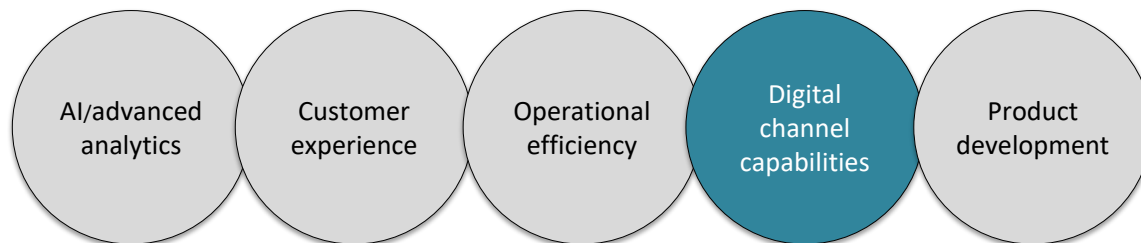


IMPACT INNOVATION AWARD

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2020 Impact Innovation Award in Cash Management and Payments: Bank of the West BNP Paribas

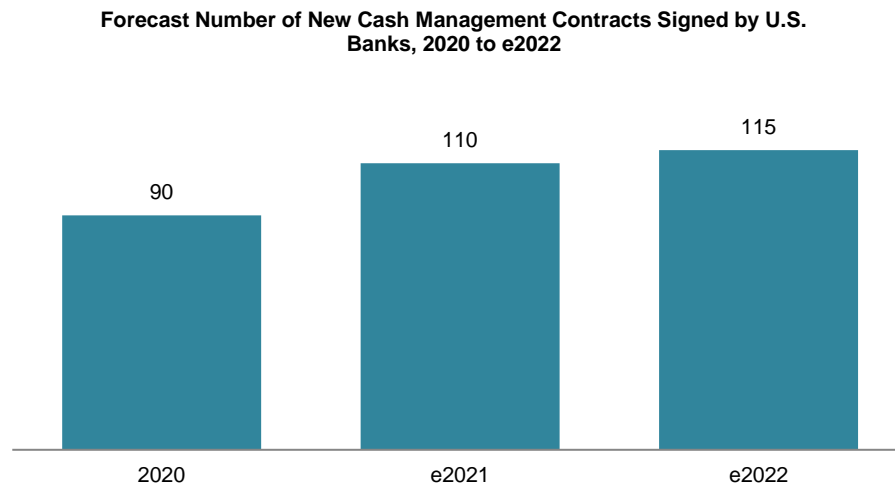


BANK OF THE WEST

Bank of the West is a regional bank headquartered in San Francisco and is a subsidiary of BNP Paribas. Its commercial banking unit serves more than 33,000 clients across 13 U.S. states with a focus on the agriculture, beverage, healthcare, technology, title and escrow, real estate, government and public finance, and religious institution sectors. It offers a full suite of robust treasury management products, including information reporting, payments, fraud prevention, receivables, liquidity management, and commercial card.

MARKET CHALLENGES AND NEED

Business and corporate customer demands continue to evolve, and expectations for flexibility, speed, and integration within and across digital channels and external systems are on the rise. Most banks, especially regional ones, are finding themselves hampered by legacy platforms that limit their ability to meet changing customer demands. Customers in general, regardless of size, are more tech savvy and aware of product options than they were in the past, and thus have higher expectations for bank offerings from both a digital functionality and usability standpoint. Those more demanding needs are often difficult to address with less flexible and open legacy platforms. Finally, aggressive marketing by emerging fintech companies is further growing customer awareness and demand for better and faster solutions and capabilities. A failure by many banks to quickly respond and broaden their capabilities is resulting in a large number of corporate and business customers feeling their banks don't truly understand their needs. Therefore, a growing number of bank customers are seeking help from fintech partners to overcome key challenges. This places banks at risk of disintermediation and creates an environment in which it is harder and harder for them to compete and stay relevant without implementing the right combination of strategy and technology. Thus, it is not surprising that the number of U.S. banks likely to invest in new cash management/treasury management platforms over the next few years is forecast to rise (Figure 1). Similar trends are being seen around the globe.

Figure 1: Projected Number of New Cash Management Contracts

Source: Aite Group

Many banks are also challenged by multiple payment streams for ACH, wire, and check processing. Each payment type often has a separate pathway from customer initiation to execution at a gateway or vendor. This problem is growing as new payment types are introduced to the market. It creates redundancies in operations, compliance, fraud, and risk management that a single, unified pathway through an enterprise payments hub/engine could solve. Concentrating enterprise payments enables the attainment of economies of scale, reduced transaction costs, optimized payments routing, and reduced risk of noncompliance; lowers the overall cost of compliance; and reduces fraud and credit risk. In addition, rising interest in integrated payments and the use of payments to strategically enable other businesses such as liquidity management, virtual accounts, and receivables built a strong business case for rationalizing the payments workflows into a central enterprise payments hub.

INNOVATION: NEW TREASURY MANAGEMENT PLATFORM WITH ENTERPRISE PAYMENTS HUB

In July 2017, Bank of the West decided to invest in a new treasury management platform and enterprise payments hub to enable an enhanced digital experience for information reporting, fraud prevention products, and enterprise digital payments. Responding to new customer expectations and the increasing velocity of change were key drivers behind the bank's decision to invest (Table A). While the rollout of the technology itself is not innovative, the tight integration across the platforms, the experience it delivers, and the degree to which the bank and its partner, Infosys Finacle, worked together to create an enhanced experience for clients makes it stand out as a model for other institutions to follow.

Table A: Initiative at a Glance

Category	Details
Financial institution	Bank of the West
Key vendor partner	Infosys Finacle
Innovation	Complete transformation of its treasury management digital channel with integrated enterprise payment hub
Implementation time	Ongoing
Official launch date	July 2017
How it works	Corporate and business customers can perform all digital transactions within the bank portal or in a host-to-host environment while also enjoying an integrated payment hub for a more consolidated experience.
Key benefits	More modern and open infrastructure to effectively and efficiently serve client demands while also providing enhanced capabilities, security, and personalization
Future roadmap	Continued client migrations, rollout of mobile capabilities, continued investment in RTP such as the implementation of request to pay, and identification of new use cases for the payment engine

Source: Bank of the West, Aite Group

TARGET MARKET

Bank of the West's Treasury Management group serves more than 33,000 corporate and business customers. The bank's new capabilities and benefits resulting from the digital transformation provided by this initiative will be available to all of its current and future customers.

HOW IT WORKS

As mentioned previously, the payments industry has been experiencing a great deal of change driven in part by the introduction of new payment rails, a yearning for speed provided by real-time payment capabilities, the growing presence of payment fintech companies, and a desire to consolidate all payments into a single location for better management. Further, initiatives such as ISO 20022 standards, Swift GPI, SEPA, and European Open Banking are making legacy technology and business processes obsolete and incapable of competing in this new global marketplace. Banks must not only be able to better withstand the current market disruption but should also defend and grow their current business and client relationships despite it.

Bank of the West's integrated digital treasury management offering and enterprise payments hub achieves this goal and positions the bank for future success with greater flexibility to quickly evolve as the market dictates. Thus, the bank's implementation of Infosys Finacle's Digital Engagement Suite and enterprise payments puts into place an infrastructure that enables a

leading-edge customer experience capable of enabling the bank to stand out among its competitors. More specifically, the bank sees benefit in six key areas:

- **Enhanced security:** The solution has expanded the number of events and transactions that are screened in real time through RSA and IRIS from just a handful of its legacy platforms to over 150 for fraud detection, authentication, authorization, and other functions. Further, client control over user access to process workflows adds an additional layer of security. The bank views this focus on security as a true cornerstone of the Bank of the West/Finacle digital channel solution.
- **Enhanced user interface:** The new platform offers an improved user experience with greater levels of possible personalization to Bank of the West customers. Most notable to the bank are the personalized dashboards with a 360-degree view of customer information and transactions, and personalization of the user's workspace, including the ability to store report and file formats, the ability to save and go (a function that allows the user to start a transaction, save it partially done, and pick it up again later), and the ability to schedule future and recurring transactions. The bank estimates that users can accomplish the same tasks they once performed with up to 70% fewer clicks compared to the previous platform.
- **Host-to-host and exposed services (APIs):** The solution allows users to submit payments files directly to the Finacle Payments Engine and access their payments information through an integrated dashboard on the digital banking suite from which they can view, search, and produce reports. Additionally, web service APIs can be exposed to clients who want to connect their systems directly with enterprise payments. These services include client onboarding, payments initiation (debit or credit), and payment inquiries. Additional capabilities are planned for future releases. The initiative has also positioned the bank to introduce client APIs for the first time to enable transaction initiation and data inquiries from within a user's own treasury management system.
- **Client administration and client self-service:** The administration modules are often overlooked within treasury management platforms. However, growing demand for greater self-service within this module came through loud and clear in voice-of-the-customer feedback and analysis. Unlike the legacy platform that required a great deal of administration by the bank for all size customers, the new platform offers significant improvement and pushes greater control to the end user. Clients now have more control over creating/removing users, creating/modifying user workflows, and monitoring user activity, and have the ability to unlock and manage passwords.
- **Personalized alerts, notifications, and reporting:** End-user experience is further enhanced with the ability to personalize alerts and notifications (such as the ability to configure a notification when a transaction clears or when action is needed), while preserving the need for administrative notifications for things such as compliance, breach of limits, or other error conditions. All paper notifications and wire information have been converted to a paperless environment. Further, users also have a great deal of flexibility and configurability with report creation, an aspect

that is often lacking and thus is a pain point for many corporate treasurers. As such, the new platform enables users to view an existing report and decide which information they want displayed. The same report may be viewed by various users in different formats by easily adding or deleting extraneous information, applying filters, or sorting the data. Additionally, reports can be accessed in near real time, eliminating the need to wait until a batch job runs to access the latest information.

- **Advanced payments:** The implementation of Finacle's Enterprise Payments Engine—an integrated payments hub—opens up many possibilities for the bank. Initially, Bank of the West is leveraging it to join the handful of banks offering early adoption of The Clearing House Association's RTP system. However, the bank views incoming RTP as just the beginning and sees this payment engine as opening up the ability to offer many more payments products to customers across the bank. The Enterprise Payments Engine will also enable the bank to accept client files consisting of multiple types of payments, including ACH, wire, check, and RTP. It will parse and send the payments along the appropriate rail without further customer intervention for time savings while also offering the ability to easily access payment file information, including the ability to search and view transactions.

SOLUTION DEVELOPMENT

Like many banks, prior to taking on this initiative, Bank of the West was running a treasury management platform that was over 10 years old and had manual processes in place that were over 20 years old and that required automation. While they worked, the bank was not confident it could successfully take them into the future and deliver the type of experience today's clients expect, including efficient client onboarding, which in some cases took up to a year. As a first step, Bank of the West set out to examine the multiple internal manual processes taking place within the bank while also looking to better understand customer needs and pain points through voice-of-the-customer research.

Next, the bank went through an extensive request-for-proposal and vendor evaluation process, including several leading U.S.-based and global providers, to determine the best technology partner to help it achieve its goals. After thorough vetting, it ultimately selected Infosys Finacle for not only its robust capabilities and platform flexibility but also its deep domain expertise, global reach, and willingness to be a true partner. For the bank, this was more than just a software project; it was the opportunity to completely transform the digital channel and payments ecosystem. It felt working with Infosys would bring the fresh perspective needed to truly transform this part of the bank's business. While the vendor has less of a footprint in the U.S. treasury management space than other, more traditional technology providers, the bank took comfort in the vendor's success working with other U.S. banks on core banking transformations. It also valued the fact that the vendor's Finacle Enterprise Payment product is in production with a number of banks around the globe and offers what it believes to be all the features and functionality needed for modern payments processing, as well as its ability to launch RTP nearly out of the box. The bank was also impressed by the global perspective and best practices the vendor brought to the digital channel and the enterprise payments products the bank planned to implement.

The bank ultimately decided to move forward with Finacle Enterprise Payments Engine and Finacle Digital Engagement Suite, which it rebranded as Treasury Now. The solutions were deployed on-premises and rolled out in phases to ensure greater success and limit any potential risk. Those phases were as follows:

- **Phase 1:** Q3 2018 Finacle Enterprise Payments go-live for check printing
- **Phase 2:** Q4 2019 Finacle Enterprise Payments go-live for ACH, wires, account transfers, book transfers, and incoming real-time payments
- **Phase 3:** Q4 2019 Treasury Now digital channels go-live—migrations begin
- **Phase 4:** Q1 2020 Treasury Now digital channels go-live—additional functionality and migrations
- **Phase 5:** Q3 Finacle Enterprise Payments go-live for real-time payments and Zelle
- **Phase 6:** Q2 and Q3 2020 Treasury Now and host-to-host customer migrations

While the bank has been extremely pleased with the ultimate outcome of the project and the benefits it is already enjoying, no project is delivered without challenges. The initiative faced some roadblocks, especially as legacy processes that had been in place for years were being questioned and improved. Additionally, Infosys Finacle's global product didn't always meet all of the local U.S. requirements out of the box for regulations or association operating rules and needed to be modified to function within that market. However, the two organizations had a true partnership and worked together to overcome the challenges and achieve the results they both set out to accomplish.

KEY QUANTITATIVE AND QUALITATIVE RESULTS

As mentioned, the project has been rolled out in phases. So while some benefits were initially enjoyed, others are still yet to come. Bank of the West has been selling and servicing new clients for over two years on the new platform. As of mid-2020, approximately 50 clients are processing nearly 30,000 ACH, wire, and check-printing transactions per month. The bank has also been migrating existing clients onto the platform in waves.

Some of the many qualitative and quantitative benefits the bank is enjoying include the following:

- It has decreased host-to-host client onboarding time by 75%, from nearly a year to less than three months. This has had a huge impact on client experience and sales success.
- Demand for real-time payments has skyrocketed. As of October 2019, all Bank of the West customers have had the ability to receive incoming real-time payments. As of November 2019, a little over 200 RTP transactions were processed. By July 2020, that number had exceeded 30,000 per month with double-digit month-to-month growth. This success has been driven in part by the greater shift to digital by the COVID-19 pandemic but is also the result of new capabilities and a strong

partnership. The first use case for real-time payments came from Infosys, which pointed out that the bank could launch incoming consumer RTP nearly right out of the box.

- The transformation the bank has been through to date has been largely foundational to improving experience while also allowing for a common platform to build on in the future. The new platform will enable the bank to quickly evolve as needed as client demands change.
- As mentioned previously, the platform went from having a handful of real-time fraud detection services to over 150 transactions or events that are now screened in real time through RSA and IRIS. Biometrics will be turned on in future phases.
- The bank feels the implementation of Finacle Enterprise Payments has been a game changer so far and that it is only scratching the surface of what it can do. Significant improvements from a timing perspective with host-to-host capabilities have already resulted in more than 50 new clients being onboarded onto the platform.
- By going live early in Fall 2019 on the host-to-host channel, the bank was able to capture key learnings and apply those to RTP in Fall 2019 and its current rollout of the Treasury Now Digital Channel product.
- The bank's treasury sales team signed a major multi-billion-dollar financial services client by offering the enhanced Finacle Enterprise Payments capabilities. It does not believe it could have done so with the previous platform.

FUTURE ROADMAP

This initiative is ongoing, and the bank has plans in place to continue moving forward with additional phases and further enhancements. Mass migrations to the Treasury Now Digital Channel will continue throughout Q4 2020 with the simultaneous rollout of the Mobile Treasury Now Channel capabilities.

The bank has also recently begun a full-fledged real-time payments enablement. Simply making incoming RTP payment available has yielded tremendous results for the bank. However, investment in RTP will continue. For example, while it offers outgoing RTP and Zelle payments to commercial customers through its host-to-host channel, it plans to extend that to its Treasury Now Digital Channel in an upcoming release. The bank will also soon be implementing The Clearing House's RTP Request-to-Pay product.

Finally, implementing Finacle Enterprise Payments has also driven the bank to begin looking at its internal payments ecosystem. Because of the ability to handle payments from across the organization, it is taking another step by routing consumer online account opening and funding transactions to Finacle Enterprise Payments. More projects like this will follow as the bank continues to learn and explore new use cases.

AITE GROUP'S TAKE

Bank of the West is seeing great success as a result of its rollout of the Treasury Now Digital Channel and Enterprise Payments Engine. It was able to maintain all of the critical capabilities of its legacy platform while taking advantage of greater flexibility, automation, and a significantly improved user experience offered by the new platform. As a result, it is better positioned for current and future success and has already been able to sign on new clients it would not have been able to attract in the past.

However, as stated previously, while the replacement of a digital platform in and of itself is not innovative, the bank is receiving this award for the extent of its digital transformation, the level of partnership and idea sharing it has achieved with its technology provider, and the integration it has in place across the digital front-end solution and back-end payment engine:

- **Digital transformation:** Success within the treasury management space is no longer just about functionality; it is also about customer experience, speed, flexibility, and efficiency. Bank of the West transformed itself from a bank with dated legacy technology and manual processes to one with next-generation capabilities and the type of modern experience today's demanding customers seek out and expect.
- **Partnership and idea sharing:** The initiative was not without challenges; however, several lessons were learned by both the bank and the technology provider. A great deal of time was allocated to establishing requirements, understanding all of the client customizations on the prior platform, and transferring knowledge between the bank and vendor organizations. The technology provider's global expertise opened the bank's eyes to new potential use cases and capabilities, while the bank helped the vendor navigate the complex U.S. payments system. This partnership exemplifies how a partnership can be mutually beneficial and fill gaps for both a bank and its technology provider.
- **Successful rollout of an integrated digital channel solution with a payment engine:** This integration offers payments innovation to end users in all segments while also allowing the bank to have more control over its future innovation focus. End users also benefit from the efficiencies of a payment engine with access to it with or without logging in to a cash management system. This is key to long-term success in the market.

AITE GROUP IMPACT INNOVATION AWARDS

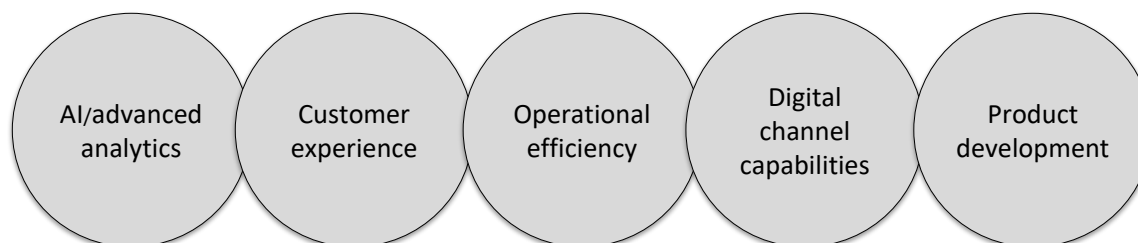
Customer needs and expectations continue to evolve, and financial institutions must strive to stay one step ahead. Their capabilities and the breadth of their product portfolios must go beyond what has traditionally been offered to address new market challenges and capture new opportunities. Aite Group's Impact Innovation Awards are designed to recognize and celebrate innovation achieved by financial institutions leveraging technology to surpass the status quo. Award recipients are leading the industry by identifying and implementing new products, capabilities, and/or levels of automation and effectiveness that are bringing our industry one step closer to next-generation banking. They are the financial institutions, regardless of size, that others will follow.

QUALIFICATION AND EVALUATION METHODOLOGY

Aite Group solicited nominations for its 2020 Impact Innovation Award in Cash Management and Payments from May to August 2020. All nominated initiatives were required to be in production within financial institutions.

Aite Group analysts reviewed all nominations and narrowed the field to the top three to four submissions in each of the following five categories (Figure 2).

Figure 2: Impact Innovation Award Categories



Source: Aite Group

A panel of external judges representing leading financial institutions, industry thought leaders, and consultants/implementers along with Aite Group analysts determined the winners. Each nomination was evaluated based on eight attributes (Figure 3).

Figure 3: Impact Innovation Award Evaluation Criteria

Level of innovation and competitive advantage	Ability to meet market needs	Impact on customer experience	Impact on customer operational efficiency
Level of new revenue opportunity for the bank	Impact on customer retention/new customer attraction	Level of scalability across customer base	Future roadmap

Source: Aite Group

ABOUT AITE GROUP

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