

# EXECUTIVE INSIGHT SERIES

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## CAPSULE I

**What Keeps Corporate Cash Managers Awake at Night**

Global Payments In Crosshairs  
Of Treasurers' Biggest Challenges

**Page 8**

Why And How To Bring  
More Collaboration To Payments

**Page 14**

Why Real Time Is The Game-Changer  
For Corporate Cash Pros

**Page 20**



# TABLE OF CONTENTS

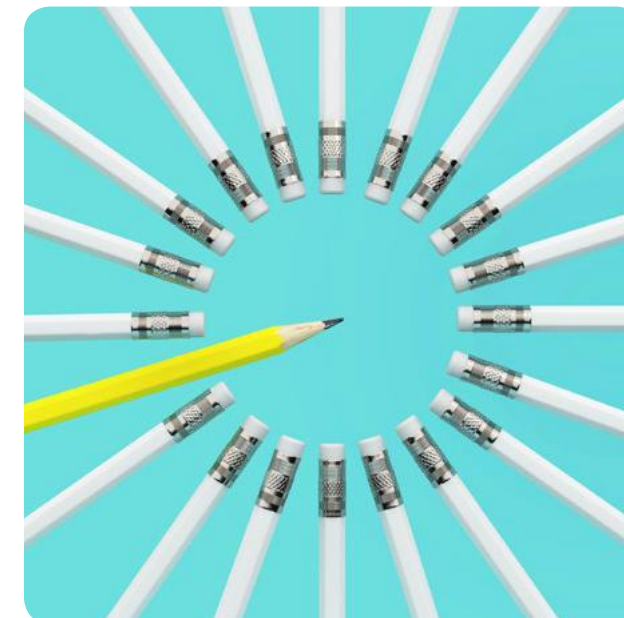
- 08 Global Payments In Crosshairs  
Of Treasurers' Biggest Challenges

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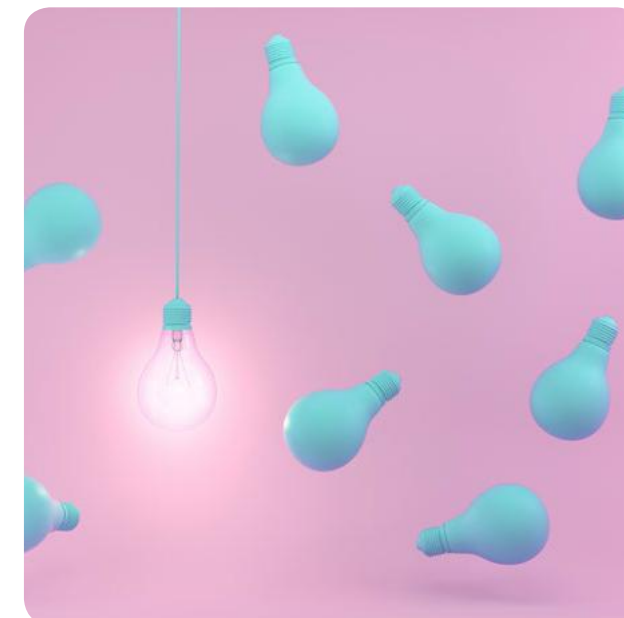
- 14 Why And How To Bring  
More Collaboration To Payments

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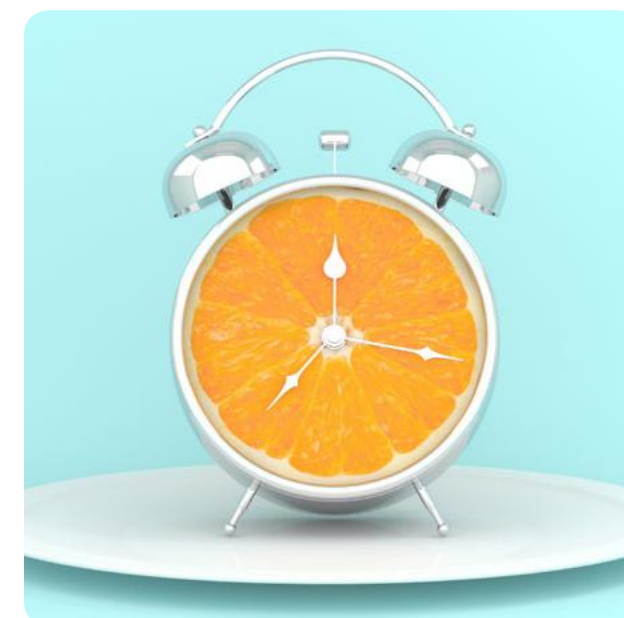
- 20 Why Real Time Is The Game-Changer  
For Corporate Cash Pros

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global head of payments and receivables at Citi

Published October 2<sup>nd</sup>, 2019



# WHAT KEEPS CORPORATE CASH MANAGERS AWAKE AT NIGHT

**“May you live in  
interesting times.”**

The old Chinese saying has been likened to being less than a blessing and more of a curse. After all, “interesting” is not synonymous with peace or tranquility.

Corporate treasurers live in interesting but hardly easy times. Managing cash positions has become an exercise in thinking big, thinking long-term, and at the same time addressing constantly shifting smaller details and demands of businesses that are increasingly global in scope.



## EXECUTIVE INSIGHT SERIES

Navigating it all can seem overwhelming, and indeed, it's enough to keep executives up at night. But the executive insights in the pages that follow offer a bit of roadmap for cash managers to see more restful nights.

### **Among the Highlights:**

The high-level picture is fraught with challenges and rewards. Manish Kohli, global head of payments and receivables at Citi, noted that treasurers must grapple with geopolitical uncertainty and the constant threat of cyberattacks. Vigilance is critical, but at least some of those factors lie beyond any individual's (or firm's) control.

The trend of business model disruption is an inexorable one, too. But it can offer opportunities for executives who embrace technological innovation as global supply chains are increasingly interconnected.

Connecting those supply chains across borders also means executives must think about payments in a different way, especially when managing transactions across time zones and currencies.

As commerce becomes 24/7, and strives for speed and transparency, Kohli noted that "flat currency models" and infrastructure are the future of payments.

Building on new initiatives to overlay legacy systems (like ISO 20022 messaging standards) can aid in those endeavors. And when it comes to fraud, artificial intelligence (AI) and machine learning are potent weapons.

Changing the way payments are done, the way cash is managed — indeed, the way treasurers function to help bring company strategies to fruition — requires team effort.

Kohli noted that corporate executives across different departments can rally around the common cause of faster payments, and partnerships between financial institutions and FinTechs.

The promise of faster payments, of course, has yet to be fully realized, Kohli said, due in part to the lack of ubiquity, especially here in the United States.

The vacuum created by lack of government mandate has been partly filled by the private sector, and P2P, B2B and B2C offerings will continue to proliferate as the economy itself shifts toward on-demand work. For treasurers, innovation tied to digitization and enhanced messaging can provide greater visibility as to where funds are (and where they're headed) at any moment.

Such knowledge, we wager, can and will help treasurers' heads rest a bit easier on pillows at night.





# Global Payments In Crosshairs Of Treasurers' Biggest Challenges

**V**olatile times make for sleepless nights for corporate executives, particularly those whose job it is to manage the cash positions of their organizations. For corporate treasurers, Manish Kohli, global head of payments and receivables at [Citi](#), told PYMNTS' Karen Webster, three concerns tend to top the list: geopolitical uncertainty, cyber threats and disruption resulting from the emergence of new business models in an interconnected global market.

At the intersection of all these threats is payments, particularly when money is moving cross-border. And there, Kohli said, innovation is helping corporates adapt to and manage these global risks.



We believe the expectations of treasurers are rapidly changing. Many of them are in companies **looking to adapt and embrace change.**



### Treasurers' Biggest Worries

"We live in times of great uncertainty and great change," said Kohli.

"There is clearly a lot that corporate treasurers are worrying about and focusing on."

Corporate cash managers may not be able to control many of those challenges, like ongoing geopolitical instability resulting in trade tensions and financial market volatility, or the rising threat of [cyberattacks](#). What corporates and their finance chiefs can control, however, is how they adapt to these threats.

One of the biggest concerns for treasurers today, Kohli noted, is the rise of new business models resulting from the drive for interconnected [supply chains](#). While this trend has disrupted legacy business models, it has also opened up opportunities for cash managers to embrace new technologies and drive efficiencies through things like smart devices and growing cloud computing power.

"We believe the expectations of treasurers are rapidly changing," said Kohli. "Many of them are in companies looking to adapt and embrace change ... Based on our experience with forward-looking treasurers across our global client space, what I see them working on is, how do they make their functions radically more efficient? And that's all about using technology-based services to re-engineer treasury activities."

### Cross-Border Payments in the Crosshairs

One of the areas of corporate finance experiencing the biggest exposure to these disruptors is global payments. Kohli pointed to [SWIFT's gpi initiative](#) as a significant driver of innovation and progress in the cross-border transaction market, and an example of the impact of payments innovation to not only make global payments more efficient, but to promote the adoption of faster payments functionality.

The rise of third-party payment providers, and the opportunity for traditional institutions to collaborate with them, has also opened doors for cross-border payments innovation. This trend is due, in part, to the fact that cross-border payments are at the center of treasurers' top concerns, whether it be geopolitical uncertainty in the market of a trading partner, or the risk of fraudulent transactions that land money in a market without sufficient enforcement or payment recall capabilities.

"If you look at cross-border payments, at the highest level they are the settlement engine for a rapidly globalizing economy," said Kohli. "[Cross-border payments](#) are becoming more important. With that preamble, I think it's right to say cross-border payments have significantly changed over the last few years."

Yet there is progress to be made. "Think globally, act locally" may be a

useful strategy to further improving the global payments market: According to Kohli, national markets have the opportunity to adopt faster payments in their domestic payment systems, and national regulators can promote security and efficiency within national infrastructures.

### More Progress, New Challenges

As the payments landscape continues on its path of innovation, new challenges continue to emerge. In cross-border payments, the drive for speed and efficiency has also resulted in rising concerns over service providers' ability to more quickly identify and remedy fraudulent transactions.

Regulators have "stepped up to the plate," said Kohli, when it comes to adapting to an evolving global payments ecosystem that struggles with the rising risk of fraud and [cyberattacks](#). Innovators are deploying a range of technologies to combat these threats while

simultaneously boosting speed, transparency and efficiency – yet Kohli said not all of these tools will prove successful.

He pointed to Citi's investments in tools like artificial intelligence, biometrics, behavioral analytics and multi-factor authentication as essential strategies to combating fraud. Other technologies, like cryptocurrency, may not prove to be the silver bullet that can mitigate risk and improve payments all at once, however.

"We believe the future of payments will continue to be based on fiat currency models and infrastructure," said Kohli, adding that the global payments landscape is currently comprised of an existing system that is "reliable, secure, interoperable and fully embedded in a diverse and complicated landscape."

The solution to cross-border payment challenges won't be to overhaul this system, he said, but to introduce

initiatives like SWIFT gpi or the [ISO 20022](#) messaging standard, which can build upon an existing ecosystem to fuel innovation and progress.

That's not to say experimentation isn't welcome. Indeed, Citi previously developed its own Citicoin prototype, and while the bank chose not to move forward with the project, Kohli said it delivered valuable lessons in the potential of [blockchain](#) and the role of fiat currency.

As new challenges emerge, corporate treasurers will have new issues to worry about. But innovators will also add new technologies and solutions into the mix and, combined with the collaborative efforts between banks, FinTechs and regulators, Kohli said further progress will be made.

"The trend is very positive," he said. "I do think that while we have progressed over the last few years, I would expect in the next two to three years the pace of innovation will further improve."



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# Why And How To Bring More Collaboration To Payments

**T**here is no “i” in team — every coach’s mantra. Guess what, though? That’s only half the story when it comes to the concept of working together for the greater good. As it turns out, “payments is a team sport,” at least in the view of Manish Kohli, global head of payments and receivables at [Citi](#).

In a recent PYMNTS discussion with Karen Webster, Kohli dug deep into how financial institutions (FIs), [FinTech firms](#) and others need to find ways to work together to advance the cause of digital payments. That doesn’t mean everyone is going to hold hands and sing the same song around a campfire (competition fosters innovation, after all), but it does mean finding those opportunities where



“

Over the past year or so, we’ve been building partnerships or making investments into companies **that can be part of larger overall payment solutions.**

”

collaboration can provide a better return on investment (ROI).

### Common Goal

There is at least one common goal that pretty much every player in financial services and payments can rally around: “The common thread is faster payments,” Kohli told Webster in the second part of a three-part Citi-PYMNTS podcast interview series. [The first part](#), released in March, focused on global payments and corporate responses to cross-border transactions. The second part takes a deeper look at what drives innovation, and how FIs can find common ground with FinTech firms while providing innovative services to institutional clients.

PYMNTS readers hardly need to be told, but innovation and collaboration are part of the payments game now as they become more global, more digital and much faster. Consumers are increasingly expecting instant or near-instant payments and disbursements made via their

methods of choice, and that pressure is having an impact in the much-more-complicated world of B2B transactions and commerce. Those trends are leading financial institutions to seek out partnerships with upstart FinTech firms — even when, sometimes, those two parts of the larger payments ecosystem might end up competing.

“Over the past year or so, we’ve been building partnerships or making investments into companies that can be part of larger overall payment solutions,” Kohli said — solutions that can scale globally, and complement what Citi already offers.

Since the last Citi-PYMNTS podcast, for instance, Citi’s [Treasury and Trade Solutions](#) unit has announced it is developing a new business unit that will allow consumers to make digital payments to institutions. It’s part of an effort to enable digital commerce for clients, and to expand beyond the wholesale payments market. The service will be made available to institutional merchants, giving them



the ability to collect payments from cards, eWallets and bank transfers, such as Request to Pay and [Open Banking](#). Consumers will have access to a variety of payment methods as a result.

“The ability to pay consumers [via] their instrument of choice could be the difference between having a sale or not having a sale,” Kohli said. “Institutional clients now want to give that choice to consumers.”

### Seeking Partners

In a larger sense, that statement describes what Citi seeks in a FinTech partner — a solution to a precise problem in payments. Indeed, keys to such partnerships are precision and clarity, he told Webster. Such a solution should work to craft a customer experience that stands out from the offerings of other players in the payments space.

That’s not the only potential benefit of working with FinTech firms. They tend to have, in Kohli’s words, a “maniacal” focus on a single problem — something FIs might not have. “What they don’t have is access to banking systems around the world,” he said.

However, when it comes to FinTech firms, the calculus of collaboration versus competition depends more on those factors, or even the specific technology involved. The process of choosing a FinTech partner also starts with the identification of a specific problem. “If you don’t know what you are looking for, you probably will not find it,” Kohli said. Beyond that comes the question of whether FinTech firms and financial institutions are really a good match.

“The cultural fit is probably more important than the technical solution on day one,” he said. By culture,

he meant an “obsessive focus on innovation,” as well as a client-first attitude when it comes to new and better ways of doing payments. As he shared with Webster, recent success stories that underscore those points include working with outside FinTech firms to better understand the flow of payments in general, and receivables specifically (both of which can reduce operational overhead, and increase customer satisfaction), as well as finding ways to boost the security of transactions.

Additionally important is having a collective mindset when appropriate, to find ways to come together as a team when needed. No single bank or FinTech, of course, can do all the heavy lifting in building the global real-time payments infrastructure, for instance, or improving [SWIFT](#). Being smart about where to align those interests — and where to work together — represents, in Kohli’s view, “a victory” for payments.



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# Why Real Time Is The Game-Changer For Corporate Cash Pros

**W**ith ongoing shifts in payments, commerce, security and transparency, corporate cash managers have a lot on their plates. The question for any number of treasury professionals is what lies ahead?

Add speed to the list of new challenges that need to be considered and grappled with.

The fact remains that [instant payments](#) — as a concept, perhaps, and certainly as measured in execution or deployment — has not caught on as quickly in the United States as in other countries.





The value  
to businesses  
is amplified  
when there is  
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**on one side of  
the transaction.**



But that doesn't mean instant payments are just a futurist's fancy.

Financial institutions and treasury operations would do well to get ready for it all, sooner rather than later. And for corporate cash professionals, "instant" may hold tremendous promise.

Manish Kohli, global head of payments and receivables at [Citi](#), told Karen Webster in a recent podcast that instant payments — with a few exceptions — have yet to really become entrenched here due to a number of factors.

As he told Webster, TCH's instant payments debut two years ago represented the largest evolutionary development in payments in the last 40 years.

"The introduction of something market-wide into the world's largest economy, one that has more than 10,000 banks, is no small undertaking," Kohli said.

Although progress has been made on the reach and infrastructure, and on the range of products and solutions on offer, there still is much work to be done to spur adoption, he added.

One impediment has been the lack of ubiquity, Kohli noted. Since there is no mandate in place for all banks to embrace the real-time payments system, there's been a "slow burn," as he called it, to get banks on board.

The vacuum created by the absence of a ubiquitous real-time or instant payments scheme has been filled in by private sector innovation, perhaps readily evident in offerings like [Zelle](#) and [Venmo](#). The move to instant payments will take time, Kohli said, as FIs and corporates will have to undo and reconfigure previous technology integrations.

### **The Use Case – and B2B**

That's not to say instant is not making an impact — and there is a natural progression at work. Kohli said

[person-to-person](#) (P2P) use cases are among the first to gain ground.

In the U.S., especially, bill payments are proving to be valued by consumers and B2C transactions, as the gig economy and insurance disbursements are a strong use case for Citi's clients.

"The value to businesses is amplified when there is a consumer on one side of the transaction," Kohli said, adding that having surety that funds will be delivered instantly, with real-time confirmation is paramount in the settlement process.

The opportunity is also there for B2B's transformation, he pointed out, as use cases coalesce around the twin drivers of speed and certainty. After all, knowing where funds are at any given point of the journey is a critical part of corporate cash management. And not knowing that part of the payments equation is one the challenges cash managers grapple with.

“We also believe that some of the unique attributes that come with instant payments — through enhanced messaging — allow firms to enhance their digital operations and walk away from paper invoicing,” Kohli said.

Digitization and enhanced messaging can help automate back-office functions and reconciliation, and new functionalities like request to pay also have ripple effects that improve reconciliation as manual processes are eliminated.

Kohli also discussed the concept of reachability, which delivers value in the form of directory services.

**Interoperability is Key**

Enhanced messaging truly delivers value, Kohli told Webster, but it ideally should be delivered through a consistent form, which sets the stage for instant payments delivered across a global stage.

“The way we look at this is: If instant payments are the next wave of how domestic payments will be done, and if messaging associated with those payments is consistent, then we have an opportunity to build interoperability to support cross-border instant payments,” Kohli said. “That’s because a cross-border payment is simply two domestic payments with an FX rate in between them.”

Security is also top of mind. With the layer of security that can be applied to instant payments, security should never be one of the things that keeps a cash manager awake at night.

The pace at which this all gets done may be uneven, varying country by country, but we are indeed headed toward a world where instant payments will be the norm, said Kohli.

It’s an analog-to-digital transformation, and a shift from batch to real-time — and he said he believes the changes are inevitable.

“I think that within the next three years, every significant economy in the world will have a thriving instant payments scheme,” he told Webster. “The next logical question is: How do you get them to speak to each other?”

Against that backdrop, Citi’s focus has been on building a presence across instant payments functions, tying together incoming and outgoing transactions, tokenization and directory services across several payment schemes through a single point of access.

As for the corporate cash managers, Kohli said they should be sleeping soundly if they have their money with

the right organizations focused on risk management practices, and if they are continuing to invest in innovation.

“They may have other things to worry about, but payments won’t be one of them,” he told Webster.



# ABOUT

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