CGI
Transaction Banking Survey 2020

CGI

THE GLOBAL TREASURER
From the GTNews team

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Foreword

Welcome to the eighth edition of The Global Treasurer's Transaction Banking Survey, proudly supported by CGI, providing critical insight into the corporate-to-bank relationship.

It would be an understatement to say that the global events of 2020 have significantly impacted banks and their relationships with corporate clients. The pandemic has dramatically changed many markets and industries, with financial services undergoing substantial change in just a few short months. As such, these events have quickly and holistically shaped the way banks and corporates view one another.

Dealing with the forces of global economic uncertainty, mounting pressure from challengers, and the halting tug of legacy technology infrastructures, banks are faced with a slew of challenges and opportunities, just as corporates look to extract more value from them. This is evident throughout our survey.

Among our observations, costs sit at the top of the agenda for both corporates and banks. For the former, it is a key reason why many are now reviewing or consolidating their relationships with banks. For the latter, it is a key barrier to growth.

If banks want to become valued partners and move beyond delivering commoditised products and services, they need to improve their overall suite of offerings. With that in mind, technology and the digital customer experience have clearly become key battlegrounds that range far beyond the traditional feature sets of historical offerings.

Corporates require a clear view of their data and transactions to empower their decision making, and they want it in real time, with visibility across services and platforms. Providing these types of insights is where banks have the opportunities to forge tighter partnerships, and yet this is just as likely to become a competitive area. A barrier to these types of innovation is, of course, the legacy infrastructures many banks still sit on – hindering their aspirations and capabilities. That's a fact that many banks are aware of, often painfully so.

This time last year, we suggested the year ahead would be an eventful one for corporate treasurers and the banks that serve them – and this of course was before the pandemic tore apart the very fabric of many markets. Here, we provide insight into how corporates and banks are dealing with 2020's uncertainty – and where they see things unfolding for the years ahead.

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 prioritising 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

- **Simplifying providers:** Corporates are streamlining their relationships this year, with a 75.7 percent increase in practitioners using just one bank

- **Cost is king:** Cost issues are forcing corporates to review their external relationships, while banks are feeling similar obstacles to their growth prospects

- **Strategic, long-term partnerships:** Both banks and corporates expressed a desire to develop their strategic relationships. Banks understand that being a strategic and long-term partner is of key importance to corporate clients, with 80.6 percent of banking respondents looking to infuse longer term associations. 85.3 of corporate share the ideal

- **Real-time opportunity:** Real-time capabilities are important to 80.9 percent of corporates, and recognised as such by 79.6 percent of banks

- **Technology:** Technology-led improvements top the banks' list of ways to better their offerings to corporate clients. Banks believe corporates want them to establish balance views across all of their bank accounts in real-time and want improved user journeys

- **Implementation:** Respondents are facing increasing levels of technological fragmentation – which had been less of a problem for respondents in 2018 and 2019, reflecting a growing challenge in integrating systems

- **Cautious collaboration:** Banks are cautious about sharing with other banks, but are more open to considering working with other service providers

- **Regulation:** For the third year in a row, compliance and regulatory hurdles continue to present barriers to growth for banks

Client experience and satisfaction

Client experience and satisfaction

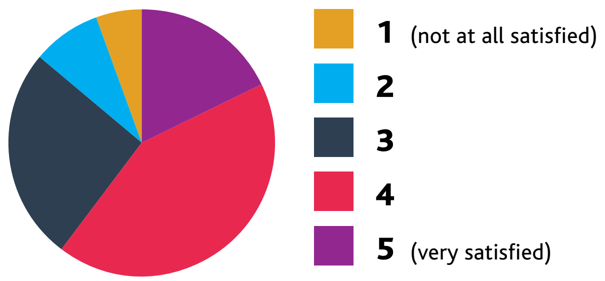
Corporate practitioners' overall satisfaction with the service provided to them by their primary banking partners increased this year, with 60.3 percent reporting to be highly satisfied (rating the service they receive '4' or '5' on a 5-point scale, where '1' was not at all satisfied and '5' was very satisfied), a 14 percent increase from 2019.

That represents an increase from 49.5 percent last year, which dipped from 56 percent in 2018.

The majority of corporates rated their banking partners' services in the mid-sections (either '4', '3'), however this year we record an uplift on the percentage reporting the highest possible level of satisfaction (a '5'), from 13 percent in 2019 to 17.8 percent this year.

We also see an increase in those reporting the lowest levels of satisfaction, from three percent in 2019 to 5.5 percent this year.

How satisfied are you with the service your organisation receives from its main banking partners?



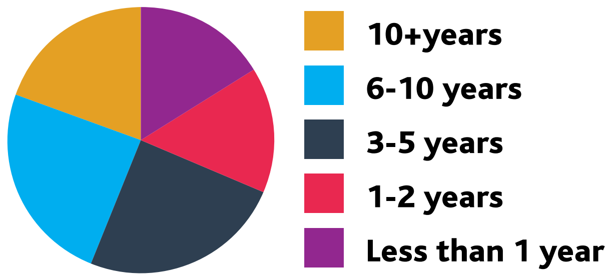
Reviewing banking relationships

Last year, more than half of corporate respondents were reviewing their organisation's strategy with their main banking partners, with 53 percent of those surveyed reporting that those relationships were now up for review.

This year, we see a significant drop with only 45.8 percent of corporates reviewing their current banking relationships.

In addition to this positive news for banks, the majority of practitioners report last making a major change of banking partner, between three and 10 years ago.

How long ago did you last change your main banking partner?



Drivers behind review of banking relationships

More than half of corporate practitioners surveyed cited the cost of services as the single greatest driver behind strategic relationship reviews in 2019, at 59.3 percent. This year, that number is even higher, rising to 63.6 percent.

Bank stability and reputation is still the second most important factor for corporates making a review of these relationships, jumping from 55.6 percent in 2019 to 60.6 percent this year.

The need to simplify or consolidate banking relationships comes third, moving down from precisely half of respondents in 2019 to 48.5 percent in 2020.

Technology is an emerging driver, with the integration of services into existing systems cited by 39.4 percent of corporate respondents - and improving digital customer experience/service important to 36.4 percent of the market.

Over the past year, greater insights and financial management have become of primary importance to corporates. That's reflected in our results, with 27.3 percent of respondents citing forecasting capabilities as a crucial motivator in reviewing banking relationships.

What is driving you to review your banking relationships?

(Percentage of Corporate Practitioners)

Bank products under review

In 2020, we can see key changes around the specific products corporate customers are keen to review. Last year, it was reported that cash management services was the bank product most likely to be under review - for the fourth consecutive year - for 76.7 percent of respondents.

This year, the top priority for review has become payments, at 59.2 percent. This marks a slight reduction from 2019, when just over two-thirds (68.5 percent) of respondents indicated payments were up for review.

Cash management services remain a high priority, at 56.3 percent, but still a significant decrease of 27 percent compared to last year.

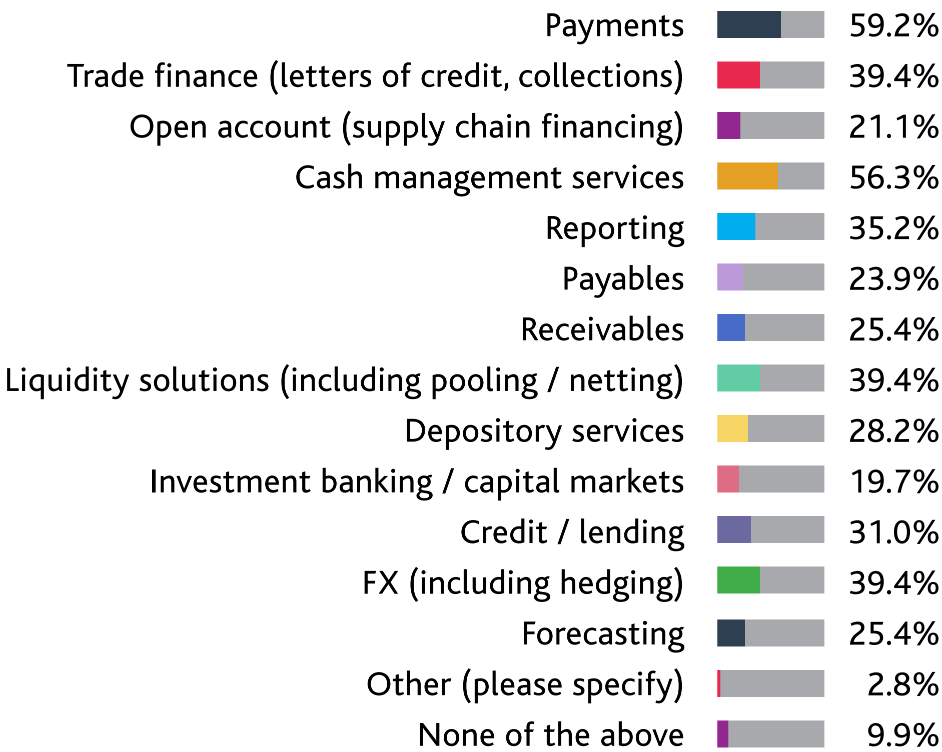
Forecasting is again growing in importance, with 25.4 percent citing it as a key product for review this year, an increase from 17.8 percent last year. This could indicate an appetite from corporates for more proactive, strategic management capabilities from their banks, to build their resilience and access greater insight in an uncertain market.

Banks are also being scrutinised by a larger number of corporates for their supply chain financing offerings – which is an area being reviewed by 21.1 percent of respondents, up from 16.4 percent in 2019. Payables drops from 39.7 percent to 23.9 percent, while receivables fares similarly, from 35.6 percent to 25.4 percent.

Liquidity (including pooling/netting) drops from 57.5 percent to 39.4 percent, while foreign exchange tracks from 50.7 percent to 39.4 percent.

Investment banking/capital markets services are also less likely to be reviewed this year, with a 42.4 percent decrease in priority from 2019 to 19.7%.

What bank product areas are you reviewing?



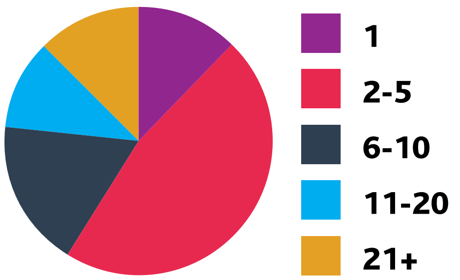
Changes in banking relationships

There appears to have been some consolidation in terms of the number of banks corporates have looked to work with over the past year, suggesting organisations have been motivated to gain clarity over their banking services and reduce fees.

Corporates' desire for simplification and consolidation in banking services is supported by the rise in practitioners working with just one bank, a 75.7 percent increase on last year, to 12.3 percent.

There is a distinct trend in terms of consolidation: The number of corporates working with between two and five banks on a regular basis increased this year by 30.5 percent. That's been shifted from those working with between six to 10 banks, which decreased from 29 percent to 17.8 percent year on year, and the 21+ category recording a decrease from 19 percent to 12.3 percent.

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

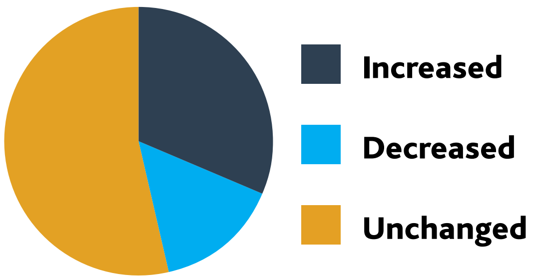


However, the number of banking relationships in place remains level over the last 12 months with 53.4 percent remaining unchanged. This suggests corporates are working with fewer banks but the number of relationships within the organisation is stable.

We do record fewer new relationships being put in place than last year (31.5 percent in 2020 as opposed to 35 percent in 2019), and a slight rise in relationships ending, with 15.1 percent reporting a decrease in new partners, as opposed to 13 percent in 2019.

This aligns with the trend for consolidation overall.

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



Understanding banking relationships

A number of different factors are influencing motivations for switching or adding banking providers this year.

We asked respondents to outline what mattered most to them when reviewing potential partners. Combining percentages of ratings of 'excellent' or 'good' in each area ('4' or '5' on a 5-point scale, where '1' was poor and '5' was excellent), we see some specific points of interest.

Good news for banks that want to occupy strategic positions with their corporate clients - 85.3 percent rated the importance of having a bank that acts as a strategic and long-term partner. Quality matters too, with 84.1 percent wanting their bank to provide best-in-class products or services.

82.4 percent stated the bank's security and financial crime policies and capabilities as a major factor, while an increasing sophistication in real-time capabilities is important to 80.9 percent.

When thinking of new or existing relationships with your banking partners, how important are each of these aspects to you?

	1	2	3	4	5
Bank provides strategic financial and market advice	8.7%	5.8%	17.4%	36.2%	31.9%
Bank provides best-in-class products or services	2.9%	1.4%	11.6%	29.0%	55.1%
Bank provides lowest-cost products or services	4.4%	2.9%	25.0%	30.9%	36.8%
Historical relationship between the bank and the organisation	5.9%	10.3%	16.2%	42.6%	25.0%
Bank provides credit	13.0%	4,3%	11.6%	21.7%	49.3%
Geographic footprint of the bank	10.0%	14.3%	14.3%	31.4%	30.0%
Bank provides real-time systems and processes	1.5%	8.8%	8.8%	32.4%	48.5%
Bank provides unique services through partnerships and third party non-bank services	7.4%	17.6%	38.2%	17.6%	19.1%
Bank provides digital servicing and customised experience	4.5%	7.5%	16.4%	25.4%	46.3%
Bank's security and financial crime policies and capabilities	4.4%	1.5%	11.8%	32.4%	50.0%
Bank understands the organisation's business and operations	4.5%	3.0%	14.9%	35.8%	41.8%
Bank acts as a strategic and long-term partner	4.4%	5.9%	4.4%	26.5%	58.8%
Bank continually improving their products and services and providing innovation ideas	1.5%	4.4%	11.8%	33.8%	48.5%
Bank provides easy integration with existing systems and processes	3.0%	6.0%	13.4%	31.3%	46.3%
Bank conforms to industry standards, systems and processes	1.5%	5.9%	13.2%	30.9%	48.5%
Other	58.3%	8.3%	8.3%	16.7%	8.3%

Rating services

As may have been expected, the pressure on banks to improve a range of services is once again a key matter for corporates – but there have been areas in which banks have shone.

In security and financial crime policies and capabilities, banks were rated either 4 or 5 on a 5 point scale (where '5' was excellent and '1' was poor) at 55.1 percent. On providing strategic financial and market advice, 51.4 percent of practitioners rated their bank's offering excellent or very good, closely followed by the provision of real-time systems and processes at 50.7 percent.

However, corporates are less impressed with how their banks provide unique services through partnerships and third party non-bank services, where nearly a third of respondents rated performance on the poorer end of the scale. Also of note, nearly a quarter of corporate respondents voiced low opinions of their banks' lowest-cost products and services – in running with the theme that many do not believe they are getting value for money.

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

	1	2	3	4	5
Bank provides strategic financial and market advice	5.7%	10.0%	32.9%	34.4%	17.1%
Bank provides best-in-class products or services	4.4%	11.8%	38.2%	33.8%	11.8%
Bank provides lowest-cost products or services	11.6%	13.0%	39.1%	27.5%	8.7%
Historical relationship between the bank and the organisation	2.9%	2.9%	33.3%	33.3%	27.5%
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Bank's security and financial crime policies and capabilities	4.3%	5.8%	34.8%	31.9%	23.2%
Bank understands the organisation's business and operations	5.7%	14.3%	27.1%	41.4%	11.4%
Bank acts as a strategic and long-term partner	5.8%	8.7%	39.1%	34.8%	11.6%
Bank continually improving their products and services and providing innovation ideas	6.1%	9.1%	53.0%	24.2%	7.6%
Bank provides easy integration with existing systems and processes	7.4%	19.1%	45.6%	20.6%	7.4%
Bank conforms to industry standards, systems and processes	3.0%	6.0%	40.3%	34.3%	16.4%
Bank provides credit	8.7%	5.8%	29.0%	37.7%	18.8%
Geographic footprint of the bank	6.1%	9.1%	33.3%	34.8%	16.7%
Other	44.4%	0%	55.8%	0%	0%

Client overall satisfaction with specific services

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

While some service areas have stabilised, others have fared less well. 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 poor and '5' was excellent).

Notably, client satisfaction around payments has decreased this year, from 65.6 percent in 2019 to 62.7 percent. Given the spotlight on payments and the developments within the market, a drop may have been expected.

Similarly, deposit services sits at 44.2 percent this year, a drop from 50.9 percent in 2019, while credit and lending dropped from 59 percent to 55.3 percent.

Again, forecasting has been highlighted by corporates this year. With firms facing considerable uncertainty over the past few months - and attempting to forecast on a much more regular basis, their banks have fallen short - with just 24.1 percent content with services provided by their main bank partner.

Please rate your overall satisfaction with the quality of service provided by your main banking partners for each of the following areas

	1	2	3	4	5
Trade finance (letters of credit, collections)	11.3%	1.6%	43.4%	35.5%	8.1%
Payments	6.0%	3.0%	28.4%	46.3%	16.4%
Open account services (supply chain financing)	10.8%	6.2%	52.3%	26.2%	4.6%
Cash Management Services	7.4%	5.9%	41.2%	38.2%	7.4%
Reporting	6.2%	7.7%	43.1%	35.4%	7.7%
Payables	10.9%	3.1%	42.2%	34.4%	9.4%
Receivables	11.1%	3.2%	38.1%	36.5%	11.1%
Liquidity services (including pooling / netting)	6.3%	9.4%	46.9%	32.9%	4.7%
Depository services	8.2%	9.8%	37.7%	34.4%	9.8%
Investment banking / capital markets capabilities	9.7%	9.7%	41.9%	32.3%	6.5%
Credit / lending	10.8%	1.5%	32.3%	41.5%	13.8%
FX (including hedging)	9.4%	7.8%	45.3%	29.7%	7.8%
Real-time payments	7.6%	13.6%	25.8%	37.9%	15.2%
Forecasting	15.5%	20.7%	39.7%	20.7%	3.4%

Bank activity

Reasons for change

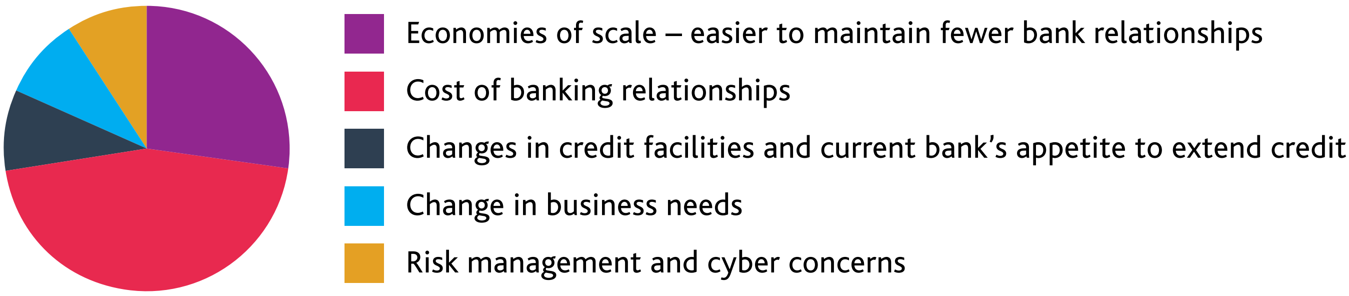
There can be any number of reasons why corporate customers look to change their banking providers, but in the volatile global climate of 2020, there are some clear drivers.

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

In 2019, the number one driver of increasing the number of banking relationships was banking coverage strategy (29 percent), with timely access to credit (18 percent) and dissatisfaction with current providers (13 percent).

This year, timely access to credit has become a key driver, with 30.4 percent naming it their top concern. Counterparty risk concerns are the second most cited reason, at 17.4 percent with dissatisfaction with current/previous providers, banking provider coverage strategy, and reciprocal business taking 13 percent each.

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



For respondents consolidating their banking relationships, a similar shift in priorities is evident.

In 2019, just under a third of respondents told us the primary reason behind consolidation was a change in business needs. In 2020, the cost of banking relationships was the most-cited reason at 45.5 percent, with change in business needs dropping sharply to 9.1 percent.

The second most important driver is economies of scale, at 27.3 percent.

Once again, cost and efficiency concerns are putting pressure on banking partnerships in the volatility of 2020.

Centralised treasury functions

A growing number of organisations see benefits in centralising treasury functions. Please indicate which of the following treasury services functions, if any, are centralised in your organisation

	Centralized	Decentralized	Not applicable
Accounts receivable	47.1%	45.6%	7.4%
Accounts payable	51.5%	39.7%	8.8%
FX	62.7%	14.9%	22.4%
Cash pooling / netting	59.7%	13.4%	26.9%
Investment services	63.6%	21.2%	15.2%
Credit services	50.8%	24.6%	24.6%
Risk management	70.1%	22.4%	7.5%
Trade finance	40.6%	21.9%	37.5%
Supply chain finance	29.0%	24.2%	46.8%
Forecasting	56.1%	37.9%	6.1%
Payment reconciliation	51.5%	41.2%	7.4%
Regulatory reporting	58.8%	33.8%	7.4%

Decentralisation can be very effective for regional teams in large, multinational companies, empowering them to make appropriate decisions within local markets.

However, many functions are gradually moving towards a more centralised approach, as more efficient banking technologies continue to emerge and economies of scale take a more prominent role in decision making.

In 2019, the two most commonly centralised treasury functions were investment services and foreign exchange, with two-thirds of all corporate practitioners reporting that their organisations had centralised these functions.

This year, risk management takes a leading role in the move to centralisation for 70.1 percent of respondents - a 12 percent year-on-year increase, while investment services have been centralised by 63.6 percent.

Accounts receivables and payment reconciliation are the standout functions to remain decentralised for 45.6 percent and 41.2 percent respectively of corporate treasurers.

Preferred bank access

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Preferred bank access

Of growing importance to corporates is their access to banking products and services, which in many ways has developed with the emergence of application programming interfaces (APIs) in recent years.

Currently, API access is provided by 44.7 percent of surveyed banks, which is a slight increase from last year when 38 percent offered them. Last year, we recorded a ten percent increase, so the development of APIs in the market is stable. 53.9 percent of banks aim to provide API accessibility in the next three to five years, down from 60 percent last year – with the decrease perhaps attributed to development activity over the past twelve months.

Right now, access to a single bank portal providing access to multiple services from one bank with single sign-on is the most popular access format, at 56.3 percent. That is set to decrease over the next few years, with 53.9 percent of banks offering this route. The greatest change to be expected over the next few years however, is in multiple portals for different services with separate sign-on for each use, which, while being offered by 42.7 percent of banks currently, may drop to around half of that over the coming years.

What types of access to online services does your bank provide to corporate clients?

- Multiple portals for different services from one bank with separate sign-on for each one
- Single bank portal providing access to multiple services from one bank with single sign-on
- Single bank portal providing access to services from multiple banks
- Via SWIFT solution or other network solution
- Third-party aggregator or treasury workstation
- Host to host connections
- Open APIs

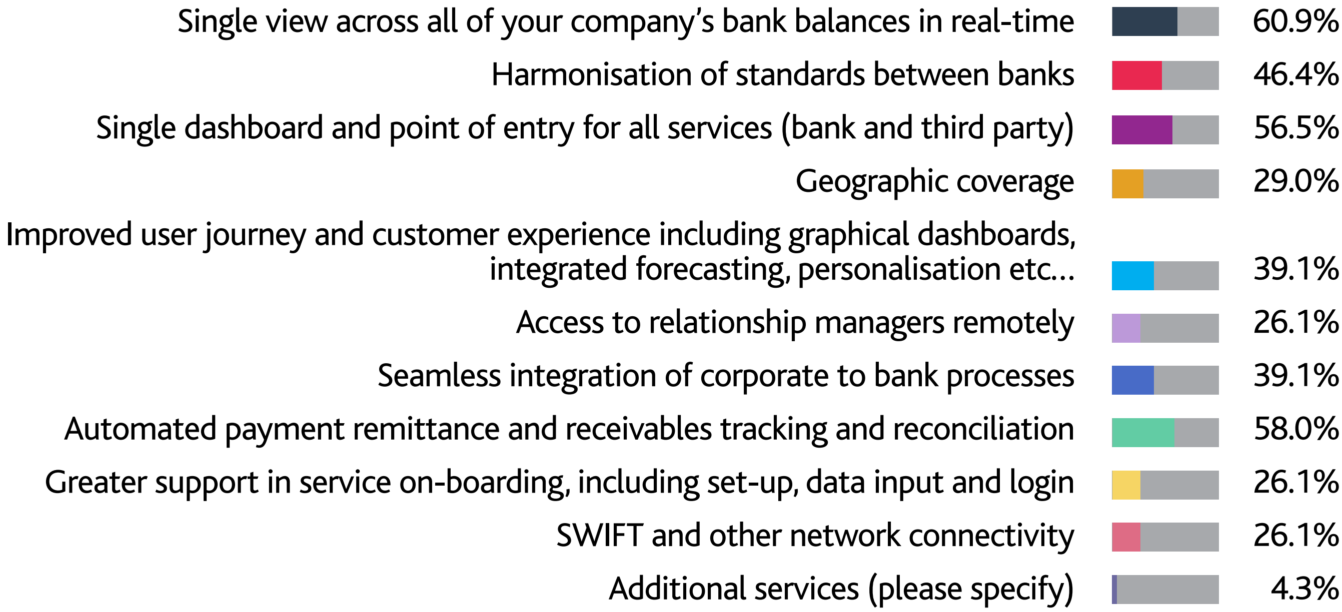
What types of access to online services does your bank intend provide to corporate clients in 3-5 years time?

- Multiple portals for different services from one bank with separate sign-on for each one
- Single bank portal providing access to multiple services from one bank with single sign-on
- Single bank portal providing access to services from multiple banks
- Via SWIFT solution or other network solution
- Third-party aggregator or treasury workstation
- Host to host connections
- Open APIs

Areas for improvement

Areas for improvement

What would most improve your banking services?



The top areas for improvement this year, perhaps unsurprisingly, centre around a need for more effective technological functions. As corporate treasurers explore and invest in different technologies, an appetite for smoother processes and integrations has emerged.

For the second year in a row, having a single view across all of the company's bank balances in real-time was the most popular category for improvement at 60.9 percent, although this represents a slight drop from last year's 62.0 percent.

Improvements in automated payment remittance and receivables tracking and reconciliation are desired by 58 percent of corporates while a single dashboard and point of entry for all services (bank and third party) is an area of improvement for 56.5 percent of respondents.

The biggest jump from last year – and so the area many corporates have become attentive to over the past year – is seamless integration of corporate to bank processes, increasing from 25.4 percent to 39.1 percent.

In 2019, only 15.5 percent of practitioners said their banking relationships could be improved with remote access to relationship managers. This year, we see that jump to 26.1 percent – a figure we expect will climb in coming years given current events and the fact many treasurers are moving quickly on their digital journeys.

Challenges for practitioners

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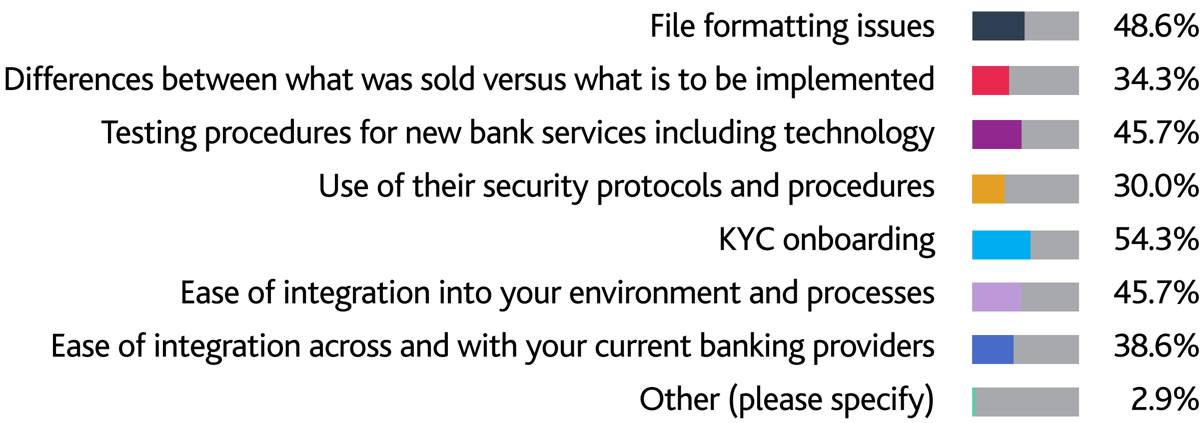
Challenges for practitioners

For the fourth year in a row, Know Your Customer (KYC) onboarding is the most significant challenge faced when integrating with a banking partner, although it should be noted this is a decrease of 10.9 percent, to 54.3 percent. This is compared to 61.2 percent in 2018 and 65.2 percent in 2019.

File formatting issues continue to cause issues when integrating with a bank, for 48.6 percent of respondents. Again, this continues a similar vein from 2019, when it was 49.3 percent.

What are the biggest challenges you face when integrating with a new bank provider?



Similarly, ease of integration into your environment and processes jumps in importance to 45.7 percent from 33.3 percent last year.

We can also see a positive result for how banks are selling into corporates, as differences between what was sold versus what is to be implemented falls from 39.1 percent to 34.3 percent, suggesting banks are getting better at aligning corporates' expectations during the sales process.

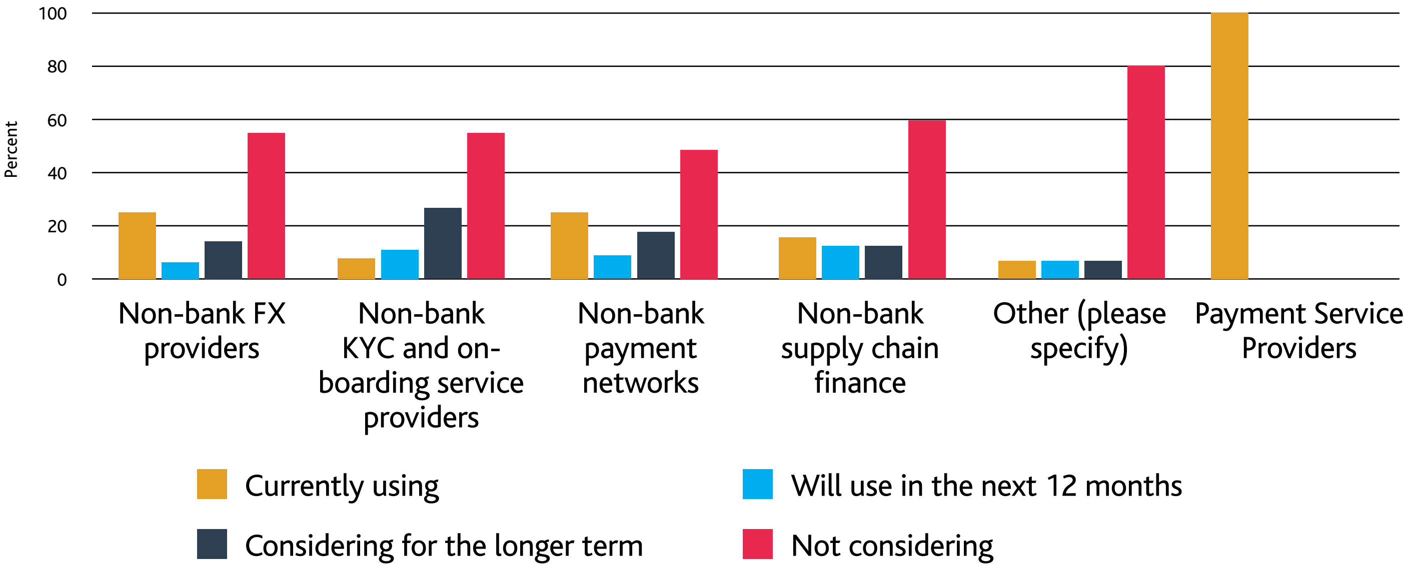
Overall, these challenges present clear opportunities for banks to get even closer to their corporate clients and take the lead over competitors.

Service providers

Digital disruption is continuing to diversify the corporate banking landscape.

Fintechs, challenger banks and the rise of open banking offer attractive alternatives to traditional corporate banking services, across a wide breadth of market offerings.

Are you currently using any of the following service providers?



In 2019, 19 percent of corporate practitioners were already using non-bank foreign exchange providers - that has risen to 25 percent this year.

Practitioners are also a lot more comfortable employing non-bank payment services this year, with a significant 93 percent year-on-year increase to 25 percent.

It's interesting to note that using non-bank service providers for KYC and on-boarding drops to 7.8 percent, from last year's 10.5 percent.

This supports the previous findings about the ongoing difficulty of maintaining KYC standards while integrating with a new banking partner. If banking challengers can make progress on making KYC smoother and more reliable, they could pose a real risk to traditional banking partners.

Banks must catch up with demand and adopt the capabilities of their challengers.

Challenges for banks

Barriers to growth

For the third year in a row, issues centering around regulation were the most commonly cited barriers to growth.

Regulatory complexity in new countries continues to be an inhibitor to growth, and in fact has grown in importance - from 43.4 percent in 2019 to 50.5 percent in 2020. Regulations in existing countries represent a similar level as last year, at 39.4 percent.

Fragmentation and the silo of technology solutions and platforms has also grown, from 37.2 percent to 41.3 percent, reversing a decline in importance since 2018. This marks an ongoing pain point for many banking providers - the limitations of legacy capabilities hindering growth aspirations.

Added to this tension is the growing threat of disruptors. Disruption, new entrants and/or changing business models are a concern for 31.2 percent of banks, a 21.8 percent increase from 2019.

Continuing the overall growing focus on cost and efficiency, cost scored highly here also, at 35.8 percent. Investing in innovation and improving or integrating systems, while crucial for futureproofing, are an undeniable cost for banks.

What are the greatest barriers to your bank's growth today?

Entry costs to new countries	26.6%
Regulatory complexity in new countries	50.5%
Regulations in existing countries	39.4%
Multiplicity of legacy channels / poor customer experience	39.4%
Systems limitations / scalability of current infrastructure	36.7%
Fragmentation / silo of technology solutions and platforms	41.3%
Discretionary funding / investment	15.6%
Sales capability (availability, skills, training, tools)	15.6%
Cross selling in existing client base	13.8%
Disruption, new entrants and/or changing business models	31.2%
Changing or declining market demand	17.4%
Competition	27.5%
Cost	35.8%
Access to skilled labour, e.g. digital talent	25.7%
Other (please specify)	7.3%

Reviewing relationships

Rating performance

When asked how their organisation is performing in a variety of areas, banking respondents were once again open in their views of their shortcomings.

Just a third of respondents believe their bank shows excellence as a strategic, long term partner – the best performing section among respondents. That relationship focus is a clear key element for banks, with approximately 30 percent heralding their organisation's historic engagement with corporates. A similar portion of respondents consider their security and financial crime protocols as market-leading.

Key areas for corporates however, are where many banks admit themselves to be failing to perform. Offering credit facilities – an important function for corporates, particularly now – is an area in which banks are performing poorly for more than 20 percent of respondents. Integration with existing systems and processes – another crucial element for many corporates – is rated as a poorly offered service by around 18 percent of banking participants. A similar number are equally as critical of their organisation's digital services.

How would you rate your organisation's current performance in the following

	1	2	3	4	5
Bank provides strategic financial and market advice	2.9%	5.9%	32.4%	40.2%	18.6%
Bank provides best-in-class products or services	1.0%	6.9%	30.7%	38.6%	22.8%
Bank provides lowest-cost products or services	4.1%	11.2%	33.7%	36.7%	14.3%
Historical relationship between the bank and the organisation	3.1%	8.3%	26.0%	33.3%	29.2%
Bank provides credit	8.1%	14.1%	22.2%	32.3%	23.2%
Geographic footprint of the bank	6.1%	11.1%	28.3%	32.3%	22.2%
Bank provides real-time systems and processes	4.1%	11.2%	28.6%	31.6%	24.5%
Bank provides unique services through partnerships and third party non-bank services	5.1%	9.2%	37.8%	27.6%	20.4%
Bank provides digital servicing and customised experience	4.1%	14.3%	28.6%	29.6%	23.5%
Bank's security and financial crime policies and capabilities	2.0%	5.1%	24.5%	37.8%	30.6%
Bank understands the organisation's business and operations	2.1%	5.2%	26.8%	42.3%	23.7%
Bank acts as a strategic and long-term partner	3.1%	8.3%	20.8%	34.4%	33.3%
Bank continually improving their products and services and providing innovation ideas	2.0%	8.2%	26.5%	38.8%	24.5%
Bank provides easy integration with existing systems and processes	3.1%	15.5%	29.9%	32.0%	19.6%
Bank conforms to industry standards	0%	6.4%	27.7%	36.2%	29.8%

By comparison, we asked our banking respondents which areas they felt were important to their corporate clients, and the results were illuminating.

Nearly two-thirds acknowledge that strategic, long term relationships are of crucial importance to their corporate clients. Given the shortcomings seen in the previous question, banks are clearly aware that work is required to please corporate clients on a longer-term basis, but little is being done to do so.

Similarly, banks acknowledge the need to provide market-leading technological services to their clients to maintain their business: more than half of our respondents consider real time systems and processes as of key importance to corporates, with nearly 50 percent acknowledging the need to provide the best digital services. Further, more than 40 percent are aware of the need to offer easy integration with existing systems and processes.

With such high proportions of banks acknowledging the need to provide highly-rated technological capabilities, it is revealing that so many are so critical of their current performance.

How do you rate the importance of the following to your corporate clients in selecting your bank and/or maintaining their business with your bank?

	1	2	3	4	5
Bank provides strategic financial and market advice	4.0%	7.9%	22.8%	31.7%	33.7%
Bank provides best-in-class products or services	1.0%	4.0%	11.9%	35.6%	47.5%
Bank provides lowest-cost products or services	4.0%	12.1%	27.3%	38.4%	18.2%
Historical relationship between the bank and the organisation	5.1%	8.1%	29.3%	32.3%	25.3%
Bank provides credit	5.1%	6.1%	28.3%	26.3%	34.3%
Geographic footprint of the bank	9.0%	8.0%	25.0%	36.0%	22.0%
Bank provides real-time systems and processes	2.0%	4.1%	14.3%	27.6%	52.0%
Bank provides unique services through partnerships and third party non-bank services	2.0%	7.9%	29.7%	36.6%	23.8%
Bank provides digital servicing and customised experience	1.0%	1.0%	12.2%	36.7%	49.0%
Bank's security and financial crime policies and capabilities	4.2%	4.2%	16.7%	26.0%	49.0%
Bank understands the organisation's business and operations	2.0%	2.0%	18.2%	32.3%	45.5%
Bank acts as a strategic and long-term partner	2.0%	7.1%	10.2%	28.6%	52.0%
Bank continually improving their products and services and providing innovation ideas	1.1%	3.2%	14.7%	46.3%	34.7%
Bank provides easy integration with existing systems and processes	2.0%	1.0%	13.3%	39.8%	43.9%
Bank conforms to industry standards	1.0%	2.0%	19.0%	35.0%	43.0%
Bank values its staff	4.1%	7.2%	27.8%	30.9%	29.9%
Ability to adopt dynamic change e.g. Pandemic	0%	0%	0%	0%	0%
Bank provides solutions to meet customer requirements in this changing digital landscape:	0%	0%	0%	100%	0%
Ease of doing business:	0%	0%	0%	0%	100%
Other (please specify):	23.1%	15.4%	38.5%	15.4%	7.7%

Scope of service

Last year, for the third consecutive year, 2019 saw most respondents offering global banking services – with 42 percent of respondents suggesting this was the model they were pursuing. That followed similar statistics in 2018 (45 percent) and 2017 (43).

This year however, we see a significant change, with just 30 percent following the global banking model. Indeed, the most popular model is the specialist or niche provider, at 40 percent, suggesting an entrenchment of some in the market over the past twelve months.

What scope of service does your organisation provide?

Future growth strategy

Models

This trend continues when banks were asked about their growth models.

Last year, 37 percent of respondents said they were expecting to move in the direction of a global banking model. Almost 14 percent of respondents said their future growth strategy revolved around specialist or niche services, up from 10.8 percent in 2018.

This year, those moving towards a global banking strategy has dipped to 25.5 percent, whereas the desire to specialise or become niche has risen to the same figure.

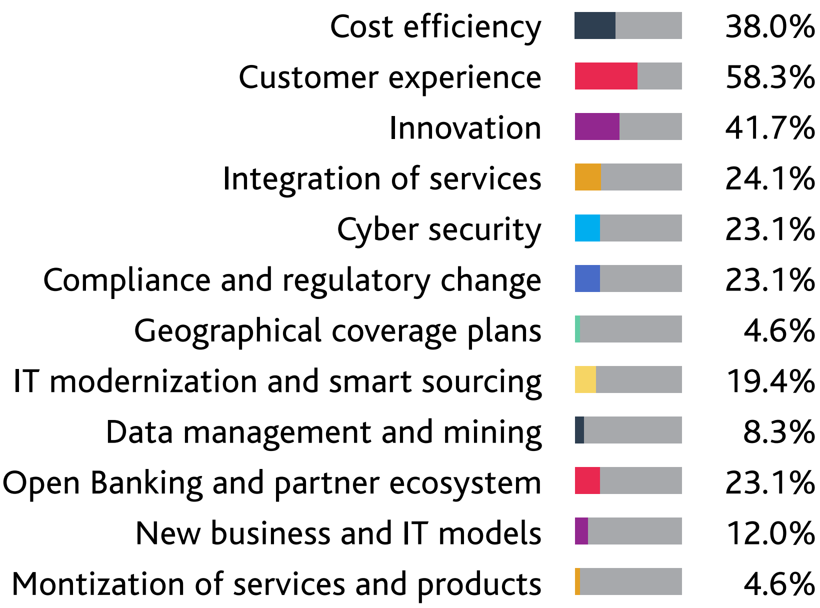
Thinking about your future growth strategy, which of the following models are you moving towards?

Business strategy

In 2019, almost 59 percent of banking services providers reported their organisation's top area of strategic focus was customer experience – a 4.5 percent increase from 2018. This remains a priority in 2020, for 58.3 percent of banks.

Innovation, an area both corporates and banks appear to agree needs improvement, retains its position as the second largest area of focus for 41.7 percent of respondents while cost efficiency is third, for 38 percent, mirroring last year.

Thinking about your business strategy, which of the following areas are you predominantly focusing on?



Competitive differentiation

Technology-led improvements top bank respondents' list of ways to better their offerings to corporate clients.

Tied for first place is working to establish a single view across all of the company's bank balances in real-time, and improved user journey and customer experience, at 61 percent each.

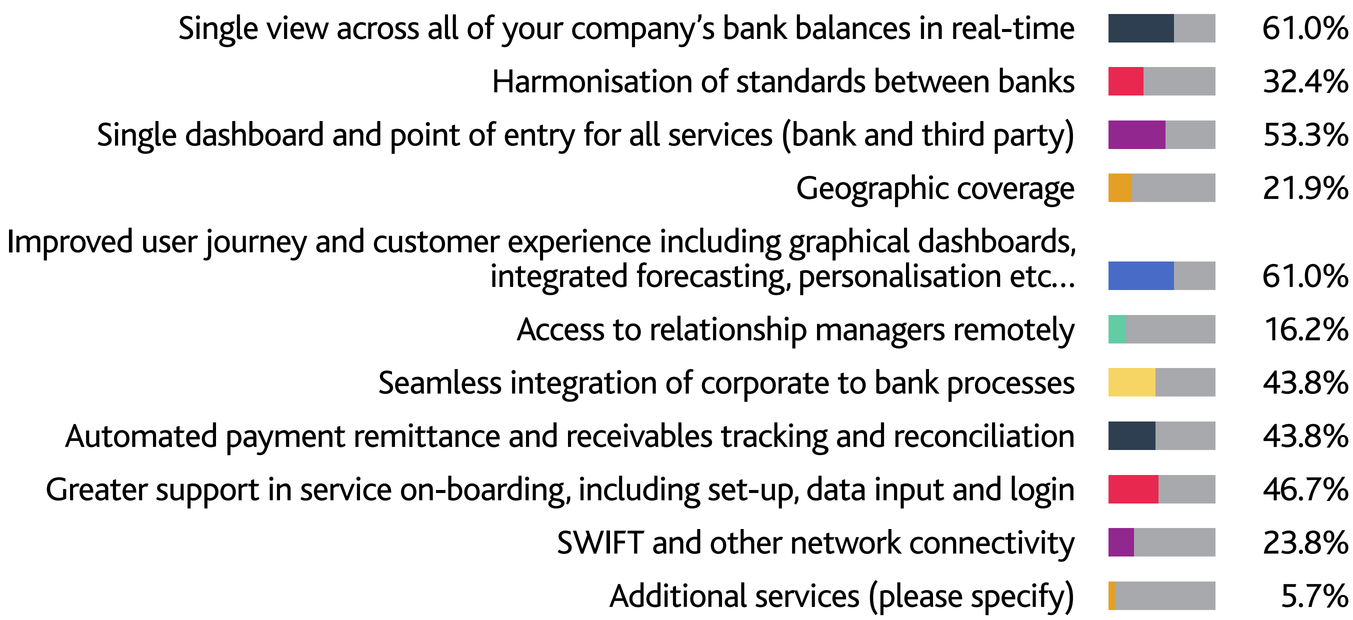
Single dashboard and point of entry for all services (bank and third party) rates highly also, at 53.3 percent.

This is no surprise, given the competition banks are facing through the expansion of the vendor landscape, offering corporates more choice.

With over a third of corporates citing digital customer experience/service and greater integration of services into systems as key drivers in their review of their banks, it's important for banks to recognise this opportunity.

Implementation of these areas is far from straightforward, however. Many banking systems are built on legacy frameworks with limited capability to integrate with new technologies. Nonetheless, there is an opportunity for banks to integrate new technologies, but also to interpret the potential insights. This could help them reach their goal of becoming a valued strategic partner.

In which areas are you looking to improve your banking services?



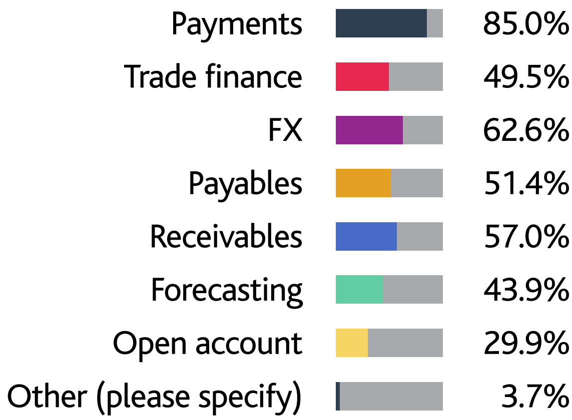
Transaction services

Real-time services are becoming more important to banks and service providers looking to move faster in key markets and keep ahead of a competitive marketplace also looking to benefit from the latest technologies.

For the fourth consecutive year, payments emerged as the transaction service that banking services providers think offer the most value if delivered in real-time. Last year just above 80 percent of respondents highlighted payments as their most valuable area within the transactions space. That figure is even higher this year, at 85 percent.

Foreign exchange is also an area banks believe will provide extra value if done in real time, according to 62.6 percent of respondents, as is real time receivables to 57 percent of banks, and payables to 51.4 percent of the same respondents.

What transaction services would deliver most value to your customers if delivered in real-time?



Value added services

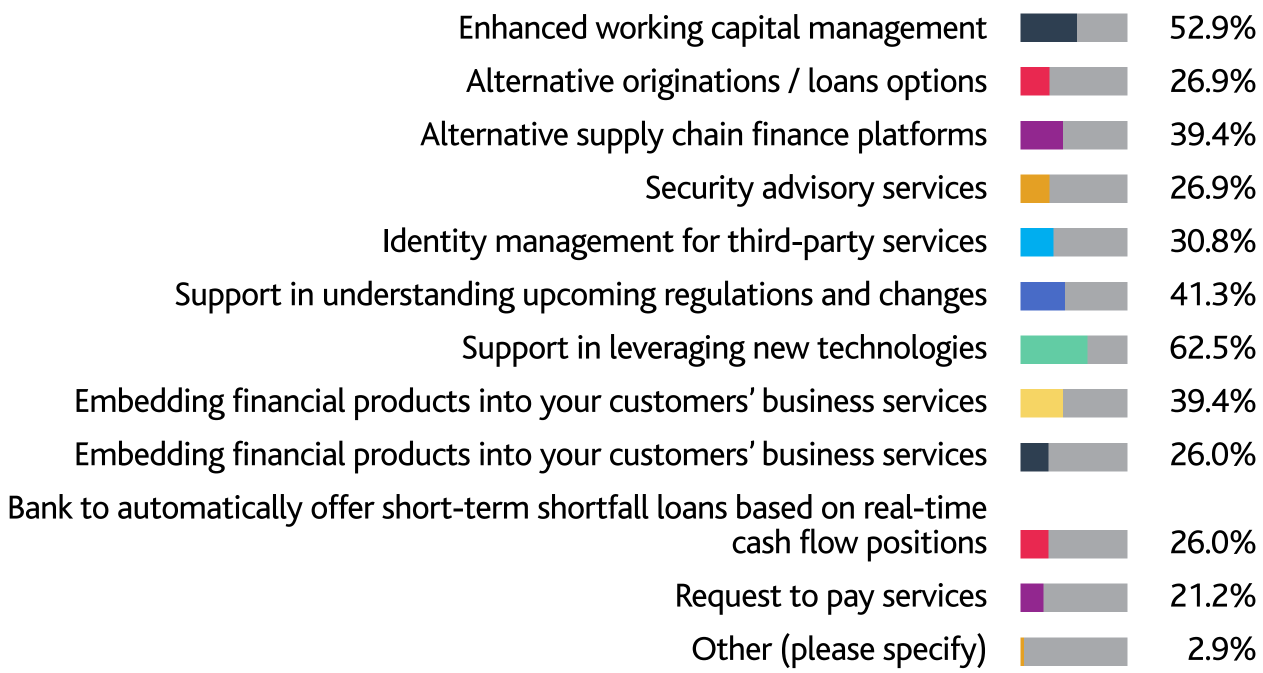
Corporates are clear on what they want from their banks. Enhanced working capital management was the top priority for just over half of our corporates, gaining slightly on last year percentage-wise, but occupying the first position.

The ability to offer innovative products (eg, working capital loans) is a high priority also, for 42.9 percent of respondents.

Support in understanding upcoming regulations and in leveraging new technologies (such as blockchain), occupy similar traction at 40 percent and 41.4 percent, respectively.

Surprisingly perhaps, just 27.1 percent of respondents highlighted open banking and access to third party services registers as important value additions, suggesting corporates are either looking for their banks to offer particular services directly, or are doing so through different avenues.

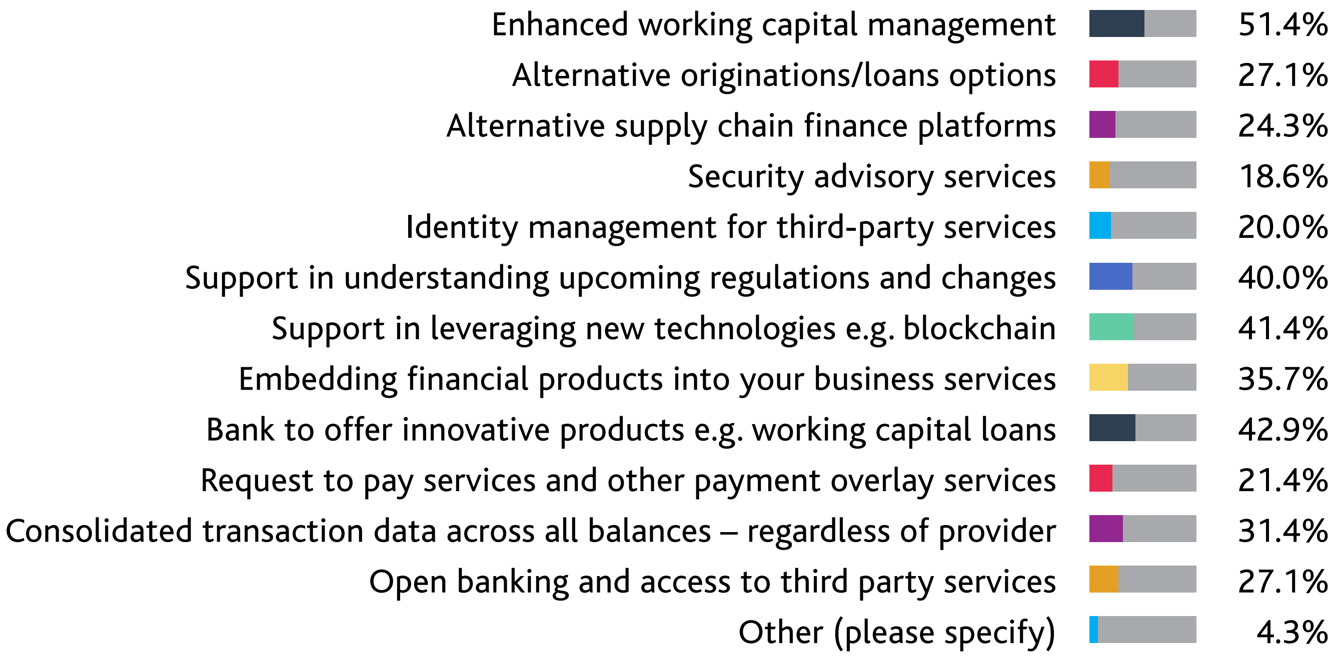
When thinking about value added services what services are you looking to provide to your customers?



A similar portion of banks are aware of the need to offer enhanced working capital management – an awareness that may have increased with liquidity being squeezed across markets in recent months.

Other notable gaps exist. More banks believe they should offer alternative supply chain finance platforms, security advisory and third-party identity management services than corporates look for them.

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



Other partnerships

Would you consider outsourcing / partnering with other banks or service providers for any of the following back office services (operations and technology)?

	To banks	To service providers	Neither
Trade finance services	27.8%	41.1%	31.1%
Open account supply chain finance	23.2%	43.9%	32.9%
FX	28.6%	32.5%	39.0%
Payments	25.3%	44.6%	30.1%
Corporate treasury management services	25.6%	46.3%	28.0%
Customer / supplier onboarding	20.5%	47.0%	32.5%
Other (other treas mgmt and payment services)	0%	100.0%	0%
Other (please specify):	18.8%	25.0%	56.3%
POBO, COBO	0%	100.0%	0%

Over the past few years, financial technology and consultancy services have flooded markets, providing banks and corporates with solutions and platforms to improve efficiencies and cut costs.

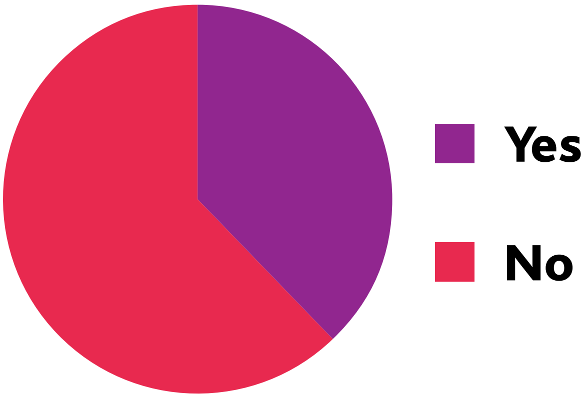
With that, both corporates and banks have been increasingly looking to outsource a range of back office services. While banks remain cautious about outsourcing to each other, they are more open to partnering with other service providers.

The most guarded function again this year is foreign exchange which, while dropping from 54 percent to 39 percent year on year, remains the standout area least likely to be outsourced.

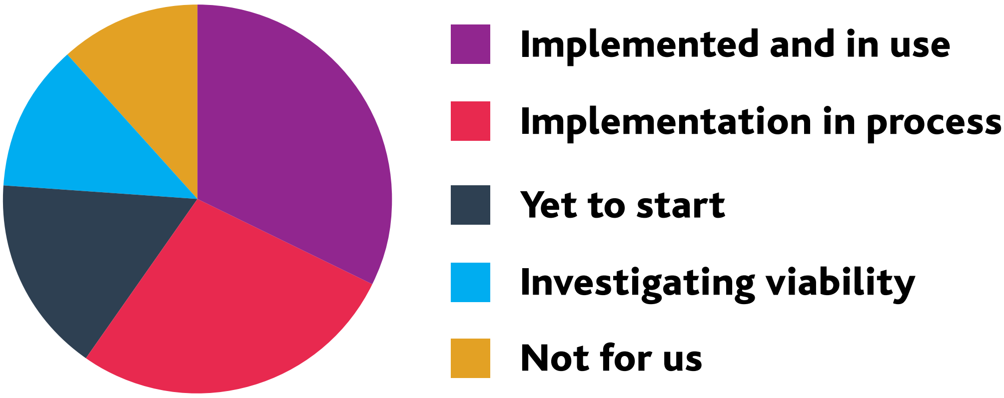
However, across the board, respondents are more likely to outsource in every area, with service providers favoured over banks. Customer onboarding – which represents a significant pain point – represents the biggest gulf in trusted outsourcing entities, with most favouring service providers over banks. Corporate treasury management services also see a significant uplift in popularity from last year, rising from 32.3 percent in 2019 to 46.3 percent this year.

SWIFT gpi

SWIFT gpi was introduced in 2018. It aims to provide corporates with fast, traceable and transparent cross-border payments. Are you aware of SWIFT gpi?



How far has your bank progressed in offering SWIFT gpi to your customers:



Over the past few years, organisations and institutions have looked to work around the many issues presented when making international payments. Launched in 2018, SWIFT gpi was set to be the new standard to improve cross-border payments, with faster transactions, more transparent fees, and end-to-end payment tracking.

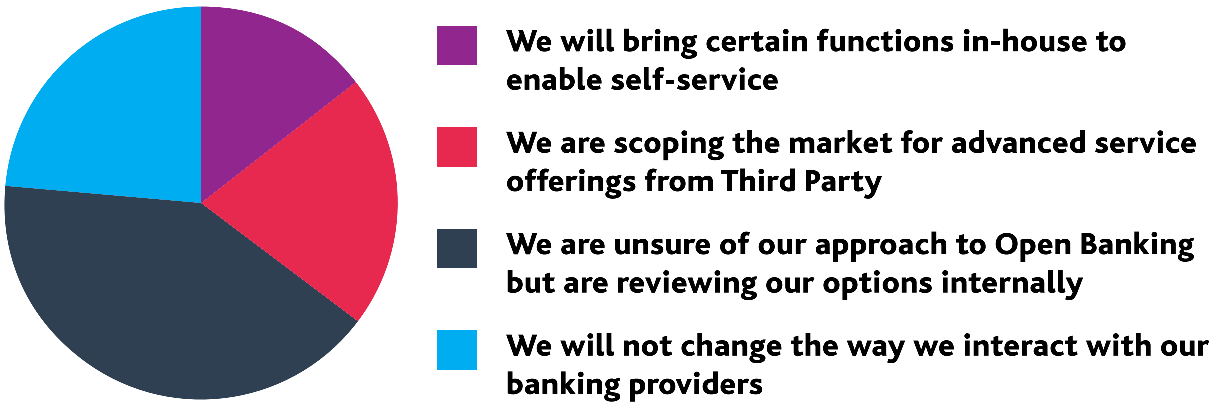
However, market knowledge is still not strong: with just 38 percent of corporates aware of the initiative, penetration is not as deep as it could be given the benefits lauded by proponents.

Low as that may be, just 32.4 percent of banks reported to be actively using the network with their customers.

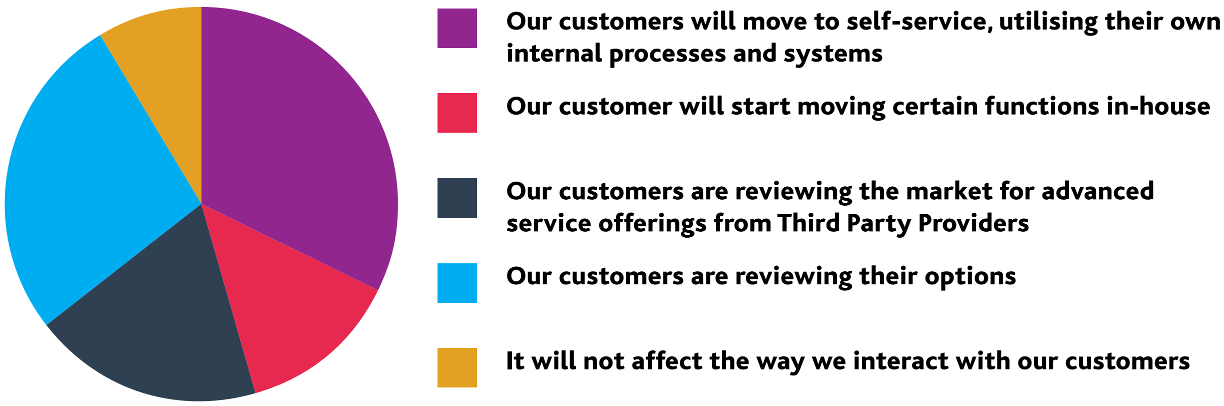
27.6 percent of banks are in the process of implementation, while 16.2 percent said they have yet to start. 11.4 percent have actively decided against implementation.

Open banking

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



To what extent do you think your corporate customers will maximise the benefit of this opportunity?



European banks have had two years now since the enactment of the EU's Second Payment Services Directive (PSD2), with rules and narratives gaining traction in other regions across the world.

Given recent circumstances, the growth trajectory of open banking propositions and the market changes many had expected have perhaps been curtailed. That has led to a mixed reception of the agenda by corporate practitioners.

Over 40 percent are unsure of how to approach open banking but are reviewing their options, while a firm 23.5 percent report that they have no plans to change the way they interact with their banking providers. Conversely, more than 35 percent are either looking to bring services in-house or are looking to work with third party providers, thanks to the growth and options underpinning the open banking narrative.

Banks are much more sensitive to the direction their corporate clients are likely to take with open banking, with more than 90 percent considering that their customers are at very least considering their options. That follows a similar pattern to 2019.

About the Survey

Thank you for reading the 2020 CGI Transaction Banking Survey.

The Global Treasurer conducted the 2020 CGI Transaction Banking Survey from April to July 2020.

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.

The Global Treasurer would like to thank CGI for its support for the 2020 Transaction Banking Survey.