

## Digital Policy, Strategy and Advisory

# The Future of Connectivity: How the Interactions Between Corporates and Banks are Rapidly Evolving



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It would hardly be an exaggeration to say that nearly every industry has undergone disruption and that digitization has been the force behind this ongoing transformation.

Emerging digital-ready business models are shifting the connectivity requirements between corporates and banks, as new technology solutions offer the promise of a better, more seamless experience.

Businesses are increasingly looking to reduce friction and inefficiencies in their treasury processes, finding ways to embed innovative connectivity between enterprise resource planning and treasury management systems and banking platforms. In this way, the connection between the corporate and bank becomes nearly invisible, creating a level of availability and convenience that dramatically simplifies processes.

The concepts of open banking and banking-as-a-service have been important drivers of the changes taking place today. The enhanced forms of connectivity advocated by these concepts is not exactly new, but are now finally taking off. Central bank regulators around the world, are helping to fuel this trend as the open banking market is projected to grow 24.4 percent to a value of \$43.15 billion by 2026.<sup>1</sup>

With so much change taking place across the globe, it is worth diving deeper into what the future will look like in terms of connectivity to banks, and how these transformational changes will likely impact the ways corporates execute their business.

## Criteria for new innovation: Does it deliver a superior experience?

The number one criterion for any new innovation today is delivering a superior user experience. Banks and new players to the financial services marketplace are squarely focused on understanding the user preferences and evolving digital needs of corporate clients, and then developing solutions that address those needs as seamlessly and simply as possible.

This means delivering convenience through effortless onboarding, 24x7 access, customization tailored to the unique needs of each user's journey when utilizing a banking platform, and complete transparency that helps ensure the greatest value. It should be noted that rather than migrating corporates from one platform to another as their business grows, some banks are now taking a different approach. To better serve businesses along their continuum of growth, banks are innovating to meet needs as they evolve and expand.

Key to customization is understanding user preferences, which is accomplished through analysis of user behavior. Banks and other providers are leveraging data analytics to gain insights into user needs and are harnessing this information to drive product development. Real-time telemetry is being employed to reveal how corporates are interfacing with banking platforms,

providing invaluable journey mapping. These sorts of granular insights into individual users are vital in the development of next-level personalization and the enablement of data-driven decisions.

Citi has embraced this strategy and is committed to being the most simple, convenient, and insightful banking partner. Banks in general are facing increased competition from digital-only firms that are focused on using the latest technology innovations to dramatically improve the user experience. This competition has spurred many banks, such as Citi, to raise their game and focus more acutely on how to better meet corporate-client needs.

## Technology is at the heart of the digital journey

Technology innovation is at the heart of the digital transformation taking place throughout the marketplace. One aspect of this innovation is cognitive computing and data science, which looks at user behavior patterns to enable the creation of a customized journey. These advanced systems are highly effective at mitigating risk, personalization of products, and achieving operational efficiencies.

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Cloud computing is another area that is rapidly becoming the norm in both corporate and banking practices. The cloud offers the ability to easily scale to support expanding consumer flows, which is becoming increasingly important as more businesses embrace business-to-business-to-consumer (B2B2C) models.

In response to the 24/7 needs of global business, banks are also embracing microservices architectures and open application programming interfaces (APIs) that enable different parts of a bank's technology stack to be combined and organized in ways that adapt to corporate-clients' specific needs. Citi has been a leader in APIs, taking banking availability and embedding it in the corporate's ecosystem to create the next level of user experience.

<sup>1</sup> Source: Forbes Open Banking Is Now Essential Banking: A New Decade's Global Pressures and Best Responses, Part One (Padua, 2021)



Because security is of the utmost concern for corporates and banks alike, more advanced, federated security models are emerging. Federation allows security principal identities and attributes to be shared across trust boundaries according to established policies, enabling banking applications to be safely utilized from anywhere.

As corporates and banks place a greater reliance on data to achieve critical efficiencies and automation in treasury processes, the need for more computational power has become paramount. Quantum computing offers a vital answer to this growing need, as this advanced technology becomes more widely available and more affordable. Quantum computing's faster processing capabilities are already being integrated into daily banking systems.

## Emerging connectivity models: The future is here today

All of the trends mentioned thus far have led to several emerging connectivity models from banks. The first is the bank-as-a-service model, where bank services are, for example, embedded within a corporate's treasury management system, allowing for seamless access to information such as account balances without having to leave the platform. The concept of embedding connectivity, also known as the "invisible bank," is discussed in greater detail [here](#).

The second model is the bank-as-a-platform model, which is similar to bank-as-a-service, but in this case the corporate is using the bank's platform as a centralized source for information. In this model, banks open their platforms to both internal and external partners, who are encouraged to bring innovative solutions that leverage the platform and help on corporates on their connected journey.

The third model that is emerging is around banking as a utility. As more B2B flows become B2B2C flows, corporate expectations will be around scale and the bank's ability to process millions of transactions easily.

And the fourth model will find some banks focusing their banking services exclusively on a particular customer segment. So, for instance, these banks might tailor services to the energy sector or insurance industry, offering customized solutions for those businesses.

With these models, corporates can leverage their banking partner's experience and deep investments in connectivity in order to take advantage of next-generation technologies that deliver convenience and business efficiency. By harnessing the latest innovations, corporates can meet their critical growth objectives today and position themselves for continued success into the future. ■

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