

Viewpoint

To remain competitive, traditional mid-sized banks need to adopt digital technologies that will strengthen their foundations.

Rigid and monolithic treasury IT platforms hold banks back from realizing their business goals, whether that's capital cost optimization, regulatory compliance or higher margins.

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Increasing market share is often named as one of the strategic goals for mid-sized banks, but this goal can only be achieved by extending a menu of financial services to attract new corporates or individuals. Such extensions are only possible via a technological upgrade of the organization."

Mid-sized banks are a key element of the financial services landscape. Typically serving small to medium enterprises with classic corporate banking services, they can also be found supporting retail bank customers.

A wide variety of well-established commercial and state-owned mid-sized banks operate in developed economies such as Europe, the USA, the UK and Japan, with a smaller number offering a more limited set of services in emerging markets. Competition for customers has become more pronounced in some areas of the world, where SMEs are over-served, and M&A activities have grown in the sector in recent years.

Banks that want to continue growing organically into the future need to consider how to reduce operational costs while acquiring a greater share of the available customer base. It is now well-recognized that the only way to achieve that is to adopt new digital technologies and open platforms, including those for the treasury function.

Digitalization is therefore one of the key challenges for mid-sized banks. In order to keep up with customers as well as continuously growing regulatory frameworks, they have to adopt technologies such as cloud, software-as-a-service (SaaS), open application interfaces (APIs), big data and artificial intelligence (AI).

By definition, this will involve initiating large IT projects to realize transformation from legacy workflows and data management to more technologically advanced ones. Projects are resource heavy, both in terms of efforts and costs, and can introduce a high degree of risk.

Mid-sized banks can operate with a very rigid IT environment, where various systems are built by different vendors or inhouse with a low degree of integration and data coherency, requiring a lot of manual operations with respective risks.

In such landscapes a single need to change or scale up for a given service will require a major upgrade with large investments and high risks. In these cases, the bank has to burn resources on IT instead of focusing on its core business of financial servicing.

Mid-sized banks therefore need a different approach to treasury management that helps to break the cycle of high costs and underperforming technologies.

A modern, cloud-based treasury as a service platform such as Kondor from Finastra can help mid-sized banks achieve their goals

Kondor helps establish a comprehensive risk, governance, and compliance framework within the treasury, so that risk and compliance teams are able to monitor credit and market limits, compute market risk measures and stay up to date with the local and global regulatory mandates.

With its pre-trade analytics and decision support tools, Kondor allows the bank's front office traders to take appropriate trading and hedging decisions with a real-time view of positions and trading exposures.

All the captured trades are processed in the back office in a straight-through manner (including confirmation generation, settlement, and accounting), thus eliminating any operational risk.

The treasury sales desk can drive revenues by offering vanilla and complex tailored products to help corporate customers hedge their exposures.

An extensive REST API catalogue provides ease of access to new features and fast updates for new and changing regulations. This accelerates development, and ensures efficient interaction with core treasury across the organization.

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The Kondor solution drives data consistency across the organization by enabling the front, back and risk teams to share the same financial libraries, trades and market data which leads to lower discrepancies and significantly reducing costs per transaction.

The key benefits that Kondor-based treasury-as-a-service provides to mid-sized banks include:

- Unlimited business scalability with optimal resources
- Highest performance straight through processing
- Market best practices packaged into treasury blueprints within the solution
- Evergreening delivered by a service provider, allowing the bank to focus on its core business
- Access to an ecosystem of fintechs which ensures minimal time to market for any new services/functions, such as compliance with new regulations or collateral requirements
- Optimized total cost of ownership (TCO) via intelligent resources allocation and usage



Kondor provides full asset class coverage, including FX and money market, futures, interest rates and FX over the counter (OTC) derivatives, bonds, inflation, equity and commodities) and automated data interfaces to Refinitiv and Bloomberg feeds. The features described below are available in the core or as services with fintech partners.

Front office

- Trade Booking with pre-deal analysis and limits and compliance checks
- Cross Asset Pricing covering standard and advanced models
- Reports including: PnL and Greeks
- Real time position monitoring, cashflow projection and Simulated Risk analytics

Back office

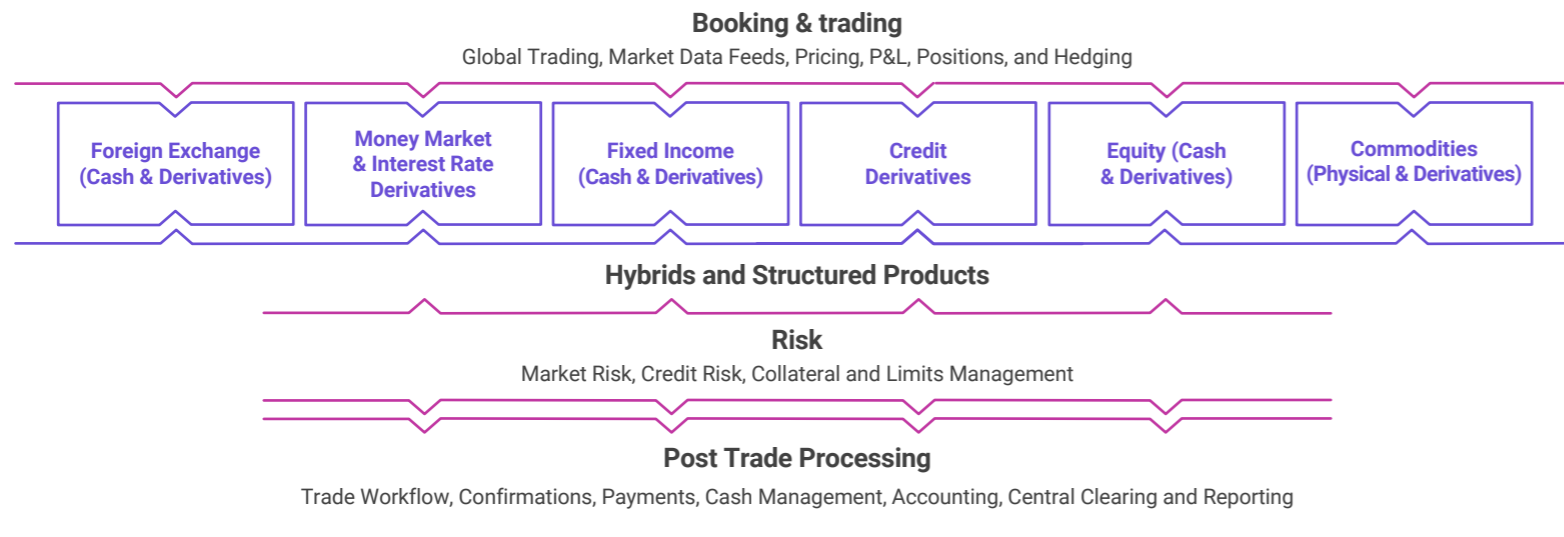
- Confirmation
- Payments
- Event based validation workflows
- Settlement
- Matching
- Accounting & Hedge Accounting
- Swift ISO 20022

Risk

- On-the-fly aggregation, trade drill down and analysis
- Market risk; VaR and back testing, stress tests
- Credit risk; credit limits with pre-deal limit checks, potential future exposure, CVA/ DVA & FVA
- Collateral, variation and initial margin
- Margin calls, SIMM, collateral optimization, dispute and reconciliation
- Trade allocation, marginal contribution of each trade to the risk measure

Regulation

- Basel IV; FRTB-SA, SACCR and BA-CVA
- Reporting; MIFID 2, EMIR, SFTR



// Today, a bank's treasurer, as custodian of the bank's balance sheet, is facing highly uncertain market conditions, competition from non-banking players and pressure to comply with ever-evolving regulations. To deal with these challenges effectively, treasurers need to have intelligent, digital tools at their disposal that go beyond mere automation of the trade lifecycle."

Kondor can be delivered and operated as a cloud-hosted managed service with Finastra or one of our trusted global partners.

The key difference between on-premise versus hosted systems is the way in which banks manage their treasury IT.

With on-prem solutions, banks have to allocate respective resources including human and technical, like hardware, software and networking effectively, managing an embedded IT company within the bank.

With a hosted approach banks rely on a service provider, taking care of most of the IT aspects of the application lifecycle, such as administration, housekeeping, fixing, development and evergreening.

This allows organizations to focus on their core financial business and their customers, and use IT according to the terms and conditions of the service provided.

It also provides access to best-in-class treasury software with minimal infrastructure requirements and improved efficiency with continuous monitoring and support.

Finastra partners with leading managed service providers, who share our broad experience in treasury and cloud.

We have official partnerships with global cloud providers including MS Azure and AWS, technical service providers like DXC and fintech companies that join Finastra's ecosystem, offering best of the breed financial services, such as collateral management, regulatory reporting and risk analysis.

With highly skilled professionals serving 250 names in 70 countries, Finastra's strong relationships and deep subject matter experience have made us a partner of choice for mid-size banks around the world.

In fact, mid-sized banks represent the largest category in our customer base, and Kondor is often considered the de facto standard for banking treasury transformation and automation.

We understand local market requirements and our experts are based on the ground where you need them – ready to respond quickly to ensure that your solution meets your specific country needs.



Contact us

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial Banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by over 8,000 institutions, including 45 of the world's top 50 banks. For more information, finastra.com

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