KPMG perspective

Wholesale banking and wholesale credit

kpmg.com

KPMG perspective on wholesale banking

KPMG believes that wholesale banks have a great opportunity to significantly “change the game” in how they go to market and service clients. For too long, the delivery model of wholesale banks, and lending in particular, has remained traditional while not aligning with how client expectations have evolved.

We challenge our clients to begin benchmarking and evolving their business models to other industries or companies that are driving the future of client expectations.

Wholesale banking’s future is now

- **Integrated client dashboards**: Aggregated dashboards of all financial accounts and transactions
- **Robust self-service portal**: Ability for clients to complete 30-50% of requests, transactions, and inquiries systematically
- **“Rapid deployment” capabilities**: Ability to quickly and effectively enhance client experiences and interactions within 3-8 months
- **Analytics as a service**: Provide clients with sophisticated analytical insights of accounts, transactions, and dealings on an ongoing basis
- **Interaction transparency**: All interactions have two-way capture and graphical progress tracking
- **24/7/365 banking**: Provide uninterrupted banking and financial services that align with the client’s business operations

KPMG perspective on wholesale credit

Specific to the wholesale credit value chain, there are opportunities to transform antiquated, “this is how we’ve always done it” processes. Balancing operational efficiency and regulatory driven initiatives with other, more strategic needs can be challenging. KPMG’s perspective is that understanding and predicting client needs should drive investment prioritization and strategic roadmap decisions. Areas ripe for transformation include:

— **Relationship Manager empowerment**
  - Sell better through data-driven lead generation and “next best product” offers
  - Proactively serve clients and deepen relationships through predictive analytics
  - Access client data through Customer Relationship Management tools
  - Provide a portal that brings all RMs’ core applications together (e.g., credit, treasury, cash, etc.)
  - Align incentive plans that are achievable with a collaboration framework

— **“Amazon” like loan origination**
  - Remove, automate, or centralize commodity and administrative processes
  - Reduce handoffs and enable rules-based workflow
  - Achieve Straight Through Processing to reduce re-keying of data and improve data lineage across systems
  - Re-use data and centralize document storage
  - Streamline credit approval process for lower risk, lower value deals
  - Credit line increase programs

— **Pricing optimization**
  - Price exceptions only where a model tells you it is needed to close a deal
  - Optimize loan pricing by measuring “likelihood to accept” (through evaluation of similar deals with similar exposure)

— **Digital self-service capabilities**
  - Expand self-service capabilities for electronic loan application, document up/download, signatures, and transparency
  - Provide a third-party portal for self-service completion of CRE draw requests, inspection reports, and budget updates

Required capabilities to meet client needs

1	Robust digitalization and financial institution ‘availability on demand’ will increasingly be expected and demanded by corporate and commercial borrowers.
2	Wholesale credit needs will increasingly be viewed as transaction-based and as a commodity, with alternative lenders continuing to attract more players and market share. Further efforts to incentivize relationship behavior will be critical.
3	Ever higher borrower expectations re: wholesale credit delivery speed, transparency and service ease should be expected and planned for (e.g., online origination/servicing, mobile access, due diligence submissions, relationship pricing discounts, etc.).
4	Given anticipated continued margin pressures, banks will increasingly seek to implement and enforce long-standing retail credit pricing practices (e.g., non-direct debit rate premium, third party vendor cost recapture, documentation/search/recording fees, etc.).
5	Innovative credit product structures and self-service capabilities (e.g., borrower-initiated rate resets, tranche conversions, payments/advances, etc.) will differentiate institutions that offer them and provide significant competitive advantages.
6	The use of RPA (Robotic Process Automation) and Digital Labor capabilities for more routine life of loan processes will increase significantly, reducing operating costs and overall competitive advantages for players that embrace them.

Contact us:

Scott Cotton
Principal, KPMG LLP Advisory Services
KPMG LLP
303 Peachtree Street, Suite 2000
Atlanta, Georgia 30308
770-402-2076
scotton@kpmg.com

kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.