CHALLENGING THE STATUS QUO:
External forces supporting the rise of Non-Bank Corporate Treasury Services.
Welcome

Everyone seems to be talking about the potential for emerging Fintech startups to disrupt traditional banking services. Although much of the focus is on consumer solutions, many Fintech firms are developing new products targeting specific corporate treasury challenges.

To explore this and other key industry issues, HSBC has partnered with Celent – a leading research and advisory firm specialising in Financial Services – to produce a series of reports. The fifth report in our series takes a deeper look at the external forces giving rise to non-bank financial services for corporate treasurers.

The research examines how broad trends such as economic influences, demographic changes, the regulatory environment, and technology evolution are contributing to the integration of traditional corporate banking services. The report includes suggestions for corporate treasurers as they balance the risks and benefits of offerings from Fintech firms promising faster, better, and cheaper services.

In addition to Celent’s findings, Nadine Lagermitte, HSBC’s Global Head of Financial Institutions, shares her insights on how banks are collaborating with Fintech firms to develop and deliver new corporate treasury services.

The findings highlight the importance of cooperation and openness between banks and Fintech firms, combining banking best practices with Fintech innovation to create true end-to-end solutions for our customers.

We understand how important it is to continue to be a strategic partner to our customers as they consider non-bank financial services offerings. Through this series, our objective is to continue our dialogue with you to better understand your unique goals and challenges.
The global economy has been changing rapidly in recent years. Whether grand scale or incremental in nature – most of these changes are based on new technology. What we’ve seen as a result is that banking customers today expect immediacy and flawless execution, with both international and local financial institutions being judged on the level and quality of their digital offering.

How do we go about ensuring our customers get access to the best, most innovative digital services? For HSBC, the answer is to work with others in the industry that have traditionally been considered competitors in order to support our mutual clients and meet their needs as financial technology continues to evolve. This includes collaborating with other banks as well as large non-bank technology providers and smaller fintech start-ups.

Leveraging Industry Innovation
To take advantage of new opportunities arising from emerging technology, HSBC is investing in a growing portfolio of fintechs. These strategic investments range from a secure messaging service and technology platform focused on disrupting the financial market terminals, to a cognitive computing platform that helps companies capture revenue opportunities, to a consortium of banks working together to create applications on blockchain technology and more.

Beyond partnering with other banks and fintechs, we’ve also formed strategic partnerships with established IT vendors and are active participants in start-up accelerators, including mentoring start-ups chosen for the Accenture Fintech Innovation Lab. We even host our own Innovate HSBC Hackathons, week-long programmes held at our global technology centres that give internal staff the opportunity to show us their innovative spirits – with winning ideas taken forward to production. Plus, since we also have a number of fintechs as clients, we partner with them and their customers to prototype and fine-tune technology solutions.

As a result of these relationships, our goal is to be able to develop capabilities for customers faster and make agile changes in response to their feedback. Collaborating with other banks, IT providers and fintech start-ups, we are currently exploring an array of financial technology solutions to:

- Reduce costs and enhance service with robotisation
- Improve the digital user experience by enhancing digital interactions with clients
- Use data and advanced treasury analytics more effectively for insights into creating new revenue streams and best practices
- Increase accuracy and speed of transactions, clearing and settlement

What we’ve found is that by creating this spirit of partnership, we are learning from those who know how to do things better, faster and more reliably than we might otherwise have on our own. We’re taking that agility and integrating it into our banking solutions to offer more holistic solutions to our customers.
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EXECUTIVE SUMMARY

The rapid rise of Fintech firms offering non-bank financial services is triggering what some consider “creative destruction” in banking. The consumer and small business segments are particularly affected, with almost 75% of Fintech investment focused on the sector. Although corporate banking averages 33% of operating income across 20 of the top global firms, only 3% of Fintech investment is currently targeted at large corporations. Recognising that technology is a key enabler for efficient treasury operations, an increasing number of Fintech firms are creating specialized solutions for corporate financial management.

This report discusses the external forces supporting the rise of non-bank financial services and potential benefits for corporate treasurers by answering three key questions:

**KEY RESEARCH QUESTIONS**

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Four primary external factors contribute to the explosive growth of non-bank financial services for corporate treasury:

- Demographic trends
- Economic influences
- Regulatory environment
- Technology evolution

Traditional financial technology firms have longed played a critical part in facilitating an efficient corporate treasury ecosystem. Startup Fintechs are viewed more as disruptors, leveraging emerging technologies to offer new, innovative financial management solutions. Fintechs are unbundling traditional corporate banking services, especially in the areas of cross-border payments, foreign exchange services, payables/receivables, electronic invoicing, and supply chain finance.

Whilst Fintechs are succeeding in certain segments of treasury, banks maintain their distinct advantage of being able to provide clients with a comprehensive set of financial services through integrated delivery channels. Recognising this advantage, many Fintech firms are collaborating with banks through a number of different innovation models. Through these models, Fintechs benefit from subject matter expertise, regulatory perspective, and direct investment.

Corporate treasurers need a range of solutions to simplify their day-to-day financial management responsibilities. As they evaluate service providers, it is important to balance the risks and benefits of Fintech providers. Suggestions for treasury include:
- Become familiar with emerging and evolving Fintech firms, capabilities, and technologies to assess their ability to improve treasury processes.

- Look beyond the hype and seek Fintech solutions that provide the most value. The solution needs to work well, integrate smoothly with existing systems, and overall, not create more friction for the corporate treasury.

- Consider established financial technology providers for mission-critical treasury and financial management processes.

- Seek strategic banking partners who are focused on enhancing corporate treasury capabilities and understand what models they are using to experiment with new approaches and to improve their innovation capabilities.

- Challenge your banking partners to compare the strengths and weaknesses of their corporate banking solutions to alternative non-bank financial services.

- Learn more about emerging technologies such as distributed ledgers, open APIs, and artificial intelligence with the potential to digitize, streamline, and transform critical treasury functions.

- Become part of the conversation by joining customer advisory councils hosted by banks and providers to influence product direction for key technology enablers.
EXTERNAL FORCES SUPPORTING THE RISE OF NON-BANK FINANCIAL SERVICES

Joseph Schumpeter, the Austrian economist, coined the term "creative destruction" in referring to the process of industrial mutation that incessantly revolutionises the economic structure from within, constantly destroying the old one while simultaneously creating a new one. By some accounts, the financial services industry is undergoing its own creative destruction with the rise of non-bank, startup financial technology firms. According to the Oxford Dictionary, financial technology firms, often shortened to “Fintechs,” “provide computer programs and other technology used to support or enable banking and financial services.”

A non-bank financial services company provides financial products or services but does not have a bank, thrift, or credit union charter. Depending on the company’s focus, it may offer services not widely offered by a bank, serve as competition to a bank, or provide services through bank partnerships. Over the past ten years, interest in Fintech firms and the innovative products and services they bring to market has risen dramatically (Error! Reference source not found.).

Figure 1: The rise of Fintech (based on Google searches)

Of course, traditional financial technology firms still play a critical part in the financial services ecosystem. The 2014 EY report Landscaping UK Tech commissioned by the UK Trade & Investment describes traditional Fintech as “facilitators” (larger incumbent technology firms supporting the financial services sector) and emergent Fintech as “disruptors” (small, innovative firms disintermediating incumbent financial services firms with new technology).
Celent defines Fintech specifically as emerging technology startups within the financial services space. These companies are small, with limited market exposure, but aim at innovating on a specific product or service aimed at a specific segment within traditional banking.

The Fintech disruptors and innovators are creating emerging business models for segments considered to be underserved by traditional banks. These new business models include person-to-person remittances, eWallets, cryptocurrencies, alternative lending, robo-advisors, and equity crowd funding — largely targeted at consumers and small businesses.

To date, Fintech firms have primarily focused on consumers and small businesses, sectors that are perceived to be underserved by traditional banks. But with technology a key enabler for efficient treasury operations, an increasing number of Fintech firms are creating solutions for corporate treasury.

Especially in the corporate banking segment, banks often deliver a broad set of financial services as an integrated offering. For example, customers may choose a single bank provider for checking account services, merchant processing, employee payroll, lines of credit, and business credit cards. Non-bank providers deconstruct those services, tailoring their offerings to solve specific treasury or financial management needs.
Contributing to the increase in non-bank financial services for business customers are four key external forces: economic influences, demographic changes, regulatory environment, and technology evolution.

Figure 2: Forces Accelerating Non-Bank Financial Services for Corporates

Source: Celent analysis

ECONOMIC INFLUENCES
A confluence of factors has lowered the barriers to entry for Fintech startups. Technology is a key enabler, along with easier access to knowledge capital through contractors, office real estate through shared workspaces, and startup funding from venture capital and other types of investment firms.

Researchers from Stanford University looked at the relationship between venture capital financing and the growth of startup firms. The authors posited that venture capital firms devote significant management resources to understanding new technologies and markets, finding promising startups in those spaces, providing them with financial resources, and coaching them through the early part of their lives. On the flip side, the

1 Venture-Capital Financing and the Growth of Startup Firms, George Foster, Antonio Davila, Mahendra Gupta, 2000
researchers also found that venture-backed startups follow more innovative strategies and take shorter time to introduce their products to market.

According to CB Insights, overall global investment in Fintech firms grew almost 68% from 2011 to 2015, with venture capital contributing more than 70% of funding in 2015. The number of deals grew approximately 26%, reflecting an increase in average deal size (Figure 3).

Figure 3: VC-Backed Vs. Other Fintech Investment 2011–2015

![Figure 3: VC-Backed Vs. Other Fintech Investment 2011–2015](source: The Pulse of Fintech, 2015 in Review, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights))

Venture capital firms dominated investment in the early years with corporations and their venture arms increasingly active over the past several quarters.

As of July 2016, AngelList offered information on 6,668 financial services startups. Investments in financial services startups are focused primarily on solutions directly targeting consumers and small businesses, sectors that are perceived to be underserved by traditional banks and ripe for disruption (Figure 4).

Figure 4: Fintech Investments by Sector

![Figure 4: Fintech Investments by Sector](source: CB Insights, KPMG, Crunch Base, Citi Research, The Financial Brand, 2016)

With only 3% of Fintech investment targeted at large corporations, the sector is ripe for additional investment and innovation, particularly considering the contribution of corporate banking to global banking revenue. In Corporate Banking: Driving Growth in
the Face of Increasing Headwinds (2015) Celent calculated that corporate banking represents 33% of overall operating income and 38% of customer deposits across the 20 banks included in this analysis.

DEMOGRAPHIC CHANGES
As baby boomers retire, financial management staff is getting younger. Consumer online and mobile experiences like Facebook, Twitter, Google, YouTube, and LinkedIn are setting expectations for younger staff users. And they use non-bank mobile apps like Mint, Account Tracker, Tink, and Boomeringo to manage their personal finances. Accustomed to intuitive, easy-to-use technology tools accessible from anywhere, younger staff expect more in the way of treasury technology than Excel spreadsheets to streamline, digitise, and automate financial management functions across treasury and finance. This is especially true with respect to payments, one of the hottest areas in the Fintech space.

As discussed in Following the Money: External Forces Affecting Global Transaction Flows (2016), the growing influence of digital natives needs to be taken into account when one considers the future of cross-border payments. For example, the expectation that using mobile devices for payments and information will be “frictionless” and settled instantly, at any time of the day, will only heighten. These represent dramatic changes from the experience of today’s users of cross-border payments.

At the same time as the availability of digital tools was rising, there was an increasing loss of loyalty to traditional banks as they struggled with regulatory changes and shrinking return on equity.

REGULATORY ENVIRONMENT
Regulatory compliance requirements for financial services firms continue to increase. Thomson Reuters surveyed compliance professionals from more than 300 financial services firms for its Cost of Compliance 2016 survey. The survey found that faced with ever-changing and growing regulations, 69% of firms overall are expecting regulators to publish even more information in the coming year, with 26% of those firms expecting significantly more. According to Thomson Reuters, new regulations often require extensive systems changes to enable the new levels of transparency required by regulators, which include a broadening remit to cover cyber-risks. With rising regulatory compliance costs commanding a larger share of finite technology budgets, less funding is available for new product development.

Evolving regulatory requirements also place additional requirements on launching products and services with heightened KYC, AML, and due diligence requirements. In addition, regulators are taking a stricter stance on outsourcing and the use of third party technology. For example, in July 2014 the UK’s Financial Conduct Authority (FCA) published a document setting out considerations for banks considering the use of third party technology solutions. The aim of the document was to ensure a financial services firm appropriately manages the operational risk associated with use of third parties. Regulators such as the FCA are making it clear that the regulated firm retains full accountability for the outsourcing service provider.

As banks face increased scrutiny in their use of third party financial technology, Fintech firms benefit from an almost complete lack of regulation, or (depending on their business focus), a separate set of money service business regulations. Regulators acknowledge the need to oversee the safety and soundness of Fintech firms but also recognise that excessive regulation can stifle the development of more efficient financial services. Thus

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2Cost of Compliance 2016, Thomson Reuters
3Considerations for firms thinking of using third party technology (off-the-shelf) banking solutions, Financial Conduct Authority, July 2014
multiple governmental and regulatory bodies are working on frameworks that will strike the appropriate balance between encouraging innovation and ensuring financial stability and consumer protection.4

In July 2016 the European Commission issued a call for tender, offering up to €350,000 for a study to better understand the Fintech sector and its players and to evaluate its impact on the banking sector and its incumbent players. The study also encompasses the role of EU policymaking/ regulation and specific policy and regulatory issues in relation to Fintech and other EU policy initiatives.

In February 2016 the Australian government established an expert advisory group to help make Australia the leading market for Fintech in the Asia Pacific region. In June 2016 the US White House hosted a Fintech summit with stakeholders from across the financial technology ecosystem, including traditional financial services institutions, Fintech startups, investors, thought leaders, and policymakers, to discuss how Fintech can help advance critical economic policy priorities. In July 2016 the Dutch government announced it will open a new campus for the development of blockchain to attract banks and financial institutions. The South Korean Financial Services Commission (FSC) is planning an “Open Fintech Financial Platform.” The initiative includes downloadable, standardized technical specifications along with a test bed to validate new applications.

Some jurisdictions are taking a more active role in encouraging competition in the banking sector by requiring banks to open access to account information to third party providers. In May 2016 the UK’s Competition & Markets Authority provisionally decided to require the largest retail banks in Great Britain and Northern Ireland to develop and adopt an open API banking standard to enable trusted intermediaries to access information about bank services, prices, and service quality. Customers who give consent will be able to share their own transaction data with intermediaries.5

Similarly, the Payment Services Directive 2 (PSD2) establishes two new types of payment service providers (PSPs); requiring banks to open access to account information to Account Information Service Providers (AISPs) and allowing Payment Initiation Service Providers (PISPs) to initiate payments on behalf of payers. With permission, bank-sponsored or third party AISPs will be able to consolidate multi-bank account information for corporates as well as consumers. PISP solutions offered by banks and Fintechs will allow corporates to initiate both internal transfers and external payments from any of their bank accounts.

While facilitating greater competition by encouraging new non-bank services, the PSD2 also brings new regulatory oversight of these non-bank providers with multiple regulatory bodies setting guidelines based on the Directive. For example, the European Banking Authority established a set of minimum requirements for the security of Internet payments that encompass governance, risk assessment, incident monitoring and reporting, risk control and mitigation, traceability, strong customer authentication, customer enrolment security, transaction monitoring, data protection, and customer education.

Similarly, new EU-wide cybersecurity rules adopted by the European Council in May 2016 establish security obligations for operators of essential services (including finance) and for digital service providers (including online marketplaces and cloud services). Certain providers must adopt risk management practices and report major IT security incidents to their national network and information security (NIS) authority.

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4 Address by Mr. Philip R Lane, Governor of the Central Bank of Ireland, at Financial Services Ireland Ibec Annual Lunch, Dublin, June 2016
5 Retail banking market investigation, UK Competition & Markets Authority, May 2016
Cybersecurity is especially troubling for corporate customers, with growing scams targeted specifically at businesses. According to the FBI, cybercriminals sent requests for $3.1 billion in fraudulent transfers from October 2013 through May 2016, primarily involving business email compromise (BEC) cases.

TECHNOLOGY EVOLUTION
Many large banks have a global presence and are considered universal banks. According to the Financial Times, “(a) universal bank is a financial service conglomerate combining retail, wholesale and investment banking services under one roof and reaping synergies between them. The notion is that they would benefit from economies of scale in information technology and access to capital to serve companies and retail customers around the world.\(^6\)”

Rather than serving the breadth of corporate customers’ treasury management needs, Fintech firms are able to cherry-pick narrow segments for their offerings. Fintech firms excel at leveraging technology to create a differentiated customer experience. Newer technologies such as web, cloud, mobile, big data, and artificial intelligence allow Fintechs to develop new value propositions at a lower cost than traditional development approaches.

For smaller corporate customers, capabilities that had been out of reach due to cost or complexity are now more accessible with non-bank financial solutions. These organisations do not have the same level of complexity as their larger counterparts, but can benefit from more automation and integration enabled by the availability of simplified Fintech products.

\(^6\)Definition of universal bank, Financial Times, ft.com/lexicon
Technology has long been critical for corporate treasury and finance departments. Multi-bank connectivity and treasury management systems (TMS) are commonly integrated with the accounting modules of enterprise resource planning (ERP) systems as a platform for day-to-day financial management. A wide variety of treasury and finance solutions are then integrated with ERP and TMS systems to manage key functions.

Both established firms and startup Fintechs offer a wide variety of services directly to corporate treasury departments. Providers specializing in cross-border payments, foreign exchange, payables/receivables, electronic invoicing, and supply chain finance have been particularly successful (Figure 5).

**Figure 5: Non-Bank Financial Services for Corporates**

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<tr>
<th>Segment</th>
<th>Traditional Fintech Firms</th>
<th>Fintech Startups</th>
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<tr>
<td>Cross Border Payments</td>
<td>transport</td>
<td>Azimo</td>
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<tr>
<td></td>
<td>INPAY</td>
<td>Payoneer</td>
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<td></td>
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<td>Ebury</td>
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<tr>
<td>Foreign Exchange</td>
<td>FXCM</td>
<td>CURRENCY/UK</td>
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<td></td>
<td>Transact</td>
<td>FxPro</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Payables/Receivables</td>
<td>Eski</td>
<td>Kantox</td>
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<tr>
<td></td>
<td>Basware</td>
<td>Bill.com</td>
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<td></td>
<td></td>
<td>Xavidxchange</td>
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<tr>
<td>Electronic Invoicing</td>
<td>PayNetExchange</td>
<td>TradeShift</td>
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<td></td>
<td>OnBase</td>
<td>viewpost</td>
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<tr>
<td>Supply Chain Finance</td>
<td>PrimerRevenue</td>
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<td></td>
<td>Nexus</td>
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<td>CIBRA</td>
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<td>TradeExchange</td>
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Source: Celent analysis (non-exhaustive)

Many non-bank financial services don’t represent a core banking competency or don’t require the expertise of a bank intermediary.
• **Cross-Border Payments**: Advances in technology facilitate access to cross-border payment networks and more efficient posting of payment information to treasury and accounting systems while also supporting enhanced decision-making through the use of analytics tools.

• **Foreign Exchange**: FX portals streamline order execution and straight-through-processing for buying and selling traded currencies, for either immediate or future use, along with FX hedging instruments to manage exposure risk. In addition to FX for financial management, providers offer e-commerce websites with local currency pricing in foreign markets.

• **Payables/Receivables**: Payables automation solutions encompass electronic payments and remittance advices, invoice capture, supplier enablement, and accounting software integration. Receivables management encompasses invoicing, monitoring, and control along with processing incoming payments and reconciling remittance information.

• **Electronic Invoicing**: Adopting electronic invoicing and billing eliminates costs and errors associated with managing paper invoices and enables businesses to take advantage of supply chain finance programs. An increasing number of countries require the electronic submission of invoices in order to track value-added taxes, driving uptake.

• **Supply Chain Finance**: Supply chain finance platforms streamline interactions between buyers, suppliers and funding entities, improving cash flow and working capital management. Fully automated, digitised supplier onboarding and management reduces process friction.

As corporates consider working with non-bank financial services providers, they should evaluate the same risks that banks assess when working with third party technology firms. Risks include operational, regulatory, reputational, and transactional considerations, and banks closely examine information security policies, access control, network resilience, operations management, privacy policies, and cloud security before engaging vendors.

The viability of a potential provider is another critical consideration and one that needs to be monitored consistently throughout the relationship. Evaluating financial statements, management team, addressable market, and competitiveness can help to ensure the ongoing availability of non-bank services by identifying signs of trouble. Figure 6 shows the top 10 reasons why startups fail, according to an analysis conducted by CB Insights.
For regulated non-bank financial services such as money services businesses, some companies are limited in the services and geographies where they can operate due to the patchwork nature of regulatory jurisdictions. Figure 7 shows a sample of payment system regulators in various regions.

The landscape is even more rigorous for non-bank providers in the United States. For example, Fintechs may be subject to regulation and oversight by the Consumer Financial Protection Bureau, the Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corp., Financial Crimes Enforcement Network (FINCEN), Securities and Exchange Commission, Federal Trade Commission, and 50 state regulators.

It is critical to validate that Fintechs understand the regulatory environment in which they operate and have robust compliance oversight. Ripple, a global network provider for real-
time domestic and cross-border payments, learned its lesson the hard way. In May 2015 it was the first digital currency provider to be fined by FinCEN. The company failed to register as a money services business and was found to have no anti-money laundering program in place. FinCEN also found Ripple did not report some transactions that were deemed suspicious. As part of the settlement with FinCEN, Ripple implemented stringent KYC compliance procedures and expanded its compliance staff. Reported in May 2016 by Bloomberg, Fortune and other news sources, the CEO of LendingClub resigned after an internal review found abuses tied to loan sales and a failure to disclose a personal interest in an investment fund.
No question … Fintech firms are succeeding in specific parts of the corporate treasury ecosystem. But as discussed in Oliver Wyman’s “Delivering Excellence in Corporate Banking” a number of factors mitigate the threat from Fintechs:

- Banks enjoy unparalleled access to corporate clients and possess intimate knowledge and information about their clients; this is an asset built over decades which is hard to replicate.
- Banks have unrivalled experience in pricing, structuring and distributing assets to investors and in managing the risk associated with linking funding demand and supply.
- Banks have the ability to provide clients with access to various product categories, markets, and investors, and perform an advisory function.
- Banks provide fundamental processing capabilities and payment and account infrastructure, which satisfies basic corporate needs.

Although banks offer corporate customers a comprehensive set of financial services through integrated delivery channels, they recognize the potential to offer an even broader set of financial services through collaboration with Fintech firms. At the same time, Fintech firms realise banks have the advantage when it comes to safety, reliability, commitment, balance sheet, compliance, contingency planning, and business resumption. Fintechs are also learning that they can scale more quickly by partnering with a bank, especially for complex corporate treasury services, greatly reducing the cost and effort of sales and marketing.

As outlined in Innovation in Banks: Selecting the Best Models (January 2016), Celent has identified six repeatable models for working with Fintech that banks are using to increase their visibility into new products and services and to improve their innovation capabilities.

- **Incubators**: Programs where banks support early-stage startups for an extended time period, often a year or longer.
- **Accelerators**: Similar to incubators, but are much shorter in duration, and reserved for startups that are relatively more mature.
- **Venture capital arm (partial investment)**: Stand-alone departments in large financial institutions that scan the general technology environment, identify startups with potentially valuable applications, and choose those which are aligned with corporate strategy.
• **Outright purchase**: In a purchase, gains are more rapid, but there are greater risks.

• **Innovation labs**: A defined group of bank employees charged with experimenting with new technology, business process, and products.

• **Innovation centres of excellence**: Usually recognized by various names, these corporate organizations are typically staffed by a limited numbers of bank employees (usually 10 or fewer).

Banks are also using additional models to develop or augment financial technology.

• **Hackathons**: Developers compete for prizes, usually money, which are awarded to the best solutions. There is also public recognition of the winning developers or teams.

• **Consortia**: A group of organizations, whether financial services or technology firms, working towards development of emerging technology.

• **Partnerships**: A relatively easy approach for offering new functionality to clients without the investment or commitment associated with the models listed above.

Cooperative ventures between banks and Fintechs result in the bank contributing product expertise and an overarching regulatory perspective, while benefiting from access to new solutions for their customer base. We are also seeing Fintech experts joining bank innovation centres of excellence and banking experts joining Fintech firms.

To mitigate regulatory challenges and accelerate adoption of their products, Fintech firms are increasingly marketing their solutions directly to banks (e.g., Ripple, Currency Cloud). Even neo-banks like Moven and Simple are moving from being competitors to traditional banks to become bank partners. Moven is partnering with CBW Bank, and BBVA acquired Simple in 2014. In July 2016, French Groupe BPCE announced its intent to acquire Fidor.

On a side note, whether an incumbent or startup Fintech, access to banking services is often core to a Fintech’s ability to operate. Commercial banks are the Fintech supplier of choice for treasury services, access to payment networks, and clearing for multicurrency transactions. For example, PayPal’s merchant acquirer is Wells Fargo, Square processes transactions through Chase Paymentech, and WebBank disburses LendingClub’s peer-to-peer loans. Corporate bankers are also uniquely positioned to help Fintechs expand globally with their international banking networks.
Banks understand and embrace the potential for Fintech firms to cause creative destruction to the benefit of corporate banking clients. Banks of all sizes are investing significant capital, time and resources to develop innovative corporate treasury services, either on their own or by employing one of the several innovation models. Balancing risk and reward, large multinational banks have years of experience identifying and managing the complexities associated with providing corporate treasury and other financial management services.

The information technology regulatory oversight facing banks helps to ensure their safety and soundness, protecting business customers and engendering customer confidence. Services offered through banks — whether built in house, contracted from an established financial technology provider, or developed by an emerging Fintech firm — have gone through comprehensive regulatory, audit, and compliance scrutiny.

Corporate treasurers need a range of solutions to simplify their day-to-day financial management responsibilities. With the external forces supporting the rise of non-bank financial services, Fintech firms are emerging that can address specific problem areas, often with a new perspective. While Fintech firms have some structural advantages that allow them to be nimble, corporate treasurers need to ensure that their Fintech providers meet trust, security, compliance, and risk requirements. As they balance risks and benefits of non-bank financial services, treasury should do the following:

- Become familiar with emerging and evolving Fintech firms, capabilities, and technologies to assess their ability to improve treasury processes.
- Look beyond the hype and seek Fintech solutions that provide the most value. The solution needs to work, integrate smoothly with existing systems, and overall, not create more friction for the corporate treasury.
- Consider established financial technology providers for mission-critical treasury and financial management processes.
- Seek strategic banking partners who are focused on enhancing corporate treasury capabilities and understand what models they are using to experiment with new approaches and to improve their innovation capabilities.
- Challenge banking partners to position the strengths and weaknesses of their corporate banking solutions versus alternative non-bank financial services.
- Learn more about emerging technologies such as distributed ledgers, open APIs, and artificial intelligence with the potential to digitize, streamline, and transform critical treasury functions.
- Become part of the conversation by joining customer advisory councils hosted by banks and providers and influencing product direction for key technology enablers.

Notwithstanding the Fintech hype, the most important resource any corporate treasury organization has is its strategic banking partners. Banking partners understand industry sector distinctions and geographic nuances, and are in a unique position to steer customers towards the most appropriate solution for a particular challenge.

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.
ABOUT OUR RESEARCH

Celent is a research and advisory firm which focuses on delivering technology-related insight to the Financial Services industry, to enable our clients to make the right decisions, at the right time.

To deliver these insights, Celent harnesses three core principles.

USING SEASONED PROFESSIONALS
Our analysts come from a wide range of backgrounds, but they all bring wide ranges of experience with them. Often the source of an insight that an analyst brings is from their previous life of having dealt with an identical situation. Celent analysts have often walked in the shoes of their clients, rather than studied it in an academic way at arm's length, and so they understand what matters, and the nuances of the situation.

AN UNPARALLELED NETWORK
Celent's research clients include financial institutions, vendors, and consulting firms, from around the world. In addition, we interact with the broader community, from industry bodies to regulators to journalists. Every day brings new questions, giving Celent a unique insight into the pulse of the industry, and how each party in the ecosystem often perceives the same issue. Equally, this network is a powerful tool for Celent to tap into as it seeks answers or validation to questions.

ROBUST RESEARCH METHODOLOGY AND INDEPENDENCE
Celent uses a variety of methodologies in its reports. For this type of report, we start with posing three key research questions. Based on our interactions with our clients, these are the questions that our clients are seeking answers to, or, using our experience and insights from previous questions, the questions that they now ought to be considering.

The research is carried to address these questions, through primary and secondary methods. We are careful to separate fact and opinion, and will always seek to validate or corroborate those facts. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information.

As a consequence, the findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties.
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