



# The Banker

## TRANSACTION BANKING AWARDS 2019



TRANSACTION BANKING is becoming more complicated. Trade is looking for new corridors. Supply chains are an intricate web that spans borders. And technology is increasingly pushing companies to work faster to meet demand. Those that triumphed in *The Banker's* Transaction Banking Awards 2019 were the ones that helped their clients to cut through the noise and provided the best quality of service for a modern business environment.

The awards saw submissions from across the globe, and some banks participated for the first time. In particular, there was an impressive increase in the number of entries from emerging markets. Sri Lanka saw notably strong representation from its banks as they take impressive steps into regional transaction banking.

The most hotly contested category was cash management, with entries from 28 banks. This is a clear indication of how important the area has become for clients, and also the level of innovation that is happening in the market globally. Recurring themes in the submissions showed that treasurers want the best possible oversight of their cash positions across their accounts – something that is becoming possible with the implementation of open banking and application programming interfaces – while keeping costs low.

A growing priority for banks is catering to the needs of small and medium-sized enterprises (SMEs) – especially in emerging

markets, where they are considered as a way to boost a country's overall economy. The push to devise ways to serve this section of the economy is sparking new ways of banking, as it has become apparent that applying methods that work for the largest corporates to sole traders, for example, will not work.

Tailored solutions that help SMEs to engage with the formal banking system and move towards digital payments are gaining traction across the regions, and could become increasingly innovative in the years to come. Sophisticated working capital structures that leverage the strength of a large corporate at the end of the supply chain to help its smallest suppliers obtain affordable funding is another trend, and is helping to bridge the funding gap.

Blockchain and distributed ledger technology began to find solid use cases in this year's submissions, as the technology starts to mature. But banking is not standing still, and there are already developments looking at how artificial intelligence (AI), machine learning and natural language processing will further help to digitise transaction banking.

With the help of AI, transaction banking can become safer and more efficient, with automatic updates on the data held on customers to check against previous transactions to flag possible cases of fraud. It is a fascinating time of great change for the industry, one that the global transaction banking industry appears willing to embrace. **TB**

### JUDGING PANEL

Francesco Burelli, digital and payment specialist, Arkwright

Enrico Camerinelli, senior analyst, Aite Group

Eric Li, research director, Coalition

Kimberley Long, Asia editor, *The Banker*

Joy Macknight, managing editor, *The Banker*

Ronan O'Kelly, partner, corporate and institutional banking, Oliver Wyman

Wim Raymaekers, head of banking markets and gpi, Swift

Didier Vandenhoute, partner, PwC

**GLOBAL  
WINNER: HSBC**

HSBC has ambitious plans for how it wants transaction banking to look in the future. The bank is currently in the middle of a three-year programme to invest \$17bn in modernising technology that not only reacts to the changes brought in across the world, but also anticipates the way the business is moving.

Diane Reyes, global head of global liquidity and cash management at HSBC, explains: “Our clients expect us to be digital first, and they want their transactions to be fast, simple and secure. To meet these needs, we are upgrading our digital channels to address client pain points – for example by offering secure and convenient access to mobile banking via biometrics in more than 40 countries – while providing new tools and insights to help CFOs and treasurers to intelligently run their business.”

HSBC has been at the forefront of technological change in transaction banking, seeking to find solutions that will modernise the industry, while maintaining the ultimate goal of improving clients’ business experience.

Natalie Blyth, global head of trade and receivables finance at HSBC, says: “It’s an exciting time to be involved in transaction banking; technological change is happening at pace. We have a responsibility to lead our clients through this transformation, and that’s what we’re doing: leveraging data to help customers navigate short-term uncertainties and to take advantage of the long-term fundamentals underpinning sustainable growth.”

Exploring the possibilities of distributed ledger technology (DLT), HSBC has worked closely with several central banks as they explore digital currencies to seek greater levels of efficiency in cross-border interbank payments and settlements. The use of blockchain has also been instrumental in the bank’s developments in the trade finance area. Developments include the introduction of blockchain to letters of credit, providing real-time visibility on transactions and reducing the transaction time from up to 10 days to less than 24 hours. The next step is to examine how blockchain can be used in combination with the Internet of Things and smart contracts.

The bank’s next-generation virtual accounts management (ngVAM) was an important step forward in the use of virtual accounts, with HSBC pulling in the help of a third-party fintech to develop the product.

Clients familiar with the product had wanted it expanded to enable cash and liquidity management. The resulting ngVAM is a multiple entity and multiple currency virtual account structure that can support current interest rate conditions.

HSBC has been quick to move on utilising the implementation of new technology in individual markets. The bank released HSBC Business Collect following the launch of the Faster Payment System (FPS) in Hong Kong in September 2018. The system simplifies bill collections and allows clients to settle with a QR code. It also supports the use of a range of payment methods, including credit cards and wallets like WeChat Pay, Alipay and Apple Pay. Using the FPS 24/7 capabilities, the bank’s customers can conduct real-time settlements.

The HSBC Securities Services team took steps to simplify the exchange-traded fund (ETF) business by launching an ETF portal as part of the online HSBCnet channel. The portal has introduced straight-through processing, which reduces operational risk, and the ability to approve or reject each ETF order by the fund manager.

As the bank continues its digital transformation, the securities services division will be moved towards an open application programming interface (API) model. By reducing cost and aggregating data, HSBC hopes to become its clients’ primary data solutions provider. At the end of 2018, the bank rolled out the API Core Gateway, and among the first APIs implemented were global custody APIs on trade status updates, failed trade reasons and securities holdings. Using the trade status API, clients can follow the trade’s status and integrate the workflow, and take remedial action before a trade fails.

The team was also involved in the recommendation of capital reforms in Kuwait and Saudi Arabia. The bank worked to ensure the smooth implementation of these changes which has boosted investment potential in the Middle East.

Allegra Berman, global co-head of HSBC Securities Services, says: “We see growth potential across transaction services and we will continue to innovate to help us better serve our clients. The big opportunity will be partnering with our clients on their own digital journeys, and ensuring that we provide them with tools and data to help them succeed in a real-time, digital world.”

The bank has also been looking at the



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UNDERPINNING SUSTAINABLE  
GROWTH** *Natalie Blyth* ●●

impact of its operations on the environment, and the changes it can make to mitigate this. Working with US retail giant Walmart, the bank created a supply chain finance programme that links a supplier’s financing costs to their sustainability performance. Under the conditions of two of Walmart’s own sustainability initiatives, Project Gigaton and the Sustainability Index Programme, suppliers that demonstrated improvements could apply to HSBC for improved rates. >>>

**NORTH AMERICA  
WINNER: HSBC**

HSBC is bringing its transaction banking offering in North America into the 21st century, as it explores how the most cutting-edge technology can make business easier for its clients.

The bank has adopted a bold stance on automation through the use of robotics, working across business divisions to create the Hybrid Operations Robot (Thor), an automated program that is designed to follow processes and work on set tasks 100% of the time. The result is faster service time for customers, and the operational output represents the equivalent of eight members of staff.

Modernisation is also about building on successful existing products. HSBC launched its next-generation virtual accounts (ngVA) in 2019, an expansion on standard virtual accounts with a ledger record linked to a physical bank account. The ngVA can be used by corporates as a working capital tool, supporting the centralisation of corporate treasury, on behalf of payments, and detailed payer identification that can be used by companies, regardless of size.

Drew Douglas, HSBC regional head of global liquidity and cash management, North America, says the bank is ensuring its services match the changing demands of its customers: "As the treasurer's function becomes more integrated into business operations, it has become increasingly complex. That's why we are not only investing in technology enhancements, but coupling that with the knowledge and experience of our teams to best serve our clients' needs."

Looking to the future is not just about the latest technology. As corporates and consumers alike become more environmentally conscious in their purchases, HSBC has been quick to keep pace with changing expectations.

Patricia Gomes, HSBC regional head of global receivables and trade finance, North America, says: "Our data shows that 84% of companies are looking to make ethically or environmentally sustainable changes to improve their performance. That's why we collaborated with Walmart to launch a sustainable supply chain initiative, which allows suppliers to apply for improved financing from HSBC based on their sustainability ratings."



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BEST SERVE OUR CLIENTS'  
NEEDS** *Drew Douglas*

**CASH MANAGEMENT  
WINNER: HSBC**

As everyday banking becomes more sophisticated and available around the clock, treasurers are looking to see the same ease replicated in their professional lives. While this is a challenge, it is one that HSBC has embraced with its cash management business.

HSBC is creating greater levels of autonomy for its customers in their banking decisions. The creation of beneficiary self-management allows customers to register and initiate payments with just an email address for verification. Beneficiaries can also opt to receive real-time details on transactions via text message or email.

The Liquidity Management Portal, meanwhile, gives a real-time visualisation of cash flows across products and multiple banks. Clients can narrow this down to an individual account to get a granular insight on their cash positions, and then choose to change their liquidity structures or investments thanks to the insight from the aggregated data.

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SERVICES ACROSS THE WORLD**

*Diane Reyes*

for transaction services across the world," says Diane Reyes, global head of global liquidity and cash management at HSBC.

"Today, our clients expect us to execute transactions faster and more seamlessly than ever before, and we will continue to meet these needs by increasing our investment in innovation.

"This is helping clients to be more efficient in their treasury operations, for example by enabling them to track payments all the way to the end beneficiary. But what is even more exciting is our ability to give clients actionable insights from our digital tools, to support strategic decisions about how they grow their business."

Crucial to HSBC's successful strategy is the acknowledgement that it cannot create everything in-house. The bank teamed up with fintechs in the development of its next-generation virtual accounts, which allow users of virtual accounts to get a ledger record of their transactions.

HSBC's Manage Bank Feeds has been developed with three cloud accounting software providers to send daily bank transaction feeds directly to the customer's accounting systems.