



WHITEPAPER

APIs:

Driving Innovation
in Treasury & Finance

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Executive Summary

APIs are transforming the bank connectivity landscape, providing new opportunities for companies to tap into up-to-date information in a dynamic way and glean more insights from their data. Currently, companies are at an early stage of realising the potential benefits of APIs, but for treasury and finance teams, there are a number of promising use cases that could materialise in the coming years. This white paper explores how APIs can benefit treasury and finance teams both today and in the future, as well as discussing the obstacles that will need to be overcome along the way.

INTRODUCTION

In order to make informed and effective decisions about the company's liquidity, treasurers first need access to up-to-date information on their account balances. But in practice, this can be difficult to achieve.

Treasurers often start the day by looking at a report on the previous day's cash balances, which are already out-of-date. In order to access near-real-time account balance information, treasurers may also be able to access intraday reports – but the data included in these reports is static, with no segregation between historic transaction data and real-time account data from the bank's account ledger.

APIs offer a way of replacing static, non-real-time data with the dynamic exchange of data between banks and corporates in a way that is both real-time and bidirectional. Let's take a closer look at what that means in practice.

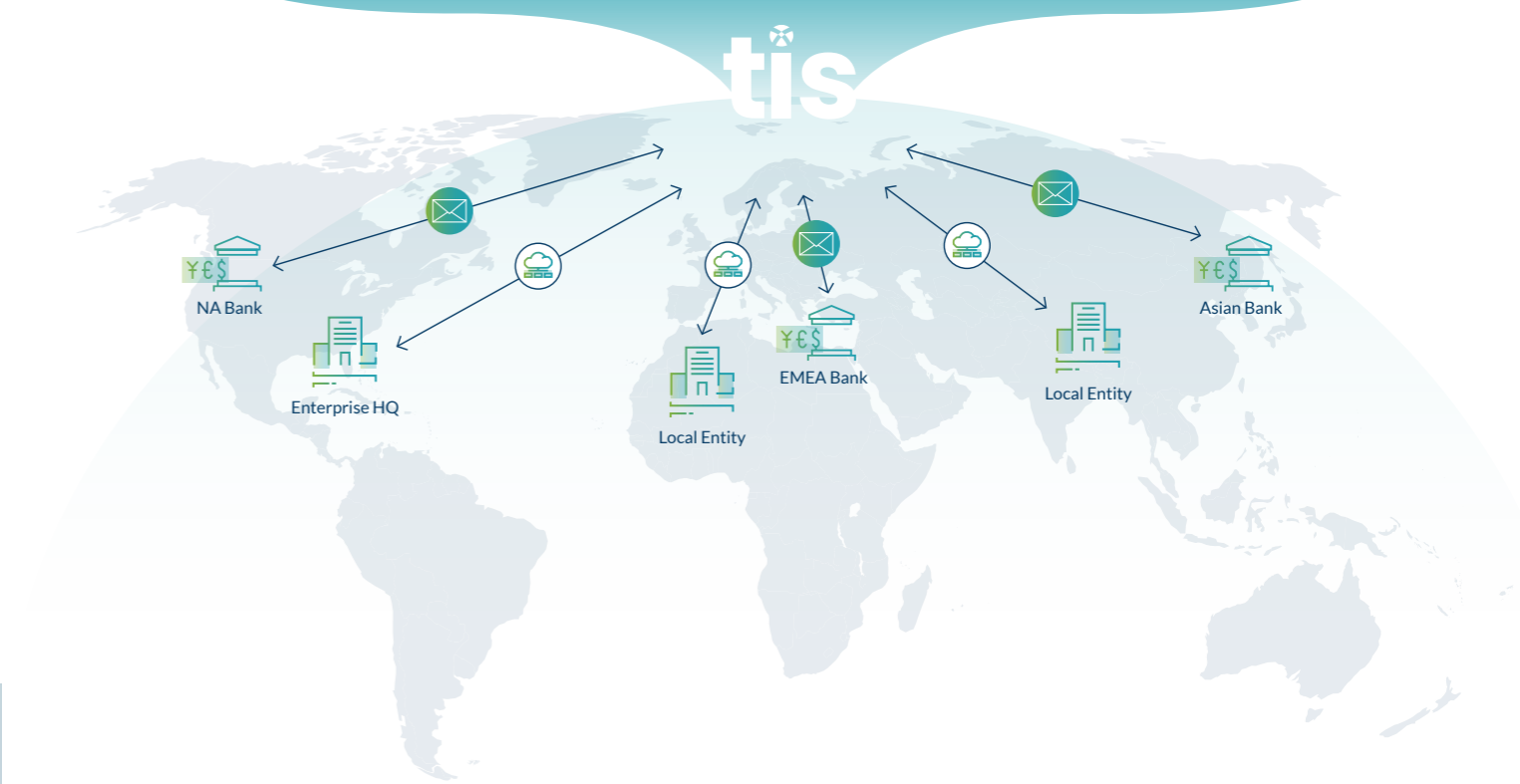
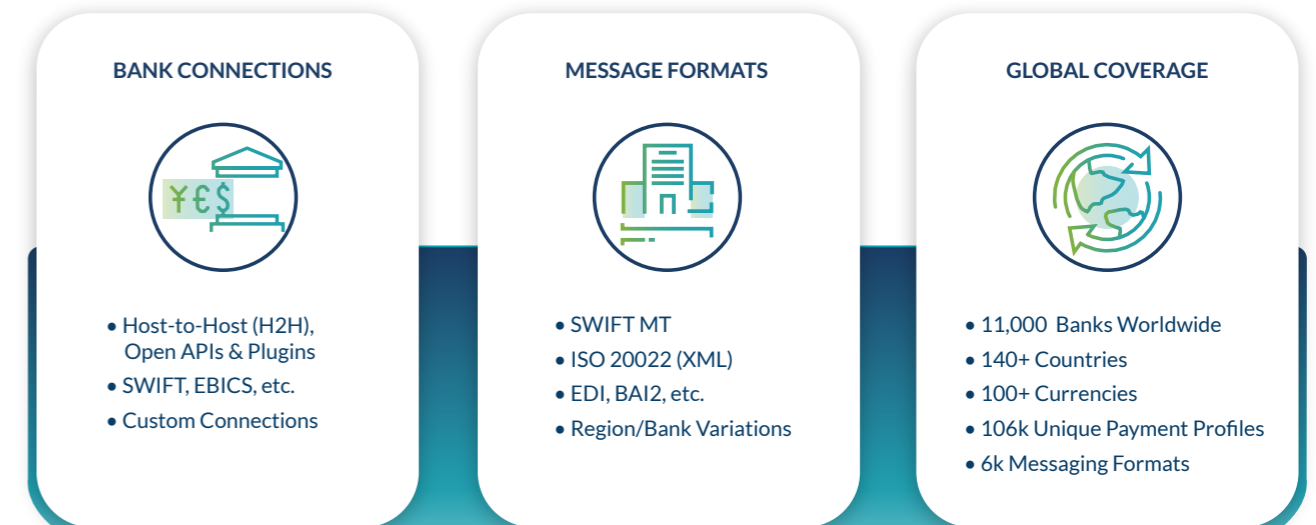
1 APIS AND BANK CONNECTIVITY

Application Programming Interfaces (APIs) have been around for decades, but it is only in the last few years that their real potential has started to become apparent. At the most basic level, an API sits between different applications and enables them to interact and share data with each other.

In the context of banking, APIs enable banks and their customers to communicate with each other directly and in real-time. Consumers are already able to take advantage of APIs for their online banking – so why shouldn't they be able to access the same advantages in the context of corporate banking?

Fortunately, this is now becoming a reality with APIs beginning to take their place in the connectivity landscape. There are already numerous ways that corporates can connect to their banks, including host-to-host (H2H), SWIFT, EBICS and other connectivity options.

Nevertheless, APIs have much to offer treasury and finance teams in a variety of other scenarios.



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2 BENEFITS OF APIS

There are clear benefits to having a more dynamic exchange of information between banks and corporations, particularly when it comes to manual and high-value payments. Companies want to be informed as soon as these payments have gone through – and conversely, they want to be informed immediately if any issues have arisen so that these can be resolved in a dynamic way. Likewise, when it comes to cash flow forecasting, treasury teams want to have access to real-time information in order to predict their future flows as accurately as possible.

It's clear that banking APIs have the potential to move the market forward. In the retail context, data is freely available and providers can layer themselves on top of that data – for example by providing a better onboarding experience for customers. In the transaction banking world, however, lengthy customer onboarding processes can lead to significant delays when setting up a new banking relationship. This, in turn, leads to frustrations for customers who have to wait to realise the benefits of their new setup – and it also takes longer for banks to achieve revenue from new banking relationships.

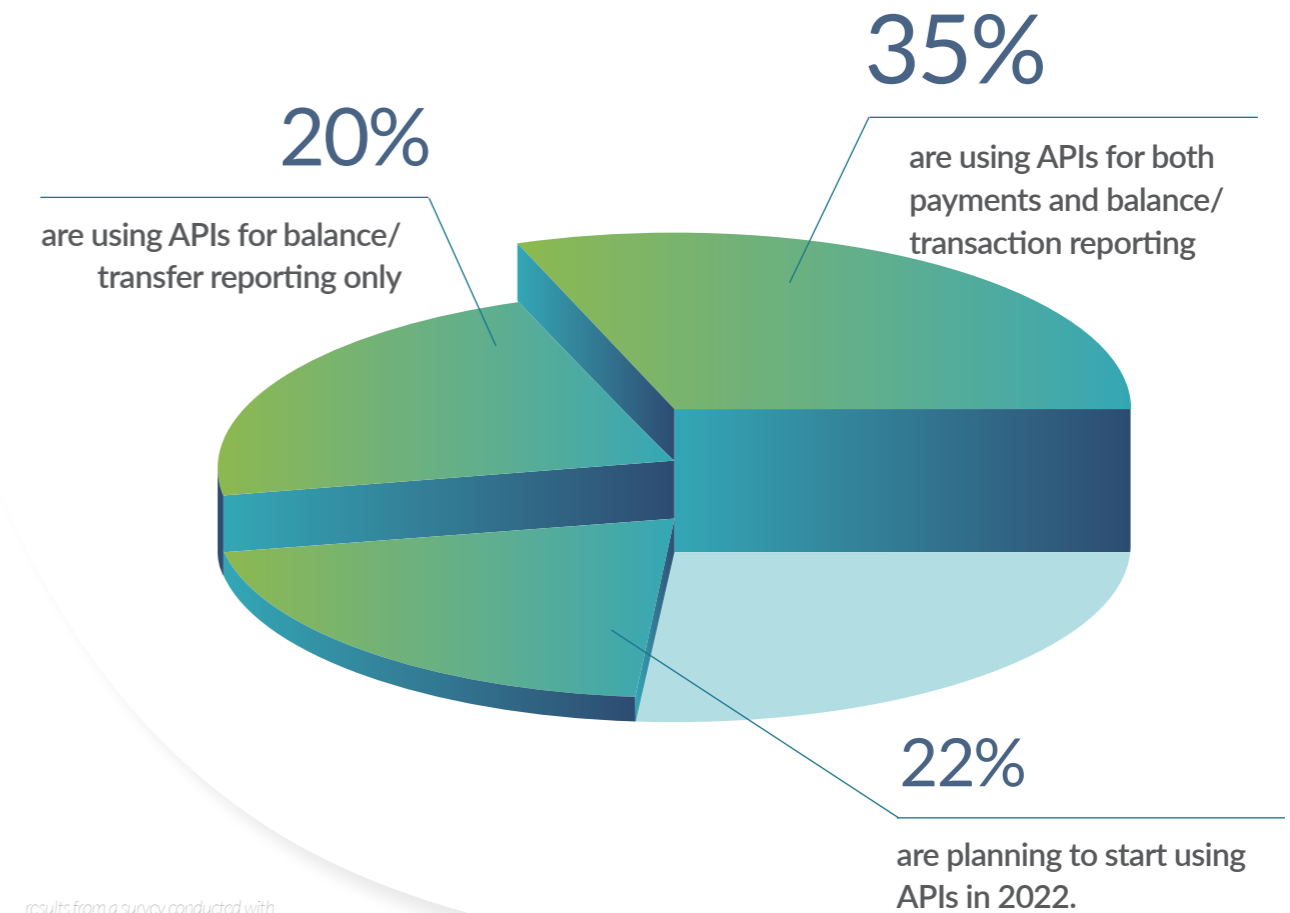
External providers that are able to address this challenge can speed up the onboarding process. They can also reduce the extent to which clients are locked into a specific banking relationship at the technical level, meaning that companies are freer to change their banking relationships. APIs will make this even easier in the future. While banks may not necessarily welcome this, the question is whether they want to rely on a competitive advantage due to the technical lock-in effect, or whether they want the quality of their products to be their competitive advantage.

3 US VS EUROPE

Adoption of APIs has taken a different path in the US and in Europe. In Europe, the EU's second Payment Services Directive (PSD2) requires banks to embrace open banking and make their customer data accessible to authorised third parties. This, in turn, has sped up the development and adoption of APIs.

While the US has no equivalent regulation, adoption is also rising. Published in 2021 by TIS and Treasury Webinars, "Treasury Priorities and Opportunities – A Look Ahead to 2022" gauged the views of 273 participants in the US, with roles including Treasury Analyst, Treasury Manager, Assistant Treasurer, Finance Manager, VP of Finance and CFO. When asked about the use of APIs to communicate with their banks, 35% of respondents said they were using APIs for both payments and balance/transaction reporting, while a further 20% were using APIs for balance/transfer reporting only. In addition, 22% were planning to start using APIs in 2022.

USE OF APIS IN TREASURY IN THE US



results from a survey conducted with 273 participants by TIS and Treasury Webinars in 2021

4 WHAT ARE THE POSSIBLE USE CASES?

Banks are already exploring the ability to drive new use cases that require real-time visibility. Banking APIs present an opportunity to improve upon existing processes and value propositions by developing new use cases, such as:

➤ Real-time cash balances.

Without API connectivity, companies may only be able to access up-to-date information about their cash status on an hourly basis, or once or twice a day – meaning that decisions being made about the company's cash are often based on information that is already out of date. APIs, however, can drive the move from intra-day statements to real-time cash balance information. For companies, this could be a way of being able to access a real-time view of their cash balances around the world – not just for their main accounts, but for all of their banks and across all of their subsidiaries. This real-time cash status can then form the basis of real-time cash planning.

➤ Instant payments.

For companies that wish to take advantage of real-time payments, APIs provide the real-time connectivity needed to facilitate this. However, it is important to note that APIs do not in themselves guarantee instant payments, which are instead determined by the relevant scheme and clearing agreement. For example, a bank might open its API for payments, but still process payments as BACS or SEPA Credit Transfer payments, rather than their instant payment equivalents (i.e. Faster Payments and SEPA Instant Credit Transfer). Host-to-host connectivity, meanwhile, may not support instant payments per se, but can often provide near-real-time payment processing and therefore make payments quickly enough to meet many companies' needs.

➤ Cross-border cash pooling.

Some banks are already looking at the possibility of using APIs to improve cross-border cash pooling by harnessing up-to-the-minute visibility over the company's cash in different countries.

➤ FX.

There could also be some exciting use cases in areas such as FX, where a more dynamic exchange of information between a hedging platform and the company's house banks could bring significant benefits. For example, the company could choose to share information securely with its banks about upcoming positions so that a bank could proactively suggest ways to hedge future exposures.

➤ Underwriting.

Open APIs provide the ability to pull historic transaction data, which can then be used to inform underwriting teams about the company's creditworthiness, outstanding balances and financial wellbeing – resulting in more accurate credit decisions and more effective risk management.

There are numerous other ways that APIs could drive improvements for finance and treasury teams. In the future, companies could have access to a dashboard which enables them to share anonymised information about their last two years' worth of transactions with chosen banks in order to identify opportunities to consolidate their banking relationships.

While APIs have a wider range of applications in the context of retail banking, such as account validation and loan underwriting, the focus for finance and treasury teams is currently on real-time payments and real-time balances. But looking further into the future, API technology has the ability to fundamentally change the relationship between banks and corporates, while significantly improving the user experience.

5 OVERCOMING THE OBSTACLES

While APIs offer the promise of real-time connectivity fully up-to-date information, there are nevertheless a number of challenges and obstacles that will need to be addressed as companies take steps to adopt APIs. The most significant of these is the issue of the lack of standardisation between the APIs of banks in different countries and regions. In the absence of a common standard, different banks are developing their own APIs in a disparate way.

Some discussion is underway about the possibility of driving more standardisation – the European Banking Authority (EBA), for example, has argued in favour of API standardisation as part of PSD3. However, these challenges are not insurmountable, and resolving this complexity is part of the business model for companies like TIS.

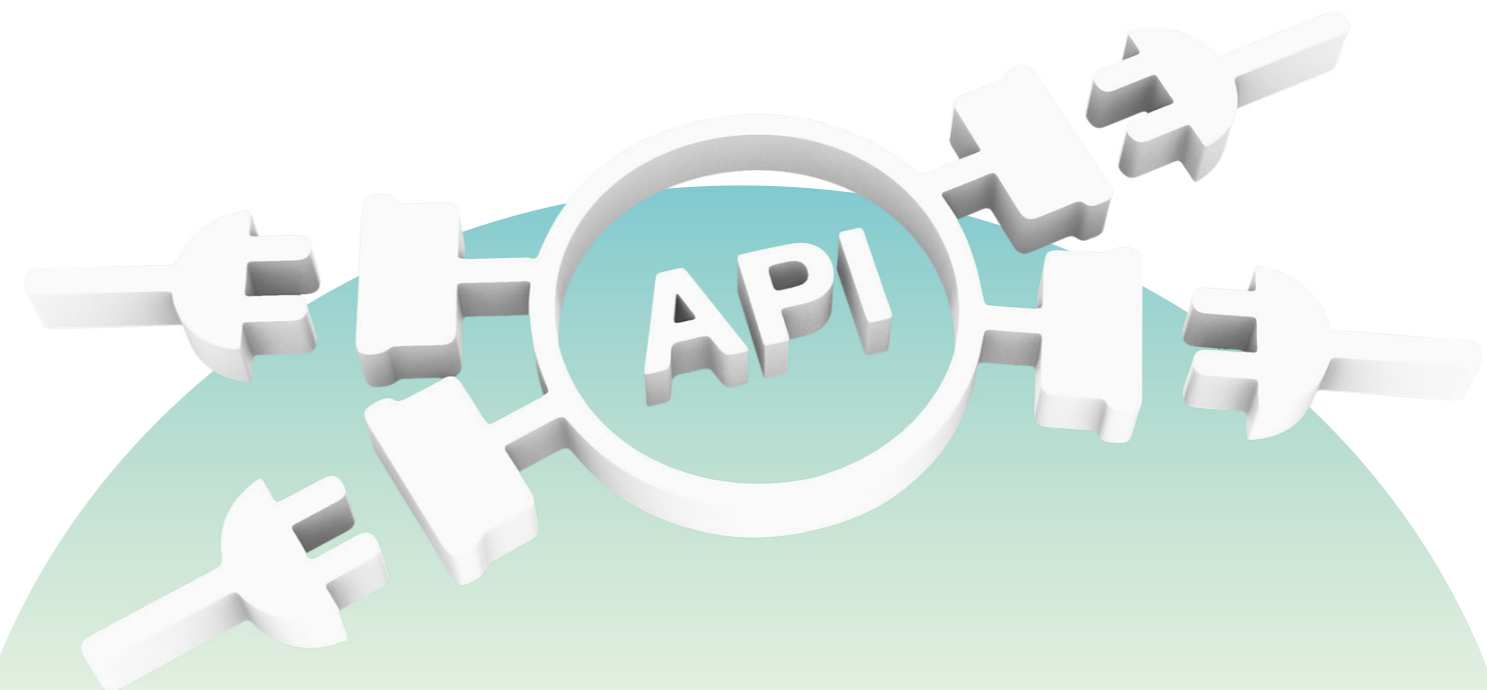
Another hurdle could be described as cultural. Many banks lack a true commitment to using APIs to improve the user experience for their customers, not least because the benefits banks expect to achieve in the short-term are not great enough to address concerns about losing the technical lock-in of their customers.

For corporates, meanwhile, there is a lack of understanding of the power of data – and not all companies are willing to experiment with some of the possible use cases at this early stage. However, by embracing the use cases that are already achievable, such as real-time cash status and payment initiation, companies can already start tapping into the benefits of APIs.

CONCLUSION

As the development of APIs continues, the value they can offer to finance and treasury teams is becoming increasingly clear. The dynamic exchange of information between banks and corporations has the potential to improve many different activities, from cash flow forecasting to FX transactions. In the future, APIs could even help treasurers optimise their banking relationships based on real cash flow information.

This shift will take time, but forward-looking companies can already start tapping into the benefits of APIs by accessing real-time information about their cash balances, and using this information to make more effective decisions and increase the accuracy of cash forecasting. While not all banks currently offer APIs, corporations can help to move the market forward by discussing this topic proactively with their banks and encouraging them to speed up development in this area.



How can TIS help?

TIS manages connections to over 11,000 banks around the world, spanning more than 140 countries and 100 currencies. We are able to connect to banks using any connection type, including APIs, host-to-host, SWIFT, EBICS and more. Our system is compatible with over 6,000 messaging formats and we can integrate with any other back-office system, including all TMS and ERP systems.

TIS is currently in the process of onboarding and integrating real-time APIs with a number of banks. In the first instance, our focus is on API-based payment initiation and payment status, as well as intraday and end-of-day cash status. We have the proven track record of a multi-channel platform – and as such, APIs are a natural extension of the service.

WHY TIS IS A WORLD LEADER IN BANK CONNECTIVITY

With over a decade of experience and innovation in the bank connectivity arena, TIS is uniquely equipped to help enterprises simplify, automate, and optimize all processes related to sending and receiving global payments and liquidity data.

Today, TIS maintains 30,000+ active users across 250+ global enterprises. Our cloud-based Enterprise Payment Optimization (EPO) solution offers easy integration with thousands of ERPs, TMSs, and back-office systems and is capable of operating across 140+ countries and currencies. And with 11,000+ potential bank connect options and a format library consisting of 6,000+ unique standards, TIS can handle the custom requirements and preferences of any firm. As a result, we give enterprises unparalleled access, visibility, and control over their financial data.



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ABOUT TIS

TIS helps organizations simplify and streamline their global payments, cash forecasting and liquidity management operations. Our cloud-based platform empowers businesses to optimize critical functions surrounding cross-border and domestic payments, bank connectivity, cash forecasting, fraud prevention, payment compliance, and more. Corporations, institutions, and business vendors leverage TIS to transform how they connect with global banks and financial systems, collaborate on payment processes, execute outbound payments, analyze cash flow & compliance data, and promote working capital efficiency. Ultimately, the TIS technology platform helps businesses improve operational efficiency, lower risk, manage liquidity, gain strategic advantage – and ultimately achieve enterprise payment optimization.

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