BNP PARIBAS

# Transformative Innovation

## A TREASURER'S GUIDE

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TREASURY-AS-A-SERVICE | LEVERAGING AI | PREPARING FOR THE PAYMENTS PIPELINE | BRINGING FINANCING AND ESG TOGETHER

PLUS INNOVATION PERSPECTIVES FROM AROUND THE WORLD: ROCHE, FORTUM, RTB HOUSE & C.H. ROBINSON

# Origami as an Innovative Art Form

**The traditional Japanese art of paper folding, origami was originally practiced by monks. The word origami comes from ori, meaning folding, and kami, meaning paper. Kami changes to gami due to rendaku – a phenomenon that alters the sound of the initial consonant of the non-initial portion of certain words in the Japanese language.**

The goal of origami is typically to transform a flat, square sheet of paper into a finished sculpture through folding and sculpting techniques, without cutting, gluing, or marking the paper. Try it out, using the pictorial instructions below!

Origami represents innovation in several ways:

- **Minimalism:** One piece of paper can be turned into countless different shapes and forms, illustrating how innovation can emerge from limitations. After all, necessity is the mother of invention.
- **Problem solving:** Each origami project can be seen as a problem to be solved with folds, creases, and techniques, much like how innovation addresses challenges.
- **Versatility:** Over time, origami has evolved from traditional models to highly intricate designs, including modular origami and wet-folding. This showcases the adaptability and evolution of an art form or technique, analogous to the way industries innovate.
- **Interdisciplinary connections:** Origami principles have been used in various fields, from space satellite design (where enormous solar panels or complex instruments must be folded compactly for launch and then unfurled in space) to medicine (in structures such as stents) and mathematics (through geometric explorations). This highlights how a simple concept can spur innovation across seemingly unrelated domains.
- **Evolution:** As with any art form, origami has seen a continuous influx of new ideas, techniques, and designs. The evolution of the craft reflects the spirit of innovation, which is to improve, adapt, and evolve.

In essence, origami is a testament to the human capacity for creativity, resourcefulness, and innovation – all starting from a simple sheet of paper.

See the inside back cover to create your innovative art form.

# Bringing Innovation into the Treasury Fold

## Lessons from Origami

**As the American computer scientist Grace Hopper famously said: "The most dangerous phrase in our language is, 'We've always done it this way.'" We at BNP Paribas agree, which is why we are a market leader in innovation – it's in our DNA.**

**Pierre Fersztand**
Global Head of Cash Management, Payments, Trade Solutions and Factoring, BNP Paribas

Innovation means something far more than the invention of something new – it also embraces the combination of existing ideas or practices in original ways, as well as applying them to tap into new markets. The ultimate goals of innovation are to effect discernible change or to add value, whether by increasing efficiency, creating better products or improving the experience of end users. And that is what we at BNP Paribas consistently strive to achieve on behalf of our clients.

To help us to visualise how we can attain these goals we have chosen origami, the traditional Japanese art of paper folding, as the theme for this guide. The way in which an infinite number of forms can be created from a single sheet of paper illustrates how innovation can emerge from limitations. Origami can also help us to reflect on versatility, evolution, interdisciplinary connections, and adaptability.

Meanwhile, innovation in the treasury function can help finance professionals to adapt to a changing environment so that they can continue to carry out their core responsibility – managing and maintaining the company's cash. In fact, innovation gives treasurers a competitive edge, improved levels of cash management, risk management and operational efficiency, as well as adding value by freeing up time for the team to become more strategic, to the benefit of the wider business.

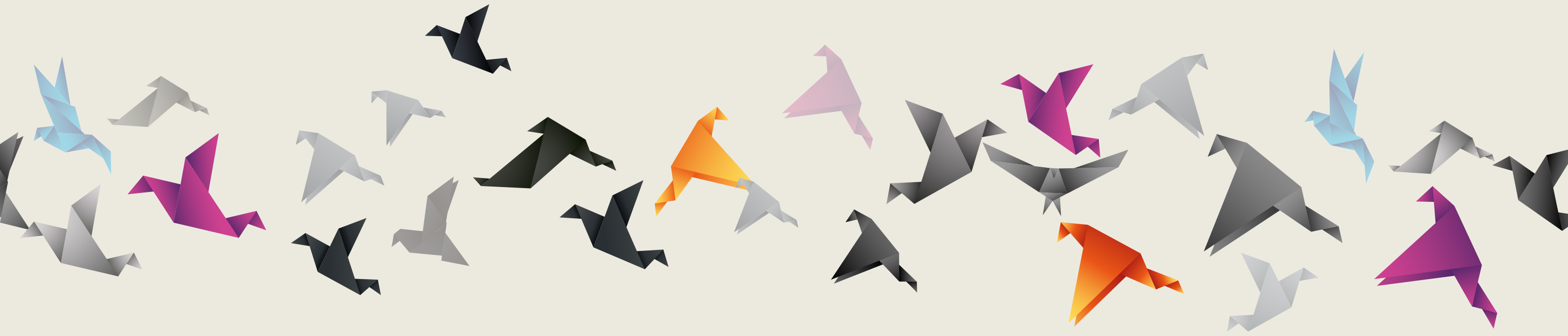
Hard-wired to continually innovate, BNP Paribas aims to offer a seamless customer experience in a trusted environment, whether it be through easy digital onboarding with our Welcome tool (page 46), or through our new treasury-as-a-service offering, Easy Treasury (page 51). We also pride ourselves on being early adopters of industry developments, from instant payments and ISO 20022 to APIs and AI (page 4).

Wherever our innovation journey takes us, we never walk alone. Our Cash Management and Payments Plan for 2025 centres on co-creation. This entails working with clients to deliver impactful solutions direct to the heart of their needs. We also collaborate with fintechs to help fight fraud (page 15), develop new platforms, and build tech-driven solutions that can be seamlessly tailored to specific requirements.

A further arrow in BNP Paribas' innovation quiver is our active incorporation of developments in the B2C and e-commerce fields into the B2B space. Consumer expectations have increased dramatically as a result of the digital revolution, bringing demands for faster, simpler, and more transparent transactions. Businesses also want these enhancements and BNP Paribas is leveraging insights and technologies from consumer and e-commerce developments to bring about a shift in B2B, aligning them more closely with the current digital landscape.

We explore all of these topics and more throughout this guide, investigating the opportunities and challenges facing corporate treasurers as a result. We also outline how BNP Paribas is innovating in conjunction with clients – such as Roche (page 62), C. H. Robinson (page 58), Fortum (page 29), and RTB House (page 12) – to help them leverage the power of digital disruption and business transformation. We hope that you enjoy reading this guide and learning about our current achievements and future goals in the field of innovation – a true cornerstone of the BNP Paribas philosophy.

# Contents





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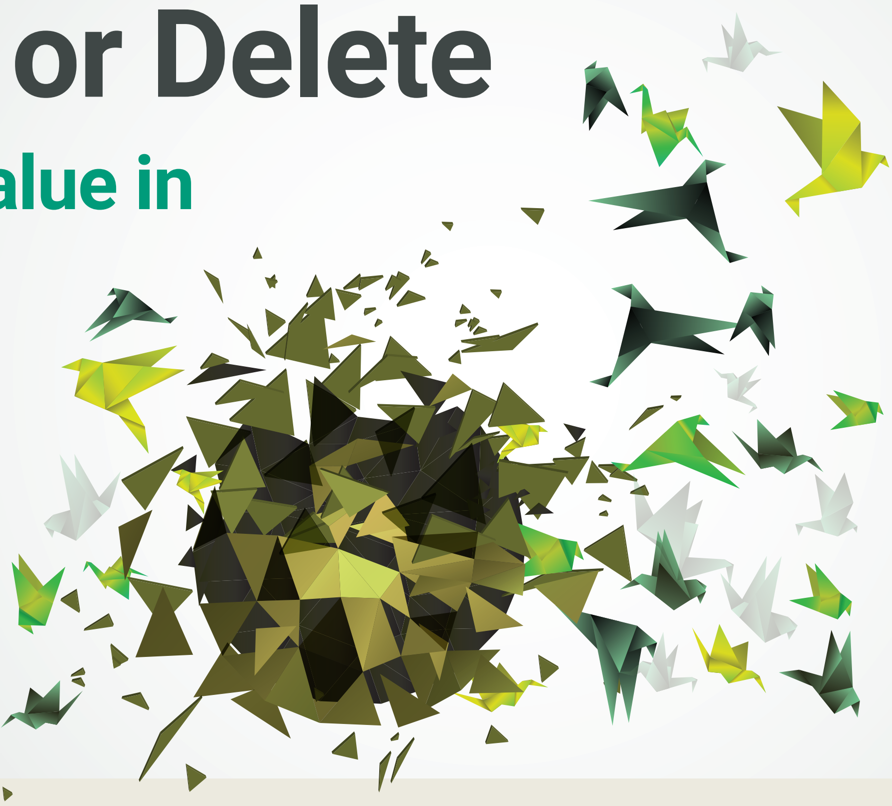
# Upgrade or Delete

## Discovering Value in the Latest Treasury Technologies



**Steven Lenaerts**
Head of Global Channels and Digital Onboarding,
BNP Paribas

**Taking on topics such as the role of APIs, the optimisation of data management, the power of co-creation, and the reach of the cutting edge, Steven Lenaerts, Head of Global Channels and Digital Onboarding, BNP Paribas, explores the value of treasury's digital development.**

In the last 12 to 18 months nothing has emerged that has seen major steps forward in corporate treasury digital solutions. It's a provocative statement, given the amount of hype in the industry, but for Lenaerts, the focus has not been on "moon-shots" – the dramatic events that change the way we think – but on a more subdued but still innovative use of technology.

Indeed, if innovation is stripped back to its leanest form of simply meaning improvement, then there certainly have been steps in the right direction in treasury. The Covid-19 pandemic exposed a number of weaknesses that led to rapid reflection and discussion on how to improve and be better equipped. It was a discussion that extended far beyond treasury. This, says Lenaerts, drove a number of material developments, including but not exclusively based on the use of technology.

### Digging deeper for value

Technology is just "an enabler of innovation". It opens up the opportunity to make improvements, but in and of itself is neutral, states Lenaerts. What's more, it must go through a

> *Today, the conversation is about how APIs can be intelligently used to improve a range of treasury processes.*

number of phases before it adds tangible value. These range from discovery to hype, adoption, and finally scaling up.

One such innovation that is busy gaining traction now within treasury is the API. These have existed for many years but are relatively new in the corporate-to-bank context. The development cycle of APIs in this space was boosted by the roll-out of PSD2, the corresponding UK Payment Services Regulations (PSRs), and the push towards open banking. Although third-party payment services provider (PSP) account access has been predominantly retail-oriented, corporate connectivity is now a reality.

"Early over-enthusiastic discussions said APIs would replace everything," comments Lenaerts. "Today, the conversation is about how APIs can be intelligently used to improve a range of treasury processes. The current focus is on increasing visibility and having the right information at the right time."

This has seen a number of processes re-engineered within BNP Paribas' client base because using new technology to replicate old processes is a wasted opportunity. As Lenaerts comments: "Innovation dares you to take a step back, review your processes and see how they can be improved, not repeated".

Taking intra-day liquidity visibility as an example, he explains that a bank has for some time been able to send MT942s to a client's TMS for each of its accounts. The system is then able to calculate an aggregate position. Using an API to achieve the same outcome changes only the connectivity, swapping a SWIFT message for an API call. For Lenaerts, this may not justify the implementation cost and effort. If there is an issue with visibility over AR figures, and subsequently these are not taken fully into account, it often forces treasury to resort to a liquidity buffer, which potentially has a cost.

However, with some forethought, APIs could be used in a new way. This, explains Lenaerts, might see a connection between a centralised cash pool and a TMS delivering on-demand intraday positions. "Then treasury need not plough through scores of messages and run multiple calculations to see where it stands. By calling the right information at the right time – such as the precise position just before making a number of financial decisions – treasury ensures it has its accounts fully covered at any time it needs to."

> *"Fintechs in particular challenge the status quo. By working with them, we can examine how a combined offering can add value for the corporate client."*

## Creating together

Whether API-related or otherwise, innovation today is driven by both bank and client, says Lenaerts. "Until relatively recently, product managers within banks would create new solutions and then push them out to clients. From time to time that approach would, by luck or judgment, hit the target. But those days are over. If we want to optimise our R&D investment, we need to be much closer aligned with our clients."

New thinking has unlocked the power of co-creation. It has seen closer co-operation between corporate clients and their banks. BNP Paribas' Treasury Board exemplifies the collaborative development model, regularly bringing together a range of clients and in-house experts to discuss potential solutions to corporate challenges and opportunities.

As is the nature of creative thinking, not every idea can or will make it into the light of day. But by using the sessions to identify some of the corporate clients' most pressing pain points, a proof-of-concept may quickly emerge. When results are analysed, even at this stage, a product may fall by the wayside if it does not add value for both parties, says Lenaerts. "But by working together and testing ideas, our joint investment of time, resources, and money is focused only on products that meet both sets of needs and expectations."

Co-creation is simply a more efficient way of improving treasury processes. Ideas have a better chance of becoming a reality because they have their roots in the real-world of treasury. But ideas can have their genesis beyond pure treasury, says Lenaerts.

"It's not just about corporate clients and their banks; there is a wider ecosystem that includes the vendor and fintech market too," he explains. "Fintechs in particular challenge the status quo. By working with them, we can examine how a combined offering can add value for the corporate client. It's these types of discussion that drive innovation, especially the kind that deliver incremental gains in the direction of treasury optimisation."

Perhaps counter-intuitively, regulation is another source of innovation, notes Lenaerts. Open banking rules were a catalyst for API adoption. While compliance created a lot of hard work for those directly affected, by fostering competition with market newcomers, APIs force incumbent players to think on their feet. It's also highly likely that the cost of compliance forces banks to actively seek a return on their investment.

## Reaching for the moon

The cutting edge of treasury technology today is most frequently cited as AI. It has been used to great effect for cash flow forecasting, crunching huge pools of data and offering usable predictive and even prescriptive results. "But it's a whole lot more than that," states Lenaerts.

Indeed, he says all aspects of cyber-security, fraud and sanctions screening can benefit from AI. By spotting, for example, outlier payment patterns within vast datasets, AI can either invoke early intervention or automatically prevent a transaction. BNP Paribas has been using AI in this field for some time and has had some "good results".

But there is more that can be done, with AI potentially being applied to banking system access management, detecting and controlling unexpected patterns. On a positive theme, it can be applied to customer payments data, which the bank can share with a client, offering insights into behaviours that can inform marketing and sales strategy and credit facilities.

> *"As regulation becomes increasingly stringent, and those differences become more apparent, so the challenge of managing the mix of common denominators and local specificities increases."*

**Steven Lenaerts,** Head of Global Channels and Digital Onboarding, BNP Paribas

But before AI can be leveraged, there are some prerequisites to which treasury must attend, cautions Lenaerts. With companies sitting on vast lakes of internal and external data, he says there is a lot of preparation – cleansing, formatting, de-duping and so on – required in making sure all flows can be aggregated and presented "as a usable, reliable resource". This work is non-negotiable; it's only when multiple sources of historical and current data are combined that AI's true value is achieved.

With AI rapidly maturing, and more effective algorithms and increasing computing power now accessible by many more businesses, there is a danger that easier adoption may lead to over-reliance, a risk amplified where human resources are minimal, as is sometimes the case in treasury.

But while the use of AI in cash flow forecasting has proven its relative value, Lenaerts warns that it is not a panacea. It would not have predicted the liquidity issues created by the pandemic nor the outcomes of Russia's invasion of Ukraine. So while truly disruptive events force re-evaluation, and ML algorithms can evolve continuously, displacing treasury experience and judgment in favour of AI is not yet an option.

## Global pain points

Moving on from AI, one of the major chronic issues for treasurers remains KYC. It's a wholly necessary concept, but the way it is executed, with a plethora of onboarding documentation and the frequent resubmission of those documents every time something changes, forces an administrative challenge upon most treasury departments. Technology, ideally in the form of a global central repository of the required corporate KYC data, has so far failed to solve the problem.

A few initiatives, from companies such as Thomson Reuters and SWIFT, tried to establish this goal, but none achieved their aims before being scrapped. The need for a global central repository is evident because corporate KYC remains a significant pain point. And a body with global reach and trust, such as SWIFT, should be ideally positioned to succeed one day – because ultimately no fintech could take on this mammoth task.

One reason why, explains Lenaerts, is that globally, KYC regulation is highly diversified. Even across the seemingly coherent territory of the EU, where the roots of KYC are embedded in the same legislation, domestic transposition of those laws has ensured some variance. It's little wonder then that when viewed at a global level, KYC differences multiply.

"It remains a complicated issue. And as regulation becomes increasingly stringent, and those differences become more apparent, so the challenge of managing the mix of common denominators and local specificities increases."

Of course, this scenario is not about to go away. This is why a different technological approach may work. BNP Paribas' digital onboarding tool, called Welcome, is not trying to single-handedly solve the KYC puzzle. In accepting that KYC will probably always induce some treasury discomfort, the bank set about discovering ways to reduce the pain and "make the process as fluid as possible", Lenaerts explains.

Welcome is a digital platform deployed both for client onboarding and recertification. The platform is the front end for information uploaded by each client, per legal entity. Clients can review the information held at any time, provide validation where requested, and upload any information required to complete onboarding or re-certification.

In practice, Welcome guides corporate users through a largely self-service process using a Smart Wizard that will ask only relevant questions. Once completed, and the client's legal representatives have digitally signed the assembled documentation, the bank undertakes the necessary due diligence without having to request additional information from the client.

Although Lenaerts explains that Welcome offers only a snapshot of an entity at any given time, and thus changing signatories, for example, is not enabled, he says it is intended "to offer a smooth digital trajectory throughout" for KYC, onboarding, account opening, and initial product enablement.

## Taking data seriously, together

Another headache for treasurers related to innovation is the proper management and use of data. Rightly or wrongly, data is often cited as the new gold or oil (or whatever current valuable commodity fits the bill). But the truth is, it has always had its own value. And like other commodities, depending on quality and need, its worth fluctuates. Some corporates are able to harvest useful data and fully leverage its value, while others struggle to extract anything usable.

> "*Working with a trusted banking partner to define the pain points can help a business focus on the most appropriate solutions.*"

"Success with data becomes a question of means," notes Lenaerts. "It depends on the type and maturity of the organisation, but often data optimisation demands the implementation of certain platforms and tools. These should be rolled out as company-wide resources. If treasury is the only function asking for these tools, then it will likely face an uphill battle. It's why setting a corporate data strategy should be the responsibility of the whole company, with treasury an active and important participant in that process."

Building an inclusive corporate data strategy, as opposed to one based on the discrete requirements of individual functions, is a work in progress for many companies, notes Lenaerts, adding optimistically that "we are seeing progress towards more unified thinking within companies on this matter".

But if cohesive thinking is hard at company level, then within and between industries, the task of finding a unifying approach is even more so. Digital transformation is a mature idea, yet the pace of progress among different companies is extremely uneven, despite often widespread agreement that it has real value.

It doesn't help in this respect that technology emerges through a broad range of channels. E-commerce, new invoicing, payments and collections tools, automated reconciliations and APIs may all potentially offer corporates quicker access to their cash. But finding the right technology can be difficult, with Lenaerts acknowledging that "the pace of development in some areas is so fast that it can be a real issue for treasuries". Because of this, he says, it becomes an ever more complicated task to pick the right battles.

## From finding focus…

"Working with a trusted banking partner to define the pain points can help a business focus on the most appropriate solutions. And it's worth noting that often dramatic change is not needed. At BNP Paribas we often work with our clients to select an initial use case, advising that they start small and experiment, gaining experience before scaling up."

The focused approach is also fundamental to the BNP Paribas Treasury Board development technique. By working in small groups to define a specific target, it becomes easier to "accelerate evolution", says Lenaerts. With APIs, for instance, the discussion has moved on from the industry's initial over-excitement, that imagined wholesale adoption, to one that seeks out specific use cases.

For example, APIs enabling a corporate to embed bank data exchanges within its business processes suggests that instant payments can be integrated within its website, using an API to accelerate its cash collection cycle. With cyber-security, APIs can be leveraged to check counterparty details that can then be incorporated within a master data setup, ensuring every subsequent payment from that master source has been pre-validated.

While selecting the best treasury use case using tools from a rapidly expanding technology market can be the first challenge, IT budget and access may be the next, warns Lenaerts. Few companies have treasury as their main activity, so IT will usually be oriented towards their core activities, he explains. "Where a treasury system is deployed, it will usually be an add-on to the main stack. There will always be a question as to whether there is sufficient in-house skill to evolve these systems, or if when working with vendors, especially on APIs, they have the competences to develop what is needed."

## ...to finding fintechs

Of course, fintechs can help, Lenaerts continues. "But there are so many now that choosing the right one, in terms of value proposition and commercial viability, is a challenge in itself." Here, he says, BNP Paribas scans the fintech world for possible solutions to specific client needs. The bank has developed an eye for potential partnerships, with a number already established where clear value to the client is evidenced. "As a bank we are a trusted adviser to our corporate clients," he explains. "We have frequent discussions with them on how and where technology can be deployed, and what might be the right solution. They are not looking to us to take their technology decisions for them, but they do use us as a sounding board in this area of increasing complexity."

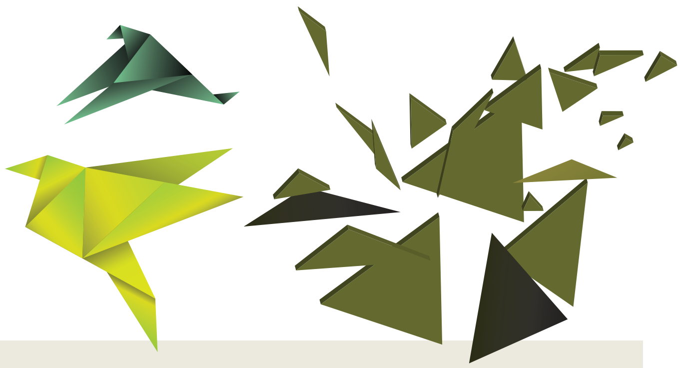
For Lenaerts, there are many changes for treasury around the corner. Leveraging those changes will in many cases be achieved digitally, with the technological transformation gathering momentum. As a result, in the coming months and years, there will be yet more treasury technology on the market, and the pace of development is only going to increase.

Migration to ISO 20022 is offered by Lenaerts as an example of a technological development that will open the floodgates for digital treasury to thrive. The period running up to the final switch from SWIFT MT to MX messaging in November 2025 will, he notes, be marked by painstaking effort as the move to the XML file format continues. But with XML, corporates will be able to leverage substantially enriched data for enhanced processing performance, better decision-making, and even the development of new customer offerings. Banks, too, will have greater insight into the life cycle of client payments, with added-value data services for clients mooted.

## Upgrade to the future

The increasing importance and visibility of treasury – together with the greater amounts of data in treasury's possession – clearly adds to the workload. But, says Lenaerts, "with the business beginning to look to treasury for their input on a far broader range of activities, it requires a new and diverse skill set". In addition to traditional risk and liquidity management expertise, he sees many treasurers becoming adept in additional areas such as taxation, regulation and compliance, legal, working capital, and supply chain management.

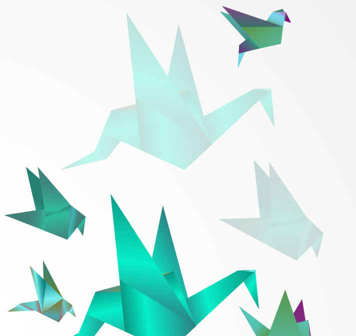
With treasury's increasing complexity, Lenaerts believes that digital transformation is central to its successful development. To this end, he argues that treasurers will almost certainly need to develop new IT and data-based skills to make the most of what's to come. He advises treasurers to remain abreast of all technical and structural changes to ensure they are able to take full advantage of these as quickly as possible. And, he adds: "With more manual treasury processes being carved out for automation, the evolution of the role itself will be towards ensuring digitalised processes run smoothly, with treasurers assessing, adapting, and recalibrating them, but also then freed up to be a far more value-adding function."



> *"With more manual treasury processes being carved out for automation, the evolution of the role itself will be towards ensuring digitalised processes run smoothly, with treasurers assessing, adapting, and recalibrating them, but also then freed up to be a far more value-adding function."*

# AI Goes Mainstream

## Rapid Growth of Transaction Banking and Treasury Use Cases



**Gautier Mouzelard**
Global Head of Industrialisation for Trade Finance, Acquiring and KYC, BNP Paribas

**Banks have been using AI for many years, deploying basic chatbots for customer service, for example. But there are far more sophisticated areas where the technology is being applied today. Indeed, numerous use cases for this technology exist in the corporate-to-bank relationship space that can benefit both sides of the relationship.**

The hype around AI technologies has leapt to a whole new level in the past year. Recent progress on chatbots, making them much more responsive, and the arrival of ChatGPT – a form of generative AI – have introduced the topic of AI to a larger audience and opened their eyes to its true potential.

Crucially, however, many AI technologies are not new, they have been used successfully by financial institutions for some time. In fact, banks have already launched several successful initiatives, notably in the transaction banking space, offering a number of use cases that leverage AI.

Gautier Mouzelard, Global Head of Industrialisation for Trade Finance, Acquiring and KYC, BNP Paribas, outlines: "Within the world of transaction banking – and therefore treasury –the large number of client interactions, high volume of data, repetitive transactions, and operational teams involved in the day-to-day process, bring us perfect opportunities to add value with AI technologies."

### Transforming transaction processing

One of the clearest use cases for AI, he explains, is to speed up and digitalise transaction processing in banks by reducing the extent to which humans need to be involved. "A good example is invoice processing, which traditionally requires a certain amount of effort from both corporates and their banks. Here, AI can be used to facilitate payment processing through workflow automation and applying image recognition to documents to extract data and reduce manual exceptions," he notes.

> *AI also brings the transaction processing workflow up to the highest possible standards, particularly regarding data quality and structure.*

Another interesting use case has seen AI deployed on documentary credits, whereby BNP Paribas is using optical character recognition (OCR) technology, complemented with other AI bricks such as natural language processing (NLP) and machine learning (ML). "It's very powerful because it is applied to a paper-based business where the manual workload to extract unstructured data is cumbersome," reveals Mouzelard.

In this instance, AI now securely extracts more than 80% of data almost automatically while reducing the repetitive work of operational teams having to remove data manually, reducing the risk of error. The system also learns by itself with ML capabilities progressively enhancing the extraction ratio due to the repetitive nature of the transactions.

"The result is a significant improvement from a client's perspective, as the processing time of their transaction can be sped up. At the same time, AI also brings the transaction processing workflow up to the highest possible standards, particularly regarding data quality and structure," adds Mouzelard.

## Putting the client first

Another area where AI can enhance the corporate banking experience is customer service. As observed, many banks already leverage basic chatbots to have conversations of a limited nature with clients. "These chatbots can respond to simple client queries and carry out basic tasks, such as creating or cancelling standing orders or direct debits, and giving more information on payments reporting when requested by clients," explains Mouzelard. But clients want more than that, and BNP Paribas, too, wants to offer a greater range of capabilities, especially as the level of data that AI interacts with increases.

"AI technologies will progressively evolve to help the chatbots to derive more accurate responses, in particular in understanding the nuances of client requests and managing more complex tasks that treasurers grapple with daily," he comments. "In the same spirit, client onboarding could be much easier in the near future by taking advantage of AI to process the large number of documents required for the know your customer [KYC] process."

> *"The use of AI to detect payments fraud has delivered excellent results, with more than 70% of fraudulent transactions stopped."*

Applying NLP technologies to client onboarding, for example, will help to analyse the documents and propose decisions to a bank's due diligence officers. They can automatically cross-reference sensitive information such as ultimate beneficiary ownership or corporate shareholders hierarchies with external sources, for example.

"It will lead to a faster and more efficient onboarding process with a much better experience for both the banks and their clients," enthuses Mouzelard. "Some proofs of concept are underway within BNP Paribas with promising results so far. And these could further enhance our already successful digital onboarding tool, Welcome."

## Boosting controls and security

Fraud management is another top priority for banks and corporates where AI can play a significant role by enhancing the effectiveness of the control framework. The first technologies developed with simple rule-based approaches identified only a limited number of suspicious transactions across areas such as payments, trade finance, supply chain management, and factoring. Moreover, these technologies generated many transaction alerts where no real fraudulent or financial security risks were associated. But AI is changing this picture.

"The addition of AI layers has helped to drastically reduce the number of irrelevant alerts or false positives, thereby helping to ensure that members of the operational team focus their expertise and analysis on the sensitive transactions raised by the detection tools," reflects Mouzelard. "At BNP Paribas, for example, the use of AI to detect payments fraud has delivered excellent results, with more than 70% of fraudulent transactions stopped. This solution is now also complemented with ML capabilities that will further enhance the detection rate."

Similarly, the fight against money laundering and terrorist financing has drastically evolved with the use of AI technologies within the bank, as Mouzelard highlights. "Ideally, to tackle AML, the bank needs to process and gather a mass of data – not just internal bank data and client data, but also external reliable market data – to find the patterns that indicate illegal activities," he explains. "This is where the AI technologies we have developed internally, alongside third-party RegTech [regulatory technology] AI solutions, have brought strong added value to contextualise alert detection."

In turn, this has delivered additional valuable information to the bank's AML investigators while limiting the number of alerts. "In fact, the excellent results identified from using these tools in the trade finance business convinced the bank to progressively deploy those solutions on other transaction banking products, such as supply chain management," enthuses Mouzelard.

## Better serving customer needs

Just as AI can help bank investigators to make better decisions around KYC or AML, it can also help commercial teams to suggest value-adding solutions to treasurers. "There is a simple principle to consider when assessing a bank's product offering and the value it can bring: if the bank knows its clients well, it can make suggestions that best suit them," explains Mouzelard. "It's a similar concept to shopping on an online marketplace and seeing 'people who bought this also liked this' prompts. That is exactly where AI can add value in the bank product space."

Using datasets analysed from the client's product portfolio, size, habits, and financial data, AI models can automatically make product suggestions to the commercial teams, he says. "This will usually involve transaction banking products that similar corporates are using but that this specific client has not yet adopted. It could, for example, be a suggestion to use trade finance products to cover risks in countries where the client is currently using an open account approach."

In this use case, the product suggestions are automatically delivered to the commercial teams having been initiated by the AI solution. "This workflow is already in place in some countries within BNP Paribas, and some insightful results have been observed so far, so we are excited to see how it develops and where we can leverage it across the bank's global footprint," notes Mouzelard.

## Cleaning and greening data

Elsewhere, there is a similar potential interest in harnessing AI for ESG purposes. Emerging regulatory requirements, like the European Sustainability Reporting Standards (ESRS) and EU Taxonomy, together with internal ESG policies such as those aimed at reaching net zero commitments, are adding significant pressure to banks' data management around correctly identifying and labelling ESG-related data. This accelerates the need for the right technology to manage that ESG data.

"Increasingly, banks will have to appropriately and accurately classify green transactions according to the EU Taxonomy," affirms Mouzelard. "Once again, the application of AI can ease this process thanks to the additional layer of automation, processing, and analytical capabilities of this technology. And since ESG commitments are part of BNP Paribas' DNA we expect to deploy AI further in this space in the near future."

## Embracing the robot

Despite the busy pipeline for forthcoming developments, AI technologies are already a reality in the transaction banking business today. "At BNP Paribas we have clearly identified successful use cases and have various ongoing proofs of concept for additional enhancements." This is good news for both the bank and its corporate clients.

"As we have already seen, AI brings value for BNP Paribas with huge data-processing capabilities applied at various steps of the transaction banking value chain, while clients benefit from improved security and an enhanced experience," states Mouzelard. "Even if it will not directly replace our traditional technologies, AI clearly complements them."

Of course, the path to an AI-enhanced future will not be entirely smooth. While the use cases are stacking up, the pace and scale of AI adoption will also depend on the current challenges raised by this technology.

"To succeed in the transaction banking space, AI requires high data quality as input, as well as large data servers. There are also significant costs associated with AI, not only in terms of the tech infrastructure, but also the human expertise and data experts required to create and managed the models," notes Mouzelard.

"But those are the challenges we face with any emerging technology," he concludes. "The key is knowing when and how to invest in order to make the most of the possibilities, for the bank and for our clients. At BNP Paribas, we recognise that AI is progressively becoming a core aspect of transaction banking, and we are innovating to make sure we are ready for it, and that the corporate treasurers we support can harness the power of AI in a safe and controlled way."

**Gautier Mouzelard,** Global Head of Industrialisation for Trade Finance, Acquiring and KYC, BNP Paribas

# Uniting the House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RTB House Group

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**RTB House is a Poland-based ad-tech company. It uses deep learning algorithms to provide marketing and advertising solutions to some of the world's largest brands and agencies. A rapidly growing portfolio of overseas entities meant consolidation of its fragmented bank account structure was essential. Beata Czerner, Treasurer, RTB House Group, Marcin Barejko, Senior Implementation Project Manager, BNP Paribas Bank Polska, and Krzysztof Hok, Cash Management Sales Director, Strategic and Corporate Clients, BNP Paribas Bank Polska, talk to TMI about the project and its achievements so far.**

In the third quarter of 2022 alone, international ad-tech company RTB House opened six new entities around the world. Rapid growth is part of its plan to expose yet more of the world's largest brands and agencies to the advantages of its proprietary deep learning algorithms. Capable of placing the right online message, in the right place, at the right time, it's a technology approach that its clients appreciate. Yet with RTB House expanding in every direction globally, growth was bringing with it a set of challenges for its finance function which demanded attention.

When Czerner joined RTB House in 2021, the group had a presence in approaching 30 countries, including Brazil, US, UK, France, Turkey, the United Arab Emirates, Saudi Arabia, and Singapore. It also had billings in more than 20 currencies, which it was struggling to manage through its broad panel of domestic banks. Although these banks had been selected based in part on their local foothold and ease of account opening, it was proving difficult to integrate their separately provided account and transactional data within treasury's core system in Poland. As growth accelerated, so this was becoming an increasing yet unnecessary risk.

As might be expected, acquiring information on balances and payments flows across the group was a slow, labour-intensive procedure. And, for that reason, it happened just twice a month. With the attendant potential for human error in manual data keying, and a lack of established rules regarding account access, RTB House's legacy approach was no longer appropriate.

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## Making connections

"We had to find a unifying solution for all, or at least most, of the entities within in our global structure. We also wanted to secure the services of a single large banking partner so we could establish a strong and valuable business relationship," Czerner recalls. Following a rigorous selection process, BNP Paribas stood out from the crowd, the bank best able to help RTB House secure coverage of most of its entities through its two connected global services, Connexis Cash and Connexis Gateway.

In addition to BNP Paribas' significant presence in the international markets, Czerner says that it was clear that the Connexis Cash platform would "give access to all our accounts in one place, provide up-to-date funds information, and in most countries be able to send and receive payments and transfers". She notes too that the platform would enable RTB House's treasury for the first time to set up a global payments authorisation structure.

The addition of Connexis Gateway for host-to-host integration means treasury is able to automatically take balances from any of its BNP Paribas accounts, wherever they are, and upload these into its central ERP. This creates a single point through which RTB House can manage its funds, with treasury able to see the same information on the Connexis portal as in its core system.

Within RTB House, two project teams had been set up to manage the opening phases, one taking responsibility for the banking side, the other for RTB House internal work. These teams consisted of personnel from IT and finance, with regular meetings set to discuss progress, agree next steps, and solve any issues.

As part of the early discussions, the scope of the implementation was extended, requiring BNP Paribas to deliver the implementation of XML payments in some countries, including Brazil. The extension also called for a number of reporting enhancements by the bank. RTB House added to the standard Connexis Gateway reporting package with solutions such as CAMT reporting, which includes Payments Status Report (PSR) functionality.

PSR messages carry a unique end-to-end transaction reference (UETR), which can be generated by RTB House when a payment is initiated. The system greatly assists payment tracking and reconciliation, comments Czerner. And with some of RTB House's entities sending payments directly from the system to Connexis via the Gateway solution, she notes too that it brings cost savings while avoiding manual keying error.

While the additions and enhancements required a lot of Czerner's time, working mostly with the team from BNP Paribas Poland meant the effort has paid off. "The result of a long-term close relationship between RTB House and BNP Paribas was very efficient cooperation, and the teams on both sides showed great responsiveness," comments Barejko.

"It helped that every participant of the broad project team, from both bank and client, had been keen to establish effective communications from the outset," he continues. "This remains the case today, with our team here at BNP Paribas Poland acting as RTB House's first point of contact for any support issues for the entire group." For Czerner, it's an arrangement that she says, "works very well for us".

> *"The addition of Connexis Gateway for host-to-host integration means treasury is able to automatically take balances from any of its BNP Paribas accounts."*

**Beata Czerner**
Treasurer,
RTB House Group

**Krzysztof Hok**
Cash Management Sales Director, Strategic and Corporate Clients, BNP Paribas Bank Polska

## Unifying effort

As with every complex project, challenges were encountered. One of the early issues for RTB House was tackling the range of KYC and onboarding processes found in different jurisdictions. "We were required sometimes to create extra documentation just to allow us to start using Connexis," recalls Czerner. These administrative frustrations were resolved in partnership with BNP Paribas Poland. The bank supported and co-ordinated the effort, calling upon its global experience and delivering solutions such as its onboarding application tool and its harmonised documentation process.

The initial implementation process took around 18 months, with the go-live reaching 18 countries, with services implemented for 32 entities. At the time of writing, some 78 BNP Paribas bank accounts have been integrated into the single standardised Connexis platform with payments authorisation functionality that enables full access management across the group.

Indeed, with RTB House's accounts spread across multiple countries, the project has established an almost fully automated connection with the centralised treasury in Poland. Of course, with RTB House continually creating new entities around the world, and opening new accounts for each, the roll-out and BNP Paribas' support is ongoing.

"RTB House had very clear goals and expectations from the beginning," says Hok. "The project has a high level of complexity, with different legal environments and payments mechanisms to tackle, and under those circumstances, it would be difficult for any treasury team approaching this on a case-by-case basis to learn every domestic requirement," he says.

However, Hok was "immediately impressed" by RTB House's timely commitment to the project to consolidate and standardise its view through "one window for the whole world". He continues "[the RTB House team] fully understands the benefits of having a single point of visibility and control over all its accounts and balances, across all the entities under the system, and we're happy that we've been able to answer all of their needs, with Connexis providing that unified platform, even where local specifics for RTB House are quite different".

**Marcin Barejko**
Senior Implementation Project Manager, BNP Paribas Bank Polska

> *"The result of a long-term close relationship between RTB House and BNP Paribas was very efficient cooperation, and the teams on both sides showed great responsiveness."*

## Enduring solution

The world of the corporate treasurer has undergone significant change over the past year, with Barejko noting that the level of competitiveness vies with the pressures of regulation for attention. Of course, both must be attended to with equal commitment.

"It's driving treasurers to rethink the way they operate," Barejko comments. "Many are now moving towards centralisation and automation of their operations, but they still face the challenge of running different banking platforms and managing different connectivity standards. They know it's a source of operational risk, and that it is costly to maintain that approach. That's why companies such as RTB House understand what they need to do next."

Indeed, having created that much-needed single environment with unified connectivity, the benefits are manifold, Czerner believes. They include faster receivables settlements, improved transaction security, process cost and time reductions, and better fraud management and detection. "But the greatest benefit is access to our information," she says.

The significantly improved visibility, control, and security over transactions and balances have been instrumental in optimising treasury and group financial decisions. Indeed, she states: "For a group with as many entities and accounts as RTB House, a solution such as Connexis is essential."

With the ongoing roll-out of Connexis to accounts across the group, and the expectation that BNP Paribas will be developing its solutions in line with its customers' needs, Czerner says communication with the bank remains strong and focused on future deliverables. "I'm sure it's a partnership that will continue to grow."

# Stronger Together

## Collaborative Strategies to Stay Ahead of Cybercriminals


**Nicolas Trimbour**
Head of Fraud Prevention and Chief Data Officer for Cash Management, BNP Paribas

**Laurent Sarrat**
CEO, Sis ID


**Cybercrime is now an international, professional enterprise teeming with cunning, tech-savvy digital lock pickers – adept at unleashing sophisticated attacks on banks and corporates alike. Nicolas Trimbour, Head of Fraud Prevention and Chief Data Officer for Cash Management, BNP Paribas, and Laurent Sarrat, CEO, Sis ID, highlight the greatest cyber and fraud threats confronting organisations today, together with best practices to avoid being compromised. They also outline how to deal with screening technology that flags too many false positives, which can result in 'The Boy Who Cried Wolf' situations.**

Cybercrime and fraud are the subjects of perennial concern for banks and corporates. And as the world continues to digitalise rapidly, opening up new avenues of attack for increasingly sophisticated cybercriminals, their worries are only intensifying.

The costs associated with fighting – and recovering from – cybercrime and fraud are rising are fast too. In fact, a report published in June 2023 by ACI Worldwide, Prime Time for Real Time, predicted that the global cost of fraud for businesses will reach $40bn by 2027.

Trimbour, is not in the least surprised by such findings. "There is no doubt cybercrime and fraud are continuing to grow rapidly. Corporates globally, whether big, medium, or small, are all having to grapple with these evolving challenges, and are collectively facing millions of cybercrime attempts every month."

Furthermore, digitalisation, specifically developments such as real-time transactions, adoption of cloud services


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and the rise of remote working, are opening up new weak points for fraudsters to target. Trimbour points to supplier scams and senior executives being compromised as being especially concerning.

Supplier fraud has become especially prevalent and occurs when a cybercriminal swindles a company by posing as a legitimate supplier but changing their bank account details and/or issuing fake invoices in order to collect illegitimate payments. In some instances, perpetrators of supplier fraud will even join forces with each other to steal money from multiple companies.

Senior executives being targeted, meanwhile, include CFOs and CEOs. Broadly speaking, CxO fraud seeks to compromise an organisation's security by duping members of finance teams into wiring cash to cybercriminals or divulging sensitive information. The technique typically involves using fake emails to trick employees, but increasingly also includes telephone calls as well – sometimes using voice spoofing technology – and is regarded as a highly efficient means of attack. Indeed, a 2019 report by the FBI found that between June 2016 and July 2019, CFO/CEO fraud cost US businesses $26bn, with fraudulent transfers sent to at least 140 countries.

Trimbour is in no doubt that the problem is becoming even more serious as time passes. Fraudsters are also increasingly targeting the salaries of highly paid executives, he says. In this type of attack, an employee's personal and professional mailboxes are hacked enabling a fake personal account message to be sent to HR confirming a change of bank account into which the victim's salary should now be paid. "If HR doesn't carry out the necessary security controls, the fraud will not be noticed until it is too late," he warns.

## The industrialisation of cybercrime

Adding his thoughts on the rapidly shifting cybersecurity landscape, Sarrat says that one of the most worrying developments over the past few years has been the increasing sophistication and organisation of cybercriminals.

He says: "Cybercriminals are becoming more and more professional and technically capable. We spend a lot of time trying to figure out their methods, which of course are evolving all the time. They've become experts in capturing the mobile phone numbers of specific company employees and phishing targeted employees to steal their passwords or other sensitive, personally identifiable information. This information can be used to access, for example, email accounts and even bank accounts in some cases."

Cybercriminals are also becoming much more organised and co-ordinated. Sarrat notes: "They have dedicated teams of technicians with specific responsibilities, for example. One team will be tasked with securing mobile phone numbers, for example. Another might be dedicated to social engineering attacks, which involve communicating with the intended victim – a company employee – by claiming they are from a

### BOX 1 | INSIDER THREATS INTENSIFY

In tandem with the rise in external threats, another of the fastest-growing concerns for organisations is the increasing prevalence of attacks by malicious insiders. These actors typically comprise an organisation's current or former employees, contractors or trusted business partners who misuse their authorised access to critical assets.

A 2022 World Economic Forum report on cyber-security found that after ransomware and social engineering attacks, malicious insider attacks now rank third among the greatest concerns for leaders across organisations. Yet many organisations remain reluctant to discuss them.

Sarrat explains: "We know insider attacks occur, but they aren't something that executives or treasurers want to talk about. It's obviously a sensitive matter – and worrying when a trusted employee seeks to deliberately undermine the organisation. There is reputational damage to consider, too. But being aware of such threats is vital." And the growing occurrence of such attacks is all the more reason for businesses to make sure they implement the four-eyes principle rigorously (see box 2 for more information).

trusted organisation, for example, a supplier. In some cases, they will even impersonate a person the victim knows."

More broadly, Sarrat observes that financially motivated cybercrime is now generally dominated by organised crime gangs. "The rapid professionalisation of the cybercrime industry by organised crime is extremely concerning," he admits. "Especially since that has been accompanied by the growth of marketplaces – in underground environments such as the dark web – full of products and services for easily committing fraud."

As such, "It is critical for all organisations to appreciate the sophisticated level at which cybercriminals operate now, so that there can be no mistaking the true breadth and depth of the challenge businesses face," he says.

## Multiple lines of defence

While robust internal controls will always remain the cornerstone of fraud and cybercrime prevention, technology is also evolving to help combat increasingly sophisticated scams, especially automated push payment fraud (APP). A good example, says Trimbour, is payment pre-validation services. These essentially check that the name and bank account details of the beneficiary match – thereby providing a level of comfort that funds are being transferred to the correct, legitimate, counterparty.

A case in point is the confirmation of payee (CoP) service first introduced in the UK and adopted by its six biggest high street banks in 2020. As a name-checking service for UK based payments, CoP aims to provide individuals and businesses greater assurance that they are sending payments to intended recipients. As such, CoP helps customers avoid making accidental, misdirected payments to the wrong account holder, as well as providing another layer of protection in the fight against fraud and scams.

**Nicolas Trimbour,** Head of Fraud Prevention and Chief Data Officer for Cash Management, BNP Paribas

While CoP has been widely welcomed, its impact in a world where cybercrime is a truly international enterprise has so far been limited because the service does not yet have a global footprint. To date, similar schemes to CoP have been rolled out in just a handful of other countries, notably the Netherlands and Italy.

Trimbour explains: "At the moment, because of its very limited footprint, CoP cannot realise its full fraud prevention potential. For a corporate that is perhaps based in the UK but making payments in multiple other countries, it is a challenge to connect and integrate CoP across all territories into a TMS or ERP, and then maintain these connections. It remains to be seen if a more harmonised approach to CoP will be adopted internationally, but BNP Paribas is certainly keen to see this happen."

## Fintech collaboration

To help work towards this goal, the bank has joined forces with Lyon-based Sis ID, which has developed a novel solution for institutions to check bank details of beneficiaries and customers in real-time and throughout the entire payment chain. In other words, a service which acts like a global CoP solution – but without the need to wait for worldwide co-ordination.

Trimbour stresses the importance of being able to check accounts before treasurers make payments in order to avoid supplier fraud. "In countries where such checking schemes have been implemented, the level of fraud has drastically reduced," he says. "This is why we believe that getting a solution such as Sis ID is now a must-have for corporates that care about fraud prevention."

Indeed, for very large corporates that have a huge number of suppliers, and communicate with their banks in host-to-host

> *It is critical for all organisations to appreciate the sophisticated level at which cybercriminals operate now.*

mode, Trimbour suggests entering into a direct commercial relationship with fintech players such as Sis ID, enabling the solution to be integrated with ERPs and TMSs, while also leveraging existing bank connectivity.

For Trimbour, the partnership between banks and fintechs to combat cybercrime also makes perfect sense. He says: "Banks have the trust of the client, and fintechs have the focused expertise and more agility than banks. By combining our strengths, we can deliver more efficient and immediate solutions for our clients."

## Ramping up protection

Of course, BNP Paribas also has a range of its own solutions and value-added services to help safeguard its corporate clients. One of the most important of these is ongoing education.

> *"Our advice to treasurers is not to wait for the silver bullet solution. The true magic is in taking action today."*

Trimbour elaborates: "Company employees are essentially the gatekeepers of corporate cash and information. It is therefore vital each employee is made aware of, understands, and adopts the right approach to protecting their organisation. As a bank we can, of course, provide assistance to corporates in building up that awareness. We frequently share training materials, best practices we have identified across our clients, and any other specialist advice needed to establish the foundations of successful protection."

Banks can also offer clients many defensive solutions that are rigorously tested before being deployed to detect any weak links or irregularities in client activities. And they are constantly keeping an eye on communications for anomalies: "We have very strong certifications so that we are always sure that it is the right client connecting to our systems," says Trimbour.

"We will also apply AI-based filtering technology, using actively shared intelligence to detect outlier payments. Banks are now enabling clients to detect suspicious activity before making a payment, one of which is Sis ID's account pre-validation solution."

Indeed, many are hoping that AI will be the basis for a new generation of cybersecurity solutions. While Trimbour is optimistic about AI's potential, he is also keen to reign in overblown expectations as to what it might be able to deliver.

"AI can help with early detection of threats and so help prevent attacks but it also relies on analysing and

### BOX 2 | KEEPING SAFE: INTERNAL CONTROLS

To help avoid falling for a scam, or opening up a chink in the corporate armour, Trimbour suggests that basic measures all employees must follow include not opening links or attachments in suspicious emails. They must also be vigilant against tricks such as email spoofing, where a fake message can look almost exactly like the real thing.

He also strongly recommends organisations adopt the four-eyes principle where appropriate. This requires that certain sensitive decisions or transactions, for instance validating a payment, must be approved by at least two people. "The four-eyes principle can be very effective as protection. In a cyber-security setting, it is a vital control mechanism that facilitates delegation of authority and increases transparency."

Even simple actions, such as calling back a supplier before changing bank account mandates, are also important contributions to the building of layers of protection. Process automation tools are another vital weapon in the armoury for corporates. And when mitigating cyber risks, it is good practice to have a business continuity plan (BCP) to call upon. Trimbour comments: "If you do succumb to an attack, a BCP will at least ensure strategic payments can continue."

interpreting a vast and varied amount of data. That means the potential for generating false alerts is greater. AI-powered security systems rely on machine learning [ML] algorithms that learn from historical data. However, this can lead to false positives when the system encounters new, unknown threats that do not fit into existing patterns.

"The holy grail with AI in cyber-security is finding an optimal balance between the algorithms and detection setup used so that the system doesn't generate too many alerts. Like Aesop's Fable, The Boy Who Cried Wolf, having a glut of false positives will not only annoy clients but can also lead to genuine alerts being overlooked or ignored.

"It's about finding the right chemistry and that more often than not requires constant innovation, not least to keep up with advances by cybercriminals. Always remember they too are continuously developing new tactics, techniques, and procedures to evade security measures, which adds more complexity to the data that AI needs to analyse. As a result, AI and ML algorithms may be unable to identify all potential security threats."

Sarrat also stresses the importance of data for AI-driven cyber-security solutions, but cautions: "AI is nothing without data – that is an exceedingly important point to note first. If you want to be powerful with your AI, you need data. What corporate treasurers and organisations generally need to do to fight against fraud with AI is share data for the benefit of all. We can be much stronger working together. The less data you have to work with, the less efficient your AI-driven solution will be – and vice versa."

## The risks of waiting for perfection

As the example of AI-based solutions suggests, the battle against increasingly sophisticated, cunning cybercriminals demands constant innovation from banks and fintechs. It also requires forward-thinking from corporates in terms of embracing these novel solutions. While it is understandable that treasurers and the C-suite may be reluctant to adopt innovations that cannot yet boast a track record as such, Trimbour says "always waiting for perfection" is not advisable.

He continues: "Organisations might think it best to hang on until the solution meets all their requirements in terms of, for example, functionality or coverage, but they could be waiting for a very long time if they want all the boxes ticked. This is a fast-evolving battle against cybercriminals and that means businesses need to compromise and adopt innovative approaches and solutions as soon as they become available.

"Certainly, we recommend our clients equip themselves immediately with existing solutions like Sis ID and become partners with us in developing and refining the solution. Our advice to treasurers is not to wait for the silver bullet solution. The true magic is in taking action today."

That said, he also cautions that technology alone cannot solve all cybersecurity and fraud concerns. "It is just as important to invest in procedures and awareness raising – these are not optional considerations for strong, layered protection. Cybercriminals and fraudsters almost always exploit human weakness to reach their goals, not just technology loopholes. As such, a holistic approach to the prevention of fraud, cyber risks, and data breaches is critical."

**Laurent Sarrat,** CEO, Sis ID

> *It's about finding the right chemistry and that more often than not requires constant innovation, not least to keep up with advances by cybercriminals.*

# Translating Payments Innovation into Treasury Success


**Bruno Mellado**
Head of Payments and Receivables, BNP Paribas

**Wim Grosemans**
Head of Product Management, Payments and Receivables, Cash Management, BNP Paribas

**Olivier Praneuf**
Head of PSP Business Development, BNP Paribas


**Today, payments are being carried out quicker than ever before, and are also far easier for treasurers to track and trace. Transactions are also becoming more seamless and invisible from a consumer perspective, thanks to the inventiveness of banks, fintechs, and payment service providers. Now is the time for treasurers to explore where and how they can further digitalise their payment flows to take full advantage of these developments.**

Payments are critical to corporates, pumping the lifeblood of cash in and out of the organisation. For treasurers, payments are also one of the most exciting aspects of the role – not least because the space is full of innovation and business opportunity.

Indeed, progress has even been made towards treating the longstanding headaches around international payment flows in recent years. Wim Grosemans, Head of Product Management, Payments and Receivables, Cash Management, BNP Paribas, explains: "One of the most challenging pain points here is the disparity in timing, visibility, and costs experienced with cross-border payments compared with domestic transactions."

The major issue, he notes, is that: "Cross-border payments are a chain reaction. There isn't one way to achieve a cross-border payment. Corporates and banks often decrease the problem to a sum of smaller problems and solve these individually. However, this creates single points of failure, which is where things can start to go wrong."

## Driving speed and visibility

Despite the challenges, several breakthroughs have been made in the past few years. For example, banks have found ways to create more STP internally and, in turn, between each other within the SWIFT network. "Banks have done some great work to speak to each other and have a synchronised, end-to-end view of every payment," enthuses Grosemans. "Creating transparency makes payments go through faster. Most payments on the SWIFT network are now processed within half an hour from the initiating bank to the beneficiary."

Increased speed in cross-border transactions has also resulted from greater visibility into international payments thanks to the ability to track and trace them. SWIFT gpi is a primary example of a payments tracking service, something that BNP Paribas has integrated across all its relevant e-banking channels as a self-service tool that clients can use free of charge. "For more and more companies, gpi is becoming the de facto standard – enabling them to verify where things may have gone wrong in case of a complaint from a counterparty," notes Grosemans.

If a corporate chooses to have its own gpi access, via SWIFT g4c, rather than leverage a bank's tool, treasurers can not only track outgoing payments but also see anticipated incoming payments that are on the network but have not yet reached their accounts. BNP Paribas has also built its own inbound payments tracking tool, called BENEtracker, that leverages gpi technology.

Inspired by and co-created with L'Oréal, BENEtracker provides their suppliers with real-time visibility on the progress and status of each of their receipts until their account is credited. It is a solution without any technical constraints for the beneficiary and it guarantees strong protection of sensitive data. "This solution is proving popular with our corporate clients, particularly in the context of a payments-on-behalf-of [POBO] set-up, where they send a payment confirmation to their counterparty that includes a track-and-trace link by default," adds Grosemans.

These track and trace digital innovations offer huge potential cash management benefits, as well as the opportunity to refine existing processes and update behaviours. "It has taken 40 years for the industry to invent track and trace for cross-border payments, so it may take some time for people to stop the old habit of asking for a copy of a SWIFT message, but that's what needs to happen," reflects Grosemans. "And now the ISO 20022 migration is coming online, some customers are starting to ask for copies of the XML messages instead. So now is a good time to explain that this is not the nirvana – and there are much smarter ways to approach this."

## The quest for standardisation

On the topic of ISO 20022, another vital challenge today is standardisation around how payments are consumed and reported. There are very few bodies across the world that can draw up those types of standards.

Bruno Mellado, Head of Payments and Receivables, BNP Paribas, reflects: "Standards are arguably the biggest hurdle facing the payments industry today. When some countries or communities decide on a standard in isolation, or without global industry input, it's often only beneficial at a local level or to a certain extent, rather than being revolutionary. With PSD2, for example, there were no standards on connectivity, so the regulation did not attain its full potential."

Indeed, APIs – a key connectivity tool – are one area ripe for standardisation. While APIs have existed for a long time, the buzz around this technology has increased in recent years. With banks pushing out proprietary APIs to corporates, the lack of standardisation has created headaches for treasurers managing connectivity to multiple banking partners.

"At BNP Paribas, we are working with SWIFT to develop further standardisation of APIs specifically for corporates, for use cases such as e-commerce marketplaces," highlights Mellado. "APIs are one of the few areas where we could see standardisation broadly adopted among financial institutions, and perhaps non-financial institutions. This can have benefits in terms of cash reporting, letting corporates know in real-time what liquidity they have available, for example."

Moreover, the explosion in popularity of APIs has come at the exact same moment as the roll-out of ISO 20022. For many corporates, this has created the perfect opportunity to revise their corporate-to-bank connectivity, and consider how they could improve payments workflows and the data leveraged from them.

Grosemans reflects: "With ISO 20022 we now have the format, the infrastructure, and the capability to make fast, seamless payments – even across borders. But plugging the payments flows into treasury systems like banking portals

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**Bruno Mellado,**
Head of Payments and Receivables,
BNP Paribas

## BOX 1 | PARTNERS AND CLIENTS: THE EVOLVING RELATIONSHIP BETWEEN BANKS AND PSPS

In the world of e-commerce, payment service providers (PSPs) are king. Indeed, over the past several years PSPs have become a significant part of today's global payments ecosystem, offering various services to corporates and consumers in areas that banks once considered their own domain. But the relationship between PSPs and banks is not purely competitive. One reason for this is regulation – in Europe, PSD2 contains an article stating that banks must provide PSPs with access to payment services.

Another element bringing banks and PSPs together is the fact that PSPs need banks to protect their clients' funds and access the clients' systems, for example. This is a relationship that can benefit banks.

Olivier Praneuf, Head of PSP Business Development, BNP Paribas, comments: "PSPs process a significant number of transactions and require cash management services across Europe – and that is our bread and butter. Another important motivation for us to develop our PSP client franchise was to accelerate our level of innovation in payments through collaborative solutions."

This is particularly interesting since PSPs service some of the biggest trends in the corporate payments space, one of which is the demand for financial services from marketplaces. This covers the opportunity to purchase goods or services online and a way to finance that purchase through embedded finance.

"The recent cost-of-living crisis has made it even more important for both businesses and individuals to have those solutions available to them to help finance the purchase at the moment of checkout," notes Praneuf. "PSPs have been very active with this on the consumer side and now see room to develop this in the B2B space – which will be a key area of joint innovation going forward."

Working together also enables banks and PSPs to deliver innovation by combining the best qualities of both sides to create new solutions for clients. Branching services, also known as indirect participant solutions, where a sponsor bank provides a payment institution access to the clearing system, is one example of this. This is typically seen with SEPA payments.

"That is a space where we've been very active because many of our PSP customers have business models that require them to provide their clients with accounts with actual IBANs and account holder status," affirms Praneuf. "This is the case for PSPs working on embedded finance and banking-as-a-service, for example."

The perfect way to do that is through branching services because the payment institution has its own BIC and can then allocate IBANs to its clients. The payment institution also gains control and visibility of its clients payments and becomes more independent from its banking partners as a result.

### Driving change

Another area where the bank and PSP relationship is helping to drive cutting-edge services is API connectivity. "PSPs are all about API connectivity," acknowledges Praneuf. "That's how they deliver services to their clients. PSPs therefore have been demanding a similar channel to communicate with their banks. This has helped drive API innovation among banks –thanks to the experience and expectations of PSPs."

Despite the exciting proposition of the PSP ecosystem, there are challenges unique to the sector. For example, while the diversity of PSPs is vital for innovation, the drawback is that there are now many proprietary solutions that lack the standardisation for which the banking world often strives.

"There is a real diversity of solutions from PSPs, but that means they are very complex to manage," underlines Praneuf. "We are now seeing elements like orchestration and consolidation from PSPs, adding additional layers to the existing PSP landscape. This is something to watch very carefully as it will undoubtedly continue to shape payments innovation – which will impact everyone from consumers to businesses, including corporate treasury departments."

and TMSs has not yet become fully invisible. The challenge for corporates, together with their banks and tech vendors, is to utilise these new rails in the most seamless and efficient possible way, which is where standardisation comes in."

## Integrating instant payments into treasury

As Grosemans highlighted, with all parties in financial services starting to speak the same language with ISO 20022, the possibility to jump between the infrastructures and create faster and ultimately instant payments becomes more real. But do treasurers necessarily want payments to be instant?

Mellado recalls a recent conversation while visiting a large pharma client. "One of the client's team mentioned they hadn't thought about how to use instant payments in treasury – but understood that they could be using them to pay all the company's salaries without losing one value day."

But if the treasurer already knows the information the previous day, why would they elevate the risk to wait a day and make an instant payment? Is it worth the extra 24 hours of holding on to liquidity, and potentially investing it, but possibly risking missed salary payments if something goes wrong? "Treasurers need to think about whether instant payments make sense for how they operate within their organisation, and what their risk tolerance, or required certainty level, is around payments," Mellado adds.

Indeed, from a treasury point of view, it could be argued that the use cases for instant payments are currently limited. Yet, from a corporate business point of view, real-time payments can close the loop on a business process and finalise a debt payment or a collection without needing to include or disrupt other services and workflows in the corporation. Moreover, the use cases for instant payments are not only limited to B2C businesses – but are also pertinent for B2B sectors.

With this in mind, Grosemans cautions: "Whether you're a treasurer in a B2C or B2B business, real-time payments are here to stay. So, it's a question of ensuring that all your banking relationships can manage the volumes, and all the 24/7/365 requirements for reconciliation and more."

Aside from the real-time nature of instant payments, the around-the-clock availability of these payments could potentially be even more valuable for the treasurer. Mellado explains: "Treasurers with reduced liquidity needs and greater precision on how much liquidity they need available at any given time may require balancing their accounts during the weekend or overnight. The 'always-on' nature of instant payments therefore presents very interesting innovation opportunities – both for banks and corporates together, but also within treasury itself. This is a great opportunity to rewire and replumb legacy treasury processes."

## Seizing the initiative

Another opportunity to drive innovation in payments is the European Payments Initiative (EPI). This multi-country European initiative is focused on creating a new digital wallet accessible to all consumers in the relative markets, covering several use cases. BNP Paribas were among the 16 founding EPI shareholders.

Grosemans elaborates: "The first use case is up for deployment early next year, starting with the pilot phase in providing peer-to-peer [P2P] payments. All consumers with access to EPI can send money to each other in a P2P use case, leveraging the SEPA instant payments infrastructure."

Later in 2024, he says, a handful of additional use cases will be deployed with the aim of attracting greater volume and making EPI even more relevant for online payments. One of these is the capability to pay for e-commerce purchases. "On the checkout page, there will be the capability to make a payment through the EPI wallet, settled by an instant payment," continues Grosemans. "Additionally, point-of-sale [POS] terminals will be equipped with QR codes that consumers can scan and essentially validate an instant payment to be settled from their account towards the acquirer, which will then send the money to the merchant."

The POS QR code use case is a substantial evolution that is replacing specific existing local rails directly due to certain acquisitions made by EPI.

> *"There's an important wave of opportunities coming that we can work together on to create common value."*

**Wim Grosemans,**
Head of Product Management, Payments and Receivables, Cash Management,
BNP Paribas

Mellado adds: "EPI will eventually become a platform for Europe to pay and receive across several markets, making the most out of the existing schemes. That's the critical thing – there are payment methods that work very well already, such as iDEAL in the Netherlands and Payconiq in Belgium – so it's all about taking advantage of what works well. That will be the success factor for EPI."

For treasurers in the B2C segment, the name of the game is to offer the most efficient, low-cost, and accessible payment method to customers buying their goods and services. "Today, e-commerce platforms and marketplaces include various new payment methods, whether it's Chinese payment wallets or American or European payment methods," states Mellado. "EPI is going to be one more method, but it is one that will have many existing users and potential new users, as well as the capability to improve the quality of the payment experience for all involved."

## The rise of request-to-pay

Elsewhere, just as EPI is a vital evolution to bring new ways for consumers to pay, SEPA request-to-pay (RtP) and similar schemes in other geographies are bringing new levels of innovation – in this instance, bridging the gap and linking an invoice to a payment for the first time.

Grosemans elaborates: "We see a great deal of regulation around digital payments, especially in Europe where e-invoicing is becoming mandatory. Sending a digital invoice, along with a request-to-pay, to a counterparty gives corporates better control about when, how, and with which reference they will be paid."

Adding financing options to that RtP workflow could also be exciting. Indeed, Mellado believes there is much potential for RtP schemes, particularly with the SEPA version, but ubiquity remains the Achilles heel that must be addressed. Fortunately, a growing group of European banks, including BNP Paribas, are working together to create a joint proof-of-concept with the aim of pushing the solution to a wider audience.

Interestingly, RtP is also a valuable tool in reducing invoice fraud, as treasurers can ensure that whoever asks them for payment is the correct beneficiary. Together with the e-invoicing regulation, the solution also offers the opportunity to use standardised data to help mitigate incorrect or fraudulent payments.

Mellado explains: "With a company's unique legal entity identifier, the right address, and a few other basic security elements, it's become much more difficult for bad actors to commit invoice fraud – when it comes through official channels. Also, with the fully digital flow, incoming payments then can be automated and more easily confirmed from a commercial risk perspective. So, the potential benefits are manifold."

## Get ready for take-off

In summary, the variety of innovation happening in the payments space today is helping to remove friction that can hamper efficiencies for both corporates and their customers. It also presents treasurers with a significant opportunity to digitalise beyond what is mandatory.

Grosemans suggests: "Whether we are talking about e-invoicing, ISO 20022, or bank connectivity through APIs, it is always better for treasurers to think about how they can benefit most from the change, rather than just seeing it as a compliance exercise. If corporates have to invest the money, they can think about how to extract the most benefits from it. There's an important wave of opportunities coming that we can work together on to create common value."

Of course, digitalising a treasury function requires time and money, but the results can deliver efficiencies that more than pay for themselves. Mellado concludes: "In many senses, the business cases for these investments are starting to write themselves. When we look at issues like rising invoice fraud or the cost of failed payments, these all cost the business time and money – not to mention reputational risk. If treasurers want to transform their operations, the opportunities are definitely there to build a strong business case. And BNP Paribas is on hand to assist with tried-and-tested solutions, as well as the willingness to collaborate and co-create on additional innovations."

> *"We see a great deal of regulation around digital payments, especially in Europe where e-invoicing is becoming mandatory."*

**Olivier Praneuf,**
Head of PSP Business Development,
BNP Paribas

# Going with the FLOA

## Rapid Digitalisation Ushers in New Era of Payments Innovation

**Neil Pein**
Global Head of Axepta & Head of Payments Transformation, BNP Paribas

**Carlo Bovero**
Global Head of Cards and Retail Payments, BNP Paribas

**Piggy-backing on the rapid digitalisation that is in train across the global economy, payments innovation has gathered speed in recent years. Here, two experts from BNP Paribas highlight some of the exciting and successful payments initiatives the bank is engaging with, including the European Payments Initiative, which promises to deliver profound benefits for corporates and consumers across the region. They also highlight key strategic partnerships and acquisitions the bank has made, such as BNPL leader, FLOA, to stay ahead on the innovation curve.**

Fuelled by new technologies and evolving business models, together with the emergence of new market players, a fresh era of innovation in payments was already in evidence before Covid-19. But the pandemic has helped to further accelerate the shift to digital payments. As a result, the behaviours of consumers and businesses are being reshaped, not least when it comes to paying for goods and services and receiving or transferring money.

Indeed, a report by PwC, Payments 2025 & Beyond, predicts global cashless payment volumes are set to increase by more than 80% from 2020 to 2025, from about one trillion transactions to almost two trillion, and to almost triple by 2030[1]. In tandem, innovation in the payments sphere is picking up pace – not least in Europe.

> “*We believe it is one of the most important payments innovations taking place today with far-reaching implications.*”

## Bold ambitions

For Neil Pein, Global Head of Axepta & Head of Payments Transformation, BNP Paribas, one of the biggest payments innovations currently going through its paces is the European Payments Initiative (EPI). The initiative, backed by 16 European banks and financial services companies including BNP Paribas as a founder member, aims to create a unified, innovative pan-European payment solution leveraging SEPA Instant Credit Transfer (SCT Inst). The bold ambition for EPI is that it becomes a new standard in payments for European consumers and merchants across all types of retail transactions including in-store, online, and peer-to-peer.

"I would strongly advise corporate treasurers to pay heed to the development of EPI," says Pein. "We believe it is one of the most important payments innovations taking place today with far-reaching implications. It has huge potential to support consumers and merchants in executing more seamless transactions, as well as alleviating payments pain points for corporate treasurers. At BNP Paribas we are working hard to make sure treasurers are aware of it, most especially now, as its development is reaching a critical phase."

Pein goes on to explain that EPI stakeholders want to bring value to the market by offering an end-to-end payment solution covering multiple use cases in a secure, immediate and easy-to-use environment. "While there are now many instant payment schemes live around the world, including across the EU, they are domestic in operation and not all countries have them. As a result, the ability of these current schemes to alleviate pain points associated with, for instance, cross-border flows across a region, are very limited," he says. A pan-European solution as envisaged by EPI would address these shortcomings it is believed – a view shared by supporters of the initiative, not least the European Central Bank, which has been actively encouraging the consortium to push ahead.

### BOX 1 | WHAT IS EPI BRINGING TO THE TABLE?

The initiative consists of three broad elements, namely the EPI:

- **Digital wallet solution.** At the epicentre of EPI's offering is the digital wallet product. A customer-centric app will facilitate payments from and to any of a customer's eligible bank accounts with a higher degree of transparency and control than is currently available. In time, the app could hold other payment methods issued by third parties too, as well as facilitating the wide range of other services that EPI will integrate into the payment flow. These added-value services could in the future include bank funded BNPL, e-ID, or merchant loyalty programmes.
- **Payment means.** EPI is building a flexible and secure payment scheme allowing existing instant account to account payment infrastructures to be used in a wider range of use cases. The payment applications will extend and be enhanced over time. Customers will be able to use any of their eligible bank accounts to pay instantly, securely and with ease.
- **Ecosystem.** EPI will act as the bridge between a multitude of parties in the complex payment landscape. Technically speaking, EPI will therefore be an open 4-corner scheme.

Source: https://www.epicompany.eu

## EPI heads to market

Like Pein, Carlo Bovero, Global Head of Cards and Retail Payments at BNP Paribas, also has great hopes for the EPI solution. "Finally, with EPI, Europe will be able to leverage instant payments fully and make the most of their true potential for efficiency, speed, and transparency in a digital world. After all, half of retail payment transactions in Europe today are still carried out with cash, so the room for upside here is enormous."

Indeed, explains Bovero, consumer groups and merchants alike have been crying out for a pan-European payment solution that replaces the fragmented landscape that currently still exists across the region. "With the EPI consortium we are now getting close to delivering the dream. Things are not going to change overnight of course, it's a long-term innovation with long-term development plans. Nevertheless, EPI will dramatically reshape how we pay in Europe over the next five to 10 years.

To this end, the EPI consortium plans to launch the digital wallet with P2P payment functionality for first users in a pilot phase by the end of 2023 across two countries: France and Germany.

"*With EPI, Europe will be able to leverage instant payments fully and make the most of their true potential for efficiency, speed, and transparency in a digital world.*"

A broader market launch in Belgium, France, and Germany is slated for early 2024.

For corporate treasurers operating in B2C sectors, EPI's roll-out and expansion could lead to more efficient use of capital, reduced credit risk, and greater transparency. Nevertheless, careful change management will be needed to reap the benefits of EPI – and wider instant payments innovations – cautions Bovero.

"Organisations need to be prepared to invest in organisational and process change – for instance, making adjustments to payments workflows and templates, as well as reconfiguring their TMSs – to provide the 24/7/365 service that end users will increasingly demand. The rise of instant payments will also accelerate the growth of new solutions that respond to customers and corporates looking to pay within seconds and be informed about transactions simultaneously."

## Cyber-security challenges

More broadly, Pein points out that every new digital solution implemented by an organisation presents cybercriminals with potential openings for attack and faster payments schemes are not immune to being compromised or leveraged for financial crime. Indeed, while near-immediate payment is highly desirable for organisations and consumers it can also make it extremely difficult if not impossible to retract payments in case of errors or fraud.

Bovero comments: "Fraud management must go hand in hand with payments innovation. So much so that the first task for organisations when engaging with instant payments is to ensure employees are made even more aware of the dangers of fraud."

Banks play a vital role in helping corporate clients address security by offering advisory services as well as targeted solutions. Forward-thinking banks have therefore teamed up with fintechs to develop solutions that specifically address real-time threats. BNP Paribas, for example, has joined forces with Sis ID, a fintech that has developed a novel solution for institutions to check bank details of beneficiaries and customers in real-time and throughout the entire payments chain. For very large, resource-rich corporates that have many suppliers, and communicate with their banks in host-to-host mode, BNP Paribas suggests entering into a direct commercial relationship with fintech players such as Sis ID. This would enable the solution to be integrated directly with ERPs and TMSs, and the leveraging of existing bank connectivity.

## Innovation success

The Sis ID partnership is just one example of how BNP Paribas innovates in collaboration with third-parties. In 2021, for instance, the bank joined forces with fintech Token, a leading open banking payments platform, to launch Instanea. Combining the power of SCT Inst and PSD2 APIs, Instanea is a turnkey instant payments initiation solution, delivering A2A payment capabilities to enhance the speed and increase the security of transactions for merchants across Europe.

Bovero says Token's open payments platform provides pan-European connectivity to banks, and rich functionality to enable existing payment service providers (PSPs) to benefit from open banking capabilities. He adds: "BNP Paribas Instanea can easily integrate with popular shopping cart platforms and payment gateways to deliver immediate payment settlement and enhance security. Risks such as chargebacks, are also eliminated because payments are authenticated by the customer in their banking portal.

> *"The first task for organisations when engaging with instant payments is to ensure employees are made even more aware of the dangers of fraud."*

**Neil Pein,** Global Head of Axepta & Head of Payments Transformation, BNP Paribas

"There is a paradigm shift taking place in the B2B space. E-commerce and marketplaces are quickly taking a more prominent role, B2B buyers and sellers both want a more seamless end-to-end experience. Consequently, payment channels that are popular in the B2C sector are now entering the B2B sector.

"In such a rapidly evolving environment, digital payment initiation solutions such as Instanea are seeing spectacular growth, enabling companies to digitise and be more in control of the receivables process. Adapting to this new trend is the perfect opportunity for treasury functions to review and streamline the entire order-to-cash and procure-to-pay cycles and find more efficiencies."

## Real world solutions

To further bolster its digital payments and credit solutions expertise across the e-commerce space, BNP Paribas acquired FLOA in February 2022, a French web and mobile solutions provider and a leader in BNPL in France. Pein says that in a fast-evolving e-commerce market, FLOA's European footprint and expertise combined with the BNP Paribas business is a win-win for both organisations, and of course their end-clients.

He notes: "FLOA enables BNP Paribas to strengthen its portfolio of innovative payments and credit solutions to provide a complete offering to its customers in Europe. We have strong ambitions to accelerate our payments presence in this growing sector."

**Carlo Bovero,** Global Head of Cards and Retail Payments at BNP Paribas

While expectations of FLOA are high at BNP Paribas, another slightly more mature payments-focused acquisition, Nickel, purchased by the bank in 2017, has already proved itself as an astute buy. A provider of online payments accounts, Nickel is hugely popular with more than two million customers in France alone and just over three million in total. It's not difficult to see why it is proving such a hit: customers can open a Nickel account, receive an IBAN and obtain an international Mastercard debit card at a newsagent or tobacco kiosk in less than 10 minutes.

Pein says: "Nickel is a really big success for us. It originated as a neobank and it's one of the few profitable enterprises to have emerged from that space. It's a specific and interesting business model, as it has a presence in both the digital world and physical through its access to newsagents and tobacconists. That enables us to be extremely close to our retail customers."

## Bringing innovation to life

With so much innovation happening, and much of it in the B2C space before filtering through to the B2B arena, it can be challenging for corporate treasurers to keep abreast of all the many developments taking place – especially when they have many different priorities. As such, Bovero strongly advises treasurers to leverage the intelligence and expertise their banking partner(s) can provide.

He says: "For treasurers, it's not only about finding the right solution but also the right partner to work with, help design and implement it. These days, it can seem as if there are as many payments propositions and product solutions for treasurers to choose from as there are models of cars."

The evolution across the payments space is accelerating and, certainly for BNP Paribas, it is a priority to not only stay on top of all these developments but also play an active part in setting the agenda. Bovero concludes: "Our mission is to deliver novel, robust, and customised payments solutions – which have tangible benefits for our clients. But every client's treasury is unique and our job is to understand their specific requirements and address their real needs, rather than deploying innovation for innovation's sake. We do this through practical payments solutions which leverage the agility of a fintech, the experience and safety of an established bank, and best practice from across our global client base."

**Notes**

1 https://www.pwc.com/gx/en/industries/financial-services/publications/financial-services-in-2025/payments-in-2025.html

# The Power of Partnership

## Delivering Fortum's Industry-First Multi-Option EV Charging Payment Solution

**Rajani Modi**
Head, Project Finance & Treasury, Fortum Charge & Drive India

**Vaibhav Sharma**
Head of Transaction Banking Sales, BNP Paribas India

**Growth of Fortum's electric vehicle charging station business in India was being hampered by a cumbersome post-payment model. But in partnership with its core banking partner BNP Paribas India, the firm was able to take its customer payment experience to the next level. Rajani Modi, Head, Project Finance & Treasury, Fortum Group, India, and Vaibhav Sharma Head of Transaction Banking Sales, BNP Paribas India, explore the pathway to success.**

When Fortum Group's electric vehicle (EV) charging business in India sought a new level of customer experience to drive growth, it harnessed the power of partnership to deliver a unique combination of payments tools.

Fortum Group is a leading clean-energy company headquartered in Finland with offices in 12 countries. The group has been setting up EV charging stations across India through its domestic consumer business, Fortum Charge & Drive (C&D) India. As a key part of the development plan for this entity, it was looking to upgrade its existing somewhat limiting post-payment model.

Two key objectives were pursued through its improvement. First, Fortum C&D wanted to minimise end-customer credit risk when using its unmanned EV charging stations. And second, it wanted to attract more customers by delivering hitherto unseen payment flexibility and a superior user experience (UX).

The solution for these twin goals was born out of a co-creation project between Fortum C&D, its long-term primary banking partner, BNP Paribas India, and the Indian payments fintech Pine Labs. The core team's efforts were augmented by the infrastructure support of the National Payments Corporation of India's (NPCI) vast RuPay domestic payment-processing network, and the instant interbank funds transfer capabilities of the country's Unified Payments Interface (UPI).

The result, explains Modi, is a "first-of-its kind" pre-authorised physical and virtual card payments offering that is recognised at any charging station – even non-Fortum charging stations – and a host of other e-commerce and physical stores across India. But there is more to it than this.

## Driving change

With customers required to provide payment information every time they used a C&D charging point, and then being able to track their transactions only via their bank statements, the legacy payment experience was sub-optimal, concedes Modi. This view had been confirmed by customer reach-out sessions, which regularly canvassed opinions on the experience of using Fortum C&D's charging stations.

Armed with customer input, an internally driven discovery group concluded that a pre-authorised physical card or digital wallet linked to a dedicated Fortum C&D app would greatly enhance the UX. Indeed, this would provide customers with the ability to better monitor their spending, especially as pre-authorisation ensured the exact amount would be charged at the time of use. The system would also create the seamless collection of customer payments by Fortum C&D while eliminating customer credit risk.

"But even with this added convenience, we were mindful of not restricting our customers to payments on our app because that would mean customers potentially having to hold a number of cards for the different charging station providers," Modi comments. "We felt it would be more appropriate to offer our customers the ability to use our physical payment card outside of the app too, just as they would a normal RuPay card [RuPay is the Indian equivalent of Visa or MasterCard]. This unlocks payments for use with other charging providers, and e-commerce or physical stores."

At this stage, a domestic open-loop card or digital wallet did not exist, discussion with a number of Indian FIs yielding no solution. But then, as Fortum's core bank (and provider of multiple services to its international entities), BNP Paribas stepped up to the plate.

While the bank did not have a ready offering – this, after all, was pioneering work – it certainly had ideas and, importantly, access to a number of potential sources within the fintech community. Although the solution could have remained anchored within the prepaid card space, BNP Paribas saw potential for more. Indeed, having now been introduced by Modi to Fortum's business team, the bank identified clear scope to expand on the initial banking requirement.

Sharma says: "To take it further, we realised we needed to focus not on the payment aspect *per se* but on the user experience that it offered. That's when we knew that, to make this a success for Fortum, it had to be a 'single-tap' process. We also looked at this not only as a means of collecting money but also, if the cards were to have a wider acceptance – which is what Fortum was asking for – it could become a co-branded marketing tool for them too."

## Into a sunrise sector

With scope expansion now confirmed as a key part of the project, BNP Paribas India examined and assessed the domestic fintech space for potential providers of an end-to-end platform. Pine Labs was selected from the bank's existing 50-strong engagement list (and shortlist of five) because it was the only domestic vendor capable of offering Fortum unified access to the three primary cash collection points: it can collect from card-present POS terminals and e-commerce platforms, and it is a licensed prepaid card issuer.

When BNP Paribas India introduced Fortum to the development experts at Pine Labs, it set in motion a joint ideation and co-creation process. "We discussed the challenges, and while Pine Labs had a solution that closely matched our needs, we were able to work with them on the customisations needed to fully meet our requirements," says Modi.

BNP Paribas India was on hand not only to steer the solution design but also to help Fortum negotiate the commercial deal for the partnership. "As a strategic client in India, it was important for us to make sure we engaged with Fortum at every level," explains Sharma. "We want to help grow its business and achieve its objectives in what is currently a sunrise sector. This means taking on the role of partner as well as service provider."

> *"We felt it would be more appropriate to offer our customers the ability to use our physical payment card outside of the app too."*

**Rajani Modi**
Head, Project Finance & Treasury, Fortum Charge & Drive India

## Connecting the pieces

The creation of a co-branded Fortum/BNP Paribas open-loop payment solution, capable of establishing payment pre-authorisation, required the whole technical structure to be integrated with Pine Labs' platform. This required the use of API technology. With that connection in place, the RuPay network sits in the background, managing the settlement between the issuer and card acquirer. UPI integration could also then provide instant interbank fund transfers, which under a current Indian government subsidy reduces the merchant discount rate (MDR) to zero. This bonus, notes Sharma, is driven by the Indian government's Digital India programme, which is seeking to remove manual paper-based processes across the board.

The payment process for the customer centres around a Pine Labs/Fortum co-branded payments card and Fortum's mobile C&D app. The app lets users control and monitor their own transaction history, as well as enabling new cards to be ordered and connected to the account. It also contains a search function for charging stations and a C&D loyalty point system.

Additionally, the app enables the use of a virtual version of the physical co-branded card, and customers can augment this with an app-connected C&D 'charging key' equipped with radio frequency identification (RFID), which is a small physical device that can be used to automatically trigger a pre-authorised payment at a charging station.

The fusion of RFID, mobile app and pre-authorised physical and virtual card technology is a "first-in-industry solution" in India, notes Modi. The package ensures quick and easy customer payments at the charging station, which, she adds, is exactly what was required.

## Partnering for success

"Our customers are happy with the new solution," confirms Modi. "For those that were used to the old post-payment process, now having it available in their mobile and being able to see how much is being debited at the point of use is a huge step forward. And now they can also use our card across other charging stations and merchants, they no longer have to carry multiple cards."

If the customers are happy then the project has been a success. But this has also been about a working relationship between Fortum and BNP Paribas India. This, too, has been given the seal of approval by Modi. "They brought us together with Pine Labs and helped facilitate the ideation and co-creation behind this solution. Of course, they are our preferred banker, and so this is just one part of a much larger relationship with BNP Paribas, both at headquarter level and in India."

Sometimes projects can test even strong relationships, but in this case the mutual respect between the partners is clear. "As bankers, we often have discussions with treasury and financial teams, but had it not been for the foresight of Fortum's finance team, we would never have gained access to the company's product and business teams," enthuses Sharma. "We rarely get a chance to co-ideate on a new product with these teams on the client side, so I must extend my thanks to them and say it has been a fantastic journey."

Creative partnership has proven a good model for other bank-client relationships, Sharma continues. "We have seen how we can take this approach to other clients, start engaging with their business teams, and begin discovering their pain points and requirements," he explains. "Across the industry, as bankers, we all need to start thinking like true partners, going beyond offering our clients basic banking services, and helping to grow their businesses. Our partnership with Fortum has set a strong precedent for that."

The solution is now fully operational in India with Fortum C&D. Modi's positive view of it thus far is supported by her assertion that, should there be any further consumer-facing activities undertaken in the country by Fortum Group, "we would like to roll out this solution there too". As evidence of the power of partnerships to achieve results, she feels for all those involved this is indeed "a feather in the cap".

**Vaibhav Sharma**
Head of Transaction Banking Sales,
BNP Paribas India

> *"We all need to start thinking like true partners, going beyond offering our clients basic banking services, and helping to grow their businesses."*

# Vibrant Trends in Payments and Collections for Small Businesses


**Bruno Mellado**
Head of Payments and Receivables, BNP Paribas

**Eleanor Hill**
Editor, TMI


**The scope for digitalisation for B2B payments is vast, but the journey is not without its obstacles for businesses and their banks to navigate. TMI's Editor, Eleanor Hill, recently caught up with Bruno Mellado, Head of Payments & Receivables, BNP Paribas, to look at what's new in this space and the possible implications for treasurers.**

**Eleanor Hill, TMI (EH): Payments innovations tend to focus on the B2C space, for obvious reasons. Why is it important that we give B2B flows similar prominence?**

**Bruno Mellado, BNP Paribas (BM):** On the consumer side, around 70% of all purchases are made electronically from order to fulfilment. For businesses, only about 30% are treated digitally end to end from procurement to fulfilment but this will likely increase drastically in the coming years[1]. That means there's plenty of room to digitalise how small businesses order and pay their suppliers – and also how they themselves get paid. Rather than processing this manually and checking emails to find out the status of payments, the entire workflow could easily be automated through a fully digital process.

In addition to the potential benefits of automation, there are new mandatory requirements to send B2B electronic invoices in the pipeline in Europe. This requirement already exists in other parts of the world, such as in Mexico with its local XML format CFDI, and Brazil, which has regulations for various electronic invoices, covering supplies of goods, services, freight and more.

The European Commission is progressing with its 'VAT in the digital age' legislative proposal, which includes obligations around VAT reporting and e-invoicing. Following a public consultation in the first half of 2022, Commission adoption is the next stage due. Sovereign European nations have been implementing their own e-invoicing formats in the meantime, all of which need to comply with the European standard for e-invoicing.

Many are looking at an invoice clearance model, where the national tax authority sees the invoice before it is issued to the recipient. This model requires authorisation from the EU to be implemented, something that Italy received back in 2019. Poland and France have also been granted authorisation and plan to roll out e-invoicing mandates in 2023 and 2024 respectively. Many other countries have also begun the legislative process that will lead to requesting authorisation.

Small businesses will have to comply and be able to receive fully electronic invoices. This means that it's no longer possible to work with paper, but also with PDF invoices, for example. Instead, it will be more like a dematerialised invoice in XML format – think of it like an Excel spreadsheet with 130+ fields, one-third of which are mandatory.

**EH: That's quite a significant change, for small businesses in particular. Is it achievable? And is it placing too much of a burden on them?**

**BM:** It is a very significant change. It means going from non-digital to being absolutely digital. It is being driven by governments that want more transparency over VAT fraud. The European Commission, for instance, estimates that around €4,000 a second is lost to fraud in this way[2]. That's why they're introducing this requirement. It will accelerate the need for small businesses to figure out their processes around payments and collections. That's one element.

Another essential component when it comes to B2B payments is the high volume of invoice fraud risk. Knowing that your counterparty is the right one, that the invoice is for the right job, and that somebody in the company approved that invoice is an area ripe for the adoption of new technology to answer these questions. There are already a number of new companies in that space providing services for reducing that risk.

**EH: And how is the rise in e-commerce impacting small businesses? Are they managing to keep up with the demands of emerging digital payment methods?**

**BM:** We saw with the pandemic that consumers were comfortable buying everything online. While small businesses today are more open to buying online from other companies, their customer journey is not as easy as it is for a consumer. For example, if a business is purchasing widgets for €50,000, that would probably be too much to pay via credit card. The business would need to arrange a bank transfer. But if a bank transfer is used, the supplier must know they will get paid so that they can ship the goods. That is one example of where the B2B customer journey needs to be more integrated and the technology is available to do it.

Some fintech players have been trying to propose a customer journey that fits an e-commerce-style experience for small businesses. There's also the notion of creating B2B marketplaces where small businesses can sell their products – this topic is certainly a trend right now and one to watch in 2023 as corporates revisit their marketing strategies.

**EH: As discussed, small businesses can dramatically expand their geographical reach with a digital shopfront. What challenges does this create for them, and how are banks supporting this change in business model?**

**BM:** It is all about how small and medium businesses can not only collect and pay from their home market but also achieve a higher reach – and have this functionality in other regions and countries. That is a change that's happening right now, but it brings with it questions around currency management. For instance, how do they collect from countries that maybe aren't too far away but aren't critical for that business?

As an example, a small business might not want to deal with a few payments in RON [Romanian leu] if they don't have an account in RON. The financial industry already has

**Bruno Mellado,** Head of Payments and Receivables, BNP Paribas solutions that offer them transparent ways to get only euros in their account, even though they have sold their products in a foreign currency. That might only be small amounts, it doesn't have to be huge volumes of cash, but the critical point is that it all has to be automated with solutions like dynamic hedging. This dramatically improves transparency, as the party buying sees the rate they're buying at, while the party collecting knows how much they will get in their home currency, all from a platform model.

Our vision at BNP Paribas is to help small businesses in every country where we serve them. We need to ensure they can work from their bank account, which gives them rights for financing and additional services. They can use that as their treasury account, even if they are collecting from abroad or a platform, and they can easily link to new payment methods, such as wallets.

**EH: Are there any other challenges around B2B payment flows that you'd highlight?**

**BM:** B2B payment flows have to be cost-efficient in value. If a business collects many small amounts from faraway countries, it cannot have fees that are too high for the value they are collecting. One of the challenges is proposing the correct method through which to collect and pay. Businesses need something that adapts to the transaction's value and their speed requirements, for example. Depending on the situation, this could be a wallet or a traditional international bank transfer. It is worth noting that the latter has improved in terms of speed. Think of the corridor between the US and Europe, for example. This is an effective corridor with fast and cost-efficient payments made in less than 30 minutes. Businesses must make sure they propose a suitable payment method to their clients.

Then if we come back to the earlier topic of e-invoicing, it will be a challenge, but it's also an opportunity. If a small business can present an electronic invoice, it can also offer the preferred payment method and a link so that it doesn't have to be manually reconciled. They can propose the payment method they want to use and eventually track it, to know where and when they are going to be paid. That's a challenge for small businesses but there are also great potential benefits.

**EH: How does everything we've spoken about here impact cash forecasting and working capital management? What do treasurers need to know?**

**BM:** The objective for small businesses will be to keep that treasury account as efficient as possible. They should be able to manage their business from a single account. We have been integrating some third-party fintech solutions behind BNP Paribas to show small businesses the benefits of cash forecasting from their main treasury account, for example. We also help them to send and receive electronic invoices and to integrate the reporting that comes with it. This means that they can see the up-to-date situation of their cash flow. That's a way to support SMEs as they adapt to electronic invoicing requirements.

For large corporates, it's a bit different. The major challenge for them today is their relationship with small businesses, mainly where there's a lot of work. Payments between two large corporates are already quite efficient, but large-corporate-to-small-business payments still require end-to-end automation. Each industry is different, of course. A big company with plenty of negotiating power with their small business suppliers can impose some ways of working that can save time. But if the large corporate cannot drive this kind of change, they will have to manage some of that complexity.

**EH: Are there any other steps you think treasurers should take to help prepare for the future of payments, given the trends we've discussed?**

**BM:** Yes – given all the changes in the payments landscape and other government requirements, treasurers need to consider how to use that as a catalyst to review the end-to-end paying out process with their procurement colleagues. Corporates also need to contemplate how to review their marketing processes, which tend to think about payments only as a result of a sale. The changes to the payments landscape that we've discussed are the perfect excuse to take a broader view within the organisation because, in the end, everything will be visible in the treasury account.

**Notes**

1 https://worldpaymentsreport.com

2 https://www.case-research.eu/en/study-to-quantify-and-analyse-the-vat-gap-in-the-eu-member-states-2015-report

# Payments Compliance

## The Benefits of an 'INQUIRO' Mind

**Vincent Calderara**
Senior Project Manager,
BNP Paribas

**In recent years, payments compliance has become increasingly onerous for corporates due to a proliferation of regulations, growing international sanctions, and the speed at which money now moves around the globe. Vincent Calderara, Senior Project Manager, BNP Paribas, explains how the bank's innovative and highly regarded 'INQUIRO by BNP Paribas' platform is helping treasurers avoid many of the headaches associated with payments processing.**

Rapid digitalisation coupled with the growth of instant payments have transformed how consumers, corporates and financial institutions engage with the global digital payments landscape. They can now transact much faster, more efficiently, and at volume. The pace of development in this space, however, has also sparked interest from regulators, most notably around the potential for financial crime, such as fraud to proliferate. Sanctions violations are also a mounting concern with money moving at breakneck speed.

Not surprisingly, regulators and supervisory bodies have looked to address those apprehensions by rolling out new regulations and guidelines, as well as adding to sanctions lists. In turn, this has meant more onerous payments compliance processes for corporates. And with treasurers already stretched across multiple facets of the organisation, this additional burden is proving challenging for many.

> *INQUIRO by BNP Paribas has gone from strength to strength. We continue to invest in its development to keep pace with regulatory and technological change, as well as the needs of end users.*

## Making life easier

But BNP Paribas has been especially quick to recognise the hurdles associated with these compliance issues. In 2016, the bank developed INQUIRO by BNP Paribas, a novel web-based enquiry app that facilitates digital compliance requests between the bank and its clients. The app helps organisations to ensure payments are fully compliant by digitalising the entire transaction process, from notification of a new request to the receipt of an update on the status of a payment.

Speaking seven years on from its launch, Calderara says INQUIRO by BNP Paribas has more than proved itself in the market and is a perfect example of the benefits that bank innovation can bring. "Since going live, INQUIRO by BNP Paribas has gone from strength to strength. We continue to invest in its development to keep pace with regulatory and technological change, as well as the needs of end users. As a proprietary innovation by BNP Paribas, where we were early to market and invested heavily from the get-go, it has been a tremendous success."

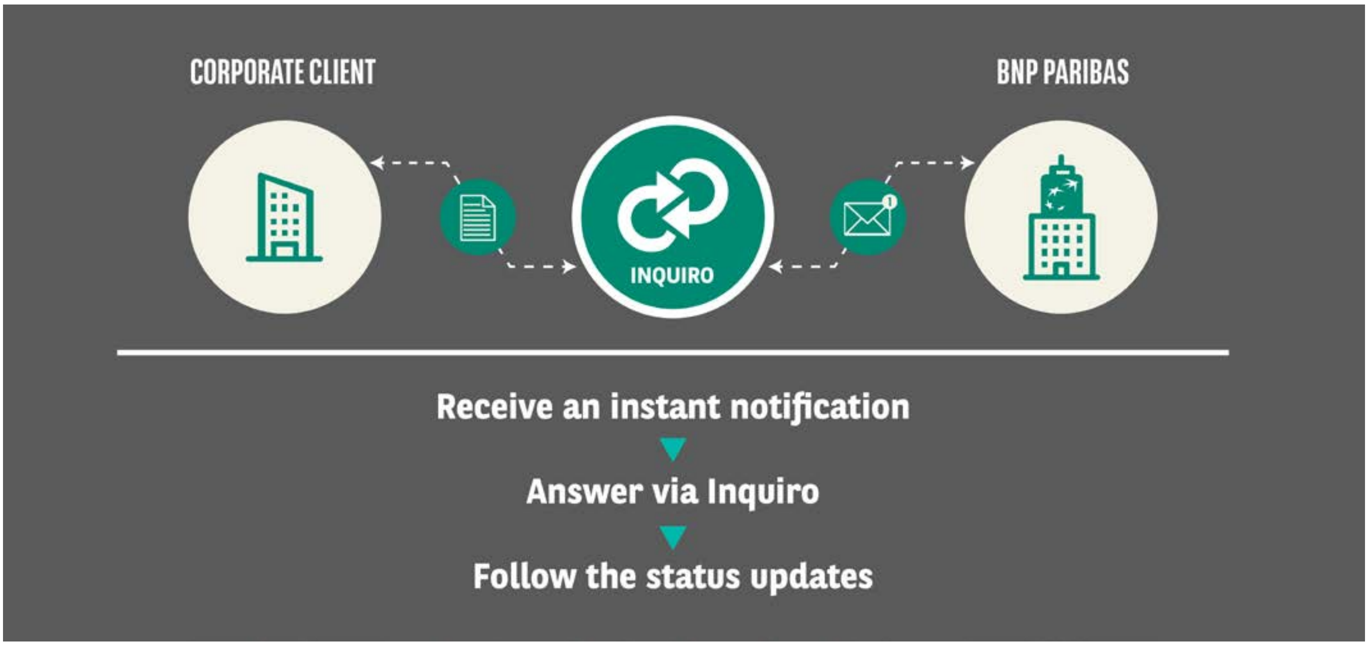
> *INQUIRO by BNP Paribas offers many advantages in terms of efficiency, transparency, and digitalisation.*

He explains that in helping organisations handle compliance requests for international payments INQUIRO by BNP Paribas makes the process more efficient, notably removing emails about red flags, which can result not only in payment delays but also additional, time-consuming administration. "It can take weeks for a bank to resolve issues with suspended payments to enable their release. Traditional email-driven alerts, which many banks send, could also mean potential exposure of sensitive data to cyber threats. With INQUIRO by BNP Paribas, this data is held on the secure platform, not in correspondence."

He adds: "INQUIRO by BNP Paribas offers many advantages in terms of efficiency, transparency, and digitalisation. These include instant notifications, payment status updates, audit trailing, and a centralised dashboard with search functionality. The highly secure solution also helps to centralise and manage compliance requests, providing better visibility. In especially complex cases, it can even help us at the bank to know when to intervene so that we can provide additional support to the client if necessary."

## Collaborating with clients

The clear benefits of this solution result from significant efforts on behalf of the bank, but also its clients. Indeed, Calderara says one of the most important aspects of BNP Paribas' innovation process for the platform has been the input from corporates. "INQUIRO by BNP Paribas has been co-created in partnership with clients and that has been extremely valuable in building a resilient, effective



solution that really addresses their payment pain points and, importantly, evolves as those demands change."

The result of this co-creation is reflected in impressive satisfaction levels for the app. Calderara says that more than 99% of clients implementing the solution conclude it is a good fit for their organisation's needs and continue to use it year after year.

More specifically, he reports that data gathered shows that INQUIRO by BNP Paribas can reduce overall payment processing time within organisations by 50%. And in certain cases where payment processing requirements are highly complex and very time consuming to action, the solution has helped slash processing times by up to 75%.

Other productivity benefits that flow directly from that acceleration and transparency include the bank having the ability to relay enquiries directly to the right personnel within the organisation. The platform also provides a global overview of all communication between the bank and the end user and highlights flags that are occurring repeatedly for the same reason, considerably speeding up their resolution.

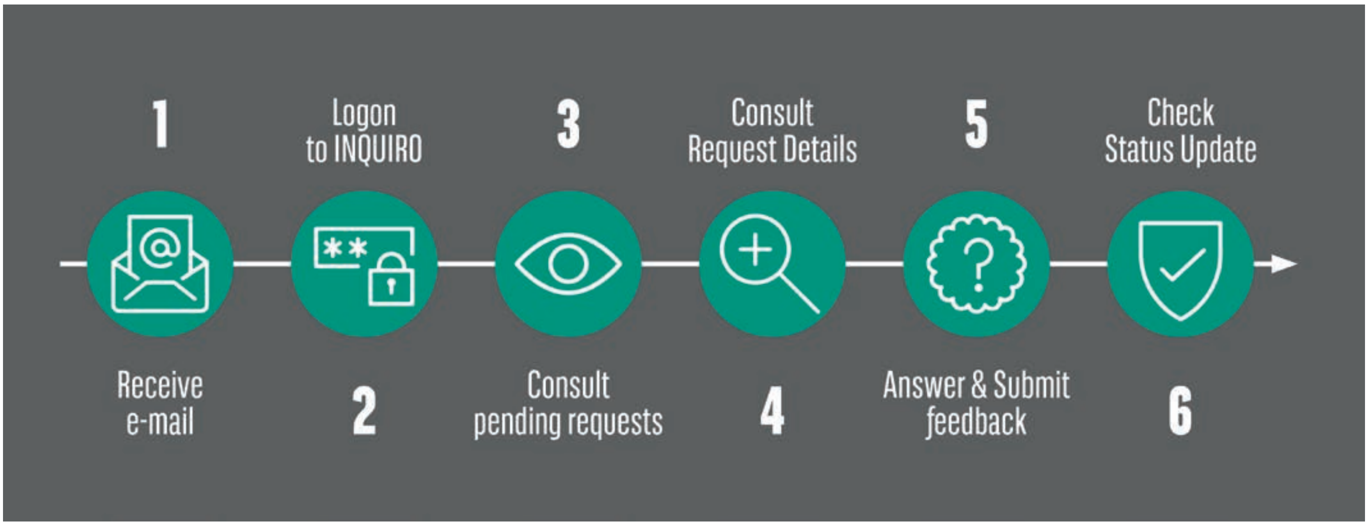
"We have plenty of evidence to show that INQUIRO by BNP Paribas is having a positive impact on payment processing pain points. It is a global success story for us, a feather in BNP Paribas' cap, with many of our biggest clients onboarded and highly satisfied with its capabilities."

While highly proactive in responding to clients using the app with specific day-to-day issues, the bank is also constantly looking to further improve the platform's functionality. Calderara continues: "Where we see an opportunity to improve the due diligence capabilities of the solution or observe some specific and recurrent issues, we explore them, and see if we can make the processing even leaner. We also continually analyse statistics on the use of the platform and if we see marked deviation from what we would regard as optimum, we take action."

Having such a feedback regime is vital in an environment where the compliance landscape is rapidly changing, he explains. "If there is a new sanction put in place, for example, we contact clients that we believe could be heavily exposed, discuss how best to handle it from the bank's perspective as well as the client's in terms of building the right control framework.

"It's a proactive approach made possible because of INQUIRO by BNP Paribas being a centralised platform. Clients greatly value that direct, added-value contact. After all, the platform being great is one thing, but we must match that excellence

**Vincent Calderara,** Senior Project Manager, BNP Paribas



with our support operation too. Effective, rapid in-app communication between the two parties is key."

## Integrating ISO 20022

As well as keeping on top of regulations and sanctions, the solution is also being updated to encompass the latest standards in the payments space, notably ISO 20022.

Calderara says: "Adapting the platform to ISO 20022 and taking advantage of its benefits for both the bank and our corporate clients, is underway. We were early adopters and have already incorporated some elements of ISO 20022."

He goes on to explain that one of ISO 20022's most cited benefits is that it enables richer, better structured data to be carried in payments messages. Here, 'structured data' means that in every ISO 20022 payment, message information will appear in the same place in a specific format, while 'richer data' provides the opportunity to include more information within that structured format.

As a result, some of the biggest advantages of ISO 20022 messaging will be felt in the real-time payments arena. The structured and data-rich common language characteristics the format offers mean messages using it have the potential to be readily and smoothly exchanged across corporates and banking systems.

ISO 20022 messages will also provide the opportunity for enhanced analytics, which can help organisations offer valuable new levels of payment services to their customers," he notes.

### BOX 1 | INQUIRO BY BNP PARIBAS BENEFITS AT A GLANCE

Advantages of the solution include:

**Efficiency**
- Instant notifications
- Flexible delegation option
- Proactive upload functionality

**Transparency**
- Payment status updates
- Audit trail of activities
- Advanced guidelines, listed by question

**Digitalisation**
- A secure web-based app solution
- A centralised dashboard
- Search functionality

"All of these and many other benefits of ISO 20022 for banks and corporates will, of course, take time to flow through over the medium to long term and we fully intend to make sure INQUIRO by BNP Paribas is in step as it all evolves."

## Innovation never sleeps

Looking ahead to other developments being considered for the compliance request solution, the bank is currently exploring ways of speeding up certain aspects of the platform. Most notably the ability for clients to have more direct access to data – an ambition that could mean the platform leveraging additional API technology.

The bank is also looking to introduce a self-service administrative element into the platform. Calderara explains that such a facility would aim to give clients the ability to make modifications in response to changes in their organisation that directly impact INQUIRO by BNP Paribas, for example changes in the personnel engaging with it. Such a development would avoid the need for the bank to intervene on behalf of the client to make the changes.

Further ahead, Calderara would also be open to seeing the platform integrated with wider industry developments in this space. "BNP Paribas was ahead of the game when we launched the solution in 2016. But it would be great if we could all work together to find a common platform, a mutualised tool that can be deployed industry-wide and internationally. But we would insist that a common solution must offer, at the minimum, the same level of service and functionality as our platform does."

For now, though, Calderara urges treasurers looking to resolve payments compliance pain points to take a close look at INQUIRO by BNP Paribas. He concludes: "When it comes to simplicity, transparency, and security of sensitive data, our platform is an innovation that delivers – in spades. And treasurers can be confident that it is a solution we continue to invest in, ensuring it remains fit for purpose and maintains or even exceeds its already high levels of service."

*"All of these and many other benefits of ISO 20022 for banks and corporates will, of course, take time to flow through over the medium to long term."*

# Entering the Digital and Sustainable World of Trade and Supply Chain Finance

**Bruno Lechevalier**
Head of Supply Chain Management,
BNP Paribas

**Bruno François**
Deputy Global Head of Trade Finance,
BNP Paribas

**Trade and supply chain finance are undergoing a significant transformation in the wake of the Covid pandemic and the ongoing war in Ukraine. But technology is also accelerating positive change in these areas. Here, two experts from BNP Paribas discuss the challenges confronting their industry and explain how banks, fintechs, industry bodies, and corporates, are successfully deploying technology and innovation to overcome any obstacles.**

> *"Transitioning supply chains to being low carbon has become a major objective for BNP Paribas' large corporate clients."*

The past several years have been tumultuous for trade and supply chain finance (SCF), with the pandemic, geopolitical tensions, the Russian invasion of Ukraine, and worldwide economic uncertainty causing considerable upheaval globally. Optimism is, therefore, high that re-engineering both trade finance and SCF through technology will help ensure these tools are fit for purpose going forward – and can deliver even greater working capital benefits for corporate treasurers.

## Laying the groundwork

While the desire to digitalise trade finance may be strong, progress has thus far been mixed as this traditionally paper-based discipline requires the alignment of multiple different stakeholders – many of whom are pushing for standards before digital solutions become the norm. As such, regulation and guidance in the trade finance space are top of mind.

Indeed, Bruno François, Deputy Global Head of Trade Finance, BNP Paribas, believes that by far the most important and positive development on the trade finance front recently has been of a regulatory nature rather than technological innovation, specifically the EU's proposed Basel III reforms.

The European Commission had originally wanted, as part of the proposal, to revise some prudential elements linked to trade finance, the most significant one being the increase of the credit conversion factor (CCF) – a measure of how much a bank might have to pay out and therefore its exposure risk – from 20% to 50% for certain off-balance-sheet products. The proposed hike seemed heavy-handed to banks and corporates alike. As a result, many have been mobilised against this change, under the umbrella of the International Chamber of Commerce (ICC).

François explains the reasons for the concern:
"The products the EU have in mind include, all technical guarantees, warranties, and standby letters of credit. They are mostly low risk and exhibit generally high rates of recovery in the event of defaults. Supported by a strong set of data, we have been explaining to the EU co-legislator bodies  that they hardly ever develop into a significant balance-sheet exposure and the huge increase in CCF is incongruous and unjustified. It would also have unintended consequences in terms of pricing and accessibility of these instruments in the future especially for SME's."

Illustrating this point, Airbus, Alstom and Siemens Energy are among the corporates that have joined the coalition  citing a fear that it could lead to a significant increase in their own costs and create difficulties in accessing guarantees across the whole value chain affecting the EU competitiveness .

The ICC supported by GCD ( Global Credit Data), for its part, provided some pertinent data to back up the campaign. In 2022, it published an analysis with data from more than 50 banks showing that the historical average CCF for Trade related guarantees over a period of 20 years for defaulted customers was around 10%, half the level required under the existing rules.

"We held more than 70 meetings with the Commission and member state representatives, so significant effort over more than a year has gone into the discussions. Having so many banks and corporates speak with one voice on this issue helped enormously, and we were backed up by some powerful data from the ICC. Of course, the final proposal still has to be adopted by the European Parliament as per the EU legislative process , but we are optimistic as all our recommendations have been taken into account in the final version of the text."

While not an innovation per se, François is clear about the importance of convincing the EU to drop its Basel III CCF proposal and keep the factor at 20%. "In terms of milestones for the trade finance industry, I believe it is hugely important, not least as it comes during a period where the trade finance industry is still trying to recover its poise in supporting global trade, as well as modernising its modus operandi through digitalisation."

### BOX 1 | CASE STUDY: GREEN GUARANTEES AT ENGIE

A worldwide leading electricity, natural gas and energy services company, ENGIE is a pioneer in the green bond market. It is also committed to net zero by 2045. The company was looking for a green solution to support the issuance of trade-related guarantees for its activity in Spain in the area of renewable energy (photovoltaic and wind plants). So, it turned to long-term banking partner BNP Paribas to set up a cutting-edge €20m facility for the issuance of green guarantees linked to projects that will provide environmental benefits in line with the UN's 17 Sustainable Development Goals.

The green guarantees are issued in relation to projects that comply with the definition of Eligible Green Projects as per ENGIE's Green Financing Framework, thereby aligning financial solutions and instruments with ENGIE's goal of being a global force for sustainable development. This joint innovation between ENGIE and BNP Paribas will also enable further progress in the energy company's ambition to accelerate the transition towards a carbon-neutral economy, through reduced energy consumption and more environmentally friendly solutions.

## ESG gains pace in trade finance and SCF

Away from Basel III reforms, regulatory initiatives such as the European Union's Corporate Sustainability Reporting Directive (CSRD) are also driving organisations to focus on transitioning their supply chains to low carbon. Indeed, CSRD requires Scope 3 emissions reporting, which includes the collection of sustainability information across a company's value chain.

Meanwhile, in June 2023, the EU Deforestation Regulation was also adopted. This requires extensive due diligence and reporting on the value chain for all operators and traders dealing with certain products derived from cattle, cocoa, coffee, oil palm, rubber, soya, and wood.

Despite the challenges associated with complying with these regulations, these significant shifts are also creating opportunities for innovation within both trade and supply chain finance.

François says: "These regulations are very consequential in terms of how ESG impacts our clients – and this is being reflected in the RFPs we receive as well as day-to-day client conversations. Transitioning supply chains to being low carbon has become a major objective for BNP Paribas' large corporate clients and many now have a dedicated Scope 3 reduction target and a roadmap to achieving it with participation of their suppliers – given that up to 90% of emissions can arise in the value chain."

Francois believes banks have a huge role to play in helping large corporates to transition their supply chains, which is why BNP Paribas has been an early innovator around solutions such as green guarantees [see box 1]. Working capital financing products also have a major role to play in supporting sustainability initiatives, he says. "Significant investments are required in almost all sectors towards net zero, and working capital financing is required at every step of the journey". As an example, he points to BNP Paribas' initiatives aimed at providing support for the value chain associated with electric vehicles (EVs).

**Bruno Lechevalier**
Head of Supply Chain Management,
BNP Paribas

"With EV we are, for instance, looking at how we can finance stocks of the critical raw materials required to produce batteries. Financing the flows of batteries to the OEMs [original equipment manufacturers] and long-term receivables linked to the installation of charging stations are also of great interest to us."

Traditional SCF products can also have sustainability built into them to give positive financial incentives to suppliers meeting pre-defined ESG KPIs, thereby supporting their transition. Bruno Lechevalier, Head of Supply Chain Management, BNP Paribas, notes: "We are seeing more and more requests from clients interested in incorporating an ESG angle to their supply chain programmes and improving Scope 3 reporting. Nevertheless, it can be a learning curve for them, as not all corporates are fully aware that they can leverage SCF solutions to improve their ESG metrics – and those of their suppliers."

To help corporates make their supply chain programmes more sustainable, especially the data gathering and reporting aspects, BNP Paribas has teamed up with CDP, a global non-profit ESG ratings organisation, to accelerate the development of corporate climate and biodiversity reporting metrics.

## BOX 2 | BLOCKCHAIN BUBBLES ALONG

While APIs are garnering growing success, the progress on blockchain has been more muted. It was only as recently as 2018 that the World Trade Organization hailed blockchain as potentially the "biggest disruptor to the shipping industry and international trade since the invention of the container". The WTO's bullishness certainly seemed justified at the time and was shared by many, not least banks and fintechs that launched collaborative proofs of concept and pilots based on block chain protocol . The hope was that in bringing blockchain technology to bear on the $5.2tr. trade finance industry, it would be possible to make it much more efficient, transparent and secure.

Yet, as François says: "There are many reasons why blockchain has not delivered on its promise – so far. Too much focus put on technical aspects, complexity, interoperability problems, regulatory uncertainty, and compliance issues are some of the drags. The technology used is one element but even more of a problem has been the difficulty in achieving a high level of co-ordination among multiple stakeholders, which often have different interests, incentives, and preferences."

Blockchain may have underdelivered in the trade space to date, but François says all the research, testing, and trialling that has been carried out over recent years has not been without some success – especially in terms of furthering the digital trade agenda. Legal obstacles to implementing digital trade instruments have been overcome, for instance, with the UK for one introducing a new law in July, the Electronic Trade Documents Act 2023, permitting shipping containers to be traded using digital documents instead of paper ones. Other countries such as France are also in the process of adapting their respective law. The ICC, meanwhile, has published uniform rules for digital trade transactions.

Over and above some of these achievements, François says one of the most enduring impacts of all the blockchain investigations so far has been that it has helped create a real dynamic for innovation across the trade finance industry.

Lechevalier says: "We attach great importance to the partnership with CDP. Both financial institutions and companies need to better understand how they can make biodiversity-conscious investment decisions based on reliable data and so reward companies that are managing natural resources sustainably. Having an expert, independent organisation like CDP on-hand to effectively assess ESG performance of suppliers also means far less worry for all parties about greenwashing."

Look ahead, François says the bank is exploring several additional innovations to address ESG pain points for large corporates. These include adding ESG elements into factoring arrangements (see page 43 of this guide for more information) and leveraging SCF transactions to help clients to offer sustainable financing right through the tail of the supply chain, as well as gathering ESG-related data across both tier 1 and 2 suppliers.

## Tech jumps to the next level

Aside from regulatory-driven innovation, technology is making significant inroads on the trade and SCF spaces. Lechevalier is particularly upbeat about the impact APIs are having, especially regarding communications between banks and corporates.

He notes: "Used appropriately, APIs are a great way to establish connectivity between organisations in a seamless manner. On the financing side, meanwhile, a business may want to access additional services beyond SCF portals, to connect to credit insurers or an AML tool for guarding against money laundering – and APIs enable that integration to happen with minimal tech budget and upheaval. The easier and faster connectivity becomes, the better for all parties. As such, I believe the deployment of APIs will accelerate globally over the coming years, and BNP Paribas is investing heavily in API innovations to help clients have an even better experience."

Another technology that looks set to positively impact both the trade and supply chain finance space is artificial intelligence (AI), and its associated disciple, machine learning (ML). While success with leveraging these has been modest to date in the trade arena, François says progress is nonetheless encouraging for the long term. "As the technology continues to evolve, AI and ML, together with optical character recognition [OCR], will undoubtedly help reduce the workload in future around trade finance documentation and lessen the need for manual interventions."

Likewise, Lechevalier believes AI has enormous potential for supply chain financing too. He elaborates: "To validate an invoice today, for instance, a corporate needs to look at the purchase order and the documents that have been delivered to them to apply the terms of the contract. This includes details of adjustments if, for example, the delivery was late or if there is a default. To an extent, AI and ML technology will enable us to progressively automate all of these types of tasks with less resources mobilised to match purchase order and invoices. And that means companies will be able to finance invoices much sooner in the process. As such, I do fully expect AI and ML to have a massive impact in the future."

This ability to speed up the financing or punctual payment of invoices to suppliers will also help to improve supply chain stability and relationships. This is even more critical considering the upheaval across supply chains over recent years. "Prior to recent volatility and uncertainty, the main working capital objective of many large buyers was to extend payment terms with the suppliers. But the global shakeout of supply chains in the wake of Covid and the war in Ukraine has led to a shift in corporate priorities as they look to build long-term resilience into their chains. And technology is proving to be a significant enabler towards this goal."

In fact, he says many fintechs are now operating in the payables financing space. And, true to the bank's DNA, BNP Paribas is serving his clients by collaborating closely with fintechs and corporates in co-creating payables solutions. "I think we are certainly one of the most active banks in partnering with fintechs in the payables space. Several years ago, some large banks decided not to work with third-party platforms as they saw them as competitors. But BNP Paribas embraces this collaboration and is ahead of the curve in that respect, both in terms of client experience and achievements."

After all, as Lechevalier notes, "Bringing additional services to clients, offering them more flexible solutions, helping them gain more visibility and connectivity, these activities are always top of mind for us. We don't see why we cannot offer that through collaborating and innovating with fintechs, especially as we now work so well with so many of them across all our services, not least supply chain financing."

**Bruno François**
Deputy Global Head of Trade Finance, BNP Paribas

# The X Factor

## How Tech and ESG are Enhancing the Treasury Benefits of Factoring


**Lionel Joubaud**
Global Head of Factoring,
BNP Paribas

**Eleanor Hill**
Editor, TMI


**Factoring may be as 'old as the hills', but it continues to be an important and well-loved financing instrument for working capital management. BNP Paribas' Lionel Joubaud discusses how technology and ESG components are helping to ensure the solution evolves for the modern age, making factoring more relevant than ever for corporates as their finances come under pressure amid a "perfect macroeconomic storm".**

**Eleanor Hill, Editor, TMI (EH): Factoring is a long-established working capital solution. Considering corporates have so many sophisticated funding options available to them today, how relevant is factoring? Does it still have a unique appeal?**

**Lionel Joubaud, Global Head of Factoring, BNP Paribas, (LJ):** If anything, factoring is now more relevant than ever, most especially for financing, protecting, and optimising the working capital needs of corporate clients.

To make this more concrete, let me share some statistics. Last year, BNP Paribas financed €200bn worth of turnover via factoring. And that was 25% higher than the previous year. This trend is certainly on the up!

Furthermore, in France and other countries, more and more corporate clients are leveraging our factoring capabilities for short-term financing – even in preference to regular overdrafts. So, yes, factoring is indeed proving to be a useful and pertinent instrument for today's treasury functions.

**EH: Impressive numbers indeed. What are the key drivers for corporates in choosing factoring? Can you point to recent, specific use cases, perhaps?**

**LJ:** Factoring is a very malleable solution for treasurers. It can be leveraged by both small firms and large corporates either for regular use or just at specific periods of need, say at the end of a quarter.

Businesses of all sizes also now appreciate that factoring is suitable at all stages of a company's development and life cycle. A few decades ago, factoring tended to be mostly associated with companies in difficulties – those who needed a quick fix to tide them over. Now, however, it's used by start-ups and fast-growing companies with high working capital needs. It's also used in M&A operations for leveraged buy-outs and, of course, it is still a solution sought by companies needing to support a turnaround strategy.

In short, factoring is used by a wide range of companies for a variety of needs. It also has a domestic and international dimension. While many of our clients – the sellers – are located in the Eurozone, where we are present in 12 countries, their buyers may be based anywhere in the world. In this way, factoring has truly adapted to the modern global needs of corporates and investors.

Over and above that, the major driver for factoring today is of course the volatile, uncertain macroeconomic environment. Concerns about recession, inflation, and rising rates are putting additional pressure on working capital needs. It's a perfect storm that has highlighted the need for – and benefits of – factoring.

**EH: There are different types of factoring: recourse factoring or non-recourse factoring. For the benefit of readers that perhaps haven't used factoring before, could you explain those terms? How do they differ?**

**LJ:** The difference between the two is actually quite marked, in terms of which party is responsible for customer non-payment.

With recourse factoring the business, our client, agrees to take full liability for the unpaid invoice. If the debtor fails to pay the invoice then the company has to repay the finance provider the value of the invoice. With non-recourse factoring the finance provider is liable for the unpaid invoice. The greater risk means fees can be higher, and there is more scrutiny of the debtor.

**Lionel Joubaud,** Global Head of Factoring, BNP Paribas

Also, if the factoring is with recourse there's no protection, no insurance in case of default or bankruptcy of the debtor. With non-recourse there's insurance brought by the factoring company and it can be treated as off balance sheet, which is of course important, especially for large corporate clients.

Most of BNP Paribas' factoring business, around 80%, is non-recourse, though the balance between the two varies a little from one country to another.

**EH: Earlier, you described the current operating environment as a "perfect storm" that benefits factoring greatly as working capital comes under pressure. There are many other funding solutions out there for corporates, though, notably via the capital markets. How well does factoring sit alongside them?**

**LJ:** The key point to note is that factoring can be blended with other financial products, for example, inventory financing. By combining the two, a corporate can optimise receivables but also release trapped working capital on the inventory side. This is especially important now that many companies have moved away from a just-in-time supply chain approach to a just-in-case strategy.

Factoring can also be used with trade and supply chain financing, as well as cash management and payments solutions. That is why the BNP Paribas factoring team works closely with our trade and cash management colleagues. We also collaborate with a fintech, Hokodo, blending factoring with buy now, pay later solutions on B2B digital marketplaces, for example.

**EH: Speaking about online marketplaces, e-commerce has come on leaps and bounds over the last 10 to 15 years and the outlook for its further growth is bright. How is the factoring industry coping with this huge surge? Will it be able to scale sufficiently and support all the cross-border trade that's becoming possible via e-commerce?**

**LJ:** B2B e-commerce is booming and there is always pressure on B2B sellers to streamline their order-to-cash experience. They want to offer the buyers good credit terms but at the same time also need to be protected from credit and fraud risk.

So, the main question here for factoring is not scalability because we already have experience of developing and launching sophisticated factoring platforms. And we are always improving them, increasing the volumes they can handle.

The two big issues when it comes to e-commerce and factoring are first, how quickly can we move towards real-time credit decision-making processes, as that is very important for B2B marketplaces? The second challenge is how do we go about integrating factoring into such ecosystems? Because it's not just about factoring *per se* with B2B marketplaces. The solution needs to be integrated with a straight-through payment process.

As I mentioned, in collaboration with fintechs, such as Hokodo, and our payment teams, BNP Paribas is working to develop solutions to address these and other issues relating specifically to factoring for B2B e-commerce marketplaces.

**EH: Technology is no doubt playing a major role in helping factoring to remain so relevant for corporates today. How critical is technology in the delivery and management of a modern factoring programme? And how has this changed over the years?**

**LJ:** Technology is indeed extremely important for building and managing a factoring platform that can cope with very high volumes and is secure for all parties. Technology is also vital for enabling the platform to plug into external ecosystems – a capability in which BNP Paribas has invested a great deal and is still investing.

By "external ecosystems", I am referring mainly to the ecosystems of our clients. These can comprise, for instance, online marketplaces, other banks' platforms, or e-invoicing platforms. On the latter, this is a capability that we already have in place in Italy and our e-invoicing solution is being rolled out in France next year and then across the other European countries that we serve.

Typically, we are investing so that our platform plugs directly to the ERP or accounting system of our clients via, for example, an API. As such, it is now easier than ever to onboard new clients.

> *"Factoring is a very malleable solution for treasurers."*

**EH: Elsewhere, I understand that BNP Paribas is keen to integrate ESG into the factoring wheelhouse. What progress has already been made on this front? And what do you think might be achieved in the future?**

**LJ:** I wholeheartedly believe that factoring can help our clients on their sustainability journeys. But this is a nascent area for ESG – it's just the beginning of sustainable factoring. That said, we have gained some valuable expertise from some deals we struck last year and the learning curve continues internally and with our clients.

At the moment, there are three main ways to develop a sustainable factoring facility. The primary one is to have a sustainability-linked facility which leverages ESG KPIs. These metrics can come from an external ESG rating agency or auditable internal KPIs provided by the client. Last year, for example, we implemented just such a facility with a supplier of a car manufacturer in Germany.

The second option is by way of use of proceeds so that the factoring facility finances something with a positive impact. We supported one such programme in Portugal last year for a renewable energy project, solar and wind farms specifically.

And the third way to implement a sustainable factoring facility is to leverage reverse factoring. Such a solution can help our clients to encourage their suppliers to come on board their ESG mission and obtain ESG ratings themselves, with the incentive that if they improve their sustainability performance they can access more favourable financing rates.

**EH: Finally, Lionel, how would you sum up the outlook for factoring and its relevance as a modern financing instrument?**

**LJ:** In my view, factoring has a very bright future. First, because it's a well-established and well-understood solution that is highly adaptable. It has proved itself amenable to tech-led innovation, including in combination with APIs, and that has been key to its successful evolution for our digital age. The added ESG element is yet another demonstration of the flexibility of factoring.

And now, working with banks, fintechs are also helping to make factoring increasingly sophisticated and relevant through innovation. Given all of these drivers, there is no doubt in my mind that there is still plenty to come from factoring. Watch this space!

# Welcome to Painless KYC

## Exploring BNP Paribas' Digital Onboarding Solution

**Stéphanie Niemi**
Head of Digital Onboarding,
BNP Paribas

**Client onboarding has become increasingly costly and time consuming for all parties as a result of ever-more complex and demanding KYC regulation. But BNP Paribas' state-of-the-art onboarding platform – Welcome – is succeeding in bringing automation and digitisation to bear on the challenge. The result is much-needed speed and simplicity, together with a touch of sustainability. Stéphanie Niemi, Head of Digital Onboarding for corporate, BNP Paribas, explains the design and operation of Welcome and discusses the bank's bold ambitions for its future development.**

Waves of regulation in recent decades aimed at cracking down on financial crime, notably money laundering, have led to financial institutions (FIs) escalating their investment in technology and automation in a bid to comply with KYC rules when onboarding clients. The necessary tasks, which traditionally have been highly labour intensive and time consuming, have fuelled the search for solutions to ease the significant burden placed on organisations on both sides of the process.

BNP Paribas is among banks at the forefront in the development of in-house digital platforms for onboarding clients. Its solution, called Welcome, is a state-of-the-art platform that aims to simplify the process by enabling the relatively effortless and paper-free collection of KYC documents, bank account opening, and e-banking subscriptions (see box 1 for additional benefits).

> *In recent years corporate clients of all financial institutions have become increasingly frustrated by the costs and complexities of KYC and onboarding.*

Niemi explains: "In recent years corporate clients of all financial institutions have become increasingly frustrated by the costs and complexities of KYC and onboarding. The fact that regulations governing them are not consistent across different countries is also a major headache.

"Corporates have also been puzzled as to why, in an era when digitisation has penetrated so successfully across many of their day-to-day treasury operations, such as payments, digital solutions have been so lacking for KYC. Welcome helps to directly address those concerns, substantially simplifying and accelerating the onboarding process by leveraging digitisation and automation."

## A question of balance

The Welcome platform provides a digital interface that enables corporate clients to facilitate the collection of all the data and documentation the bank needs for its quality control processes and KYC tasks. One of its key features is that it provides "a single, consistent experience for treasurers, with the same requirements irrespective of country, while still respecting local regulations."

As a result, BNP Paribas' international clients experience the same onboarding journey wherever they are in the world. And as a thank-you for embracing and leveraging Welcome, BNP Paribas plants a tree for every client sign-up – underlining the bank's own commitment to net zero. To date, nearly 19,000 trees have been planted thanks to the initiative.

Specific aspects of Welcome that help ensure onboarding is as painless and swift as possible for clients include intelligent data collection that simplifies form filling.

"The platform can even pre-fill forms for the corporate client if the bank already has the information. After all, there is nothing more annoying for busy treasurers than to be asked for the same information umpteen times," says Niemi.

Of course, there is only so much that can be done to remove friction from the KYC process while keeping it robust. Niemi comments: "Trying to take short cuts with customer verification just for the sake of speed can lead to many more red flags being generated. They would all need investigating and that itself can be very time consuming and costly, thus defeating the purpose of the exercise.

"As a bank, we want the best and quickest solution possible for our clients, but it is critical we respect the regulations. And that means striking a balance between the user experience and complying fully with the regulatory requirements. Therefore, the Welcome platform has been designed to automate and digitise the KYC process as much as possible while balancing the needs of all parties."

> *A single, consistent experience for treasurers, with the same requirements irrespective of country, while still respecting local regulations.*

### BOX 1 | CREATING WORLD HARMONY FOR KYC

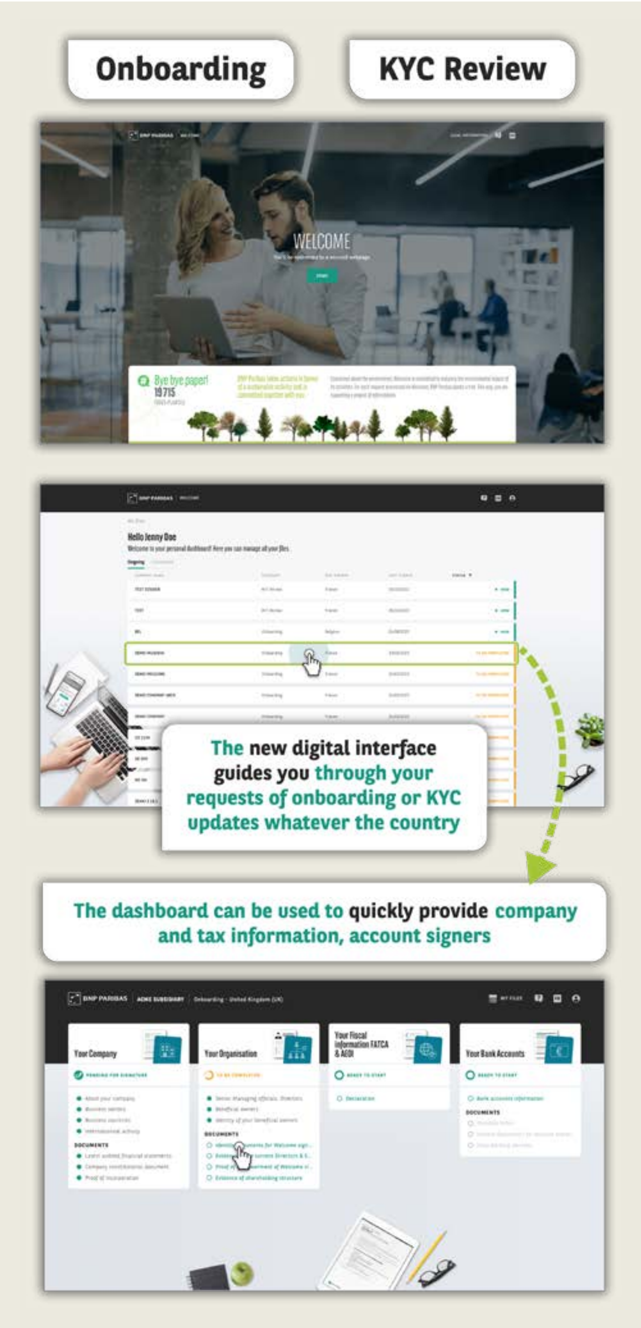
Launched initially in France in 2018, Welcome is available across 20 countries in total, predominantly in Europe. The bank has also started deploying the solution in two countries in APAC, with one more coming on stream in the region by the end of 2023. The aim is to add a further 15 to 20 countries to the Welcome roster by the end of 2025 and the broad objective is to deploy the solution everywhere regulation enables the bank to do so.

BNP Paribas clients leveraging Welcome in these countries can experience the following benefits:

- **Speeding-up of the KYC process:** Easily upload and submit the required documentation for analysis, eliminating the need for multiple communications with the bank.
- **Simplified account opening:** Get IBANs in countries where this feature is available, authorise signers by adding banking rights, sign tax documentation, and e-banking subscriptions.
- **One bank experience:** Uniform user experience across countries. Available within Centric, BNP Paribas' international portal for cash management, trade finance, FX, factoring, and more (fintech) modules like Kantox.
- **Electronic signature capabilities:** Embedded within Welcome. Decide who has access to information and who can sign the documentation electronically.

## Positive feedback

Nevertheless, the bank is continually exploring new ways of accelerating the process and removing any remaining pain points. "One major gain made through Welcome has been the effectiveness with which we collect, manage, and manipulate data. In general, data quality is very good, with clients supplying exactly what we have requested, so we avoid those back-and-forth emails that are such a pain for everybody. This is an encouraging basis from which to look at further optimisation of the platform, such as new channels for supplying information to the bank."




BNP Paribas also continues to build on Welcome's success with further integration of the platform with the bank's wider KYC ecosystem. Niemi elaborates: "We are interfacing Welcome progressively with all the bank's tools via APIs. That means that any relevant data or the documents available in the tools can also be leveraged for Welcome and helps avoid those annoying repeat data requests being sent to clients. This is a very important capability for us to develop, not least because it can really impact client satisfaction."

Niemi says that, to date, feedback gathered from Welcome clients shows that the platform is "highly appreciated" by them. Surveys of newly onboarded clients have returned highly encouraging results so far, with the bank calculating from the feedback a Net Promoter Score (NPS), a business metric used to gauge customer loyalty, satisfaction and enthusiasm, of +48 for Welcome since the beginning of this year.

"That is a very positive NPS result. It is based on client responses to a survey taken by clients once their case has been finalised and all the KYC documents validated. It is a very revealing score as it consolidates feedback from all onboarding journeys made by clients across all countries in the Welcome universe.

"I think the NPS score shows that how the platform is being perceived by clients is very much in accord with BNP Paribas' hopes for the platform. Our mission was to deliver a simple, user-friendly solution and clients do feel we are achieving that."

Looking ahead, Niemi says the bank is intent on remaining agile in developing and enhancing Welcome procedures and functionalities. "We are engaged in a process of continuous improvement for Welcome, one that is responsive to feedback from clients as well new ideas generated for its further development in-house. We also continue to pursue ever increasing digitisation of customer journeys end-to-end."

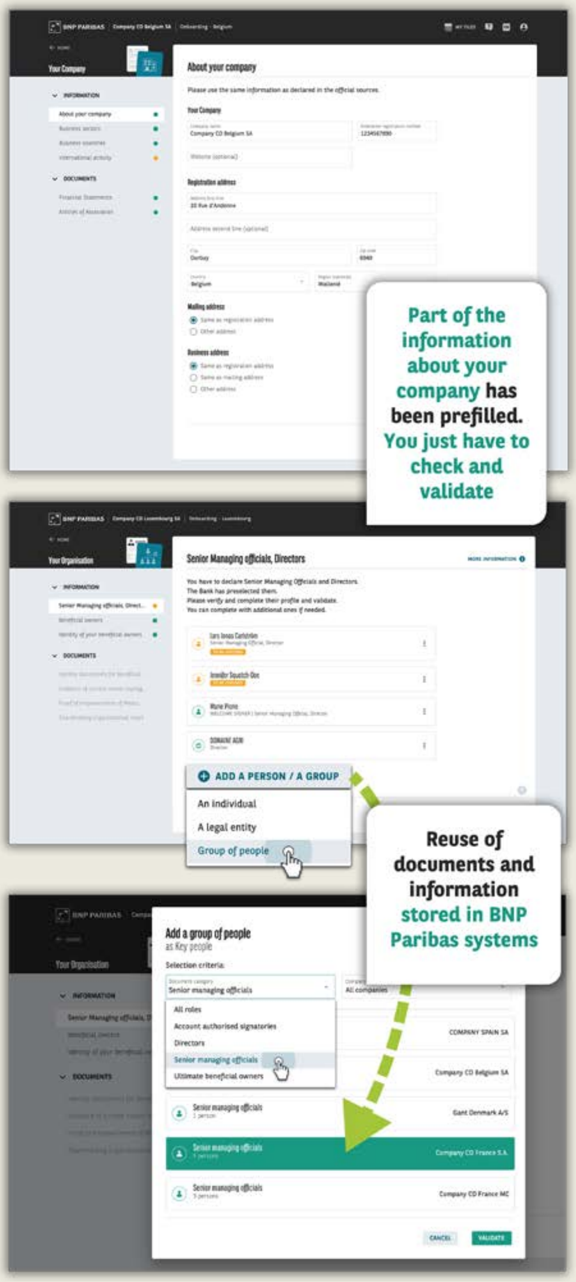
> *"Our mission was to deliver a simple, user-friendly solution and clients do feel we are achieving that."*

Initiatives being explored include ways of enabling onboarding clients to follow up an account opening process by opting for other services, for example a cash or liquidity management solution. Other initiatives include the development of a track-and-trace tool, an interface that can be used by clients so they can follow in real-time where they are in the onboarding process. "Such a tool would also help the bank to monitor the lead time for onboarding. It could, for example, generate alerts if there are unusual delays so that we can intervene to address any problems," says Niemi.

Elsewhere, the platform is currently for use by corporates (and non-profit organisations in France) only, but BNP Paribas would like to make it available in the near future to other client segments, for example other FIs and funds. "That would require some re-engineering of the solution as KYC policies can vary according to business segment, but this is a challenge the team is looking forward to tackling," says Niemi.

## Robust cyber-security and regulatory scrutiny

Another battle the BNP Paribas team is constantly fighting is exposure to cyber threats. Naturally, the bank is keen to ensure Welcome remains at the leading edge of security, data- and identity protection. As such, the team keeps a close




### BOX 2 | DEDICATED DUE DILIGENCE

Elsewhere, Niemi explains that Welcome forms part of a wider BNP Paribas project to review, refresh, and simplify corporate banking across the board, with an emphasis on automating as much as possible and placing client needs centre stage.

A more recent, related initiative to emerge from this wider project is a central hub that gives corporates access to dedicated due diligence officers organised according to the various business groups served by the bank in all countries. The hub is currently in its pilot phase and being trialled by a limited number of clients, but the plan is to make it more widely available if it continues to deliver greater efficiency.

Niemi adds: "From the feedback on the hub so far, we can see clients really appreciate this facility. They especially like having one dedicated person who knows and understands their group very well and has a handle on the group's entities in all the countries it operates in. So, we are hopeful of being able to roll this out more broadly in the years to come."

> "*Like all banks, we still have plenty left to do when it comes to bringing digitisation to fully bear, not least for the benefit of clients.*"

eye on new and emerging standards for cyber-security and is particularly interested in the potential of the EU's proposed European Digital Identity (eID).

In brief, the EU believes the eID can help ensure secure and trustworthy electronic identification and authentication by means of a personal digital wallet on a mobile phone. It would be made available to all EU citizens, residents, and businesses wanting to identify themselves or provide confirmation of certain personal information.

"The eID is still under construction and still has to be fully adopted by the European Parliament and Council, but it looks promising," believes Niemi. "We will definitely explore the concept further and, if possible, include it in our own digital identity processes. This is another example of us actively looking to digitise and automate KYC as much as possible."


Another hurdle facing the Welcome team is the perpetually shifting regulatory landscape around KYC requirements. BNP Paribas therefore carries out regular reviews of KYC rules, not only to ensure compliance, but also to look for further areas of innovation. Niemi says the bank's ultimate target is for Welcome to leverage various tools and data sources to enable "perpetual KYC processing" that would ultimately enable much quicker responses to changes in KYC rules.

With regulators globally increasingly integrating ESG criteria into their guidelines and regulations, ESG represents another major digitisation challenge for institutions, says Niemi, adding: "ESG is now very much a part of KYC policies, so the information we collect on it from clients is also something we are very keen to digitise and see integrated with Welcome in the future."

Clearly, the bank is not resting on its laurels with Welcome, a reflection of the importance it more broadly attaches to digitisation and innovation. "Like all banks, we still have plenty left to do when it comes to bringing digitisation to fully bear, not least for the benefit of clients," she says.

"When creating new solutions, we always have in mind that it is truly a digital world now. Treasurers increasingly expect the kind of integrated, seamless, and speedy digital experience they enjoy in their personal lives to be reflected in the way they work. It's a big challenge for banks and BNP Paribas is fully engaged with it – we look forward to seeing our clients reaping the benefits of our additional innovations."

**Stéphanie Niemi**
Head of Digital Onboarding, BNP Paribas

> *"Treasurers increasingly expect the kind of integrated, seamless, and speedy digital experience they enjoy in their personal lives to be reflected in the way they work."*

# Easy Treasury

## The Simple Way to Create a Fully Functioning Treasury at a New Legal Entity


**Vincent Marchand**
Head of the Fintech Lab, Cash Management, BNP Paribas

**Manuela de Coune**
Business Solutions Manager, Cash Management Competence Centre, BNP Paribas


**A fresh offering from BNP Paribas, Easy Treasury, provides a transitional solution for new legal entities, such as those arising from spin-offs, enabling them to have a fully operational treasury department from day one. More than that, it's an innovative treasury-as-a-service solution which is significantly undercutting the competition in terms of pricing and outperforming on implementation speed.**

A typical pain point facing large corporates in an M&A project involving a spin-off is how to set up a proper treasury organisation for that new legal entity – in a short time frame and on a budget. This vital issue tends not to be adequately addressed by the M&A team because it is not, on the surface, an essential part of the deal. As such, the treasury department of the parent company is often confronted with this challenge at short-notice, and with few additional resources at hand.

In such a scenario, the existing corporate treasury team often has to call in external expertise. This typically starts with a standard RFP process to select a treasury platform that fits the needs of a much smaller company. Naturally, the selection and implementation of this technology requires time and resources. It can also delay the closing of the M&A deal if the RFP process is not concluded on time.

> *"Easy Treasury is a transitional solution to help spin-offs to have a treasury function in place from launch day with the right processes, people, and platform."*

Vincent Marchand, Head of the Fintech Lab, Cash Management, BNP Paribas, explains: "This was a challenge that corporates kept coming to us asking for help with, which is how our Easy Treasury offering was conceived." In a nutshell, Easy Treasury is a transitional solution to help spin-offs to have a treasury function in place from launch day with the right processes, people, and platform. "It is a plug-and-play treasury-as-a-service solution which was co-created by our team in conjunction with our clients and platform vendor Kyriba. Built-out during 2022, it is now live, ready for corporates to leverage when they need it," he notes.

From the get-go, the offering enables treasurers to pay employees' salaries and suppliers' invoices, execute basic treasury operations in areas such as spot, forward, term deposits and MMFs, and achieve full visibility and predictability on their cash across geographies (see figure 1). Marchand adds: "In turn, this gives them breathing space to be more strategic and empowers them to determine what their ideal future treasury organisation and technology set-up should be in the new company. This enables them to seamlessly transfer from Easy Treasury to that desired model, typically in around a year or two."

## Setting up for success

One of the reasons that setting up a new treasury in a spin-off or carve-out business has historically been so fraught is that, by their very nature, M&A projects have strict confidentiality requirements. As a result, the corporate treasury team at the multinational company (MNC), and the cash management team at the bank, tend not to find out about what is required until fairly late in the process – often too late to make a valuable contribution from day one.

**Vincent Marchand**
Head of the Fintech Lab,
Cash Management,
BNP Paribas

> *A critical issue when launching such a treasury function is the time it takes to go live.*

It is no surprise, then, that Marchand and his team are already seeing strong interest in the Easy Treasury offering from a variety of MNCs, but also from private equity groups and M&A consultants who see the benefit of such an approach, with operational risk being under control as of day one.

Another attraction is that there is no geographical restriction on Easy Treasury. It also spans all industry verticals, although those sectors that regularly create spin-offs and carve-out businesses, such as automotives, chemical, pharmaceutical, and renewable energy industries, are naturally among the solution's most vociferous supporters.

Nevertheless, the real sweet spot for Easy Treasury is spin-offs with a market value of between €200m and €2bn that have a presence in a small number of countries, run different accounting systems that the solution can interface with, and manage a few thousand payments a month.

"Major spin-offs or joint ventures are very complex by nature, which means that they need a completely bespoke solution," outlines Marchand. "Whereas the idea here is to take an industrialised approach, a solution that is simple to plug in and implement, hence the name Easy Treasury. We don't exclude its implementation in more complex structures, of course. But in that case, the implementation timeline and the pricing will be reviewed accordingly," adds Marchand.

## Taking care of business

Indeed, one of the main selling points of Easy Treasury is the speed of implementation. From start to finish, this can be done within four months, whereas the typical project timeline for this style of solution is between nine and 18 months.

"We beat the market by at least half a year, minimum," enthuses Marchand. "That's the idea, to be quick and efficient – right from the first day after closing. We have very aggressive pricing too. We are on average between 30% and 40% cheaper than any other offering on the market based on the benchmark we conducted with 15 of our clients."

What's more, Easy Treasury comes with a complete control framework from day one, another key consideration for new entities. And the multibank Kyriba platform, an integral part of the offering, takes care of the operational risk. BNP Paribas selected Kyriba as its trusted Easy Treasury partner through a comprehensive RFP process that it commissioned an independent consultancy to run.

"Kyriba have a modular approach, so we spent the summer of 2022 selecting the modules that fit the needs of a new legal entity," outlines Marchand. "It has to be simple, standardised and easy to use. The beauty of the offer is that we also provide a certified Kyriba treasurer to manage the platform. They will be at the client's disposal when they need them during that crucial first year of their activity. So, it's not just technology, it's human intelligence too."

The risk management element is essential to a new treasury function and yet can be overlooked or lost on the 'to-do' list as the parent treasury organisation struggles to get the new firm's processes up and running.

Manuela de Coune, Business Solutions Manager, Cash Management Competence Centre, BNP Paribas, reveals: "Talking to clients, even if they implement a treasury in a new legal entity in nine months, they rarely have the time to look at the risk map of their processes. This means that when they go live, there is limited or even no risk control, and errors will be made with reconciliation and formatting, for example. Easy Treasury deploys everything in advance, which provides much-needed reassurance to both the parent company and the spin-off."

This functionality is one reason the bank has already had great interest from private equity companies – keen M&A participants – regarding Easy Treasury, as they understand that controlling risk from day one is critical.

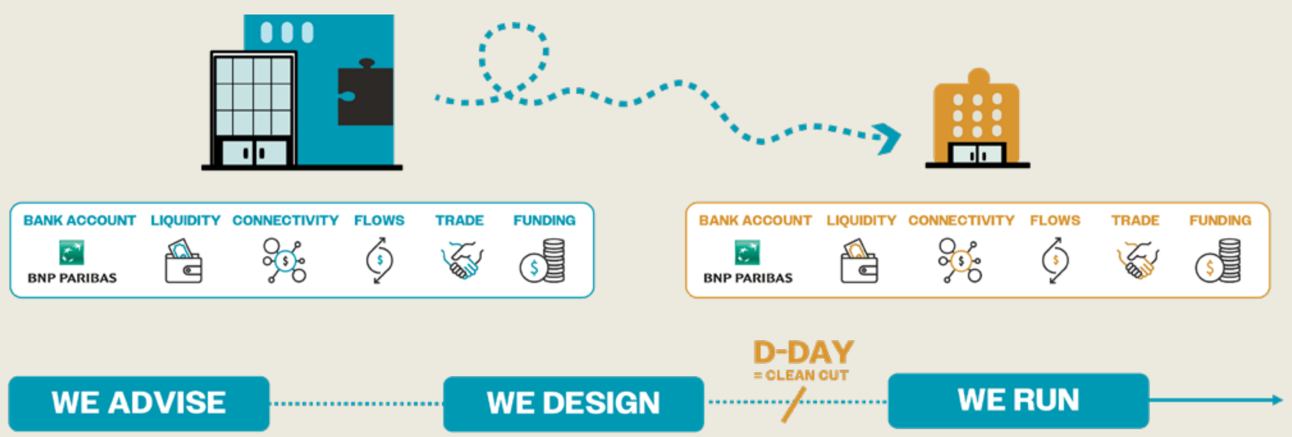
Marchand elaborates: "Private equity firms often acquire companies with little or no idea where their cash is. They tend to have very poor cash visibility and are still working on Excel spreadsheets. And while they may have some expertise in treasury, it is typically not that comprehensive.

> *"The idea here is to take an industrialised approach, a solution that is simple to plug in and implement, hence the name Easy Treasury."*

**FIG 1 | EASY TREASURY OVERVIEW**

## EASY TREASURY, A UNIQUE VALUE PROPOSITION

### TREASURY AS A SERVICE




1. A **ONE-STOP SHOP** with one single contract signed with BNP Paribas
2. A dedicated teams of **EXPERTS** in Systems integration and Treasury
3. A **PRE-CONFIGURED TREASURY PLATFORM** already connected to BNP Paribas
4. Pricing Structure of **40% OFF MARKET PRICE**
5. A **CONTROL FRAMEWORK** addressing all operational risks
6. A **FAST TRACK IMPLEMENTATION** within a 4-month max timeframe

Having that risk control framework in place from day one makes a huge difference."

Moreover, "As Easy Treasury is already live, it really is plug and play," underlines de Coune. "Usually, when a company starts working with a fintech or another tech vendor, they will have to start with a big assessment and have the full workbook of exactly what the client needs. That single step can take a few months, but we've already completed that. Everything is already integrated into our global connectivity hub within BNP Paribas, saving months of project time for the client. With all services – integration, technology, resources, and servicing – in a single contract with the bank."

## Critical considerations

Despite the clear benefits on offer, one question that treasurers might have around the Easy Treasury offering is about BNP Paribas managing the treasury platform and being the banking partner at the same time. The bank has proactively moved to solve this issue by putting Easy Treasury in a separate legal entity of BNP Paribas to the cash management business. In addition, the fact that Easy Treasury is a temporary solution, managed by an HR partner in treasury, has helped to assuage any concerns.

Marchand emphasises: "We are there to help clients set up a working treasury function quickly and professionally, as well as giving them the time and resources to think about the target architecture and organisation for the new legal entity. These two points – that a separate legal entity manages it, and that it is a temporary solution – have more than satisfied the clients we have spoken to."

Commenting further on the transitional nature of Easy Treasury, Marchand says that another critical feature of the offering is its offboarding element. "There is a dedicated BNP Paribas team available to offboard the client when they decide to unplug the solution and move to their permanent treasury ecosystem. Importantly, the client can keep the history of all the transactions from the platform and either transfer it to a standalone Kyriba platform if they want to continue that relationship, or to another TMS if they want to switch," notes Marchand.

## Full steam ahead

Looking to the solution's own future, Marchand says that while the main focus of Easy Treasury is currently to help to establish a fully functioning treasury department in new legal entities, there is significant room for development. "This is a solution that was born out of co-creation. And collaborative creativity will undoubtedly shape its future. BNP Paribas has partnerships with fintechs that could easily enable it to plug in additional services around cash flow forecasting, hedging, and fraud management, for example, depending on client needs. So, watch this space!"

De Coune agrees, concluding that "This project started with a mindset of collaboration and agility. We absolutely want to continue co-creating with clients and certain corporates have already shared their ideas for development with us. You can be sure that Easy Treasury will grow and adapt, always with the aim of making our clients' lives more straightforward."

> *"With the platform comes a fully-certified treasurer – so there are human resources included in the solution too, alongside a control framework."*

**Manuela de Coune**
Business Solutions Manager, Cash Management Competence Centre, BNP Paribas

# The Keys to Successful Solution Implementation

## Collaboration and Innovation

**Bertrand Buyse**
Head of Solutions Design and Implementation, BNP Paribas

**Ivan Todorov**
Cash Management Implementation Team Leader, BNP Paribas

**They might not operate in the limelight, but implementation teams lead the line within banks when it comes to the highly involved and often sensitive task of designing and delivering innovative solutions for clients. In this article, two experts from BNP Paribas discuss the bank's implementation philosophy, and explain what makes or breaks the business of delivering ground-breaking, efficient, and resilient solutions for clients.**

Implementation teams are among the unsung heroes within banks, toiling away at the sharp end of the interface between bank and customer, designing and implementing solutions for clients. In doing so they represent one of the most important points of contact between banks and corporate treasury teams, playing a critical role not only in addressing the immediate needs of treasurers but also listening and responding to their wider operational concerns.

Paris-based Bertrand Buyse, Head of Solutions Design and Implementation, BNP Paribas, is clear about the importance the bank attaches to the relationship between its implementation experts and clients. "When it comes to solution delivery and implementation, the goal for us has always been the same: to accompany our customers on the entire journey – working with them in the delivery of solutions from design and scoping phases to building and rolling out the solution.

"A differentiator between BNP Paribas and other banks where implementation is housed more within sales is that we have a dedicated, large, well-resourced and long-established implementation organisation. This helps us focus on delivering truly innovative solutions, not just off-the-shelf products."

What's more, Buyse's global 60-strong implementation team currently has a presence in more than 10 countries – a footprint that helps to ensure it can cover all time zones. "Our extensive global coverage reflects the great importance we attach to being very close to our customers – not just in terms of mindset and values but also geography," continues Buyse. "While we leverage technology to the maximum it's always beneficial to have somebody on the ground, especially since our implementation philosophy is to have strong communication with clients through all phases of a project."

## A seamless approach

BNP Paribas' Solutions Design and Implementation team's commitment to adhering to the highest standards of delivery is further underlined by its ISO 9001 certification, which sets out the criteria for a quality management system based on principles that include a strong customer focus.

"We have a harmonised methodology for project management, but ISO 9001 also tells us that we have to listen to our customers. It requires that we constantly look to improve our service to clients and be uniform in dealings with them wherever they are in the world. It is an important, highly desirable certification and it can make a difference in winning clients since it gives them additional peace of mind."

Buyse's team currently delivers around 200 projects a year, large and small, globally. He says the majority of these projects are focused on cash management, in all its various guises, including payment factories, card acquiring, and new connectivity channels including new pilot solutions/services.

The customer-facing emphasis of the team means that its members often become involved with projects at the RFP stage, bringing their expertise to the table from the outset. "We have an important role, even at that early pre-sales stage, in considering how solutions might be implemented and potential roll-out strategies. If agreement is reached and the client signs up then, of course, our role becomes much more hands-on across all aspects of solution design and implementation."

## Win-win for all

Buyse's colleague, Ivan Todorov, Cash Management Implementation Team Leader, is responsible for the more strategic cash management implementations for the bank's largest customers. Indeed, Todorov's unit possesses highly experienced, specialised expertise for the more sizeable projects as well as wide-ranging capabilities across varied client needs.

Drawing on these decades of expertise Todorov shares some secrets to a successful implementation. "While we often engage with corporate treasurers, project stakeholders within the client organisation can cut across several internal teams, especially when it involves digital innovation. Typically these are teams dealing with the management of payments and collections, IT and those responsible for managing ERPs and TMSs. This means we need to speak many different business languages to ensure all project information is synthesised and that we are all singing from the same hymn sheet. It is vital that there are no gaps in understanding between the stakeholders."

Todorov says that sometimes larger clients will engage advisers such as Deloitte and PwC to help support specific projects. While this is one more stakeholder to engage with, he is keen to assure clients that the BNP Paribas' implementation team is well equipped to work with such additional third-parties – and understands that this may add extra layers of communication.

## Mission accomplished

While the scoping phase of an implementation can take just a few weeks, the bank's team is more accustomed to the fact that it can take  several months of discussions and presentations for the project design process to evolve fully. Buyse comments: "Initially it can be a very complex picture, but by working with the client and other stakeholders, a clear and deliverable proposal for the solution eventually emerges."

He continues: "The first element of the mission is to make sure that we all have the right target in mind regarding what we are trying to achieve. We pride ourselves on being completely open for discussion with clients, to be a trusted adviser rather than one that is only interested in putting forward the bank's interests. We want the best outcome for both the bank and our clients. Just pushing products is not in our DNA."

> *"Our extensive global coverage reflects the great importance we attach to being very close to our customers."*

**Bertrand Buyse**
Head of Solutions Design and Implementation, BNP Paribas

Indeed, Todorov points out that being open and transparent with clients can help generate more business for the bank. A client that is happy with a BNP Paribas implementation in one country is much more likely to ask it to handle the roll-out of the solution in another, for example.

He adds: "It's about building a relationship with our clients, expanding with them and delivering efficient, robust solutions. If they are happy with what we deliver in cash management, it can open up the potential for us to work together in other areas, for example trade and investments. As everyone knows, happy customers are much more likely to return. And ultimately we like to see our clients thrive."

## Easing the burden

To help them achieve that success, Buyse says that when approaching an implementation clearly establishing the roles and responsibilities of each party involved in the project from the outset is crucial. Not least to ensure a smooth working relationship but also to avoid costly misunderstandings later down the line.

"Clients need to know we are easy to do business with and being organised efficiently from the outset plays a key role in ensuring that. When we start a project we always advise the client, especially the bigger and more complex organisations, that they will need a project management team on their side.

"We assure them we will remove as much of the burden as possible from their shoulders. But having a dedicated team their end is a huge help. The best and most successful implementation projects are where both parties work together closely to develop and roll out the solution."

Echoing Buyse, Todorov says: "Success for us is based on working closely with clients, understanding their needs, and co-creating solutions that address their requirements fully. Indeed, that way of working is the foundation upon which our team's whole innovation process is based. It is a process that been refined over many years and continues to evolve – informed by our ongoing implementation experience and understanding of what our clients need. "

## Swiss army knife

A critical aspect of the bank's innovation philosophy Is the leveraging of intelligence gathered on client needs by the bank's product management teams. It is essential, Todorov says, that the product teams understand the exact needs of clients – and they are tasked with bringing that information and creative ideas to the Solutions Design and Implementation experts.

Todorov explains: "Our implementation experience, our ideas and knowledge of client needs are crucial for enabling product teams to focus on developing solutions that are a correct fit for the client's requirements. For us, innovation is therefore an iterative process involving feedback and collaboration between implementation, the client, and our product teams.

"At the same time, though, we are transparent and objective enough to say when we believe certain solutions or approaches are not in the best interests of the client, even though they may be on the client's wish list. If we believe it doesn't make sense for the client we say so, and suggest more appropriate alternatives."

Such processes are only as good as the people engaging with them, however. Especially when it comes to implementation personnel, since successful outcomes depend heavily on their skills, knowledge, experience, and know-how.

Buyse concludes: "Our people are really passionate about what they do and what they can deliver for clients. But to achieve their goals, they have to wear many hats – legal, technical, project management, financial, risk management and so on. That is a hugely impressive range of capabilities in anyone's book. I always say that when it comes to our work, implementation, you really need to be like a Swiss army knife!"

> *It's about building a relationship with our clients, expanding with them and delivering efficient, robust solutions.*

**Ivan Todorov**
Cash Management Implementation Team Leader, BNP Paribas

# Dream Big!

## Transforming Treasury at C. H. Robinson

**Mary Walker**
Assistant Treasurer,
C. H. Robinson

**Nathalie Bursens**
Senior Manager
Finance Europe
(Accounting -
Tax - Treasury),
C. H. Robinson

**Paul van Gelder**
Director EMEA
Coverage,
BNP Paribas

**Bart Steen**
Director EMEA Cash
Management Sales,
BNP Paribas

**Mohammad Bari**
Director - International
Cash Management,
Transaction Banking
Americas,
BNP Paribas

**The treasury team at global logistics giant C. H. Robinson set out to reinvent its cash and liquidity management structure within Europe. To do so, they enlisted BNP Paribas for a strategy focused on automation and process efficiencies across key European treasury activities.**

C.H. Robinson Worldwide is one of the largest global logistics companies, providing multimodal transportation and logistics solutions using technology tools it develops in-house.

Mary Walker, Assistant Treasurer, C. H. Robinson, outlines: "We are one of the world's largest logistics platforms, with 20 million annual shipments, $30bn of freight under management, and our consolidated total revenues for 2022 were $24.7bn."

### Fresh ideas to transform treasury

The company's core treasury functions are led by a small team in Eden Prairie, Minnesota. The team oversees everything from global cash positioning and cash forecasting to capital allocation strategy, and capital markets. Additionally, local finance team members handle cash management responsibilities in the Europe, Asia, Oceania and Latin America regions.

Before the new structure was created, the European finance team resources were being tested, and there was an opportunity to automate some manual tasks to drive efficiencies for the business. For example, the company's euro cash pool had only a limited auto sweep across its various legal entities, with the cash pool primarily managed through manual sweeping.

### An RFP to support impactful change

With a clear vision of what the treasury team wanted to achieve, the team put out an RFP that detailed their requirements.

"We had four main objectives with this RFP," reveals Walker. "We were searching for a bank that had a presence in the European countries where we operated and was able to service us, could handle our payments in all the countries and currencies that we needed, would be willing to become a lender to our organisation, if not already, and could offer excellent customer service while partnering with us to drive efficiencies and successful business outcomes."

The granular details of the RFP included lowering overall costs, eliminating cash collateral on the firm's bank guarantees, and having a more proactive customer service with digital capabilities. Automation was a prime focus. There was a desire to remove the operational burden on treasury through standardised and fully automated transactional activities using industry-standard formats. This would result in a reduction of risk and time associated with manual activities of booking, settling, accounting, and reporting of intercompany loans.

Nathalie Bursens, Senior Manager Finance Europe (Accounting - Tax - Treasury), C. H. Robinson, comments: "We wanted to have more visibility and transparency on transactions and reporting. We are coming from a set-up where we have almost 100 bank accounts with more than 10 different banks in Europe. We wanted to bring that all together in one platform to automatically improve visibility. It also gives us better reporting options, to report back to Mary and the team in the U.S., and for our internal use within the finance department in Europe."

On the cash side, the objectives included reducing idle cash and the company's liquidity buffer with a fully automated zero balance account (ZBA) structure and concentration of liquidity across Europe. Treasury wanted to readily access liquidity in a single currency for further deployment and significantly reduce the costs associated with FX trades.

"In the past, we had only cash pooling for our euro accounts, and not all accounts were linked to it because of the different banks we worked with," explains Bursens. "That means we had to transfer funds from one account to the other all the time, otherwise payments couldn't go through because the account was not sufficiently funded. So, the notional pooling was the main idea that was new to me when we entered the RFP."

## Selecting the perfect partner

Having gone to the market with an RFP that would transform the business's treasury operations in Europe, the team decided to award the mandate to BNP Paribas. BNP Paribas was able to demonstrate that it could meet all the company's expectations regarding the RFP objectives, which was supported by Walker's previous knowledge of the bank.

"I had experience of working with BNP Paribas at my former employer," Walker recalls. "Back then, we used all the same services and products, and I knew the customer service levels quite well. I had first-hand experience with this partnership and knew the bank could support everything we were looking for."

Bart Steen, EMEA Cash Management Sales, BNP Paribas, notes that communication and collaboration are essential as far as BNP Paribas is concerned, starting as soon as the RFP is received. "There are some critical requirements we always see in RFPs – rationalisation, visibility, liquidity – but it's vital to dial in and try to understand from the client's perspective what they need at this stage in their treasury journey," Steen emphasises. "For us, winning this mandate was only the start of a longer journey."

An essential part of the selection process for C. H. Robinson was finding a bank that could match its European presence, rather than relying on various banks in different countries. Paul van Gelder, Director EMEA Coverage, BNP Paribas, notes: "Many US corporates, like C. H. Robinson, are looking for banks in Europe that have a meaningful presence. The geographical

> *"We were searching for a bank that had a presence in the European countries where we operated and was able to service us."*

**Mary Walker**
Assistant Treasurer,
C. H. Robinson

**Nathalie Bursens**
Senior Manager Finance Europe (Accounting - Tax - Treasury),
C. H. Robinson

presence of BNP Paribas, particularly with our services in many markets across Europe, is a perfect overlap with the presence of C. H. Robinson."

For Mohammad Bari, Director - International Cash Management, Transaction Banking Americas, BNP Paribas, the chance to provide value to a new corporate client was incredibly satisfying. "Our job as a bank is to use our capabilities and products, but also to provide thought leadership on trends across the treasury world, liquidity, and the best-in-class solutions out there," Bari notes. "This has been a great collaboration with C. H. Robinson, the way we have approached this RFP, and the solution we have come up with, speaks volumes about the partnership we have built together."

## Intelligent and agile working

The mandate that C. H. Robinson awarded to BNP Paribas is significant. It is now the cash management bank for the company across 16 different countries in EMEA. The project kicked off in May 2022 with the two teams getting to know each other, discussing the intricate details of the project and sharing fresh ideas. By June, the KYC processes to open all bank accounts with BNP Paribas had begun.

"We split the account openings into two main waves," outlines Bursens. "Wave one was fully finished by August, and wave two by the end of December 2022. In these two blocks of time, we opened all the accounts in 16 different countries. It was an intense but very smooth process. From January 2023, we started using the accounts, uploading payments, and everything is very close to 'business as usual'."

To ensure the best levels of cash management connectivity, C. H. Robinson uses BNP Paribas' Connexis Cash Gateway, which it has been using intensively since January. Bursens adds: "All our outgoing payments are now completed through the system. We have a host-to-host connection with our accounting platform Oracle, meaning we have automatic payment matching. We had to upload manually in the past, so this is a huge efficiency gain."

The core treasury and finance team received training from the bank to use Connexis to its best advantage. Then, internally, the finance team has been training the various business units using the platform. These include shared service centres that have to upload payments or download statements, for example, and HR, which uploads payroll files.

"We had to do a lot of testing to be sure that all files were adjusted properly, but that went very well," enthuses Bursens. "We've had great support from the bank's implementation team."

The automated approach of the transformation has also enabled more intelligent and agile working for the C. H. Robinson team, as Bursens outlines: "Another good thing about Connexis Cash is that we can download specific transaction details. In the past, we had to do a data download dump into Excel and then start working on that, so this is much more efficient. Also, I like that I can authorise payments through my mobile phone, even on vacation days. I can just pick up my phone and sign off on them. It is a far more modern way of working than we were used to."

## Maximising liquidity efficiencies

On the liquidity management side, the implementation has fulfilled the RFP's ZBA needs by establishing a cross-border ZBA from in-country accounts to master accounts at C. H. Robinson's European entity. There is one account per currency across 10 currencies, which are held with BNP Paribas in the Netherlands. The bank has established a single entity multicurrency notional pool as a liquidity overlay and provided C. H. Robinson with an uncommitted multicurrency overdraft facility.

"The notional pooling has delivered a lot of automation for us," enthuses Bursens. "Obviously, we do not have to fund accounts daily, but it also delivers great efficiencies when it comes to the cash pool interest for intercompany transactions. We're talking about a cash pool between 16 legal entities within the group.

**Paul van Gelder**
Director EMEA Coverage, BNP Paribas

> *There are some critical requirements we often see in RFPs – rationalisation, visibility, liquidity – but it's vital to dial in and try to understand from the client's perspective what they need at this stage in their treasury journey.*

All the automation there represents a huge step forward for us in the monthly closing."

Another central pillar of the original RFP was a more efficient bank-guarantee facility than C. H. Robinson was used to experiencing. Currently, the business has bank guarantees in Europe that support building leases, customs, and tax obligations.

"Our prior provider required cash collateral for the guarantees we issued," explains Walker. "That tied up a vast amount of cash, and so, from where I sit, that's a bad deal. With BNP Paribas, we no longer have to endure that. We have a facility where we can issue those bank guarantees as we need, and they are not backed by cash. From a cash management perspective, this will greatly benefit the organisation."

## Boots on the ground

Throughout the implementation of C. H. Robinson's treasury transformation, BNP Paribas focused on providing excellent service for its new client. The implementation team allocated to this project is centrally driven and managed but also closely connected to all the local groups that the bank has across the countries covered by the project.

"That's also exactly how we would like to proceed post-implementation phase," reveals van Gelder. "We'll ensure there is a central servicing team in place with a dedicated person allocated to C. H. Robinson who can help with all operational payments issues and questions. This team can also reach out to local teams if and when needed in case of any specifics. We take a central approach but have many boots on the ground locally to give in-country support as and when needed."

The strength of the service model that BNP Paribas deploys is that the bank purposely looks to dovetail with the set-up of its clients. "On the service side, we have a very centralised offering, but we mirror our clients," explains Bari. "We've set up the servicing for C. H. Robinson to be the best fit for them. They have a global treasury and regional finance teams, so we provide escalation points across the bank to ensure they will be well taken care of going forward."

> *"I like that I can authorise payments through my mobile phone, even on vacation days. I can just pick up my phone and sign off on them."*

Indeed, the centralised service team has been a critical part of C. H. Robinson's treasury transformation project, according to Bursens. "I like that the implementation team is centralised. We always send many questions to them, which get answered directly or are forwarded to in-house specialists. Most importantly, we don't have to worry about who to contact, we just go directly to the centralised team. They're truly advising us on a daily basis."

Walker echoes this positive sentiment, underlining how helpful that level of service is to treasury departments running a lean and efficiency-focused team. "I expect a certain level of service and so far, I have absolutely no complaints. If there is a concern, they're quick to react, respond and resolve things. For me, that's key. Time is at a premium, so making sure things run smoothly is extremely important to us."

## Keeping the upgrades rolling

At the time of going to press, C. H. Robinson and BNP Paribas are running the day-to-day operations of the treasury and finance team in parallel with the roll-out of what is left of the initial implementation. This is the most immediate item to be ticked off the company's transformation wish list.

"I will be happy when all the accounts are open and active, and we have all the efficiencies we're looking for," smiles Bursens. "We are already noticing this happening, of course, but it's still a lot of work for everyone."

**Bart Steen**
Director EMEA Cash Management Sales, BNP Paribas

**Mohammad Bari**
Director - International Cash Management, Transaction Banking Americas, BNP Paribas

# Roche's Breakthrough for Cash Pooling in Saudi Arabia


**Franca Aeby**
Senior Cash Manager, Roche

**Migjen Dauti**
Senior Cash Management Sales Executive, BNP Paribas

**Naj Aktam**
Head of Cash Management, Saudi Arabia, BNP Paribas


**Keen to support a recently opened affiliate in Saudi Arabia, Roche's group treasury worked with BNP Paribas and the local regulator to successfully implement a first-of-its-kind cash pooling solution in the country.**

Headquartered in Switzerland, Roche is the world's largest biotechnology company and an in vitro diagnostics (IVDs) market leader. The company's corporate treasury is fully centralised in Basel, supporting the enterprise's global business activities.

Cash pooling is a crucial component of how the company finances its operations. Using cross-border cash pooling structures enables treasury to drive efficiencies at a group level. However, this approach came up against a challenge when Roche opened a sales affiliate in Saudi Arabia.

Franca Aeby, Senior Cash Manager, Roche, explains: "The Saudi affiliate was importing and selling goods locally. In group treasury, we quickly realised that we needed to have an efficient funding solution for this entity. We approached BNP Paribas early in the process, as well as external tax consultants and law firms, for insights as to whether cash pooling is possible in Saudi Arabia. It was soon apparent that this was a complex area. The initial answer from BNP Paribas was, 'it's certainly not a no, but it's also not an immediate yes'."

## Diplomacy and determination

Thankfully, BNP Paribas had already been in a dialogue with the Saudi regulator for several years, presenting in-depth explanations as to how cash pooling works from

> *"We don't have any excess liquidity lying around in Saudi Arabia, it's pulled out and we keep a minimal balance."*

a legal, technical, and operational perspective. The enquiry from Roche gave the bank a live example to bring into the discussions while simultaneously providing the company with an interim solution while the dialogue progressed.

"Initially, the bank was able to offer us a technical solution for moving cash one way – but perhaps not in the direction that you might be thinking of," reveals Aeby. "We were allowed to pull the funds out of the country, which is quite uncommon. Usually, you're allowed to bring in as much money as you want but are not allowed to take money out. So, this was already a slightly different set-up than we were used to in other countries where we have restrictions."

The interim technical solution from BNP Paribas enabled all cash above a certain threshold to be swept out of the country and into the Roche cash pool leader account in the region. At the same time, the bank actively engaged with the Saudi regulator for this issue.

Naj Aktam, Head of Cash Management, Saudi Arabia, BNP Paribas, explains how the discussion was approached. "We needed to write to the regulator, requesting its approval to go ahead with the new product. Initially, the regulator came back to us with some questions because cash pooling is not a widely used product in Saudi Arabia. There is much to explain, so we went through quite a lengthy process of describing the exact working of the product. This included how it functions on a technical level, how the cash moves between which entities and when this happens. We also explained the legal framework on which the product roll-out is based."

The discussions went back and forth through many calls and in-person meetings for approximately three years. "In the end, having explained everything and taken on board concerns the regulator had on specific points, we received the non-objection that we could roll out the product," recalls Aktam. "There were some reservations from the regulator's side. It was very clear in saying there were no objections to the roll-out of the product, as long as the legal entities based in Saudi Arabia were fully aware of how it works and what it means for them in terms of liquidity. There was to be no breach of any other rule or regulation, which is why we have a hard requirement for an external legal opinion."

Despite the three years spent on the negotiations, the Roche treasury team was delighted with the outcome and relieved that the whole process had not taken longer.

"We know how long it takes here in Europe when we approach the authorities because we want to change something," notes Aeby. "For example, we had discussions with the European Central Bank on a different topic that took a while, so three years was relatively fast. Overall, it was a positive experience."

From the bank's perspective, it was the conclusion to an even longer journey, having already been in exchanges regarding cash pooling and liquidity management with the regulator for several years. During this time, they had presented the solution in detail, providing explanations about the regulatory, operational, and legal aspects.

Migjen Dauti, Senior Cash Management Sales Executive, BNP Paribas, comments that the involvement of Roche was vital in gaining the non-objection outcome. "Roche was really pushing towards the solution. They played a significant role in moving treasury forward in Saudi Arabia and the broader region because the structure is centralising cash from Saudi to Bahrain in the name of the Roche treasury entity. This clear achievement will pave the way for other corporates."

> "*They played a significant role in moving treasury forward in Saudi Arabia and the broader region because the structure is centralising cash from Saudi to Bahrain in the name of the Roche treasury entity.*"

**Franca Aeby**, Senior Cash Manager, Roche

## Getting to work

To enable the cash pooling structure in Saudi Arabia, Roche first had to obtain a legal opinion stating that the proposed pooling arrangement would not contravene the company's internal rules and policies.

"This legal opinion had to state that our legal entity in the country is aware of what is happening, how it's happening, and it's not going against them," notes Aeby. "For me, that was always clear, and luckily it was also clear to the law firm that we were working with in Saudi Arabia. When it came to the roll-out, we have been working with BNP Paribas in other countries where we've had cash pooling agreements, so we were more or less familiar with the required documents."

Implementation saw Roche making the necessary changes to contracts and opening additional accounts to create a cross-border zero-balancing cash pool with a master account in Bahrain. The resulting cash management efficiencies have been dramatic.

"We can now make much better use of the liquidity," enthuses Aeby. "We don't have any excess liquidity lying around in Saudi Arabia, it's pulled out and we keep a minimal balance. This enables us to use those funds in another currency or for another country, if necessary, or for other purposes. That's one of the most efficient outcomes, but it also helps with automation as we've been able to reduce the manual workload."

## The SWIFT connection

Roche uses one ERP system for the entire company with all the affiliates using the same SAP. The company has a SWIFTNet SCORE (Standardised Corporate Environment) agreement with its core banks. This is typically between its in-house bank entity, the Swiss entity, and the bank's headquarters or main branch in Switzerland. This set-up enables all payments to be sent out of SAP, via SWIFT, to the bank. However, in Saudi Arabia, this was not possible before this project.

> *Everybody's dreaming about centralising liquidity as much as they can in a given location.*

"In Saudi Arabia, whoever approves the payment must be a Saudi resident or Saudi national," outlines Aeby. "Nobody else would be allowed to release payments. If we were to send a payment message, it was impossible to show who did the second or the first approval without using 3SKey [SWIFT Secure Signature Key]. We've been using our SWIFTNet SCORE agreement globally without 3SKey, so we weren't going to implement something only for Saudi Arabia. That would have been rather technically complicated."

Fortunately, the Saudi regulator's non-objection for Roche to link its in-country accounts to its central SWIFT contract opened up the opportunity for the treasury to now use SWIFTNet without 3Skey. This enables payments to be instructed in the company's ERP, in line with its overall global set-up.

"When you think about efficiency, not just for us in group treasury, but particularly for the local entity and our shared service centre [SSC], where we have our accounts payable department, that was a huge efficiency gain and supported automation," adds Aeby.

## A dream come true

Most multinationals employ a centralised approach to global cash management. Those with a presence in Saudi Arabia would like to have a way to manage their operations there just as they do in other countries. The ability of Roche and BNP Paribas to implement cash pooling in Saudi Arabia has set an important precedent.

**Migjen Dauti**, Senior Cash Management Sales Executive, BNP Paribas

"Cash pooling has been a topic of interest for many of our multinational clients in Saudi Arabia," says Aktam. "Since we started implementing last year, we have quite a number of them in the pipeline that are currently either reviewing with external legal counsel or preparing for the actual document. This Roche case study opened a door that will make life much easier for many firms here, in terms of cash pooling and using SWIFTNet without 3SKey."

By managing cash in Saudi Arabia the same way as in other markets, corporates can enhance their bank account management, streamline cash flows, and add automation to processes to drive efficiencies throughout their operations.

"The efficient use of cross-border cash pooling solutions represents treasury best practice," says Dauti. "Everybody's dreaming about centralising liquidity as much as they can in a given location, whether it is then managed regionally or globally, it doesn't matter. The idea is to get visibility and control over cash, enabling them to get the best use out of it."

At Roche, the treasury's working relationship with BNP Paribas was vital to helping them unlock this cash visibility and the resulting efficiencies. "It's essential to have a close relationship with your core banks, and with BNP Paribas it's all about co-creation," remarks Aeby. "That's always their mindset, and it is also the same for us at Roche. In this case, we relied on BNP Paribas to be the experts, to be the ones that would go out there and share our needs and requirements with everyone from consultants to the regulator, and even other corporates. They were able to get the attention necessary for our needs and to find a solution that is ideal for us and can also be applied to their other clients who may have similar requirements."

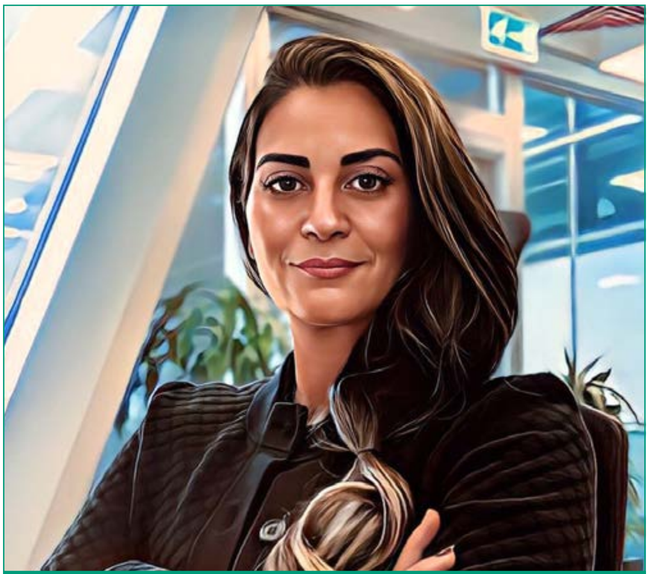
## Never stop innovating

With cash pooling in Saudi Arabia achieved, the treasury department at Roche is now examining how to continue to develop its most efficient set-up in every country where it has a presence. In certain countries, including Singapore, Australia, New Zealand, and some countries in Europe, the team has achieved a full 'on behalf of' structure, a template it is keen to expand elsewhere.

"Ultimately, being able to do everything on behalf of is the North Star from our treasury point of view," Aeby comments. "This would mean we would have full control and visibility over cash and only one bank account to manage. Our affiliates would fully bank with the in-house bank [IHB], and the only connection to a third-party bank would be through us in treasury."

The goal of being able to centralise every activity currently remains out of reach, with certain legal and regulatory hurdles to overcome. But it is a scenario that Roche is being proactive in trying to achieve.

"This fully centralised, automated, and on behalf of model would mean that whenever we open a new entity, we wouldn't need to carry out the entire due diligence process with the bank for the entity to open a new account," concludes Aeby. "Everything can be done on behalf of and, as the IHB, we can process every transaction, all the payments and collections, and more. I'm hopeful that this may be possible one day."



**Naj Aktam,** Head of Cash Management, Saudi Arabia, BNP Paribas

> *The efficient use of cross-border cash pooling solutions represents treasury best practice.*

# Innovating With the Client, Not Just For the Client

**Michiel Radder**
Head of Cash Management, BNP Paribas Fortis, Belgium

**Sergio Ammassari**
Global Transaction Banking Tribe Leader, BNL BNP Paribas

**Key treasury developments in Europe, with a special focus on the critical themes and innovations in Belgium and Italy, were the subject of discussion in the TMI podcast studio recently between Michiel Radder, Head of Cash Management, BNP Paribas Fortis, Belgium, and Sergio Ammassari, Global Transaction Banking Tribe Leader, BNL BNP Paribas.**

Ask a panel of treasurers what it thinks will be the priorities ahead and more often than not these days the top answer will be cash visibility. A recent BNP Paribas Treasury Board in Belgium, comprising a number of the bank's corporate clients, confirmed just this, says Radder.

Indeed, he reports a notable need to have a better understanding of financial exposures, as well as a drive to improve cash forecasting, as many treasurers are taking a more proactive stance on the management of excess cash now that interest rate rises are back on the agenda. Many are naturally thinking in terms of the treasury fundamentals, with improving their capital structures and security of funding still hot topics.

Of course, risk mitigation remains to the fore, especially around FX and liquidity, but treasurers are now more acutely aware of the impact on their role of fraud and cyber-security. For Ammassari, there is a necessary balancing act for treasurers to perform as they try to resolve the most appropriate trade-off between rapid innovation in treasury and other functions across the business, and the security of corporate cash and data.

## Innovating with focus

The adoption of innovative technologies offered to treasury is far from a given: it has to have purpose. When the recent BNP Paribas Belgian Treasury Board touched on certain innovations – notably instant payments – the reception was somewhat muted, recalls Radder. Many believe their current payment runs can easily be augmented by an urgent Eurozone payment with the same-day value, so many feel instant payments are already covered by SEPA functionality. But where real-time payments leave the Eurozone, value dating by local beneficiary banks can become a challenge – so a harmonised approach may be benenficial here.

There is a serious underlying driver for many treasury system deployments. "Even if banks and vendors invest deeply in development, whenever we come up with a new product or service, we are always being asked for it to be cheap as well," comments Ammassari. It creates another unavoidable balancing act for banks and vendors between necessary innovation and acceptable cost.

While technology is often seen as a panacea, and the assumption may be that every treasury will be ready and willing to adopt the latest tools if the price is right, this is clearly not the case. Banks and vendors need to bring every client along with them, states Ammassari. This is why many innovations cater to everyday needs, the aim being to improve the efficiency and efficacy of the fundamentals so that treasury departments can choose to shift their focus towards value-adding opportunities.

In terms of innovation among the fundamentals, Ammassari identifies several main areas of interest. First is the standardisation of KYC management. This is a pain point, especially for large international corporates, that is a work in progress for BNP Paribas' cash management competence centre. Another interest is STP, with a focus on speed and efficiency around processes such as the management of banking orders. It touches on a number of areas the bank is working on to deliver 'instant activities'.

One area of vital importance for every digital solution is cyber-security. Discussions with individual clients are frequent, Ammassari says, "but there is a call for more inclusive seminar-style communications, facilitating a wider understanding of the risks they face". This format is especially useful in assisting businesses to understand and protect the weakest points in their ecosystems.

## Power of co-creation

The fintechs bring their in-depth understanding of these core activities, the banks bring, among others things, the clients and the trust, investing in and integrating fintech solutions, where appropriate, to better the overall client solution design.

With an activity such as cash forecasting, using fintech to ease treasurers away from their traditional manual spreadsheets enables the integration of a wider range of data sources and analytics. This can make a significant improvement in the process.

"That's something we are working on," says Radder. "We have a partner solution that we have now rolled out in Belgium and France. It is a co-design between a fintech and BNP Paribas Fortis. Because it is available as a cash forecasting module in our electronic banking platform, its implementation for our clients becomes a simple standardised effort."

Fintech ingenuity can improve even routine processes, he continues. "In the corporate card space, for example, app-based digitalised onboarding can help businesses to manage their own cards in-house. And technology is available to help reduce return or reject rates in the direct debit environment. These tools are simple but very much appreciated."

Making life easier and smoother for treasurers is a constant goal of those providing the solutions. It's why banks and vendors make the investments in areas such as KYC that treasuries are reluctant to take on, comments Ammassari.

That reluctance in some cases – for example, where 24/7 trade is facilitated by real-time payments – stems from the added demand on the business to run all connected systems at that level. Failure to do so diminishes its value but represents a major additional investment. Radder points

> *"Clients want to automate but they also want to be safe from cyber-attack; they expect results so we must show them results. If we can deliver efficiency and security, that's 99% of our job."*

**Michiel Radder,** Head of Cash Management, BNP Paribas Fortis, Belgium out that while such innovative initiatives are generally valued by clients, each must be presented as an easy integration if it is to meet the constraints of the limited resources and budgets within which clients often work.

## Strong use case

Of the current wave of technologies most pitched at treasurers, the standout one for Radder is APIs. Not every treasurer agrees. "Ease of connectivity is what it's all about so when we asked the Treasury Board attendees if they are already focusing on API technology, the answer was rather disappointing, I must say. But we have to remember that tech changes like this are often 'owned' by other departments, such as IT, or even procurement, so this may reflect why APIs are not yet near the top of the treasury agenda."

A similar muted response was found by Ammassari for the treasury take-up of DLT. "They don't yet see the benefits of exploring or investing in this technology," he notes. "We run a number of co-creation events with clients. It's interesting because whenever we put them in front of a demo or a prototype in order to see what they might like, they always discuss the simplest things; they don't want to engage with complexity."

One area where Radder sees a lot of work being carried out with clients stems from the introduction of SWIFT gpi. Its success, he says, is based on its simplicity. Clients making a payment without it could not see the progress or cost of their cross-border transactions. Using SWIFT gpi means originators (but not beneficiaries) can obtain this information from their participating banks. The gpi for Corporates (g4C) update means payers can directly access this data.

Based on this concept, BNP Paribas set up a co-creation project with L'Oréal. The resulting BENEtracker solution has been designed to enable payment beneficiaries to have the same tracking capability as payment originators. Opened up to all of the bank's clients, it offers real-time visibility of international credit transfers from start to end. "It's so simple but it's what clients want. They don't care about AI or DLT, they want straightforward solutions."

While the appetite for instant payment tracking is strong, it was clear from the BNP Paribas Belgian Treasury Board, referred to above, that the same cannot be said for instant payments. "Most do not yet see the use case," says Ammassari. The retail sector may be less resistant but he feels that many others prefer to stick with what they know.

In explanation, some may feel constrained by the value limits that are imposed in some geographies. While these may be at a level that suits B2C transactions, they may not be appropriate for the B2B environment. In addition, some see instant payments as unsafe: make a mistake and recovery is almost impossible. It's a feeling that persists despite the prevalence of pre-validation technology.

While paying at the last moment before cut-off can bring a useful margin for corporates, the response today is driven "more by feeling than seeing", says Ammassari. It is this view that is seeing treasurers taking innovation at their own pace: when the need arises, it may be useful. And what most feel today, he says, is the need to resolve the persistent pain points. "If we as banks manage to find the applications that manage their pain, then they will follow us immediately," he says.

## Sharing the journey

Clients may not directly see the benefit of a new technology or innovation, but they understand on a daily basis what's not working for them, comments Ammassari. "We must help them to understand where to take these new ideas. We should be meeting and explaining to them the possibilities of new technologies."

When it comes to leveraging Big Data, for example, Ammassari believes that better results can be achieved if the bank understands where its clients' business activities are having the greatest impact – and if there are any weak points – so that the bank can more accurately target its solutions.

"To be able to do that we need to explore Big Data more, but we cannot do that effectively by ourselves," he says. "By sharing the journey with fintechs it helps us accelerate our understanding of the potential of new solutions so that we can begin creating new services for our clients, and then better explain why they need them because until we create that need, they will not follow us."

With treasurers frequently overburdened by the responsibilities of their day-to-day roles, Radder notes that progress through technology can all too often slip between the cracks. A recent workshop with a number of treasurers from MNCs highlighted the case of one that had invested in and implemented a cash forecasting module but simply did

> *"The way we support treasurers is a never-ending evolution. Every year we ask, 'Is there more innovation to come?', and the answer every time is, 'Yes, there is'."*

not have the time to establish proper governance around it. And despite repeated attempts to set up a meeting to help, the lack of available time for the treasurer has meant the solution, which will save time, remains dormant. The drive needs to come from the bank to ensure clients see the value.

Indeed, adds Radder, for something as simple as pre-validating customer name and bank account details, while services exist and work well in countries such as the Netherlands and the UK, in other territories corporates are not so well-served. Here he says fintech solutions are available but corporates are reluctant to pay. "The offer for these validation services needs to come from the banks, and as long as they ease the life of the treasurer, they will be valued."

In the payments space, businesses are often not set up to manage receivables over weekends. But Ammassari believes that as banks are creating the need for and delivering 24/7 payments flows, then they should also be creating and delivering the range of peripheral solutions to support treasurers in this context.

On e-invoicing, he notes that while various domestic initiatives exist, some countries – including Italy – offer no facility to add services such as faster payments and instant reconciliations to the process. There is, he believes, a Europe-wide opportunity for standardisation being missed here. "It's strange that there's not stronger European control over innovation, because at the end of the day it will ease the life of the client when receiving invoices, preparing the ground for additional beneficial services such as supply chain finance."

## Working on the future

With much work to do, the future of treasury innovation, in particular in Belgium and Italy, is seeing BNP Paribas leveraging the opportunity to further co-create with clients. Radder reports on an initiative launched in 2022 to review transaction banking services through a dedicated working capital advisory group. There is, he says, strong client demand for working capital solutions that incorporate cash forecasting, helping to optimise both elements.

Its transaction banking business is also seeking to combine elements of its cash, trade, global markets, and factoring business with links to supply chain management. "We're looking at combinations, so for instance offering factoring where the client can add different liquidity structures and a cash forecasting module."

The same effort is being applied across BNP Paribas' wider client offering. "We are spending €3bn over three years on the evolution of digital technology," reports Ammassari. "It's about investing in innovation to ensure the bank is running in the best possible way now and in the future, so we are making life easier for our clients."

Having launched a full review of the customer journey in January this year, BNP Paribas is working on the redefinition and optimisation of its customer journey. This, says Ammassari, will deliver "new technologies and new products, and help us to rethink how customers can use our tools and interact with us".

He continues: "The aim is to offer the most comprehensive and inclusive banking experience, from local to global. We want to remove silos so we can present the widest view possible of treasury life without overwhelming our clients with multiple technologies. This is why we are integrating all of our systems. Our remote banking cash management portal, for example, should provide clients with the same full functionality in each of their key markets, enabling them to manage everything they do, from finance to FX, through a single entry point."

The work is ongoing which is why, in Radder's view, cash management never serves up a dull moment. "The way we support treasurers is a never-ending evolution. Every year we ask, 'Is there more innovation to come?', and the answer every time is, 'Yes, there is.' Look at our initiatives around liquidity, connectivity, payables, receivables, reporting – the flow of ideas and investment does not stop."

For Ammassari, that is indeed a step towards the best future outcome for bank and client. But he knows the next stage will be born out of the effective amalgamation of these innovations. "Clients want their systems integrated with our systems. They want to automate but they also want to be safe from cyber-attack; they expect results so we must show them results. If we can deliver efficiency and security, that's 99% of our job."

**Sergio Ammassari,** Global Transaction Banking Tribe Leader, BNL BNP Paribas

# All Change

## Keeping Pace with Treasury in the Americas

**Triné Alimena**
Director, Head of Balance Sheet Strategy, Commercialisation & Execution, Corporate Treasury, Liquidity & Investment Advisory, BNP Paribas

**Fernanda Sacramento**
Senior Cash Management Sales, BNP Paribas Brazil

**From technology to ESG, the corporate treasury landscape in the Americas has a dynamism that requires all stakeholders to pay attention. Triné Alimena, Director, Head of Balance Sheet Strategy, Commercialisation & Execution, Corporate Treasury, Liquidity & Investment Advisory, BNP Paribas, and Fernanda Sacramento, Senior Cash Management Sales, BNP Paribas Brazil, examine the path of progress.**

Shifting market forces, constant regulatory additions and updates, globalisation versus de-globalisation, the focus on post-Covid-19 efficiencies: the list of pressures on businesses – and individuals – seems to endlessly morph from one month to the next. It's exhausting, but maintaining awareness and continuing to respond is essential for survival.

This is why, for example, many companies have compressed their digital transformations from years into months, boosting investments in what were once 'nice-to-have' technology solutions, and propelling them into the heart of every organisation as 'must-haves', notes Sacramento. "They had to think very quickly how to respond to Covid-19. Now they face almost constant change."

The same applies with globalisation. Since the current run of crises, the response has evolved dramatically. The risks imposed by, for instance, Covid-19 lockdowns and sanctions following Russia's invasion of Ukraine, have heavily impacted global supply chain management approaches.

The shift from a single-country/single-supplier system to a multi-supplier regional or even global model is much in evidence among clients, says Sacramento. "Across the sectors, businesses have to diversify. They have to rethink, re-source and rebuild new supply-chains in each country and region. They are removing concentration risk, and the efficiency of their new models depends on the precise use of technology." Indeed, she argues, digitalisation is "a key investment that cannot be postponed".

Corporate challenges are mirrored by those of the banks. It's been a shared experience since as far back as the 2008 financial crisis, says Alimena. "In many ways, this has brought us closer. We've vastly improved our dialogue with clients, putting more focus on needs-fulfilment on both sides."

Indeed, the days of pitching products to corporates "in a vacuum" are on the wane, she continues. "The smartest banks and the most adept clients are focused on truly supporting each other through their collective goals. Discussions are centred on what needs a bank can fulfil for its customers, and in return, the value that providing those services delivers to the bank."

Banks are striving to evolve alongside, and in support of, their clients, Alimena feels. She sees it as a truly symbiotic relationship now. "The more we invest in and focus on ways to help the client extract the most from within themselves, the more it fuels their growth. That, in turn, helps the bank's balance sheet."

## Advantage treasury

There is an unintended benefit from the current run of crises. Treasury teams and their banks have been forced to undergo a major maturing of processes across many facets. Central to this maturation is the rapid increasing of their respective efficiency and agility. "Organisations have discovered how to either adapt to change or significantly reduce their vulnerability to shifts in the market," explains Alimena. This has seen many renew their focus on optimising working capital and reducing their reliance on external funding sources.

In the wake of the 2008 financial crisis, for example, a raft of new federal regulations was introduced, recalls Alimena. These impacted the banks in particular and affected everything from liquidity risk to bank account and relationship management. For some businesses it made access to external funding more difficult, and for most it became more expensive.

"Building cash through operations, extracting liquidity that was trapped in the cash conversion cycle, became the only way to create free cash flow for an organisation," she explains. "So the hardest work was forced upon companies at a time when technology was still evolving; they had to find new ways to generate cash within themselves."

As banking and treasury technology evolved, so the treasury function's view of cash improved. Post-crisis, this helped it to assist more in activities such as M&A and other capital investments, driving the role's increasing strategic importance. With technology helping to extract cash, there becomes less of a reliance on external funding sources. During the pandemic, and in the current rising interest rate environment, the preparatory work helping to reduce reliance on external funding and mitigate negative market forces has, in many cases, already been done.

## Seeing gold stars

The success of treasurers in managing the changes under intense pressure has seen several enhance their cash forecasting. This offers rewards on a number of levels. For Alimena, companies that have driven the strongest improvements are seen by the bank as "gold-star relationships". Their successful cash flow and balance sheet management is at the centre of how banks operate too because it ensures their core stability, being central to how they meet regulatory and, ultimately, profitability targets.

'Gold star' forecasting is therefore not only an opportunity for the corporate to make better cash deployment decisions but is also a means of increasing the strength and depth of its bank relationships. As Alimena explains: "Companies that are better positioned to provide a precise and forward-looking view on their cash positions have a way of evidencing their stability and providing comfort to their banking partners".

The relationship-building potential derived from the transparency inherent within technology-driven cash forecasting makes that investment essential for treasury. Banks take this view too. Sacramento cites research from FEBRABAN[1] (the Brazilian Federation of Banks) which notes Brazilian banks' expenses in new technologies reached R$24.6bn in 2019 — a 24% growth over the previous year, with an increase of 48% in investments. The speed with which new and additional challenges are emerging means speed is of the essence, she warns.

Manual spreadsheet-based forecasting or reconciliations is time consuming and an unnecessary risk. "It puts you behind your competitors," states Sacramento. "And if your buyers and suppliers know they are receiving a better experience from your competitor which has invested in automation, you are already on the back foot." Of course, banks face a similar challenge. But for the forward-thinking larger bank, it is an opportunity to collaborate with an appropriate fintech.

**Triné Alimena,** Director, Head of Balance Sheet Strategy, Commercialisation & Execution, Corporate Treasury, Liquidity & Investment Advisory, BNP Paribas

BNP Paribas has a long-term commitment to collaboration with partners all over the world, including in Brazil. For Sacramento, the mix of bank credibility with fintech agility is aimed at "accelerating innovation and delivering timely solutions to support client efficiency and competitiveness".

## Society matters

While the delivery of the right technology at the right time is likely to be advantageous to most companies, one of the key challenges being faced by every business is that of sustainability. The approach taken is often formalised by the setting and meeting of ESG goals.

The European market is often cited as being more advanced in its ESG delivery than other regions, but the rest of the world is making great strides to catch up. The volume of conversation around ESG should mean that it has entered the consciousness of corporate treasurers almost everywhere. However, Alimena notes a more nuanced approach in the Americas, with two major differentiators having emerged.

The first is how ESG principles are woven into the practical management of the organisation. This covers aspects such as its carbon footprint, and the way the labour force is treated internally and across its supply chain. The second is how ESG is built into financial, especially investment, policy.

There is clear emphasis on tackling not only the E but also the S & G principles across the full spectrum of industries and clients in the Americas. The most focused are the publicly traded companies, for obvious reasons, says Alimena. "But we know anecdotally that many start-ups are incorporating this at the outset. They are building companies rooted in being as impactful and as responsible as they can from a societal impact perspective."

With many of the region's large companies in catch-up mode, but nonetheless "extremely focused on it", Alimena turns to the investment policy side of the story as a rich ground of opportunity. She believes the most significant shift towards ESG-focused investment policies is by major publicly held organisations. "Those with excess cash are adopting ESG as an investment differentiator, which works in two ways. It acts as a differentiating investment vehicle for their portfolio, but it also differentiates by impact, enabling good to emerge through their investments as well as their other activities."

For companies looking to engage with ESG, the predominant Americas option is to use ESG-focused MMFs, says Alimena. While she feels the intensity of marketing around a fund's engagement with ESG varies, the reality is that each and every fund has substantially improved on this aspect over the past few years. And with the adoption too of sustainable deposit products, companies have another convenient means of diversification.

**Fernanda Sacramento,** Senior Cash Management Sales, BNP Paribas Brazil

It is in part incumbent upon banks such as BNP Paribas to inform and educate clients as to how changing ESG needs are being met by financial services players, says Sacramento. BNP Paribas places ESG as central to its strategic approach, offering an expanding range of sustainable solutions. But, she says, "we understand that we need to go beyond the standard offering to really make a positive impact".

This sees it constantly exploring ways to differentiate itself from current market norms. "In Brazil, for example, we recently launched a solution that focuses on the social aspect because the market as a whole has a significant tendency to focus on the environmental," she explains.

The effort does not detract from BNP Paribas' existing strong focus on the environmental element, but rather complements it. The programme donates a proportion of cash management fees paid by clients to a globally recognised NGO that is dedicated to tackling hunger and malnutrition. Clearly this is not a balance-sheet or finance-related solution but, as Sacramento explains, "sometimes a solution can just be driven by philanthropy".

## Pushing boundaries

Brazil is undergoing some major changes at the moment, and not just politically. In the payments space there's a significant amount happening, with innovation being a huge driver in the country's banking industry over the past few years. "The central bank is playing a very important role by supporting new technologies and calling on all stakeholders, including fintechs, to collaborate and launch new solutions every year," notes Sacramento.

Market engagement gave rise in 2020 to the roll-out of the country's instant payments mechanism. This provided the bedrock for intense activity around further digitalisation, even heralding the emergence of several new digital banks.

It does not stop there, she adds. "Open finance is being rolled out; it's a massively important change in the market, giving banks and FIs a more secure way of enabling customers to share their financial data with financial apps and other third parties. Banking-as-a-service is top of mind of all the banks and many corporates too."

In Brazil, the adoption of cutting-edge AI is currently solving some back-office challenges in the banking industry, automating certain processes and reducing the risks inherent in manual activities. Brazilian banks are also using blockchain as part of their asset tokenisation programmes, as well as for international transactions.

"Our increasing push for digitalisation is creating opportunities for our clients to innovate while improving their customer experience and reducing risk," says Sacramento. But while she sees the direction of travel towards digital as forward only, she stresses the importance of maintaining human interaction "to really understand what the client needs". Indeed, she continues: "the personal experience at the end is valued by our clients, it's what differentiates us."

Technological progress to date in Brazil is supported by the central bank. It has shifted its stance in recent years from reactive to proactive, notes Sacramento. "It is bringing innovation to market and opening up and facilitating discussion among all the key stakeholders to explore how new technologies can be implemented safely."

The central bank's innovating agenda, which brought instant payments, also heralded intense market competition among existing banks and their new digital counterparts. This gives customers many more options where the best experience for them wins, whether that is through no-touch digital or deeper relationships.

It's fair to say that with central bank support, the industry in Brazil is now continuously promoting innovation. Conversations around the payments space have been joined by diverse topics such as credit accessibility and banking documentation requirements as change gathers pace. Indeed, Sacramento believes the arrival of open finance will "completely transform the way banks operate" in the next few years.

> "*Cutting-edge AI is currently solving some back-office challenges in the banking industry.*"

## Keep talking

There is no doubt that progress in the Americas is firmly on the agenda. There's much that can still be done, comments Alimena, but it is noteworthy that dialogue between companies and their banks is now fully open. Indeed, today there is a good reason why bankers now call themselves relationship managers, and salespeople are increasingly referred to as advisers. "It's because our conversations are now focused not only on what we need as a bank but also what we can do to solve the challenges and opportunities of our customers, and exploring how these two objectives can be jointly met." And while Alimena acknowledges that technology has a vital role to play in this, she is unwavering in her belief that it is only ever the enabler. "The real key is having that closer dialogue so that everybody can grow together."

Sacramento's view that technology "is now a must-have, not a nice-to-have" underpins her belief that corporates need to begin addressing technology in a different way. "It's not an expense," she states, "it is an investment". The same, she adds, might be said about the push to incorporate ESG into treasury and finance. And as with technology, this too, she feels, requires closer co-operation.

"In every industry, we need to think out of the box to create, deliver, and adopt solutions. As a bank, we want to provide the best ways to address ESG topics, but we want to hear from corporates about what they need so we can begin co-creating."

Ultimately, the depth of conversation now possible between bank and client is proof of how relationships have finally made it to the foreground, concludes Sacramento. "We need to look behind the machine and we need to see there are people there who understand the clients' needs, and know how to address them in the best and most efficient way."

**Notes**

1 https://www.sciencedirect.com/science/article/pii/S1517758021000151#bib15

# Unpacking APAC

## Reflections on a Region

**Krishna Sampath**
APAC Head of Liquidity and Investment Solutions, BNP Paribas

**The past 12 months have seen the emergence of some major challenges and opportunities in every region, not least APAC. Krishna Sampath, APAC Head of Liquidity and Investment Solutions, BNP Paribas, reflects here on the main events of 2022 before looking forward to the final quarter of 2023.**

Central bank rate rises across the globe, inflation, geopolitical uncertainties, and the ongoing effects of the pandemic still conspire to unsettle the life of many treasurers in APAC. In particular, there is a continued need to grapple with the cost of liquidity.

"Many credit-worthy businesses had built up a significant war chest of cash during the early period of the pandemic, benefitting from significant central bank injections of liquidity into the system," notes Sampath. "But since Q1 2022, when first the US Fed, then many other central banks, started to raise interest rates aggressively, the opportunity cost of holding excess cash versus servicing debt has significantly increased."

Globally, corporate treasurers have more than ever needed to find the balance between holding sufficient working capital, and using excess cash to pay down debt, execute share buybacks or facilitate M&As to capitalise on growth opportunities. For APAC treasurers in particular, the region's diverse mix of highly regulated and open markets adds to this challenge, says Sampath.

Those open markets – such as Singapore, Hong Kong, Australia and Japan – are where most of the large corporates tend to have their regional treasury centres and from where they manage their G3 and G7 currencies. However, he continues, much of their manufacturing is based in financially controlled jurisdictions such as India, China, South Korea and Taiwan. "Throughout the course of last year, many treasurers expended a great deal of energy managing these local currencies, and the FX risks that emerged because of increasing interest rates, and they continue to do so this year."

> *"Open markets are where most of the large corporates tend to have their regional treasury centres."*

But corporate treasurers are also facing supply-chain-derived issues, having to manage increasing cost pressures and the impact of deglobalisation on resource deployment, says Sampath. Indeed, he notes where once centralisation of teams and processes was a fairly obvious solution, the pandemic and various supply-chain disruptions have meant it may not now suit some situations.

This means treasurers have had to quickly reassess and reprioritise their approach. In some cases, processes have been decoupled, with "standby territories" deployed to manage them. This is potentially impacting longer-term plans, even for pursuits such as ESG. Sampath acknowledges the value of questioning the status quo, but accepts too that doing so in the face of multiple uncertainties is a nonetheless unwelcome challenge.

## Flexible approach

The low interest rates that had been seen until 2022 saw some treasurers opting for longer tenors on their cash, just to earn an uptick on yield. "Many of them also started to explore off balance-sheet options such as MMFs, especially for negative yielding currencies such as the euro and JPY [Japanese yen]," comments Sampath. "Banks were even encouraging corporates to do this because they wanted to optimise their portfolios of negative-yielding currencies."

However, with the change of mood at Q1 2022, as interest rates began their ascent, he saw overnight deposits swing back into favour, compounded by most treasurers' aversion to longer tenors in a volatile environment.

Of course, in the current difficult environment, working capital optimisation is another priority. For Sampath, treasurers are indeed focusing far more on efficiency. "As we've seen, the full centralisation of processes has been challenged, and treasurers are now considering how best to remodel their structures to support their organisations in a more flexible manner."

To achieve this, he suggests a path of digitisation. "But understand that technology is part of the answer, not the only answer," cautions Sampath. "It's about more than simply connecting an ERP to a bank system; it's about streamlining collaboration between teams too. But when aiming for that, it is first essential to analyse the allocation and deployment of all related resources to discover how technology can fill the gaps and support growth."

One area of impact for example could include AP/AR processes. If, through the right technology, these are tightly integrated across internal systems, and externally with a bank or a third-party SCF platform, it will help a business to extend DPO while reducing DSO, and in so doing, support the working capital health of itself and its suppliers.

## Advantage APAC

There is no doubt that technology can be a game-changer, and the perception from Europe is often that the open markets of APAC are particularly well advanced in terms of readiness for the adoption of cutting-edge tools such as AI, blockchain and APIs, notes Sampath. Indeed, while in many regions the pandemic accelerated the digitisation of corporate treasuries, he says some APAC exponents have been particularly ambitious in their approach. "The deployment of automated liquidity solutions, capable of enhancing both visibility and yield, has been essential to the treasurer's understanding of their positions across APAC, and has been readily adopted," he confirms.

Furthermore, tools to help centralise liquidity at regional treasury centres (RTCs) have been deployed by APAC treasurers as a risk management measure, as a route to more efficient cash deployment, and as a way to leverage concentrated liquidity when rates were low. "And this year we are seeing an uptick in the number of RFPs from clients where cash and liquidity centralisation are prominently featured," notes Sampath. "I can see this trend continuing for the remainder of this year as liquidity remains a focus for corporate treasurers."

From Sampath's perspective, these treasurers typically have three elements of revision in mind. "They're looking at transparency, visibility, and control," he states. "I think even though these are fundamental, treasurers are truly seeking more efficiency across these three elements by remodelling. And if they're looking at that, they will be considering digitisation."

Believing that it's important for treasurers to establish "a good sense of where they are as soon as possible", Sampath offers SWIFT gpi as an example of how transparency and liquidity management can be quickly enhanced. He adds that the next generation of virtual account management, available in certain APAC territories,

*"The full centralisation of processes has been challenged, and treasurers are now considering how best to remodel their structures to support their organisations in a more flexible manner."*

is also offering greater control and visibility over some of the cash carried across the business.

And when it comes to the rapid emergence of real-time infrastructures in many APAC territories, he says this has enabled treasurers to query important information "as and when they need it". Allied with API connectivity, these treasurers can now access real-time payments and collections. On the payments side, Sampath says doing so facilitates better control over how and when a business deploys its cash resources. Real-time collections provide corresponding immediate status updates on a business' receivables. With more power at the treasurer's fingertips and an obvious liquidity management upside, he feels APAC is in the midst of "a new on-demand era for treasurers".

## Change supporting growth

As 2023 continues, and technology adoption gains momentum, so treasury will be better able to support corporate growth opportunities in APAC, says Sampath. Part of the exercise has already seen new business distribution models take shape with, for example, D2C sales and product-as-a-service (where subscription-based sales give more certainty over some cash flows) slowly gaining traction.

"These changes impact patterns of collection, but also drive further adjustments in the way a business looks at its AP/AR cycles and how its cash and inventory needs are forecast," notes Sampath. "This has an impact on financing, from a treasury standpoint, which in turn also requires banking partners to revise how we support clients on their growth path."

Aside from digitisation and changing business models, Sampath sees the need for tighter supply chain management on the APAC radar. Regardless of sector, recent disruptions have forced businesses to optimise their inventory because costs have risen so much. This means balancing the cost of warehousing stock versus the risk of non-delivery is now a concern.

> *"Many large Asian corporates, especially those based in India, China, South Korea, and Japan with global ambitions, have now clearly defined ESG agendas."*

There is also a need in APAC to reconsider how talent pools and human resource models are handled, says Sampath. "Decentralisation, or deglobalisation, has seen teams distributed across many different territories. It requires a new approach to the support model, especially on the treasury side." Change will generally be driven by the need for resilience and serving the wider business in the most effective and efficient way. However, the pandemic has highlighted not just how if one location cannot function another must be ready to take over but also that many professionals now see remote working as part of their normal working life and that it must be accommodated.

## Prioritising ESG

Perhaps one of the hottest topics for 2023 in the treasury space is ESG, says Sampath. It's been simmering for a number of years in APAC, somewhat in the shadow of uptake in Western markets. However, while he acknowledges that European and North American clients have been more active in the ESG space than their Asian counterparts, momentum is gathering.

"Many large Asian corporates, especially those based in India, China, South Korea, and Japan with global ambitions, have now clearly defined ESG agendas. It's critical for their investors and consumers and for access to the capital markets." And with notably increased interest from large Asian clients in IT, pharmaceuticals, and semiconductors, Sampath notes a "very strong pipeline" this year.

**Krishna Sampath,** APAC Head of Liquidity and Investment Solutions, BNP Paribas

As treasurers prioritise some of their mid- to long-term ESG projects it may be necessary to regroup resources and even reconsider some of their other priorities, comments Sampath. This may be best executed by coupling this effort with their digitisation projects, for example by incorporating some ESG KPIs as they seek to replace legacy paper trails between teams with new digital flows.

To maintain the impetus, especially given the current economic climate, Sampath adds that it's critical for corporates to clearly articulate the financial incentives of their ESG strategies, both to internal and external stakeholders. For this reason, he sees the role of the Chief Sustainability Officer in many cases transitioning to the CFO's office, "because ultimately I think ESG strategies will be linked".

It's very apparent to Sampath too that ESG in commercial life is here to stay. Having a clear, actionable ESG plan for corporates, and corporate treasurers, is expected by investors and by consumers, he says. "Naturally, some corporates are more ambitious than others in terms of their ESG agenda, but the key driver that will determine the success of all initiatives will be the financial benefits that accrue for the business and, ultimately, its investors."

For example, if a corporate sets up a sustainable SCF programme for its suppliers, and the right bank incentives reduce the costs compared with a standard SCF programme, then there's an immediate proven benefit for all, he says.

Similarly, if a bank offers qualifying clients higher yields on its sustainable deposits than its regular deposits, then the financial incentive is obvious. In APAC, BNP Paribas has already booked sustainable deposits with more than 15 large MNCs and Asian corporates across 10 markets.

"Being able to connect the financial incentives of corporate ESG strategies to day-to-day functions in corporate treasury provides further impetus for corporates to deepen their engagement on this important subject," says Sampath.

Of course, it also demonstrates how treasury can use ESG to add value, even with the 'social' element. Indeed, explains Sampath, treasurers can use ESG policy to cultivate a more diverse workforce, for example by recruiting from non-traditional talent pools to bring on board a range of experiences, perspectives and complementary skills that can help treasury enhance its service offering.

It is the role of the banking partner to add value to the client ESG journey too, notes Sampath. Banks should deliver appropriate products and financial incentives, from sustainable deposits that enable a corporate treasurer to take an easy first step in the implementation of their ESG strategy, to more complex products. But they must also be able to deliver in an advisory capacity.

In this respect, Sampath explains that BNP Paribas "has extensive experience in guiding corporates on ESG at a strategic level, and operationally in key areas such as selecting and establishing the KPIs, which are not only critical when accessing the sustainable capital markets, but also on the cash management side". Clearly, the value of a good partner should never be underestimated.

## The journey begins now

Indeed, Sampath observes that, because unlocking transparency, visibility and control is very important for a corporate treasurer in order to begin rethinking and reprioritising treasury's response, "true treasury efficiency can be achieved through integration with a good transaction partner".

Some of the fundamentals remain as strong as ever though. As transformation begins to take shape, that well-worn mantra of 'cash is king' – which continued to resonate for most businesses during the pandemic – is now ringing true as the rising interest rate and inflation cycle bites around the globe. "Corporate treasures will still need to find the right balance between holding cash reserves and deploying their cash to reduce debt costs and growing their businesses," says Sampath.

The need now, continues Sampath, is for treasurers to "take a long, hard look" at their set-ups and ensure they are not only mitigating their operational risks but also the rising tide of geopolitical risks. "Explore different technologies and strategies, make sure the right talent is available to you, but also seek out partners that can support you in that journey," he says. "Investing in your treasury transformation journey today means you will be better positioned to meet the challenges of tomorrow.

> *True treasury efficiency can be achieved through integration with a good transaction partner.*

# Rapid Digitalisation Drives Game Changing Innovation in Treasury

**Shreeram Sethuraman**
Head of Transaction Banking,
BNP Paribas India

**India is beginning to reap the benefits of an ambitious national programme of digitalisation that is being actioned at breakneck speed. BNP Paribas India is bullish about the long-term impact of the initiative on the country's economy and is itself being highly proactive in leveraging the fast-increasing levels of digital connectivity to deliver novel solutions for its corporate clients, not least across transaction banking.**

> *"The rapid digital transformation of India over the last decade has played a major role in supporting the country's healthy economic performance."*

The rapid digital transformation of India over the last decade has played a major role in supporting the country's healthy economic performance in recent years. While it is widely expected to continue accelerating and paying off handsomely for India over the long term, digitalisation is already having a profound impact on many fronts, not least in payments innovation and transaction banking.

India now accounts for nearly 40% of all digital transactions globally. In less than 10 years, there has been a seismic shift away from a paper-based cash management, driven in no small part by the introduction of electronic payment systems which run 24/7/365 – with instant capabilities on tap.

A crucial aspect of the country's successful digital transformation is that the needs of the consumer have been central to its design and implementation. As a result, government-backed payment platforms are proving generally popular. And that, in turn, is supportive of consumers and retailers wanting to use the most accepted payment methodologies, helping to build critical mass.

Arguably the most significant game-changer for India has been the state-led, regulated Unified Payments Interface (UPI) payments system. Launched in 2016, UPI is a platform that enables free and almost instantaneous account-to-account transfers using fintech apps facilitated by QR codes or easy-to-remember virtual IDs. Unlike its peers in other countries, for example Alipay in China, UPI is open. This means users are not locked into a single company and can take their financial history to competitors. UPI's zero-fee model, meanwhile, has helped ensure its wide acceptance nationally – which is great news for businesses in all sectors. Overall, UPI processed over $1tr. in transactions in 2022, equivalent to a third of India's GDP.

## UPI spreads its wings

What's more, further development of UPI is continuing apace. In March 2023, the Reserve Bank of India (RBI) launched UPI for feature-phones. These are basic phones that typically provide voice-calling and text-messaging functionalities and are equipped with buttons, not touchscreens, as with smartphones. The initiative potentially opens up UPI to millions of people without smartphones.

Elsewhere, UPI has been such a success that it is being connected to other countries worldwide, the aim of making cross-border payments more seamless. It has already been integrated with Singapore's payments system, enabling people to send remittances with a relatively low 3% fee. Indeed, India wants UPI to become a payment option abroad, just as Alipay is widely accepted outside China.

More broadly, rapid digitalisation has meant that India now also has a much-evolved market for API-based banking products, a reliable technology stack, and strong controls on data security and data protection.

> *"Rapid digitalisation has meant that India now also has a much-evolved market for API-based banking products."*

The banking industry has played a crucial role in this journey by bringing in technology and transforming its processes at breakneck speed. And BNP Paribas has played a leading part in that effort.

The importance BNP Paribas attaches to India's digital transformation is a reflection of its status as the bank of choice for a wide range of corporates – from the biggest automobile manufacturers and dairy products companies to the largest oil distribution firms and telecom equipment makers.

## Focus on solutions not products

BNP Paribas operates on a primarily B2B business model in India and in this space we are increasingly becoming a very large player. In the two dozen or so request for proposals (RFPs) we have participated in during the last 24 months, our success rate has been around two out of three and this has been achieved in competition with the top peer global banks.

Three key elements have underpinned this success.

The first is our determination to sell solutions, not products. Many banks stress their commitment to implementing solutions that duly address the needs of the client – but in reality, few achieve that goal. BNP Paribas' strong focus on understanding client needs, developing fit-for-purpose solutions for them, and not falling back on commoditised products is well-known and backed up by client case studies such as the Fortum success story detailed in this guide.

**Shreeram Sethuraman,** Head of Transaction Banking, BNP Paribas India

The second element is BNP Paribas India's strong focus on the quality and reliability of our IT systems and ensuring they can be tweaked effectively at the local level to adapt to client needs. In India, this capability is especially important from a regulatory perspective.

The final element of our success is a continuous mechanism of reinventing ourselves to outpace the competition. On this front we have embarked on a journey of co-creating solutions with fintech players and indeed our own clients. And these partnerships are proving remarkably successful, with great results for end-users, namely corporate treasurers.

## Innovative solutions

More specifically, it is widely acknowledged that BNP Paribas India has been at the forefront of innovations in transaction banking in India over the last two decades. For instance, we were among the first of the major banks in India to introduce a virtual account solution and we were the first bank to offer a fully integrated bill payment solution for corporate clients.

Elsewhere on the innovation front, BNP Paribas India has co-produced novel financing solutions with our fintech partners, including for electric vehicle (EV) charging stations (again, see the Fortum case study in this guide) and electronic invoice payment and presentment. The bank has also developed in-house an AI/ML-based tool to read payment advice notices, which can potentially reduce our clients' manual efforts and result in an automated solution for receivables reconciliation.

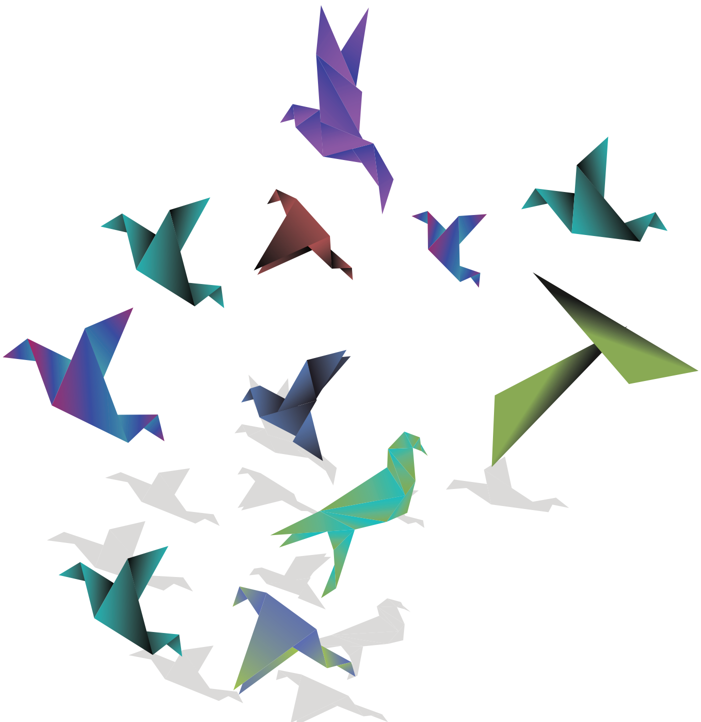
Our innovative platform Document Exchange Connect (DEC), meanwhile, provides clients with a single interactive platform enabling them to offer more than 22 trade products. All these innovations have led to an enhanced user experience for our clients and tangible benefits, such as a reduction in manual processes.

The sheer pace and scale at which India has embarked on digital transformation has few if any parallels in India's recent history. Its implications for the future of transaction banking and the corporate treasury profession are clear: both need to be laser-focused on building digital functionality and promoting sustainability.

## Challenge for treasurers

Moving forward, digitalisation for treasurers in India is likely to mean that they focus much more on managing and protecting data and not just money. There is already an enormous amount of data that exists in the bank's ecosystems. How to leverage that data to offer solutions in the new digital landscape is a major challenge. While some of these novel solutions will undoubtedly give rise to disruptive practices, others will enable clients to do more with less.

And with the last of the digital-native Gen Y cohort entering the workforce and Gen Z consumers beginning to enter the digital ecosystem and shape consumer behaviour over the long term, India is well placed to reap the full benefits of digitalisation. So too are corporates operating in the country, with the support of an innovative banking partner.



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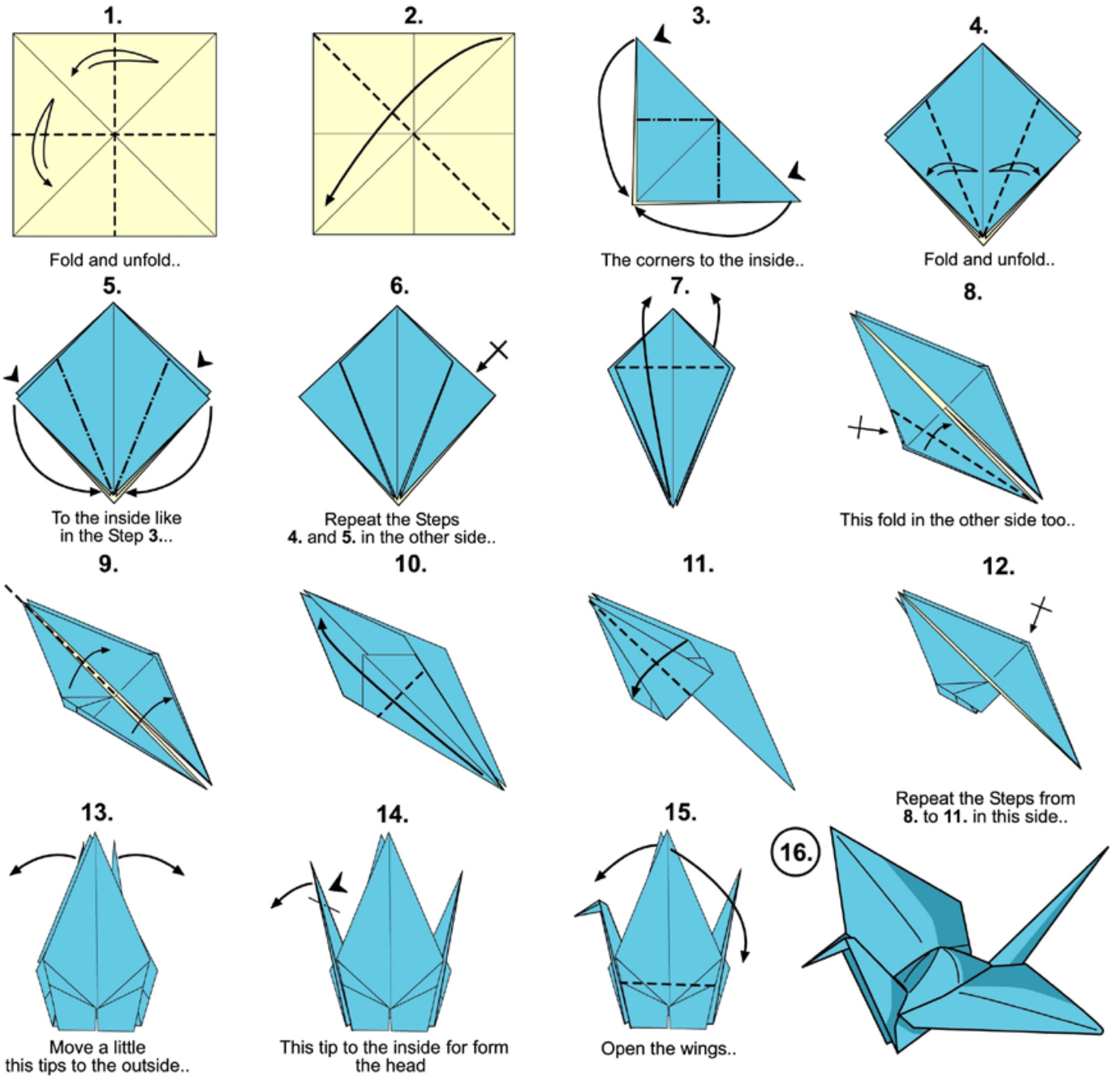

1.
Fold and unfold..
2.
3.
The corners to the inside..
4.
Fold and unfold..
5.
To the inside like in the Step **3.**..
6.
Repeat the Steps **4.** and **5.** in the other side..
7.
8.
This fold in the other side too..
9.
10.
11.
12.
Repeat the Steps from **8.** to **11.** in this side..
13.
Move a little this tips to the outside..
14.
This tip to the inside for form the head
15.
Open the wings..
16.

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