

CELENT

CELENT MODEL BANK 2016

PART V: CASE STUDIES IN CASH MANAGEMENT AND
TRADE FINANCE

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This authorized reprint contains material excerpted from a recent Celent report profiling Model Bank Award winning technology initiatives and was not sponsored by Zafin in any way.

For more information on the full report, please contact Celent (www.celent.com or info@celent.com).

KEY THEMES IN CASH MANAGEMENT AND TRADE FINANCE

Corporate banking plays a dominant role for many of the globe's largest banks. These banks are dependent on corporate banking, especially cash management and trade services, as a steady, stable source of fee and interest income. While this income represents low credit risk with minimal associated capital requirements, corporate banking clients require a dizzying array of products and services to manage working capital, liquidity, and risk across their geographic footprints.

Providing end-to-end corporate banking services requires substantial technology investments, particularly as corporate clients demand fully integrated, multicountry solutions across a global footprint. Each country has unique central clearing and payment systems operating under a diverse set of regulations and local laws.

Key Research Question

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What are some best practices and measurable business results of technology projects in cash management and trade finance?

Whether arising from digital transformation, technology innovation, or legacy modernization, customer-centric technology projects have a clear and demonstrable impact on the business.

The largest global banks in North America and Europe already have sophisticated corporate banking technology, particularly integrated client-facing portals for cash management, trade services, and foreign exchange. As discussed in *Top Trends in Corporate Banking 2016: Turning Innovation into Results* (March 2016), these banks are prioritizing their incremental technology investments on improving and enhancing existing products, services, and processes. Key investment areas include transforming corporate-to-bank connectivity, reducing friction in client on-boarding, piloting distributed ledger technologies, and addressing evolving fraud threats.

In emerging economies, leading regional banks are strategically deploying technology to improve their competitiveness and lessen the influence of top global banks. Not burdened with layers of legacy infrastructure, these banks are investing in sophisticated front-to-bank cash management and trade finance applications. Featuring user-friendly online and mobile channel access, these solutions appeal to a growing population comfortable with digital technologies.

New best-of-breed functionality represents a compelling differentiator and contributes to market share growth in developing countries. The ultimate goal of these institutions is to offer locally sourced corporate banking solutions that allow them to fill a gap where larger global or regional players are either unwilling to service clients or where the legacy infrastructure of those larger institutions makes them less competitive.

The entries for Celent Model Bank awards this year highlight many issues important for banks in Cash Management and Trade Finance today. They also span three of Celent's core research themes:

- **Digital:** mobile-based automation of receipts and digitization of trade finance documents and transactions.
- **Innovation and Emerging Technologies:** mobile-based cash collections and a number of receivables management offerings.
- **Legacy and Ecosystem Transformation:** centralized pricing, billing and reporting system; unified online corporate banking platform; integrated collections and receivables solution; and comprehensive corporate trust customer portal.

We were pleased to receive many interesting and diverse entries, which made judging very difficult. Even within the parameters of Cash Management and Trade Finance, that still left considerable scope, making choosing winners difficult. Virtually every entry warranted consideration to be a Celent Model Bank winner.

However, we couldn't give Model Bank Awards to everyone, and we decided to choose two entries to recognize. In alphabetical order, the first Model Bank award goes to CIBC for its myClient platform. CIBC is a leading Canadian-based financial institution providing a full range of financial products and services to individual, small business, commercial, corporate, and institutional customers. Its client-focused strategy is designed to make banking easy, flexible, and personalized for its clients. This client-focused strategy is exemplified in CIBC's myClient platform, which automates pricing, billing, and reporting for its 300,000+ business customers. CIBC partnered with Zafin, a leading provider of relationship banking software solutions, to implement the platform. myClient is the system of record for product pricing, fee computation and billing reports. It includes a centralized product and service catalogue, increasing data availability, pricing flexibility, and billing accuracy.

The second Model Bank award goes to HBL (Habib Bank Limited). With a global presence in over 25 countries spanning across four continents, HBL is the largest private sector bank in Pakistan. HBL has transformed its corporate banking offering by unifying cash management, trade services, and supply chain finance onto a single digital platform. For its integrated corporate banking platform HBL chose FusionBanking Corporate Channels from Misys, a financial software provider headquartered in the United Kingdom. With FusionBanking Corporate Channels the bank is able to offer business customers a convenient and consistent way to oversee and manage their global financial activity and cash positions from a single online banking portal. The portal tightly integrates with the bank's core banking and trade finance platforms, resulting in a unified digital architecture for its corporate banking clients.

As outlined in the case studies that follow, the Celent Model Banks in the Cash Management and Trade Finance category achieved product innovation through management vision and the strategic deployment of technology from leading financial services software providers.

CASE STUDY: CIBC MYCLIENT

OVERVIEW

CIBC is a leading Canadian-based financial institution with a market capitalization of \$40 billion. Through its three major business units — Retail and Business Banking, Wealth Management and Capital Markets — CIBC provides a full range of financial products and services to individual, small business, commercial, corporate and institutional clients in Canada and around the world. CIBC’s strategy is to be a strong, innovative, relationship-oriented bank. Its client-focused strategy is designed to make banking easy, flexible, and personalized for its clients. CIBC’s pricing, billing and reporting automation initiative exemplifies its commitment to improving the client experience for its Business Banking clients.

Table 3: CIBC Snapshot

ITEM	CANADIAN IMPERIAL BANK OF COMMERCE (CIBC)
HQ LOCATION AND KEY GEOGRAPHIES	Toronto, Ontario, Canada
YEAR FOUNDED	1867
KEY METRICS (2015)	Revenues: CAD\$13.9 billion Assets: CAD\$463.3 billion Branches: 1,129 Employees: 44,000+ Clients: 11 million

Source: CIBC

CIBC’s Global Transaction Banking team has relied on a manual billing process for large clients with customized fee arrangements. This resulted in less than efficient revenue management. Legacy systems also made the introduction of new products or the amendment of fees a slow and expensive process. To address these issues, CIBC partnered with Zafin, a leading provider of relationship banking software solutions, to implement the CIBC myClient platform.

The myClient platform automates pricing, billing, and reporting for CIBC’s 300,000+ business clients. It brings together disparate operational and systems processes, fixing revenue leakage, and introducing controls and supervision over the entire process. The platform is the system of record for product pricing, fee computation, and billing records. It includes a centralized product and service catalogue, increasing data availability, pricing flexibility, and billing accuracy.

OPPORTUNITY

CIBC’s Global Transaction Banking billing was mostly manual due to negotiated pricing arrangements, which resulted in a higher inherent risk of errors and less than effective revenue management. Inflexible legacy systems also made introducing new products or changes in pricing cumbersome. In order to implement pricing changes, CIBC’s Product Managers (PM) worked with their technology team over a 6–9 month period to adjust parameters across a range of legacy back office systems at significant expense. In

addition to pricing, the GTB team relied on costly manual processes to generate monthly billing and reporting.

Negotiating pricing arrangements was also challenging as Relationship Managers and Cash Management specialists developed pricing proposals manually, which then had to be circulated for management approvals. Once in the system, extracting transaction data from source systems was difficult. Due to the lack of data and reporting, the group had a challenging process for managing revenue and mitigating revenue leakage.

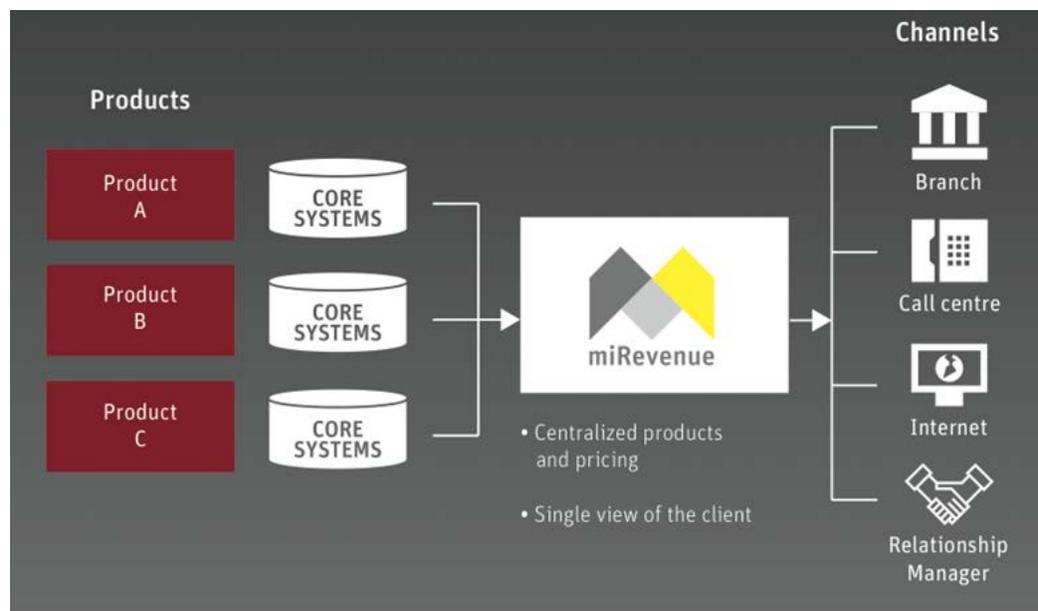
The technology team recognized that the bank's existing systems couldn't evolve to meet the business's evolving pricing and profitability requirements. The Senior Vice President of Global Transaction Banking and Vice President Business and Corporate Banking Technology sponsored the myClient project. Their priority was to focus on optimizing fee revenue. In order to optimize revenue, a new tool was required to identify new revenue opportunities and improve product profitability.

SOLUTION

CIBC's vision was to implement a fully integrated and centralized solution to automate pricing, billing, and analytics for its business banking client base. CIBC issued an RFP seeking a single solution to meet its needs, rather than components from multiple providers. It was important to CIBC that the chosen provider understand the nuances of serving business customers to ensure a superior client experience.

CIBC chose Zafin's miRevenue platform as the system of record for all product and pricing management across Business Banking.

Figure 2: Zafin miRevenue



Source: Zafin

Designed and built specifically for the financial services industry, miRevenue represents a complete product and pricing lifecycle management platform. The miRevenue platform includes flexible configuration of fees, interest computation for interest-bearing products, and automated consolidated billing for special arrangement customers. CIBC refers to the application internally as myClient.

An effective pricing and billing system requires accurate, timely data. CIBC's IT team built a Business Banking Data Mart (BBDM) to house account information, transaction history, product usage, and customer hierarchy for its business clients. The BBDM feeds transaction data to the Zafin platform, allowing the platform to perform centralized billing, reporting, and offer management for the entire business client base.

The CIBC project team consisted of 10 staff members from multiple technology and business groups including Business Banking Technology, Finance Technology, Technology and Operations, and Global Transaction Banking product management. The Zafin project team consisted of eight full-time resources. Zafin now has a temporary office in CIBC's technology center for the duration of the project, demonstrating the partnership between CIBC and their myClient provider.

CIBC's pricing platform project impacted several areas including sales, support, product management, and technology. The breadth of stakeholder groups increased the challenge of defining requirements and establishing new pricing and billing processes. From a technology perspective, the number of integration points into the central database increased the complexity of data feeds, testing and quality assurance.

The business team led the functional requirements phase with the technology team contributing knowledge of the underlying data structure, customer master, shared authentication, web services integration, and batch scheduling. The project was split into three phases. Phase 1 was delivered in April 2013; Phase 2 was then delivered in October 2014; Phase 3 is scheduled for delivery in spring/summer of 2016.

In the first two phases, CIBC launched the pricing changes catalogue and a new interest-bearing deposit product, the "CIBC Business Investment Growth Account." The team also designed new reports for the sales team using analytics to highlight potential revenue opportunities.

The new platform also supported the creation of a new product that encourages clients to use electronic channels. The "CIBC Everyday Business Operating Account" offers clients up to 30 transactions for a fee that varies depending on whether the client performed all transactions electronically or with the assistance of a CIBC representative.

Phase 3 will deliver automation of standard and non-standard pricing requests along with billing for all products and services. In-depth analytics and reporting will also be rolled out during this phase.

RESULTS AND FUTURE PLANS

The benefits of the solution include a centralized data catalogue for products and services including standard and exception pricing, significant IT cost savings for fee changes and product launches, identification of revenue opportunities, rapid ability to gain exception pricing approvals, automated consolidated billing, and elimination of the risk of manual billing errors. The bank's relationship management teams will be able to view pricing and billing information through integration of Zafin's software into CIBC's Microsoft Dynamics CRM system. This integration facilitates client onboarding by bringing all relevant information together into a single view for both sales and operations.

CIBC consolidated several disparate systems which resulted in an annual technology cost savings of approximately 70% for processing annual fee changes. In addition, CIBC is now able to launch new products 50% faster.

Users are able to make fee changes using a web-based user interface, with no coding required. This allows the product managers to respond to market demand by implementing dynamic pricing schemes without any technology interaction. The web-

based centralized pricing platform reduces the cost of maintaining product catalogues and associated pricing.

In addition to new interest-bearing deposit products, CIBC can now offer promotional interest rates (limited time offers). This feature is a competitive differentiator in Canada for CIBC and grew account balances by 129% since product launch. Customer feedback has been positive; clients enjoy being rewarded for depositing incremental balances.

Next steps for CIBC include automation of non-standard pricing requests and approvals; migration of multiple product price points from mainframe systems to the product catalog; automation and consolidation of billing for all products and services; and in-depth analytics and reporting.

CIBC's myClient project demonstrates its strategy to be a strong, innovative, relationship-oriented bank, making banking easy, flexible, and personalized for its clients. The demonstrated ease in launching new products and consolidation of legacy systems make this initiative a model for cash management and trade finance innovation.

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