



TORONTO  
16 - 19 Oct 2017



# The future of transaction banking - Moving into the digital age



TORONTO  
16 - 19 Oct 2017



# Ruth Wandhöfer

Managing Director / Global Head of Regulatory & Market Strategy  
Citi

# Barbara Casu

Professor of Banking & Finance, Cass Business School, City  
University of London

# Objective of our Reserach

- Correspondent banking & the digital age
  - Identify potential practical, technology related and policy relevant steps that can be taken in order to move the correspondent banking cross-border payments business into the digital age

# Framework and Research Steps

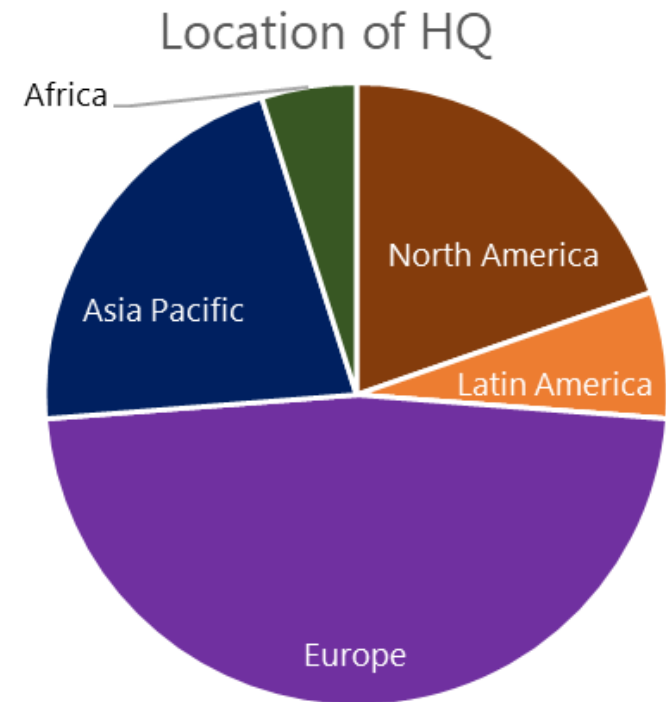
- Examine the current correspondent banking cross-border payment landscape
- Identify and validate stakeholder problems and pain points in this context: e.g. regulation, de-risking, transparency, cost, speed
- Review and benchmark a selection of technologically innovative models, including some based on DLT
- Suggest alternative ways to make cross-border payments, against the validated pain points
- Develop a blueprint for the future of cross-border payments
- Provide relevant policy recommendations

# Online Questionnaire

- Short online survey, designed to identify the key pain points and issues faced by banks and their clients in the cross-border payment space
- Sent to over 2,000 bank contacts
  - Validation of pain point
  - Innovation approach

# Initial findings: A profile of respondents

- Country and Region of respondents' organisation HQ

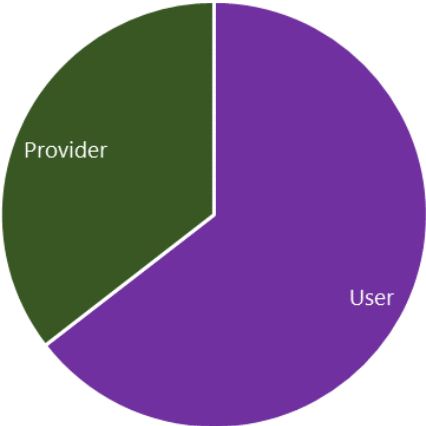


# Initial findings: A profile of respondents

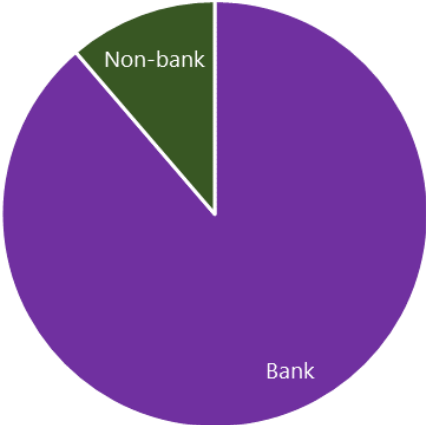
Region covered by organisation



Users vs Providers

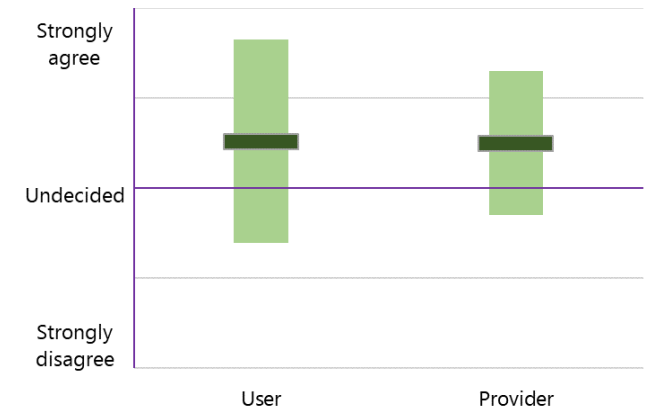
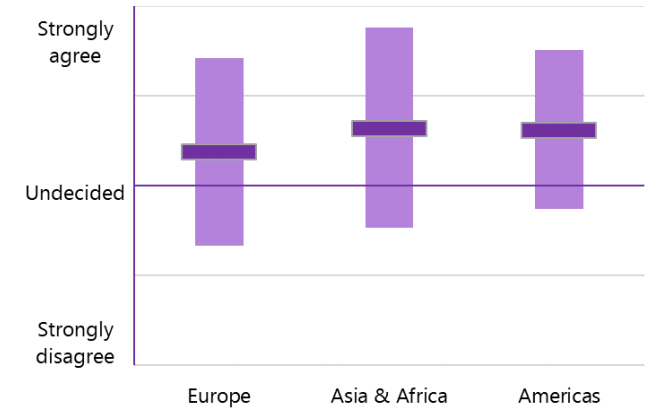
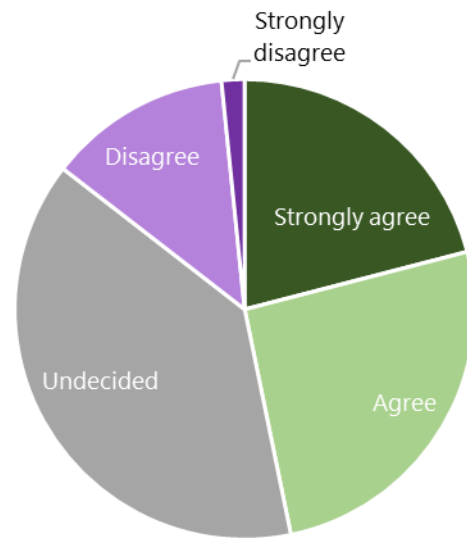


Responder's organisation



# Initial findings: Direct costs for Messaging Fees charged by the network are too high

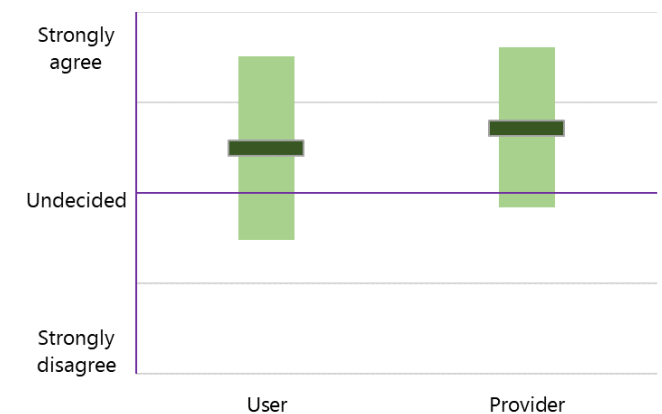
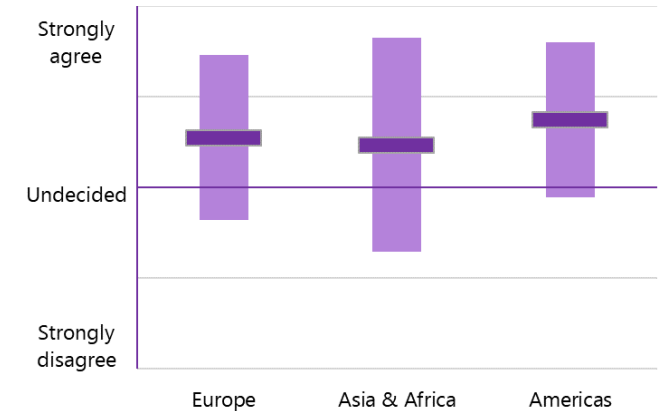
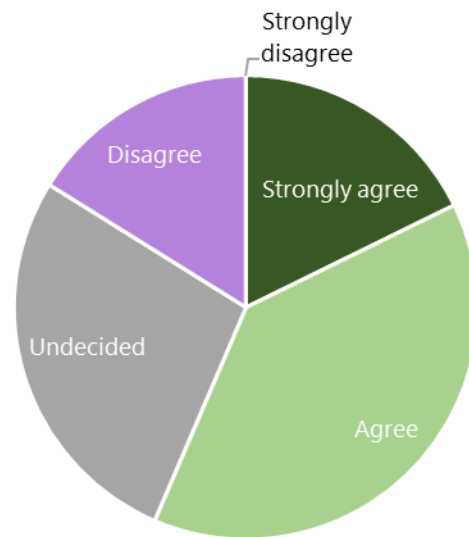
- Most agree but a large proportion of undecided
- More Asia & Africa respondents 'strongly agree'
- Users views more dispersed compared to providers





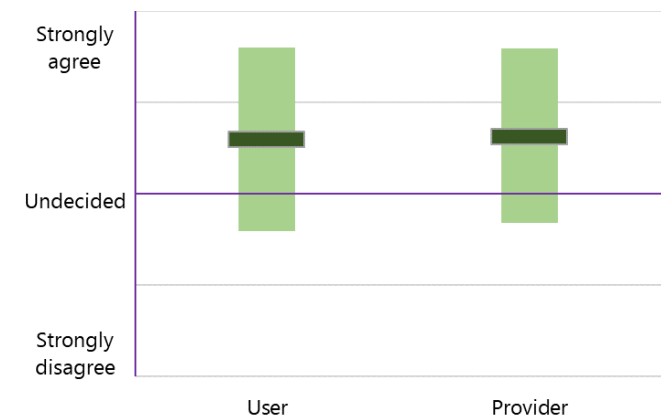
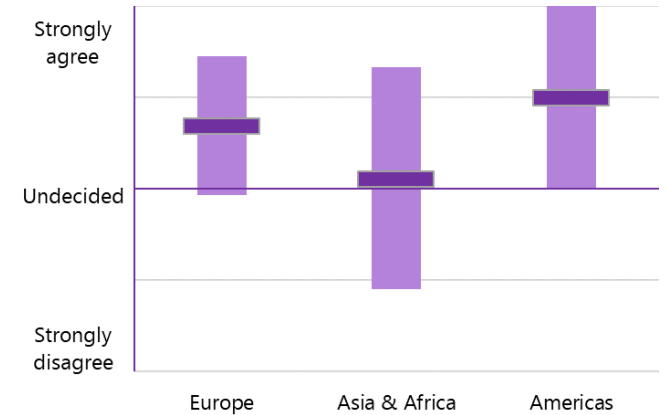
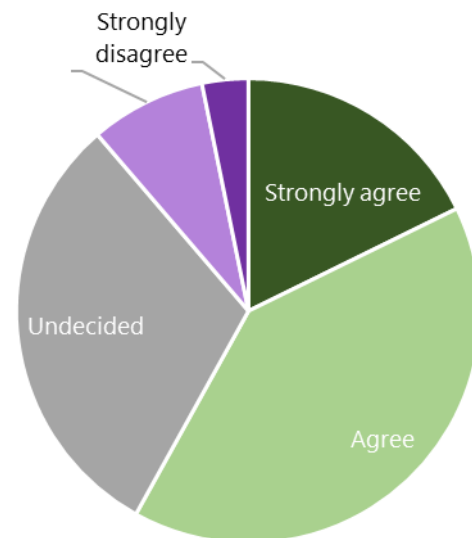
# Initial findings: Fees charged by my bank provider are too high

- Higher proportion of providers 'agree' or 'strongly agree'
- Americans most unhappy with current level of fees



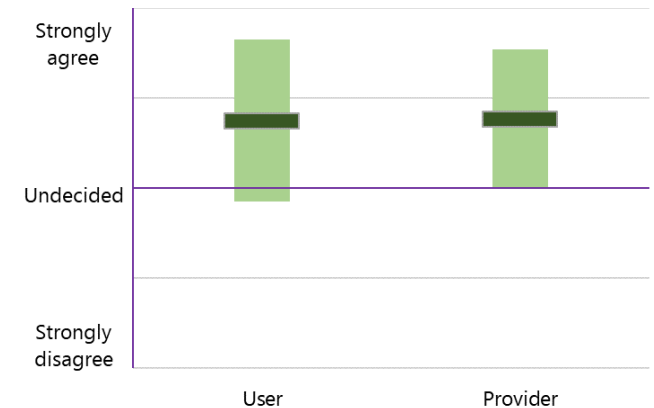
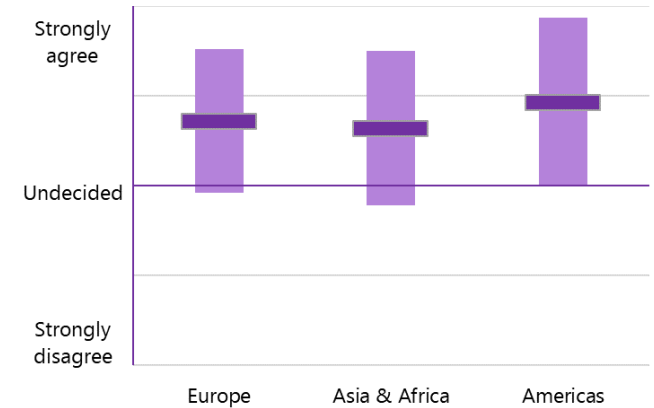
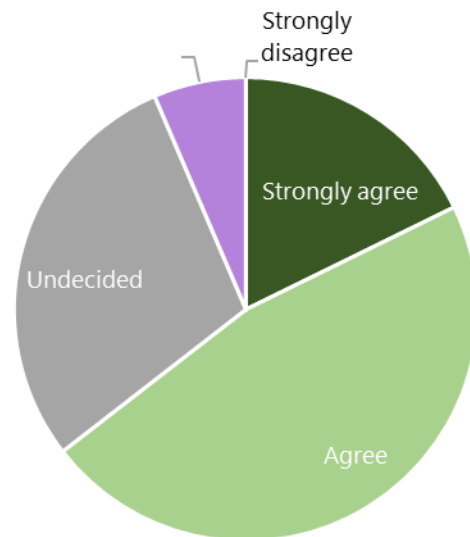
# Initial findings: Liquidity related costs for this business are too high

- Most respondents agree
- More respondents in Asia & Africa than elsewhere 'disagree'
- Americans the least happy about liquidity costs



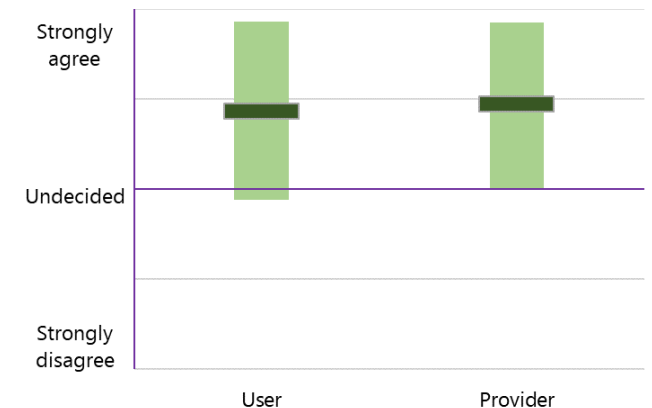
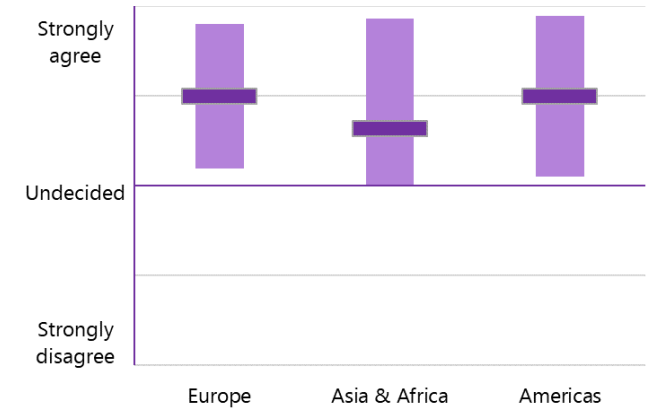
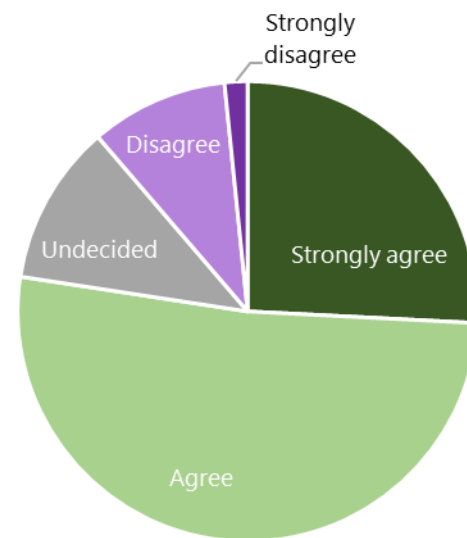
# Initial findings: Capital related costs for this business are too high

- Large majority of respondents 'agree' or 'strongly agree' that capital related costs are too high
- Little difference between Users and Providers



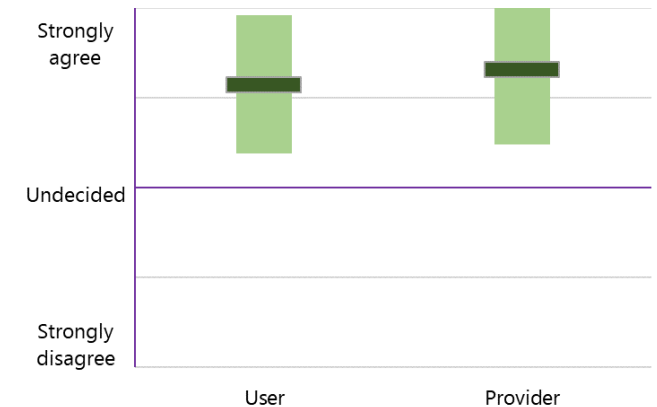
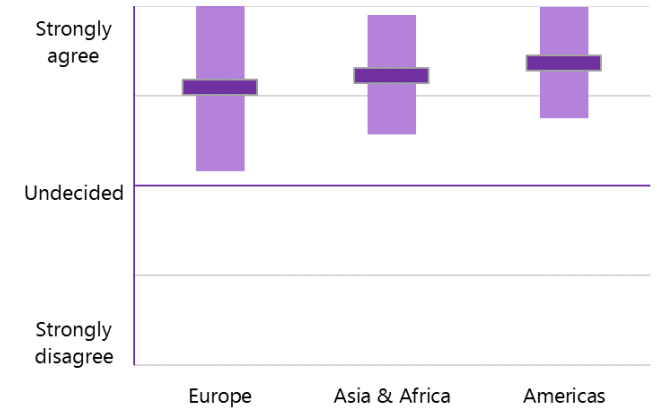
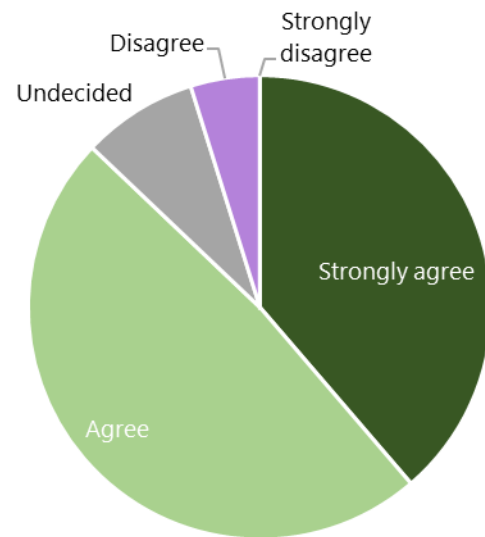
# Initial findings: Costs related to counterparty and liquidity limits, fails in STP and incorrect processing are too high

- Less than a quarter of respondents 'disagree' or are 'undecided'



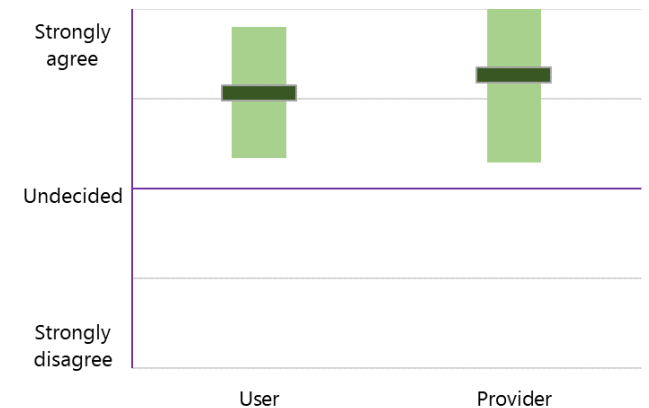
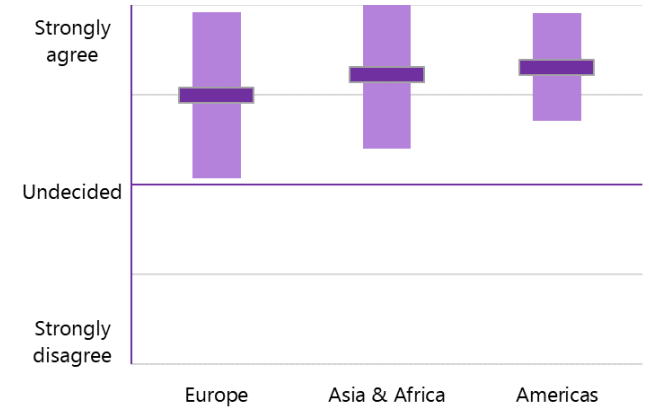
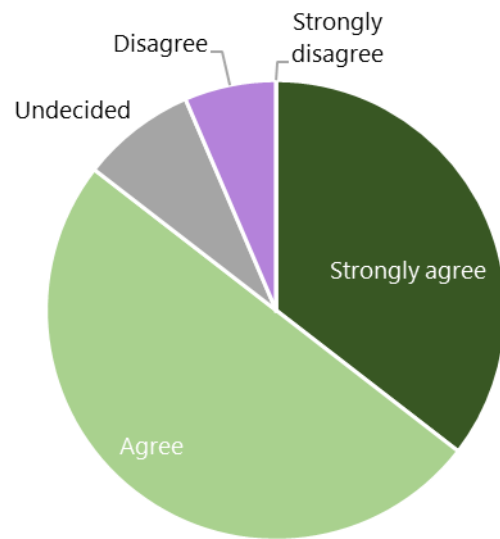
# Initial findings: There is a lack of information throughout the life cycle of the payment

- Nobody 'strongly disagrees' with the statement



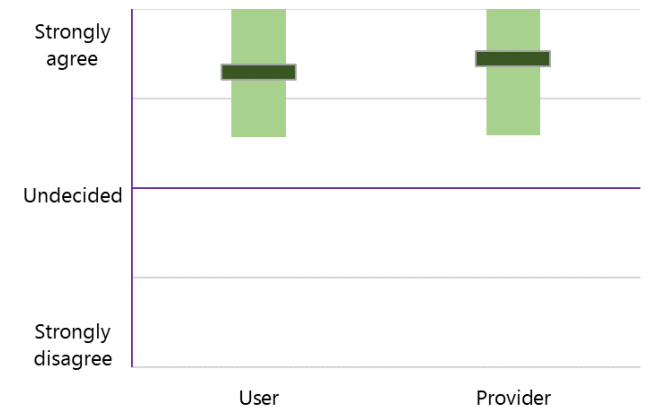
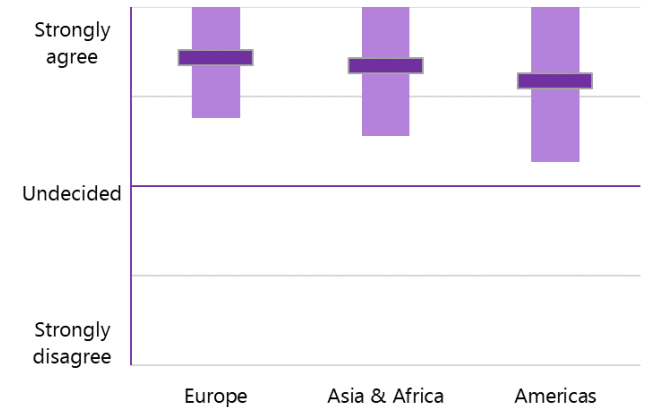
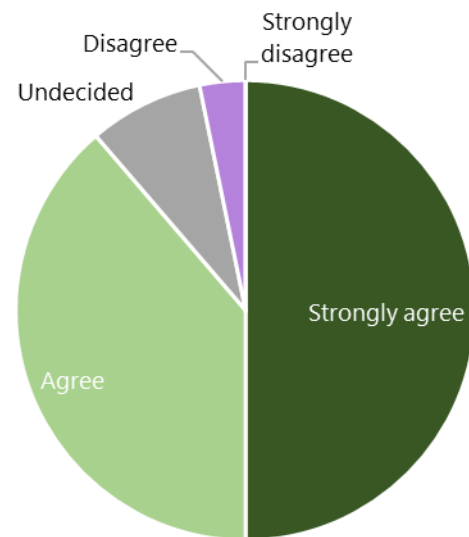
# Initial findings: There is a lack of enhanced data and incomplete transaction reference data creates problems to reconcile transactions

- Very strong agreement with this statement, slightly stronger among the Providers rather than Users



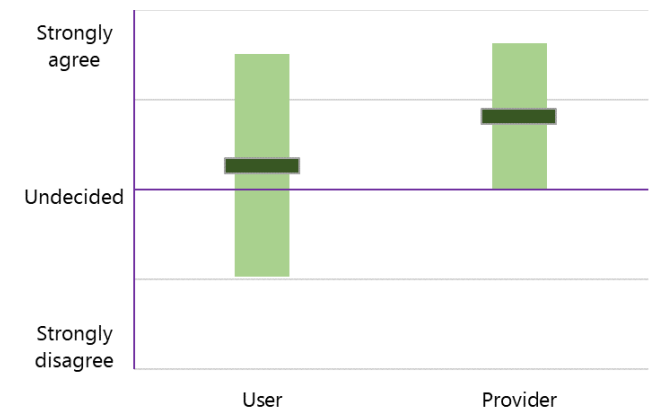
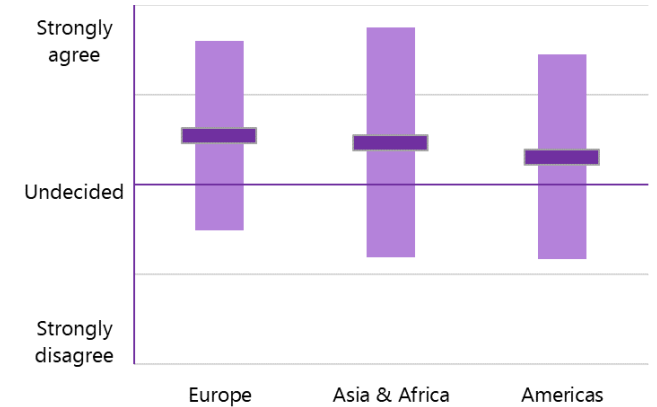
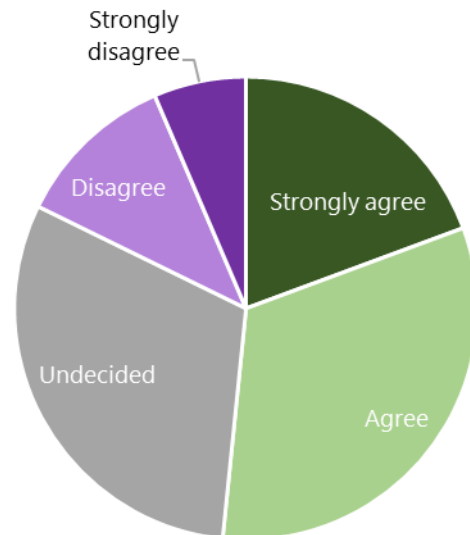
Initial findings: There is a lack of visibility of transaction related costs, i.e. who has paid which fees to whom for validation of AML/CTF, counterparty risk, liquidity reporting and credit limit

- Universal agreement with the statement, no geographical or user type variation



# Initial findings: Do you believe that Blockchain/Distributed Ledger Technology could be deployed as the basis for a new generation cross-border payment network?

- More enthusiasm among Providers
- Fewer 'undecided' in Asia & Africa (either agree or disagree)

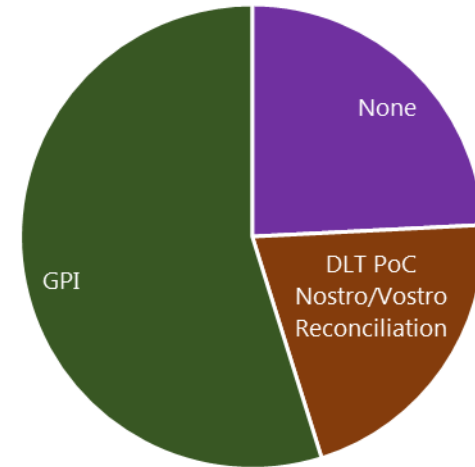




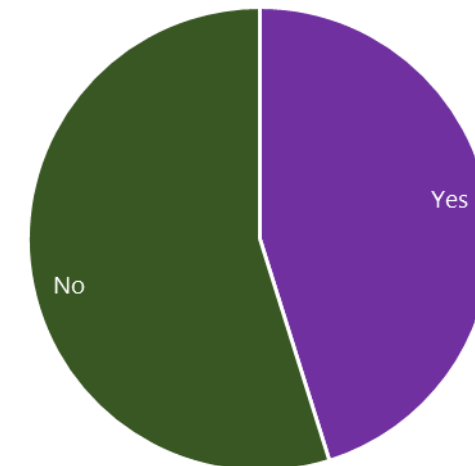
# Initial findings: Technology innovation

- Is your organisation currently participating or planning to participate in any of the below SWIFT Innovation Initiatives
- Does your organisation experiment with or already deploy blockchain / Distributed Ledger Technology?

SWIFT Innovation Initiatives



Blockchain/Distributed Ledger Technology



# Open Questions to Discuss

- Does the audience agree to identified pain points? Are there more to be added?
- What models may achieve a best-of-breed cross-border payment process that effectively leverages the existing network? For example:
- Is there a potential model for interconnectivity of RTGS systems in order to streamline settlement cross-border and improve associated liquidity costs? A centralised standard for settlement, complemented by netting and harmonised business practices, plus operational standardization?
- There may also be space to improve payment messaging, going beyond SWIFT Format F (to be rolled out in 2020).
- What ways could we explore to enhance KYC/AML data exchange automation? LEI could play an important role here.

# Open Questions to Discuss

- In terms of emerging technologies, what ideas exist in relation to the role of DLT for cross-border payments beyond the models we have seen thus far?
- Do any of these models address settlement, KYC/AML, messaging, business and operational standardization at the same time?
- What are the open legal and regulatory gaps or questions?
- What challenges may we face with technology adoption, interoperability, cost, integration into existing systems?

Please complete this brief survey to add your insights to our research at:

<https://forms.city.ac.uk/forms/70511>

## Next Steps in Our Research

- Gather and synthesise feedback from this session
- Send out a deeper level questionnaire to identified participants
- Organise a focus group for end 2017 and potentially a second one for Q1 2018
- Finalised paper for submission in Q1 2018



Questions