

Fintech Takes
Banking



5 Takeaways from Top Execs on Treasury Management

The Case for Commercial Payment Tech

Presented by **Qolo**

The Biggest Opportunity For Your Institution, If You Seize It

Treasury management is a major opportunity for financial institutions and a major area of competition. That's not new for executives.

What is new is that the biggest competitors — those insurgent digital-first, tech-forward competitors coming after financial institutions' best and most profitable customers — are increasingly getting banking charters. The race to stay relevant, keep current treasury management customers and find new ones is on.

So Fintech Takes Banking and Qolo decided to ask executives at banks, fintech and payment companies for their thoughts on what's working and what's not when it comes to their current treasury management offerings. What do customers care about? What stops them from adding new products and services? What's important when it comes to partnering with a vendor? And, crucially, what do these senior leaders think will happen if they do nothing?

Our findings can help financial institution executives establish the table stakes capabilities and compare to their current treasury management solution. They also lay out what a modern, flexible treasury solution that can respond to future trends looks like.

Fortunately, it's not too late for institutions to make meaningful investments and progress. With the right partners and tech, it's possible to attract, retain and grow clients. Happier clients mean stronger bottom lines and better profitability.

Kiah Lau Haslett

Creator, Fintech Takes Banking



The Most Profitable Customers You Already Have

Treasury management customers are the ideal commercial customers for most financial institutions because they're major contributors to the bank's overall profitability. Treasury customers often have large, sticky and cheap deposit balances, which can help keep the cost of funds low. They require services like ledgering, cash management and payments that banks can provide, growing noninterest income. It can mean a higher return on equity, lower cost of deposits, better net interest margin, lower betas and higher fees — plus a customer who is happy your institution is helping them with their commercial needs.

A compelling and modern treasury management offering is a win-win for institutions and clients. These are significant, entangled relationships, which drive account longevity and lower customer acquisition costs. Durable noninterest income is a top driver of return on asset growth. And fee income directly contributes to an institution's bottom line without adding incremental assets and credit risk.

Focusing on treasury management within a financial institution means a lot of things. It could include management prioritization, staffing and incentives that create alignment in the bank, and of course, it may require finding the right partner with tech that offers commercial clients the tools that make it easier for them to run their business.

How important is commercial non-interest income to your institution's growth strategy over the next 12-24 months?

42 respondents

One of several important growth levers



A primary driver of growth and profitability



Important, but not actively prioritized



Not a significant focus today



Which best describes your institution's current approach to treasury-related services?

42 respondents

We offer treasury-related services and actively invest in expanding them



We offer treasury-related services, but they are not a major area of investment



We do not offer treasury services and are not considering it



We offer limited treasury-related services today



We do not currently offer treasury services, but are considering it



Kiah's take: *There's a natural place for financial institutions to start with treasury management, and it's with existing commercial customers. Chris Nichols, president of institutional banking at SouthState Bank, has written about how, at the average community bank, 83% of the institution's commercial, nonprofit and municipal customers are not using the institution's treasury management services. He called it "the most significant single profitability lift for any bank," and I completely agree.*



The Technology is The Starting Point, Not The End

What do commercial clients need from their financial institution? They need solutions that make running their businesses easier.

“I don't know a single business owner who went into business because they were really passionate about managing the complexity of spending and payments,” said Capital One’s Chairman and CEO Richard Fairbank in a January earnings call, explaining why the digital-first regional bank went big with the purchase of a fintech firm that specializes in corporate expense management and credit cards.

He’s right. Commercial and business clients are looking for tools that help them manage their finances, make payments and get paid. They need to have visibility into their balances that are spread across accounts or at different institutions. They might even be open to AI-enabled modeling of their future cash flow based on historical data. Lucky for you, there’s no need to acquire a fintech to do it.

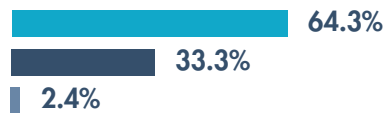
Kiah’s take: This list of commercial client expectations is becoming table stakes. But there may be some gaps between what commercial clients want and what financial institutions currently offer. Some of those gaps might be quite large, which means that firms without these features have their work cut out for them as they try to keep up with customer expectations.

Please share how important each of the following capabilities are to your commercial clients today:

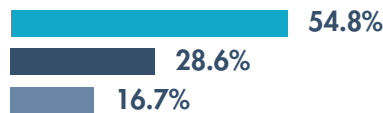
42 respondents

- Very Important
- Somewhat Important
- Not Important
- Unsure

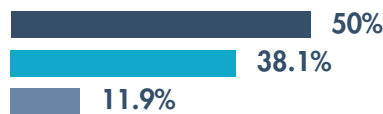
Real-time or near-real-time balance visibility across accounts (seeing all your data in one place)



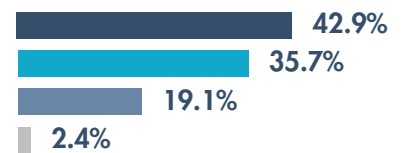
Faster access to funds (RTP, same-day ACH, etc.)



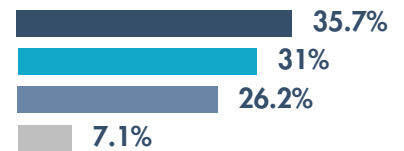
Tools to help clients manage cash (via dashboards, data presentations, etc)



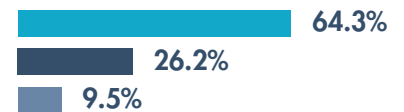
Automated cash concentration and sweeps



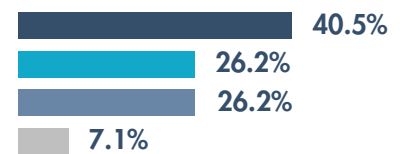
The ability to establish virtual accounts, sub-accounts, or subledgers



Support for multiple payment types (ACH, wire, RTP, cards)



Forecasting cash balances 90 days or more into the future



What Prevents Innovation

The data show high-level executives know that some of their current treasury capabilities are lacking. They're not able to launch new features or services as quickly as they'd like to. They can't customize and differentiate their offerings for clients of different sizes. They need more help operationalizing real-time payments.

Executives are also struggling to support their treasury management offering so that it serves as a consistent revenue source without adding significant operational headcount. These are real challenges that financial institutions need to address so they can capitalize on the revenue and customer service potential of treasury management.



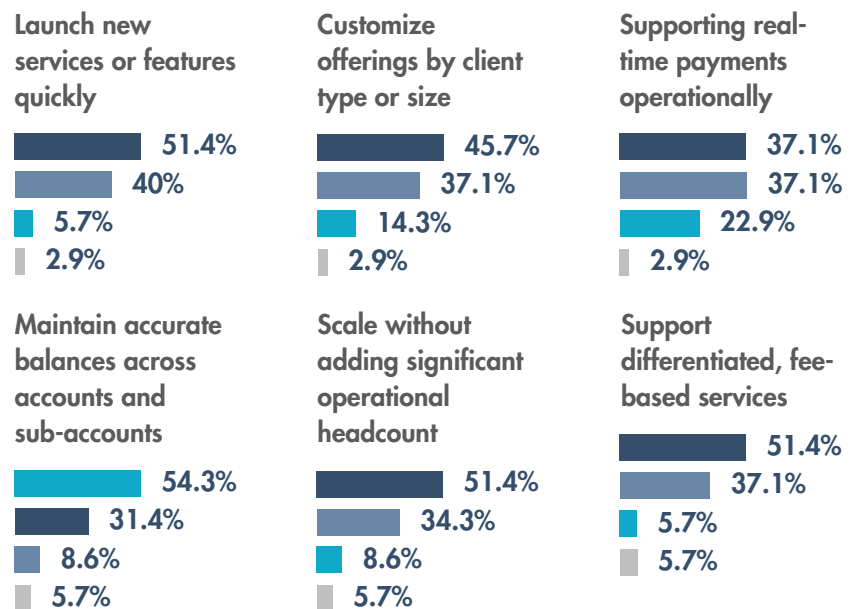
Kiah's take: *Fragmented, legacy technology that requires a lot of manual manipulation and intervention makes it nearly impossible to innovate. That's why executives need to ask themselves whether their current treasury management solution is right for their ideal commercial customers, both today and in the future.*

But I worry there's some legacy thinking that's holding institutions back. There may be a belief among boards of directors and management teams that they need to do a dreaded rip and replace in order to have better treasury management. I'm here to say that's not true. Third-party tech partnerships have made modern and more flexible tech offerings possible without a core replacement.

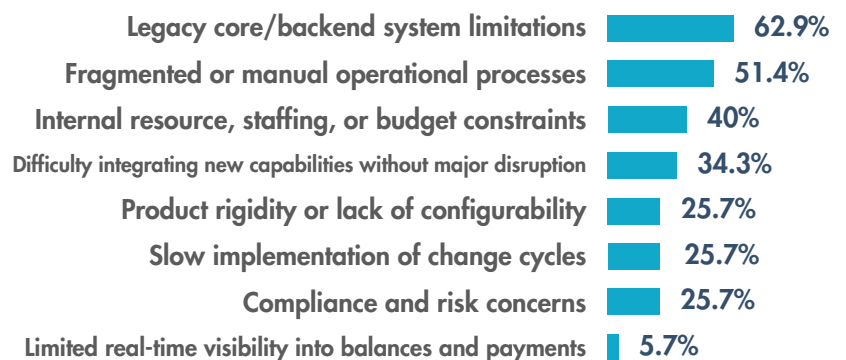


How satisfied are you with your institution's current ability to support the following treasury-related needs? 35 respondents

- Very Satisfied
- Somewhat Satisfied
- Not Satisfied
- Not Applicable



Which factors limit your ability to grow commercial fee income through treasury-related services today? Select up to 3. 35 respondents



FOCUS 4

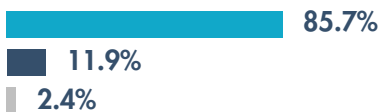
Choosing a Vendor = Choosing a Ceiling

When evaluating technology partners for commercial treasury platforms and payments, how important are the following?

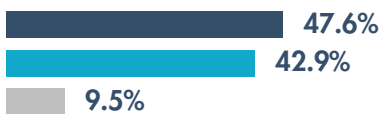
42 respondents

- Very Important
- Somewhat Important
- Not Important

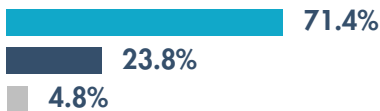
Ability to integrate new technology without replacing the core



Flexible ledger and account structures



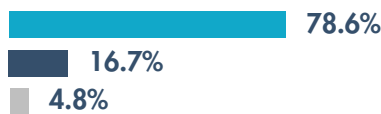
Support for multiple payment rails/types



Real-time data access and reporting



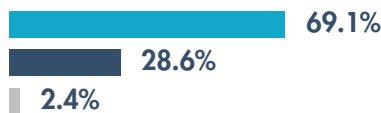
API-first architecture for integration and data access



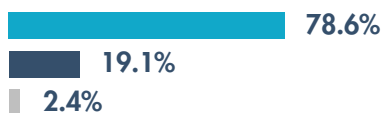
Speed of implementation



Vendor experience in commercial banking



Long-term flexibility as needs evolve



Financial institutions that feel limited by their existing treasury management offerings and their legacy vendors are in luck. There are third-party tech partners that allow them to leverage modern technology to offer a complete suite of treasury management products — with the ability to add more as tastes, expectations and tech changes.

Financial institutions don't have to cobble together products and services from different vendors, they don't have to get on a long list of tech upgrades from their core and they don't have to watch their commercial customers be wooed by digital-first competitors. Tech firms today can use API integrations to sidestep the need for a core replacement, reducing implementation risks and speeding up the time to market.



Kiah's take: The word that kept popping into my head as I looked at these findings was "flexible." No banker knows what the future of payments, banking or money looks like. That's especially true as the U.S. builds its stablecoin framework and regulations. It's all the more important that financial institutions select technology and platforms that are modern, flexible and modular. That way, it's up for anything the future holds.



What Happens If You Wait?

Respondents know that if they don't modernize their institution's treasury and payment offerings in the near future, they risk falling behind their customers' expectations and losing their current — and potentially most profitable — commercial relationships. A slow bleed of profitable customers and the loss of their funds will erode the institution's revenue as margins compress and fee income declines.

But failing to meet customer expectations and losing their business are downstream long-term results. Executives are less worried about the shorter-term impacts of failing to innovate: Outcomes like slower product innovation due to operational constraints, which means the institution isn't able to support new rails like real-time payments, embedded finance and programmable money. Legacy technology also carries increased operational risk, manual work, and reconciliation failures for the institution, which could increase with the complexity of customer accounts. And of course, there is the ever-looming threat of end-of-life technology issues tied to the outdated and dying infrastructure and tech.

What impacts/outcomes do you think your bank might encounter if it doesn't modernize its treasury and payments offerings in the next 24-36 months? Select up to 3.

42 respondents

Losing mid-market and enterprise clients to competitors



Falling behind client expectations for real-time visibility and control



Inability to support new rails (real-time payments, embedded finance, programmable money)



Reduced revenue from margin compression and declining fee income



Slower product innovation due operational constraints



Increased operational risk, manual work, and reconciliation failures



End of life technology issues related to outdated infrastructure



None of the above



Kiah's take: I can't stress this enough: there is already a lot of competition for these customers from fintech companies. Some of those companies have obtained or are seeking bank charters. Expect competition to accelerate.

It's completely understandable that executives are worried about the most severe and measurable consequences of not modernizing their treasury management solution. If they want to avoid those outcomes, they'll need to focus on finding a treasury management platform that allows for product innovation, supports new rails, decreases their operational risk and manual work, and avoids end-of-life issues. Executives should move decisively now, given the urgency created by tech-first competition entering the bank space seeking to capture market share from institutions slow to respond.



Final Word

Modern commercial clients want modern solutions and tech that allows them to spend more time running their businesses. That's not possible without flexible and modern solutions that can be modified and updated for future use cases and customer needs.

Treasury management offers a clear return on investment for financial institutions that take it seriously. Done well, it can serve commercial customers better with products that make running their businesses easier, while bringing in cheap deposits, growing fees, driving revenue and strengthening relationships.

What are you waiting for?

About Qolo

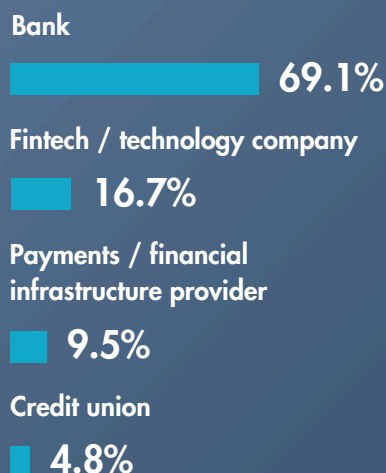
Qolo provides modern B2B payments infrastructure that allows commercial banks and fintech payment platforms the ability to launch quickly and meet unique needs of various industries.

Qolo combines embedded ledger technology, virtual account management, card issuing and payment processing to give commercial banks and fintech payment platforms real-time control over money movement across multiple payment rails.

Banks and fintechs can build, configure and operate complex B2B payment programs faster while maintaining compliance, transparency and operational control.

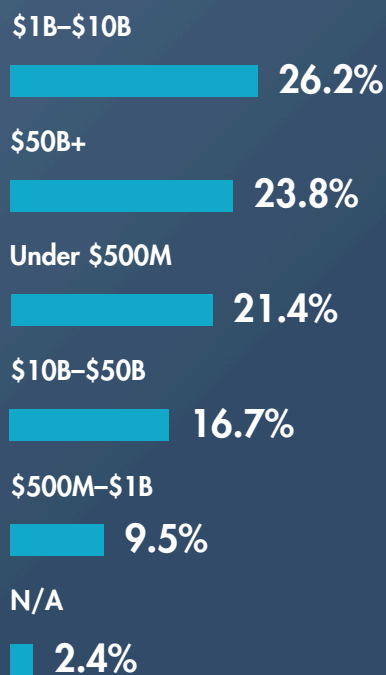
What type of organization do you work for?

42 respondents



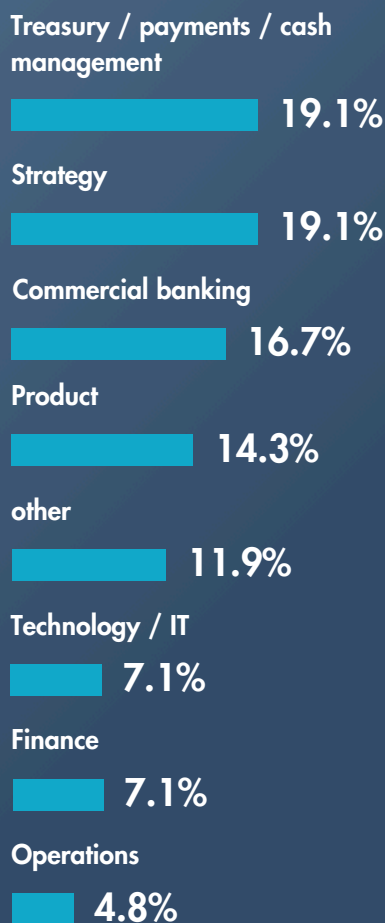
Institution asset size

42 respondents



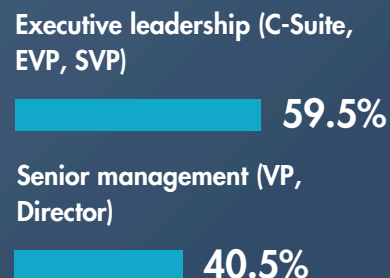
Which best describes your primary role or function?

42 respondents



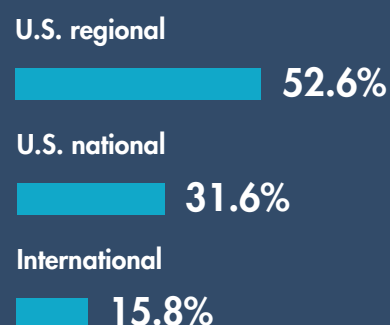
Level of seniority

42 respondents



Geography (optional)

38 respondents



Primary customer focus

42 respondents

