

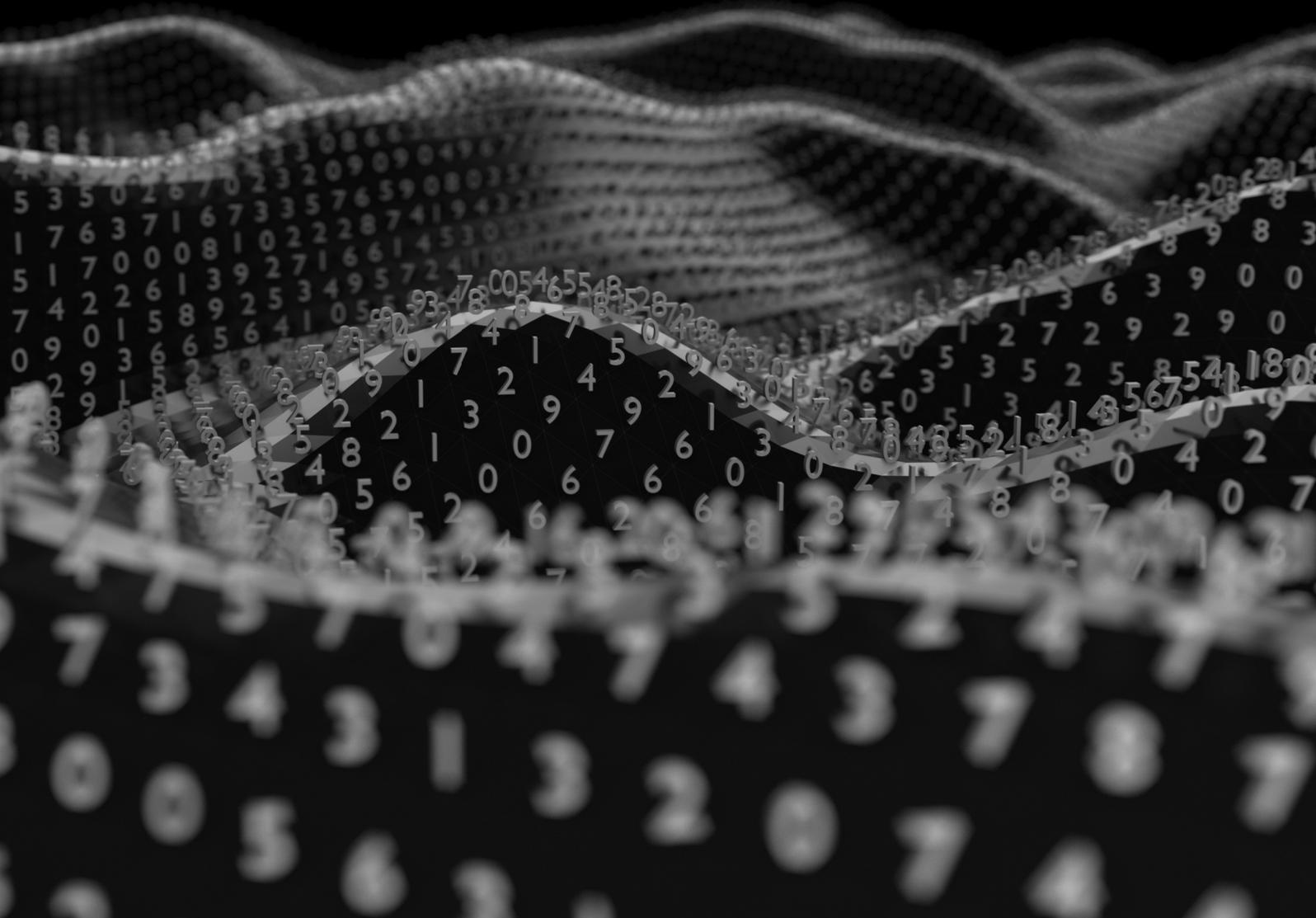


**BANKING  
CIRCLE**

A Saxo Group company



**MagnaCarta**



## RE-DRAWING THE MAP

The changing landscape of cross border banking and payments



# INTRODUCTION

Multiple forces are tearing up the map of correspondent banking and cross border transactions. The rise of the digital-first business, which is often global from inception; the retreat of large global banks from their correspondent banking networks; and increased customer expectations for more fluid, lower cost international payments. These are coming together to shake up a market largely unchallenged since the dawn of international trade.

Margin compression, the influence of consumer-driven FinTech innovations, and regulatory enforcement designed to open up fiefdoms that were previously closed to outside competition, are partly responsible. But while the market may be at an inflexion point, the battle is far from lost for incumbent or institutional providers of cross border banking services. So far.

While the map is being re-drawn, as this paper based on insights from interviews with mid-tier and large banks reveals, incumbents of all sizes remain in pole position to seize the opportunity of the industry's gradual digital overhaul. For the moment.

The challenge ahead is not for the faint of heart. Meeting it will require resolute commitment and a progressive shift in institutional mind-set. The research emphasises that to seize the opportunity, banks should start from the top with a strategic re-think of the cross border product set, working right through to sales, marketing and distribution channels.

Institutions that put the customer and the re-definition of global business at the centre of their operations - and can banish the rigidity of the pre-digital age - will be best poised to benefit from the new golden era for global trade.

Saxo Payments Banking Circle believes that winning in the digital age is not about making existing processes faster or better but re-imagining processes to put the customer first. Banks should be moving up the value chain and focussing resources on delivering the best possible service to the customer, allowing core banking functions to be delivered by financial utilities which have the technological capability to do so more cost-effectively and efficiently than they can. That is why we have sponsored this white paper, researched and published in partnership with MagnaCarta.



**Anders la Cour**  
*Co-founder and Chief Executive Officer*  
Saxo Payments Banking Circle

## CONTENTS

Introduction – P2

Interviewees – P3

Executive Summary – P4

1. The Rise of the Connected Treasury – P5

2. Smaller is Beautiful – P7

3. Blurred Lines – P12

4. The Early Years – P14

Conclusion – P15

About the authors – P16



## INTERVIEWEES

*Re-drawing The Map* includes insights from twelve large, mid-tier and new banks and payment organisations in Europe, Asia and Canada. We would like to give our thanks to all the interviewees who contributed to the research for this report.



**Will Beeson**  
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Civilised Bank, UK



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Paysafe Group, UK



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**Geir Gundersen**  
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## EXECUTIVE SUMMARY

*Re-drawing the Map* includes insights from interviews with heads of correspondent banking, cash management and transaction banking at large and mid-tier institutions across Europe and in Canada. The interviews were conducted between February and April 2018.

The research identifies four primary themes to help banks re-think the approach of their international banking and transactions businesses:

### 01

#### Commitment over complacency

It's fair to say that the FinTech revolution has scarcely dented the dominance of traditional financial services providers. Cross border banking in particular remains a relatively protected, rarefied marketplace, characterised by entrenched relationships and risk aversion among corporate treasurers. Nevertheless, smaller institutions are already seeing rapid growth in their corporate customer base for services previously provided by larger banks. Greater commitment to understanding what business customers need, and how to match demands for lower transaction costs and greater transparency, are becoming the new competitive front line.

### 02

#### Simplicity over size

The consumer FinTech proposition is simple but effective: offer a transparent service, at lower cost, packaged in a customer-friendly experience. While cross border FinTech transaction volumes are still small, their influence on delivery across the financial services industry has been transformative. As consumer FinTech inspiration filters through to the corporate treasury, growing comfort with non-bank competitors is becoming the norm. There is still a golden opportunity for banks to re-double efforts to match the needs of business customers. Doing so will require jettisoning the internal siloes and cross-selling subsidies between banking product lines, replacing them with more flexible, simply-presented services that meet the needs of individual businesses.

### 03

#### De-coupling over domination

The reduction in scale of correspondent banking networks among global banks, in step with the rapid growth in international transactions powered by the rise of the digital economy, has widened the gap in the provision of cross border services. As industry-wide initiatives like SWIFT gpi gather pace, and the confidence of corporate treasurers to use non-bank payments alternatives increases, the de-coupling of international payments from previously dominant global providers is creating plentiful opportunities for smaller institutions to fill the gap.

### 04

#### Openness over obstruction

Moves by regulators, and the proliferation of payments services, have flattened the competitive landscape of European consumer payments. At current metrics, capturing revenues from the fastest growing area of international trade – the growth in digital-only businesses – is unjustifiable for many banks. The full force of this trend is yet to be felt among providers of cross border banking services in the region. The research shows that an open approach to competition – embracing the need to work with partners to deliver the best service to corporate customers – is a prerequisite for survival in the digital economy.

## SECTION 1

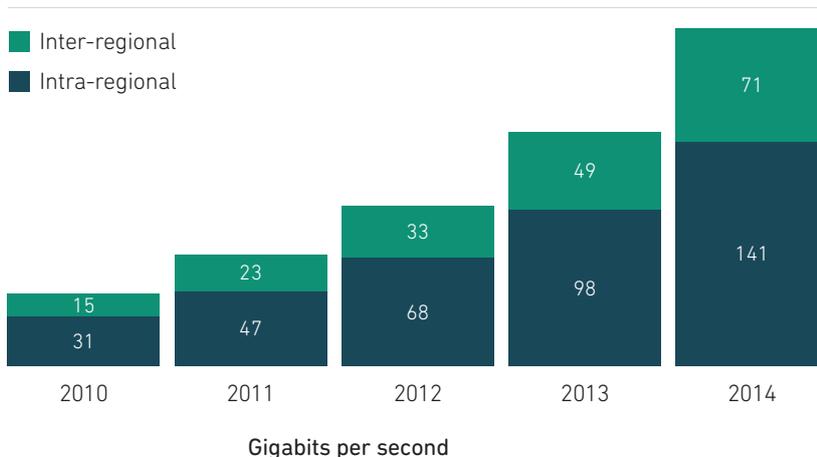
# THE RISE OF THE CONNECTED TREASURY

Digital is shaking up the corporate treasury and with it customer expectations for service, speed and cost from their international payments providers.

The nature of global trade is changing. In the digital economy, the old metrics of shipments of physical goods or export-import volumes of the world's largest companies fail to capture the way that globalisation is transforming.

Already, and increasingly in the future, international trade is more complex, as defined by the exponential growth in data traffic across borders; more global, as e-commerce platforms allow companies in emerging markets to join international trade networks; and more diverse, as technology facilitates the creation of the micro-multinational, enabling even the smallest business to compete with the largest multinational company (see table 1, Global data flows, below).

**Table 1: Global data flows**



Source: McKinsey Global Institute, TeleGeography

In the non-digital world things are changing too. A prolonged period of low growth across the advanced global economy, hyper-low, even negative, interest rates and, yes, the influence of consumer FinTech innovations, have caused the business model for servicing international trade networks to fall apart. In turn this is pushing up client demand for greater variety and flexibility in cross border payment options and causing a widespread retreat in market coverage by the global banks that once dominated the correspondent and international banking landscape.

What's left in their place is a fragmented map of solutions and uneven global coverage. This new map is made up of an assortment of mid-sized regional banks – usually working in tandem with the once-global correspondent institutions – repurposed consumer FinTech, and global remittance providers like Western Union or MoneyGram that have spotted an opportunity to service burgeoning transaction corridors, particularly between emerging markets.



As Irete Ogbu, managing director of payments and receivables at Citi remarks: "Cross border in terms of SWIFT payments is around 40 years old and it's clear that this market is ripe for change. Recently there have been significant steps forward with the launch of SWIFTnet, initiatives like GPI and the exploration of incorporation of new technology and FinTech partnerships into the existing SWIFT model."

Alternative providers are doing an adequate job with faster, cheaper solutions servicing a specific payment need. But the market is wide open for institutions able to offer integrated trade solutions that understand the needs and complexity of the modern treasury, while matching expectations for more transparent, lower cost cross border transactions.

## Not digital enough

Digitisation, or rather the lack of it, is a big part of the problem. On both sides. Among the banks interviewed for this research, sentiment toward the era of digital globalisation ranges in varying degrees from apprehension and complacency tinged with healthy realism, all the way to an open embrace of the flatter competitive landscape. For corporate treasurers too, implementing a programme to digitise the treasury and incumbent payment processes comes burdened by substantial potential risks, often with unpredictable outcomes.

In spite of the rising digital tide and building protectionist headwinds - ranging from the UK's exit from the European Union to the increased prospects of a trade war between the US and China - international transactions are growing. Additionally, despite the perceived threat, FinTech innovation has not yet had any material impact on transaction banking revenues. In the words of Marc Recker, global head of institutional market management at Deutsche Bank: "We're not complacent but to date we've not seen major impact from FinTechs in the cross border payments space. This

may be due to the fact that they do not possess the same reach and perceived trust. That said, we expect banks to collaborate with FinTechs in areas where this results in additional value for clients."

Change is not an option however. During this *inter-regnum*, as global trade transitions to digital, institutions that adapt to shifting client needs stand to win when the map is finally re-drawn. If they don't adapt, there's a real threat that regulators will enforce change. Consumer precedents in Europe have already been set with Open Banking and PSD2. The European Commission's proposals to force banks to cut fees for cross border euro transfers from non-Eurozone countries<sup>1</sup>, in March this year, is another step in that direction.

the challenge of servicing the largest and smallest companies, as well as everything in between.

The growth of the digital economy and the number of digital-first businesses will only contribute to the pressure. Slender margins on digital transactions, particularly for digital assets or goods sold over e-commerce platforms, are focusing the attention of businesses on their transaction costs and the role that faster, more fluid payments play in improving company cashflow.

While the landscape is in flux, now is the time to take action. To respond to the rise of the connected treasury, correspondent banks must adapt to the changing nature of modern business and global trade. To achieve this, banks should deploy a three-pronged approach, with the client firmly at the centre, characterised by:

- Understanding that rigidity and inflexibility in payment options is a thing of the past
- Using technology to drive down costs, and improve transparency and transaction speeds
- Integrating partnerships with best-in-class third party innovators to rebuild trust.

//  
CUSTOMER  
EXPECTATIONS  
AND DEMANDS FOR  
SOLUTIONS ON THE  
CUSTOMER SIDE  
ARE INCREASING. //

LARS SJÖGREN  
DANSKE BANK

## Connecting the treasury

Regardless of the regulators, expectations have already altered. In a global survey of corporate treasurers last year, over three quarters of companies of all sizes expressed a strong desire for increased automation of back office payment processes<sup>2</sup>.

Many banks are already feeling the shift. Lars Sjögren, global head of transaction banking at Danske Bank points out, "Customer expectations and demands for solutions on the customer side are increasing", at the same time as the bank responds to

## SECTION 2 SMALLER IS BEAUTIFUL

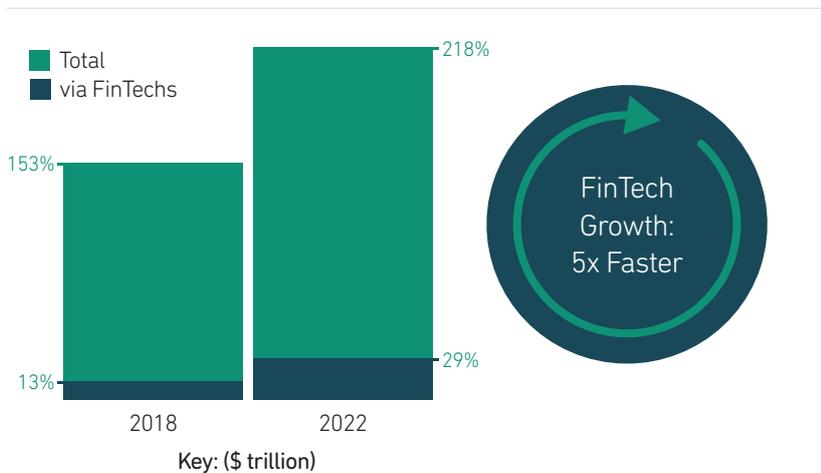
Digital is flattening the marketplace for incumbent providers of cross border banking and payments services – enabling a world of more providers and greater competition. Increasingly, acceptance of an ecosystem-based approach to partnerships with third parties is essential.

It's not all doom and gloom. In fact, for Europe's small and mid-sized institutions, insights from the interviews underline that digital globalisation could herald a golden era for smaller, regionally-focused banks.

Smaller institutions are in a strong position to win market share – particularly for business from mid-sized corporates. Depth of local knowledge and experience, strong customer relationships, and leaner cost structures mean they can already serve and compete with the established elite of correspondent banking providers.

Across the board, despite some apprehension around the potential for increased competition, interviewees are positive about the prospects for growth in their cross border transactions businesses. Rightly so. HSBC predicts that global cross border trade volumes in goods and services will grow by a healthy 7% in 2018<sup>3</sup>.

**Table 2: Value of cross border transactions**



Source: Juniper Research

Among the banks interviewed for this research, global institutions – Citi, Deutsche Bank and Standard Chartered among them – feel relatively relaxed that their provision of hub-and-spoke style global networks will secure their role in providing global payments transactions services for the world's largest companies well into the future. The scale of the institutional framework for cross border payments is a big part of the reason. "Around 11,000 banks are connected via the SWIFT network, this is a big positive for the current system in terms of critical mass, path to scale of new solutions, technology and robustness," says Citi's Ms Ogbu.



The mood is optimistic at the other end of the spectrum too. Both small and mid-sized institutions reported that they're benefiting from a virtuous spiral of growing transaction volumes, the partial retreat of global banks from their correspondent banking networks, and the strength of their relationships and understanding of the needs of their mid-sized corporate customer base. Geir Gunderson, vice president for payments at SR Bank in Norway: "Some customers previously would not have been interested in a bank like ours. Larger banks now are focusing on larger customers and this opens a window for mid-tier banks."

## Opening the black box

So far so good. So what's the problem? For one thing, the current scenario is unlikely to continue for very much longer. Driving the hunt for efficiency gains and the need to root-out manual processes, a number of changes are on the horizon including: rapid technological change across all areas of business; shifting demographics in company size and formation (see *The Rise of the Connected Treasury*, above); and the growing influence of consumer FinTech innovation on the company

back office – from arcane areas like global custody, invoicing and reconciliation, to everyday functions like banking and payments.

As Andrea Dunlop, chief executive of acquiring and card solutions at Payscale Group – a payment technology company facilitating payments for online merchants – points out, the current system is like a black box and not fit for purpose in the digital economy: "Current correspondent banking payments are slow and not transparent. In one case a payment was refused for one of our merchants without explanation - it then took thirty days to have the funds returned. This ends up becoming a reputational issue for us, to the point that we sometimes have to refuse to work with some customers because of the banks they use."

Secondly, even with a moderate return to interest rate growth across advanced economies, the hyper-connected world of tomorrow's digital economy – where a fledgling e-commerce trader in Lagos can conceivably compete with a Fortune 500 company in New York – cannot support the fees and time constraints

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SOME CUSTOMERS PREVIOUSLY WOULD NOT HAVE BEEN INTERESTED IN A BANK LIKE OURS. LARGER BANKS NOW ARE FOCUSING ON LARGER CUSTOMERS AND THIS OPENS A WINDOW FOR MID-TIER BANKS. //

GEIR GUNDERSON  
SR BANK

of today's international banking model. While it's an old adage that a rising tide lifts all boats, any boats failing to respond to the changing current, run the risk of sinking.

McKinsey estimates that existing banks wanting to take full advantage of the digital globalisation opportunity will need to reduce the costs of their transactions businesses by up to 95%<sup>4</sup>.



Dramatic as that might sound, it's not about flicking a digital switch. For banks with the ambition to stay the course it's as much about building a culture of incremental improvement – think the airline engine industry's pursuit of small, yearly gains in energy efficiency – as it is about replacing legacy systems with automated, cloud-based platforms.

### On your marks...

While greater competition by FinTech insurgents is uniformly anticipated by the interviewees who took part in this research, there is also consensus that there is still time to adapt, and that the standardisation provided by the SWIFT platform remains a key component for cross border payments. As Michal Prikryl, head of corporate cash management at Ceska Sporitelna in the Czech Republic says, "Network scale is important in global payments. In the payments business you need to have size. And SWIFT is still the biggest. There's a very long way to go before that changes."

In answer to this, SWIFT's Global Payments Innovation Initiative (gpi) is aiming to solve the challenges faced by correspondent banks with a faster, cloud-based alternative that offers much greater transparency and messaging capacity than its existing rails. "Old correspondent banking is

really a child of the 1980's. It's not very transparent but it's done its job and it's still the mainstay of global trade. What we've done with gpi is to apply a cloud-based approach that enables any bank to see where a payment is at a particular moment, speed up the payment chain significantly and give the transparency required for the modern world" says Harry Newman, SWIFT's head of banking.

Adoption is at an early stage, currently accounting for around 10% of SWIFT's cross border traffic, and it's still too early to say if the type of one-size-fits-all standardisation offered by gpi offers the flexibility needed by the more fluid digital economy. While some banks view it as a solution to their problems, others anticipate that only larger institutions will have use for the service.

### Trading standards

Although scale and standards will remain key attributes for global trade, flexibility is likely to be as important in the future. With the exception of large trade corridors – like those between the US and China, or China and Latin America or Africa – global trade, both physical and digital, is still defined along regional lines<sup>5</sup>. When measured by imports and exports, most nations' biggest trading partners are their neighbouring countries and regions.



AROUND 11,000 BANKS ARE CONNECTED VIA THE SWIFT NETWORK. THIS IS A BIG POSITIVE FOR THE CURRENT SYSTEM IN TERMS OF CRITICAL MASS, PATH TO SCALE OF NEW SOLUTIONS, TECHNOLOGY AND ROBUSTNESS. //

IRETI SAMUEL-OGBU  
CITI



In which case, a single global system for cross border payments is perhaps less useful than it sounds. Banks increasingly need to think of the range of transactions that facilitate cross border trade as a continuum, catering to specific needs determined by use and the type of customer (see diagram, *The cross border continuum*, on page 10). To some degree this is happening already. Santander's partnership announcement with Ripple in March 2018 is one sign of a growing trend in offering different solutions to match differing customer needs<sup>6</sup>.

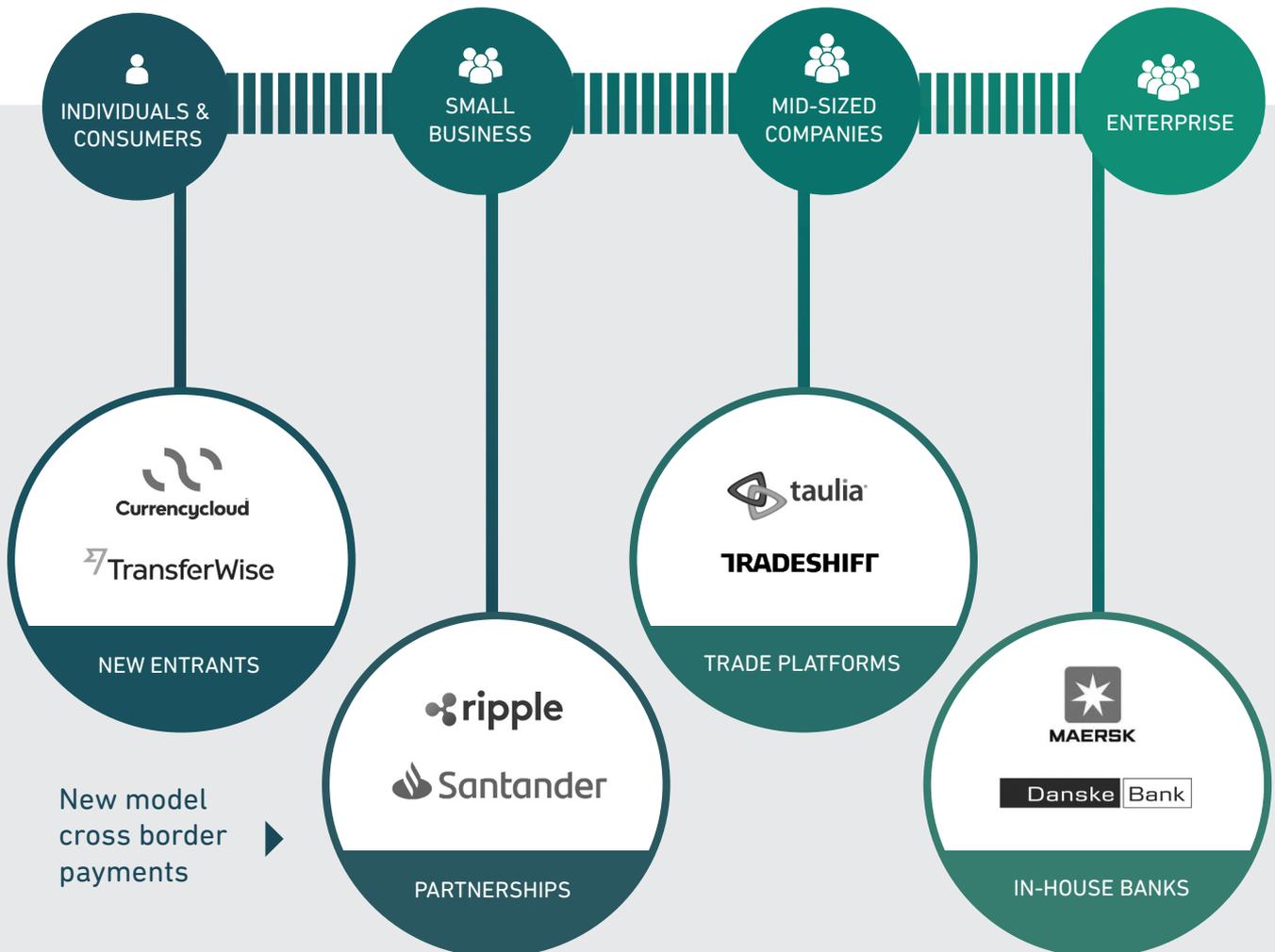
Across Scandinavia, a long-established tradition of intra-regional coordination in trade and finance might be a bellwether for how regional bank clusters handle cross border transactions in the future. The region's largest banks are currently working on a new solution for cross border payments, says Halvor Lande, head of digitalisation and innovation at DNB: "The region's largest banks are currently exploring a new common payment infrastructure for both domestic and cross border payments within the Nordics. It will in essence be the first truly real-time payment system, spanning different countries and multiple currencies".

For the moment, global trade continues to be dominated by large institutions, complemented by regional hubs. As the digital economy expands however, smaller banks that can seize the opportunity to fill gaps in provision should be poised for success as the shake-out continues.

Table 3: The cross border continuum

The growth in digital business and FinTech is re-writing traditional definitions of cross border transactions and creating new opportunities across the value chain

Traditional cross border payments ▶



New model cross border payments ▶

Source: MagnaCarta Communications 2018



## SECTION 3 BLURRED LINES

The connected, always-on nature of digital commerce is blurring the lines between traditionally different services for international trade – from supply chain to trade finance, banking and payments. For many commercial customers, the distinctions are probably already irrelevant.

‘How do you un-silo a silo?’ might sound like the opening of a bad, popular joke, but it’s a question currently doing the rounds up, down and across the banking industry. Just asking it reveals the extent of the problem facing banks. Nowhere more so than in correspondent banking – often viewed from the outside as an obscure set of products for large companies, underpinned by opaque charges and cloudy commission structures.

It’s unsurprising then that anticipated competition from FinTech insurgents is taken seriously amongst the interviewees for this research. Unfortunately, the answer to the question is not nearly as funny as the joke might have been. The move from vertically-separated business lines to a horizontal service-oriented model is no laughing matter. And neither straightforward, nor swift.

In a world where what matters to corporate customers is smoothness – of integration; efficiency – of payment processes; and speed, banks that want to win will need to pivot business in their direction, and

away from a complex web of fees and internal cross-selling subsidies. As SWIFT’s Mr Newman says, “The time it takes to get from bank A to bank B is not important – what matters is how long it takes to get to the end client.”

Encouragingly, among the banks interviewed, many are gearing up for the challenge. Standard Chartered, a European bank uniquely exposed to the changing currents of cross border transactions between emerging markets, is piloting multi-party solutions to solve entrenched problems for specific clients. The bank is currently working on a solution that involves working with a trade platform provider and a global insurer for a common customer.

### One size doesn’t fit all

Michael Vrontamitis, head of trade for Europe and Americas at Standard Chartered explains: “We have a simple strategy for banking the ecosystem – not just the large anchors [in key hubs] but also their suppliers and buyers. We need to get to know and understand SMEs in these marketplaces, and help them get the benefit of that service, as well as other services, such as supply chain finance or credit management.”

Once again, smaller institutions with their leaner cost structures, and closer customer ties stand to benefit the most from the industry-wide pivot in the

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WE HAVE A SIMPLE STRATEGY FOR BANKING THE ECOSYSTEM – NOT JUST THE LARGE ANCHORS [IN KEY HUBS] BUT ALSO THEIR SUPPLIERS AND BUYERS. WE NEED TO GET TO KNOW AND UNDERSTAND SMEs IN THESE MARKETPLACES, AND HELP THEM GET THE BENEFIT OF THAT SERVICE. //

MICHAEL VRONTAMITIS  
STANDARD CHARTERED

years ahead. Canadian regional lender, ATB Financial has created what it calls ‘The Stadium’ – a multi-tasking back office to help the bank design and implement improvements in products and processes, supported by cutting edge data science and analytics.

CivilisedBank a UK-based challenger bank focussing on small and mid-sized companies is aiming to blend

technological efficiencies with a relationship-centred approach to serving customers, "Our local bankers will on-board relationship-managed customers in person. They will also structure loans to suit the individual customer business. We're innovating through our business model and our service delivery – the technology is just an enabler," says Will Beeson, the company's head of new propositions.

Data, and the ability to manipulate and analyse it uniformly across the enterprise, is the biggest obstacle to splitting the silos that still exist across banking. ATB Financial claims to be unique among Canadian banks with a data architecture that gives it the fabled single customer view. Mariia Khriachtcheva, director of digital payments at ATB, explains: "Every conversation we have [internally] ends up with 'give me the data!' Data is the core component of every decision, in terms of priorities, the solutions, even what the problem is. Our strategic focus this year will be on building tools to make sure the data is easily accessible."

## Trading platforms

Other banks, such as regionally-focussed institutions DNB and Danske in Scandinavia, and BNP Paribas across EMEA are exploring the use of platforms to ease the pain, and friction, of cross border transactions for commercial customers by acting as

gateways to third-party solutions. "We have to make sure that we think about the client experience and not in silos, with the capacity to make use of best-of-breed solutions by providing connectivity to our platforms to third parties," says Wim Grosemans, head of product management, payments and receivables at BNP Paribas.

Similar to consumer payments, where the disappearing transaction is already an important theme (think Uber or Airbnb), the natural destination for some industries, and large companies, will be a growing appetite for the absorption of specific batches of financial services into the corporate treasury, and growing numbers of in-house banks.

There are already some examples of how things will look in future. USA-based Taulia has created a trade and supply chain platform that counts global automotive, pharma and retail businesses among its customers<sup>7</sup>.

Among banks interviewed for this research, Danske Bank has partnered with the Maersk shipping and logistics conglomerate to build a global business-to-business payments platform. Called GateTu, it is expected to launch in Europe this year. "If you partner with someone from a totally different industry you can bring reach on a global level – those are the most interesting areas," says Danske's Mr Sjögren.

There are many moving parts to consider as the industry-wide pivot moves into the next phase. In response, the insights from the research suggest a four-step approach to replacing correspondent banking silos ready for a digital future:

# 01

Re-direct frontline, customer-facing staff to solve cross-functional client challenges

# 02

Identify needs and emerging synergies for customers and transaction corridors

# 03

Extract and integrate data across correspondent banking business lines

# 04

Empower teams with data and analytics tools to improve data access and analysis

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EVERY CONVERSATION WE HAVE [INTERNALLY] ENDS UP WITH 'GIVE ME THE DATA!' – DATA IS THE CORE COMPONENT OF EVERY DECISION, IN TERMS OF PRIORITIES, THE SOLUTIONS, EVEN WHAT THE PROBLEM IS. OUR STRATEGIC FOCUS THIS YEAR WILL BE ON BUILDING TOOLS TO MAKE SURE THE DATA IS EASILY ACCESSIBLE. //

MARIIA KHRIACHTCHEVA  
ATB FINANCIAL



## SECTION 4

# THE EARLY YEARS

As the map is re-drawn there's everything to play for – for large and smaller institutions alike. The winners will be those that can embrace a digital mind-set and partner with financial utilities to deliver the best solutions for their customers.

Despite some obvious clouds, the research shows a clear path for banks to navigate in order to play a pivotal role in global cross border trade in the future. Representing less than 8% of global cross border transaction values in 2017<sup>8</sup>, FinTechs have only modestly dented the dominance of traditional banks in cross border flows. So far.

Without a holistic response, the relatively protected position of incumbent banks is likely to be temporary. The value of international payments carried out by FinTechs is forecast to more than double in the next five years – over three times faster than the anticipated rate of growth for the cross border transfer market as a whole.

A unique ability to combine an easy, transparent customer experience at low cost will mean some FinTechs will also be able to mop up banking revenues from adjacent service lines. This will particularly be the case as the digital economy increases demand for synergies across the treasury and trade supply chain.

As Rastislav Vallo, head of payment cards at Tatra Bank explains in his view of the challenge facing banks, "It's really about a different approach, FinTech is teaching us this rule: take it or leave it. And make it quick. In the end the customer should be the winner."

Universally among the banks that participated in this research, correspondent banking and its potential to strengthen ties with high-value commercial customers, as well as provide adjacent services, is acknowledged as a strategic asset worth defending. It's easy to understand why. Sales from cross border payments represent a larger share of Europe's bank revenues than other regions (nearly double the proportion of banks in Asia or North America<sup>9</sup>), and upwards of 5% of bank profits from direct sales among interviewees.

Based on the industry's current economics however, the fastest growing area of international commerce – the exponential growth in data traffic and digital flows between citizens, markets and countries – is well beyond reach. In a survey, 86% of technology start-up businesses reported some form of cross border activity<sup>10</sup>. If banks can't afford to service a new breed of micro-multinationals, other organisations, borne out of the digital economy will.



IT'S REALLY ABOUT A DIFFERENT APPROACH, FINTECH IS TEACHING US THIS RULE: TAKE IT OR LEAVE IT. AND MAKE IT QUICK. IN THE END THE CUSTOMER SHOULD BE THE WINNER. //

**RASTISLAV VALLO**  
TATRA BANK

## CONCLUSION

While the handover, from the analogue economy of the twentieth century to the digital world of the twenty-first, plays out, banks still have the upper hand. For how much longer will depend largely on their ability to respond across three core areas:

### Partners

Working with partners to re-define service lines and strengthen customer ties

### People

Building a culture that prioritises solutions and flexibility to replace sales of rigid product lines

### Platforms

Building scalable technology platforms to provide relevant, best-of-breed products

Despite the considerable energy the average bank will need to expend to win at the new frontier of international trade, it's a battle worth fighting. McKinsey estimates that data flows contributed close to 4% to global GDP in 2014 alone<sup>11</sup>. But the battle can't be won in isolation.

Encouragingly, the rising digital tide is already incentivising many banks to move in this direction. Embracing the concept of open competition and accepting the need to work with partners. In the words of Mr Grosemans at BNP Paribas, "It's good that new players push us to question client experience. There's lots of reasons to do this. If FinTechs are doing things better than us – let's integrate, let's work differently."

There's still everything to play for during this *inter-regnum*, as the research identifies. However, the only banks reaping the digital dividend will be those that match a commitment to excellence (from the customer's viewpoint) with the openness to disrupt internally (even at the risk of eroding traditional revenues), and the boldness to knock down legacy walls, as they integrate data and analytics to discover unmet needs.

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<sup>10</sup>Digital globalization: The new era of global flows, McKinsey & Company, February 2016

<sup>11</sup>Ibid. McKinsey & Company, February 2016



## ABOUT THE AUTHORS



### MagnaCarta Communications

MagnaCarta is the specialist communications, PR, research and marketing consultancy for the fluid and fast-changing world of global payments and financial technology. Our research and reports are available at:

[www.magnacartacomms.com](http://www.magnacartacomms.com)



### Saxo Payments Banking Circle

Saxo Payments Banking Circle is a global scale financial utility that gives financial institutions the ability to enhance their customer proposition.

By leading the rise of a super-correspondent banking network, Banking Circle is helping FinTechs and banks to provide their customers with faster and cheaper cross border banking solutions, without the need to build their own infrastructure and correspondent banking partner network. As such, Banking Circle is empowering these financial institutions to support their customers' international trading ambitions, without the need for multiple banking relationships, whilst reducing risk and the operational cost of transactions. And that is enabling them to remain competitive.

The world of banking and payments is at a turning point. And the winners in this changing world will be those organisations that recognise the importance of playing to their own strengths; building alliances with strong partners who complement their own customer proposition.

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