

Overcoming global transaction banking challenges

By Sebastian Niemeyer | 20 November 2017

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As companies work to grow their businesses, many turn their attention to opportunities overseas. However, international expansion is not without its challenges – particularly where corporate treasury is concerned. While companies need to put appropriate banking structures in place in order to operate in new markets, the company's existing banks will not necessarily be active in the required countries. Even if current banks do provide coverage, it may be necessary for the company to set up relationships with local banks in order to access key services.

Finding suitable banking partners can be a challenging and time-consuming process – and the difficulties do not end once a bank has been selected. In the current regulatory climate, the onboarding process can take considerable time and effort, both in terms of meeting legal regulations and putting the technical connectivity in place. As such, there is a growing need for solutions which can streamline these processes and support companies as they move into new markets.

Once the account is up and running, even the initiation of a cross-border payment does not come without its challenges. Keeping track of changing bank master data like national IDs and SSIs as well as the tracking of payments is high on the list of challenges the corporate faces on a daily basis.

Last but not least corporates deal with countless fraud attempts, which they need to tackle to avoid a serious loss, for example verifying the information stated in letters or emails supposedly coming from their supplier asking to update the related bank master data.

Bank onboarding challenges

Corporates need to consider many different factors when choosing a new banking partner, from a bank's offerings and services to its fee structure and risk rating. Identifying the right partner is an exercise which may take many weeks, particularly when the company does not have prior experience in the market in question. In some cases, corporates will seek support from consultancy companies – but inevitably the selection process is cumbersome.

Once the company has selected a bank, the next step is to begin the legal onboarding process, including Know Your Customer (KYC) compliance. With banks facing increasingly rigorous regulatory demands, this has become a complex and time-consuming process, especially with the ever-evolving KYC requirements. Even after all of the requirements have been fulfilled, further documents may be requested months later. As such, the more international a company's footprint, the more complex the challenges become.

Routing and challenges of cross border payments

Once the bank account has been established and operations are up and running, payments need to be initiated. To avoid repair charges and delays in the payment reaching the beneficiary, it is necessary to keep the bank master data up-to-date, and when it comes to high-value payments covering FX deal settlements, it is crucial to avoid any kind of delay. If funds have been debited from the account of the ordering customer but not yet credited to the account of the beneficiary, it is time to investigate where the money got stuck in the payment chain. This is highly important for urgent payments, for example during an M&A transaction. It may not be necessary to process the funds within seconds but you always need full visibility of where the money is at any one time.

Fraud as a major challenge

These days fraud prevention is high on everybody's agenda. We are not just talking cyber-attacks but paper-based fraud attempts are equally rife. The industry has seen cases where forged invoices or altered account details printed on the letterhead of large suppliers were distributed. The customers of these suppliers do not always have processes such as whitelists, dual approval or even AI support in place to detect such fraud attempts and are much more susceptible to fall for these schemes. For the supplier this also represents a valid risk as their customer might face financial instabilities due to a serious loss of money.

Given the many challenges involved in bank selection, onboarding processes, payment processing and fraud prevention, the market is ripe for solutions to help treasurers and banks to address these common pain points.

Bank selection and onboarding with the virtual network bank

One of the first notable products to help overcome these challenges is the BELLIN Virtual Network Bank. By incorporating a virtual network of banks, corporates can identify suitable banking partners and set up relationships with participating banks upfront in a streamlined and standardized way. It is also possible to facilitate the KYC process, saving time and resources.

A central service hub for the corporate looking to open an account and for the bank, eager to serve the client, is beneficial for both parties. Corporates are able to establish new bank relationships in no time and are guided through the whole process by experts. Banks are able to tap a market segment that would normally stick to their core bank and leverage the customer base of international corporates.

Treasury Management Systems (/treasury-management-systems/)



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Sebastian Niemeyer heads the newly formed BELLIN GTB Services. He joined BELLIN in September 2017, coming from SWIFT, where he spent 12 years holding various functions from product management, sales roles to global account management responsibilities. Based on his wide experience in global banking services and the financial industry, he is developing innovative services at BELLIN that will help to overcome major challenges in the corporate to bank space.

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