Fireside Chat with Vantage Bank Texas on "All Things Payments" transcript

Fireside Chat with Vantage Bank Texas on "All Things Payments" sponsored by CGI and Celent. Speakers include:

Gareth Lodge, Senior Analyst, Global Payments, Celent

Shawn Main, Executive Vice President, Chief Business Architect Officer, Vantage Bank Texas

Introduction

Gareth Lodge:
Hello there, my name is Gareth Lodge. I'm a Senior Analyst at Celent and I'm delighted to be the host of this series of fireside chats on behalf of CGI about all things payments. Today I'm joined by one of their clients. So first Shawn, perhaps I could turn to you and ask you to say a little bit about who you are, and about who your institution is as a starting point for this conversation.

Shawn Main:
Thanks Gareth. My name is Shawn Main and I'm the Chief Business Architect for Vantage Bank Texas. I lead a group called Shared Services where we focus mostly on application development, data analytics, business process alignment as well as process improvement. A little bit about my bank—we're a commercial bank with about $2.8 billion in assets, about 23 locations spread across Texas. Our headquarters is in San Antonio, but we're ultimately spread across Texas from Fort Worth down to McAllen, over to El Paso and many other communities within Texas. And really, when I think about my institution, I think about a community within a community bank. We're ultimately owned by one family who has many, many businesses within Texas. We have a lot of entrepreneurs that are related to the bankers that we work with. Their families, sons and daughters, they all own businesses as well. We have a lot of cross border experience as well and that really gives us a lot of insight into kind of our customer base and who our customers are and how we can best serve those customers. And you know, if I think about it, Gareth, talking about CGI being a client [of theirs], ultimately we chose CGI because they've been a great partner for us. They have really helped us kind of gain some visibility into this payment space and help us kind of evolve and grow into where we are today.

Partnership

Gareth Lodge:
So let's dive into it, but maybe start with an easy opening question, or perhaps it isn't that easy. What do payments mean to you and to your banks? Are they something that is a strategic importance to you? Do you look at it from an efficiency point of view? What's your, kind of, view of payments?

Shawn Main:
Well, when I think about banks, I really think about what do banks do at their core. And we really do three things. We store money, we lend money and we move money. So payments is really about that efficient movement of money. And so, absolutely, I think it's a big part of our strategy. It's a part of every bank's strategy. When I think about payments as a strategy, it's really about how do we best solve the problem that our customers are having

when it comes to that payments journey. And then how do we augment that overall customer experience and make sure that their experience is really seamless across all those different channels of different experiences that they have?

Gareth Lodge:

So, given the importance to you as a bank, and as you say to all banks, what do you look for in a technology partner in bank payments? Is it just technology? Is it a solution provider? Is it a partner? Or is it something else? Do you have a view on that?

Shawn Main:

Yeah, absolutely. You know I really don't look at, we don't look at vendors anymore. I think that they absolutely have to be partners. You know, we're no longer in an age where we're just buying off the shelf software and we're just finding these single point solutions that we put in, and then we ultimately try to mold our processes to. I think we're really in the age of where we're starting to buy platforms and tools that allow us to mold the overall solution to what we need as an institution, and the processes that we have. So for me, you know, when I look at partners, I'm not looking for someone that's just going to come and air drop in some sort of solution and then get out of town and move on to the next sale. And so you know, I think about what does make that good partner. How do you know that you found a good partner? And for me, it's always about finding that partner that lives within the gray area. There's always so much technical uncertainty that happens when you're going into a new project. You're walking down a new path, and oftentimes a vendor will come in and they want you to understand every part of that path and know every step that you have to take. And that's just really not feasible in today's world given all the complexity that exists. So I really look for a partner that is going to help walk us down that path to forge that new trail and get us to the solution that we're looking for. Ultimately, it's about them being able to listen and have a good understanding of your goals and make sure that you are going to get to that end goal and end state, and really, that they've planned for that as well. They've planned for that uncertainty.

Gareth Lodge:

And what other things do you look towards a partner to bring? Is it their experience, whether longevity in the marketplace, or international, and she can bring new ideas into the marketplace? Is it just technology for you?

Shawn Main:

No, I mean it is absolutely about the people and the talent that the company has. The breadth that the company has is extremely important as well. I mean, you can't say that small providers don't offer something new as well. Sometimes you've got smaller partners that are disruptors in the industry and they are just far more capable in that narrow focus. So sometimes you really have to look for what is the end solution that you're looking for, what is the talent that you have internally, how do you augment that talent with what you have with this new partner, and you have to kind of pick and choose where best to align those types of resources.

Gareth Lodge:

So a blending of the opportunities available to deliver the best possible solution.

Shawn Main:

Absolutely.

ISO 20022

Gareth Lodge:

So attend any conference, any webinar anywhere in the world and you're undoubtedly going to hear the dreaded phrase ISO 20022. Some people love it, some people loathe it only because they've got to do something about it. It's probably the largest transformation project in payments globally, ever. Yet we're all at very different stages of this. And we mustn't forget that it's got to be relevant to us and what we're doing. So I'm aware of the work that

you're doing around Fedwire in particular. It would be interesting to hear what you've done in that space and what you feel around 20022. Does it add value or is it something that's still a little bit for the future, for example?

Shawn Main:
Yeah, absolutely. So about a year ago we did embark on a project to replace our Fedwire platform. And we did it really in a record amount of time. And the reason we went down that path is mostly because I think about like a lot of the technology that banks are on today. We're really encumbered by a lot of the long term contracts that we put ourselves in with all these different vendors and those solution providers really had one focus, right? It was either Fedwire, or it was SWIFT specific, or it was ACH specific. And for us, as we started to build out that new customer experience, that new digital journey that we're working on, we realized pretty quickly that a lot of those technologies were not going to allow us to move at the pace that we were hoping to move at. And so we had to unencumber ourselves from some of that legacy technology and put ourselves on a platform that would give us those capabilities specific to ISO 20022. But really, we started with Fedwire. For us, that was really the easiest way into the product and to get ourselves onto the platform. It had the most impact for us as a bank when it comes to how we process payments. It's a big part of what we do. But it also gave us that future forward capability where we could start saying, "Let's start layering in all these other technologies like ACH and RTP and all these other technologies that are coming down the road." So ultimately I think ISO 20022 has a lot of merit in what it's going to offer us as an institution. It's obviously kind of a big standard, a big world, a lot of transformation that's going to occur. And for us, one of the biggest things was really being involved in understanding that whole process. And so it's kind of dipping our toe in the water and then getting that experience on how are we going to learn how to swim and how are we going to be really good at what we do in the payment space.

Gareth Lodge:
Given the Fed hasn't yet reconfirmed the timeline for migration, and one strongly is of the belief that they will—it's a when, not an if—you're somewhat ahead of the curve. In some ways, you're delivering what you need to on Fedwire, but you're starting to get that exposure and head start on 20022. For those banks who haven't started their journey, is there any particular advice that you might give them? I think that education piece sounds like it's a large part of it.

Shawn Main:
Yeah, absolutely. I mean, my biggest piece of advice is start now. Like I was saying, I think you know you're only going to learn to swim if you dive in the pool. And I think everyone needs to start dedicating some time to this. I really do think that they need to dedicate a person to not only understanding the technology, but being really focused on that digital transformation component, especially when in regards to payments. Like you said, Gareth, it is so broad and so vast. The change that is going to have across the industry and across the world. If you don't really give someone the time to learn and to ramp up along that curve with the technology, they're just going to be further and further behind. As this continues to evolve and become something that is much larger than just the United States. I really do see it as spanning the globe and really helping us facilitate a lot of those cross border payments interactions between different countries.

Gareth Lodge:
I think one other point that is sometimes forgotten in this discussion is if you choose the right technology platform, then all your payment types are processed using the same format, giving you efficiencies in that regard and better view of the visibility of the payments data, for example. Do you see opportunities in that regard?

Shawn Main:
Yeah, absolutely. I think ISO 20022 is really more about the data then it is really the operational victories that we always talk about. You know, making payments and standardizing those payments across institutions, across channels and across countries is obviously important. But when I really think about the data, I think about the analytics, the fraud and all of that visibility that's going to start—it's going to give institutions. And I think about AML. It's going to give us just a better picture of that overall customer behavior, that flow. all of those transactions across

those various rails. And I think that really that's kind of the underrated component of ISO 20022, is being able to bring all that together. I really do think about, even today or even not too long ago, just trying to combine NACHA and Fedwire and SWIFT and all those different payment types, and trying to understand how a customer is moving that money between various businesses or various locations across the country or across United States. It's extremely difficult, and it puts a whole lot of overhead on our BSA teams on our AML and fraud teams, as well as our analytics teams in the teams that are trying to just explain to our presidents, to our executives about what is actually happening and how the money is moving throughout our institution. So I think it's going to be a big win for all of us when it comes to that standardization and going back to that talent and kind of knowing that it's vitally important to start to learn that today so that we can really leverage it for tomorrow.

Real time

Gareth Lodge:

So perhaps now we'll switch gears to one of the things I'm probably best known for, which is real-time payments. It's live now in more than 50 countries around the world. Some of those countries have been live for 20, 30, even 40 plus years, and now slowly the U.S. is getting there. And there are many reasons why it has been slow to develop. Unlike other markets, there's no one to mandate it, so I think there's people who are interested in real-time payments are those because who they are interested in it. They see value. So maybe we want to start with that first of all. I believe you're one of the pilot customers for FedNow. What drew you to participate? What do you see as the benefits of real-time payments?

Shawn Main:

Well, ultimately we are FedNow participants and one of the reasons that we joined goes back to my earlier conversations. It's really about taking a step towards that journey and starting to learn about the process and be a part of the overall process and the evolution of the product. Specifically, here in the United States, obviously a lot of other countries have adopted this technology. They've already been on it for a long time. They've got a lot of experience in it. But here in the United States, we just do not. And like you said, no one has mandated it, so we're not forcing ourselves to learn it. And for us, we are starting to force ourselves to learn it. So being a part of the program actually forces us to learn to evolve into, grow into this space. And so I think that that's kind of the main reason we went into it as well as it will poise us again to be better prepared for when these products do come to the United States. We will be that much further ahead and more capable of really focusing on that customer experience in that payments journey rather than just the nuts and bolts of the technology.

Gareth Lodge:

To use an analogy you used earlier on, are you diving full in and doing send and receive and then request to pay? Or are you much more moderating your approach of this, and perhaps just doing receive only, which is still participating?

Shawn Main:

Yeah, I wish there was actually a lot more use cases out there right now for the United States. And even the Fed and the program itself hasn't really come up with a whole lot of good use cases. Obviously for us I think being receive only is kind of a must have. We've got to be able to start accepting that, but I do hope that we'll be able to move into being able to send and receive those types of payments. I think the largest challenge for us and for a lot of institutions is really going to be around how do you manage the reconciliation. We're moving off a batch process where every business, every customer, every bank is really used to this process. And so now we're having to overhaul a lot of what we're doing. And in fact, that's been the largest concern from my finance team, is just how do we reconcile this? How do we manage liquidity across our providers as we go through this? We're not going to have people available 24/7 to man this and so how do we do that? And those are the things for us being involved in this process early gets us to think about those processes early.

Gareth Lodge:

You raise many interesting points there, but we often talk with clients in any country that are looking at this that it is not just a faster ACH, but it is a single message. So not batch, the availability and uptime. And that's not just of the payment rails, but anything and everything that touches that payment transaction as well. And that liquidity piece as well. What's been the most interesting learning point, or thing you haven't had initially thought about in that process? Does anything stand out?

Shawn Main:

I would point to the availability because you know most people when they think of that, especially from a technology perspective, it's just about the systems. I think we've gotten pretty good at system availability for the most part, especially when you start to talk about clouds and other components of those clouds. But it's really about the people and the human element that has to go into this, and that's something that I don't think we're used to yet and how we're going to man that how we're going to staff that, or how we're going to automate that so we can remove that human element. And I don't think that challenge really been solved yet. It's kind of a tough one and I don't know exactly how we're going to solve it, but I know that that's really the biggest piece that we're focused on.

Gareth Lodge:

And they always say that the first point of solving any problem is to realize there is a problem. So I think that's a natural progression on that journey, so you're not alone in that, but many have fixed it ahead of you, so it is doable. So I think let's change gears or maybe there's a natural segue into the next set of questions about what's coming next. Certainly in our research and the discussions that we've had with our clients is we're predicting real-time everything, everywhere. Perhaps not tomorrow, perhaps not in some countries in the next 5 or 10 years, but things will only get faster. So with that other changes and other requirements are likely to come. One of those that's been widely discussed is request to pay as it's called in some countries or request for payment in others. Do you see that and other overlay services to real-time payments being a critical part of the journey or just around the corner?

Shawn Main:

Yeah, absolutely. I think request to pay or request for payment is really a game changer when it comes to what we're doing in real-time payments. I really think mostly about corporates and treasury customers and their ability to better forecast their overall cash flows and understand their operational cash reserves. Being able to, what I call, have better visibility into that just-in-time payment, just-in-time invoicing. And really, collapsing a lot of that time window and delay that occurs today because of the way the infrastructure is built. So for me, I think that there's going to be some huge advantages for those corporates and those treasury customers, but it's also going to be for banks as well. It's going to help us better understand the flows for our customers, better serve those customers. And one of the things that really isn't talked about, often about, requests to pay is also the reduction in fraud. I mean, think of all the PII and confidential information that we pass around today just to make a payment, and that information is stored in some other customer's ERP and it is spread across the world on invoices and other things, and I think there's going to be a pretty large reduction in that fraud because we will no longer have to pass around so much information. It will be handled securely by the banks in the background. We will have a better experience for that customer and for the recipient of those requests to pay a request for payment.

What's next?

Gareth Lodge:

Then I think there's a natural link from real-time payments, and we've touched upon it already about the speed, the availability, and why more and more organizations are looking to the cloud, not just for real-time payments, but for their payment operations more broadly. We've seen a significant uptick in interest as a result of COVID. As spending is being put on hold, payment types have had to respond to different ways of working. Where are you in your journey to cloud and do you see it as the future? Or is the future already here for you?

Shawn Main:

Well, when it comes to cloud, I mean I think that's really the only future. And not only is it being heavily imposed upon us by the large giants that are out there, but I do think that the days of on prem computing and siloed point solutions are really dead. And you know, I would really honestly worry about institutions that still think that's a good part of their strategy. There's no real way for us to not only have the talent in house to manage a lot of that on prem technology and legacy technology, but there's no real way to build those connected experiences without the cloud. And you're talking about multiple providers across multiple industries, so I think cloud is extremely important as a part of that process.

Gareth Lodge:

And then I guess that natural linkage there is, how do you connect the cloud to your other systems that haven't made the transition yet? APIs was something we were having to explain to clients as little as two to three years ago now. Yet it is front and center of most discussions in the technology space. Where are you in your API journey and do you think of it as more of the internal tool or are you looking towards open banking with possibilities around that as well? What's the direction of travel, do you think, for the industry in that regard?

Shawn Main:

Our sole focus is on APIs, that middleware layer, being able to integrate and connect systems that's vitally important to delivering on those connected and seamless experiences for our customer. And you know, I think it's actually kind of funny. Like you said, APIs are now at a subject of conversation and I'm actually starting to hear non-technical business folks say the words over and over again. So we are really hammering home the use of that integration technology, APIs and making sure that we have the right technologies in place so that we can be prepared for open banking and whatever may be coming. The problem I have with open banking right now is it's still over in Europe and it's not here in the United States. It's still pretty unclear how we're going to bring that together, what the standard will be here, how we will connect all of that to these other institutions and really drive some of that interoperability between all of these different banks and different fintech providers. But we want to be there, and that's again going back to the talent. I think it's super important to have a good understanding of how to build these interconnected weaved experiences through APIs. So for us, it's vitally important. That's the main component of my role, in fact, is to make sure that we not only align the business and the technology, but we figure out how to best connect those processes together to deliver on those expectations.

Gareth Lodge:

And I think the reality is it's progressive banks, like you, who will be pushing that demand for that set of standards and how to coordinate as an industry. And that's what the industry needs because we just look at markets around the world and all the interesting things that they are doing. Coupling APIs and real-time payments and ISO 20022, it' like a giant Venn diagram where API largely sits at the center of this. Shawn, it's been absolutely delightful to talk to you about this. Many thanks for your time.

Shawn Main:

Gareth, thank you very much. I definitely appreciate it.