A time of transition
Wholesale banking in a new era
Wholesale banking: market factors

Market volatility and regulatory reforms have led to changes in how corporations manage banking relationships:

- The aftereffects of the 2008 crisis and the eurozone debt crisis have forced corporations to re-evaluate the stability of their banking teams.
- As a result of cost increases in corporate credit, corporations are reviewing pricing policies and agreements with banks to assess costs vs. benefits.
- Some corporations have increased the number of banks in their credit facilities to reduce risk.
- Many corporations are exploring bond markets and other alternative sources of funding to avoid higher costs.

Today, wholesale is a growth and investment area despite the adverse market factors in lending. Increased regulatory spending and oversight, including fee caps, have made wholesale an area where banks can increase profits and invest to generate more revenue. In 2013, loan rates were three times lower than the pre-financial collapse era. As demand for credit products have increased over the past two years, loan margins have steadily decreased over the same period. Banks are addressing this by focusing on cross-selling, cost takeout, client experience, market expansion, speed to revenue and performance improvement. With an average pretax profit margin of approximately 48%, wholesale transaction banking products and services, including trade finance, foreign exchange/payments, and cash management, have an increased importance in bank strategies.

Banks are demonstrating long-term commitment to operating efficiency through the transformation of operations and technology and to customer-centric operations through investments in channel integration and data mining capabilities.

Wholesale banks are responding to these market conditions through:

- Wholesale credit transformation: establishing consistent processes, technology, roles and user experience across credit products, platforms and operations
- Platform simplification, modernization and migrations: achieve operating efficiency and cost optimization through the consolidation of redundant core processing platforms (e.g., demand deposit accounts, payments, treasury services and liquidity, originations, trade finance and services, correspondent banking) and deliver a common customer experience across channels using a consistent global architecture
- Data management: establishing enterprise-wide data governance and management standards to improve data quality and accessibility
- Client onboarding: improving speed to revenue, end-to-end client experience, client transparency
- International expansion: expanding to locations where the bank’s existing multinational clients are conducting business
- Relationship management: differentiating service delivery models in an increasingly competitive environment
- Mobile: enabling client self-service, identifying what products and services to offer via mobile channels, and monetizing mobile capabilities
Preparing for the future

Banks have invested in a number of large-scale transformation efforts as they pursue opportunities in the current environment of growth and investment in the wholesale banking industry. They must overcome certain challenges in their strategy to improve their wholesale banking operations. EY recognizes these challenges as opportunities to assist banks across the board.

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<th>Focus area</th>
<th>Bank challenges</th>
<th>Opportunities</th>
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<td>Wholesale credit transformation</td>
<td>• Lower-margin commercial credit environment</td>
<td>• Efficiency gains through implementing wholesale credit workflow solutions</td>
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<td>• Turnaround times and consistency of credit decisions</td>
<td>or loan origination systems (LOS)</td>
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<td></td>
<td>and customer value measurement can be improved</td>
<td>• Exposure aggregation methodology</td>
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<td>• Increased competition from nontraditional lenders (e.g., asset managers, crowd</td>
<td>• Credit process re-engineering</td>
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<td>funding) with increased customer demand for customized products</td>
<td>• Risk appetite methodology</td>
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<td>• Efficiency gains through implementing wholesale credit workflow solutions</td>
<td>• Pricing analysis and customer value measurement</td>
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<td></td>
<td>• Loan origination systems (LOS)</td>
<td>• Continue to evolve credit risk criteria</td>
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<td>Platform simplification, modernization</td>
<td>• Systems are not integrated, and architectures are redundant and overly complex</td>
<td>• System consolidation, implementation</td>
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<td>and migrations</td>
<td>• Policy is not applied consistently in practice</td>
<td>• Repurpose / establish common capabilities of core functions</td>
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<td>• Technologies are outdated, and workflows lack automation</td>
<td>• Wholesale architecture design</td>
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<td>• Operating costs are high and not aligned with strategic priorities</td>
<td>• Simplify the technology and operations environment, providing significant</td>
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<td>• Processes are inconsistent defined</td>
<td>operational cost savings and supporting new regulatory requirements</td>
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<td>• System consolidation, implementation</td>
<td>• Customer migrations</td>
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<td>• Repurpose / establish common capabilities of core functions</td>
<td>• Policy, procedure and process updates, redesign to integrate and align with</td>
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<td>• Wholesale architecture design</td>
<td>document management systems, LOS, and strategic priorities</td>
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<td>• Data governance and management</td>
<td>• Integration of P&amp;Ps with document management systems and LOS</td>
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<td>• Common data definition</td>
<td>• Application modernization</td>
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<td>• Data cleanup and operational data storage build-out</td>
<td>• End-to-end portal integration</td>
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<td>• Customer relationship management (CRM) and analytics implementation</td>
<td>• Target operating model definition</td>
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<td>• 360 degree customer view</td>
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<td>• Credit desktop and portal implementations promoting ease of access to</td>
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<td>• Technology and operations environment</td>
<td>quality credit data</td>
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<td>• Drive client experience strategy through streamlining integrated technology</td>
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<td>• Data governance and management</td>
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<td>• Data cleanup and operational data storage build-out</td>
<td>architecture, data, policy, process and people</td>
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<td>• Customer relationship management (CRM) and analytics implementation</td>
<td>• Integrated portal design, delivering a unified look and feel across products</td>
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<td>• 360 degree customer view</td>
<td>and platforms (mobile, tablet and similar devices)</td>
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<td>• Credit desktop and portal implementations promoting ease of access to quality</td>
<td>• Customer or product onboarding enabled via business process management</td>
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<td>Client onboarding</td>
<td>• Current regulatory demands and the legislative environment are driving changes</td>
<td>• Current and future state assessment</td>
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<td>to the onboarding process</td>
<td>• Target operating model definition</td>
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<td>• Disaggregated customer experience from multiple legacy platforms</td>
<td>• Cross-teaming with local EY firms to provide seamless service delivery</td>
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<td>International expansion</td>
<td>• Complex foreign regulatory landscape</td>
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<td>• Risks associated with operational integration with global mergers and</td>
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<td>acquisitions</td>
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<td>Relationship management</td>
<td>• Limited time and tools for relationship managers to customize service</td>
<td>• CRM and analytics implementation</td>
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<td>delivery for increasingly sophisticated customer needs</td>
<td>• Conduct associate readiness program to implement changes to the service</td>
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<td>• Limited ability to transform service delivery model for relationship</td>
<td>delivery model</td>
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<td>managers to use a collaborative, consultative approach with customers</td>
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Market capabilities

EY’s wholesale banking advisory services comprises professionals with global reach and experience across commercial lending, treasury and cash management activities, covering domains such as operations, technology, risk and compliance, and analytics and data. Our team members have prior industry experience as underwriters, lenders, credit officers, treasury and payments senior managers, and bank examiners. Our in-depth knowledge covers each step in the life cycle of wholesale banking products:

• Prospecting and sales
• Underwriting and fulfillment
• Portfolio management
• Payments and trade
• Risk and capital management

EY supports its clients with innovative ideas, bringing multidisciplinary teams to address substantial business and operational challenges. Through its combination of practitioners with deep industry and regulatory knowledge, an exceptional focus on execution, and enabling tools and methods, EY brings perspectives and approaches that provide its clients with strategic and tactical advantages in a changing market.
EY takes an account-centric approach to client challenges, to intimately understand specific business issues. We deliver services through our four service lines: Advisory, Assurance, Tax and Transaction Advisory. And our dedicated Financial Services Office brings together geographic, sector, service line and regulatory strengths to serve financial services clients.
A proven record of success

EY’s wholesale banking advisory services professionals have supported some of the largest global wholesale banking programs in the industry. These individuals have served as program managers, architects, workstream leads, business analysts and subject-matter advisors. They provide guidance for product management, pricing strategy, operations, customer service strategy and support, change management, merger integration, sales, enhanced user experience, portal strategy and requirements, payments integration and system rationalization, technology and architecture (User Interface (UI), data, enterprise and User Acceptance Testing), target operating model definition and standardization, cost reduction, and support for all phases of the system development life cycle across all wholesale banking lines of business. EY’s professionals drive service consistency, operational cost reduction and positive customer experiences throughout the life of the programs. Some specific wholesale banking engagement details include the following:

**Technology**
- Supported the end-to-end delivery of a loan origination system (LOS) replacement for a multibillion-dollar start-up commercial real estate lender
- Conducted a technology rationalization and business case development to replace a super-regional bank’s lending platform
- Supported a commercial payments reconciliation effort
- Designed the target state architecture to integrate a large commercial bank’s risk platforms
- Defined the UI architecture for a major wholesale bank

**Operations**
- Conducted target operating model design and deployment for a large captive inventory financing company
- Supported the global expansion of a US bank’s commercial bank across Asia-Pacific/Australia (APAC) and Europe/Middle East/Africa (EMEA)
- Determined requirements and market needs for a major software provider’s lending and leasing platforms in order to expand into the US market
- Supported credit transformation program involving requirements acceleration, program execution, and data provisioning architecture review
- Conducted a production support transformation program
- Designed a business banking operating model including process redesign and LOS consolidation
- Designed a target operating model, process redesign, tools assessment, and data governance and exposure/limits methodology to support an integrated credit platform
- Supported the mobilization of an important strategic program to deploy improved Trade Finance processing capability, centered on the migration to a new processing platform

**Risk and compliance**
- Conducted business process redesign to incorporate dual-grading risk procedures

**Analytics and data**
- Conducted Basel II dual-grading data architecture design and implementation
- Assessed the multi-family commercial real estate loan portfolio and reviewed the data architecture of a national government-sponsored entity

**Payments**
- Conducted assessment across multiple lines of business, including wholesale, to identify opportunities for consolidation and simplification of payment platforms; defined roadmap for enterprise payment strategy
- Conducted assessment and optimization of correspondent banking operating model
Contacts us

Our wholesale banking team is part of EY’s national Banking practice and supports clients from core locations across the country. Please contact one of our regional leaders if you would like more information about our services or would like to schedule time with our team.

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