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Building a virtual network



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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 operate 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.

Sebastian Niemeyer

Head of BELLIN GTB Services



Bank connectivity 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 of the market in question. In some cases, companies 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.

"We've heard from a corporate treasurer who wanted to open an account with a bank in Austria," says Sebastian Niemeyer, Head of BELLIN GTB Services at treasury software and services provider BELLIN. "After six months, the company has still not fulfilled the KYC process because no one really knows exactly what they need to provide." Compounding the challenge, the KYC process can vary considerably depending on a number of factors. "The experience in the market is quite different from

bank to bank, from corporate to corporate and from country to country," says Niemeyer, noting that even within a single global bank, KYC requirements can differ from country to country.

As Niemeyer points out, banks' KYC requirements are evolving over time, so even once all of the requirements have been fulfilled, further documents may be requested a couple of months later. As such, the more international a company's footprint, the more complex the challenges become.

Technical considerations

A further challenge is that of establishing the technical connection between the company and its chosen bank. A number of options are available when it comes to connecting to banks. Companies which need to connect to multiple banks at a global scale may opt for SWIFT for Corporates, while other banks may choose to build a single window to each of their banks by setting up a host-to-host connection. Other connectivity options include EBICS, a domestic standard in Germany and one which is being introduced in other countries such as Austria, Switzerland and France – although the 'flavour' of EBICS does vary from country to country.

In other cases, companies will opt to use different banks' e-banking solutions, although this is not without its challenges. "You have a lot of different tokens that you have to use to identify yourself and release payments, so this may not be the way to go if you are banking in 30 or 40 countries," says Niemeyer.

A new approach

With so many challenges involved in the bank selection and onboarding processes, the market is ripe for solutions to help treasurers set up new bank relationships in a more streamlined way. One notable development is the new virtual network bank concept developed by BELLIN. By incorporating a virtual network of banks, the solution enables BELLIN's customers to identify suitable banking partners and set up relationships with participating banks in a streamlined and standardised way.

"We are expanding our network of local champions, which will include the financial institutions that are leading the market locally in different countries," explains Niemeyer. "We will reach agreement with them on the services to be offered, the points of contact within the bank, the processes involved in KYC and the technical onboarding arrangements. The idea is to make it as easy as possible for our corporates to open an account with those financial institutions, while facilitating all the different processes involved in onboarding."

How will this work in practice? Niemeyer explains that banks will be able to join the network in order to offer their reach and experience in particular countries to BELLIN's customers, while providing full transparency and predictability over the cost of services. BELLIN will also work with participating banks to achieve clarity over the processes involved in opening an account, as well as establishing the technical connectivity between bank and corporate.

"Once a corporate says they would like to open an account in a particular country, they just need to choose a bank from the list which is already a member of the virtual network bank initiative," says Niemeyer. "The corporate will know what to expect and we will facilitate the whole process because we will know who to talk to at the bank and will have the contractual framework at our fingertips. The charges will be transparent and known up front. There will also be a standardised contract. This will greatly ease the process of finding the right banks and opening an account."

The benefits

The unique model being developed offers considerable benefits both for banks and for their corporate customers. For one thing, the concept will unlock a customer base which some banks may not currently be able to access. "There are a number of corporates that due to their size, local footprint and internal process may be limited to working with global transaction banks," says Niemeyer. "In many cases, strong local banks may not have the opportunity to establish a bank relationship with these corporates due to the complexity of choosing a specific bank for each country and opening an account."

As such, Niemeyer says that the virtual network bank concept will enable these banks to make contact with corporates that may not previously have been on their radar. "As we have more than 400 clients, ranging from large scale multinationals to mid-size corporates, I believe that the buying power from the BELLIN community is big enough to attract banks to join this," he adds.

For corporates, meanwhile, the network will save time, effort and costs. As Niemeyer explains, "With the virtual network concept it will be much cheaper and more efficient to set up banking relationships, compared to spending six to eight months going from bank to bank and undergoing different contractual negotiations."

Niemeyer believes that this ground-breaking model is different to anything currently offered by other TMS vendors. "Other providers tend to be focusing on the technical implementation and on the ability to have their systems running with the financial institutions – but they do not cover the rest of the process or treat each bank onboarding as a company-specific, custom consulting project, which leads to high costs and long implementation cycles," he says. "If you look into the whole process of onboarding a bank and establishing connectivity, the technical connectivity is just the tip of the iceberg. So this is quite unique, and as well as being bank and system agnostic, it covers the whole process from A to Z in a highly standardised way. The corporate treasurer can choose a bank from the listed banks which form part of the virtual network bank initiative to be onboarded in no time."

Next steps

BELLIN plans to roll the solution out globally in order to attract as many banks as possible to the virtual network, focusing in particular on markets where opening an account is particularly difficult. That said, the solution is already attracting interest from some unexpected quarters.

"We are currently in talks with the first banks about adopting this solution," says Niemeyer. "Surprisingly, it is not only the small local hidden champions of the banking industry which are interested, but also the large players who don't want to lose market share."

As the concept gains momentum, Niemeyer hopes that it will help companies establish treasury processes while alleviating the burdens of the onboarding process. This, in turn, will support companies in conducting international business activities. As Niemeyer concludes, "If you have the ability to spread your business across different banks which are acting locally, you can break the chains and overcome the limitations of bank connectivity today."

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