

Partnerships between banks – orchestrating success for all sides

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- **Orchestrating a partnership using IBOS as an example**
- **Operating across business lines – or concentrated on one?**
- **Leveraging one another's franchises**
- **Integrated cross-border services – when banks do not share IT platform**
- **Comprehensive customer service**
- **Streamlined documentation**
- **Cost-cutting**

Main planks of IBOS

Caters to a basic need

- Narrow scope but in great depth.
- “Do you have customers headquartered in your country that want to control bank accounts in other countries” = Host Bank
- “Can and do customers located abroad control accounts opened here” = Account Holding Bank

Brutally commercial

- What are you making out of it as Host/Account-Holding Bank?
- Can you successfully answer an RFP e.g. the templates issued by AFP?
- Where are the threats that will blow IBOS away?
- How do we continue to be competitive without continually re-investing?

Usage of external reference points

- IBOS banks also members of other clubs, have bilaterals, participate in SCORE/MACUG...
- AFP advice to corporates; surveys and benchmarking..

Customers

- Usually Mid-Corporate/Mid-Market due to partial centralisation
- Have in-country finance staff and finance systems
- Driven by political and operational structure, their industry supply chain..
- Certain very large companies share those characteristics and would qualify as IBOS customers.

Limited scope of alternative approaches

- Global banks can have limited depth and capabilities, even if they have presence in a lot of countries
- Bilaterals work if customer already has an account
- SWIFT Corporate Access package does not include account opening, relationship management, pricing, credit facilities...
- SEPA not entirely on track

Absence of politics

- Cooperativeness of in-house units often clouded by politics.
- Service from IBOS partners is “better than I get from my own network”

Strongly grounded in knowledge of market practice

- Access to specialists in major banks in each country.
- Often a better access (into local banking and corporate community) than that enjoyed by staff at a local branch of a global bank.

Preferred bank status

- IBOS banks enjoy this status in one another’s eyes.
- Translates, for example, into policy waivers
- IBOS customer cases go to the top of the pile for handling

Why has it worked?

Formality and predictability

- Regular meetings.. minutes, follow-up work, prep & research.. proposals
- Website tools to support processes

Not underestimating the scope and the work needed

- It takes a lot to successfully answer an RFP
- A lot of items have to be covered: CBR, Cut-Off Times, SSIs, BICs, how local payment systems work, pricing, account-opening forms
- IBOS Office is a major resource for getting that work done and kept current

Fun and diversity

- We do work hard at our meetings but...
- Travel and entertainment are also part of it
- Personal relationships of long duration

Pressure Points

- Many banks don't like referring subsidiaries of their customers to banks whom they may regard as competitors
- A customer may ask several IBOS banks to bid on the same RFP
- Mergers of banks with:
 - Global Network Banks (RBSG with ABN-Amro)
 - Members of other clubs (SanPaolo with Intesa)
- Pressure withstood by focus on what IBOS offers and how it compares in terms of scope:
 - Customers' business models and needs
 - Depth of local coverage
 - Range of local services
 - Integration of the parts

Where didn't it work?

Unrealism

- Having a member run their IBOS membership out of the Financial Institutions Group
- Pretending that countries like South Africa and Ireland are two-way referral flows: it's one-way
- Holding out against having more than one bank per country when banks are merging cross-border

Global bankers join IBOS banks

- Individuals who have only ever worked in the own-brand model prove resistant to IBOS model .. whereas the two can coalesce perfectly well in the same bank

Industry initiatives

- Direct participation in ISO20022, TWIST or similar
- Involvement in standards discussions with SWIFT, who are geared to Country User Group model and whose standards are open anyway

Where didn't it work?

Megalomania

- IBOS brand promoted above individual bank brands
- IBOS as an autonomous organisation, liable to stray off its reservation
- Diversification into Retail payments, FI payments, Trade Services..

Third-party payments

- Banks are encouraged to engage in discussion with one another
- The IBOS connection tends to help the door to open
- But the resulting discussion is not an IBOS discussion
- Otherwise there is a risk of treading on the toes of Correspondent Banking, Operations, Treasury
- “Friends come and go, but enemies accumulate”

Host Bank has no presence

- Host Bank has a customer with important operations in a foreign country.
- Partner bank can service it/Host Bank cannot.
- It matters to the Host Bank that they are seen to be arranging the service.

Host Bank has wrong type of presence

- Host Bank has a treasury branch in the main financial centre.
- Customer wants full-branch service near their sites.
- Customer wants to be serviced in the local language.

Sales Channel

- Account-Holding Bank is using the Host Bank as a low-maintenance sales channel.
- Account-Holding Bank services enable Host Bank to appear global and full-service.

IBOS Coordination Desks

- Each bank establishes a unit to handle inward and outward referrals and implementations.
- Service in local language or English.
- Implementation can lead to establishment of full local relationship through an in-country branch

Agreed technical standards

- Use SWIFT MT messages as a baseplate.
- Agreement on precise population for each outcome.
- STP and fast processing are guaranteed.

Agreed functional outcome and pricing

- Message layout triggers known processing and pricing
- Functional outcome includes rejections and returns

Host Bank integrates the IBOS service with its own

- IBOS offerings are part of the total solution presented by RMs and sales teams of the Host Bank.
- ..through the Host Bank's electronic banking channels...
- .. and implemented and supported-in-production by the Host Bank

Local relationship can be managed semi-autonomously

- The cross-border sit can operate in parallel with an active local relationship between subsidiary and local IBOS bank.
- ..through local electronic banking channels.

Enabled by back-end organisation

- Local RM and customer service organisations at each bank.
- Linking in to IBOS through their IBOS Coordination Desks

IBOS Workstreams

- Standing Committees for Business Development, Implementation, Service Standards.
- Overseen by a Board composed of Cash Management Execs from each member.
- Coordinated by the IBOS Central Office.

Enabled by web tools

- All operational data held in 'member access' section of IBOS website
- Service issues can be raised in IBOS' Non-Compliance tool
- Open issues are then discussed in the stream's Standing Committee
- The Board has governance over ultimate resolution, if it ever got that far

It's simple – it's an ongoing battle

- FATF has raised the bar for corporates proving their legitimacy, existence and powers, and for documenting signatory powers.
- For a non-resident company, the Host Bank has greatest insight into what is needed to prove these things
- For a resident company, it is the Account-Holding Bank

Conflict of compliance

- IBOS reps have to be constantly confronting their own compliance departments to avoid imposition of new requirements..
- Especially on non-residents where the Host Bank performs KYC and KYB, and can vouch for the customer's good standing.
- Resistance in particular to:
 - ❖ Signatories having to be present in person
 - ❖ Notarisation/apostilling of documents
 - ❖ Translation of constitutional documents (which are not read)

Guaranteed timings

- The banks can only guarantee to process documents quickly if received and if they are also correct.
- Longest delays are where documents sit with the customer waiting to be signed
- And from the point where the service set-up is live and available for use, until the time the customer starts using it actively

Harmonised documents

- Impossible to achieve for the range of local services IBOS offers.
- Possible if a bank has very limited local capabilities (banks don't always tell the customers this)
- IBOS carries the ball as far as possible for the customer, but operative documents are in local language and issued by the Account-Holding Bank.

Sales channel

- Banks can attract foreign-owned customers without establishing a sales channel into that country – or those 25+ countries
- Banks are then encouraged to establish full local relationships going beyond the initial set-up, and beyond P&CM services

Access to high-scale foreign processing, and at attractive prices

- Host Bank can make foreign capabilities part of its package without the high investment and long lead time.
- IBOS membership enables immediate discount pricing but with no need to guarantee volumes in advance.
- No need for a reciprocity discussion going beyond exchange of corporate referrals

Retrenchment by Global Banks

- Citibank under pressure from stock analysts to justify why it maintains such a wide own-brand network.
- RBS already discussing about selling off some parts of the ABN-Amro network.
- Global Banks using partners themselves.

IBOS is an attractive investment case

- Expenditure is only incremental to capabilities needed for ICM anyway.
- Proven and robust model.
- Supported by highly credible banks.

SEPA

- Would replace need for local accounts where the customer has fully centralised IT and finance processing
- SEPA Roadmap looks rather divergent.. Not all roads leading to the same place.

What lessons for the industry?

No shortage of players trying to reinvent the square wheel

- Building to the scope IBOS has achieved is not easy, and is not just a question of IT formats
- Alterna, Burns eCommerce and numerous others failed
- Learning points are NOT learned
- New players show up, imagine nobody has tried before, and they pick up where the last one..
- STARTED – not where they finished
- A Banking Club requires that the banks acknowledge that they joined a club and will do business together

There needs to be a mechanism to stop Industry Initiatives starting

- TrustAct, BeTrusted, Identrus, ePayments+, Eleanor..
- WATCH, IPF..
- Too many players involved, none exercise control, poor governance models, no tripwires to cut off funding..
- They then gain their own momentum

What lessons for the industry?

We have to stop wasting time and get a lot more brutal

- “Industry Initiatives” have paralysed the marketplace for the last five years
- Example – “we shouldn’t invest more in MT941 or 942 in IBOS when XML Cash Reporting is just around the corner” – said in 2003
- It’s a very long corner
- Organisations – often owned by the banks themselves – declare occupation of a space and then do not deliver

Twelve banks in sufficient alignment and committed to one thing

- More than twelve in the decision forum and momentum stops
- Even that is a lot where it is not a utility service but a value-added one

Conclusions on IBOS

Robust model for as long as there are customers for the service

Narrow in scope but great in depth

Contains all the ingredients needed for the Host Bank to be successful

Q&A

Annex

What is IBOS Association and how does it operate

What is IBOS Association?

- An international banking alliance, focused on providing corporate customers with International Cash Management Solutions.
- IBOS is based on its 12 members and their subsidiaries, each of which is a leading supplier of local banking services in their domestic markets.

The IBOS offering consists of:

- Competitive local services at the IBOS bank in the country concerned.
- Meshing of local services into regional, multi-country Cash Management arrangements using the IBOS cross-border services.

How is the service delivered?

- The offering is brought to the corporate customer via its local member – the Host Bank.
- The Account-Holding Banks work to the Host Bank as regards establishment of accounts and services, electronic banking and relationship management.

Typical Set-Up

- Central Treasury of the customer uses Host Bank electronic banking to receive MT940/1/2 on all accounts and to operate them using MT101 and MT103.
- Subsidiaries use the electronic banking of their in-country Account-Holding Bank to instruct their Payables, manage day-to-day liquidity, and to receive statements for reconciliation.

Network Co-Ordination

- IBOS Association has a central support office in London, which coordinates the streams of work and the definitions of messages and processes that make IBOS a network.

- Phase 1 before Euro
 - Establish basic protocols for account opening, relationship management, statements, payments
 - Same-day value cross-border payments not the norm in many currencies
 - Stress on settlement mechanisms outside the clearings
- Phase 2 from 1999 until now
 - Build up infrastructure in each member
 - IBOS payments mainly done in EUR, USD or GBP
 - Pan-European Liquidity Management
 - Extend coverage to C&EE via subsidiaries of existing members

- Phase 3 from now until 2013
 - Finalise coverage of full C&EE
 - Extend to Asia/Pac and Latin America
 - Encourage members to involve their full groups as sellers as well as providers...
 - Even if that results in more than one bank per country
 - Maintain clear case for what sort of customers would still want an IBOS solution within Europe, notwithstanding a perfected SEPA
 - Maintain clear differentiation between an IBOS customer and a SCORE/MACUG customer
 - Enhance Previous Day Reporting with introduction of camt message allowing greater capacity and coding
 - Enhance Intraday Reporting with camt message that matches scope, quality and detail delivered in banks' proprietary channels

Basis for a compelling proposition to customers

- Retention of existing customers with an ICM requirement.
- RFP questions can be answered, both for domestic & cross-border services.
- Contact network for responding in pre-sales phase & in-production.

Cost/benefit compared to building own network

- No cost involved in creating new agreements as they are already in place.
- Low entry fee.
- No need to commit to volumes of business sent.

Wide reach via one set of agreements

- Access to the IBOS services in 25 countries via the IBOS agreements.
- Further reach through nominated affiliates of Member banks.
- Depth within each country.

Other Clubs

- Higher service level.
- DZero cash concentration.
- Formality, leading to commitment and quality.

Bilaterals/Strategic Partnerships

- Preagreed terms for the customer
- DZero cash concentration.
- Agreements to deal with pressure points e.g. when both banks are bidding on the same deal.

Global Network Banks

- Depth of in-country services.
- IBOS approach compliments what Global Network Banks do themselves

Guaranteed Service Levels: high quality, commitment, & issue resolution

- A documented Guaranteed Level of Service is provided by all IBOS members.
- Dedicated multi-lingual teams in each bank to operate the service: banks always know who to call.
- Quality assurance and escalation procedures.

Reusability

- Same protocols used by members in-house where banking subs are on different platforms.
- IBOS techniques used when establishing Bilateral relationships.
- IBOS techniques used when interacting direct with corporates (SCORE/MACUG)

Central office, legal entity & permanent secretariat

- Permanent central office support & monitoring of processes & services.
- Much prep work done by the central office in support of each workstream.
- The three separate IBOS workstreams are run by committee, and are comprised of the IBOS member bank representatives.
- There is a commitment by members to dedicate resources to these workstreams.
- Major website maintained by central office of all data needed to run the service, as well as tools through which the members interact with one another.

Narrow Scope

Focus is corporate customer, not the relationship between 2 banks

- IBOS products & related agreements have been designed to meet the needs of corporate customers.
- Pricing not dependent on interbank flows.
- No measurement of reciprocity, or revenue-sharing.

Focus is corporate cash management

- Only one service set and customer type
- No encroachment into areas of responsibility of Correspondent Banking.
- All people involved in IBOS in a member are usually part of the Cash Management LoB

Supported by a simple on-going need

- Does the bank have corporate customers with certain needs and demands?
- Which the bank cannot meet through its capabilities, however they are extended over time..
- And which are not met/eliminated by industry developments like SCORE and SEPA?

Depth within the Scope

High service level

- Short guaranteed timeframes for account openings & payments.
- Harmonised pricing & same-day value payments.
- DZero daily cash concentration.

Service scope is based on scope of RFPs

- Main bank does parent relationship management, electronic banking and global pooling.
- IBOS service has to cater for remote account opening and statements, local relationship management...
- The model has to deliver answers on quality assurance, issue resolution..

Protocols to deal with pressure points

- In a way that will be acceptable to corporate customers...
- And is seen as fair by wider stakeholders inside the member banks
- Can be called upon reciprocally
- Are in line with Competition Law

Tight governance

Formality & depth of structure

- IBOS has a clear framework & governance structure, which is supported by legal agreements.
- Member banks are represented on the IBOS Working Group Committees.
- Minimum of 10 Working Group meetings per year in total.

Mandates and measures of success

- Each IBOS Working Group has its own mandate and the Board ensures that they are delivered upon
- Measures of success exist at Association level (numbers of accounts opened, message traffic..)
- And at Member level

Key measures of success

- Only known to each Member individually
- What business did you retain or win as Host Bank that you would otherwise have lost?
- What business was referred to you or that you got out of exploiting a referral?

IBOS Country Coverage



Austria	Bank Austria	Latvia	AS UniCredit Bank
Belgium	KBC Bank NV	Lithuania	AS UniCredit Bank
Canada	Scotiabank	Mexico	Scotia Mexico
Caribbean	Scotiabank	Netherlands	KBC Netherlands
Czech Republic	CSOB Czech Republic	Norway	Nordea Bank Norge ASA
Denmark	Nordea Bank Denmark A/S	Poland	Kredyt Bank SA
Estonia	AS UniCredit Bank	Portugal	Banco Santander Totta
Finland	Nordea Bank Finland plc	Romania	UniCredit Tiriac Bank
France	HSBC France	Slovakia	CSOB Slovakia
Germany	HypoVereinsbank AG	Slovenia	Banka Koper
Hungary	K& H Bank	Spain	Banco Santander
Ireland	Ulster Bank	Sweden	Nordea Bank AB (publ)
Italy	Intesa SanPaolo	UK	Royal Bank of Scotland
	Unicredit Banca d'Impresa	US	JPMorgan Chase Bank NA
			Silicon Valley Bank
			US Bank NA

IBOS Member Banks



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