

Navigating The FinTech Landscape:

Powering Corporate
Banking Through
Interoperability

in collaboration with



IBS intelligence
Global FinTech Perspectives



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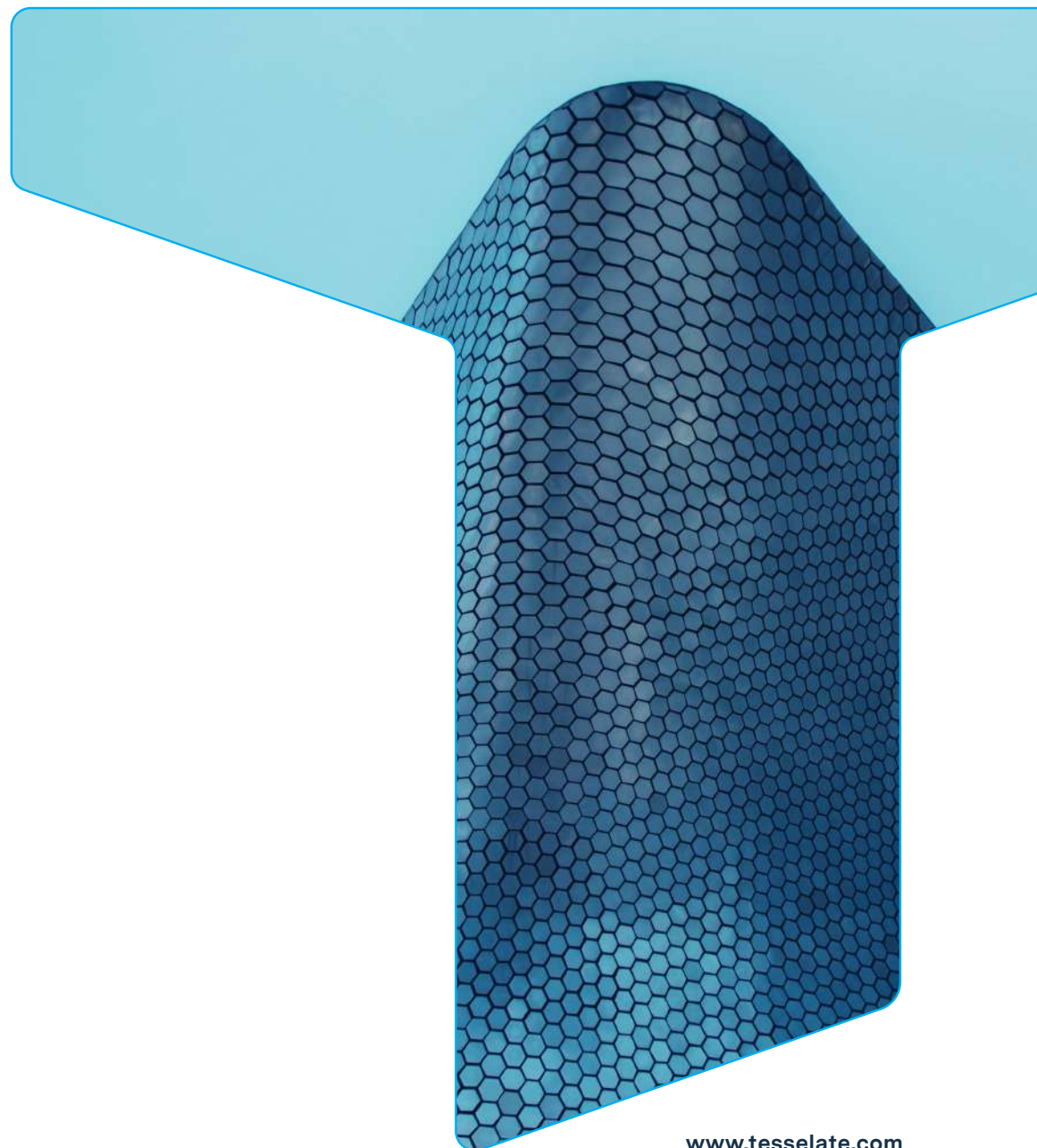




Introduction

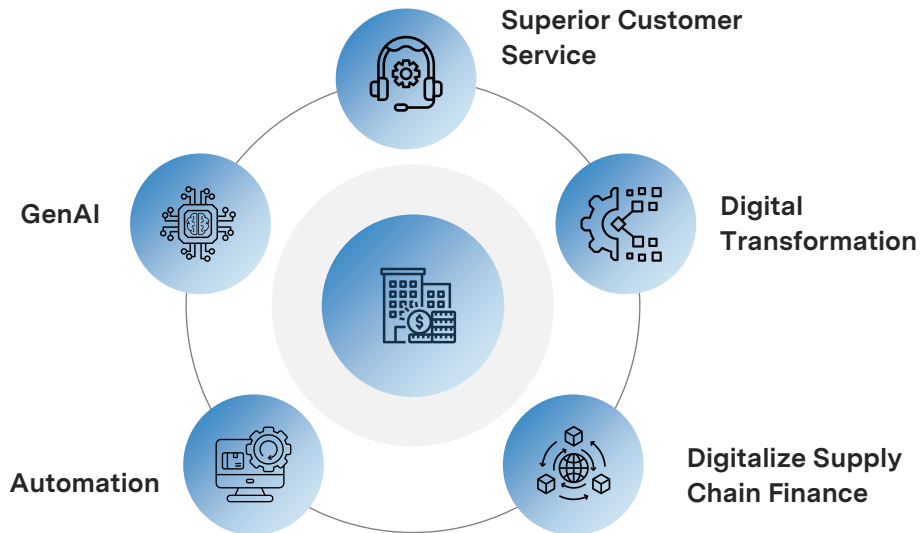
The global landscape in corporate banking is constantly evolving due to emerging technologies, changing customer needs and new business models. The widespread adoption of technology will impact the traditional banking and financial ecosystem. Corporate Banking Services have been overly reliant on manual processes, extensive paperwork, and branch dependencies. Over 80% of a Bank's corporate transactions are relationship-based and therefore processed manually. In this fast-evolving ecosystem, banks need to assess their technical capabilities, reconfigure tech

roles & talent and increase value-added tech spend. Particularly, corporate banks partnering with FinTechs can implement an effective tech strategy. But is the interaction between Banks and FinTech seamless? Not always. There are multiple technology and process related challenges such as integration with the core systems, digital banking platform integration, lack of API experience, organizational change management, adoption of new tools, siloed communication & collaboration and budgeting constraints while ensuring the result aligns with the overall business objectives.





Global Corporate Banking Trends & Key Developments in the Fintech space



The Corporate Banking industry is undergoing significant changes to keep up with the shifting consumer preferences. Over the years, factors like technological advancements, regulatory changes and market developments have contributed to shifting the industry dynamics. Quite recently, the pandemic led to digital transformation within the industry which shifted the channels mix paradigm. New trends

emerged, business models evolved, and digital channels sprung up. It is imperative to have a multi-channel strategy to cater to the needs of different customers. A **Phygital** Strategy– a healthy mix of physical and digital presence is the way forward. Some of the recent developments in the Corporate Banking and FinTech space are tilting more towards Digital adoption, such as





1 Superior Customer Service

Financial institutions can build deeper, personal relationships with their customers owing to proper data collection, analytics, and effective channel strategy. Easy accessibility and real-time assistance builds customer loyalty and high-quality customer experience. Understanding various touchpoints in the customer's journey and offering personalized services at each stage can really help elevate customer's engagement with the Bank.

2 Digital Transformation

Digital Transformation can be challenging because of its scale and budget. Financial institutions are increasingly focused on modernizing their core legacy systems to become fully digital. Banks have realized significant cost savings and revenue growth through digital initiatives and are therefore committed to digitally transform their business. To have a successful transition, Banks are increasingly focusing on acquiring new capabilities and talent, allocate appropriate budgets to these activities and while keeping a customer-centric approach at the heart.

3 Digitalize Supply Chain Finance

FinTechs have attributed this towards digitizing interactions between entities. Data analytics and app-based financing arrangements have made the financing process efficient, transparent, and flexible. Banks usually partner with FinTechs to create seamless digital supply chain finance journeys spanning supply chain procurement, invoicing and financing which is accomplished with the help of APIs and connectors across the value chain.



4 Automation

Corporate & Commercial banks have traditionally inclined towards a relationship and branch-based approach. With the changing customer needs, automating specific tasks like onboarding customers, fee income reporting and collection, paperless operations, underwriting, e-signing can dramatically improve the speed, efficiency, and accuracy of operations. For instance, OCR technology has outdated paper-based documentation, reduced chances of manual error and saved time with its high text-recognition ability.

5 GenAI

Gen AI can help improve interoperability in digital transformation programs by enhancing the ability of systems to work together seamlessly. GenAI can facilitate better data sharing, automate tasks and streamline operations. This convergence of Gen AI capabilities and interoperability helps organizations overcome a lot of technical and process related challenges by enabling efficient and effective workflows, improved customer experiences and better overall outcomes.





Role of Fintech Partnerships from a Banking perspective

In the ever-evolving world of financial services, the symbiotic relationship between traditional banks and fintech companies has undergone a significant transformation. While these partnerships have a long history in the banking industry, they are continuously evolving, and both financial institutions and regulatory bodies are adapting to these collaborations.

The landscape has shifted as FinTech startups continue to challenge incumbent banks across various domains, including lending, payments, personal finance management, and investment banking. The competitive landscape is still unfolding, with regulatory frameworks serving as significant hurdles for startups entering the market.

The disruptive nature of FinTechs, marked by their speed, efficiency, accessibility, and user-centric approach, is compelling. However, their capital structure and investment profiles necessitate rapid growth, demanding scalable infrastructure, processing capabilities, liquidity, and, above all, security. This led to a shift in focus towards partnerships with reputable and insured depository institutions, such as banks and credit unions. These partnerships offer

mutual benefits, enabling FinTechs to expand their geographical presence and reduce compliance burdens.

Nonetheless, it's important to acknowledge that there are significant costs for banks when entering these partnerships. Managing the complexities of transactional requirements and mitigating inherent sector risks require substantial resources. However, when these partnerships are thoughtfully constructed, large financial institutions can provide valuable support, bridging gaps in infrastructure and knowledge.

In the face of economic headwinds, traditional financial institutions are grappling with the challenges of soaring inflation and interest rates, as well as the growing demands from customers for new features to manage their finances. It is in these trying times that traditional financial institutions, during the early days of the pandemic, turned to FinTechs to find tools to keep their businesses flowing. In return, tech companies welcomed the influx of existing bank customers, highlighting the symbiotic relationship that can develop between these two sectors.



7 Navigating The FinTech Landscape: Powering Corporate Banking Through Interoperability

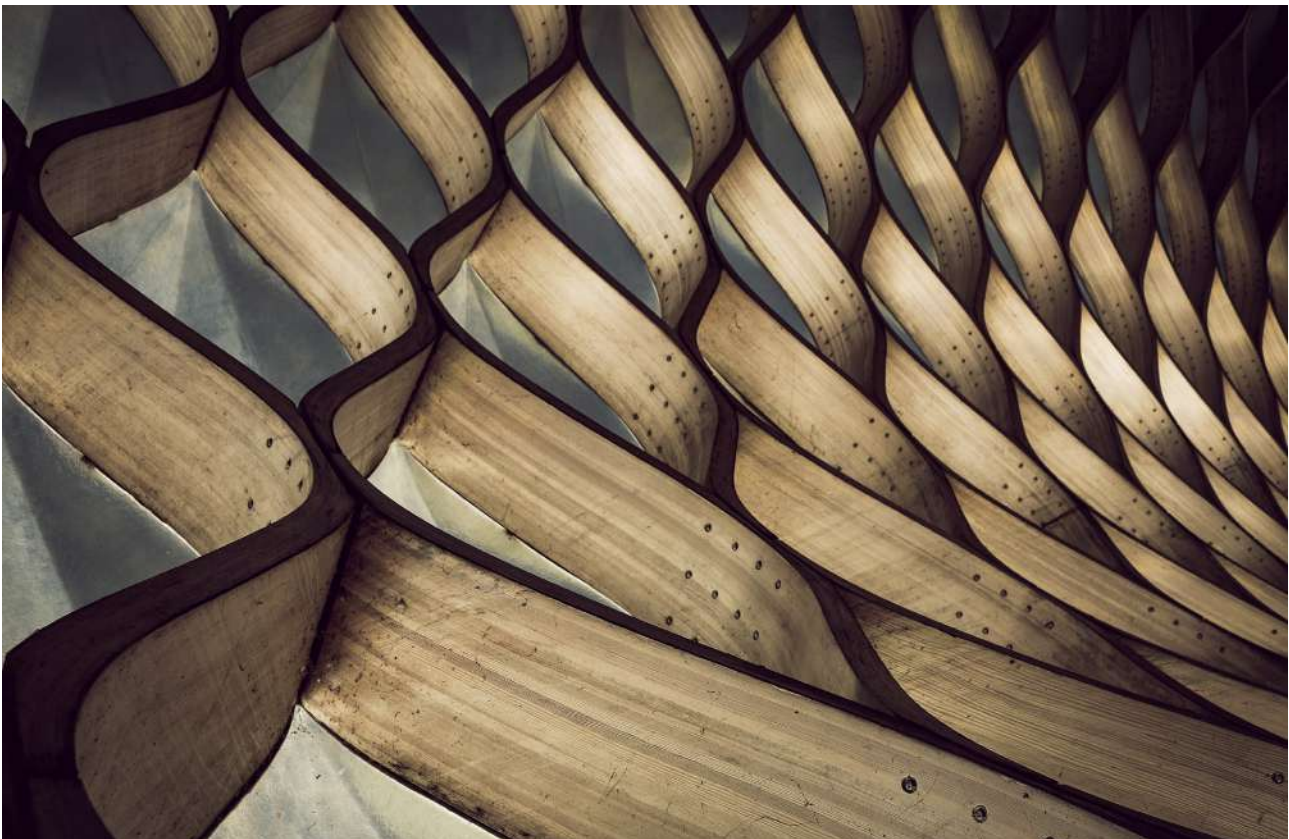


Traditionally, banks have primarily directed their offerings towards large enterprises, often finding it challenging to keep pace with the growing demand for new-age digital solutions. The struggle lies in the persistence of conventional approaches and processes, leading to the provision of basic banking services. Small and Medium-sized Businesses (SMBs) face the dilemma of being categorized either within the retail or large corporate client segments, resulting in banking products repurposed from retail or corporate offerings. This scenario underscores a significant gap in meeting the distinctive financial needs of SMBs. Fintech partnerships in corporate banking emerge as a strategic avenue to address this challenge. Fintech firms, known for their innovation, agility, and tailored solutions, can play a pivotal role in delivering advanced digital tools specifically designed to enhance the financial operations of SMBs. Thus, fostering collaborations between traditional corporate banks and FinTechs holds the potential to create a more inclusive and responsive financial ecosystem for businesses of all sizes.

A recent survey of banking leaders worldwide, conducted by a leading financial software provider reveals that banks are increasingly turning to FinTechs as a solution. The survey found that 56% of respondents prefer leveraging a network of integrated fintech solutions, while only 6% opt for in-house development. Moreover, 75% of banks plan to engage with an average of three FinTechs over the next 12 to 18 months#.

This survey underscores a vital insight: financial institutions recognize that they cannot thrive in this challenging environment in isolation and that FinTechs play a pivotal role in helping them adapt and prosper. Their core motivation extends beyond cost reduction, encompassing more efficient technology deployment. Traditional banks are also exploring fintech partnerships to embrace technology and offer new products. Developing new functionalities or improving existing processes in-house can strain resources and require specialized expertise. In contrast, FinTechs provide ready-to-use solutions, often incorporating the latest technology to address specific challenges or demands.

#Source: Finastra Study





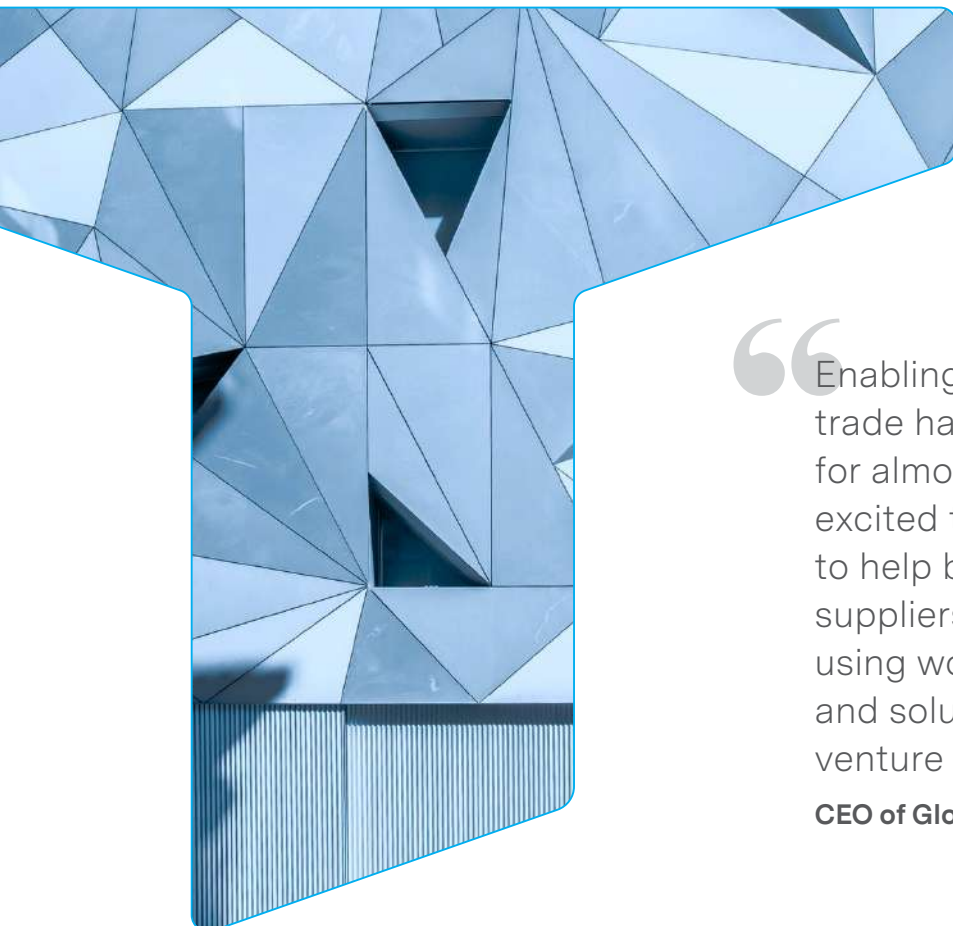
While banks may lack the agility and flexibility of FinTechs, they possess competitive advantages of their own. These longstanding institutions have a deep understanding of the industry and the regulatory landscape, the depth of knowledge relative to navigating the regulatory environment, and how to apply laws and regulations to everyday transactions, giving them a unique edge. Banks also have access to substantial capital, global reach, and immense scale, providing them with abundant resources.

While the benefits of partnerships are clear, it's important to acknowledge the challenges. Integration is a primary concern, encompassing integration within the banks' technology stack, digital banking platforms, and effective use of APIs. To overcome these challenges, banks must restructure their organizations to facilitate quick decision-making, adopt a more fintech-like approach to product development,

and ensure seamless integration of technology and culture in partnerships.

When executed correctly, these partnerships can yield substantial benefits, as demonstrated by the collaboration between one of the world's leading trade finance banks and the world's largest business commerce platforms. The two companies joined forces to develop an online platform for businesses to manage global supply chains and working capital, generating significant revenues for both entities.

So, fintech partnerships from a banking perspective, are a strategic imperative to navigate the evolving financial landscape. These collaborations, while not without challenges, offer new opportunities for banks to enhance their offerings and meet the evolving demands of their customers. Through collaborations, both banks and FinTechs can focus on their respective core competencies.



“Enabling and growing global trade has been in bank's DNA for almost 160 years. We are very excited to partner with Tradeshift to help businesses and their suppliers trade more smoothly using world-class technology and solutions that the joint venture will deliver.”

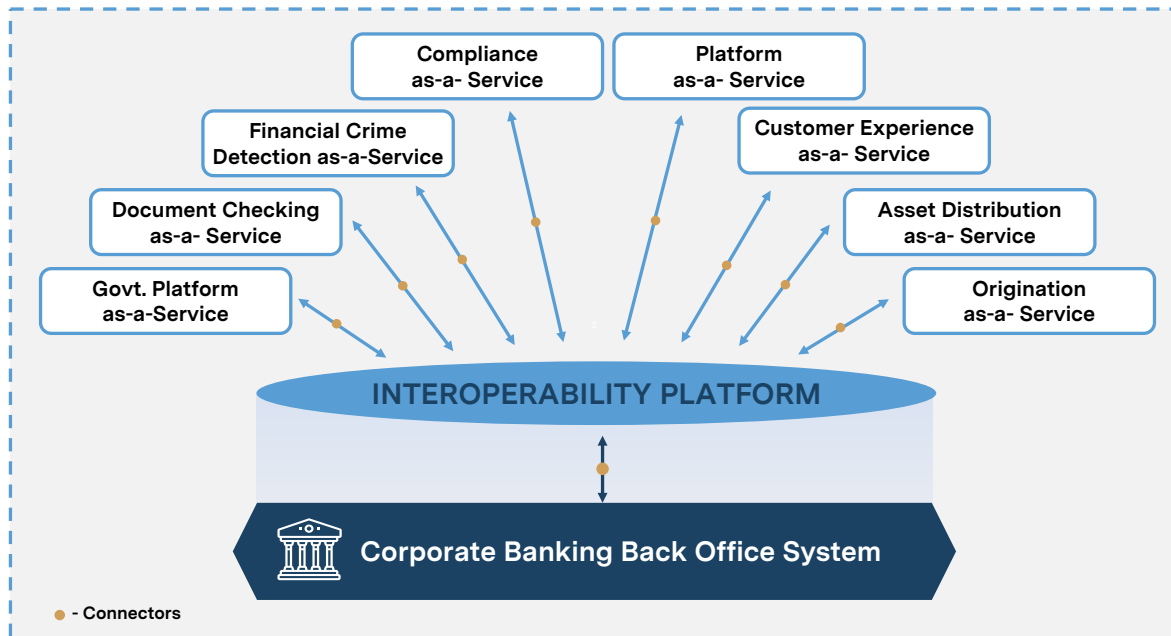
CEO of Global Commercial Banking





What is Interoperability and how is it shaping the industry?

Bridging the gap between banks and FinTech can be established through collaboration, technology integration and digital transformation.



TRADE FINANCE ECOSYSTEM

Interoperability, characterized by the use of standard language to facilitate seamless data exchange, lies at the heart of modern banking operations. Open standards serve as the bedrock of interoperability, providing a unified framework for data exchange among diverse systems and vendors.

Within corporate banking, the evolution of interoperability represents a transformative shift, reshaping the operational landscape of financial institutions. This interconnectedness, facilitated by smooth data exchange and system integration, is driving innovation, efficiency, and collaboration.

Seamless data sharing across applications developed by different entities and utilizing various technologies is made possible through interoperability. Implementation of open standards empowers vendors to ensure cohesive functionality across their products, facilitating a dynamic and responsive banking environment.

For banks and trading organizations, interoperability spans various dimensions, from exchanging critical business data to executing complex tasks across interconnected systems.

Advanced interoperability capabilities can enable effective data analysis and seamless transaction execution, enhancing service delivery to corporate clients.

In response to the rapidly evolving digital ecosystem, interoperability has become a fundamental strategy for banks. By embracing interoperability principles and leveraging open standards, institutions can streamline operations, expand service offerings, and promote innovation and growth.

By promoting smooth data exchange and system integration, interoperability empowers institutions to navigate the complexities of the modern financial landscape with agility and efficiency, ultimately delivering enhanced value to corporate clients.





Interoperability is fundamentally reshaping corporate banking by enhancing connectivity and facilitating seamless interactions among different systems, platforms, and institutions. Its impact on the industry is considerable in many ways:

a. Enhanced Customer Experience: Corporate clients benefit from improved services, seamless transactions, and more personalized solutions. Interoperability can enable better communication between banks and their corporate clients, leading to enhanced customer experiences.

b. Enhanced Services: Corporate clients benefit from interoperability through access to a broader range of services and products. Banks can collaborate more easily, offering tailored solutions and integrating various financial tools, such as payment systems, trade finance, and risk management.

c. Partnerships and Collaborations: Interoperability encourages partnerships and collaborations between traditional banks, fintech companies, and other stakeholders. This fosters innovation and the development of

new solutions that cater to evolving consumer needs.

d. Open Banking: Interoperability has led to the rise of open banking, enabling third-party financial service providers to access banks' data (with customer consent) through APIs. This has encouraged innovation, as fintech companies develop new products and services by leveraging banks' data and infrastructure.

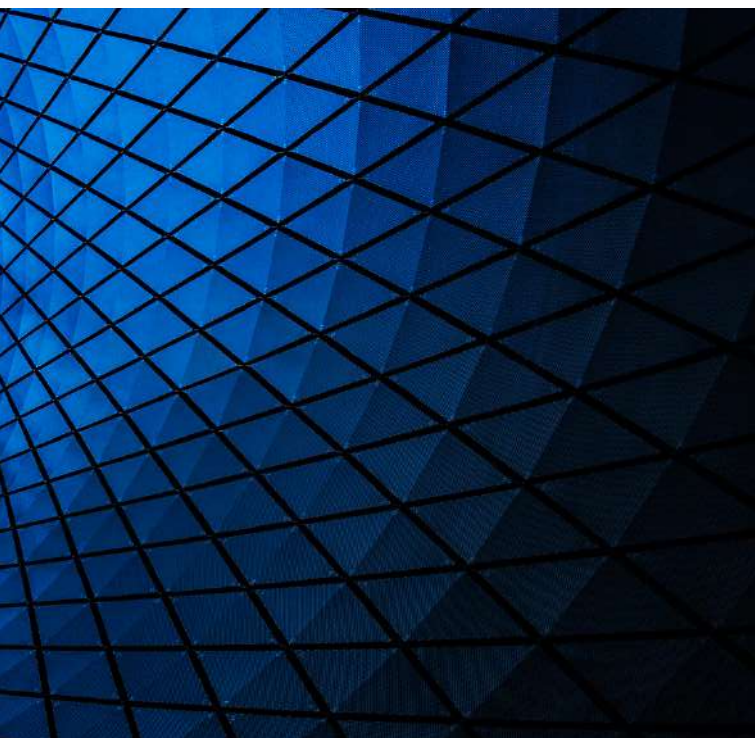
e. Efficiency and Cost Reduction: Interoperability allows for smoother transactions between different banks, financial institutions, and their systems. This reduces manual intervention, streamlines processes, and enhances overall operational efficiency. By enabling efficient data sharing and standardized processes, interoperability helps cut costs associated with redundant systems and operations. It can also lead to economies of scale by allowing banks to consolidate their resources.

f. Global Connectivity: In an increasingly globalized world, interoperability helps banks connect and transact across borders more efficiently, by creating standardized protocols and interfaces facilitating international trade and finance.

g. Implementation Expertise: It is worth noting that the core competency of a FinTech lies in their Product and not in the implementation. Having implementation partner can accelerate project timelines and allow FinTechs to focus on enhancing their products.

h. Compliance and Regulation: Regulatory bodies are increasingly emphasizing interoperability to promote fair competition, protect consumer data, and ensure security standards across the banking sector. Regulations such as GDPR, PSD2 in Europe are pushing for greater interoperability in banking.

i. Risk Mitigation: With interconnected systems, there's a better chance to identify and mitigate risks promptly. Real-time data sharing and analysis across platforms allow for quicker



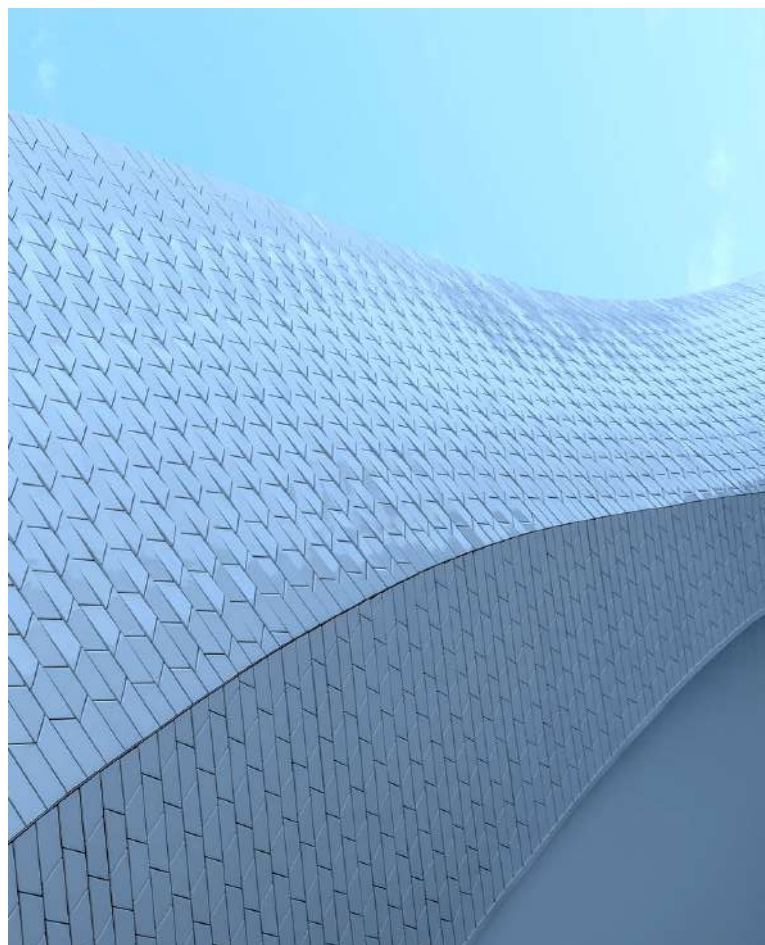


detection of anomalies or fraudulent activities.

j. Financial Inclusion: Interoperability plays a crucial role in extending corporate banking to underserved populations. By connecting various systems, it allows for the integration of banks into different platforms, reaching more people who previously lacked access.

k. The Power of GenAI: In the ever-evolving domain of corporate banking, the collaboration between interoperability and the capabilities of GenAI is a driving force for groundbreaking improvements in Trade Finance efficiency. GenAI seamlessly integrates advanced solutions, enhancing existing workflow structures for customers, operations, and middle-office and relationship managers. Utilizing Large Language Models (LLM), GenAI excels in managing extensive datasets, deciphering customer intentions, and broadening risk assessments. Moreover, it spearheads green validation practices in alignment with sustainability. This collaborative synergy propels corporate banking into a new era, where the convergence of interoperability and GenAI not only optimizes operational efficiency but also nurtures a state-of-the-art ecosystem responsive to the evolving demands of the financial industry.

The journey towards interoperability in corporate banking is an ongoing evolution that holds immense promise and transformative potential. As financial institutions continue to navigate the complexities of modern finance, the imperative to harmonize systems and embrace interoperability remains pivotal. The strides made thus far in fostering seamless connectivity, driving efficiency, enabling innovation, and enhancing customer experiences underscore the significance of this paradigm shift. However, challenges like data security, standardization of protocols, and ensuring privacy amidst data sharing need to be addressed for the full potential of interoperability to be realized. According to research, 88% of banking executives expressed



concern about their banks' long-term project commitments, technology interoperability, and the security of sensitive data. Moreover, 42% of financial service organizations cited skill shortages as an ongoing issue.

Furthermore, every bank reported grappling with data constraints, with 65% facing consistent challenges where data remains isolated within their operations. This underscores the critical necessity for enhanced industry-wide interoperability, enabling seamless communication among diverse technologies and departments#.

The future of corporate banking hinges on the ability to harness the power of interoperability, transcending barriers, and ushering in an era of unprecedented connectivity, efficiency, and value for both institutions and their clientele.

#Source: FSSC April 2023 report





Key considerations for Connectivity, Interoperability and Accessibility

There are two ways that a bank can explore partnerships with FinTechs – either have direct collaboration by sharing APIs with partners or have an interoperability platform as a partner to connect the banking ecosystem with that of the FinTech’s. But how do banks decide the ‘best-fit’ approach?

We’ve designed a straightforward readiness index for banks to help select the approach. This tool can tell if a bank should seek

partner support to help lead a successful transformation initiatives. Banks can assess their current state of open banking enablement and digital readiness by ranking on a scale of ‘High-Medium-Low’ on the below parameters. If most of the parameters are rated ‘HIGH’ then you may need to consider the need for an interoperability platform to help accelerate your digital transformation initiatives.

Readiness Index | Banks

Business Value



Planned Investments in Digitization initiatives in the next 5 years

Need to reduce Go-to-Market Time for Transformation Initiatives

Current need for FinTech Partnerships

Roadblocks for Open Banking Enablement

Adoption of APIs



Barriers towards Adoption of APIs

Barriers towards External Adoption of APIs

Roadblocks towards current state of API Management Capabilities

Technical



Need to reduce Implementation Turnaround Times

Roadblocks towards Generative AI Capabilities

Roadblocks towards Platform Building Capabilities

Roadblocks towards Cloud & Mobile Readiness

Roadblocks towards Architecture Readiness

Organization



Roadblocks towards availability of Technical & Functional SMEs Talent

Barriers towards deployment technical / implementation resources





Case Studies of successful partnerships

Case Study

Preventing Duplicate Financing Fraud with MonetaGo's Secure Financing System and hive.t

MonetaGo



✔ Case Outline

MonetaGo's Secure Financing system seamlessly integrates with Tesselate's hive.t, a platform dedicated to promoting interoperability. This integration empowers financial institutions with the ability to detect and prevent duplicate financing fraud, aligning with the shared goal of optimizing trade finance processes.

✔ Objective

The collaboration aims to provide financial institutions with the ability to detect and prevent duplicate financing fraud. The idea is to create a streamlined mechanism for lenders to automate documents and compliance checks and thereby strengthening the financial ecosystem through prevention of frauds.

✔ Outcome

The partnership amplifies the value proposition of hive.t, Tesselate's interoperability platform. By integrating MonetaGo's fraud detection capability into hive.t's trade document checking sequence, the platform offers a seamless and secure environment for digitizing trade services.

hive.t's interoperability model accelerates the integration of MonetaGo's Secure Financing system into existing core internal functions of financial institutions. This results in a streamlined process that enhances fraud prevention measures without disrupting established workflows.

✔ Achievement

With Tesselate, MonetaGo has created a streamlined mechanism for lenders to not only automate document and compliance checks but also strengthen their ecosystem through the prevention of fraud. In an era where financial security is paramount, the collaboration between MonetaGo and hive.t exemplifies how interoperability can be a catalyst for innovation. Together, they offer a solution that not only prevents duplicate financing fraud but also optimizes trade finance processes, ensuring a secure and efficient environment for financial institutions.



Advanced technology allows detection of duplicate financing requests within the trade finance industry on a large scale



The technology simplifies the process of accessing crucial data from reputable sources worldwide to verify document authenticity and mitigate risks.



Improves the accuracy by gathering & analysing transactional data at the customer level to detect anomalies in unit pricing across multiple financial institutions.



Reduce operational complications and facilitate the scalability of workflows with a simplified approach to verifying and validating electronic title documents





Case Study

**Automated Trade
Finance Document
Checking with
Traydstream**



✔ **Case Outline**

In the dynamic landscape of trade finance, the integration of cutting-edge technologies plays a vital role in ensuring efficiency and compliance. Traydstream, a fintech specializing in automated trade document digitization collaborated with hive.t, an interoperability platform to digitize trade documents.

✔ **Objective**

Traydstream employs advanced machine learning algorithms to digitize trade documents, significantly reducing manual efforts and enhancing accuracy. The application spans various products, and conducts real-time compliance checking, automatically highlighting errors and discrepancies with just a press of a button. hive.t acts as pivotal bridge between Traydstream and Banks to accelerate innovation, reducing time-to-market, enhancing collaboration and driving efficiency.

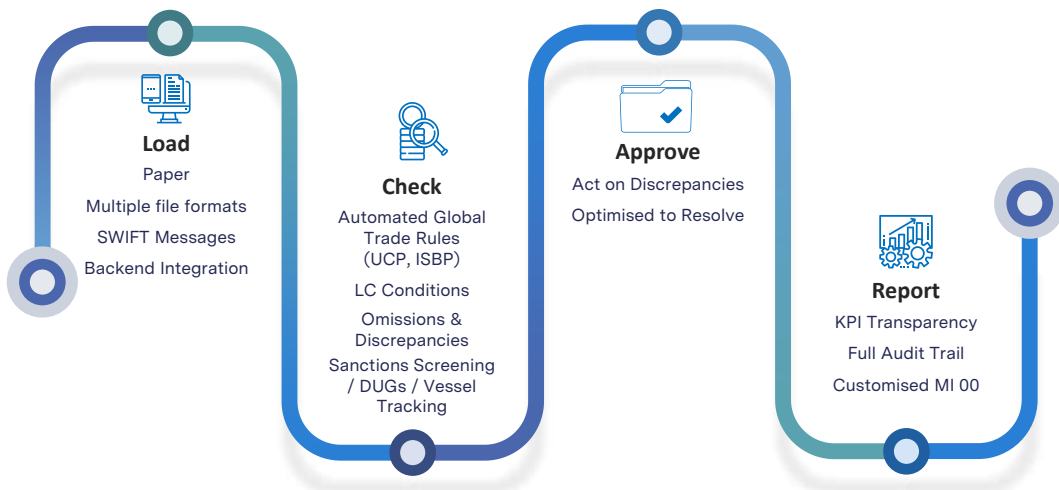
✔ **Outcome**

The collaboration between Traydstream and Tesselate’s hive.t exemplifies the power of interoperability. Together, they provide a seamless and efficient solution that not only automates document checking but also drives innovation, reduces risks, and transforms the industry’s operational landscape.

✔ **Achievement**

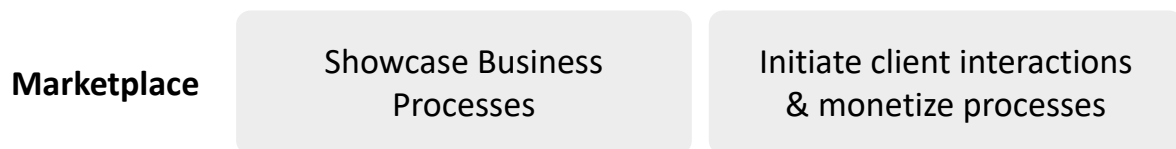
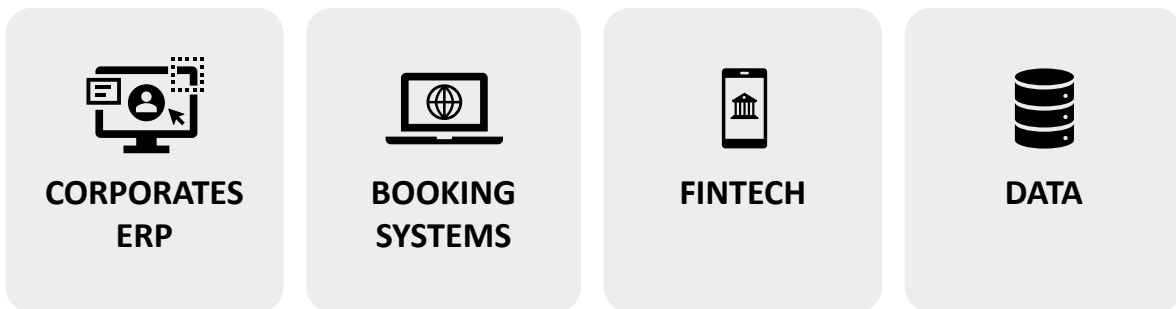
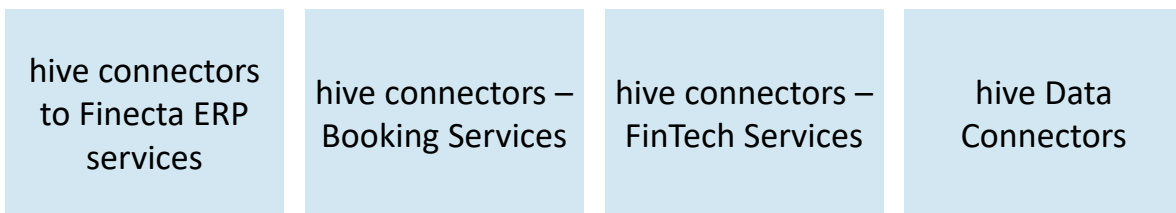
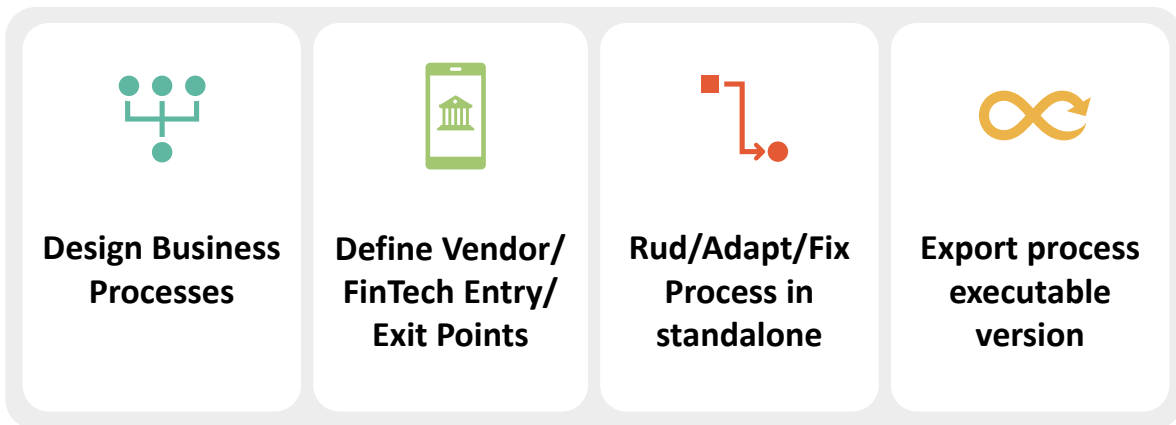
Accelerated Integration: Operational integration within weeks with trade finance systems through hive.t’s dedicated abstraction layer expedites access to Traydstream’s automated document checking services.

Reduced Operational and Compliance Risks: Automated checks minimize errors, providing peace of mind and reducing operational and compliance risks for financial institutions.





Case Study	
<p>GenAI Corporate Banking Innovation Platform</p>	<p>Through the hive.t interoperability platform, banks can seamlessly engage with fintech companies. This platform facilitates flawless data flow between systems with the assistance of connectors.</p> <p>The GenAI Corporate Banking Innovation Hub serves as a platform meticulously crafted with extensive expertise in AI/ML and generative AI techniques, allowing for the envisioning of novel business processes and services.</p> <p>Corporates, fintechs, and banks will have the opportunity to collaboratively design business processes and services that are pre-integrated via the hive.t interoperability platform. Moreover, they can explore avenues to monetize these pre-integrated business processes through a dedicated marketplace</p>





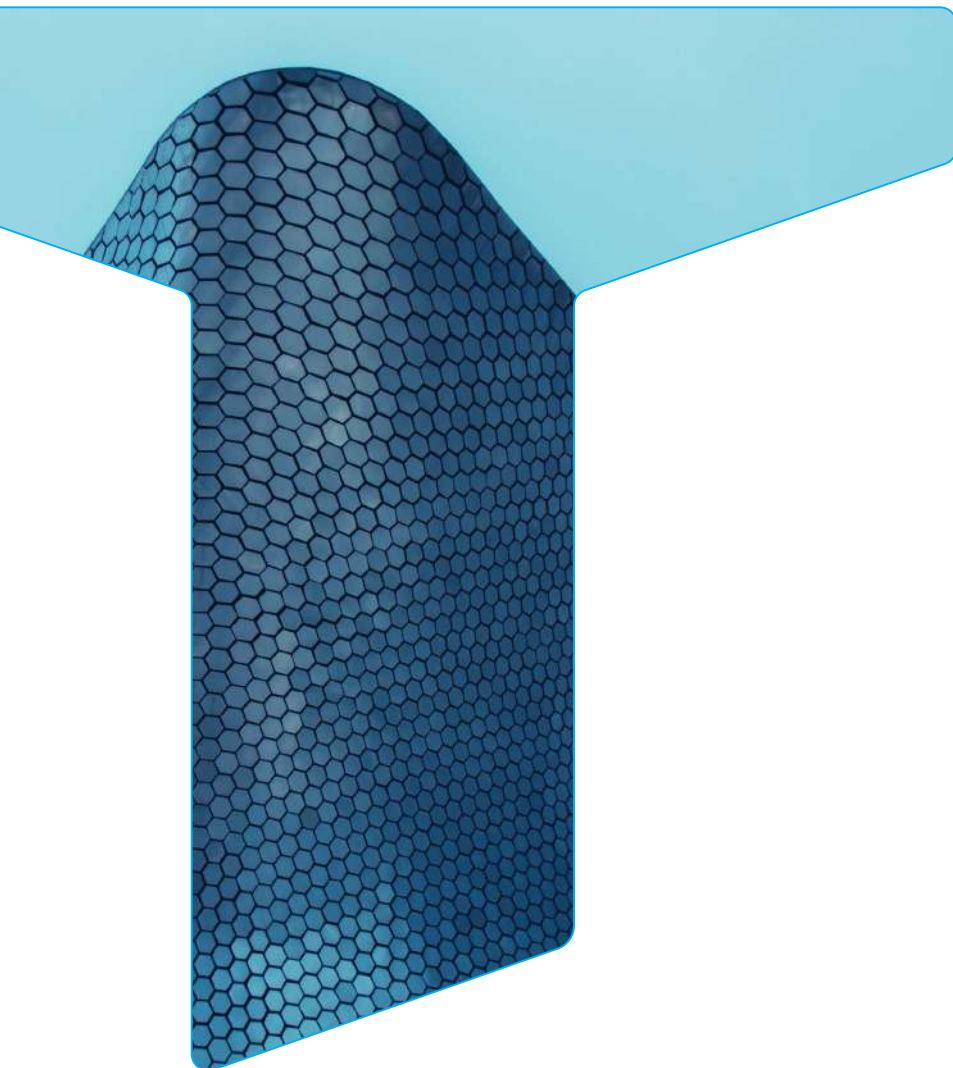
Way Forward

Banks across the globe are increasingly collaborating with technology and FinTech partners to enhance their overall customer experience. These partnerships allow banks to access best-in-class technology, expand into new markets, and accelerate the digitization of their services. Banks need to carefully craft their tech strategy through a structured framework to accelerate their strategy execution.

Banking stakeholders weighing pros and cons of executing transformational initiatives internally or through an interoperability platform, should understand that there is no single 'best approach' to achieving transformational success. Instead, the focus should be more on a 'best-fit approach' that

aligns to their business and transformation objectives in the long run and their 'current state'.

In today's interconnected ecosystem, interoperability holds significance for stakeholders within the same ecosystem and those across complementary ecosystems, such as banks and fintechs. With interoperability, the potential for collaboration and innovation knows no bounds. To fully capitalize on the benefits of digitization, organizations must adopt a holistic approach to their initiatives. Utilizing tools like the readiness index can empower banks to assess their partnering needs more effectively, thereby facilitating the achievement of their transformation objectives





About hive.t

Hive.t, the interoperability platform of Tesselate Group, offers a comprehensive solution designed to provide quick access to the latest technologies and facilitate fast implementation. Serving as a bridge between Corporate Banking operations and the fintech ecosystem, Hive.t accelerates the adoption and maintenance of new fintech solutions through several key features:

Catalogue of business process descriptions, connectors, and data flow services linking

bank systems with fintechs. This facilitates swift adaptation to organizational changes, supports business growth, and seamlessly integrates data and business flows between fintech platforms and the bank's operations and booking engines via published APIs/ webservice.

Catalogue of universal Open APIs/ Webservices supporting these processes.

Centralized fintech onboarding process with integrated security measures.

About hive.ai

Building upon the success of hive.t, Tesselate introduces hive.ai, a corporate banking innovation hub.

hive.ai serves as a collaborative platform for banks, corporates, and fintechs to leverage

Gen AI technologies for innovation and process building.

By fostering collaboration and knowledge sharing, hive.ai drives digital transformation and unlocks new opportunities for the banking industry.





About Tesselate

Tesselate has over a decade of experience in consulting and managing technological projects dedicated to the financial sector, with an in-depth expertise in Corporate Banking – Trade Finance, Supply Chain Finance, SME Lending, Syndicated Lending and Cash Management. Tesselate Group offers deep experience in managing complex

projects, 2 helping Financial Institutions to meet organizational and operational changes to support business growth. With a deep understanding of banking processes, we implement cutting-edge technology to streamline banking operations bringing value to your company, value that will be passed to your customers

About IBS Intelligence

Established in 1991, UK-headquartered IBS Intelligence (IBSi) is the world's only pure-play Financial Technology research, advisory, and media firm, with a global coverage, and a 360° portfolio of intelligence offerings. As an Analyst firm, we take pride in covering 400+ FinTech vendors in-depth – the largest by

any global research firm in this space. IBSi's iconic annual Sales League Table has been the industry-acknowledged barometer of global Financial Technology vendor performance for 20+ years, covering 100+ leading technology participants, across 20 system types. Every year.

