IMPACT STUDY | In association with: Ailleron

CORPORATE MOBILE BANKING AND THE ROAD TO OMNICHANNEL

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Finextra | ailleron

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01 | Introduction: The state of play

Corporate banking, also known as business banking, typically serves an eclectic customer base, ranging from small- to medium-sized enterprises with a few million dollars in revenue, to larger organisations with billions in sales and offices across the world.

As an increasing number of consumers turn to mobile banking and payments applications on their smartphones, corporate treasurers are demanding and searching for the same level of sophistication for their clients, particularly in Europe, the Middle East, and the Asia Pacific region.

A challenge persists where banks are required to provide cash management and transaction services through multiple channels, but integration and interoperability has historically not been prioritised.

While the potential for mobile devices to provide this to corporate treasurers is yet to be exploited, for corporate mobile banking to succeed, mobile must be incorporated into the larger technology strategy of an entire organisation.

In addition to this, if banks implement mobile banking services within their corporate environments in product siloes, instead of incorporating this feature into larger, technical processes, the true benefits of mobile cannot be reaped.

Further, corporate banking could benefit from integrating mobile with existing online banking offerings to provide clients with an omnichannel journey and consistency across channels. The Covid-19 pandemic has acted as a catalyst for these longer-term trends that were already in motion, allowing chief financial officers to oversee their services on the go or on a remote basis, which they are often required to do at critical moments of the transaction cycle.

Banks must start asking: which transaction banking services are best suited to mobile? Can a ‘retail-like’ version of a banking app be offered to SMEs and larger corporates? And finally, how do regulations affect mobile corporate offerings, especially regarding onboarding, authorisation, and cross-border payments?

02 | Required functionality on mobile

Innovation is picking up pace in treasury management, but development is far from the fintech revolution that has replaced outdated technologies and streamlined antiquated practices in retail banking.

While there is an appetite amongst treasurers to remedy historic shortfalls with the implementation of innovative technology, continuous improvement in operational treasury efficiency has been the biggest hurdle.

For instance, international payments continue to be an expensive and burdensome process, multi-currency accounts cannot be accessed, can only be operated manually, and take weeks to open – even though very few organisations operate using a single currency. Mobile banking can alleviate these pressures by removing geographical limitations and in turn, improving efficiency and productivity.

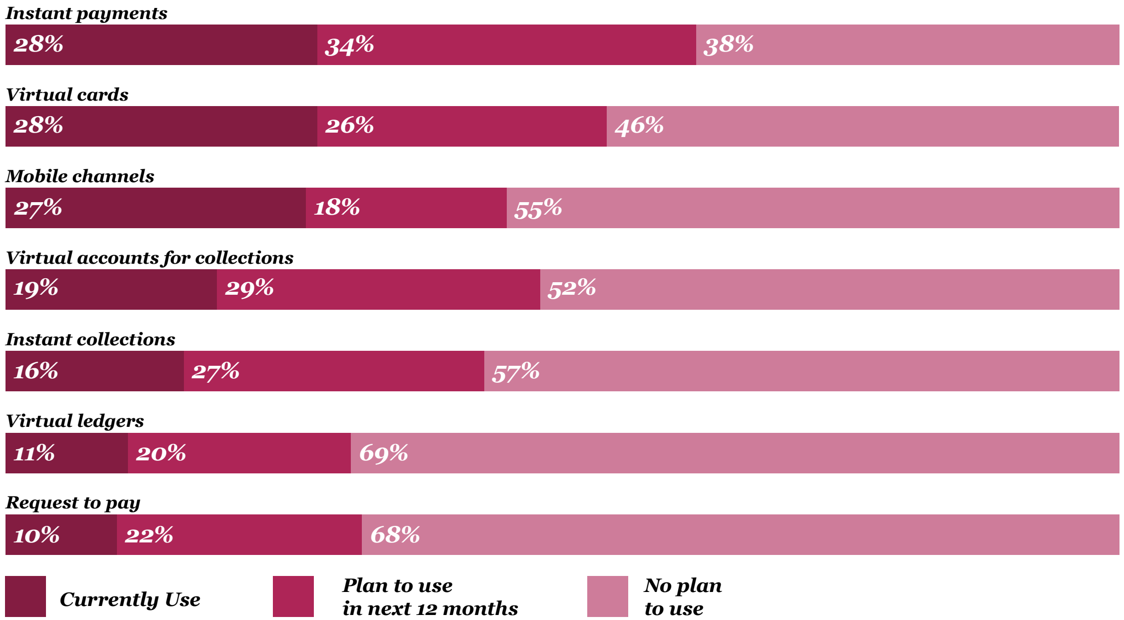
Considerable time has also passed since supply chains and banks had to ascertain how to pool cash and conduct trade across multiple nations, currencies, and continents for the first time, which is unacceptable in this real-time age of payments processing. Mobile services can remedy these issues by accelerating collection, refining reconciliation, and eliminating a significant portion of risk.

In addition to the potential for a global bank account, it is evident that treasurers have attempted to integrate platforms and systems that can improve automation and straight-through-processing (STP) in front-to-back-office operations, but this has only intensified the issue and created layers of plugins. With an omnichannel platform, business owners can evaluate account health instantly, without increasing maintenance costs and inhibiting operational resilience.

The treasury management system of today – and the future – must be functional, interoperable, secure, and easy to use by those managing cash in the office or working remotely. The treasury management system of the future is on mobile.

While advancements have been made to innovate transaction banking and digitally transform the customer experience, **results from the TMI European Treasury Survey found that only 27% of cash managers were using mobile banking services.**

Further to this, 18% planned to use mobile services in the next 12 months, but 55% had no plans.



Source: TMI European Treasury Survey 2020, in association with Barclays

While carrying out treasury functions on a mobile device is convenient, the key proposition is in supplying personalised alerts, collecting payments with lower risk, and supporting treasurers in fully taking advantage of their working capital.

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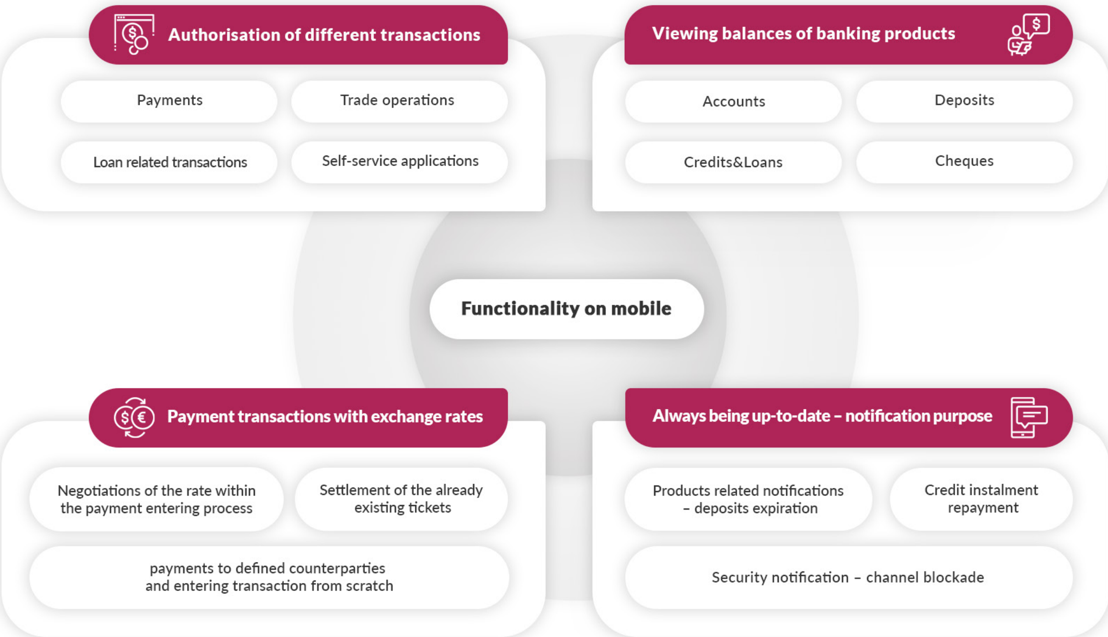
Unequivocally, banks are demanding wider access, so corporate mobile services must be extensively available. Early research found that when embraced, mobile banking had a strong adoption rate for business purposes, given how recently these services had become obtainable.

However, it is the lack of awareness of the benefits of mobile banking that prevents banks from viewing balances, authorising users to release payment, as well as executing and confirming trades from a mobile device.

THE BENEFITS OF MOBILE SERVICES FOR CORPORATE CLIENTS

- **Provide real-time account updates,**
- **Allow business owners to evaluate account health instantly,**
- **Help finance teams stay up to date with revenue and expenses,**
- **Reduce the possibility of paying more than expected,**
- **Manage cash flow,**
- **Streamline collection processes,**
- **Shorten transaction lag time,**
- **Support management of working capital,**
- **Provide greater visibility into provisioning of bad debt,**
- **Improve efficiency and productivity by removing geographical limitations,**
- **Accelerate the collection cycle,**
- **Improve reconciliation, and**
- **Eliminate a significant portion of risk.**



Source: Ailleron

03 | Mobile banking products and application

Asking treasurers to switch between different platforms and technology providers when tackling different tasks is untenable. Mobile banking can streamline this user journey and allow cash managers to utilise a single platform to actively and securely address issues surrounding:

- availability and cost of multi-currency accounts,
- payment processing and FX conversion fees with multi-currency IBANs,
- automated payments and collections, and
- FX hedging and risk management.

With such an innovative approach, corporate clients can reach financial information in an appropriate way. More specifically, with CFOs needing to always remain up to date, this is achievable with mobile banking, thanks to its dedicated set of features.

According to Daniela Eder, head of payments and cash management Europe at **Barclays**, the future of treasury sits with the use of virtual bank accounts, as the structures and efficiency is constantly monitored.

“While virtual accounts have long been used to create efficiencies in the receivables space, they are now being used in the form of virtual ledgers to enable corporates to replace physical bank accounts and easily set up an in-house bank offering payments-on-behalf-of [POBO] and receivables-on-behalf- of [ROBO],” Eder highlighted.

Virtual account management permits treasurers to divide physical bank accounts into several notional ‘virtual’ accounts, but function in the same way a traditional account, but have virtual IBANs. Notably, providing access to these ‘virtual’ accounts on a mobile device could empower treasurers to “optimise their account structures at the click of a button,” Eder added.

Another area that mobile services could help with is FX execution, which has been previously mishandled by SMEs as most hedging programmes are unable to provide an analytical outlook beyond six months. Because of minimal transparency and connectivity, treasurers are restricted in the regulation of their risk strategies – mobile banking could be advantageous in providing increasing visibility.

Emirates NBD's Neena Prakash writes that although the Middle East has historically been slower to adopt newer technologies, a surge in investment in the fintech space has resulted in an acceleration and focus on the achievement of business goals.

Having learned from other regions' mistakes, Middle Eastern banks are looking to comply, secure and scale at a faster pace, either by building solutions or partnering with providers. Further, an emerging technology trend, according to Prakash, is blockchain technology, shared ledger management and smart contracts.

"A number of fintechs have built specific applications based on blockchain, such as real-time payment, transaction and FX settlement systems. The trade finance ecosystem – with its requirements to issue letters of credit, validate trade documents and support end-to-end tracking of goods – is being explored for use with smart contract applications," Prakash said.

While these systems are yet to mature, Prakash also explored that in addition to blockchain, advanced analytics is being utilised to provide personalised solutions and enhance engagement. After all, from "the design of online and mobile banking apps to the digitisation of documentation, the customer wants their financial partner to be integrated with their daily activities," Prakash continued.

Progress has also been stagnated in Africa, which has been primarily due to slow acceptance across the continent's fragmented banking landscape and the economy's reliance on SMEs, instead of corporations. While lenders such as Citi and Ecobank have been able to provide best-in-class cash management solutions, Excel-based processes have dominated.

Phil Boyall, head of corporate banking and payments sales, Sub-Saharan Africa at **Finastra** explored how the coronavirus pandemic forced banks to forge ahead with digitalisation as it was more important than ever before to view liquidity positions, real-time payments and receivable notifications.

With the luxury of having an up-to-date view of cash positions, "SMEs and increasingly MSMEs have required this real-time information presented to them in a contextual manner, as they adjust to new business practices and cashflow management techniques which are likely to be here to stay, beyond the pandemic. During 2020 it therefore became clear that cash management services have become as important for SMEs as for corporates," Boyall explained. Moreover, high penetration of mobile phones in Africa was also crucial to the success of this model.

Mobile channels can also help shepherd advanced business processes for cheque management, data capture and analytics. While these options are not available currently, there is a strong use case for them, having high potential for limiting paperwork within accountant departments because cheques can be scanned with the mobile app and presented back to the bank for payment. Similarly, smart notifications using real data can be generated in real-time across credit (repayments) and deposits (expiration and renewal).

Beyond automation, data analytics can also be leveraged to improve forecasting, detect patterns, and upgrade cash flow monitoring and risk management. sophisticated use of analytics in trading has already been proven to be of use to treasurers when searching for information or enhancing payments, hedging or risk strategies.

BNP Paribas revealed that 55% of corporate treasurers in Shanghai, China now have specific key performance indicator (KPI) targets for ensuring treasury efficiency. These treasurers are also considering technologies such as robotic process automation (RPA) to automate processes, reduce human errors and mine data that is currently siloed with machine learning or deep learning.

With corporate treasurers now being responsible for choosing technology that ensures that their bank is a relevant and viable competitor, they have no choice but to either build in-house solutions or partner with fintech firms to implement external products. Access to an open API marketplace enables banks to pick and choose third party applications and integrate them into their core systems.

Alongside this, an integration with the bank's core banking system provides a single point of access to the customer. This helps to eradicate errors, reduce operational costs, and conduct activity in a real-time manner, leveraging the advantages of straight-through-processing – which in turn, helps treasurers make informed decisions.

Connectivity and delivery models are also shifting, with the more agile treasury departments considering adoption of cloud technology through Software-as-a-Service (SaaS). Treasury departments must deploy integrated systems that offer tools that can increase efficiency, control, and regulatory compliance, allowing treasurers to focus on business objectives in addition to IT infrastructure.

Amid all these changes, mobile banking emerges as a necessary feature. Omnichannel data consistency is of paramount importance when streamlining access to authorisation features, viewing aggregated information about banking products and managing them in a well-ordered manner. While mobile adoption is not omnipresent in corporate banking, as mobile penetration is high across the globe, such a trend should not be omitted by banks when creating new digital experiences.

04 | Integration with online banking

Digital transformation in banking has eased the lives of retail banking customers, but can a 'retail-like' version of a banking app be offered to SMEs and smaller corporates that have historically been underserved by the incumbent financial institutions? How would mobile banking support mid- and large-sized corporate clients?

As mentioned, an open API marketplace can help businesses connect with challenger banks, multi-bank platforms and fintech companies to obtain the innovation they require. And therefore, the financial players must ensure their offerings are the most competitive.

Mobile banking services can provide SMEs with procurement, accounting and reporting, e-invoicing, referencing, payroll and staff management, customer analytics and liquidity management, and in addition to this, implement APIs for revenue share projects. These can either be developed by the company or in collaboration with a bank – one example could be Polish mBank's partnership with Orange. Further, **according to Accenture, SMEs conduct 79% of their daily tasks on their mobile devices.**

Although, beyond the integrated approach that mobile services offer, retail banking customers have long desired a multichannel, or omnichannel experience, where customers are provided with choice of routes to communication – whether that is physical, mobile or web. Irrespective of the channel, customers require convenience and simplicity. And it is this multichannel experience that could be a game changer for mobile banking.

According to Accenture, SMEs conduct 79% of their daily tasks on their mobile devices.

THE BENEFITS OF OMNICHANNEL SERVICES FOR CORPORATE CLIENTS

The omnichannel approach allows customers to:

- **Retain full control over when and where banking is conducted,**
- **Switch between communication channels,**
- **Maintain a history of previous communication,**
- **Use data to derive relevant and actionable insights,**
- **Place higher importance on customer-centricity,**
- **Keep an eye on purchasing behaviour and customer preferences,**
- **Gain competitive advantage, and**
- **Boost sales by improving customer experience and satisfaction.**

What must also be considered is that although onboarding efficiency and risk mitigation has traditionally been difficult to harmonise, banks have invested heavily in streamlining processes so that regulatory checks such as Know Your Customer (KYC) and Anti Money Laundering (AML) can be met. Further to this, it has been evidenced that this process can be fully conducted via a mobile device.

Compliance with the Open Web Application Security Project's (OWASP) Application Security Verification Standard 3.0 is equally important. Banks must ensure that mobile apps do not store sensitive data onto potentially unencrypted shared resources on the device, or in system protected areas such as key chains and information cannot be leaked through storage of screenshots.

To conform to these requirements, banks should ensure that:
- Any server side controls, such as an API or web service, has the same level of security controls in place as found on the device itself.
- Sensitive information assets stored on the device are done so in a secure manner.
- All sensitive data transmitted from the device should be done so with transport layer security in mind.

05 | Conclusion: The next steps for banks

Advantages of mobile banking

For Clients

- Access to omnichannel data consistency
- Help finance team stay up to date with revenue and expenses
- Accelerate the collection cycle
- Eliminate a significant portion of risk

For Banks

- Game changer in providing innovative solutions
- Place higher importance on customer-centricity
- Enriching business processes
- Building higher position on the market

Source: Ailleron

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Ailleron

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For more information

FINEXTRA RESEARCH
77 Shaftesbury Avenue
London,
W1D 5DU
United Kingdom

Telephone
+44 (0)20 3100 3670

Email
contact@finextra.com

Follow
@finextra

Web
www.finextra.com