

Market Commentary

Advance ahead of the times

With the corporate banking and payments landscapes changing rapidly, banks need to be able to upgrade systems more efficiently if they are to respond and compete. We examine the issues and look at a new approach to upgrades.

**//
Everyone wants to take advantage of digitization – but only 14% of banks have successfully implemented digital solutions.”**

Rapid change in corporate banking

Corporate banking is at an inflection point, with a unique set of challenges and opportunities. Everyone wants to take advantage of digitization – but only 14% of banks have successfully implemented digital solutions.

Although two-thirds of banks are looking to expand their supply chain finance business, firms are finding it hard to expand their product offering and market coverage. And while improving margins is, as always, a priority, ongoing compliance costs are rising 20%.

At the same time, corporate clients' priorities are changing. By 2025, we see them valuing real-time access and value-add services ahead of account and relationship management, shifting to become a platform player.

The good news is that this is supported by a rapid expansion of the scale and reach of the digital ecosystem that's available through corporate banking today. Using Finastra's FusionFabric.cloud platform, for example, corporate clients can access a wide universe of specialist apps and services spanning data analysis, transaction processing, paperless trade, transaction and compliance.

About the authors



Brian Edmondson

Global Solution Lead,
Trade and Working Capital Finance,
Finastra



Tal Weiser

Managing Director Sales,
Global Services Payments,
Finastra

The coming transformation in the payments landscape is a further spur for change.

Payments transformation

The coming transformation in the payments landscape is a further spur for change. By allowing for richer data sets and standardization across payment types, ISO 20022 – which will be rolled out between end 2022 and 2025 – will deliver better efficiency, lower cost and more STP.

Payment regulations such as PSD2 and Open Banking are demanding stricter fraud requirements. And while this seismic shift in payments is tough for incumbents, it's opening the door to fintechs who are creating disruptive new services. Surrounded by hungry new competitors, banks are genuinely concerned that incomplete payments execution could cost them clients.

And as part of this “perfect storm” in payments, the momentum towards real-time payment is growing fast globally, speeding up commerce, creating liquidity and raising client expectations sky-high. Against this backdrop, legacy systems and complex banking systems with multiple components can hold banks back from being competitive. Yet standing still is not an option.

Upgrades orientated towards business outcomes

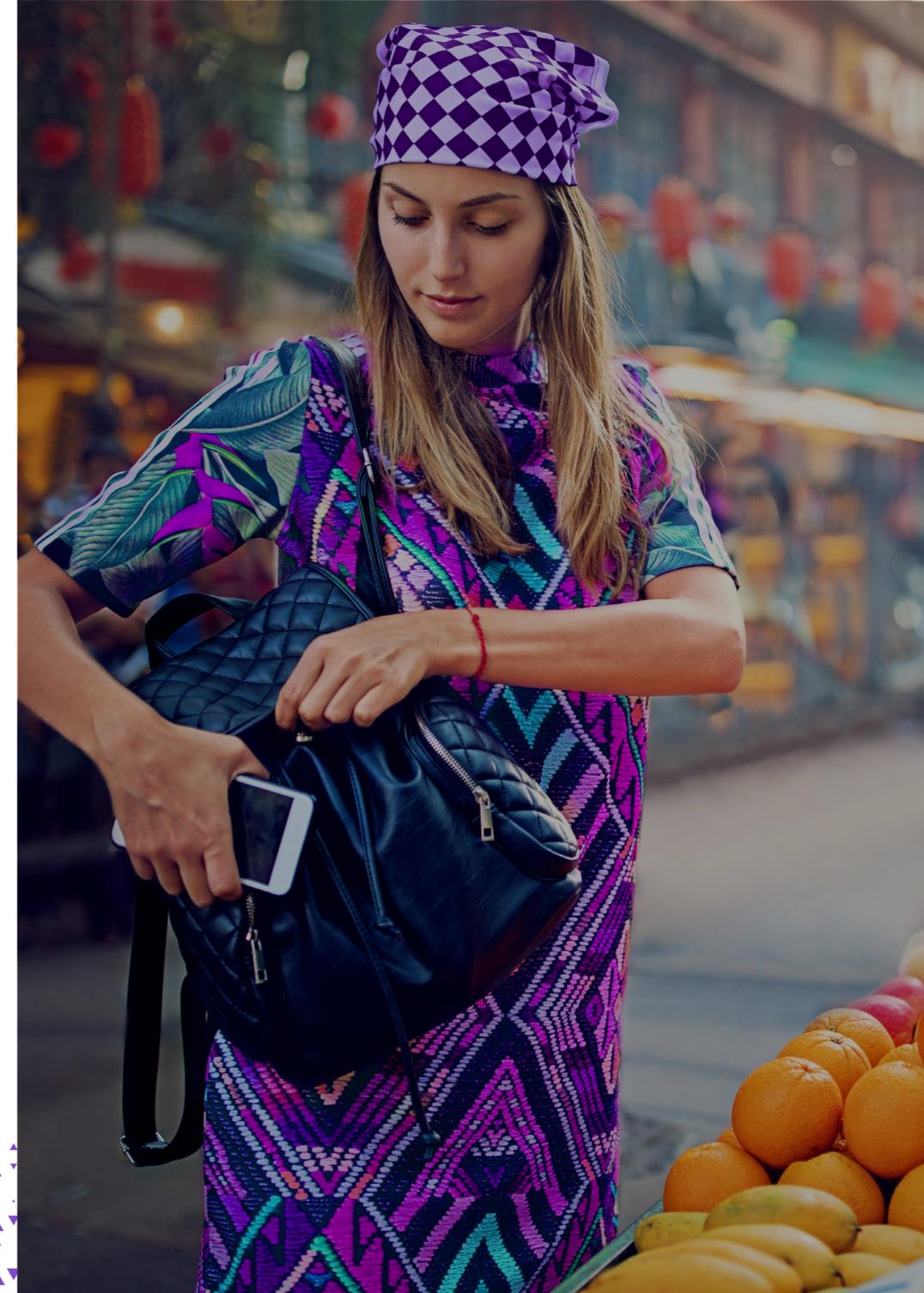
Upgrades are the obvious way forward, but they have the potential to be monolithic, all-consuming projects. However, they need not be. In our view, there are several key considerations for banks considering an upgrade to compete in the new corporate banking and payments landscape.

“Upgrades should be oriented around business outcomes, aimed at providing the data-driven, value-added services that customers are demanding and that create new revenue streams.”

The first is technology, where open platforms have the potential to reduce TCO and enable banks to take advantage of payments advances by supporting multiple payment rails around the world. When they support microservices, these platforms will allow for extensibility and reduce cost and risk when new functionality is added.

Upgrades should be oriented around business outcomes, aimed at providing the data-driven, value-added services that customers are demanding and that create new revenue streams.

They should also be focused on enabling banks to deal with the explosion of competition from fintechs and the big tech companies that are entering the marketing with compelling new offers. Finally, any upgrade should be able to flex fast to accommodate the frequent changes in regulation that are a feature of today's market.



Finastra Advance – a new way to think about upgrades

So to keep up, banks need to act now. Yet FCA research suggests that 50% of banks don't upgrade old IT systems as often as they should. Often, the scale, time and cost of upgrading is holding back progress.

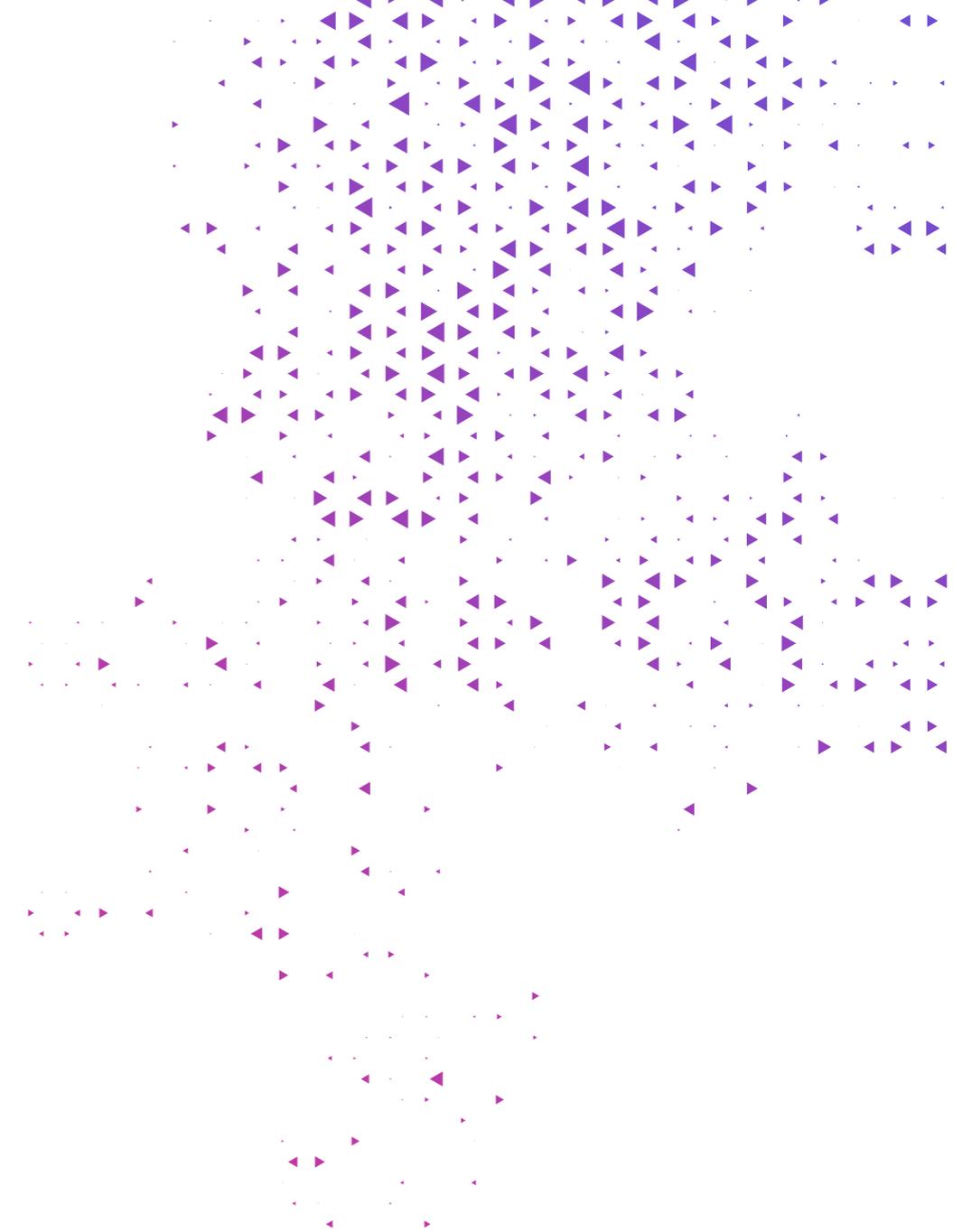
Finastra's approach to upgrades is specifically designed to address this problem and enable banks to implement upgrades with minimum disruption. With Finastra Advance, the majority of assessment, build and testing work is led by Finastra, typically in our Accelerated Delivery Center.

This removes the need for invasive, time-consuming cycles of manual internal testing and delivers a tested solution that's ready for client validation.

Our upgrade approach, backed by extensive Finastra IP, is designed to accelerate upgrade cycles and drive agility.

It's a more sustainable way to work, too – during a recent Fusion Loan IQ upgrade with [Mediobanca](#), we estimated that remote delivery reduced the carbon emissions from associated flights by 57% when compared with a similar onsite implementation.

To learn more about how Finastra Advance can help you evolve, [contact us](#) to find out more, or reach out to your Finastra Account Manager.





For More Information
Visit tcmpartners.com



Contact Us At
marketing@tcmpartners.com



Telephone
+34 663 12 75 61



About TCMpartners

TCMpartners was founded in January 2014 in response to regulatory changes and the demand for advanced services in financial markets, risk management, and technology.

With a presence in Latin America and Europe, TCMpartners integrates world-class solutions that digitize financial institutions' business processes with their clients. Learn more at tcmpartners.com