

Co-Development Is a 'Reality Check' for Banks (Bloomberg Briefs)

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Jacques Levet, head of transaction banking, EMEA, spoke with Bloomberg Brief's Rebecca Spong.

The full interview, with a table on 'Top Trends in Treasury' is available at: <http://goo.gl/7B6lFh>

The emergence of blockchain technologies and fintech start-ups is challenging the traditional way banks develop new products. Jacques Levet, head of transaction banking, EMEA, at BNP Paribas, talks to Bloomberg Brief's Rebecca Spong about how the bank is shifting toward more co-development. The interview took place on May 26 in Paris.

Q: What are your transaction banking clients looking for from their banks today?

A: In the survey that we published with the Boston Consulting Group, corporate treasurers consider that banking products have become pretty much commodities and are asking banks not to start a race for more sophisticated products, but rather focus improving the actual quality of the delivery.

Obviously we always have clients that are after the next generation of product, but overall the message we got is 'please remove complexity and enhance client experience deliver a quality of service at a reasonable price.'

Q: How are banks changing the way they develop products?

A: Historically in the banking world the way you develop products, you have a lot of researchers and product developers and they come up with ideas and develop it and then they release it on the market.

Sometimes you can end up with a product that no one really wants. If you want to avoid that you need to put the client at the center of your creations.

There is no better way of putting yourself in their shoes than asking them to contribute to the brainstorming of the ideas.

The most recent example of such co-development was in January when we held a 'biz hackathon' on blockchain ? a technology with huge transformative if not disruptive potential.

Co-development is a reality check as well. If we have a great idea but we are not capable of convincing one of our clients that they should co-develop it, then probably we should therefore go back to the drawing board.

Q: What other challenges are you facing? How difficult is it to operate in the current negative rate environment?

A: The negative rate environment is clearly a concern for our clients but also for banks in general. Be it on the asset side or liabilities side, it is very difficult to understand negative interest rates, when you start thinking 'when I borrow money, I am going to get paid?'

On our side, we are trying to ease the process for our clients and have so far decided not to pass on the negative rates on the euro for our corporate clients? true operational flows. We have had to adapt our systems and we had to develop new solutions in terms of short-term investments to generate some yield for our clients.

When you have a completely flat curve and if interest rates are at zero from overnight to one year, all your clients are going to put their liquidity in overnight deposits. You have to be innovative and create products that have some kind of a yield in order to incentivize clients to deposit longer term.

Some regulators can also sometimes appear confused. For instance in one particular country, the regulator has instructed banks to floor deposit rates at zero but to pass the benefit of the negative rates to the borrowers. This asymmetry of treatment is troubling and shows the lack of understanding of some of the underlying economics. You can't have it both ways. It just doesn't add up and clients understand that very well.

Q: How worried are you about cyber security risks?

A: As we prepared this survey with the BCG, we have heard horror stories after horror stories. One client told us when the hackers attacked, the whole treasury department was down for a week. Another client said they are spotting dozens of fraudulent payment attempts per month. We are using data to better protect our clients by analyzing data and behavior.

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