

Innovation: Delivering Real Value in New Ways

By Eleanor Hill, Editor

J.P. Morgan, through its partnership with TMI's Innovation Lab, is demonstrating that it both understands the importance of embracing innovation in the treasury space and of maximising its real value. Tammy Petro, the bank's Global Lead for Wholesale Payments Innovation and Fintech Engagement, talks to TMI about the real technology experience.



Innovation, by its very nature, is an ever-changing beast. Trying to define it, or freeze it in a moment, is challenging, even for an expert such as Petro. As one who has spent her career to date trying to answer the question 'what is innovation?', she rather sensibly opts for simplicity. It is, she declares, "delivering value in new ways".

However, what's left unsaid by this, she feels, is perhaps the most important part. The mandate within J.P. Morgan to be 'innovative' always begins with a simple question: 'what customer problem are we solving?' The answer necessarily forms the foundation of success for the bank as a business, helping refine its focus and clarify its priorities for clients. "As a payments leader," she says, "J.P. Morgan is committed to using expertise and scale to bring the best available technology to help transform the experience for our clients and their customers."

With the fall in price of certain technologies, the viability of applying new solutions to long-standing challenges is unquestionable. With consumer expectations of technology feeding business model evolution, often with subtle shifts leading to "seismic impacts" on treasury, this degree of accessibility is welcome. Think, urges Petro, how reconciliation processes have been forcibly reshaped within omni-channel environments, and it soon becomes clear how treasurers are increasingly expected to solve problems in new ways.

Of course, prioritisations made within this setting will define the future – for both bank and client, she notes. And it is the provision of options for maximal success through these selected initiatives that is driving J.P. Morgan's support of TMI's Innovation Lab.

The aim is clear: to bring the best

technologies to a broader audience. By doing so, Innovation Lab and J.P. Morgan will be helping treasurers, cash managers and their teams "get more out of what they're trying to do".

But technology is not a panacea, and it has not gone unnoticed by Petro that expectations may not always be met. The importance of understanding those expectations, and what matters most, is, she believes, "critical to reinforce". It means taking the time to appreciate what's really possible within the fintech ecosystem, its likely impact, and the relative interest and importance of any ensuing advancements.

"Some of our clients, working at the forefront of their fields, already see some of these developments as inevitable," she notes. "But it's up to us to understand when that transition to the inevitable happens, so that we can maximise the outcomes for all our clients."

Adapt and survive

With unprecedented demands placed on businesses and individuals throughout 2020, Petro considers it “an honour” to witness the resilience and the agility displayed by colleagues and customers in response. The scale and severity of the global health crisis has, she notes, “thrown the work of treasurers into sharp relief”.

A number of forward-thinking treasurers have already begun leveraging digital capabilities to sustain continuity and to build for the future. Indeed, in times of uncertainty, the watchwords ‘agility’ and ‘resilience’ apply fully to treasury and payments professionals. This, she notes, has shifted their focus onto managing liquidity, safeguarding business continuity, cybersecurity, and optimising the working capital cycle.

Similarly, the J.P. Morgan response has been rapid and agile, ensuring “client-centric experiences” are offered at all times. With new client application programming interfaces (APIs) onboarded in just nine working days, for example, greater visibility has been delivered for treasury teams needing to closely monitor and manage their working capital. Payment tracker visibility has also been made available in a matter of weeks, and J.P. Morgan’s virtual assistant and live-chat programmes expanded from 3,000 users to more than 200,000.

With many small merchant services clients being particularly badly hit by the pandemic’s lockdown requirements, the conversation has been stepped up around individual digital journeys. Here, says Petro, the call has been for solutions enabling the innovative and creative servicing of their own customers, both remotely and flexibly. “We’ve been able to help them adapt quickly and reduce integrated reporting challenges for their treasury teams, sometimes using pre-integrated reporting across our fintech partners,” she explains.

For larger clients with complex supply chains, J.P. Morgan’s partnership with leading working capital and cash management specialist Taulia is delivering more financing options. “Given the liquidity stress being faced in 2020, our ability to serve the full spectrum of clients has been more important than ever before; our combined solutions offer additional

mechanisms to inject liquidity deep into the supply chains and offer alternative sources of cash.”

The transition from offline to online, driven by a host of emerging technologies and shifting consumer behaviours, is permanent, states Petro. The need for agility and resourcefulness during the pandemic will continue as businesses emerge and seek to consolidate their resilience.

To assist, J.P. Morgan’s digital platforms are operating at enormous scale, with an average daily payment volume of \$7tr. and a 98.5% straight-through processing (STP) rate strengthening its position as the number one e-commerce transaction bank in the US and Europe. Between March and July, daily peaks of more than 300,000 real-time payments were witnessed, up to 50% higher than pre-Covid volumes. With J.P. Morgan’s e-commerce volume also increasing by around 40%, Petro says there is no expectation that customer behaviours will alter significantly going forward.

Naturally, with digitisation progressing at an unstoppable pace, the darker flipside is an expected increase in cybercrime. The innovators have moved with equal rapidity here too, creating real-world solutions that have not lost sight of the need to remain vigilant at all times.

Traction engine

With the trend playing out repeatedly for mobile, APIs, artificial intelligence (AI) and most recently in blockchain technologies, Petro sees a trend towards electronic payments, mobile wallets, digital currencies and real-time payments that is “here to stay”; it’s the reason why



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J.P. Morgan is investing in new technologies at scale. In fact, with traction witnessed across multiple industries, and this new digital paradigm becoming commercially viable, she believes that “the tipping point has been reached”.

An example of this is J.P. Morgan’s own Liink, the new brand name for its blockchain-based Interbank Information Network. This is an industry-first financial information exchange that uses distributed ledger technology (DLT) as a means of reducing delays and false positives in cross-border transaction screening. With more than 400 financial institutions already signed up, including 25 of the world’s 50 largest banks, ‘future technology’ is already making itself useful.

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J.P. Morgan and the Innovation Lab

“The Innovation Lab will bring about a realisation of the value of next generation treasury, and J.P. Morgan wants to be at the forefront of bringing this to more clients,” comments Petro. “Through features with leaders across the business, with our fintech partners and with some of our corporate clients, we’ll be focusing on the ease of doing business, getting started on the digital journey, and how to avoid the pitfalls.”

With the breadth of J.P. Morgan’s customer base reflecting a full spectrum of digital transformation journeys, Innovation Lab will explore ‘what’s next’ through focused case studies and targeted leadership content.

There is a wealth of new enabling technologies coming on stream, and Petro believes that it is important for treasury teams to understand the full extent of the possibilities and opportunities. The ubiquity of spreadsheets in a profession that really does ‘do more with less’ means gathering the right information in a timely manner is increasingly difficult. Even with relatively simple new technologies such as robotic process automation (RPA), she says that the professional focus can shift to analysis and adding value across the business.

Where forward-looking banks such as J.P. Morgan are investing and collaborating with leading fintechs to leverage next generation technologies, treasurers have a unique opportunity to help build the future. Many banks have formed their own proprietary

‘innovation engines’ to facilitate rapid experimentation and new product development, notes Petro.

These processes often rely on critical client input throughout the life cycle; innovative banks are proactively engaging clients along the way. “We invite our customers and those who are learning about this space to engage with us early, and to come with us on that journey so that they can understand what’s going to deliver the most value for their businesses.”

Technology is first and foremost an enabler. It is changing what’s possible, freeing up treasury teams to explore what’s next. “At J.P. Morgan, we expect these shifts to continue, and are looking forward to staying at the forefront of this change,” comments Petro. “We’ve been bringing together our clients to understand what matters most to them, sifting through what’s fact and what’s fiction. The promise of technology is always so glorious when first introduced, but we want to make sure our clients are all well-positioned to understand what’s hype and what’s real in terms of delivering value.”

Reasons to connect

The thought of taking treasury on a digital journey may seem daunting for some. But there are easy ways to get started on that voyage, notes Petro. “From the outset, I encourage anyone reading this to ask the same core question: what problem do I want to solve? Then, before you start answering it, connect with trusted leaders across your business and your external

partners, keeping that problem-solving notion in mind.” She also suggests asking treasury peers how they are solving these challenges, noting that “it really can have a multiplier effect in terms of the impact that treasury can have when working collaboratively”.

The ideal for most professional technology users is a future-proof architecture. For corporate treasuries looking to maximise success on this pathway, leveraging their trusted bank as a knowledgeable resource on innovation and emerging technologies carries particular weight.

“We understand our role and responsibilities as members of the financial services community,” explains Petro. “We are not acting as management consultants, but we are uniquely positioned to understand their most pressing business challenges, helping them to transform their operations and better support their vital business objectives going forward.”

There is a “treasury of tomorrow” that can be created much more quickly and effectively if information is shared between financial services and business communities. Leveraging what an innovation-committed bank such as J.P. Morgan knows works from its own explorations, and from those of its fintech partners, will enable treasury practitioners to understand what’s possible.

With that in mind, for Petro, now is an apt moment “to engage with the TMI Innovation Lab, and share in that expertise that is so invaluable in making things real!” ■



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