



The Definitive Guide to
Treasury Management
Services By Bank Size

Reprinted for Superior Press with express permission by Chris Nichols, Center State Correspondent Division, 2018

Next to digitizing the credit process and allowing for online/mobile account opening, building out your commercial treasury management platform should be under consideration by every bank over \$700 million in asset size.

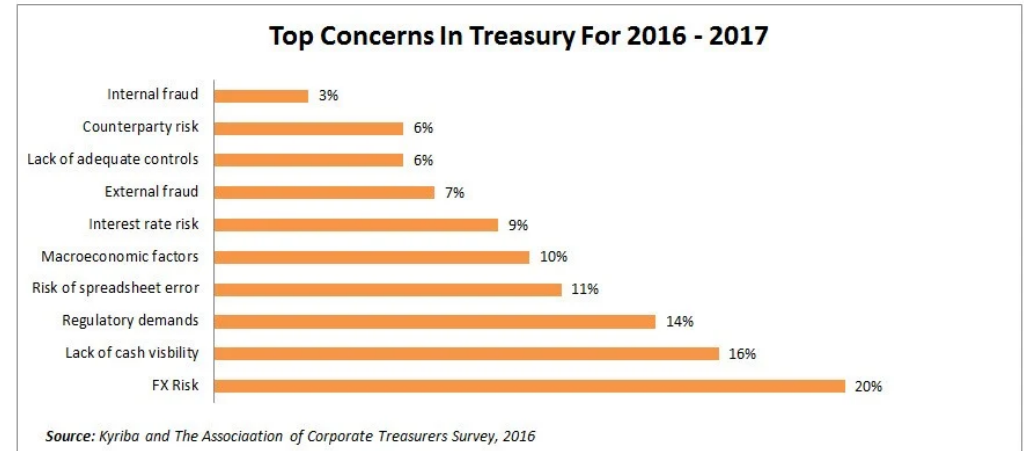
A good treasury management platform helps acquire valuable commercial customers, assists in building balances, generates fees and, most of all, dramatically boosts the lifetime value of customers by jumping up retention rates

The Role In Relationship Banking

The opportunity and profitability for treasury management are undeniable. The products continue to be critically important, particularly for relationship-oriented banks. Banks are good at delivering a high-level service and good at suggesting products that they have, but that is where about 80% of banks stop. Delivering superior service and knowing your products is table stakes for any bank. At a minimum, relationship-driven banks must have the products that customers demand.

Of those, there are no better products than the treasury management product suite. There is always a conversation to be had around the way a business manages its cash. Greater efficiencies can always be had; more controls put in place and expenses reduced.

If your bank even whispers the words “relationship banking” then you should have an ongoing strategic initiative to improve your platform.



Not only is value easy to deliver when you have a suitable platform, but it is one area that it is easy to compete with large banks that are geographically spread, slow to respond and half-hearted in their follow up.

What A Treasury Management Platform Looks Like For Any Sized Bank

Treasury management products come in all shapes and sizes. However, we put together a “must have” list for different sizes of banks that want to aggressively go after the valuable commercial cash management space.

See below a list of popular products arranged roughly by the total asset size category. These products are ordered by importance of the product based on profitability, engagement, and ease of installation.

Banks Under \$500mm



Basic bank accounts: Checking (high-transaction, analyzed and interest-bearing), savings, money market accounts and certificates of deposits



Corporate credit cards: Visa and Mastercard credit cards are still the most demanded treasury management product. In 2018, look for more virtual wallet and electronic payment options by banks



Remote Deposit Capture (RDC): Ability to scan checks and make deposits into a business account by using a special scanner or mobile phone capture



Online Wire Transfers: The workhorse of business-to-business payment transfers.



Banks \$500mm to \$1B

All the above plus:



Online Cash Management: Online banking system that allows business clients to delegate authority to various employees in their company for a more secure experience with Information Reporting, ACH Origination, Wires, Bill Pay, and Transfers. Functionality should allow for the viewing of transaction history, bill pay application, the ability to stop payments and the ability to initiate transfers. Also, the module should be able to process ACH direct deposit and direct debit.



Image Cash Letter (ICL): RDC that is integrated with accounting software that then submits a digital cash letter file to the Bank.



Automated Clearing House (ACH) Services: A basic staple that has become more important now that you can transfer money the same day.



International Services: For banks that have customers that send or receive different currencies as part of sales or production, allow the business an easy currency translation mechanism is important while being easy to do. This module not only is a great fee generator for the bank but can help generate profit for the business to the extent the business receives payment in different currencies.



E-Statement Book/Cloud Imaging: While banks have been providing monthly statements electronically for several years, in 2018 banks will update this information in real-time as well as to store this data in the cloud as opposed to dumping it on a CD-ROM which is still embarrassingly all too common.



Account Reconciliation Services: Streamline the account reconciliation process for your commercial customers, and you can set yourself apart. Creating daily files of items and activity or feeding the data in real time will become more commonplace in 2018. Look for more banks to enable their reporting systems to talk to a wider variety of enterprise systems.



Sweep Account Services: With rising interest rates, look for a wide variety of sweeps to come back into vogue. The loan sweep (both to revolving line balances and/or to term facilities) is a nice add-on product to generate fees, reduce risk and increase convenience for the customer. We still don't know why more banks don't sell the feature. In addition to loan sweep, banks will start to put more marketing dollars behind investment sweeps that will serve to not only increase earnings for the client but can assist the bank in moving funds off-balance sheet to control capital capture.

Banks \$1B to \$10B

All the above plus:



Positive Pay/ACH Filter/ACH Block: Given the greater focus on fraud, this product is now more important to add to your platform. These payment filters and blocks allow businesses to monitor and manage all outgoing check and ACH activity either on an individual items basis or through a bulk file upload.



Issueless Positive Pay: Instead of uploading an issued-items file, issueless positive pay allows clients to print a barcode on each check that contains all of the information specific to that check. The workflow allows for any item without a barcode or encrypted authorization to be manually approved.



Reverse Positive Pay: Similar to the above, but every check that clears the account is presented to the client for a payment decision. This is targeted at low volume clients or to clients that utilize dual signature authorization.



LockBox: We love how this product can help build balances and generate fees. We detailed the profitability and attributes in the past, and lockbox continues to be a secret weapon when competing against smaller banks for valuable cash management.

For 2018, lockboxes need to be both physical and virtual and be able to handle a wide variety of payments including Zelle, Venmo, and Paypal. If your bank targets HOAs, apartment managers, medical offices, utilities, municipalities, or any business that receives high volume payments in different forms, lockbox is required.





Payroll Services: This remains one of our favorite attributes to provide commercial customers with a comprehensive solution.



Armored Services & Vault Cash: For banks that target cash-intensive businesses such as amusement parks, concert venues, grocery stores and other, being able to provide currency, currency storage, and transportation is mandatory.



Merchant Services: If you are in treasury management, your bank must have the ability to target merchants. Allowing your customers to accept credit/debit cards and electronic payments put your bank in an ideal position to add value. Combine payments with a point-of-sale terminal application, and you are set to not only capture a business's cash flow but are in an ideal position to extend credit at a reduced risk. In 2024, look for more banks to not only leverage the cash flow to mitigate credit risk but to take advantage of data to help both credit and the customer better manage their cash position.



Zero Balance Accounts (ZBA): Stand-alone accounts that manage payables and receivables by automatically sweeping money to and from operating accounts to allow the business to more efficiently meet daily cash flow needs.



Purchasing Cards (physical and virtual)/procurement systems: For businesses such as trucking companies and others that need to send staff out to purchase goods and services on a regular basis, banks can provide payment methods that come with an element of control. For example, allowing credit card users or procurement systems to only purchase a certain category of good in a pre-set amount is a very typical use case. In 2024, look for more detailed controls and authorizations as well as the ability for managers to approve payments both online and via mobile.



NSF Check Recovery Service: Allows the conversion of return checks to be automatically converted into an ACH item for cheaper and faster processing. This service removes your client from the collections business.

Banks over \$10B

All the items above, plus:

Smart Safe/Cash Recycler: Perfect for banks that target low to medium volume cash intensive business such as smaller grocery stores, retail stores, medical offices, municipal offices and others. Clients deposit money into the smart safe instead of bringing cash to the bank. The smart safe communicates daily with the bank, and the business receives provisional credit for all deposits without traveling to the bank. The armored car service will pick up all cash from the safe or deliver cash to clients on a set schedule (i.e. weekly). Cash recyclers can be added to safes to allow for more efficient cash register draw turns.

Prepaid Card Solutions: This one isn't for every bank, but we are fans. This product is also perfect to combine with payroll services or businesses that traffic in high volume rebates.

Mobile: Many of the before mentioned services get enabled for mobile phone or tablet management.

Artificial Intelligence: In 2018, we will see larger community banks adding a layer of artificial intelligence to cash management to help their businesses better predict their cash flow needs depending on the day, season, weather, economy or a million of other variables.

Enterprise Management: Next year, look for more banks to expand the definition of banking by offering greater services and technology around related areas. Asset management, for instance, is ripe to be formalized by banks into a fee-generating service that can help businesses track, maintain, account for and manage assets in an optimized fashion. The rise of the internet of things (IOT) sensors will help make this process easier, and banks are in an ideal position to add value. Risk management, contingency planning, inventory control and many more categories that spill over to treasury management.

Chatbots: Already in the experimentation stage, a treasury management chatbot will be tested in 2018 that will become the model to help banks sell and manage treasury management. The chatbot will be perfect for providing instant proposals, advice on products, fees, and strategies.

RPA Tools: Fresh on the scene in 2016, 2018 will see a couple more banks provide robotic process automation (RPA) to their larger clients. This class of tools allows for the automation of various manual processes such as the cleaning of cash management data, automatic daily reconciliations, fraud exception checks, creating of accounting entries, screen scraping for referenced data (such as interest rates, volume number or similar), expense review, claims processing, payment processing, return item approval and millions of more tasks that are still manual. By banks providing these "virtual workers," commercial customers will not only be able to reduce labor costs but will be able to improve accuracy, manage risk better while increasing their lifetime value for the bank.