Evolution of the Invisible Bank: How Partnerships with Fintechs is Driving Digital Innovation

Business banking as we know it is changing in ways that could hardly have been imagined less than a decade ago. The introduction of next generation technologies, such as Application Programming Interfaces (APIs), AI, machine learning and robotics, is poised to deliver the “invisible bank,” where treasury and banking functions meld together seamlessly, bringing customer experience to a new level of convenience.

This means extending the reach of banking solutions beyond the bank’s own channels and technologies, incorporating them into day-to-day treasury management functions. In this way, the friction between corporates and banks is reduced - making it impossible to tell where the bank ends and treasury operations begin.

By leveraging treasury data in a more contextual way, banks will be able to integrate banking functions and services into the daily duties of treasury professionals, delivering tremendous convenience and a greatly improved client experience.

Digital technologies, such as APIs, are allowing banks and corporates to be more agile in connecting and collaborating with each other to bring innovations to market faster, meeting the needs of their customer base. In fact, Forbes reports that 80 percent of large enterprises are already generating more than $5 million a year from APIs.¹

¹https://www.forbes.com/sites/falonfatemi/2019/03/21/how-apis-can-transform-your-company/#5f2b09e9668c
While APIs are impacting consumer buying habits, making it possible to purchase services and consume goods directly from phones and smart appliances, this innovative technology is also helping to transform the financial services industry. An industry white paper found that nearly 70 percent of banks are already implementing API gateways to accelerate digital banking innovation and 41 percent view an API gateway as a key enabler of the development process.²

The connected future is here

The introduction of next-generation technologies, such as APIs, artificial intelligence (AI), machine learning, robotics, and chatbots, is poised to deliver the "invisible bank," where day-to-day treasury management and banking functions meld together, making it impossible to tell where the bank ends and treasury operations begin.

Innovations through APIs are making it possible to conduct transactions instantaneously, improving liquidity decision-making and allowing treasury to better support overall business strategies and objectives. For example, the use of APIs is allowing clients to initiate payments directly from native enterprise resource planning (ERP) systems, eliminating the need to log into a banking portal. APIs are also enabling corporates to access bank account information in real-time through their own systems, saving time and effort. In short, routine tasks will either become automated or made far easier to execute. As a result, the invisible bank promises to deliver tremendous treasury efficiency and a greatly enhanced end-user experience.

Harnessing data to power the invisible bank

As the world becomes more hyper-connected, data is increasingly becoming a driving force behind the impact financial organizations create for their customers. Next-generation technology solutions are beginning to leverage data science to more thoroughly understand client behavior in order to allow banks to make their systems smarter, so clients can work more efficiently.

Both bank and non-bank players are working to harness the power of data to extend the range of dynamic services being offered to corporates, while at the same time ensuring they are highly relevant to each corporate’s specific needs. By leveraging data and applying AI, financial services organizations are linking banking and treasury functions together in new ways and providing intelligent recommendations that can anticipate needs and simplify processes.

Powering the continued evolution of banking

To bring about the invisible bank for their clients, financial institutions are increasingly partnering with Fintechs and treasury workstation and ERP providers to build the foundation of the invisible bank. Such efforts are focusing on vital bank functions, such as account management, supplier finance transactions, the ability to request foreign exchange (FX) rates and negotiate an FX contract from any device in a matter of minutes instead of hours.

Of course, this is just the tip of the iceberg. Next-generation technologies, such as holographic and augmented reality interfaces, will go beyond what is possible today, eliminating desktop, mobile, and tablet banking functionality, and making the user experience far easier and more intuitive.

Forward-thinking banks are already working with technology partners to harness the best of today’s technologies, such as APIs, and tomorrow’s innovations to create powerful new ways of doing business, allowing corporate clients to work smarter, faster and achieve greater success in a rapidly changing global marketplace.

Aiming for progress over perfection

As banks engage in invisible bank initiatives, it is important to establish a culture that prioritizes progress over perfection. The typical mindset has banks architecting new solutions and approaches in-house, with an eye toward consistency, stability, and predictability. This model values repetitiveness and only truly engages in innovative thinking in response to a crisis or disruption.

² https://www.backbase.com/resources/banking2025-whitepaper/?utm_source=google&utm_medium=cpc&utm_campaign=banking_2025_RSA_us&utm_content=whitepaper&gclid=CjwKCAjw4NrpBRBSiEwAUcLzDAU2OH3Ny4y3I8cvq_DNEQNoCY673jOYcd4e5vky-Cu5J3D0HdPioConsOAVOD_BwE
Instead banks should adopt a culture of continuous progress that views innovation as a catalyst for change. The paradigm shift from legacy to Scale Agile Framework (SAFE) means having a tolerance for iteration and uncertainty. Instead of having a rigid culture that requires everything be done right the first time, this concept of continuous progress calls for flexibility in developing solutions and delivering updates that demonstrate a commitment to improvement. When architecting for the invisible bank, it is crucial to see employees as a powerful driver of change, encouraging a relentless push to create convenience and simplification for clients doing business with the bank.

Invisible bank initiatives will likely involve partnering with ecosystem players, such as ERP systems and/or treasury management systems and other third-party providers who already occupy a lion’s share of the end-user’s digital exposure. Many of today’s corporate treasury professionals are digital natives, which means they are comfortable with having apps and smart devices that aren’t perfect at the outset, but which are regularly updated over time, introducing incremental improvements.

One of the most important things for banks to embrace is a methodology that stresses incremental improvement and continuous deployment, responding seamlessly to customer feedback and reassuring users that quality is the ultimate mission.

The importance of embracing a cloud-based strategy

As business-to-consumer (B2C) flows increase as a result of growth, for instance from ecommerce and gig economy players, banks are having to scale up to meet these demands. This has necessitated the adoption of cloud-based infrastructures and micro-services which can more easily grow to support expanding transaction volumes.

As reported in Forbes, a survey of banks conducted by Accenture found that 97 percent of respondents had a cloud strategy. However, only a quarter said they have cloud-based practices and tools with ongoing efficiency measures in place.\(^3\)

One of the many advantages of deploying to a private cloud infrastructure is the ability to share information as opposed to it being sequestered in a data center. This is especially important as banks partner to introduce invisible bank initiatives. The ability to test the product and ensure that the end-user experience is meeting the needs of clients is absolutely crucial. This requires access to multiple test environments to support parallel development via Scrum teams. Creating a testing environment in a legacy system can take six to nine months and may require hardware procurement and other IT resources. Whereas, with a cloud environment, it is possible to spin up a new environment in a matter of hours if not sooner, allowing rapid testing that ensures a better, faster cycle of deployment.

A cloud-based infrastructure allows for continuous testing, while measures can be put in place to protect personally identifiable information (PII) and other sensitive data. Beyond measuring the performance of technology, measuring the performance of the people involved in these initiatives will be crucial. This type of measurement, known as OKR, is needed to keep joint partnerships on track. The successful implementation of cloud-based infrastructures will be key to realizing the potential of invisible bank advancements. The cloud environment itself is ideally suited for collaboration between partners, which is fundamental to the creation of the invisible bank.

\(^3\) https://www.forbes.com/sites/ronshevlin/2019/07/22/banks-inevitable-race-to-the-cloud/#7c49de8a1135
Why partnering with Fintechs makes sense

Today, a number of major trends in the financial services industry are influencing how banks are tackling the challenges of achieving invisible bank objectives. Open banking initiatives, real-time transactions, and the advent of new buying segments in the B2B space, such as ecommerce, are compelling banks to explore partnerships with Fintechs to deliver a better end-to-end experience.

Fintechs bring some own unique advantages to these partnerships. These “born-in-the-cloud” businesses offer deep expertise, having already refined the development of their technologies. Working together, banks and Fintechs are able to extend the reach of new treasury innovations.

In this fast-paced environment, banks are under pressure to be extremely agile. In many cases, banks may struggle to keep pace with what is happening with the different technology systems, such as ERP and TMS solutions, that are relied upon by corporate clients. As invisible bank initiatives necessitate connection to these systems, banks often lack the extensive knowledge of the technical underpinnings of those systems on the client side, such as the procure-to-pay process, or the order-to-cash process, or working capital management processes.

This is where a partnership with a Fintech can make a difference. By collaborating with a Fintech, banks can focus on core competencies, such as payment initiation, fulfillment, receivables, and the transmission of transaction information, leveraging the more niche aspects of solutions offered by a digital partner who specializes in specific vertical solutions. Together, they are able to provide a true end-to-end experience which is the foundation of the invisible bank.

New regulations, such as Open Banking, also present banks with the unique challenge of adapting to regional nuances. The onus is on banks to comply with these varying market regulations around the world and utilize them as opportunities to further their shareholder value. Partnering with vendors who have expertise in the open banking space can enable banks to simply plug into a partner’s services and provide a superior experience for clients. Such partnerships can allow banks to help clients with receivables reconciliation, providing much needed data so they can better understand their cash flow today and into the future, enabling more effective decision making around liquidity and working capital management.

By providing “last mile” receivables data to accompany the supply chain, banks can deliver a more compelling and engaging end-to-end experience for clients, which is key to strengthening the bank/client relationship.

The roadmap to invisible bank success

There is a logical synergy to partnerships between banks and Fintechs when it comes to fostering the invisible bank. Banks, which rely on legacy systems, have not traditionally moved as quickly in bringing innovative solutions to market, but have built deep and trusted relationships with corporate clients. At the same time, Fintechs, which are digital natives, have the agility and technological savvyness to meet the rapidly changing needs of businesses in this era of digital transformation, taking advantage of speed to market. However, they don't have the depth of relationship or the level of trust that is so highly valued by corporate treasury professionals. For this reason, banks and Fintech can partner to achieve mutually beneficial goals that ultimately reward clients with new innovations that hold the promise of transforming the treasury function.

In partnering with Fintechs, banks can continue to focus on core competencies and strengthening their role as a trusted advisor, while leveraging FinTechs to bring vertical solutions that are highly innovative – thus gaining a competitive edge. Fintechs are uniquely suited to quickly understanding the specific changes a particular customer segment or industry is undergoing, and then responding rapidly with a new solution. Through the use of agile development processes, they are able to introduce continuous iterations of software to meet evolving corporate demands, which would be difficult for banks to replicate. Together, banks and Fintechs are well suited to bringing invisible bank innovation to the market.

In fact, banks, Fintechs and corporates constitute a seamless triangle in this innovation story. The adoption of cloud infrastructure is allowing all three parties to come together to co-create new solutions that make the most sense to treasury. The cloud is an ideal platform that support today’s rapid process of innovation, enabling continuous feedback, continuous improvement and a continuous delivery cycle.

What we are seeing today is only just the beginning for the invisible bank. Hyper-connectivity is opening the door to a brave new world of treasury possibilities, making the experience even more intuitive and simple to use for clients.

As digitally native clients increasingly dominate the workforce, the importance of delivering a superior client experience grows imperative. The invisible bank, made possible by partnerships between banks and third-party providers, and powered by new technologies and innovative behavior models, will lead to unprecedented client convenience. The invisible bank promises an exciting future for banks, Fintechs and corporate treasury – a future where the client reigns supreme.