

The background of the top half of the page is a photograph of a person in a business suit sitting at a desk. They are using a laptop and a smartphone. The laptop screen displays a complex dashboard with various charts and graphs. The smartphone screen also shows a similar dashboard. The person's hand is visible, holding the smartphone. The overall scene is brightly lit, suggesting an office environment.

COMMERCIAL BANKING TOP TRENDS 2022

Drivers, opportunities, and risks
shaping Financial Services



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INTRODUCTION

2022 – commercial banks will shift into technology high gear to boost client efficiency



First, it was retail banking. Now, advanced technology is shifting to – and disrupting – the commercial banking space. And that’s why we expect 2022 trends focusing on client enablement in the wake of pandemic business interruptions in trade, supply chains, workforce management, and small to medium-sized enterprises (SMEs). Many commercial banks, known for paperwork, red tape, and branch dependency, were unprepared to support clients during their post-COVID-19 ramp-up. But now, the digital pivot to new mindsets, partnerships, and processes is in overdrive.

Changing demographics, led by tech-savvy millennial entrepreneurs coupled with underserved SMEs, drove commercial banks into the hot seat over recent months. And that created an opportunity for FinTechs to showcase their agile models. As a result, pure-play B2B ecosystems – populated by bold new-age leaders (Stripe, Paysme, Starling Bank, Tinkoff) and BigTechs (Amazon) with commercial client envy – have left traditional FIs with two choices:

- Create and orchestrate an ecosystem
- Or join a marketplace and quickly scale digital competencies and offerings.

In the background, alternative lending players have steadily been onboarding neglected or unserved SMEs to ensure future loyalty and quantifiable shares of the commercial market and wallet. Not surprisingly, the 2022 scene is set for commercial banks to move from traditional *banking for business* to explore the *business of experience* by enhancing client workflows and delivering a more convenient front-end user experience.

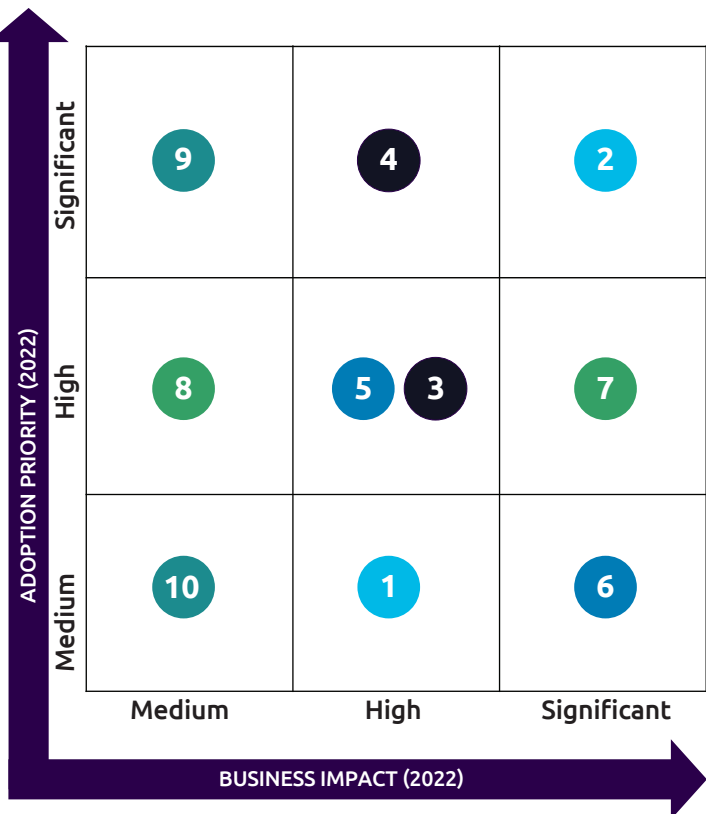
As commercial banks come to grips with capability gaps and client pain points, collaboration with FinTechs can offer **Platform-as-a-Service** models and end-to-end (single platform) solutions for functions such as **trade finance**. Moreover, emerging technologies can drive intelligent automation to breathe life into legacy bottle-neck processes such as **cash-flow forecasting** or **treasury management** in the middle and back office. **Real-time management** will enable informed business decisions such as transitioning to digital processes that improve productivity and reduce costs by eliminating cumbersome, paper-based procedures. Commercial banks that leverage new or **alternate data** are likely to enhance their 2022 credit pool and loan approval processes to access the lucrative SME market better.

Finally, expect **Environmental, Social, and Governance (ESG)** requirements to become significant for commercial banking, as clients seek advice about funding green initiatives and firms strive for more sustainable operations. With an eye on the future, commercial banks are also exploring blockchain-powered **smart contracts** that could aid simultaneous contract executions to reduce trade and settlement cycles.

The time has come for commercial banks to put transformation on the fast track. So, let’s see what’s down the road in 2022.

Exhibit 1: Top COMMERCIAL BANKING trends 2022 – Priority matrix

- Enabling experiential banking**
- 1 Goodbye *business banking*; Hello **business of experience**
- 2 Commercial banking game-changers: Keep your eyes on **as-a-Service** models
- End-to-end transformation**
- 3 **Real-time treasury** management to bolster competitive advantage
- 4 **Cash-flow forecasting** offers corporate clients actionable insights to fuel growth
- Market disruption**
- 5 Fintechs orchestrating commercial banking ecosystems and building B2B **super apps**
- 6 Hyper-flexible **alternative lenders** give SME loans a dramatic makeover
- Process optimization**
- 7 **Simplified, low-paper business processes** are powering back-office transformation
- 8 Commercial lenders are leveraging **alternative data** to optimize credit decisions
- New horizons/industry evolution**
- 9 **Sustainable finance** offerings to boost low-carbon economy
- 10 **Smart contracts** will enhance real-time trade and settlement functions



Sources: Capgemini Financial Services Analysis, 2021.

Priority of adoption refers to the criticality of a particular trend to create maximum value in 2022. We based the rating on identified trends for a large to mid-size commercial bank operating in the current environment.

Business impact represents the influence of a trend on a bank’s business in 2022, such as customer experience, operational excellence, regulatory compliance, or profitability.

The matrix represents the perspective of Capgemini analysts for banks in the current operating environment.

- Low-interest rates
- New operating models triggered by COVID-19
- Intense competitive environment and increased focus on customer centricity due to new-age players
- Operational cost overruns and high capital lock-in
- Dynamic regulatory environment.

The matrix will vary for individual banks depending on business priorities, geographical location, and several other factors. For specific requirements, please contact banking@capgemini.com.

TREND 1

GOODBYE *BUSINESS* BANKING; HELLO *BUSINESS* OF EXPERIENCE

Simplifying business processes using intelligent automation for superior front-end user experience becomes a necessity for banks

Context

- Retail banking digital disruption has spilled over to commercial banks, as changing demographics fuel demand for seamless banking services.
- Millennial entrepreneurs are most likely to apply for funding – and they demand fast services and less red tape.
- New-age players attract busy, tech-savvy clients with efficient on-the-go services and an intense focus on experiential business banking.¹

Catalysts

- Commercial client demand for fast, simple, personalized, and fully digital services is rising, driven by advancements in retail banking. Ninety-five percent of commercial clients that use digital retail banking services expect the same in their business. The pandemic pushed the trend further. And now, corporate banking relationship managers and operations teams are struggling to meet client demands.²
 - 16% of SMEs switched banks from October 2019 to October 2020, overlapping the pandemic's peak, a significant deviation from the usual industry average of 10–11%.³
 - Major US commercial banks earned a Net Promoter Score (NPS) below 15 in 2021, relatively low compared with the average 34 NPS score in banking overall.⁴
- Incumbents with tedious onboarding, operational bottlenecks, and inadequate digital self-service capabilities made corporate banking overly dependent on branches, relationship managers, and back offices. New-age players are providing alternatives for tech-savvy executives to consider switching loyalties with their seamless and experiential journeys.
 - The underserved SMEs market is being targeted globally by innovative specialized new-age players such as Judo Bank in Australia, that count tens of thousands of such businesses as clients.
 - Starling Bank boasts of 89% service quality overall among SMEs with more than 20 percentage points higher than incumbents such as Barclays, Santander, and Metro Bank.⁵

¹ [Western Union](#), "5 Ways to attract millennial customers in banking," accessed September 2021.

² [Freedom](#), "Defining the B2B customer experience - what do commercial banking customers really want?," August 2021.

³ [Finextra](#), "A Digital Lending Platform: 3 Markers You Should Have it on Board," August 2021.

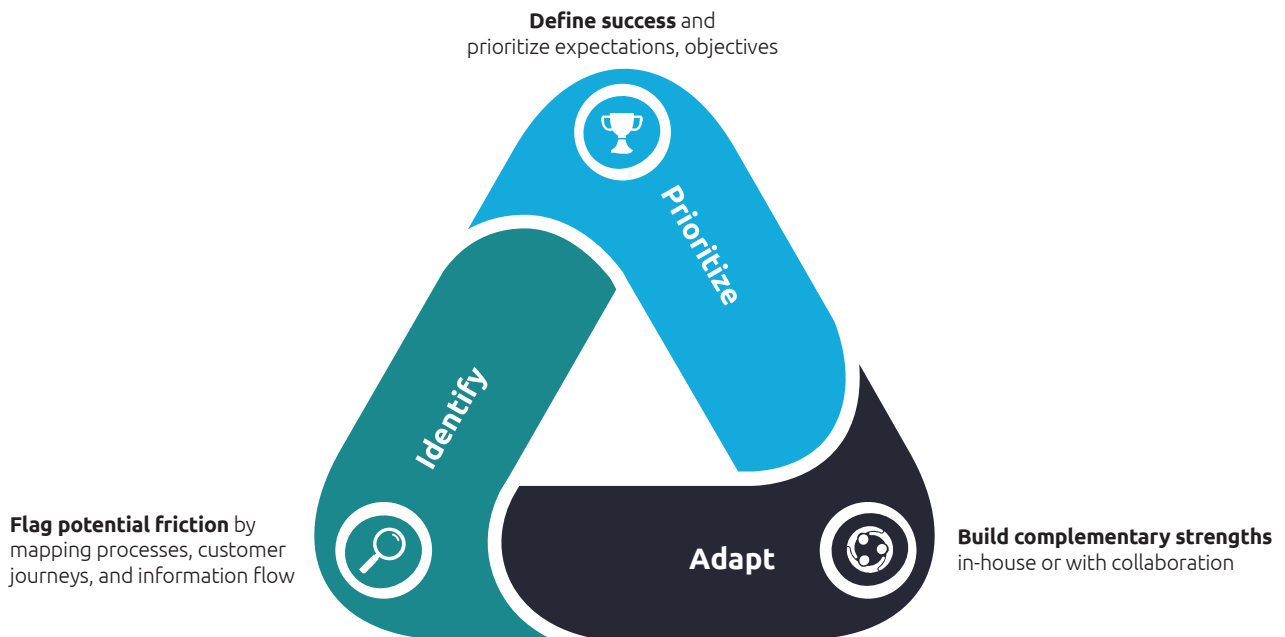
⁴ [Customer Guru](#), "COMMERCIAL BANKS NET PROMOTER SCORE 2021 BENCHMARKS," accessed September 2021.

⁵ [Starling](#), "The award-winning business bank account," accessed September 2021.

In a nutshell

- Traditional players are optimizing workflows to reduce friction during account opening and KYC by leveraging intelligent automation and collaborative capabilities.
 - Royal Bank of Canada launched an enhanced digital deposit account-opening process that reduced administrative work for its business clients and freed time to grow business.⁶
 - UK-based Metro Bank unveiled a new version of account onboarding for SMEs, which takes only 15 minutes to complete the process.⁷
 - Citigroup expanded its partnership with **Kyckr** (customer verification platform) for its institutional clients in a bid to increase accuracy while processing applications.⁸
- Other commercial banks are seeing value in shifting towards an omnichannel user experience with simplified business processes. Major incumbents are forming digital transformation journeys which allow customers to interact with the bank in the manner they prefer (mobile, online, call center, or branch) with the same experience.
 - Mauritius Commercial Bank partnered with **Backbase** to build its digital-first platform. Using the Backbase platform, Mauritius Commercial Bank was able to remodel its SME user journeys completely and has put a foundation in place to advance digital innovation across all lines of business.⁹
 - Santander Bank Polska upgraded *iBiznes24*, its e-banking platform for corporates with automated routine tasks and a customizable dashboard to enhance remote banking.¹⁰

Figure 1: Embarking on a business of experience journey



Sources: Capgemini Financial Services Analysis, 2021; [World FinTech Report 2020](#).

⁶ [IBS Intelligence](#), "RBC launches digital deposit account open processes for personal & business clients," September 2020.

⁷ [Fintech Futures](#), "Metro Bank unveils new "15 minute onboarding" for SMEs," September 2020.

⁸ [Fintech Futures](#), "Kyckr extends Citigroup regulatory compliance deal," April 2020.

⁹ [Backbase](#), "Mauritius Commercial Bank launches Backbase-built SME banking platform and mobile app," August 2020.

¹⁰ [Finextra](#), "Santander Bank Polska introduces new e-banking platform for large companies and corporations," May 2021.

Impact

- Traditional players will follow a dual approach to CX improvement, with more than 60% of commercial banks opting for collaborations with FinTechs and increased in-house investment in new technologies.¹¹
- More than 65% of commercial banking professionals feel chatbots and smart assistants could help them achieve customer experience goals. Thus, banks will be increasing the adoption of self-service tools to append their distribution channels, resulting in improved NPS scores, reduced customer churn rate, and higher operational efficiency with better-utilized resources.¹²



The shift to experiential banking is now no more a luxury but a necessity. Commercial banks will need to cater to the underserved SMBs, meet the expectations of new-age businesses, and enrich CX for large corporates. To modernize and simplify existing processes, intelligent automation is the way forward.”



– **Niles Vaidya**

Global Sector Leader for Retail Banking and Wealth Management, Capgemini

¹¹ [Fraedom](#), “Defining the B2B customer experience - what do commercial banking customers really want?,” August 2021.

¹² Ibid.



TREND 2

COMMERCIAL BANKING GAME-CHANGERS: KEEP YOUR EYES ON *AS-A-SERVICE* MODELS

Platformification aiding new models will help commercial banks move from a one-size-fits-all approach to a collaborative process that engages existing clients and increases acquisition.

Context

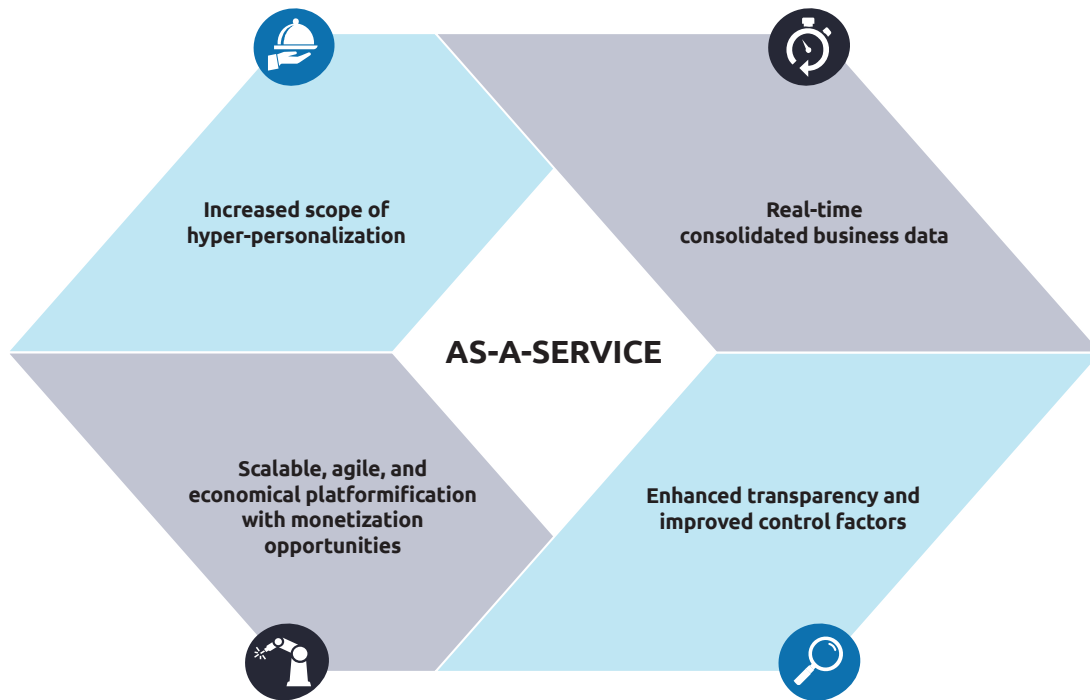
- Post-pandemic customer propositions and better service models enabled by technology have created opportunities for lucrative returns. Regulations such as PSD2 allow banks to build open APIs to give third parties access to their capabilities. Commercial banks can also use competitors' APIs – and FinTech innovations – to create better solutions.

Catalysts

- Businesses, especially SMEs, want their banks to be enablers, not suppliers (or providers!). A survey by Marqeta revealed that digital banking was vital for SMEs during the past year, with almost four-in-five (78%) saying COVID-19 made them more reliant on digital banking than ever before. Yet, banks are failing to offer the right capabilities on time.¹³
- Open banking and Europe's PSD2 regulations are opening doors for SMEs. Digital companies and BigTechs have entered the space to offer one-stop, easy-to-use services and answers to key SME challenges. The as-a-Service model in banking has also become an effective cost-saving tool.
 - Banking-as-a-Service (BaaS) acquisition costs are a fraction of those using traditional methods.
- The rapid emergence and adoption of low-cost, customized, and hybrid cloud is poised to aid banks as they leap into platform models. Modern cloud-based infrastructure provide on-demand scalability, robust business continuity, improved productivity, and reduced time to market, paving the way for as-a-Service models to grow and thrive.

¹³ [Businesswire](#), "SMEs 'More Reliant Than Ever' on Digital Services in Wake of COVID-19," February 2021.

Figure 2: The as-a-service mantra



Source: Capgemini Financial Services Analysis, 2021.

In a nutshell

- As large commercial banks rapidly digitalize business lines (payments, treasury, cash management), they realize they can further monetize digitalized services through *as-a-Service* models.
 - Launched in the United States in June 2020 and in the UK in summer 2021, Goldman Sachs Transaction Banking has attracted more than 250 clients and USD35 billion in deposits. This business proposition was developed from the “Transaction Banking-as-a-Service” model encompassing Payments, Treasury, and BaaS functionalities.¹⁴
 - JP Morgan provides Digital Application, Treasury management system, and ERP system through its built-in APIs in an as-a-Service model. The commercial banking giant expects to reap multiple benefits including enhanced CX, real-time management, and consolidated and transparent information with customization.¹⁵
- US-based Stripe launched *Stripe Treasury*, a BaaS API allowing platforms to embed banking services with minimal coding. Stripe collaborated with Goldman Sachs, Evolve Bank and Trust, Citibank, and Barclays to provide financial services for the new product. The launch marks a more significant trend of embedding finance into platforms being used by clients and layering banking capabilities within firms of any industry.
 - **Shopify**, a Canada-based e-commerce firm, is partnering with Stripe Treasury to develop Shopify Balance. Shopify Balance will enable merchants to open bank accounts within the platform directly.¹⁶

¹⁴ [Goldman Sachs](#), “Delivering Transaction Banking as a Service,” accessed October 2021.

¹⁵ [JP Morgan](#), “The Open Banking Transformation,” accessed October 2021.

¹⁶ [Tearsheet](#), “Is Stripe Treasury ‘game over’ for banking as a service?,” December 2020.

Impact

- Through platform service models, banks can attract a more extensive customer base at a lower cost. This opens an excellent opportunity for banks to integrate their services with FinTech and non-finance offerings, open new businesses at attractive margins, and obtain a deeper understanding of consumer behavior through more data.¹⁷
 - Banks have an opportunity to close gaps in a fragmented ecosystem by offering Trade-as-a-Service, with a market potential of USD900 billion+ in emerging markets. Moreover, incumbents will realize long-term value by bundling offerings end to end in other functions as well.¹⁸



As-a-Service models and a shift towards platformification is next step for commercial banks looking to maintain their market position among businesses. Providing wholesale banking services such as Trade, Lending, Treasury, etc in an as-a-Service model will result in consolidating a fragmented ecosystem into a real-time integrated platform.”



– **Gaurav Sophat**

Banking & Capital Markets practice, Capgemini

¹⁷ [Strands](#), “Banking as a Service, Reshaping the Financial Services Landscape,” May 2021.

¹⁸ [WTO.org](#), “Trade finance and SMEs,” 2019.

TREND 3

REAL-TIME TREASURY MANAGEMENT TO BOLSTER COMPETITIVE ADVANTAGE

The evolution of real-time payments is leading to treasurers envisioning automated functionalities to drive efficiency in operations

Context

- The popularity of open banking, powered by advancing technology and favorable regulations, simplifies the payments processes and enables treasurers to aggregate banking services onto a single dashboard to achieve a clear overview of cash positions.¹⁹
- The transformation of legacy and inefficient treasury operations into real-time management holds enormous potential, with a chance for treasurers to step back from repetitive tasks and fulfill their risk and liquidity operations more strategically. The industry has made considerable progress – either developing or already providing most supporting services required for real-time treasury management.

Catalysts

- The resilience and reliability of digital payment methods and the growing adoption of real-time payments have prompted many businesses to redouble their efforts to digitize their treasury functionalities to process transactions swiftly.
 - A survey of 252 corporate decision makers by Citizens Commercial Bank found that only 9% currently have no plans to implement real-time payments.²⁰ Moreover, 81% of corporate decision makers expect real-time payments to dramatically transform the way business is done; 66% expect that they will stop making or accepting payments with cash or paper checks.
 - A Citizens Commercial Bank survey ranked the ability to provide real-time payments as the second-most important factor in choosing a banking partner, above a bank's expertise in the clients' industry and their ability for lowest-cost financing.

In a nutshell

- Treasury departments digitally transforming through automation and API adoption to free up time for more strategic priorities. They are streamlining core operations, improving accuracy with straight-through processing, enabling faster decision making through real-time data, and becoming a strategic advisor to businesses.²¹
 - A global leasing firm utilized JP Morgan's treasury management system (TMS) provider to implement an API gateway that delivered real-time balance reporting, followed closely by real-time transaction reporting.²²
 - BNP Paribas provided an end-to-end cash management solution to Zee Entertainment Enterprises' treasury function to streamline and digitize the company's collections and payments.²³

¹⁹ [Businesswire](#), "Real-Time Payments Gaining Traction Among Businesses," August 2020.

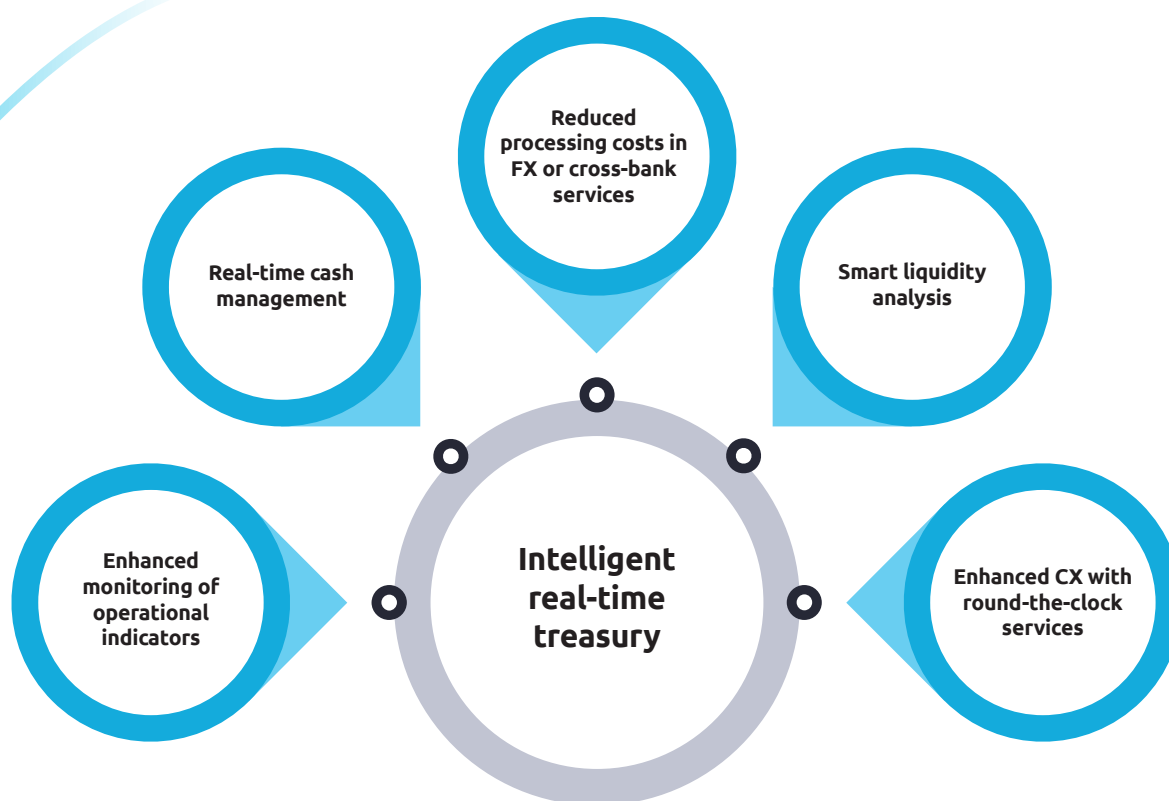
²⁰ [Ibid.](#)

²¹ [JP Morgan Chase](#), "How Enterprise Resource Planning Systems Are At the Core of Treasury Automation," April 2021.

²² [JP Morgan](#), "How APIs are delivering real-time data for corporate treasurers," accessed October 2021.

²³ [BNP Paribas](#), "ZEE faces the reality of automating its treasury functions," January 2020.

Figure 3: Automated real-time treasury in action



Sources: Capgemini Financial Services Analysis, 2021.

- Real-time payments enable banks to provide 24/7 or after-hours services, enhancing a traditionally cumbersome and unpleasant customer experience. Treasurers are taking advantage by exploring foundational solutions such as intra-day sweeping, virtual accounts, and advanced cash-flow forecasting, as well as real-time FX conversion and hedging.
 - Deutsche Bank offers 24/7 conversion of inbound and outbound FX payments, along with a platform for calculating companies' net currency exposure and applying tailored hedges within seconds.²⁴
 - BNP Paribas' *Virtual Account Management Platform* offers solutions for Corporate treasuries to mirror their organizational set-up as a virtual structure and instantly allocate cash in the physical account. The product features near real-time reporting on transactions, with personalized reporting per virtual account.²⁵
- By considering the use cases most important to their client base and the current internal technology capabilities, banks can determine the best way to approach real-time transactions: build or buy. Some banks develop their capabilities. Others acquire customizable solutions that already exist with specific capabilities built-in.
 - Goldman Sachs built its treasury management system. The services include digital liquidity management products, self-service account opening, and analytics tools, including highly automated reports. They have started providing services to third-party clients.²⁶
 - Comerica Bank added real-time payments to its online payments service using the RTP® network developed by The Clearing House. Payments over the network settle within seconds, providing immediate confirmation to the sender and immediate fund availability to the receiver. With 24/7 operation, payments can be made after banking hours and on bank holidays.²⁷

²⁴ [Deutsche Bank](#), "The road to real-time treasury," August 2018.

²⁵ [BNP Paribas](#), "Bnp Paribas' Virtual Account Management Platform Offers Countless Possibilities," May 2021.

²⁶ [Financial Times](#), "Goldman Sachs eyes growth in cash management technology," January 2021.

²⁷ [The Clearing House](#), "Comerica Bank Delivers Real-Time Payments Through Commercial Online Payments Service," June 2021.

Impact

- With treasury automation, treasurers can access and view real-time financial data and take advantage of integrated reporting tools to make informed decisions.
 - Real-time treasury will enable monitoring various operational indicators in real time and save significant time on the daily cash management processes by reducing the liquidity management buffer. The separation from legacy bank interfaces will allow treasurers complete control of their cash and activity.
 - Real-time balance and transaction reporting help the treasury minimize idle balances and track the movement of cash effectively, reducing the risk of fraud.
 - The quantifiable benefits of treasury automation can be found by consolidating payment systems and banking relationships, reducing cross-bank and FX fees.

TREND 4

CASH-FLOW FORECASTING OFFERS CORPORATE CLIENTS ACTIONABLE INSIGHTS TO FUEL GROWTH

Banks are leveraging intelligent automation to enhance cash-flow forecasting to help clients make informed business decisions

Context

- For businesses large and small, cash-flow issues or miscalculations can be wide-ranging and negatively impact growth. It has been among the top three causes of stress for firms (primarily SMEs). Poor cash-flow management stifles the ability to take on new projects or consider investment opportunities. Within today's post-pandemic economy, cash-flow challenges are glaringly evident.
 - However, APIs coupled with intelligent automation give treasurers real-time access to rich business data to enable precise decision making.

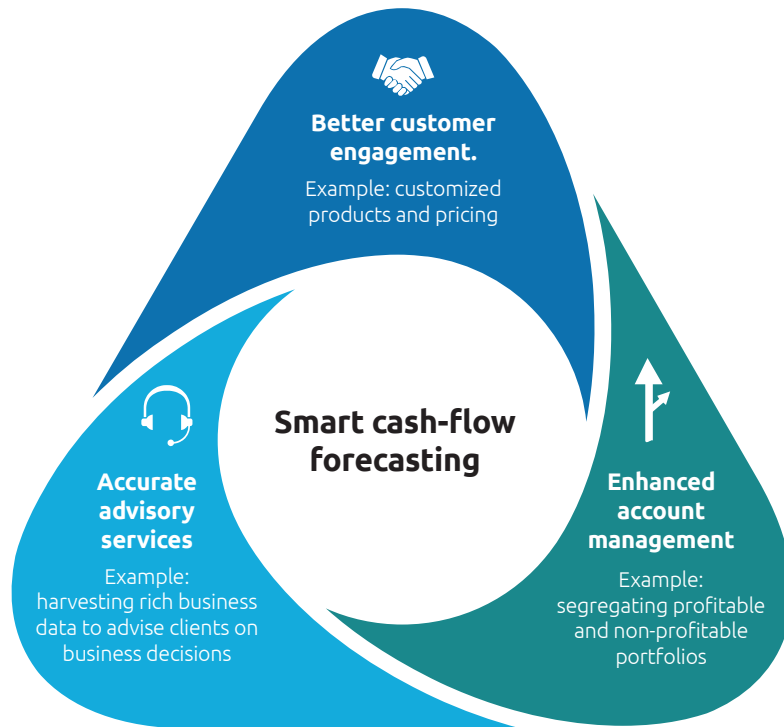
Catalysts

- Most companies make corporate and business-level forecasts. But time is often wasted on low-value activities such as data collection and spreadsheet manipulation versus drawing valuable insights.
 - No finance or treasury function could run without spreadsheets. But automating the cash flow management process can save 90% of the manual effort required to build a forecast using a spreadsheet.²⁸
- Enhanced by robotic process automation (RPA), machine learning, and AI developments, commercial banks integrate new tech solutions through APIs, building a digital ecosystem.
 - According to a European Association of Corporate Treasurers' survey, 55% of corporate treasurers in Europe say that cash-flow forecasting is their highest priority, while 35% use or plan to use APIs for real-time exchange of transactions and data.²⁹

²⁸ [CashAnalytics](#), "What is Cash Flow Forecasting? How to Build a Cash Flow Forecast," accessed October 2021.

²⁹ [tmi](#), "Results of the EACT Survey," July 2020.

Figure 4: Cash-flow forecasting using intelligent automation helps banks support clients



Source: Capgemini Financial Services Analysis, 2021.

In a nutshell

- Commercial banks are adding in-house technology capabilities to directly provide clients with cash-flow forecasting tools through online banking channels. The result? Businesses get an accurate, real-time cash-flow picture to manage liquidity across all their accounts and currencies through a single sign-on.
 - HSBC offers its commercial banking clients cash-flow forecasting tools via an online banking feature with a single sign-on. The service helps business clients visualize their future finances while also managing liquidity.³⁰
 - Deutsche Bank and Google Cloud signed a 10-year deal to overhaul the bank's IT stack and bolster access to AI and ML technologies. The Google Cloud platform enables the bank's corporate clients to manage their order-to-cash process efficiently and access invoices, credit and debit notes, and promotional efforts.³¹
- Commercial banks are partnering with FinTech firms to enable clients to share business and financial data seamlessly. Smooth information flow provides a real-time picture of financial performance to aid decision making. The partnership gives banks detailed cash-flow information, enabling them to offer better products and pricing, thereby leading to better outcomes for banks and SMEs alike.
 - **Tesorio** and Bank of America partnered to launch *CashPro Forecasting IQ*. It uses machine learning technology to automate the cash forecasting process while improving accuracy.³²
 - **London FinTech Codat** and Summit bank partnered to enable Summit to automatically populate their users' financial models with data direct from their accounting package without investing significant time, resources, and money into building integrations in-house.³³

³⁰ [Businesswire](#), "Cash Flow Forecasting now available to Commercial Banking clients in HSBCNet," January 2021.

³¹ [CloudWars](#), "How Google Cloud Is Deutsche Bank's Innovation Engine: 15 Examples," July 15, 2021.

³² [Bank of America](#), "Cash Forecasting to Improve Liquidity Management," accessed October 2021.

³³ [codat](#), "Cash flow forecasting and the SMB," June 2021.

Impact

- By enhancing cash-flow forecasting capabilities, banks will understand their clients better and shift engagement from service to advisory-based relationships. As a result, we anticipate more commercial banks will gauge clients' financing needs and personalize offerings in critical pain-point areas such as lending, trade finance, and supply chain finance. As CX improves, so too will trust and loyalty.
- By harvesting rich business data, banks will be able to segregate profitable from unprofitable clients, helping prioritize account management processes and minimize defaults.

TREND 5

FINTECHS ARE ORCHESTRATING COMMERCIAL BANKING ECOSYSTEMS AND BUILDING B2B SUPER APPS

After disrupting payments and retail banking, agile new-age players are shaking up corporate financial institutions

Context

- In the past, FinTechs made incremental inroads into commercial banking with niche products to improve process efficiency. But, now, new-age players are rebundling commercial offerings using the modus operandi they successfully deployed in retail banking. The evolution and popularity of B2C super-apps such as **Grab**, **Alipay**, **WeChat**, and **Tinkoff** are now gaining commercial banking traction.
 - US-based **Stripe** and UK-based **Paysme** run business banking ecosystems. Retail consumer-focused players – PayPal, Wise, and Revolut – are readying their super-apps for business use to help empower enterprises.³⁴

Catalysts

- Traditionally underserved by incumbents, the pandemic financially stretched small businesses even further. According to a survey conducted by the National Academy of Sciences, 75% of US small to medium-sized enterprises (SMEs) faced an acute shortage of working capital when lockdowns went into place in early 2020, with cash in hand to cover two months or less.³⁵ Such gaps in demand and supply led to a USD370 billion market opportunity that FinTechs seized upon with B2B marketplaces that replicated their earlier retail banking success.³⁶
 - During the peak of the pandemic, SME use of mobile banking, payroll services, advisory of finances, and leasing increased more than 13%, which indicates they had shifted to FinTech services. New-age players had flung open the doors to business banking ecosystems.³⁷
 - More than a third of SMEs were served on consumer or consumer-like banking platforms, indicating a demand for business services in a single platform. Also, more than 60% of SMEs go outside their banking partner for business services such as payments and receivables. Such trends demonstrated a strong case for FinTechs to orchestrate super apps for businesses.³⁸
- The evolution of APIs and the nimble technology stack of FinTechs has streamlined the integration of banking and non-banking players into the ecosystem. Moreover, platformification with its full view of all the integrated finances allows business owners to make quick decisions, which creates a win-win scenario for all players.

³⁴ [Payments Dive](#), “Super-apps are the next evolutionary step for financial services,” June 2021.

³⁵ [PNAS](#), “The impact of COVID-19 on small business outcomes and expectations,” July 28, 2020.

³⁶ [Bottomline](#), “Small Business Banking: The Next Big Revenue Opportunity for Banks,” accessed September 2021.

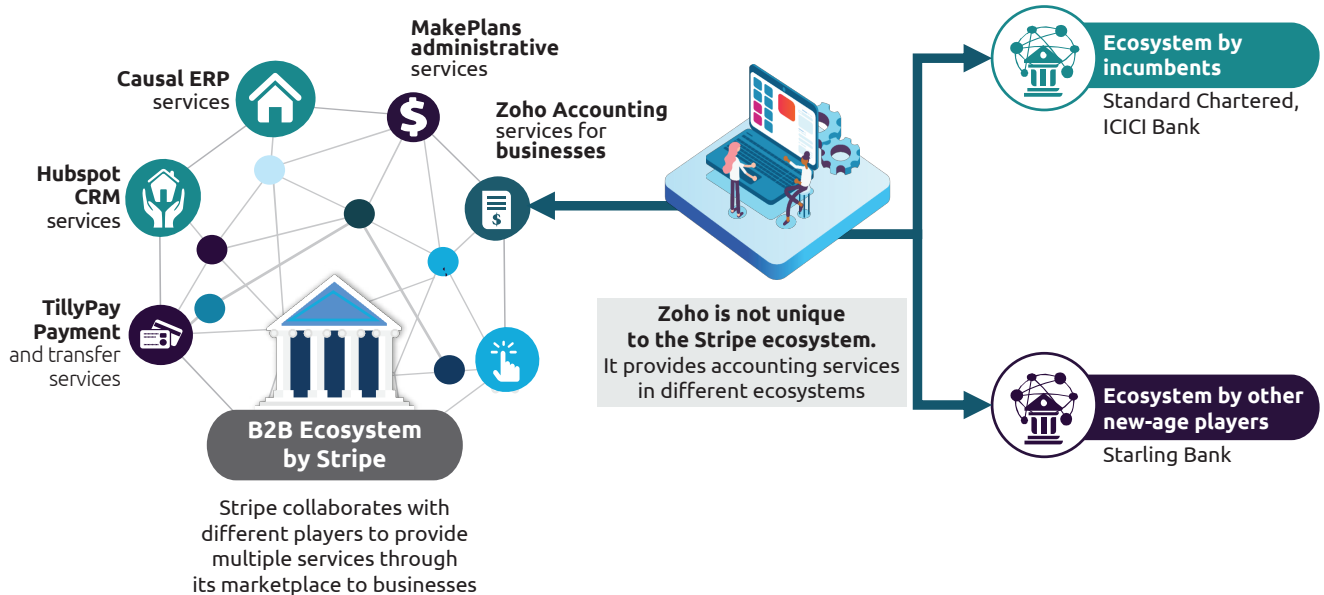
³⁷ *Ibid.*

³⁸ [Forbes](#), “Banks’ \$370 Billion Small Business Opportunity,” July 1, 2020.

In a nutshell

- Business banking ecosystems developed by new-age players are positioning themselves at the heart of the businesses by allowing firms to embed finance into their operations.
 - US-based Stripe accounts for millions of businesses as its clients across 40+ countries through its payment processing services. The firm is expecting to onboard its growing client base into its diverse business marketplace with services ranging from accounting to marketing through its 197 partners. Moreover, Stripe is foraying into business financing with Stripe Capital and Banking-as-a-Service with Stripe Treasury allowing users to embed FS services in their businesses.³⁹
 - Paysme, a UK-based super-app for SMEs, provides mobile payments, e-commerce, digital banking, accounting, lending, and insurance services in one business-to-business app. It offers financial services to more than 3,000 small businesses across the UK and Ireland and works with payment providers and processors such as Barclays, Railsbank, Toqio, Bambora, and Cybersource.⁴⁰
- FinTechs are diversifying their consumer banking ecosystems to include business products to strengthen and stabilize their base and keep revenue consistent.
 - UK-based banking app Revolut offers *Revolut Business Marketplace* to offer SMEs a one-stop shop that integrates expense management, administrative services, and other business tools.⁴¹
 - In Russia, **Tinkoff** launched its business banking services seven years after its 2006 launch. By H-1 2020, Tinkoff served more than half a million SMEs, accounting for nearly 15% of its credit business. Tinkoff business clients have access to RUB and FX-denominated checking accounts, working capital, and overdraft facilities, as well as favorable SME credit rates, point-of-sales (PoS), and online payments acceptance.⁴²
 - UK-based **Starling Bank** accounted for more than 6% of the UK SME market in H-2 2021, doubling YOY growth fueled by its ever-expanding business marketplace.⁴³

Figure 5: Ecosystem-based business banking



Source: Capgemini Financial Services Analysis, 2021; [Stripe](#), [Standard Chartered](#), [Business Line](#).

³⁹ [Stripe](#), "Stripe has raised a new round of funding to accelerate momentum in Europe and reinforce enterprise leadership," March 2021.

⁴⁰ [SiliconRepublic](#), "Fintech 'super app' Paysme launches £1m funding round for expansion," August 9, 2021.

⁴¹ [Forbes](#), "How Revolut Business Is Making Life Easier For Start-Ups And SMBs," June 2021.

⁴² [Whitesight](#), "Tinkoff Bank | Neo-Bank Strategy Deep Dive," November 2020.

⁴³ [Starling](#), "Starling Bank revenue rises 600%," July 2021.

Impact

- In 2022 and beyond, we expect incumbent commercial banks to cash in on the marketplace movement by joining or building an ecosystem to drive new business and retain existing clients.
- Marketplaces are an orchestration medium to transform banks into business advisors. The most strategic banks will leverage the wide range of available players to help drive efficiency and boost innovation in their workflows to serve clients better.
- Increased accessibility to new and enriched business data can help reduce client acquisition costs and churn. Some incumbents have jumped on the super-app bandwagon in response to FinTech competition and are reaping network effect benefits.
 - In South Africa, Nedbank’s super app *Avo* is developing a B2B marketplace to enable businesses, and 17,000 SMEs signed up for the portal.⁴⁴
 - Bank of America redesigned its cash-flow monitor to offer “connected apps” or third-party integrations to provide business services such as accounting, payroll, analytics, and expense management.⁴⁵
- One-stop-shop super-app benefits are already popular among underserved SMEs. And we expect it’s only a matter of time before they are trending among larger corporate clients.

⁴⁴ [IT Web](#), “Vehicle sales, B2B solutions head to Nedbank ‘super app,’” August 2021.

⁴⁵ [The Financial Brand](#), “How BofA Grapples With The Increasingly Digital Small Business Market,” April 2021.

TREND 6

HYPER-FLEXIBLE ALTERNATIVE LENDERS GIVE MSME LOANS A DRAMATIC MAKEOVER

With easy to use, fast, and efficient tech-based offerings, alternative lending players are meeting the pent-up demand of small to medium-sized enterprises

Context

- The pandemic's economic impact (what we know so far) may not be as severe as the 2008 financial crisis. However, it created a lending gap with traditional lenders skeptical about offering loans to micro, small, and medium-sized enterprises (MSMEs) amid economic uncertainty. For alternative lenders, however, the volatile situation provided a growth opportunity. SMEs are businesses with 11–250 employees, and micro-enterprises are those with <10 employees.⁴⁶
 - A 2018 SME Finance Forum report identified a USD5 trillion funding gap between SME requirements and available institutional funding. Fast forward to 2022 trends, and commercial banks are exploring SME loan options as the funding gap widens.⁴⁷
 - While SMEs and micro-businesses struggle to secure credit from incumbent banks, alternative lenders offer easy credit with faster processing and flexible underwriting. Kabbage, OnDeck, and BlueVine offer short-term loans with customized products such as invoice financing, lines of credit, equipment financing, and merchant cash advances to enable business growth.

Catalysts

- Tech-savvy millennials (aged 25–40) dominate the MSME market and demand fast and easy financing options that traditional credit providers are reluctant to provide, focusing, instead, on corporate clients. Hence, the need for alternative lending has grown.
 - SMEs, including US-based **Coastal Concrete Construction** and e-commerce venture **Tame the Beast** were frustrated by red tape, high fees, and long lines at traditional banks. As a result, they turned to new-age players such as **Kabbage** for ≤24-hour loan disbursement to meet demand spikes. Other alternative lenders include online marketplace lenders, such as **Funding Circle**, with a P2P model that funds businesses through a network of institutional and individual investors.

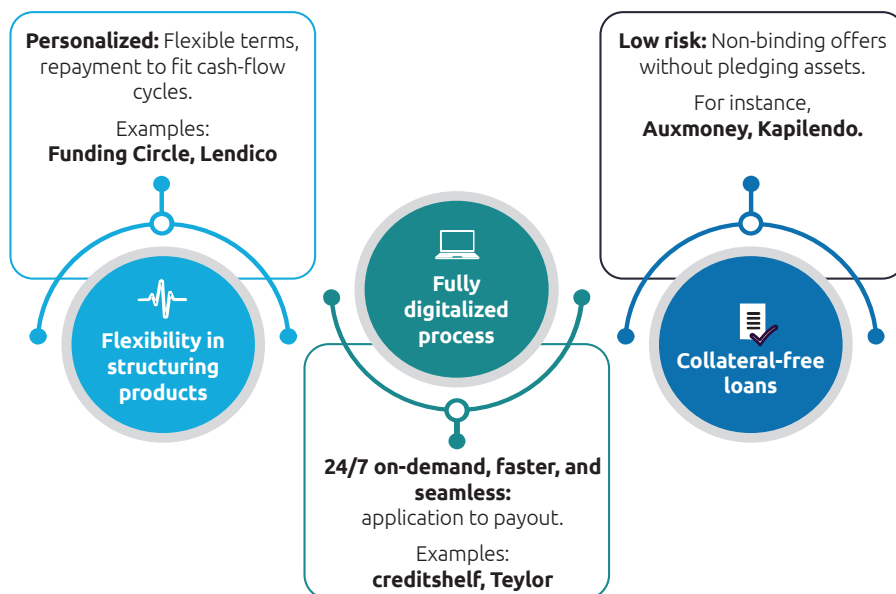
⁴⁶ [MSME Finance Gap](#), "Definitions," accessed October 2021.

⁴⁷ [SME Finance Forum](#), "MSME Finance Gap Report," accessed October 2021.

In a nutshell

- While traditional banking loans are difficult to qualify for, with stricter requirements, extensive applications, and a higher time to funding, alternative lending, on the other hand, is built on new-age innovations, faster turnaround, accessibility, and customization. Alternate lenders rely on technology-based lending and leverage multiple innovating ways to strengthen their credit assessment and lending procedures.
 - Lenders such as Kabbage and Iwoca offer three or four-step applications, with simple data requirements preventing multiple rounds of data collection.⁴⁸
 - New York-based OnDeck was one of the first pioneers in alternate lending space in the first decade of the 2000s. Since then, they have delivered more than USD13 billion to businesses across the world.⁴⁹
 - Swedish FinTech Capcito offers SME financing, automates the process of credit assessment to provide instantaneous funding based on real-time data from invoices. Today, they deploy more than USD100M to SMEs on their platform.⁵⁰
 - In the past, leading financial institutions such as Citibank, Mastercard, and RBS entered into strategic partnerships with alternative lending providers Lending Club, Kabbage, Funding Circle, and Assetz capital to provide alternative sources of finance to small businesses.^{51,52,53}

Figure 6: Alternative lenders simplify and deliver MSME loan requirements



Source: Capgemini Financial Services Analysis, 2021.

⁴⁸ [Kabbage.com](https://www.kabbage.com), "Kabbage Process VS other online lenders," accessed October 2021.

⁴⁹ [OnDeck.com](https://www.ondeck.com), "How We Got started," accessed October 2021.

⁵⁰ [EU-startups.com](https://eu-startups.com), "Capcito raises 7 million for international expansion," September 2019.

⁵¹ [FT.com](https://www.ft.com), "Lending Club strikes \$150Mn deal with Citigroup," April 2015.

⁵² [Kabbage Newsroom](https://www.kabbage.com/newsroom), "Mastercard and Kabbage partnership," March 2015.

⁵³ [Paypers.com](https://www.paypers.com), "RBS strikes P2P lending deal with Funding Circle & Assetz Capital," January 2015.

Impact

- FinTech lenders have disrupted lending to small to medium-sized enterprises and micro-businesses with convenient and fast loan processing, fewer requirements, and superior CX.
 - As FinTech-based alternative lending grows (USD9.6 billion in transactional value in 2020 according to Finanso.se), SMEs will benefit thanks to faster, more accessible credit customized to their requirements.⁵⁴
 - Alternative lenders' business loan approval rates were ~2x higher than big banks, according to the Biz2Credit Small Business Leading Index for September 2021. Therefore, we anticipate that more small businesses will opt for alternate lending in 2022 to leverage higher accessibility.⁵⁵

⁵⁴ [Finanso.se](#), "European Fintech Lending Industry to hit \$9.6Bn," August 2020.

⁵⁵ [Biz2credit](#), "Biz2Credit Small Business Lending Index™ Finds Loan Approval Rates Rose at Banks and at Institutional and Alternative Lenders in September 2021," accessed October 2021.

TREND 7

SIMPLIFIED, LOW-PAPER BUSINESS PROCESSES ARE POWERING BACK-OFFICE TRANSFORMATION

AI-powered optical character recognition is redefining the middle and back-office experience

Context

- FS institutions engage continuously with clients, thus using and creating numerous records, mainly paper. Therefore, managing the ever-increasing repository of documents is critical for commercial banks.
- Digitizing existing records with the help of intelligent entry services can help banks focus on more high-impact issues in the new era of banking.
 - As the pandemic has been affecting banks' bottom and top lines, the incumbents are looking at technologies such as optical character recognition (OCR) and artificial intelligence to process, monitor, and evaluate data, including vast amounts of client data to improve bank performance and customer experience.

Catalysts

- Checks, forms, and other paper documents have long been the banking industry norm. But now, as more processes shift to digital platforms, legacy systems expose fundamental limitations. Paper-based documentation, legacy systems, and low scalability can lead to significant middle- and back-office bottlenecks that spark steep operational costs.⁵⁶
- Capgemini's *Pioneering Intelligent Banking Report* found that FS institutions are shifting focus to technologies such as AI to optimize and improve end-to-end processes in the banking value chain.⁵⁷
 - According to Capgemini Research Institute's *State of AI survey*, more than 65% of executives claimed to achieve up to 25% cost savings and productivity improvements, customer satisfaction, and risk management capabilities from AI implementation.⁵⁸
 - Electronic recording is becoming the norm in critical US markets, where state authorities digitally record collateral such as property documents.⁵⁹

In a nutshell

- Banks leverage cognitive document automation using OCR and AI to tackle paper-based documentation challenges and hasten customer onboarding. Services such as applications for mortgage loans and credit cards can involve a high volume of paper documents. The process can be accelerated with multiple employees reviewing at the same time with document digitization.

⁵⁶ [Adlib](#), "How OCR is Changing the Banking Industry," September 2018.

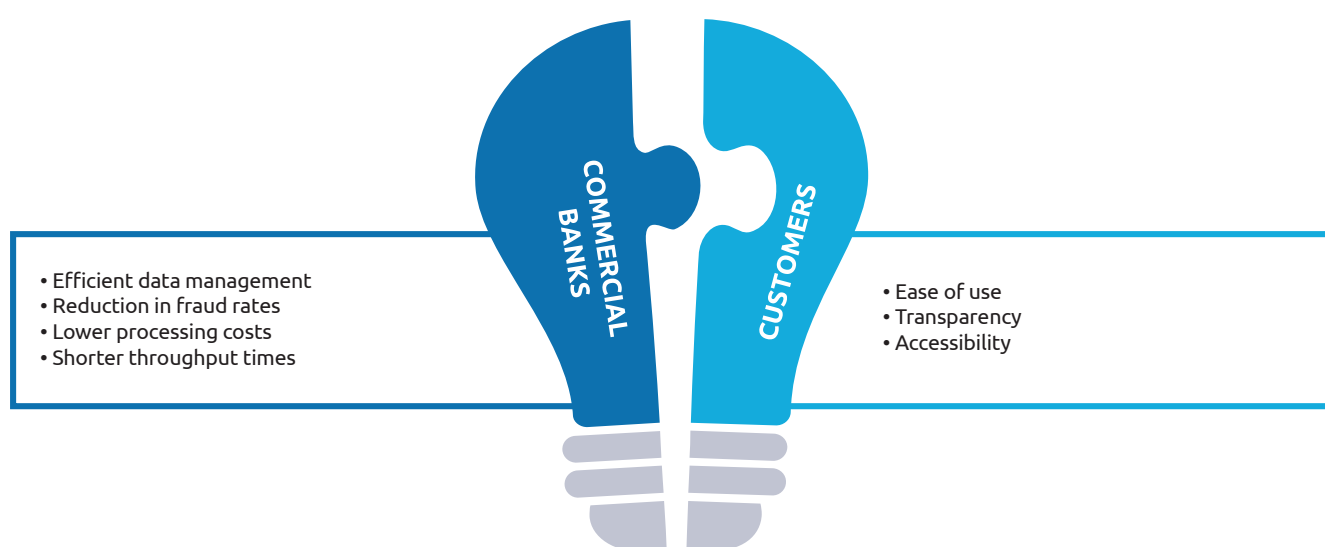
⁵⁷ [Capgemini Research Institute](#), *Pioneering Intelligent Banking 2020*, December 2020.

⁵⁸ [Capgemini Research Institute](#), "The AI-powered enterprise: Unlocking the potential of AI at scale," July 2020.

⁵⁹ [BankDirector.com](#), "The Digitalization of Commercial Lending," September 2020.

- BNPP has automated essential asset servicing documentation processing with natural language generation (NLG), machine learning, and intelligent document processing technologies.⁶⁰
- Document digitization and digital receipts using OCR and AI reduce the processing time of transactions. Digitization of the trade document checking process will enhance operational efficiency, reduce costs, and improve customer experience.
 - Standard Chartered partnered to introduce Traydstream’s digital trade document matching services to the bank’s clients, increasing efficiency and bringing transparency to document trade processing and improving the trade finance experience for buyers and suppliers globally.⁶¹
 - To improve the customer experience, the Industrial and Commercial Bank of China has added OCR and natural language understanding to their service systems to optimize their customer care capacity.⁶²
- When used with other automated operations such as RPA and natural language processing, OCR technology adds an extra layer of risk assessment for any paper document. OCR can be integrated into fraud detection or risk assessment by factoring in data extracted from physical documents.
 - Traydstream partnered with Yes Bank to digitize the trade document checking process, improving operational efficiency and reducing risks.⁶³

Figure 7: Paperless corporate banking powered by AI



Source: Capgemini Financial Services Analysis, 2021.

Impact

- With manual checking across various siloed departments, bankers generally spend up to 80% of their time on standard input and manual processing of data from documents. OCR service will speed up data input by 2.5 times. OCR will also eliminate the risks of incorrect information during data loading.⁶⁴
- Highly automated KYC processes result in shorter throughput times and lower processing costs.
 - OCR and machine learning tools can speed up loan and mortgage application processing by up to 70%.⁶⁵
- With OCR, banks will be able to enhance security by fraud prevention and increasingly secure transactions, thus, fostering customer trust.

⁶⁰ [FS Tech](#), “BNP Paribas uses machine learning for document automation,” July 2020.

⁶¹ [Standard Chartered](#), “We’ve announced a strategic introduction agreement with Traydstream to digitise documentary trade matching processes,” September 2019.

⁶² [Nzherald.co.nz](#), “Dynamic Business report: ICBC: The future of tech in banking,” December 2020.

⁶³ [Traydstream](#), “Traydstream Goes Live With Yes Bank To Accelerate Trade Finance Digitization In India,” December 2020.

⁶⁴ [Softengi](#), “Object Character Recognition Development: Use Cases from 3 Industries,” accessed October 2021.

⁶⁵ [Managed Outsourced Solutions](#), “HOW OCR AND MACHINE LEARNING FEATURES ARE CHANGING THE BANKING INDUSTRY,” March 2021.



TREND 8

COMMERCIAL LENDERS ARE LEVERAGING ALTERNATIVE DATA TO OPTIMIZE CREDIT DECISIONS

With an abundance of data and access to newer technologies, commercial banks are weaving analytics and alternate data into their lending suite of services.

Context

- The World Bank estimates that 65 million firms, or 40% of micro, small, and medium-sized enterprises (MSMEs) in developing countries, have an annual unmet financing need of USD5.2 trillion.⁶⁶ Over the years, ever-increasing mobile phone penetration has surpassed financial services penetration. Today, MSMEs that lack a formal financial identity (due to a thin file) have a digital footprint, which offers lenders an unprecedented opportunity to mine and leverage alternative data of a new client segment.
- Commercial banks have been looking to evolve their credit decision processes, moving from Descriptive to Predictive analytics. In this regard, data from alternate sources will help banks manage risk better and enhance lending processes as an enabler toward future growth models.

Catalysts

- MSMEs (and other informal businesses) traditionally face high risks in cash-flow crunches and dependency on external factors, which keeps incumbents at bay. However, digital footprints generate vast alternative data that banks can use to gauge credit behavior and worthiness. And with FinTech support, traditional banks have the means to collect and assimilate this data to build robust credit-decision frameworks.
 - Formal credit scoring utilizes only about eight to 10 variables. In contrast, alternative data credit scoring can use more than 500 data points, which will provide access to a larger credit pool and increased risk analysis.⁶⁷
 - The share of alternative lenders in the UK SME market was expected to reach 9% or more by the end of 2021, with a market value of more than USD60 billion.⁶⁸

⁶⁶ [The World Bank](#), "Small and Medium Enterprises (SMEs) Finance," accessed October 2021.

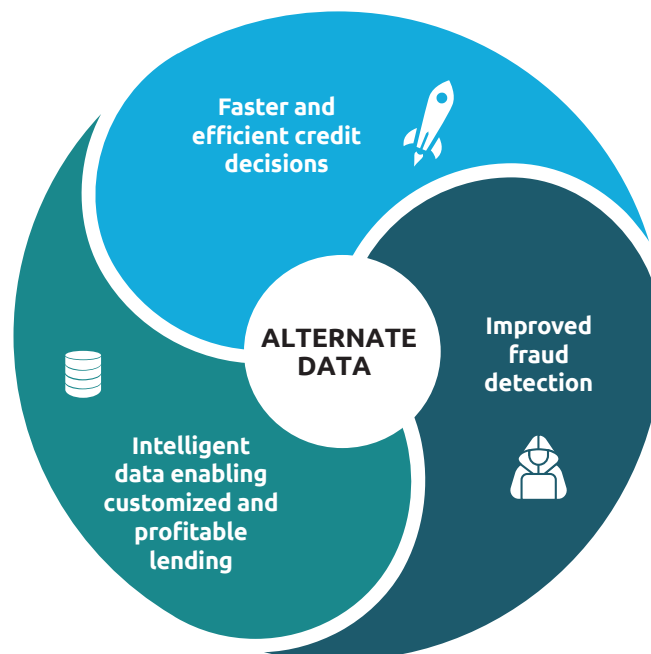
⁶⁷ [Development Asia](#), "Here's How Alternative Credit Scoring Can Improve the Poor's Access to Loans," April 2020.

⁶⁸ [Business Insider](#), "Small Business Lending Report: Why SMB loan trends are shifting to alt lenders in 2020," April 2019.

In a nutshell

- Today, banks and other lending players are looking to partner with FinTechs and data aggregators to improve their credit assessment process by leveraging alternate data.
 - US-based Customers' Bank has partnered with UK-based FinTech **Oaknorth** to use its lending platform to help monitor credit and help the bank manage portfolios with fewer defaults. Moreover, 17 other banks globally are using Oaknorth's platform to enhance the credit decision process.⁶⁹
 - Lending banks among the top 10 globally and top 50 in the US are also automating the complex Know Your business process by building partnerships with aggregators such as LexisNexis, Trulioo, and Urjanet, which offer identity and business verification.^{70,71}
- New-age players are developing the "SME lending marketplace," a platform for originating loans to SMEs through intermediaries. The marketplace provides SMEs with greater accessibility (through digital channels) and substitutes the missing traditional credit data with new alternative data of SMEs to improve their creditworthiness.
 - Swiss FinTech **BPC** has developed an SME marketplace aggregating lenders and providers of various kinds of business services. The firm intends to drive multi-faceted collaboration among its network of 350 institutions and 95 customers globally and drive a culture of financial inclusion.⁷²
 - In India, **Namaste Credit** drives an SME lending marketplace where it plans to connect its network of 80 lenders with 80% of SMEs in India. The platform provides 6X better credit access to SMEs while the amount disbursed nearly doubled from mid-2019 to mid-2021.⁷³
- BigTechs and e-commerce giants are partnering with incumbents to offer lending to their captive SMEs. These BigTechs leverage the alternative data available with them to improve credit decisions and reduce lending risks. The most notable instance here is the collaboration between Goldman Sachs and Amazon in 2020 to provide lines of credit up to USD1 million to merchants on the Amazon platform.⁷⁴

Figure 8: Expand horizons with alternate data sources



Source: Capgemini Financial Services Analysis, 2021; The size of the semicircles represent expanding credit pools.

⁶⁹ [Fintechfutures](#), "US-based Customers Bank adopts OakNorth's lending platform," April 2020.

⁷⁰ [Risk.Lexisnexis.com](#), "Lexis Nexis product offerings for Financial Services," accessed October 2021.

⁷¹ [Trulioo.com Products](#), "KYB services by Trulioo," accessed October 2021.

⁷² [Americanbanker.com](#), "Real time data – Kabbage's secret sauce," accessed October 2021.

⁷³ [Yourstory](#), "Democratising credit: This fintech startup led by BFSI veterans is disrupting SME lending with AI," August 2021.

⁷⁴ [Forbes](#), "Amazon And Goldman Sachs: A Small Business Lending Wake-Up Call For Banks," June 2020.

Impact

- Leveraging alternate data has helped players make their lending process faster, efficient, and personalized for their customers. As per estimates, banks can reduce complex commercial credit decisions from days or weeks to minutes using a modernized operating model representing an opportunity to close the multi-trillion funding gap among SMEs.⁷⁵
 - Fraud detection models also report improved figures – lenders boost fraud detection rates by 92% on applications.⁷⁶
 - Accurate creditworthiness scores lead to intelligent and data-driven decisions, thus enabling profitable loans, improved risk detection, and lower lending costs by almost 15%.⁷⁷

⁷⁵ [Business Insider](#), “Small Business Lending Report: Why SMB loan trends are shifting to alt lenders in 2020,” April 2019.

⁷⁶ [Explorium.AI](#), “How Fintechs can use Alternate data for predictive modelling.”

⁷⁷ Ibid.

TREND 9

SUSTAINABLE FINANCE OFFERINGS TO BOOST LOW-CARBON ECONOMY

Banks are ramping up their sustainability initiatives to steer clear of regulations and competition while unearthing monetization opportunities and building a green image

Context

- Sustainability has become an essential subject of public debate. Regulators and watchdogs such as the EU Commission are setting a tight schedule to achieve ESG goals such as reducing CO2 emissions by 55% by 2030. In this regard, the FS industry, especially the corporate banking sector, will play a pivotal role in the coming years.⁷⁸
 - 35% of corporates face finance as a barrier while transitioning to a sustainable future. As sustainable finance gains traction, major commercial banks are providing customized solutions to various needs of their corporate customers to meet their ESG goals.⁷⁹

Catalysts

- The vast majority of businesses (85%) are prioritizing environmental sustainability. Moreover, two-thirds of medium-sized companies consider sustainability as a relevant issue. Such firms will expect the same from their banks.
 - 70% of medium-sized businesses require their banks to offer sustainable products while also sustainably operating themselves.⁸⁰
- Regulatory authorities are prioritizing sustainability issues. In the not too distant future, expect regulatory initiatives around minimum capital requirements for green projects, ESG with stress tests on existing assets, and risk mitigation from climate change to affect commercial banking in lending and other areas.

In a nutshell

- Driven by stakeholders clamoring for ESG consideration, commercial banks in critical geographies are addressing sustainability. Many are implementing internal initiatives that heighten their brand profile and secure their reputation by shunning industries known for environmentally harmful practices.
 - More than 90%, an overwhelming majority of Europe's 50 largest banks have voluntarily committed to supporting the Paris Climate Accords. Moreover, almost half have defined net-zero targets across their lending and investment portfolios.⁸¹
- Top banks have started setting aside dedicated funds for climate change initiatives with short-term and long-term goals to utilize the fund for ESG projects or green operations
 - US-based Citibank has pledged a USD250-billion commitment to finance climate solutions and reduce environmental risks over five years.⁸²

⁷⁸ [Banking Hub](#), "Sustainability in corporate banking," September 2021.

⁷⁹ [HSBC](#), "Sustainability," accessed October 2021.

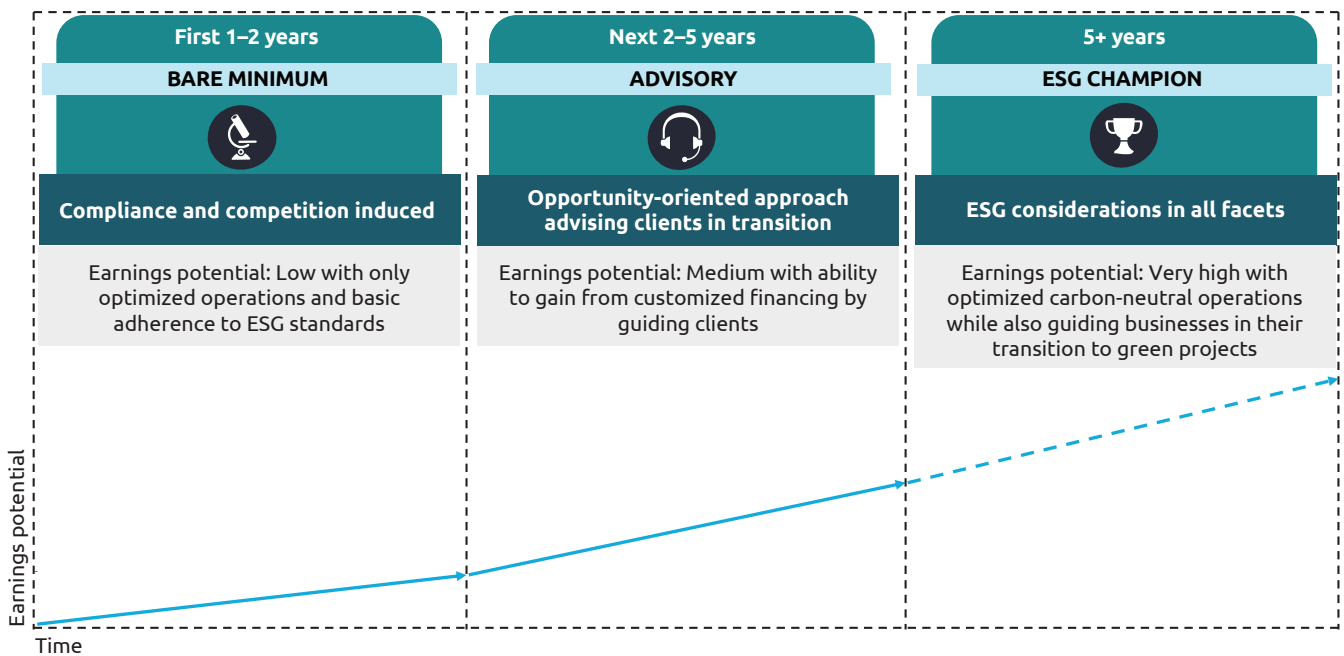
⁸⁰ [Banking Hub](#), "Sustainability in corporate banking," September 2021.

⁸¹ [Banking Hub](#), "Sustainability in corporate banking," September 2021.

⁸² [Forbes](#), "Citi Announces \$250 Billion Commitment To Finance Climate Solutions And Reduce Climate Risk," September 2020.

- Bank of America is poised to deploy USD1 trillion by 2030 in its environmental business initiative for green finance.⁸³
- Major commercial banks are collaborating with startups, energy companies, and philanthropic organizations to develop innovative green products, sponsor projects, and drive ESG considerations into their operations.
 - UK-based HSBC has launched a USD100 million climate finance initiative with the World Resources Institute (WRI) and the World Wildlife Fund (WWF) to support emerging climate solutions.⁸⁴
 - Bank of America collaborates with Duke Energy and 3Degrees to enhance its renewable energy commitments for its operations and financing regional solar projects in local communities.⁸⁵
 - UK-based Triodos bank partnered with Artesian, a British FinTech, for an insights tool to identify sustainable sectors and organizations in line with their lending criteria.⁸⁶

Figure 9: The ESG journey follows an upward path



Source: Capgemini Financial Services Analysis, 2021; [Banking Hub](#)

⁸³ [Reuters](#), "Bank of America to deploy \$1 trillion for sustainable finance by 2030," April 2021.

⁸⁴ [ESG Today](#), "HSBC Launches \$100 Million Climate Finance Initiative," May 2021.

⁸⁵ [Cision](#), "Bank of America Taps Duke Energy and 3Degrees to Expand Renewable Energy Commitment," June 2020.

⁸⁶ [FinTech Insight](#), "Artesian help Triodos Bank make money work for positive change with CBILS," September 2020.

Impact

- Apart from demand and regulatory requirements, banks have an opportunity to boost earnings potential in 2022 and beyond. 90% of commercial bank loan portfolios globally consist of projects where businesses are looking to possibly transition to green or ESG. Such opportunities could result in additional capital requirements, driving volumes and margins for banks with a market potential in excess of USD3 billion in key markets such as Germany.⁸⁷



Sustainability initiatives will drive banks in developing a green image with carbon-neutral operations while staying on top of evolving regulations. Moreover, they can harvest the immense earnings potential as they fund sustainable finance initiatives and guide businesses transitioning to greener projects”



– **Carlos Salta**

Head of Banking and Diversified Financials Practice,
Capgemini

⁸⁷ [Banking Hub](#), “Sustainability in corporate banking,” September 2021.

TREND 10

SMART CONTRACTS WILL ENHANCE REAL-TIME TRADE AND SETTLEMENT FUNCTIONS

Banks are working to reduce significant delays while securing contract delivery to beef up real-time trade and settlement workflows

Context

- COVID-19 upended trade and trade finance. It impacted deal origination and distribution, negotiable instruments, document transmission, authorized signatures, and shipping. Banks responded by accelerating trade finance digitalization to increase efficiency and move to an agile environment in the upcoming era.
 - As part of the 2020 Global Trade Survey by the International Chamber of Commerce, many banks expressed concerns over pandemic-related declines in trade flows and revenues. The survey found that stringent lockdown measures accelerated the shift to digital solutions in trade, such as digital documentation and automated processing and handling software, including blockchain.⁸⁸

Catalysts

- Trade finance transactions consist of manual transactions between an importer, exporter, banks, shipping and receiving companies, insurers, and other parties. However, reliance on hard-copy transactional documents has drawbacks, including the cost and time required to prepare, transmit, and verify.
 - Smart contracts powered by blockchain can help reduce the risk of errors or fraud and facilitate the quicker exchange of payments/settlements. Blockchain addresses the shortcomings of the legacy paper-based system by digitizing, optimizing, and shortening the trade finance process and making it more transparent, cost-efficient, and accessible. Fifty-four percent of banks say blockchain, digital trade, and online trade platforms are their near-term strategic development priorities.^{89,90}

In a nutshell

- Smart contracts empower banks to streamline trade clearing and settlement activities. Blockchain-powered contracts avoid discrepancies and save cost with efficient equity settlement systems. Moreover, the contracts are executed in real time, facilitating the rapid movement of goods/services.
 - With 10+ leading European banks, Finland-based Nordea provides digital platform we.trade to help businesses manage transactions on a single platform. The blockchain-powered platform allows all parties to review the same documentation with transparency and traceability – simultaneously.⁹¹

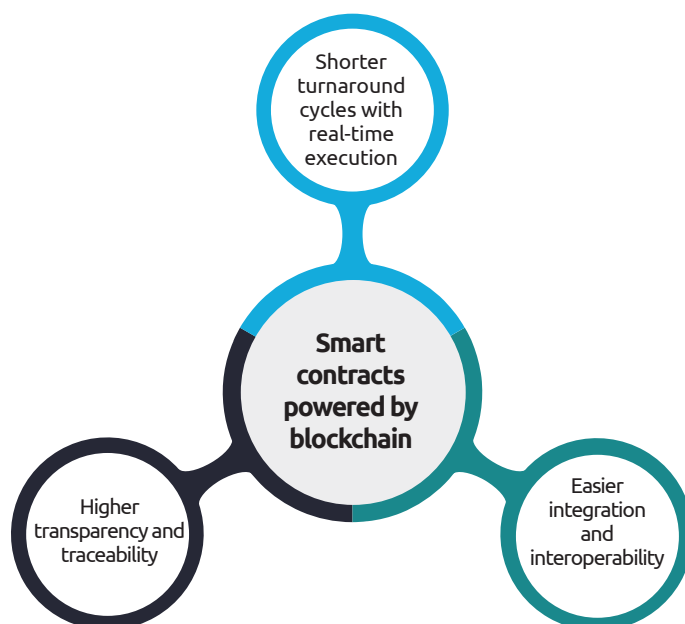
⁸⁸ [International Chamber of Commerce](#), "2020 ICC Global Survey on Trade Finance: Securing future growth," accessed September 2021.

⁸⁹ Ibid.

⁹⁰ [Trade Finance Global](#), "The application of blockchain in trade finance: opportunities and challenges," November 2020.

⁹¹ [Nordea](#), "we.trade," accessed September 2021.

Figure 10: Move over traditional contracts; embrace smart contracts!



Source: Capgemini Financial Services Analysis, 2021.

- Spanish Bank BBVA leverages Contour’s blockchain consortium, a digital trade platform in partnership with 12 major banks worldwide, including HSBC, Citi, and BNP Paribas. The platform aims to speed up cross-border letter of credit (LC) issuance by 90% by digitizing the contracts involved.^{92, 93}
- Blockchain-based trade networks are designed to improve the trade finance lending process, helping banks access new markets while reducing risk and streamlining cross-border trade. The parties can operate smart contracts that trigger commercial actions automatically.
 - Citi digitally issued a letter of credit using its trade-finance-focused Blockchain Komgo. With Komgo, commodity traders, their banks, and service providers can exchange data electronically. Blockchain technology enhances trust while being secure. The platform is designed and built for integration and interoperability with many back-office processes of its users and other existing platforms.⁹⁴
 - Standard Chartered and DBS, with the support of 12 other banks, kicked off a digital trade finance registry (TFR) project using a blockchain network. The TFR mitigates against duplicate financing from different bank lenders for the same trade inventory, embedding trust between banks and traders.⁹⁵

Impact

- With improved efficiency in trading and settlement, smart contracts have the potential to digitalize syndicated loans in 2022 and the years ahead, a significant pain-point for corporates. Trading, and settlement of syndicated loans enabled by smart contracts will result in additional growth of businesses, driving additional income sources for banks while also reducing operational costs with shorter settlement cycles.

⁹² [Ledger Insights](#), “City Bank issues sharia compliant Letter of Credit on Contour blockchain,” January 2021.

⁹³ [101 Blockchains](#), “Contour Blockchain platform,” February 2020.

⁹⁴ [consensys](#), “Citi and ConsenSys Are Using Blockchain to Modernize Commodity Trading,” March 2020.

⁹⁵ [Finextra](#), “Standard Chartered and DBS to set up blockchain-based Trade Finance Registry,” October 2020.



CONCLUSION

As commercial banks grapple with competition from FinTechs, BigTechs, and alternative lenders, their inability to fulfill SME demands and pandemic after-shocks necessitates **transformative process changes** and a move to **experiential, sustainable, and inclusive** banking models. We expect banks to strive to meet the demands of corporate clients and SMEs by digitally transforming critical workflows and improving client experience. Additionally, incremental process improvements in the middle and back office that leverage **intelligent automation** will keep the competition at bay because engaged clients are loyal.

Adopting newer methods to mine data and moving to **as-a-Service** models will prepare commercial banks to flexibly respond to newcomers and find ways to co-exist through effective collaboration. The time to transform is now, or lending losses in wallet and market share could spill over to other functions!

How incumbents react and respond to 2022 trends could determine their relevancy and resiliency in the years ahead.

ASK THE EXPERTS



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