems integration, software and managing IT to banks around the world. We hope you find this report of value in prioritizing initiatives that promote success. If you would like to discuss this research and how we can support you, please contact us at banking.transformed@cgi.com

Key findings

- **Client satisfaction is at an all-time low.** For the first time since this survey began, corporate client satisfaction with main banking services providers has dropped below 50%.

- **Corporates are reviewing their bank relationships.** There's been a sharp increase in the number of respondents reviewing their cash management offering from their banks, while system integration has become a much more important factor in the review of banking relationships over the last 12 months.

- **Corporates are increasing the number of bank relationships.** One third of respondents say they've increased the number of relationships within their organization over the last 12 months, and banking provider coverage strategy is a key driver of change.

- **There's pent up demand for digital, 'best-in-class' products and services – but banks are failing to deliver.** Just under half of all respondents said this is very important to them, but only 8% of banks are delivering.

- **Access is shifting towards single bank portals.** There's been a shift towards using single bank portals to access multiple services from one bank with a single sign-on (60% this year, versus 19% in 2018). This was matched by future demand for a single bank portal, with increasing interest in SWIFT solutions.

- **Clients want real-time products and services.** Corporates told us having a single view across all of a company's bank balances in real-time and harmonization of standards between banks would most improve banking services.

- **Open banking is a total a game changer.** 79% of respondents said that open banking will change the way they interact with banking services providers.

- **Some treasury functions are being de-centralized/regionalized.** Bucking a long-held industry-wide trend towards increased centralization, there's been an interesting rise in the decentralization of select treasury functions such as risk management and trade finance.

- **KYC onboarding remains a key challenge.** For a third year running, corporate practitioners identified KYC onboarding as the most significant challenge they face when integrating with a new banking partner.

Client Experience and Satisfaction

Client Overall Satisfaction

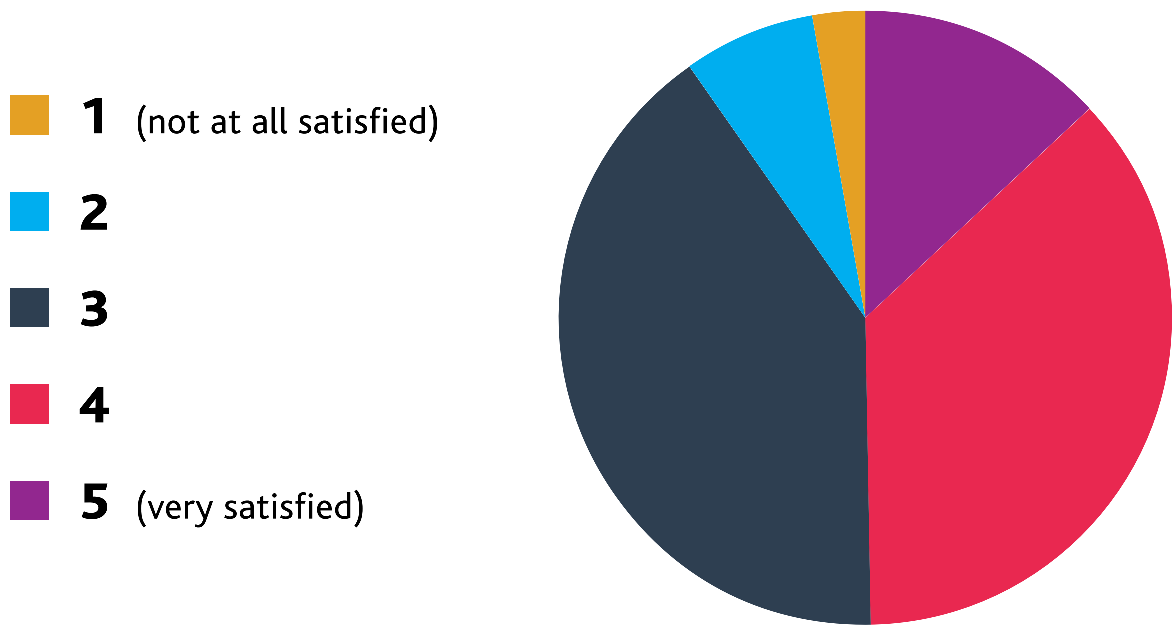
The global treasury landscape has continued to evolve over the course of the past year. As banks and financial institutions scramble to catch up with 2018's influx of regulatory updates and the implications of open banking and heightened competition across the banking ecosystem, corporate clients are being offered a wider range of digital products than ever before – particularly from customer-focused retail banks.

This array of choice has left corporate treasurers frustrated with the digital offerings from their more traditional corporate or transaction banking partners, and corporate clients are now looking at retail banks and non-bank fintechs enviously.

As a result, this fresh new tidal wave of options has empowered corporates to demand more from their banking partners – and it's also pushed banks to reconsider and reprioritize their customer service standards and product offerings in order to fight off competition from retail banks and fintech providers that appear to be much further along on their respective digital journeys.

Even so, year-on-year we saw a noticeable decline in how satisfied corporate respondents are with their main banking partners. For the first time since this survey began, overall satisfaction has dropped below 50% – suggesting banking partners still have some major catching up to do in order to meet mounting client requirements and expectations.

Overall Satisfaction with Service Provided by Main Banking Partners



(Percentage Distribution of Corporate Practitioners Rating Service '4' or '5' on a 5-point scale)

Overall satisfaction with the service provided by primary banking partners among corporate practitioners has dropped to 49.5% in 2019, with under half of corporate practitioners rating the service they receive '4' or '5' on a 5-point scale (where '1' was not at all satisfied and '5' was very satisfied).

This represents a 6.5% decline year-on-year, with 56% of corporate practitioners reporting high satisfaction levels in 2018, 54% in 2017 and 55% in 2016.

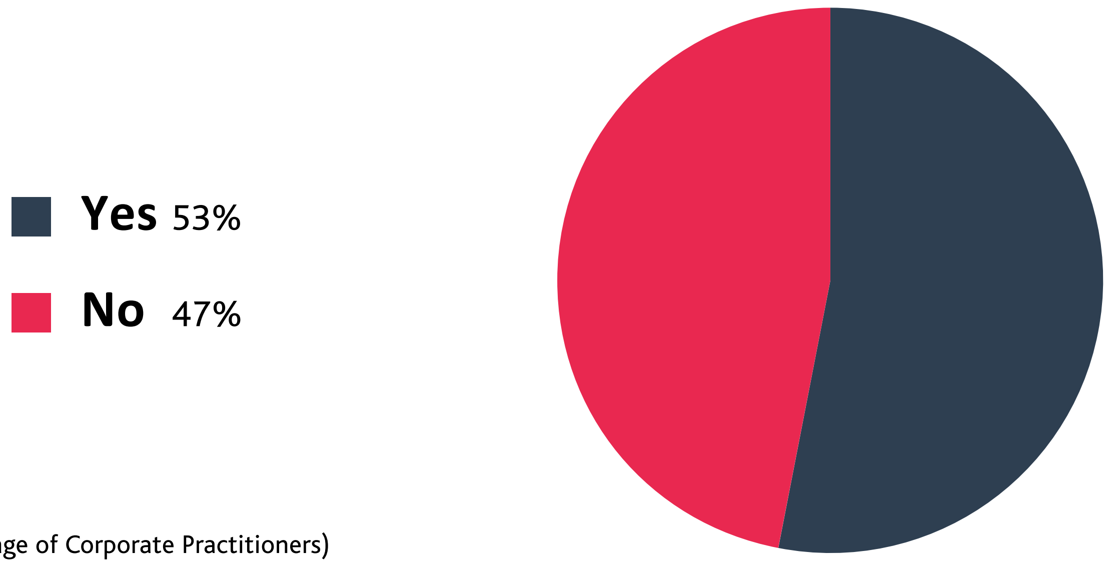
The vast majority of corporates rated their banking partners' services in the mid-sections (either '4', '3' or '2'), with just 13% reporting the highest possible level of satisfaction and 3% indicating they were not at all satisfied with their banking partner services.

Large organizations (corporates with annual revenues of $500m or above) reported slightly higher satisfaction levels than smaller corporates over the last 12 months, with just over 56% of large organizations reporting high satisfaction levels. By contrast, only 48.5% of smaller organizations (corporates with annual revenues of under $500m) rated their main banking partners highly.

Reviewing Banking Relationships

More than half of corporates are reviewing their organization's strategy with their main banking partners in 2019, with 53% of those surveyed reporting that relationships were now up for review. This represents a minor year-on-year decline from 2018, when 56% of practitioners said they were reviewing their organization's respective strategies.

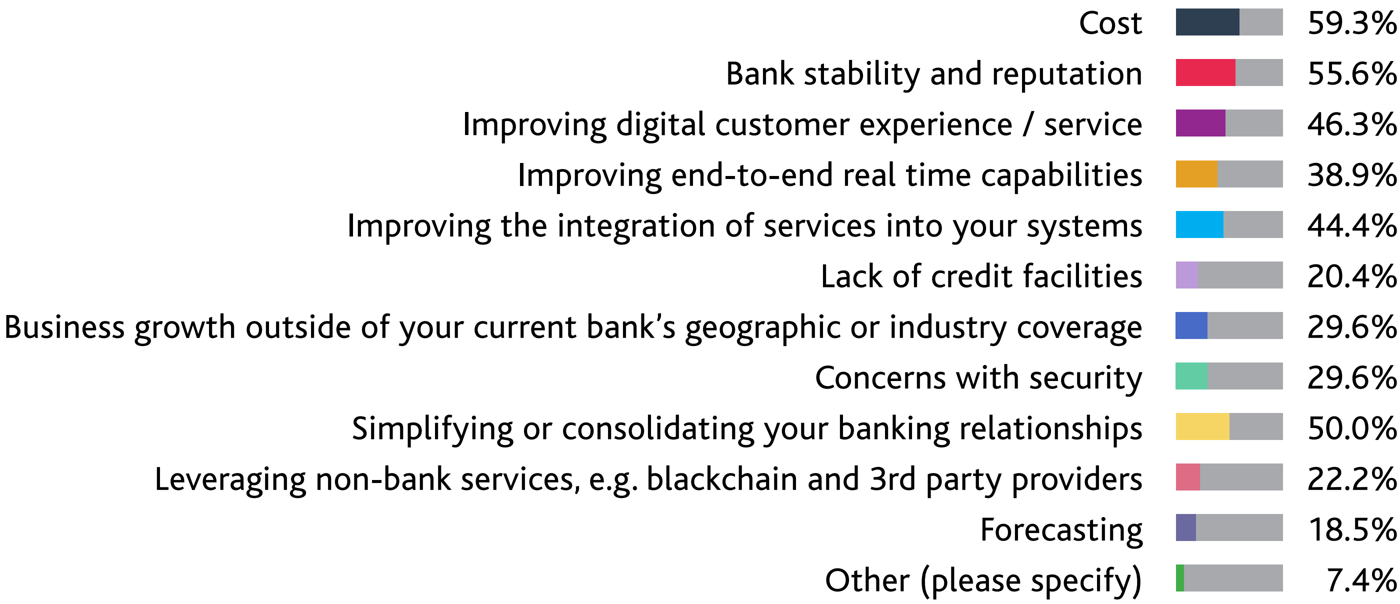
Are you reviewing your strategic relationship with your main banking partner?



(Percentage of Corporate Practitioners)

While 52% of organizations with annual revenues of under $500m say they are reviewing their banking relationships in 2019, a far higher proportion (65.6%) of large corporates confirmed they are currently reviewing their organizational strategy with main banking partners.

Drivers behind review of banking relationships



(Percentage of Corporate Practitioners)

More than half of practitioners surveyed cited the cost of services as the single greatest driver behind strategic relationship reviews in 2019, at 59.3%. Meanwhile, 55.6% of practitioners indicated bank stability and reputation were driving strategic partnership reviews and precisely half of respondents cited a desire to simplify or consolidate banking relationships.

When split by size, the top drivers pushing corporates to review their respective banking relationships were roughly the same. Cost and bank stability were cited among both groups as key areas for consideration – although a far higher proportion of large corporates cited the need to improve integration of services into their existing systems as a top concern.

Meanwhile, practitioners operating within smaller organizations unsurprisingly cite credit facilities as a far more important driver behind banking reviews. Almost 24% of smaller corporates highlighted a lack of credit facilities as a key consideration in 2019, versus just 14.3% of large organizations.

Bank Products Under Review

For the fourth consecutive year, cash management services is the bank product most likely to be under review, with 76.7% of corporate practitioners reporting it as a top priority. That signifies a sharp year-on-year increase of more than 11%.

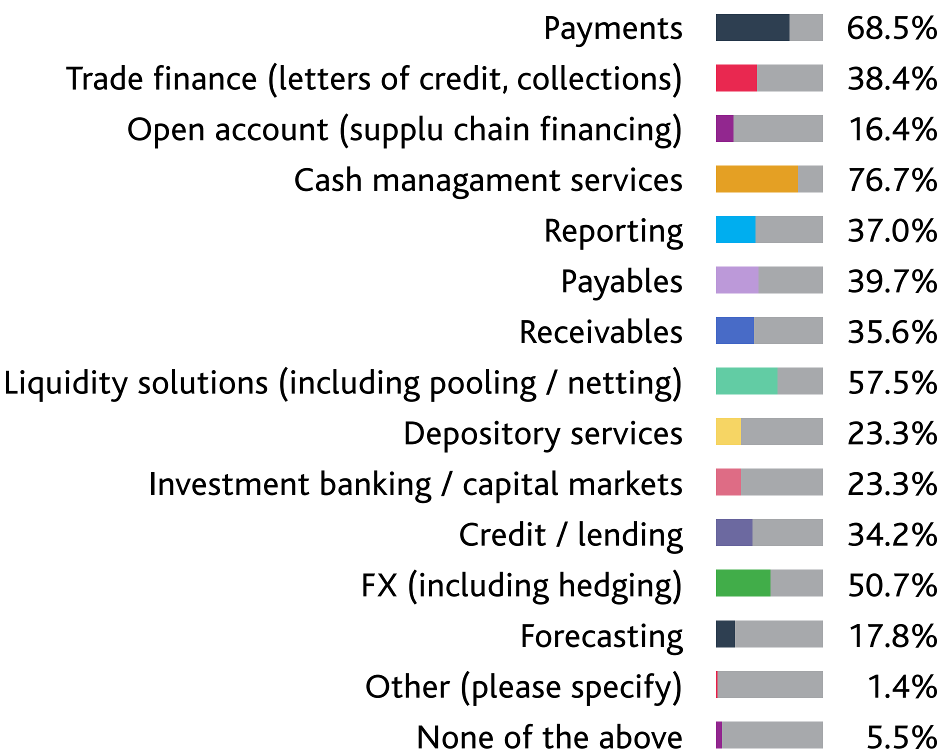
Over two-thirds (68.5%) of respondents indicated payments were up for review, which was a slight increase from 2018 when cash management services and payments were of equal priority as the product areas most likely to be under review.

That's relatively unsurprising bearing in mind the huge gains retail banks and innovative fintechs have made in terms of the digital payments solutions they're able to offer. Yet it does appear some of those products are finally spilling over into the corporate banking sector through a relatively organic process of osmosis.

Meanwhile, the number of corporates revisiting FX this year has dropped 11% year-on-year, decreasing from 61.7% in 2018 to 50.7% in 2019 – while open account (supply chain finance) product reviews also declined by almost 10% year-on-year. Open accounts services fell behind forecasting to become this year's lowest ranking services review.

The remaining options track relatively closely with their positions last year, with the exception of a 5% decline in corporate practitioners citing credit/lending as an area for review.

Bank product areas under review



(Percentage of Corporate Practitioners)

While cash management services and payments were commonly cited amongst both large and smaller corporates, there were noticeable differences across other product areas.

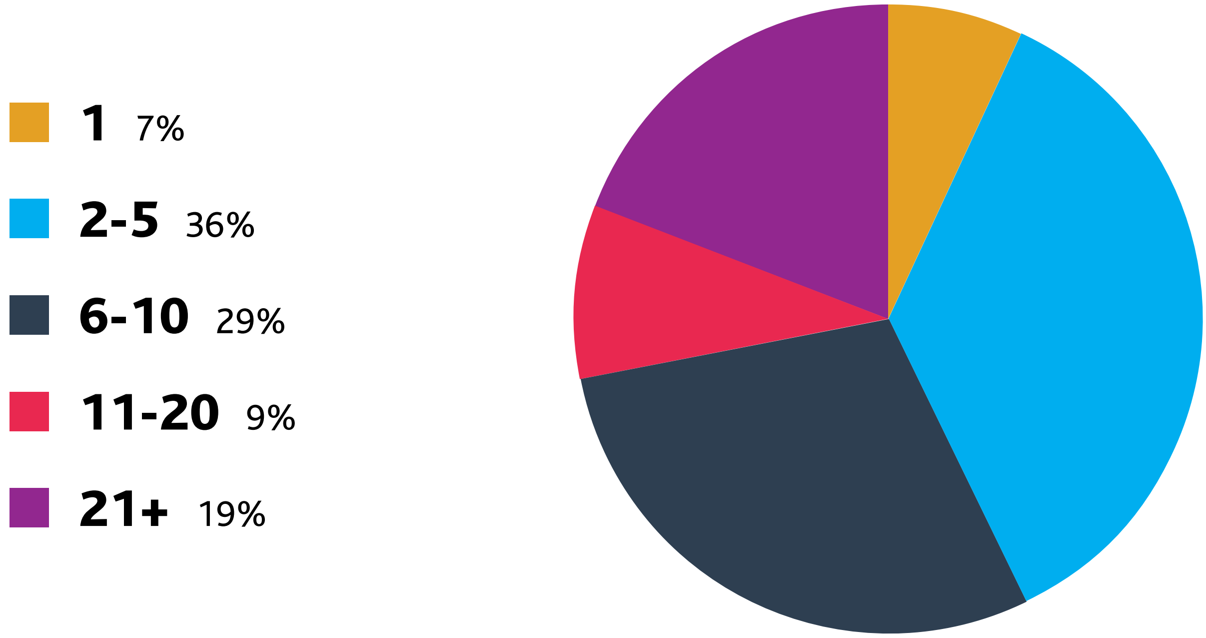
For example, 62.5% of larger organizations said they were reviewing FX products, versus just over 36% of smaller corporates.

Likewise, liquidity solutions such as pooling and netting were cited as areas for review among 75% of large organizations. By contrast, only 45.5% of smaller corporates told us liquidity solutions were being reviewed.

Changes in Banking Relationships

When it comes to banking relationships, two-thirds of corporates said they work with 2-5 banks on a regular basis. By contrast, 29% of organizations regularly work with 6-10 banks, and 19% of respondents say they work with 21 or more banks.

How many banks does your organization work with on a regular basis?



(Percent of corporate practitioners)

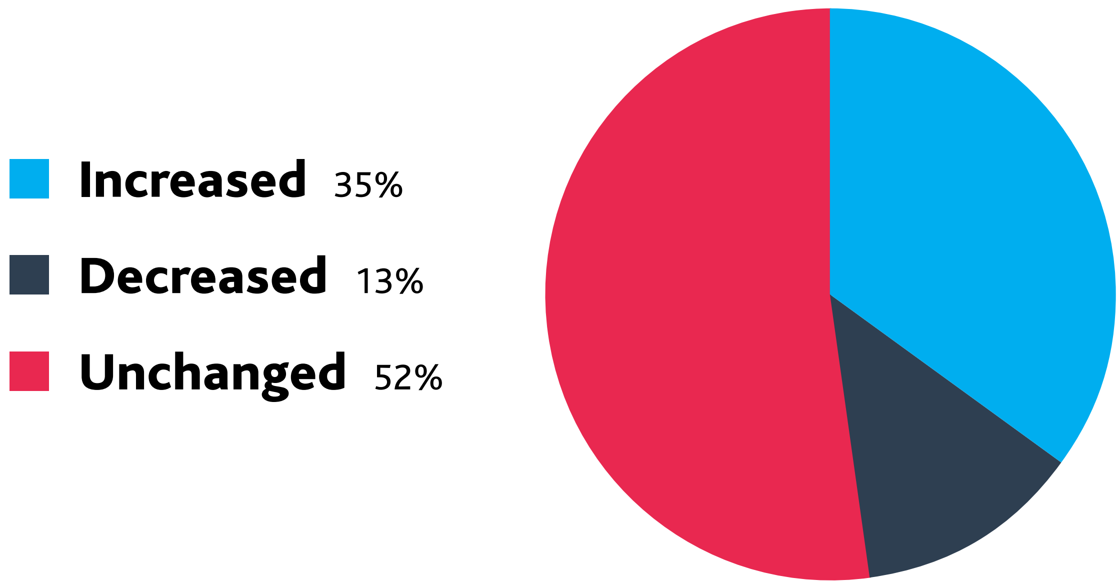
Unsurprisingly, the number of banks an organization works with varies based upon size – with 55% of smaller corporates (any organization with annual revenues of under $500m) working with 2-5 banking partners and just 12% of respondents working with 11 or more banks.

Meanwhile, 43.8% of large organizations (companies with annual revenues of $500m or above) report working with 11 or more banking partners on a regular basis. In fact, one in four large corporates say they maintain partnerships with 21 banks or more.

Overall, corporates are less likely to have increased the number of banking relationships they have over the past year to August 2019.

More than 52% of corporates reported no change to the number of relationships in their organization over the last 12 months, representing an 11.4% rise year-on-year. This figure roughly matches 2017 levels, when 50% of practitioners surveyed indicated they saw no change.

How has the number of bank relationships in your organization changed during the last 12 months?



(Percent of corporate practitioners)

Meanwhile, just under 35% of corporate practitioners surveyed this year reported an increase in the number of relationships (a 5% decline from 2018). Likewise, there's been a 5% year-on-year drop in the number of corporates decreasing the number of banking relationships within their respective organizations.

Smaller corporates are more likely to have increased the number of bank relationships in their organization during the last 12 months – with 46% of respondents reporting an increase. By contrast, only 30% or large corporates said they had increased the number of relationships in 2019.

In fact, almost one in five large corporates have actually decreased the number of bank relationships within their organization.

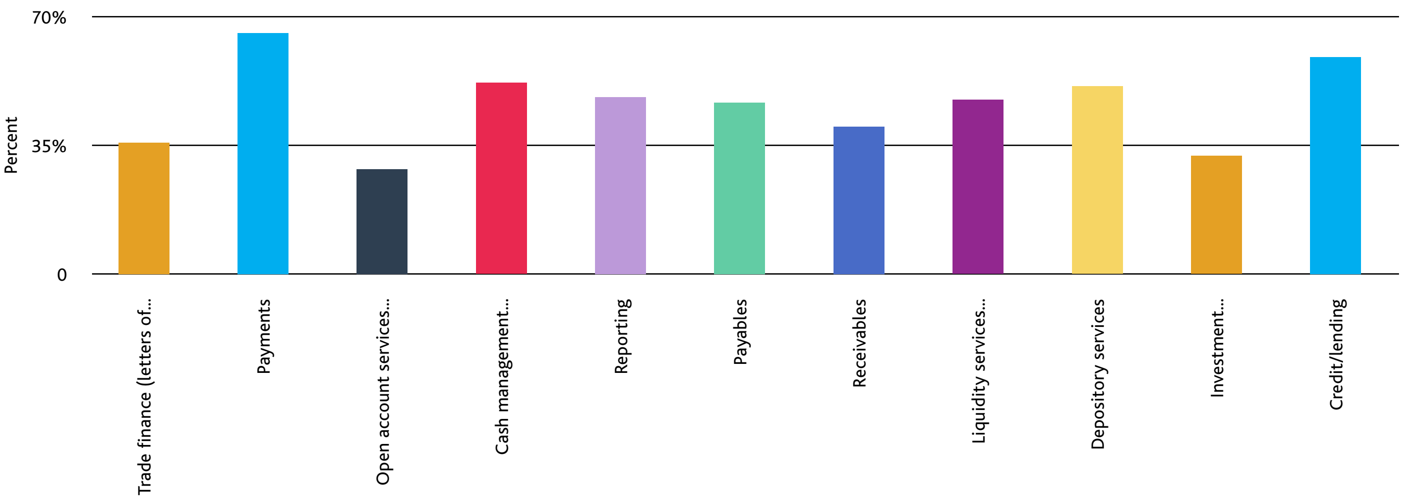
Client Overall Satisfaction with Specific Services

Overall satisfaction levels with banking partners for a range of different services have shifted dramatically over the course of the last 12 months.

While just under half of all corporate practitioners surveyed indicated they were highly satisfied with the overall service provided by their banking partners, satisfaction levels have risen dramatically in several specific service areas.

The graph below illustrates the proportion of corporate practitioners that rated their partners 'excellent' or 'good' in each area ('4' or '5' on a 5-point scale, where '1' was not at all satisfied and '5' was very satisfied).

Overall Satisfaction Provided by Main Banking Partners for Each Service



(Percentage of Organizations Rating the Level of Value 'very important' or 'quite important')

Year-on-year, client satisfaction with payments services has skyrocketed from 29.5% in 2018 to 65.6% in 2019. Credit lending satisfaction levels have chalked up a major increase as well, rising from 28.1% last year to 59%. Cash management, FX services (including hedging) and reporting all posted increases of around 20% year-on-year. Depository services satisfaction levels increased from just 14.1% last year to 50.9% in 2019.

It's worth noting these sharp increases in satisfaction levels follow a major drop across the board between 2017 and 2018 – indicating banks understand the need to invest and have finally clawed their way back to achieve higher satisfaction levels in specific service areas over the last 12 months.

Bank Selection

Corporate Practitioner Perspective

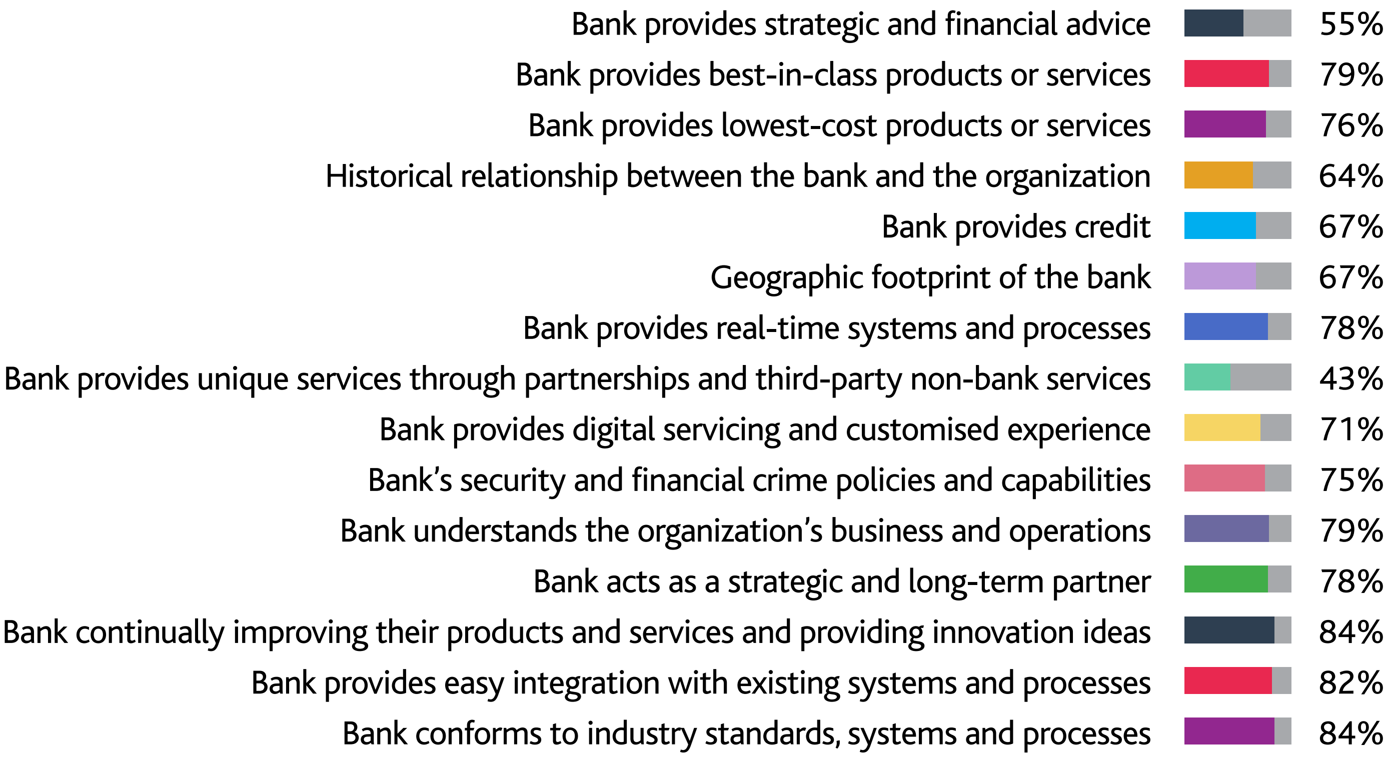
In terms of bank selection, corporate practitioners cited a range of factors up for consideration when selecting a bank or relationship maintenance.

Last year, corporates reported ease of integration with existing systems and processes as the single most important factor in bank selection – with 68.3% of practitioners rating it as 'very important' or 'quite important'. That number sharply increased further still in 2019, with 81.2% of corporates highlighting it as an important factor.

Yet prevalence has shifted over the last 12 months to a bank's ability to continually improve its products, services and provide innovative ideas. Over 88% of respondents highlighted this factor as a key issue, with less than 1% of practitioners surveyed indicating this was not important at all.

The graph below illustrates the proportion of corporate practitioners that rated the level of value for each factor 'very important' or 'quite important'.

Factors Considered When Organizations Establish a Banking Relationship



(Percentage of Organizations Rating the Level of Value 'very important' or 'quite important')

Practitioners indicated they were least interested in a bank's ability to provide low-cost services to clients, although this figure remained relatively static year-on-year.

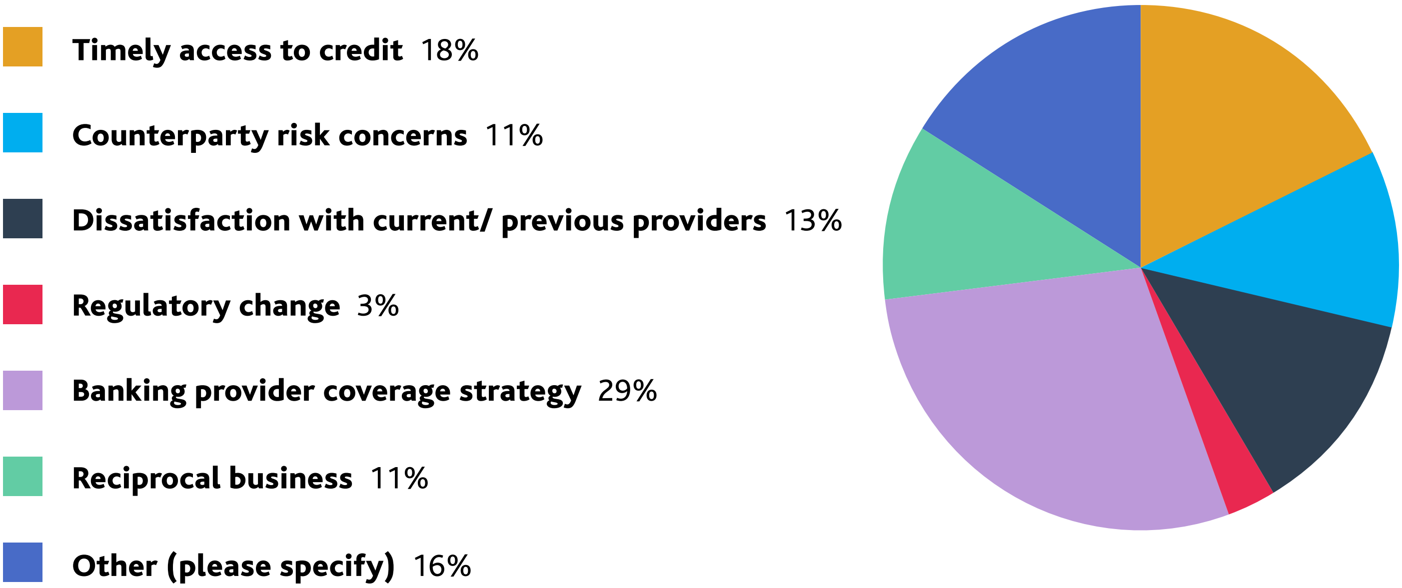
More important still, it appears the regulatory impact of PSD2 and open banking has finally begun to impact bank selection – with 56.9% of practitioners highlighting a bank's provision of unique services through partnerships and third-party non-bank services as a key factor when considering a new relationship. That represents a year-on-year increase of over 19%.

Bank Activity

Reasons for Change

There are plenty of reasons an organization might opt to expand or consolidate its banking relationships, and reviews of current products or services occur regularly. Yet over the course of the last 12 months, there's been some movement across the key issues corporates say are driving their organizations to change the number of banking relationships they maintain.

What is the primary reason driving your organization to increase the number of banking relationships?



(Percentage of Corporate Practitioners)

When asked why their organization had increased the number of banks they're working with, 29% of corporate practitioners cited banking provider coverage strategy as the single most important driver. That figure remains relatively stationary year-on-year, while timely access to credit and regulatory change posted single-digit declines as key drivers of change.

Elsewhere, counterparty risk concerns have increased by just over 3% over the last 12 months, and dissatisfaction with current or previous providers has risen by 5.2%.

Amongst larger corporates (organizations with over $500m in annual revenues), more weight is being placed upon reciprocal business as a key driver. One in five large organizations cited this as a key reason for an increase in relationship numbers, compared to just 7% of organizations with revenues of under $500m per year.

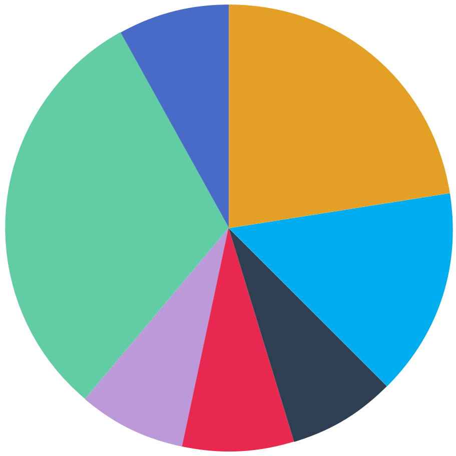
One in ten larger corporates also cited counterparty risk concerns as a primary reason for change. This wasn't a concern at all amongst smaller corporates, which were far more likely to cite dissatisfaction with current providers as a primary driver.

There's been an even bigger shift in the drivers behind corporates moving to reduce their banking relationships.

Last year, more than a fifth of respondents cited costs and coverage strategy as the primary reasons behind relationships consolidation. This year, just 7.7% of practitioners cited these factors as key drivers for change – while the number of respondents reporting a change in business needs as the primary reason behind consolidation has skyrocketed.

What is the primary reason driving your organization to consolidate the number of banking relationships?

- **Economies of scale – easier to maintain fewer bank relationships** 23%
- **Changes in credit facilities and current bank's appetite to extend credit** 15%
- **Cost of banking relationships** 8%
- **Product and service related issues** 8%
- **Banking provider coverage strategy** 8%
- **Change in business needs** 31%
- **Other (please specify)** 8%



(Percentage of Corporate Practitioners)

Just under a third of respondents told us the primary reason behind consolidation was a change in business needs, versus just 4.2% in 2018. The desire to achieve economies of scale increased by 6.3% year-on-year, while changes in credit facilities and the appetite of current banking partners to extend credit rose by 7% as a top driver.

Centralized Treasury Functions

There are plenty of reasons a corporate might choose to pursue a decentralized treasury structure. Decentralization empowers regional teams within sprawling multinational organizations to utilize their local knowledge in order to make quick, on-the-spot decisions that meet the contrasting needs of specific markets without getting tied up by cumbersome corporate processes.

That's why decentralization is a historically popular cash management organizational structure for multinationals that are operating in fast-paced emerging markets.

Yet while a decentralized model makes perfect sense for particular corporate practitioners and their respective organizations, the global treasury space is undeniably gravitating towards a more centralized approach. Generally speaking, centralized functions allow for economies of scale, greater efficiency and bolstered technological capabilities – which is why the centralization of various treasury functions has continued at pace over the last 12 months.

In 2019, the two most commonly centralized treasury functions were investment services and FX, with two-thirds of all corporate practitioners reporting their organizations had centralized these functions. These figures are consistent with the responses gathered in our 2018 survey, although the proportion of corporates with centralized risk management treasury function notably declined from 74.2% last year to just 62.5% in 2019.

Accounts payable (63.4%), cash pooling/netting (62.9%) and accounts receivable (59.4%) followed closely behind FX and investment services as centralized functions.

Centralization and Decentralization of Treasury Functions

ITEM	CENTRALIZED	DECENTRALIZED / REGIONALIZED
Accounts receivable	59.4%	30.7%
Accounts payable	63.4%	27.7%
FX	66%	18%
Cash pooling / netting	62.9%	19.6%
Investment services	66.3%	21.8%
Credit services	49%	27.6%
Risk management	62.5%	27.1%
Trade finance	39.2%	33%
Supply chain finance	40.8%	24.5%
Forecasting	57.1%	33.7%
Payment reconciliation	53.5%	37.4%
Regulatory reporting	53.9%	32.4%

(Percentage of Corporate Practitioners)

Payment reconciliation has been the most popular decentralized treasury function over the last 12 months at 37.4%, although it's worth pointing out this actually represents a 6% year-on-year decrease. Approximately a third of practitioners reported decentralized regulatory reporting, forecasting and trade finance functions within their respective organizations.

Amongst large organizations with annual revenues of $500m or more, a slightly larger proportion of respondents reported having centralized FX function (77.4%) and risk management (76.7%). Meanwhile, large organizations are around 10% less likely to centralize functions like accounts payable and accounts receivable.

By contrast, smaller businesses (organizations with annual revenues of under $500m) were most likely to outsource risk management (67.7%) and accounts payable functions (66.7%). Similarly, 64.5% of smaller corporates said they maintained centralized payment reconciliation – versus just 41.9% of large organizations.

Banking Channels

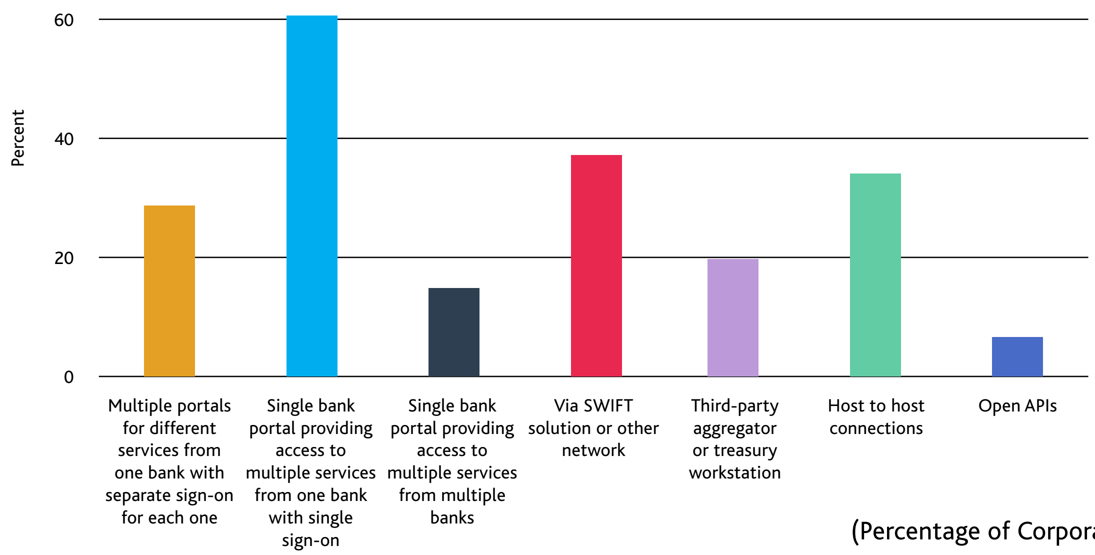
Banking channels

Corporates tend to utilize a variety of channels in order to access the services offered by their banking partners. This can be an immense challenge, as treasury professionals are then required to access multiple banks via separate channels, multiple products from a single bank or a combination of both.

With each channel requesting its own set of user credentials and different systems requiring contrasting protocols, this can introduce all sorts of new inefficiencies and hamper time-sensitive transactions.

A desire to remove that friction is likely why there's been a surge in the number of corporates using a single bank portal in order to access multiple services from one bank with a single sign-on. Over 60% of respondents reported using this channel when connecting with their bank this year, versus just 19.4% of respondents in 2018.

Channel Used When Connecting/Accessing Banks



(Percentage of Corporate Practitioners)

Last year, the most popular method reported by corporate practitioners was to utilize multiple portals for different services from one bank with separate sign-on for each one. Use of this channel has actually posted a marginal year-on-year increase – while use of host-to-host connections has skyrocketed from just 8.3% of practitioners last year to 34.8% in 2019.

Use of a SWIFT solution or similar network also increased dramatically, with a 16.9% year-on-year rise to 37.7%.

While a commanding majority of both small and large corporates say they use a single bank portal when connecting with their banking partners, there are major differences elsewhere in terms of access channels where size is concerned.

Almost 37% of small organizations (corporates reporting less than $500m per year in revenues) say they use multiple portals for different services from one bank with a separate sign-on for each one – versus just 24.8% of large organizations.

Meanwhile, large corporates are more than twice as likely to access their banks via SWIFT or using a single bank portal that provides access to services from multiple banks. Bigger firms are more than three times as likely to use a third-party aggregator or treasury workstation.

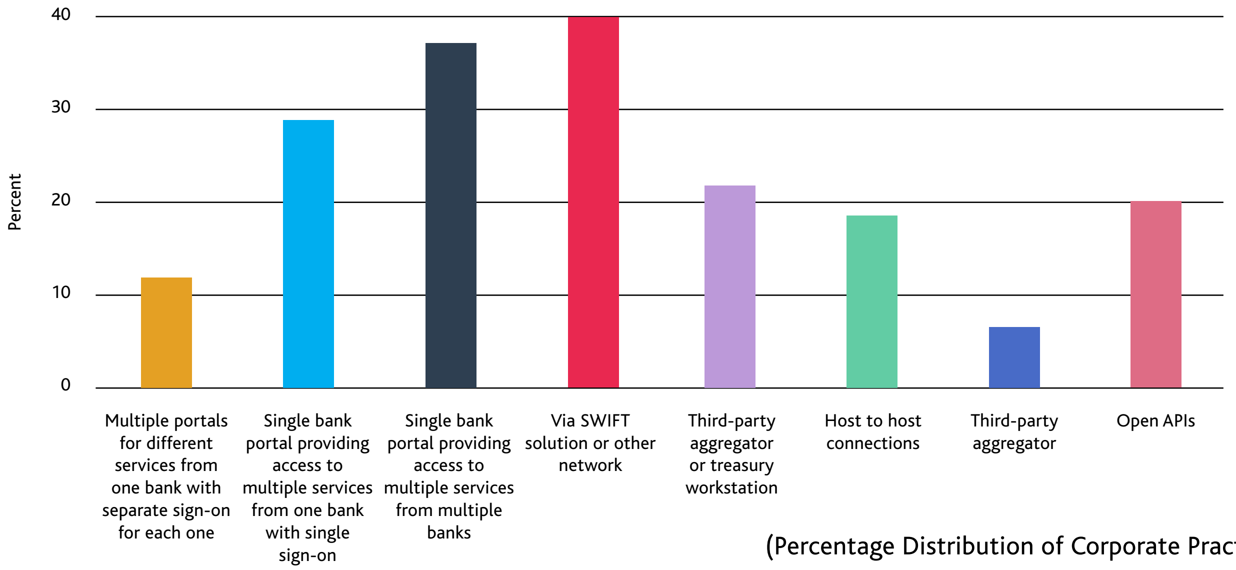
Preferred Bank Access

Preferred Bank Access

While an overwhelming majority of corporates surveyed in 2019 reported relying on a single bank portal in order to access multiple services from one bank with a single sign-on, it's actually not the preferred method of practitioners to access their banks.

Bank access via a SWIFT solution or similar network is the most desirable method, with 40% of respondents saying it was their preferred choice. This represents a huge year-on-year increase from just 15.7% in 2018.

Preferred Bank Access Methods



(Percentage Distribution of Corporate Practitioners)

Use a single bank portal that provides access to services from multiple banks trailed closely behind SWIFT solutions, with 38.6% of practitioners citing it as their preferred access method.

Use of a treasury workstation of third-party aggregator, which was the most preferred access method last year, dropped to the middle of the pack with just 22.9% of corporates citing it as their method of choice.

Preference for the use of open APIs – a new category that was only introduced last year – posted an 8.5% rise in popularity year-on-year, settling at 21.4%.

While larger organizations are more likely to favor access with SWIFT or a treasury workstation, smaller organizations told us they'd prefer access via a single portal that enables them to use multiple services from one bank (38.7%) or a single bank portal offering access to services from multiple banks (38.7%).

A far higher proportion of smaller corporates also said their preferred access method was to use multiple portals for different services from one bank, at 22.6%. Just 6% of large corporates told us they'd prefer to use this access method.

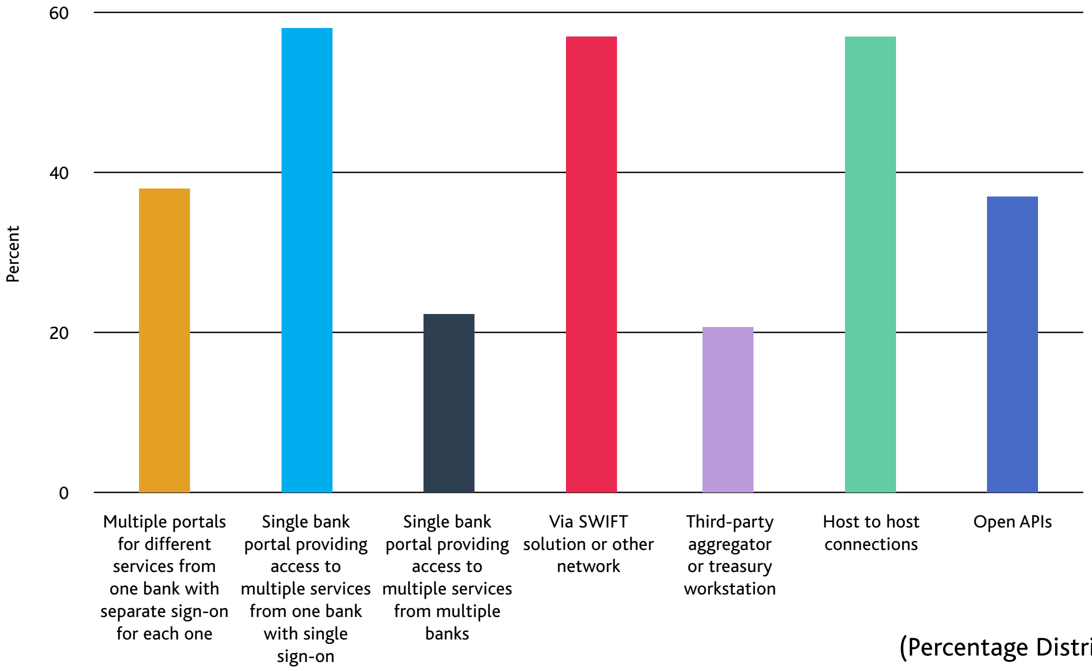
Types of Access to Bank Services

Banks offer a somewhat varied range of methods by which their online services can be accessed by clients.

The most popular mechanism on offer from banks is use of a single bank portal that provides access to multiple services from one bank with a single sign-on, at 58.3%. This matches up squarely as the most common access method amongst corporate practitioners.

Yet access via SWIFT solution or other network solution – the most preferred method among practitioners over the last 12 months – trailed closely with 57.4% of respondents saying they offered these services.

Types of Access to Online Services Offered to Corporate Clients



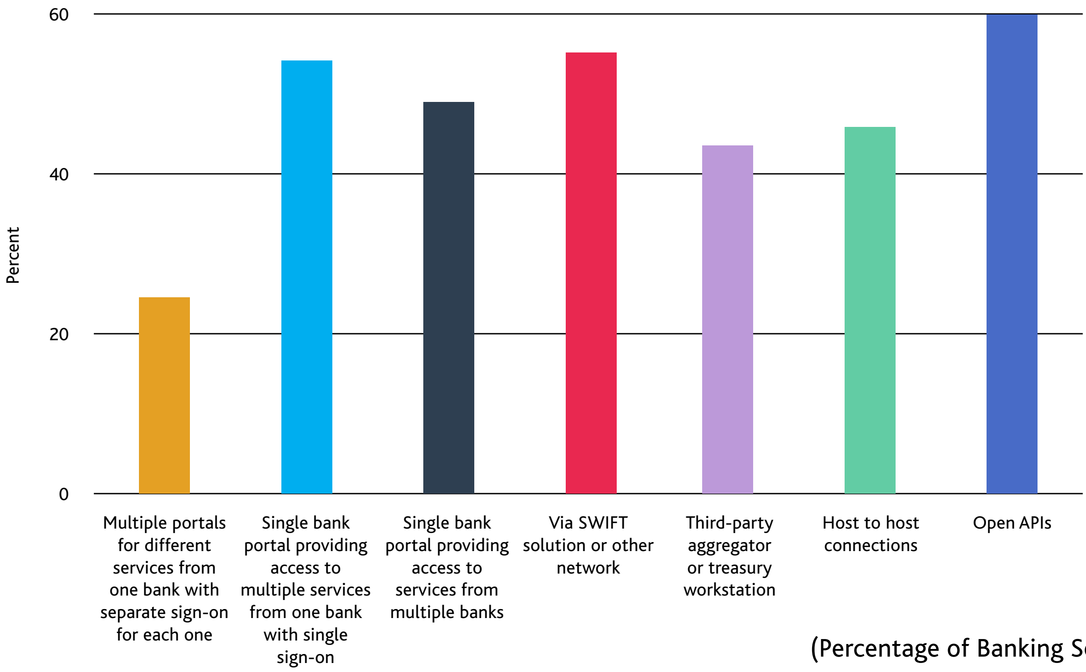
(Percentage Distribution of Banks)

Open APIs and host-to-host connections both experienced around a 10% year-on-year increase as available mechanisms – while there was actually an 11% drop in the number of banks offering access to multiple portals for different services from one bank with separate sign-ons.

Larger banking services providers were are more likely to offer host-to-host connections. While 41% of smaller organizations told us they currently offer host-to-host connections, 71.9% of big banks provide this type of access.

Looking to the horizon, there's predictably been a huge increase in the number of banks expecting to offer access via open APIs over the next 3-5 years. Last year, 28.6% of respondents said open APIs would be a core focus over that time period. In 2019, that figure has more than doubled to 60% and outpaced every other available mechanism.

What types of access to online services does your bank intend to provide to corporate clients in 3-5 years' time?



(Percentage of Banking Services Providers)

A distinct drive towards enhancing the availability of open APIs looks to be shaping over the next 3-5 years, with 60% having said it's a core focus over that time period. This answer is more prevalent amongst large banks, with over 65% of banks planning to offer API within five years versus just under 49% of smaller banks.

The bottom line is simple: corporate and transaction banks know they need to invest in open APIs in order to compete with more digital-savvy retail banks and agile fintechs. It appears they are finally starting to invest in digitalization and move boldly in this direction.

Interestingly, there's been an 11.1% year-on-year increase in the number of banks expecting to provide access to multiple portals for different services from one bank in the next 3-5 years. Despite finishing at the tail end of the pack, 24.5% of respondents said they expected to offer this mechanism in the future.

Areas for Improvement

Areas for improvement

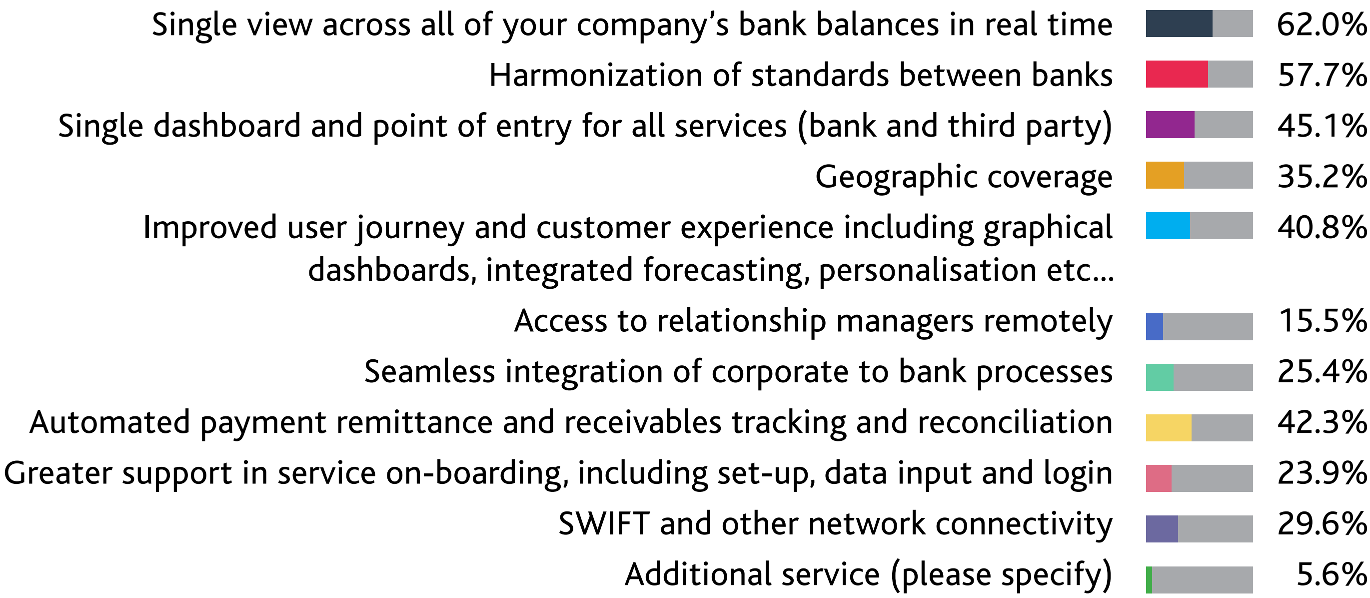
Just like any other type of external relationship, there will always be room for improvement between banks and the corporate treasuries they serve.

This year, the most desired improvement to banking services amongst practitioners was a single view across all company balances in real-time – with 62% of respondents citing this as being at the top of their wish list.

Demand for real-time platforms has emerged as a major trend in 2019. Many corporate and transaction banks are still not operating in real-time and are not open 24/7. However, the ever-increasing presence of real-time payments has created an environment in which corporates are demanding that real-time delivery is applied to other products and services.

Following closely behind as a top improvement was the desire to see better harmonization of standards between banks (57.7%), a single dashboard and point of entry for all services (45.1%) and automated remittance and receivables tracking and reconciliation (42.3%).

Desired Areas of Improvement for Banks



(Percentage of Corporate Practitioners)

Only 15.5% of practitioners said their banking relationships could be improved with remote access to relationship managers, while there was a 7.2% year-on-year decline in the number of respondents looking for improvements in support with onboarding.

Larger corporates are more likely to prioritize harmonization between banks, with 64.5% of practitioners from organizations with annual revenues of more than $500m citing this as a key area for improvement. By contrast, less than 52% of small organizations cited harmonization of standards as a desired improvement area.

Instead, a higher proportion of small organizations told us they'd prefer to see their banking partners improve user journeys and customer experience. Over 48% of smaller corporates cited this as an area that left a lot to be desired, versus just 25% of large organizations. Yet again, this demonstrates a shifting set of priorities amongst corporates looking for digitization and automation in order to create a better customer experience aligned with their experience as a retail customer.

There also appears to be a major difference in priority when it comes to onboarding support. While 29% of large corporates said they desire greater support in areas like on-boarding set-up and data input, just under 13% of smaller organizations said they wanted to see improvements in this area.

Challenges for practitioners

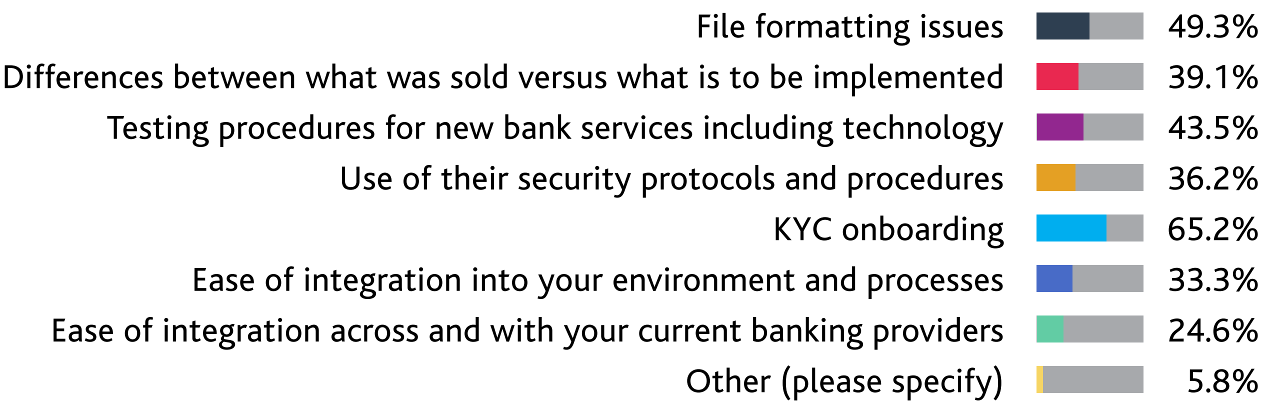
Challenges Faced when Integrating with a Bank

For a third year running, corporate practitioners have identified KYC onboarding as the most significant challenge faced when integrating with a banking partner. KYC onboarding posted nearly a 4% year-on-year increase, rising from 61.2% in 2018 to 65.2% this year.

This proportion was even higher amongst larger corporates (organizations with more than $500m in annual revenues). Three out of four large organizations cited KYC onboarding as their firm's top challenge, versus just over 53% of small corporates.

File formatting issues tallied up a 9% year-on-year increase as a key challenge amongst all corporates surveyed, with 49.3% of corporate practitioners highlighting it as a problem. File formatting has been a greater challenge for larger corporates over the last 12 months, with 62.5% of respondents citing this is a top challenge. Among smaller organizations, just 37.5% of practitioners reported file formatting as major integration hurdle.

Challenges Faced When Integrating with a Bank for Cash Management Services



(Percentage of Corporate Practitioners)

Ease of integration into corporate environments and integration with current banking providers declined over the last 12 months as key challenges highlighted by practitioners, while the task of testing procedures for new services remained relatively unchanged from 2018.

Service Providers

Thanks to an influx of dynamic new fintech offerings and the rise of open banking, corporates are now absolutely spoilt for choice when it comes to different types of financial services beyond their traditional brick-and-mortar banks.

When asked if their organizations were currently using any alternative service providers

19.7% of corporate practitioners said they were already using non-bank FX providers.	19.7%
12.9% of practitioners reported current use of non-bank payment networks.	12.9%
10.5% said they were using non-bank KYC and on-boarding service providers.	10.5%

Practitioners cited a number of reasons when asked why their organizations have opted to use non-bank service providers, including local government mandates, pricing and head office policy.

Interestingly, the number of corporates currently using non-bank service providers decreased in each category this year – and the number of practitioners expecting to use non-bank KYC and onboarding service providers within the next 12 months shrank by over 10% year-on-year. This is particularly good news for banks, as it shows they do still have some time to catch up with demand and improve their offerings before it's too late.

By contrast, there's been a major increase across each category in the number of practitioners anticipating use of non-bank service providers in the longer term.

It's also worth noting a clear divide between big and small organizations when it comes to the use of non-bank service providers, with smaller firms far more likely to consider working with less traditional service providers.

For example, while 71% of large corporates told us they were not considering working with non-bank FX providers, over 39% of small organizations told us they we currently using a non-bank FX provider or were planning to start working with one in the next 12 months.

Challenges for Banks

THE GLOBAL TREASURER
From the GTNews team

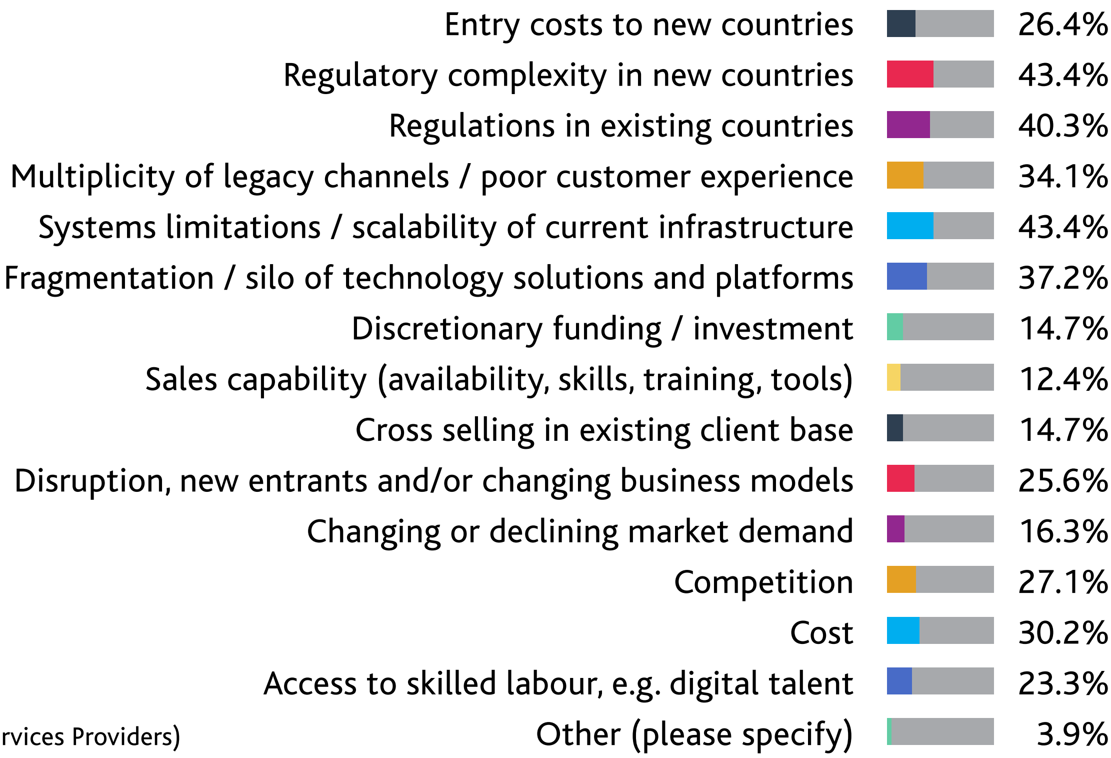
Barriers to Growth

Of the 14 barriers to growth highlighted in this year's survey, issues centered around regulation were the most commonly cited. That's somewhat unsurprising given the huge number of landmark regulatory updates that took place across the globe in 2018.

From Dodd-Frank reforms and Volcker 2.0, to the General Data Protection Regulation (GDPR) and PSD2, banking services providers have been forced to spend more time working to identify critical assets and update processes in order to meet regulatory hurdles that are beginning to deviate across key markets – and this immense obstacle was well represented within our 2018 survey results.

Regulatory complexity in new countries (43.4%) was cited as the joint-largest barrier to bank growth in 2019, alongside systems limitations and the scalability of current infrastructure (43.4%), with regulations in existing countries trailing closely behind (40.3%).

Greatest Barriers to Bank Growth



(Percentage of Banking Services Providers)

Issues around fragmentation and a silo of technology solutions decreased as a barrier to growth in 2019, posting a year-on-year decline of 9.3%. Likewise, the number of banking service providers highlighting disruption from new entrants or changing business models, competition and sales capability as major growth barriers all decreased over the last 12 months.

When segmented by size, almost 39% of small organizations cited systems limitations and scalability of current infrastructure, versus more than 52% of big banks. Larger banking services providers were also more than twice as likely to cite a multiplicity of legacy channels and poor customer service as a growth barrier.

By contrast, 40% of smaller banking services providers highlighted cost as one of their greatest barriers to growth. Under 25% of large banks cited cost as being an issue.

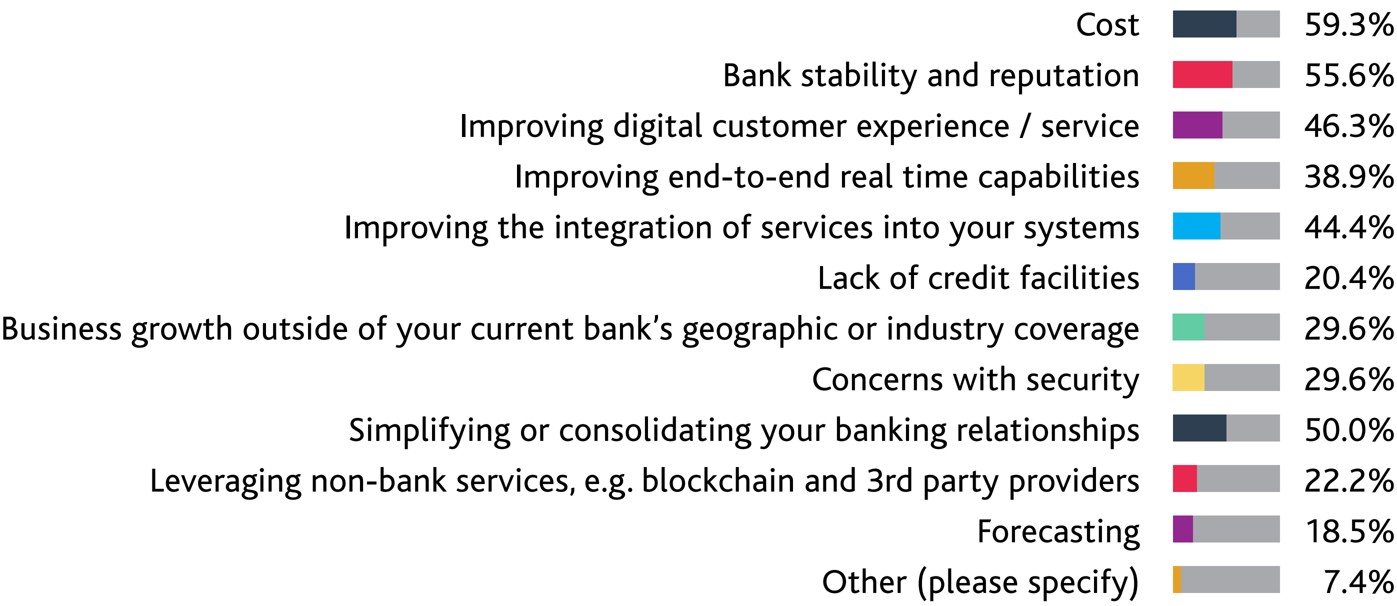
Reviewing Relationships

Drivers for Change

For a third consecutive year, cost emerged as the most significant reason for reviewing banking relationships among both corporates and banking services providers, with 59.3% of respondents highlighting it as the key driver behind reviews.

Bank stability and reputation came in second with 55.6% of respondents citing it as a primary reason for conducting a review of banking relationships – outpacing both a desire to improve digital customer experiences (46.3%) and the need to improve the integration of services into various systems (44.4%).

Reasons for Reviewing Banking Relationships



(Percentage of Corporate Practitioners)

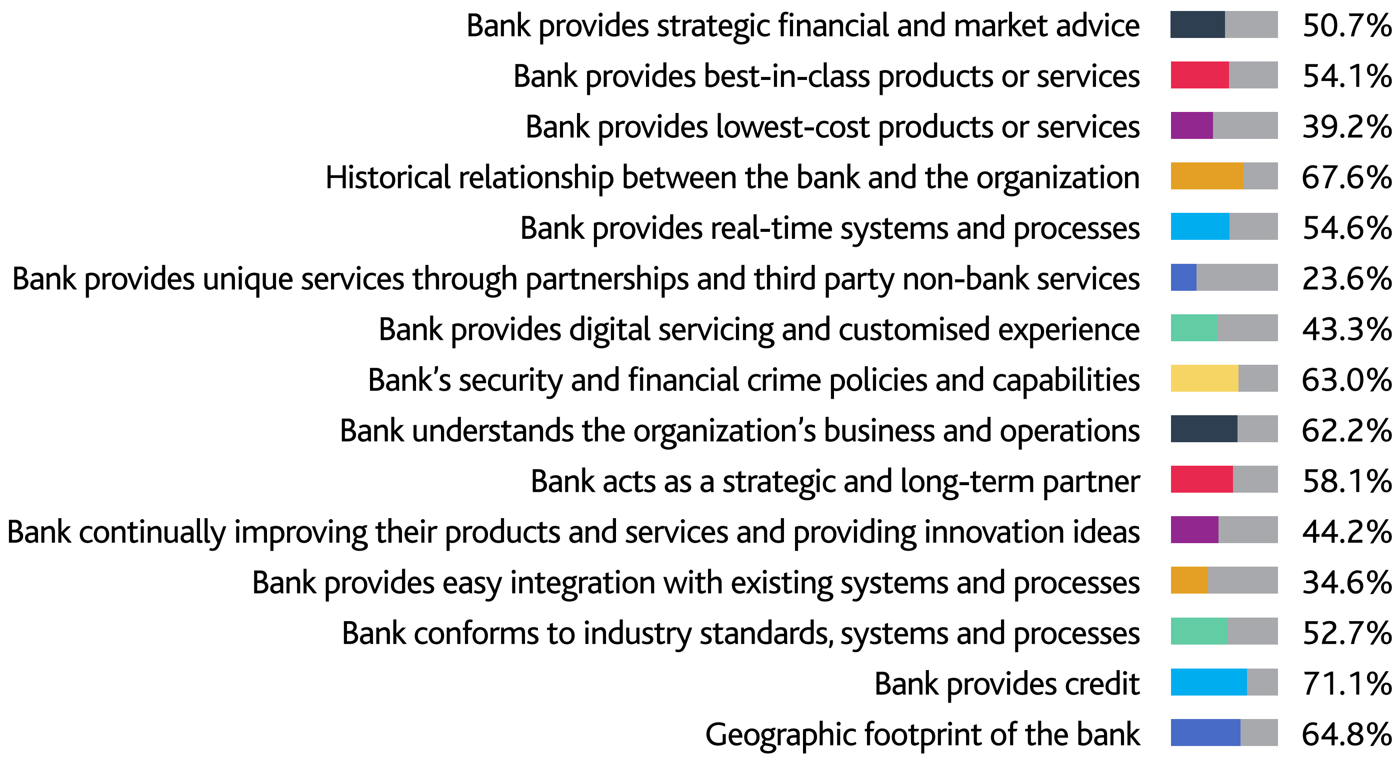
The wish to improve end-to-end real-time capabilities decreased year-on-year as a key driver, dropping from 49.3% in 2018 to just 38.9% this year.

Rating Performance

The area in which corporate practitioners are most likely to rate their banking partners' performance as 'very good' or 'excellent' is credit lending, with just over 70%. Trailing closely in this year's results is the historical relationship between the bank and organization at 68%, followed by the security, financial crime policies and capabilities of banking partners – with over 63% of practitioners rating the current performance of their banks highly in this area.

Meanwhile, 31.5% of practitioners rated their partners poorly on the provision of unique services through partnerships and third-party, non-bank services. This lack of performance likely explains a noticeable reduction in the number of corporates currently using various types of non-banking services providers.

How would you rate your banking partners' current performance in the following?



(Percentage of Corporate Practitioners Rating Service as "excellent" or "very good")

One area in which banks appear to be lacking is the provision of best-in-class products or services. While just under half of all corporate clients told us this was very important to them when selecting new banking partners, just 8% of corporates rated their existing partners 'excellent' in this area.

On the flip side, the historical relationship between a bank and an organization is the area in which banks are most likely to rate the performance of their own services as 'good' or 'excellent', with 70.5% rating their historical relationships a '4' or '5' on a 5-point scale (where '1' was not at all satisfied and '5' was very satisfied).

Meanwhile, 65% of banks rated themselves highly for their ability to act as strategic partners and long-term partners. Just over 64% rated themselves highly for security, financial crime policies and capabilities – roughly matching last year's results and the opinion of corporates.

By contrast, banks gave the worst rating to their own performance when it came to the provision of unique services through partnerships and third party non-bank services. One in four respondents rated their bank's performance just a '1' or '2' in this category – marrying up neatly with the views of corporate practitioners.

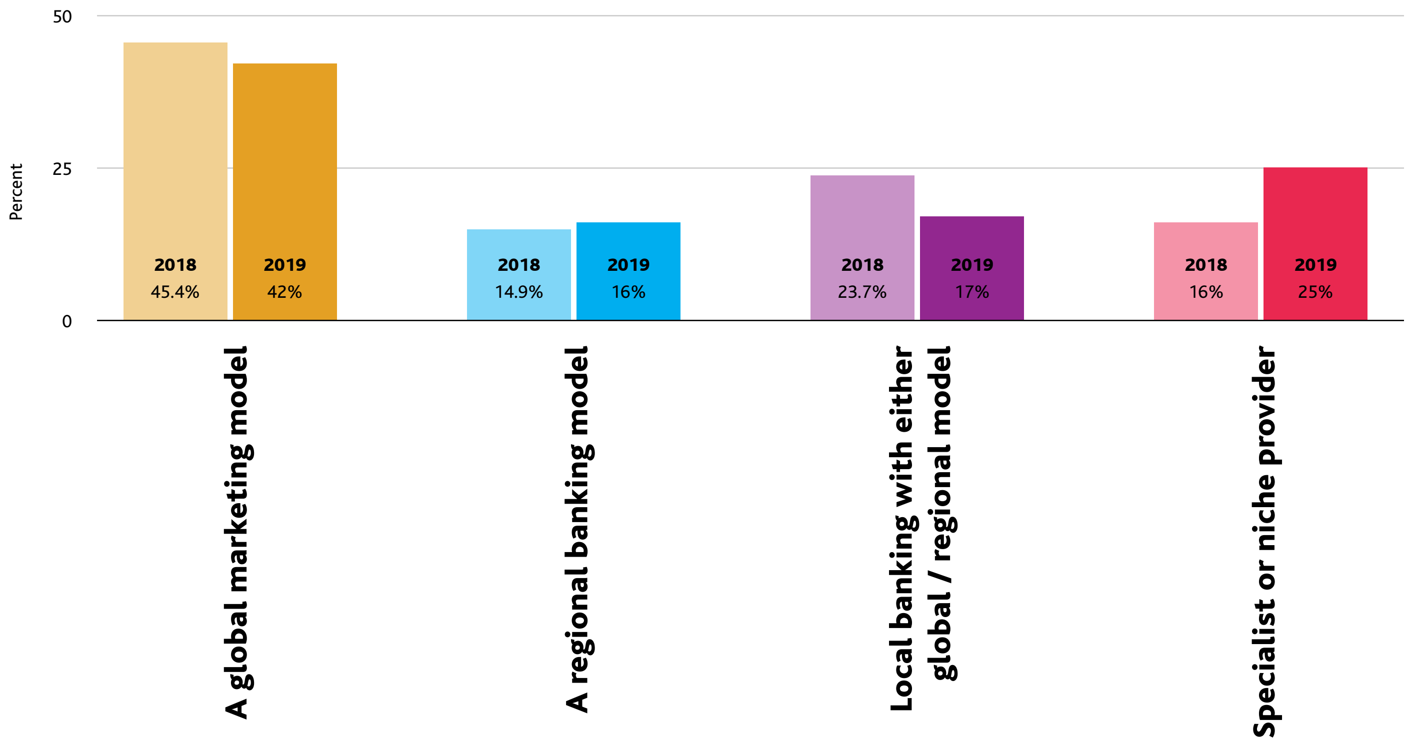
Scope of Service

For a third consecutive year, a global banking model was the most popular amongst banking services providers in terms of their overall scope of service. Almost 42% of respondents said their organizations had adopted this model, versus 45% in 2018 and 43% the year prior.

The proportion of banking services providers currently offering a global model was higher amongst large organizations, with 49% of big banks operating a global banking model versus just 22% of smaller organizations.

That being said, there's been a noticeable year-on-year rise in the number or organizations operating as a niche or specialist provider, up from 16% last year to 25%. Smaller banks told us they were more likely to offer specialist or niche services. Almost 48% of small organizations said they offer specialist services, versus just 9% of big banks.

Scope of Service Provided in 2018 & 2019



(Percentage of Banking Services Providers)

By contrast, there's been a 6.5% decrease over the last 12 months in the number of banking service partners utilizing local banking with either a global or regional model. The number of organizations reporting use of a regional banking model has remained static at 16%.

Future Growth Strategy

Models

It appears a large number of banks perceive global banking to be the way forward in terms of future growth.

When asked which model their organization was heading towards, 37% of respondents said they were expecting to move in the direction of a global banking model. Larger banking services providers are more than twice as likely to be considering a move towards a global banking model than smaller organizations – with 42% of large banks looking to a global model, versus just 20% of small banks.

By contrast, 22% of smaller banks told us they were moving towards a specialist or niche model versus just over 3% of large banks.

Among all respondents, a further 26% said they weren't moving towards another model at all, which represents a year-on-year increase of 7%.

Almost 14% of respondents said their future growth strategy revolved on specialist or niche services, up from 10.8% in 2018.

Thinking about your future growth strategy, which of the following models are you moving towards?

A global banking model 37%

A regional banking model 13%

Local banking with either global /regional model 11%

Specialist or niche provider 14%

Not currently moving towards any other model 26%

(Percentage of Banking Services Providers)

The outlook isn't encouraging for local banking and regional banking models, with year-on-year decreases in the number of banks expecting future growth for either model.

Business Strategy

With client satisfaction wavering and competition on the rise, corporate and transaction banks are being pushed to focus more on enhancing customer experiences as a means to both retain and expand business. While banking executives accept their organizations have been digitizing at a slower pace compared to retail banks and non-bank fintechs, this year's survey findings indicate that service providers are finally working to address this in order to better meet client expectations.

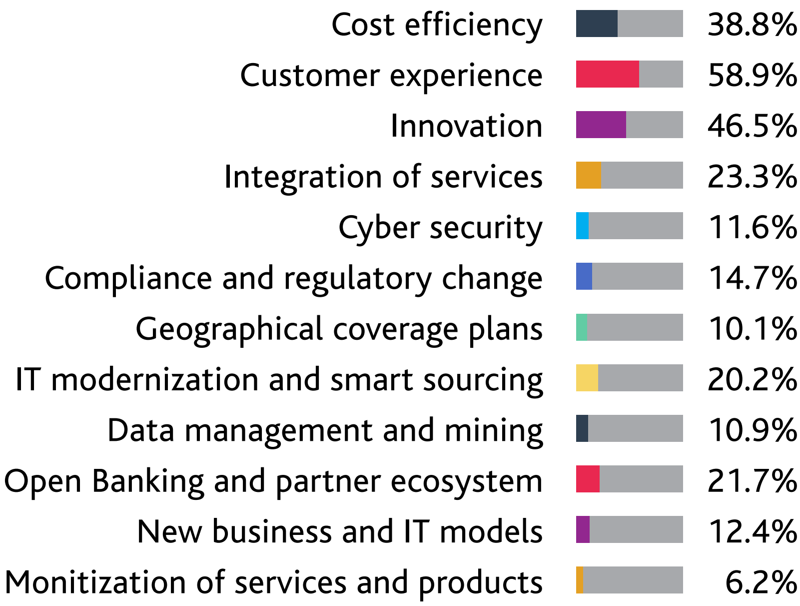
Almost 59% of banking services providers reported their organization's top area of strategic focus was customer experience – a 4.5% increase from 2018.

Innovation, an area both corporates and banks appear to agree needs improvement, has become the second largest area of focus (46.5%), followed by cost efficiency (38.8%). This is in keeping with wider sector trends in which flat IT operational budgets and increasing IT investment budgets are enabling banks to shift focus from operations to efficiencies and innovation.

Cybersecurity has simultaneously dropped as a key area of focus over the last 12 months, down from 24.7% in 2018 to just 11.6% this year. That represents the second consecutive year cybersecurity has decreased in popularity as a key area, and consistent with a wider sector trend in which digitization appears to be edging out security as most important IT priority.

Geographical cover plans, compliance and regulatory change are also decreasing in popularity as areas for strategic focus – while open banking and partner ecosystems have posted a 4% year-on-year increase.

Areas of Focus in Business Strategies



(Percentage of Banking Services Providers)

Monetization of services and products has remained relatively static year-on-year, while a focus on new business and IT models has increased from 8.2% last year to 12.4% in 2019.

Although both smaller and larger banking services providers highlighted customer experience and innovation as their top two areas of strategic focus, cost efficiency ranked higher amongst smaller banks. That's hardly surprising given current market conditions. Cost reduction has become a "hygiene trend" for banks of all sizes, and smaller banks in particular really can't afford to take their eye off cost/income ratios.

Around 20% of small organizations also cited compliance and regulatory change as a key area versus 10.8% of big banks.

By contrast, 27.7% of larger banking services providers told us open banking and partner ecosystems were a key focus area, compared to just 13.3% of smaller banks.

Competitive Differentiation

Understanding the business and operations of clients is considered among banking services providers to be the greatest source of competitive differentiation, with 88.2% of respondents rating it either 'important' or 'very important'.

Trailing practically neck-and-neck with an understanding of client operations as a source of differentiation is the importance of acting as a strategic partner to corporate clients, with 88% of respondents citing this as a key area.

Another area banks consider a key source of differentiation is the provision of best-in-class products or services, with 83.5% of respondents rating top-notch products a '4' or a '5' on a 5-point scale (where '1' was not at all satisfied and '5' was very satisfied). There was also a spike in the number of banks that believed conforming to industry standards a source of competitive differentiation – up from just 19.2% in 2018 to 76.2% in 2019.

Areas Thought to Create the Greatest Source of Competitive Differentiation

(Percentage of Banking Services Providers)

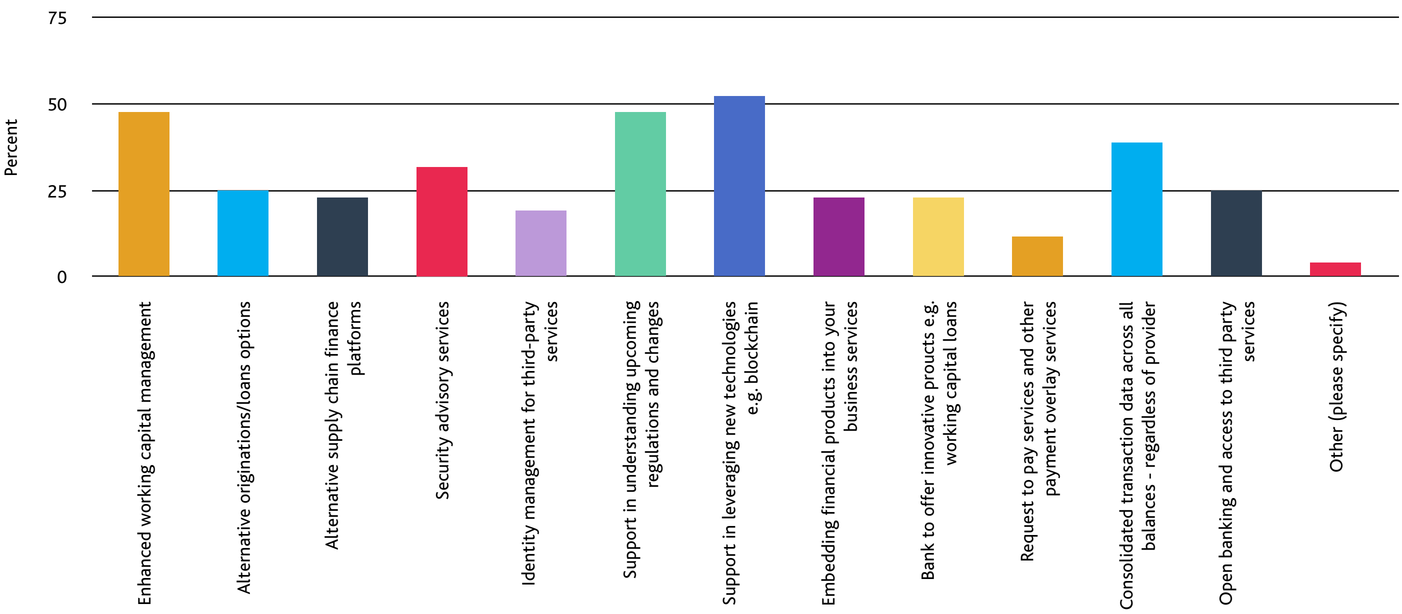
Value Added Services

When asked what value added services they would be predominantly looking for from their banking partners, over half of corporate practitioners (52%) said they wanted to see support in leveraging new technologies such as blockchain.

Support in leveraging new technologies was also the most sought-after value added service amongst corporates surveyed in our 2018 survey, although there's been a year-on-year decline of 8.1%.

Support in understanding upcoming regulations and enhanced working capital management tied for second place, with 50% of practitioners reporting they were after these value added services. This makes perfect sense, as executives regularly cite regulation and trapped working capital as two major challenges stifling the digital transformation or corporates.

When thinking about value added services what are you predominantly looking for from your bank?



(Percentage of Corporate Practitioners)

There's also been a visible year-on-year increase in the number of corporate practitioners who are on the lookout for enhanced security advisory services.

Larger organizations place more weight on consolidated transaction data across all balances than smaller organizations do, with almost 47% of large corporates citing this as a key consideration versus just 29% of small businesses.

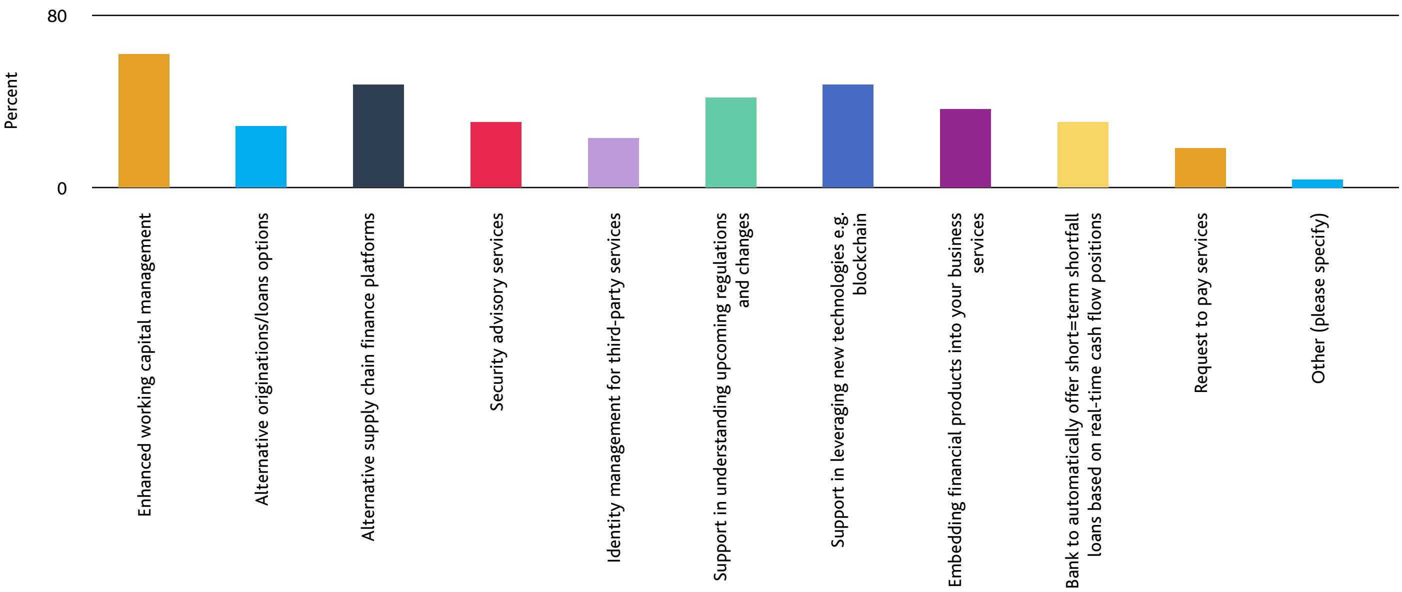
On the flip side, 16.1% of smaller organizations told us they're looking for request to pay services (versus just over 6% of large corporates). Likewise, small corporates were twice as likely to be prioritizing alternative supply chain finance platforms – with 29% citing this as an important value added service were looking to see from their bank.

Banking services providers appear to have their finger on the pulse, with 63% of banks surveyed telling us they were looking to provide enhanced working capital management as a value added service.

This figure is fairly consistent with last year's survey, in which 67.6% of banks said they were looking to add enhanced working capital management services. That being said, larger banks are far more likely to be working to enhance working capital management. More than 81% of big banks cited this as a key value added service they were looking to provide to customers, versus just under 49% of smaller banking services providers.

Small banks are also more likely to prioritize security advisory services – with almost 42% of services providers citing this as a critical value added service against only 23.4% of big banks.

When thinking about value added services, what are you looking to provide to customers?



(Percentage of Banking Services Providers)

Meanwhile, there has been a slight year-on-year drop in the number of banks looking to provide support in understanding upcoming regulatory changes.

Regulatory support fell in fourth behind the provision of alternative supply chain finance platforms (50%) and support in leveraging new technologies such as blockchain (50%) – both of which were ranked highly among corporates as top priorities.

It's also worth noting these responses appear to show that corporate and retail banks are hearing the demands of both small corporates as well as large organizations. In terms of introducing new value added services for customers, banks indicated an intention to work on high-priority areas amongst both client groups.

For example, while larger organizations are less concerned with the provision of supply chain finance platforms, 50% of banks surveyed told us they're looking to start offering these alternative platforms to customers in order to meet a spike in demand from small corporates.

By working to meet the needs of a wider range of corporate clients, it appears banks are preparing to provide a more holistic set of services that work for all clients.

Other Partnerships

Banking services often outsource non-strategic functions to specialist companies in order to improve operational performance, improve speed, create new efficiencies and cut costs.

When asked which back office services they would consider outsourcing or partnering with other banks or service providers in order to carry out, 40.2% of respondents said they'd consider outsourcing open account supply chain finance to service providers. Likewise, 40% of respondents said they would consider outsourcing payments to service providers, with customer and supplier onboarding trailing closely behind (39.8%).

Back Office Services Considered Outsourcing to Other Service Providers

	TO BANKS	TO SERVICE PROVIDERS	TO NEITHER
Trade finance services	20.40%	32.70%	46.90%
Open account supply chain finance	19.10%	40.40%	40.40%
FX	18.30%	26.90%	54.80%
Payments	19.60%	39.20%	41.20%
Corporate treasury management services	19.80%	32.30%	47.90%
Customer / supplier onboarding	15.80%	40.00%	44.20%

(Percentage of Corporate Practitioners)

In each category, a larger proportion of respondents appeared to favor outsourcing to service providers rather than banks – suggesting customers are still frustrated by the digital offerings from banks and would instead prefer to outsource to enterprising fintechs.

That being said, an overwhelming majority of practitioners surveyed told us they would not consider outsourcing any of the listed back office services to either banks or service providers. FX services were the least likely service up for consideration to be outsourced, with almost 55% of respondents saying they would prefer not to outsource.

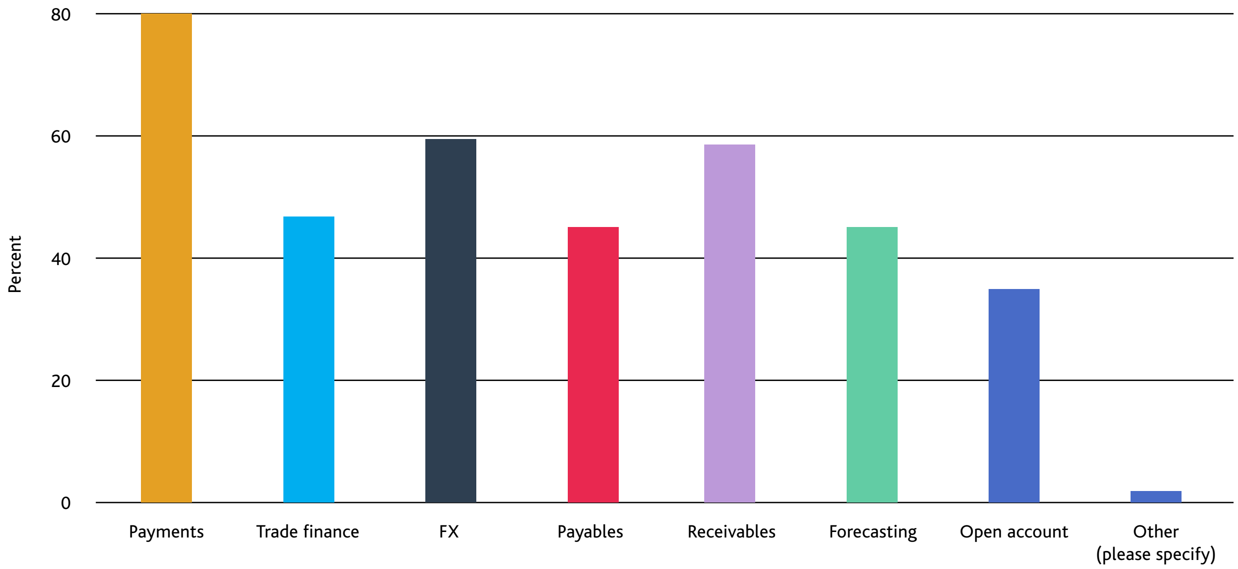
Larger banking services providers were far less likely to outsource, but a majority of smaller banks told us they would consider outsourcing customer and supplier onboarding, as well as open account supply chain finance, to service providers. Likewise, 47% of smaller banks said they would think about outsourcing corporate treasury management services, followed closely by payments (46.2%).

Transaction Services

For the third consecutive year, payments emerged as the transaction service that banking services providers think offers the most value if delivered in real-time. More than 80% of respondents highlighted payments as their most valuable area within the transactions space, up almost 2% from 2018.

FX came in as the second highest area of value and was a non-mover over the last 12 months, with receivables leaping up by almost 19% year-on-year to be named the third most valuable transaction services area.

Transaction Services Thought to Deliver Most Value



(Percentage of Banking Services Providers)

Trade finance increased over 10% year-on-year, as did payables. Elsewhere, forecasting services decreased by 2% year-on-year as a high-value transaction service.

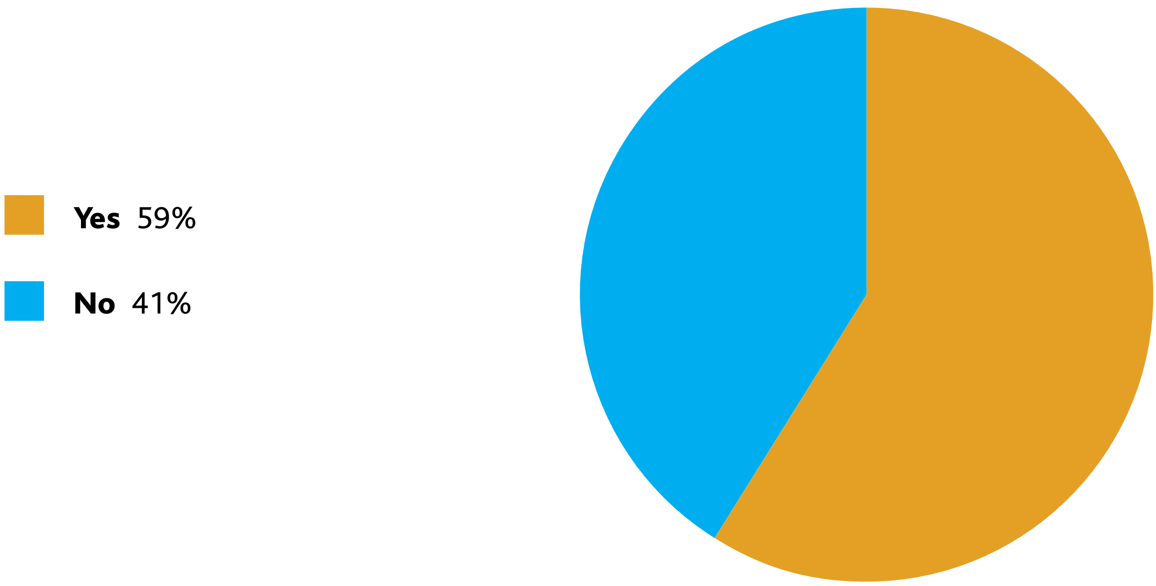
FX was thought to deliver more amongst big banks. Over 73% of larger banking services providers told us FX services delivered the most value if delivered in real-time, versus 44.4% of smaller banks.

SWIFT gpi

Launched in 2018, SWIFT gpi is a new standard in global payments that has been designed to improve cross-border payments with faster transactions, more transparent fees and end-to-end payment tracking.

When asked whether they were aware of SWIFT gpi, 59% of respondents said they were familiar with the new network. By contrast, almost 41% of those surveyed told us they were unaware of SWIFT gpi.

Are you aware of SWIFT gpi?



(Percentage of Corporate Practitioners)

Interestingly, corporate practitioners representing large organizations (companies with annual revenues of $500m or over) were less likely to have heard of SWIFT gpi at just 57%. Meanwhile, 65% of small corporates told us they were already aware of the network.

In terms of implementation, 65% of large banking services providers said they had either implemented or were currently in the process of implementing SWIFT gpi, versus just 42.3% of smaller banking services providers.

One in five small banks told us that SWIFT gpi was not for them, compared to under 5% of bigger banking services providers.

Despite the familiarity and implementation of SWIFT gpi with respondents, we then asked practitioners to rank the usefulness of the new network's various features. Payments tracking was resoundingly voted SWIFT gpi's most useful feature, followed by confirmation of beneficiary receiving payment and transparency on bank fees and FX rates.

How useful are the following benefits SWIFT gpi offers to you?

ITEM	OVERALL RANK	RANK DISTRIBUTION	SCORE	NO. OF RANKINGS
Payments tracking	1		113	27
Confirmation of beneficiary receiving payment	2		76	23
Transparency on bank fees and FX rates	3		75	24
Fast cross-border payments	4		64	21
Knowing remittance data remains unaltered	5		54	21

Lowest rank … Highest rank

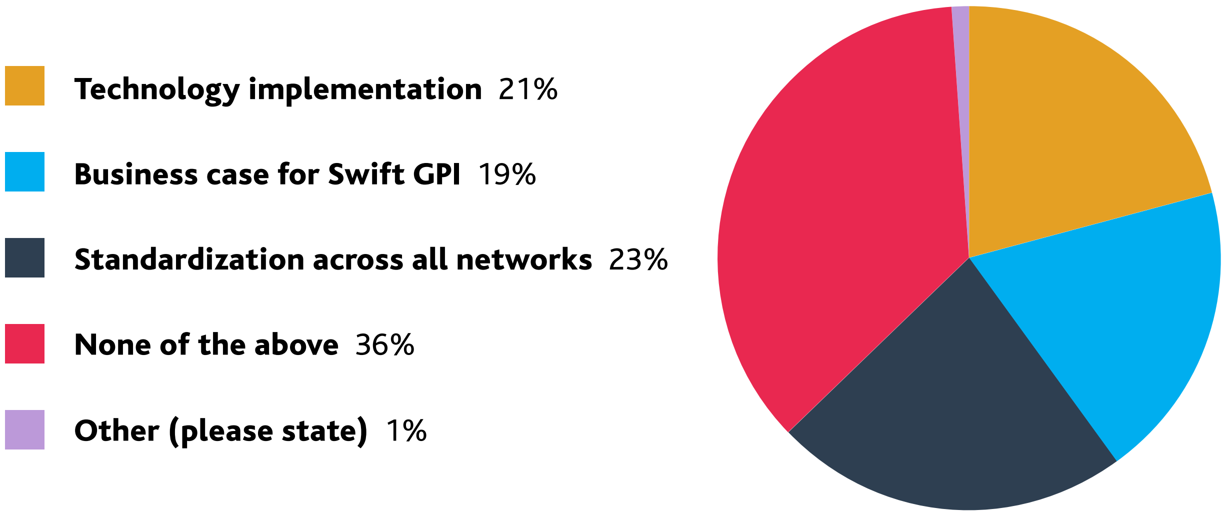
(Percentage of Corporate Practitioners)

Answers did vary somewhat based on corporate size. While payments tracking was ranked the network's most useful feature amongst both large and small organizations, large corporates ranked transparency on bank fees and FX rates to be the second most useful benefit. Smaller corporates told us fast cross-border payments were the second most useful – which was actually the lowest rated benefit amongst large organizations.

As with any new network, there are inherent challenges that need to be overcome in order to implement SWIFT gpi and reap any tangible benefits.

The single greatest challenge to implementation reported by respondents in 2019 was standardization across all networks (23%), followed closely by technology implementation (21%).

What challenges are you facing with the implementation of SWIFT gpi?



(Percentage of Corporate Practitioners)

Over 19% of those surveyed highlighted the business case for SWIFT gpi as a key challenge – while a third of respondents said none of the issues presented posed a challenge to implementation.

Open Banking

It's been over a year since the enactment of the EU's Second Payment Services Directive (PSD2), and so banking services providers have had plenty of time to adapt to the new regulation. As we've already touched upon, nearly two-thirds of banks are expecting to provide online open API services to corporate clients within the next 3-5 years.

Bearing in mind this massive shift to an open banking culture, we asked to what extent banking services providers think their corporate customers will maximize the benefit of this opportunity.

Just under a third of banks said their customers were reviewing their options, which is a non-mover from 2018. That being said, 31% of banks said they think their customers will be moving to self-service, utilizing their own internal processes and systems (a 6% year-on-year rise).

Given the move to Open Banking, to what extent do you think your corporate customers will maximize the benefit of this opportunity?

- **Our customers will move to self-service, utilising their own internal processes and systems** 31%
- **Our customer will start moving certain functions in-house** 9%
- **Our customers are reviewing the market for advanced service offerings from Third Party Providers** 20%
- **Our customers are reviewing their options** 32%
- **It will not affect the way we interact with our customers** 8%

(Percentage of Banking Services Providers)

Only 8% of banking services providers told us that open banking would not affect the way they interact with corporate customers, down 3% year-on-year. This answer was more prevalent amongst larger organizations, with over 28% of practitioners from big corporates telling us they wouldn't be changing the way they interact with banking partners. Just over 12% of small organizations reported they wouldn't be changing the way they work with banks.

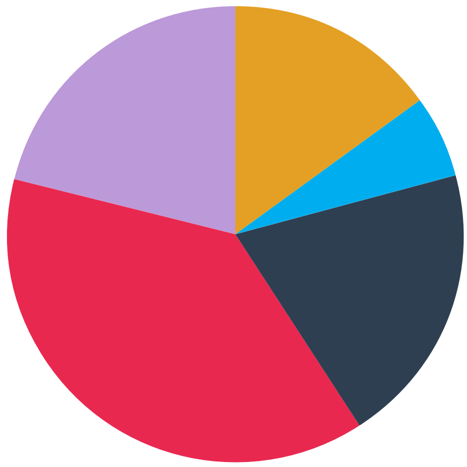
By contrast, 21% of corporate practitioners surveyed told us that open banking would not change the way they interact with their banking providers – subsequently indicating that nearly four out of every five corporates are expecting open banking to change the way they work with banks in some way, shape or form.

Only 15% of corporates are planning to self-serve and utilize their own internal processes and systems.

While a majority of both small and large organizations told us they were unsure of their approach to open banking but are reviewing their options, over 31% of small corporates are already scoping the market for advanced service offerings from third party providers – versus just 12.5% of large organizations.

Given the move to open banking and new access to bank's systems and data, to what extent to you think your organization will maximize the benefit of this opportunity?

- **We aim to self-serve and utilise our own internal processes and systems** 15%
- **We will bring certain functions in-house** 6%
- **We are scoping the market for advanced service offerings from Third Party Providers** 20%
- **We are unsure of our approach to Open Banking but are reviewing our options internally** 38%
- **We will not change the way we interact with our banking providers** 21%



(Percentage of Corporate Practitioners)

This appears to suggest that while both corporates and banking services providers are expecting the global transactions space to gravitate towards open banking in the next 3-5 years, practitioners are less confident in their ability to leverage emerging technologies.

About the Survey

The Global Treasurer conducted the 2019 CGI Transaction Banking Survey from July to August 2019. The survey was sent to The Global Treasurer corporate practitioner subscribers and banking services providers. The primary purpose of the survey was to better understand attitudes and emerging trends in banking services and also to identify how banking services are meeting the needs of finance professionals.

More than 400 responses were received from 136 corporate practitioners working in their organization's treasury or finance function and 251 banking services providers.

The Global Treasurer would like to thank CGI for its underwriting support of the 2019 Transaction Banking Survey.