

Nordea

INSIGHTS REPORT

# Top 10 Trends in Transaction Banking

Cutting-edge insights drawn from statistical analysis of the global conversation.



# Mining the future

The world around us is changing, and every day an avalanche of new information hits our inboxes. It can be difficult to separate opinion from fact and identify the issues that really matter.

This report highlights the top 10 topics in the world of transaction banking that should be on any finance function's agenda, in areas like technology, regulation and economics.

To identify, describe and rank these issues, we conducted robust statistical data mining of global publications throughout 2015. This means our report is impartial and comprehensive — and sometimes surprising in its findings.

Some of the most prominent issues are perennial focus areas for finance teams, like cash and liquidity; others are from the realm of current affairs, like China's increasing prominence and the state of the global economy.

You may not expect that all of these trends will affect you and your discipline, or even your business: if you're a large multinational, why do the finance needs of SMEs matter to you?

But each one of these topics is interconnected. Whatever your role and responsibilities — whether you're the CFO or cash manager, treasurer or trade financier — they matter to you.

As you read on, you'll find that we've not only explored the trends themselves, but included analysis and commentary from Nordea experts, with selected suggestions for how you can respond.

We hope you find the report illuminating, and we look forward to working with you as you develop and implement your strategy for the years to come.

Best wishes,

**Erik Zingmark**

Co-Head of Transaction Banking at Nordea

PS: To stay ahead of these trends as they continue to evolve, why not subscribe to our Insights newsletter? Visit [insights.nordea.com](https://insights.nordea.com) to find out more.

**Erik Zingmark**



# Art and science

The heart of this report is a statistical data mining meta-analysis of transaction banking perspectives drawn from more than 1,500 white papers, articles and significant news reports released between 2010 and the end of 2015, with more than a third of the total published in 2015.

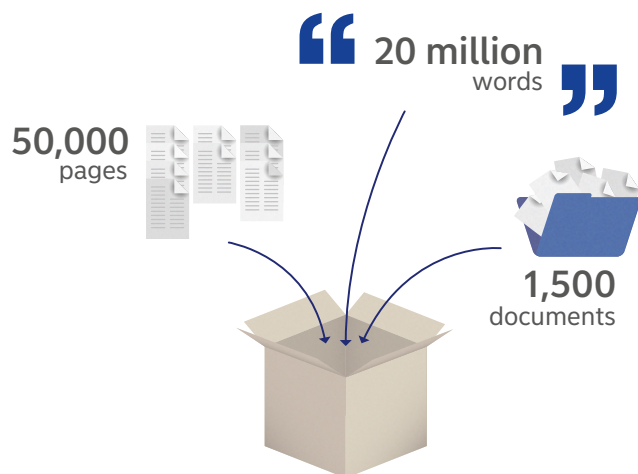
Together, these documents gave us a store of text amounting to more than 20 million words, which we analysed using semantic clustering software.

Our analysis revealed which words were used most frequently, how different terms correlated, and which terms grew in popularity during the period. We dug deep into the detail to identify how particular topics were evolving over time.

By grouping these findings within different categories — areas like payments, trade finance and treasury — we could quickly interpret the results and identify the dominant issues to reach a deep qualitative understanding of the global transaction banking conversation.

To arrive at a quantified view of issues in transaction banking, we assigned scores to the topics within each category based on frequency, and indexed these scores to create a list of the top 15 most prominent issues, ten of which you'll find summarised in this report.

This blend of quantitative analysis and qualitative interpretation — science and art — ensures a rigorous and insightful result.



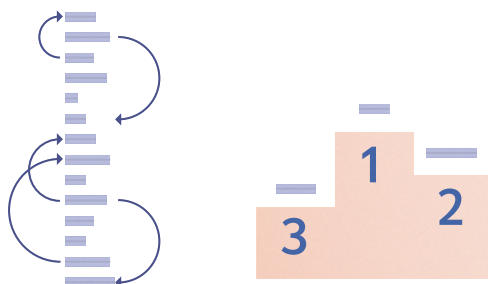
## Step 1: Ingest

Gather text



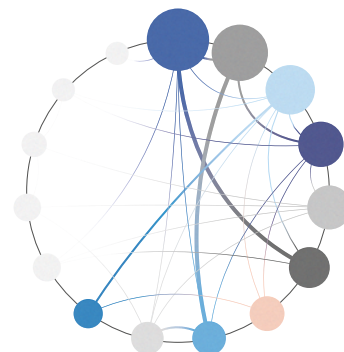
## Step 2: Analyse

Correlate terms



## Step 3: Sort/Rank

Identify the most important themes



## Step 4: Enrich

Interpret, filter, contextualise, add examples

# Mapping the issues

The top 15 issues depicted here give you a snapshot of the global transaction banking conversation.

Take a look at our “clock face” below — the larger and brighter the circle, the more frequently the topic was discussed in 2015. As you can see, restructuring global trade was the biggest trending theme at the time of the study. By hovering over a topic, you’ll be able to not only see which other issues it’s connected to, but also the strength of those connections: the thicker the line, the stronger the link between the two topics. To jump to a particular section of this report, click on the circle.

# 1. Restructuring global trade

The global economic landscape that you're operating in is changing — and it's going to impact your business. Understanding the data can help you plan your response.

## Top related issues

- SMEs
- China
- Changes in banking relationships

### Patterns of trade are shifting

Our annual data mining research found that broader geopolitical topics dominated transaction banking discussions in 2015, moving away from prior years' focus on technical discussions of tools and best practices.

We found extensive discussion of the movement away from multilateral trade and towards distinct two-way trade corridors, particularly within the ASEAN region and between China and its trade partners. There are clear indications of opportunity, with the growing middle class in this region creating a new source of demand-side growth that is successfully stimulating local exporters, as well as increasing the demand for more imports.

Naturally, when it comes to globalisation, nearly all roads lead to [China](#). As we discuss in more detail on page 11, commentators focused on the future of the Renminbi as a global currency, and the evolution of China's global trade corridors, which stretch into Africa and Europe, as well as across Asia.

Against the backdrop of declining spreads in Asia, two major concerns are how to serve customers in ever widening geographies and how to support cash management as global activity broadens. However, another important issue is the increased pace of trade thanks to new platform-based services. Retailers like Alibaba and Amazon have disintermediated many layers of trade by linking makers to buyers and creating new expectations of what is possible. The inference being that traditional banking and trade services are too slow. Put another way, the physical movement of goods is now too fast for trade finance to keep up with.

### Increasing opportunity, increasing complexity

For those Nordic companies expanding internationally to pursue growth opportunities in Asia and Africa, the challenge is, predictably, around geopolitical risk; unfamiliar business climates, taxation and regulatory regimes; as well as governance complexities around operating more sophisticated group structures and the associated [cash pools](#). Decisions have to be made about whether to operate centralised or decentralised group structures, and where bank and other provider relationships are managed.

For some companies the restructuring of global trade may seem a world away from their Nordic business. But the reality is that Asian economic giants are increasingly investing in businesses across the EU and the Nordics. Globalisation is putting new competitors right on your doorstep. The challenge for treasurers in 2016 and beyond is helping the business respond to these fundamental market shifts, with limited budgets and headcounts.

## 2. Adjusting to the SME-driven economy

Smaller businesses are globalising but will the universal financial system serve them adequately?

### Top related issues

- Compliance
- Restructuring global trade
- SCF techniques

### SMEs matter to everyone

SMEs are the engine of the global economy, particularly in emerging markets. In extended globalised supply chains, at some point every business will be selling to or buying from an SME, whether it's a retailer in India, a Brazilian manufacturer or a Kenyan farmer. In fact, there is a growing awareness that SME transactions may account for the majority of a company's revenue and costs and have a potentially disruptive effect on a company's cash position. Yet this is often neglected because each individual transaction is too small to monitor effectively.

SMEs increasingly matter because they are taking up a bigger portion of global trade. This began with SMEs accounting for more intermediate trade in the supply chain. But a new phase is beginning whereby SMEs are much more likely to both globalise and deal with exotic currencies.

One consequence of their newfound importance is that if they struggle, everyone struggles — and in 2015, the transaction banking community woke up to that fact. We saw extensive discussion of how the financial system is unable to serve SMEs adequately. Finance providers are facing a growing burden of documentation and regulation, and are cautious about risk in a weakening global economy. As a result, they're tightening their lending and even pulling out of some markets. SMEs, on the other hand, are now the focus of more economic development initiatives and are considered the key to emerging market growth.

SMEs in emerging markets often have weak credit ratings, if any, or operate in riskier emerging markets where reliable information is scarce, meaning that Western companies can struggle to set up trusted distribution networks. Many SMEs in emerging

markets have been cut out of affordable access to traditional credit sources or trade finance, and the concepts of the "trade finance gap" and "funding gap" are now widely discussed. Supply chain finance is proving to be one answer, assuming that companies improve their supply chain management techniques and are able to attract new sources of liquidity. The best and most cost-efficient way to address this currently is to use documentary credits (DCs). This is far from perfect however, since going through the full end-to-end DC process can be very slow.

In 2016, we may see another gap grow more severe. SME finance functions lack the human resources and budget to ride the wave of innovation that's transforming larger treasury functions in areas such as automation and risk management, creating a "digital divide" and leaving SMEs even more vulnerable to economic volatility.

**70% of all MSMEs in emerging markets lack access to credit; the total credit gap for both formal and informal SMEs is as high as US \$2.6 trillion.**

<http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>

### Alternatives are emerging to fill the vacuum

Alongside local and regional banks, several new categories of provider are stepping up to extend services to SMEs. These include shadow banking and providers of alternative financing: peer-to-peer lending and crowdfunding, for example.

But within the established global trade model perhaps the most important development is supply chain finance (SCF), which enables smaller suppliers to leverage the better credit ratings of their large multinational customers.

# 3. Managing liquidity in a complex world

Cash management is a familiar discipline for treasurers, but the increasing complexity of global operations is causing fresh headaches.

## Top related issues

- Working capital
- SCF techniques
- China

### A new spin on a familiar story

This year's data mining research showed that discussion of cash management as a whole fell in 2015, but also took on a markedly different tone.

Cash pooling remained a hot topic, and other operational discussions were still on the agenda — for example, implementing meaningful KPIs to drive improvement; the potential value of dynamic discounting as a way to control cash flow; and the contribution of better inventory and receivables management as aspects of working capital optimisation. However, perhaps the most significant of these issues is a recognition that treasuries cannot optimise cash effectively — there is no gold standard. The environment they operate in is changing so quickly that they need to develop flexible strategies and they need regular sanity checks to ensure they are making the most of complex situations.

The primary lens through which commentators discussed cash management is the need for end-to-end systems that simplify cash in a new era of globalisation. The subsidiary themes of unmet liquidity needs in complex supply chains, dynamic discounting, and the contribution of better inventory management point to the need to get management processes right in order that end-to-end systems sit on top of well managed supply chains.

### Greater complexity, greater risk

As companies stretch themselves and diversify into more and more markets, liquidity comes under strain and shortening the cash conversion cycle becomes a critical priority.

However, our research makes it clear that in global operations cash management is becoming more complex, particularly in Asia where regulations mean clients are in need of new sources of real-time information on tax and compliance. This is true even within familiar markets like Europe. The added problem in Asia is the fluctuating banking environment, with clients seeking cover in case banks withdraw services. But as expected, we also found particular concern about dealing with China and what it means for currency management and cash pooling.

A recurrent theme throughout the study is that treasuries are attempting too much on too little budget. As the CFO office is responsible for overseeing lean principles in the broader organisation, the treasury is expected to set an example and that standard is often preventing them from maximising the opportunities in their remit. Multinationals' eagerness to be as lean as possible could actually be counteracting SMEs' attempts to fund their trade. Tackling the complexity of multinational operations can be a challenge for lean treasuries with limited human resources — particularly because counterparty risk is growing.



## 4. Unlocking trapped capital with SCF

Supply chain finance is not a silver bullet, but it does promise significant benefits throughout the supply chain.

### Top related issues

- SMEs
- New market entrants
- Skills
- Working capital

### SCF is rapidly maturing

Supply chain finance, or reverse factoring, is a much more talked-about issue today than it ever has been. Every significant issue grew in importance in 2015/2016. In 2010–2014 there was a lot of emphasis on the development of SCF techniques, including some confusion in the marketplace as the range of solutions was broadening. There was an additional burden on treasuries of selling SCF programs internally and to the supply ecosystem. In the 2015 period onwards, the dominant issue has been China.

The One Belt, One Road strategy will dramatically reduce transportation times to China and bring China closer to partners in the Middle East and Europe. China is scaling up to become a mega-trader. With China's diversification of its own supply chain role – for example, developing labour arbitrage into Africa – the supply chain is becoming central to economic development strategies, as well as experiencing one more degree of complexity.

### A potential solution to the SME finance gap

SCF enables small suppliers to benefit from the better credit rating of their large customers, while buyers benefit from extended payment terms. SCF is often used in conjunction with sale of receivables too, meaning suppliers can sell their due invoices from their highly rated customers at a relatively low cost, in turn speeding up their own cash flow. Companies also often look to SCF and sale of receivables solutions to improve their working capital. Because of these broader management issues, Fintech companies are successfully making inroads into the SCF business.

### In March 2016, the International Chamber of Commerce released an official set of definitions for supply chain financing and its techniques.

<http://www.iccwbo.org/News/Articles/2016/Cross-industry-initiative-establishes-Standard-Definitions-for-Techniques-of-Supply-Chain-Finance/>

More importantly, SCF growth is closely associated with the idea that, with better supply chain management and planning, many of the problems of smaller business liquidity needs could be solved. SCF can help plug the trade finance gap and keep cross-border transactions flowing in a low-interest, high-risk environment. There is also a question of education here. Small businesses do not educate themselves adequately on their SCF options but knowing what's possible is critical to the overall fluidity of supply chain functioning.

### Data and technology are keys to success

And of course the key to better supply chain management is good quality data: by collecting richer information and more of it, treasurers can have a better understanding of the inner workings of their supply chains and how they can leverage additional liquidity.

However, there's still significant work to do, and in 2016 and beyond we expect the discussion to move on again. SCF must be put in the context of overall supply chain management maturity, and in concert with data and automation initiatives. Successful SCF needs good onboarding data, which takes time, and good operational data, which is a sensitive issue that can stall progress. SCF is one of the areas most prone to disruption by fintech, so we expect that change will come quickly. And in a [globalised](#) world where [China](#) looms large, it remains to be seen how its influence on the supply chain will affect SCF.



## 5. Adapting to new market entrants

Fintech may be front of mind, but changes in the transaction banking provider landscape are coming from many directions.

### Top related issues

- SCF techniques
- Changes in banking relationships
- Platforms, APIs, wider integration

New market entrants were a major theme in the discussion in 2015. In the world of consumer finance and payments, of course it's the fintech startups that everyone thinks of — but in corporate transaction banking the picture is much more nuanced.

Supply chain finance looks set to become a new economic development model, bringing in new liquidity providers like export credit agencies and regional development banks. Insurers are another potential source of liquidity in SCF as they seek out better and relatively safe returns in a low interest environment.

New entrants don't just pose a threat to existing money flows. They change expectations in the marketplace. We found in particular that the activities of platforms like Alibaba and Amazon, which are closely allied to far-reaching logistics networks, are changing expectations across the financial and trade landscape. People now expect much easier interfaces and better user experiences door to door. But they also expect services to be integrated on to single platforms and for execution to be fast.

New market entrants in general have tended to flood the payments space, causing confusion and compressing margins.

### Filling the gap

Choice and competition are always good for the health of the market, particularly when there is an unmet need to fill — such as in the liquidity gap around SMEs and trade finance. Over time, we expect this liquidity gap to be filled through a period of consolidation, maturation and standardisation.

When that happens, established institutions such as banks will play a valuable role as platforms or hubs, providing stability and advice for treasurers. But technology platforms create new expectations: the shake out will reduce the significance of relationships in the financial space and place more emphasis on what users can achieve through well designed interfaces and experiences.

### PSD2 paves the way for fresh competition

We're likely to see a further period of disruption due to the Payment Services Directive 2 (PSD2) in the medium term. Although PSD2 was an outlier in our data mining data set for 2015, it has gained significant traction in recent months. By opening up a new market for payment and information services on a level playing field, it will encourage a fresh phase of innovation.

## 6. Dealing with China's "mega" influence

China isn't called a "megatrader" for nothing — its growth is having a significant effect on treasury operations the world over.

### Top related issues

- Restructuring global trade
- Cash and liquidity

### The China effect

China's profound economic impact was a key topic of discussion in 2015. Geopolitical issues such as the ASEAN trade slowdown (and, at the time of writing, potential recovery) can be attributed in no small part to China's own attempts to grapple with its increasingly dominant global role. For instance, the collapse of commodity prices during the year happened in part due to China's policy to recalibrate its economy away from supply-side infrastructure to demand-led consumption. It's not just commodities that are affected by the intricacies of China's economic policy; it's become one of the world's biggest consumers of everything from luxury goods to green tech. At the same time, China is exporting its infrastructure development model, which while contributing to boosting its economy, subsequently draws more of the world into the unpredictability of its supply side economics.

Aside from speculation around economic fortunes, discussion focused on China's methodical reshaping of its own economy — from low-value outsourced manufacturing towards higher value services — and the redesign of global trade patterns. In particular, there was a significant level of discussion around new bilateral trade corridors between China and its partners, partly as a way of reducing dollar dependency in international trade — a move recently copied by India.

The development of overland transport links — stretching as far as Europe — and its major investment in African economies were also important themes.

In reality there is hardly a topic in transaction banking where China does not appear as a major factor. It is significant in cash management,

supply chain finance, trade finance and so on. But it is also seen for what it is: the centre of a new trade hub and an indication of a multipolar economic world where volatility is a way of life. This is raising the bar for banks, which already lacked the connections and information to support companies that want to extend their reach into Asia and Africa. Now they can also find opportunity restricted by the presence of China's own multinational corporations.

### A place to do business

For corporates and treasurers in particular, the literature focused on some of the persistent challenges of doing business in China and in the fragmented ASEAN region. For western businesses, there are issues around holding cash in China and navigating the regulations around incorporating Chinese accounts into global cash pools — though this is becoming easier. Risk is perhaps the greatest concern for Nordic companies. One way to reduce it is by sourcing local expertise; getting boots on the local turf by entering into a joint venture with a Chinese partner.

### The future of the Renminbi

The Renminbi was a major topic of conversation in its own right, particularly after an unexpected devaluation in August 2015 and its addition to the reserve currency basket by the IMF at the end of the year. A third of international trade with China is done through the RMB, and that's set to increase. Yet many treasuries have found that their systems are not equipped to handle it. Getting up to speed on how to best to use RMB could be beneficial for global traders, particularly as most Chinese exporters are still trading in their native currency to keep their profits stable.

## 7. Investing in skills development

With all the changes taking place, corporates and banks alike need to refresh their capabilities.

### Top related issues

- Bank relationships
- New entrants
- SCF techniques

The literature identified a need for new skills and knowledge across the transaction banking community, both within corporate teams and within the banks and other providers that serve them. This is a natural reaction to the significant change that the sector is going through: new challenges demand new responses. In particular, we saw discussion of how to take advantage of new technologies to get value from data and improve the accuracy of forecasting in volatile market environments. These factors are tightly linked with improving user experiences.

The big issues also revolve around acquiring better knowledge of customer challenges, particularly in their supply chains – though distribution channels are also becoming a challenge – and finding ways to maintain the gains that clients make in areas like working capital. This is a distinct move away from past concerns: rather than focusing on how to do things

better, businesses want to maintain advantages. Rather than aiming for a gold standard in cash management, organisations want to learn how to operate dynamically in a volatile environment where a great deal of flexibility is required.

We believe that in 2016 and beyond transaction banking will have to get used to these skills being in short supply. In the scramble toward digitalisation, corporates, banks and technology companies are competing for a limited supply of data scientists, blockchain visionaries, cybersecurity experts and supply chain financiers. Alternative approaches — training and upskilling — aren't always workable in times of tight headcounts and budgets.

Under these circumstances, corporates need banks to become more effective partners and strategic advisers, while banks need to ensure they're offering what their corporate partners want.

## 8. Living with compliance

Compliance is nothing new. But it's never had such a significant effect on the transaction banking space.

### Top related issues

- SMEs
- Changes in banking relationships
- SCF techniques

The increasing burden of regulation — much of it aimed at banks, but trickling down to corporates in the form of cost, delays and limited access to finance — had a greater dampening effect on the overall market in 2015 than ever before. Its impact was felt particularly severely when it came to SMEs and emerging markets.

Discussions noted that at times regulation fosters innovation and removes barriers to trade — think PSD2 and SEPA. But these bright spots are more than balanced by the burden of capital requirements, documentation and counterparty

checks imposed by a long list of regulations in a variety of regional jurisdictions.

Efforts to roll back regulation are unlikely to produce short-term results — we simply live in a regulation-dense world. But the hope for 2016 and beyond is to use other improvements to offset the drag on trade that compliance has created. Shared platforms like KYC registries, automated checks and risk analytics, the digitalisation of key trade documents — all will help corporates and banks fulfil their compliance obligations more quickly and at a lower cost.

## 9. Evolving banking relationships

In an era of economic volatility, finding the right mix of relationship banks is more important to treasurers than ever.

### Top related issues

- Compliance
- New market entrants
- Global trade restructuring

Corporates' banking strategies have always balanced conflicting pressures. Whether to consolidate to a few key relationship banks, for example, for simpler management and greater economies of scale. Or whether to diversify to improve access to far-flung markets and best-of-breed skills. Now customers expect banks to have new skills, some of which are very consultative. If banks don't develop these skills, clients will gravitate towards consultancies for key advice.

In 2015, the literature explored how macro-economic trends unsettled the historical balance. In particular, corporates grew nervous about securing their presence in certain emerging markets, and establishing a contingency in the event that a key relationship bank chose to withdraw from a region or slash its correspondent bank network.

In the context of the digitalisation of finance and the broader ecosystem of providers entering the space, there was also discussion about how corporates are evaluating banks not just on their geographic presence or range of services, but based on their technology strategy and whether the bank's choice of partnerships aligns to the corporate's needs. There have been some cases where certain banks have taken on third party technologies too quickly and sold solutions that customers don't feel they need. Banks must ensure they can provide added value in their corporate partnerships if they want to build and maintain sustainable and mutually-beneficial relationships.

## 10. Maintaining working capital gains

Treasuries have uncovered significant working capital improvements — the challenge is maintaining them in difficult times.

### Top related issues

- Cash and liquidity
- Skills

In 2015 corporates found themselves buffeted by commodity and currency fluctuations and tight access to finance, overstretched in pursuit of opportunities in new markets, and with reserves drained by longer payment terms extended to customers.

In 2015 the discussion focused on how to respond to these challenges and maintain hard-won working capital improvements for the long-term. A central element is identifying and applying the right KPIs across the organisation's operations to encourage working capital-conscious behaviour, from the supply chain to the sales office.

In 2016 the increasing digitalisation of financial operations and supply chain operations will come together and help finance teams run a tighter ship, more closely aligning the flow of goods and cash and quickly spotting and correcting exceptions. Marshalling the new tools available — including alternative financing models, automation of procurement and invoicing, and supply chain finance — will give CFOs more levers to pull to effect improvements.

# Completing the picture

Our top ten issues accounted for the majority of the global transaction banking conversation in 2015. But it's important to take account of niche issues and fast-growing outliers, too. Here are the selected highlights.

## New service models

Spurred by the digitalisation of so many areas of finance, we're seeing some increasing discussion of self-service models, bank APIs and service integration, in pursuit of improved user experiences (UX) and treasury process automation.

As we've discussed, PSD2 will rapidly accelerate the opening up of data and the integration of platforms via standardised APIs. Although these developments are in their early stages, greater process flexibility and better UX will rapidly become a differentiator for providers and a topic for industry discussion.

## Risk and security

Security — in the technology sense — has been low on the agenda for the transaction banking community, possibly because bankers and treasurers see it as a topic for the IT team and vendors to take care of. But that will change.

As financial data and platforms become more open, banks' and corporates' financial infrastructure becomes more exposed to cybersecurity risks. From simple attacks like phishing to large-scale denial of service attacks, the consequences can be significant. There are many possible solutions, including behavioural risk analytics for fraud detection, single sign-on and biometrics for authentication — many of which will be alien to the world of transaction banking.

Closely aligned to security is the issue of privacy: when data is shared across many parties, how can you protect it? We expect banks and corporates to work more closely with technology providers and standards bodies to tackle these sensitive issues and associated policies.

## Cryptocurrencies and blockchain

Bitcoin and its underlying technology, blockchain, proved a massive topic in the news in 2015, with many banks and technology providers starting accelerators and collaborating on standards and specifications. But it was under the radar in terms of thought leadership. We expect that to change in 2016 and beyond, as discussions evolve from speculation and hype into real products and use cases. Blockchain has broad potential in payments, international trade and the supply chain.

## Payment methods

In the consumer space, payments are facing tremendous disruption: NFC, digital wallets, mobile payments, peer-to-peer payments, and a host of other concepts are causing merchants and financial services firms to place new bets — and make significant investments.

In the corporate transaction banking space, change has been less dramatic, and in particular we saw relatively little discussion of mobile at all, in all its guises. Discussions covered the role of cards in streamlining processes and cross-border payments, the disruptive effect of carrier billing and telecommunication providers' entry into payments.

## Operational improvements

We were disappointed to see little discussion of internal, operational factors such as: improving efficiency, managing transformation projects, and improving corporate governance. It's easy to appreciate that these are dry topics of little interest to those outside the four walls of the treasury or the bank. But in reality these are the foundations for being resilient to all of the changes and threats that organisations face in the market environment. They deserve greater discussion.

# Conclusion

The digitalisation of transaction banking is a hot topic, and understandably so. But as our top 10 trends show, technology is just one piece of the puzzle, and CFOs and their teams must always keep an eye on the bigger picture.

According to the views of those in the industry, the transaction banking environment is changing markedly. Because we have analysed data from hundreds of white papers and research reports, we can offer an overview of the major issues without the bias of any one party.

While all of the issues raised are connected, the biggest overarching theme is the restructuring of global trade. This will lead to new supply chain finance opportunities. But while we have found that SCF is becoming the main focal point of transaction banking, our research strongly suggests that clients don't think in terms of trade finance, working capital and SCF. They just need funding. We should take this lesson as a way to simplify what banks offer and get to the heart of supply chain and distribution financing needs. To achieve this, banks and supply chain managers have to cooperate and consult more.

Clearly, China's scale and policies have had a profound influence on this restructuring. China in the near future will not be the workshop of the world. Instead, the country is actively developing its middle class as a source of global economic stimulus. It is radically reducing transit times to Europe and the Middle East. And it is more explicitly driven by smaller businesses at a policy level, in a way that Europe has not been. China is also developing bilateral trading corridors to strengthen its currency. Each of these factors represents opportunity for enterprising companies, though three challenges remain:

Firstly, the situation in Asia is likely to remain volatile. China is the biggest influence and its policymakers are breaking new ground in the way that they manage the economy and their global relationships. This poses once-in-a-lifetime challenges for treasurers. They expect to be able to manage their department with clear metrics and reliable projections. But we are finding that the situation is too dynamic. Clearly there is a need for skills upgrades on all sides. At Nordea, we're already taking action to help treasurers experiment, test new ideas, and develop the models that will help them remain responsive in fast-changing conditions.

Secondly, while mitigating risk is a key challenge, the speed of trade financing is also crucial; corporates increasingly expect banks to provide technology platforms that offer rapid logistics and vastly improved user experiences.

Finally, as growth gravitates towards Asia, there is more and more need for sophisticated cash management, cash pooling and treasury management strategies to create end-to-end systems that make oversight easier.

Banks and corporates can't be complacent about this complexity. It is very likely that an industry-wide initiative or a strong consultative approach with clients and among peers will help us all design better solutions to deal with it.

**To discuss how transaction banking trends are affecting your business, contact your Nordea relationship manager.**

**Sign up for our Insights newsletter to stay up to date on the most important trends in transaction banking.**

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Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen. Nordea's Transaction Banking division includes Trade Finance, Nordea Finance, Cards and Cash Management.



**SWEDEN**

Nordea Bank AB  
Smålandsgatan 17  
SE-105 71  
Stockholm  
T: +46 8 614 7000

**DENMARK**

Nordea Bank Danmark A/S  
Christiansbro, Strandgade 3  
PO Box 850  
DK-0900 Copenhagen C  
T: +45 33 33 33 33

**FINLAND**

Nordea Bank Finland Plc  
Satamaradankatu 5  
Helsinki  
FI-00020 Nordea  
T: +358 9 1651

**NORWAY**

Nordea Bank Norge ASA  
Essendropsgate 7  
NO-0368  
Oslo  
T: +47 22 48 50 00

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