Stronger Together: How Working with Fintechs Benefits All

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Fintechs are often in the headlines and for good reason: over the past decade they have transformed the financial services world and changed how many of us communicate, bank, and buy goods and services – both online and offline.

Conversations between banks and fintechs have evolved over the past decade as well: progressing from the initially coined “threat” to one of partnership and collaboration – all with the end objective of adding value for clients. These fintech partnerships are one part of Citi’s broader innovation framework and they complement the extensive in-house innovation engagements that Citi runs. Such programs range from enterprise ideation/incubation programs, collaboration with both Citi Ventures as our equity investment arm as well as leading academia, and design thinking programs with core research/tech/engineering initiatives that lead to client co-developments and R&D across our global Lab network.

Why Citi works with fintechs
The benefits of working with fintechs are well known: fintechs are smaller, less hierarchical, more agile and tend to have a niche value set. As a result, they are often able to bring solutions to market faster than a large global bank with numerous competing technology investment demands. And when partnerships are pursued that are targeted and relevant, they can help a bank adapt – and grow – to meet clients’ changing needs. Within Treasury and Trade Solutions (TTS), they have also served as a way to reinforce Citi’s continued commitment to be able to adapt its culture, embrace disruption and make innovation “truly mainstream.”

The eureka moment for Citi was the realization more than a decade ago that the most effective way to deliver value for clients was to concentrate on the bank’s strengths. By openly and honestly appraising Citi’s capabilities, it became possible to identify opportunities where collaboration with fintechs created a better or faster outcome for clients. However, while there are plenty of clever innovations in the marketplace, Citi is careful to ensure its collaborations focus on practical challenges experienced by clients. Relevance is everything.

The benefits for fintechs
For fintechs, working with a bank is a quick way to get their solution to market and grow rapidly. Citi’s multinational client base offers an unrivalled opportunity for fintechs. By partnering with Citi, fintechs can leverage the bank’s position as a trusted adviser and its deep relationships that have been built up over many years; there is clear value in...
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2019 TTS FINTECH ENGAGEMENT: BY THE NUMBERS

- Startup meetings and introductions: 600+
- TTS Innovation Lab client visits and co-creation sessions: 160+
- Transaction Banking commercial deals signed/WIP with Fintech partners: 15
- TTS relevant portfolio companies (received equity stake from Citi Ventures): 60% increase YOY
- TTS relevant portfolio companies (commercial deals signed/WIP with Fintech partners): 16+

Global Fintech demos and workshops (spanning India, NYC, Dubai, Singapore, Dublin, London)

Client needs are paramount
It is important to point out that each journey starts with a client need and a results-oriented practical focus: the determination to solve a specific problem guides TTS's choice of the best partner and engagement model.

Citi relationships with fintechs are true partnerships that add value for what are often relatively young companies: working with Citi helps fintechs to grow, mature and gain market credibility. Crucially, it also enables fintechs to overcome regulatory and procurement hurdles that can be a significant barrier to growth.

Investment
When looking at potential partners, Citi considers whether their capabilities are a good fit for clients’ needs; if so, the bank may consider a potential equity investment (as well as putting Citi’s experience at their disposal by, for instance, helping fintechs to strengthen their internal functions). One of the main ways Citi invests is via Citi Ventures. This organization, one of the first bank venture firms, meets with over 1,000 start-ups annually, seeking out smart investments in impactful technologies that can help Citi increase operational efficiencies, build better solutions, and solve pain points for clients.

To date, Citi Ventures has an active portfolio of 45 companies including four unicorn startups, Plaid, Grab, Tanium, Netskope. Over 60% of these portfolio startups have been commercialized via pilots or full enterprise engagements with Citi businesses. And since 2016, the investment portfolio has delivered hundreds of millions in benefits to the enterprise through both investment gains, incremental revenue and costs/broad saves.

This solution leverages HighRadius’ proprietary machine learning technology along with Citi’s cash management infrastructure to automate manually-intensive accounts receivable processes reducing costs, decreasing days sales outstanding, and optimizing working capital.

- Partnerships
An equity investment is not, however, a prerequisite for Citi to work with a fintech. Many cutting-edge firms are not seeking an equity partner but are nevertheless eager to commercialize their solution through Citi’s platform and have valuable intellectual property or capabilities that can benefit Citi clients. TTS made a number of commercial deals with fintech partners over the course of last year, with notable recent high-profile pilots including Billhop, Mindgate, Payoo, and FISPAN. These deals netted benefits in many quantifiable ways. For example, the partnership with FISPAN benefited Citi clients through optimizing their cash flow and monitoring their global liquidity; for Citi, this helped the bank to accelerate client flows through faster on-boarding and the reduction of operational risks and costs. Citi’s partnership with Mindgate has facilitated Request to Pay through the implementation of their solution with Citi’s network in 15 countries throughout the ASEAN and MENA regions; the collaboration with Payoo has complemented and further enabled Citi’s capabilities to deliver last mile digital solutions to the bank’s corporate clients in the ASEAN region.

- Industry collaboration
Citi’s global footprint and unrivalled relationships with regulators enables it to provide valuable insights to the fintech ecosystem. Close contact with regulators means that in some circumstances Citi can even help shape policy in order to encourage innovation and creativity. As a leading global financial institution, Citi is also a member of many industry bodies and often plays a leading role.

- Events and pitches
One key way that Citi sources investment and partnership opportunities is via fintech events. Over the last two years, Citi TTS has run 15 demo days to find potential partners. At some of these events, such as the event held in Dublin in November 2019, there was an opportunity for clients to share their pain points or help identify solutions from the invited fintechs. The majority of these demo days, however, are internally run as they are a primary objective is to drive new strategic market opportunities or product development for TTS.

Before fintech events, prospective candidates are carefully reviewed to select those who show the most promising solutions in aligning with TTS’s client needs or internal business problem statements. Citi squads comprising business, product and technical leads conduct
a comprehensive vetting process of potential candidates before selecting the finalists (from over 130 submitted applicants to eight chosen finalists in the case of one of our fintech days) and then pairing with a Citi mentor to fine-tune their pitches and solutions. These firms then pitch to the various Citi stakeholders responsible for addressing the specific challenges. By involving the business very closely in the selection process, it is easier to build momentum for adoption after the potential partner has pitched their solution in the wider forum.

**Making a difference for clients**

Citi’s engagement with fintechs is significant and growing. In 2019, TTS global business heads and the Citi Ventures team participated in scores of start-up introductions, domain/market landscape sessions, and start-up demo events. The coordinated events led to over a dozen proof of concepts/pilots with these fintech finalists and many more pilots have been explored with fintech firms as a result of the wider in-house innovation engagements run across Citi.

What’s more, our areas of focus continue to evolve too. Citi’s most recent fintech collaboration, for example, tackles the consumer payments market, which is increasingly important given the growth of eCommerce and C2B business. Spring by CitiSM leverages partnerships with Global Payments for card processing solutions and PPRO for access to local payment methods to give Citi institutional clients a comprehensive consumer payments solution that enables digital commerce by extending Citi’s presence and capabilities. Leveraging the Mastercard payment gateway, Spring by Citi offers institutional merchants the ability to collect from a wide range of payment methods including cards, e-wallets and new and innovative bank transfers such as Request to Pay, Instant Payments and Open Banking. In turn, their customers will have access to a wide variety of payment methods of their choice.

Even existing Citi-developed products are seen as opportunities for fintech collaboration. For instance, several years ago the Citi Innovation Labs developed Citi’s Payment Outlier Detection solution using advanced analytics, AI and ML to proactively identify outlier payments for our clients. When it came to updating the algorithms and analytics that power the tool, Citi recognized that it made sense to partner with Feedzai, a leader in artificial intelligence for real-time risk management across banking and commerce. Feedzai’s machine learning and big data technology automatically adjusts controls to monitor discrepancies and changes in client payment behavior, thus delivering enhanced control, transparency and efficiency for clients’ global payments. Clients can review, approve and/or reject transactions before they are processed for payment, giving them greater control and enhanced risk mitigation.

Ultimately, there are no bars to how Citi embraces new ideas and approaches and the way that Citi engages with fintechs constantly evolves in response to the technology world’s ongoing change. Indeed, the notion of collaboration within an ecosystem of multiple parties is an example of how the technology world has developed in recent years from competitive to complementary. And as the ecosystem continues to adapt — so will Citi’s partnerships with innovative firms.