ASSOCIATION FOR FINANCIAL PROFESSIONALS

AFP® EXECUTIVE GUIDE

Global Transaction Banking

Underwritten by:

BNP PARIBAS

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PROFESSIONALS

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Executive Summary

Managing relationships with transaction banks is a central, but difficult, part of a treasury practitioner's role. Of all external partnerships, a successful set of bank relationships can have the most positive impact on the effectiveness of a company's treasury department. Good bank relationships take time to build and nurture; this investment in time will pay dividends as the bank is able to identify appropriate products to help the company. As with other treasury activities, there is no single correct way to develop bank relationships or no ideal number of core relationships to have. The challenge is to have an appropriate number of relationships, in which both the company and the banks achieve their own objectives through strong and collaborative partnerships. This guide has been written to help the treasury practitioner navigate the process of initiating, and then managing, a good set of bank relationships.

The guide is structured in three parts. The first part reviews the current global banking environment. It outlines the pressures facing banks and explains why many of them have been reviewing their strategies over recent years. The second part has been designed to support the treasurer's decision-making process when appointing new banks and managing existing relationships. It assesses the role banks play in supporting a global payments strategy and helps treasurers to identify and manage the counterparty risk associated with a set of global bank relationships. The final part of the guide assesses some of the factors that are already having an impact on the future of global banking. It addresses developments such as blockchain and identifies some of the ways these developments may affect bank relationships in the future.

Market Environment

Although there is general agreement that we face an unprecedented global banking environment, it is less clear whether this represents a "new normal" or whether we are simply experiencing an extended period of market upheaval. The first scenario suggests that the banking environment will be in a state of flux for some time to come. The second promises that the current period of uncertainty will come to an end at some point, although precisely when remains difficult to determine.

In a sense, though, it should not matter too much to treasury practitioners which analysis proves to be more accurate. The reality is that the wider global banking industry remains under pressure to reform and restructure their businesses. This will, in turn, continue to have implications for the way individual banks choose to develop their propositions for their corporate and other clients. For corporate treasury practitioners, this produces a fluid banking environment in which it continues to be difficult to manage bank relationships, with the consequent uncertainty about both the range of products and geographic footprint of each bank.

The challenge for treasury practitioners is to try to make some sense of this uncertainty to help to understand both the risks and opportunities it provides for their organizations. With this in mind, it is helpful to consider the banks' perspective, as this will help treasury practitioners start to identify how their organizations are viewed by their current banks (and also would be viewed by potential new partners). It will also help practitioners evaluate how committed each bank is to a particular product or geography and, in some circumstances, help to identify where an existing banking partner may be considering withdrawal of support for a particular product or geography.

Banking Crisis: Still Unresolved

The impact of the global banking crisis continues to be felt almost ten years on. The biggest unresolved challenges are a direct consequence of the action by many world governments to provide support to their domestic banking systems in the immediate aftermath of the initial liquidity shock. Although there was a good degree of international coordination between governments and central banks, the policies adopted did vary significantly between countries, even though most were aimed at both supporting individual banks and preventing market contagion through support for the wider system. Due to the scale of some of these measures, the financial support has proved to be difficult to unwind, notably in Europe, where measures to support the wider European economy continue to be in place.

Globally, banks remain under pressure as the economy has not been sufficiently robust to allow banks to grow organically out of these problems. Despite the recent small increase in US interest rates, the wider and symptomatic low interest rate environment remains. Put in place initially as a policy tool to protect against wider recession, low interest rates have come to be associated with a sluggish global economy facing an uncertain future. This lack of growth has resulted in lower demand from business to invest and, when combined with the reduced opportunity to charge a margin, it is easy to see how the environment continues to put pressure on bank revenues.

Regulation

The ongoing government support for the banking industry has come at a heavy political and regulatory cost, with further implications for the global banking industry. In a political environment in which a number of banks were bailed out by taxpayers, governments and regulators have become more focused on strengthening the financial system as a whole.

Regulators have been working together to try to strengthen the global banking infrastructure collectively, where a major part of the regulators' work has been to try to identify and strengthen the globally systemically important banks. As well as trying to reduce the risk of failure of these institutions, the regulators are also keen to reduce the risk of contagion (both to other banks and to the wider economy) if one of these banks were to fail. National regulators have also taken similar action to try to strengthen domestically important banks, again to reduce the risk of contagion to other banks should one bank fail in the future. Together, this has resulted in the imposition of more onerous capital adequacy and liquidity requirements on banks, which has been supported by a more forensic approach to assessing bank capitalization. Even though many of these requirements are being phased in over a number of years, banks have already started to adjust their strategies in response.

However, despite considerable regulatory and legislative activity, some uncertainty remains for global banks. The decision by regulators to postpone a discussion to be held at the January 2016 meeting of the Basel Committee on Banking Supervision is a good example. Faced with regulators who have different objectives and interests, uncertainty remains about the likely design of the final regulation, making it more difficult for banks to set their strategies and to support their existing and potential clients. In addition, governments have been under significant political pressure to penalize banks for their role in the crisis and the ongoing slow economy, resulting in a number of judicial actions, which have included substantial fines. The length of time for some cases to be resolved has also led to further uncertainty.

Changing bank focus

The growing commoditization of core transaction banking services has helped to reduce the capacity for banks to charge fees for those services. Research by McKinsey[1] suggests banks in developed markets will see their incomes from payments and asset management services fall further still, with UK and Japanese banks most seriously affected by digitization in payments. In contrast, the research suggests that banks in the Middle East and Africa will see a limited impact from changes in these services as according to McKinsey, they are "structurally more profitable."

The effect of commoditization has been compounded by the impact of new regulation. As an example, banks in the Single Euro Payments Area (SEPA) have already seen their fee income from processing cross-border payments capped, limiting their ability to earn a return on their investment in new systems and products.

As a result, banks are under pressure to deliver services profitably, with revenues squeezed and operational costs increasing. Given this context, it is unsurprising that banks have had to review their strategies to adapt to the new environment. A number of trends are evident, each of which has implications for corporate treasury practitioners:

- **A refocus on transaction banking**
  The primary response of all banks has been to ensure that they can be compliant with the regulatory requirements in all the jurisdictions in the future, while retaining the ability to generate profits. For most institutions, this has involved greater emphasis on achieving an appropriate return from each corporate relationship, as the income from trading has reduced due to low interest rates and regulatory pressure. This is particularly acute for relationships with a credit element.
- **A focus on core products**
  As part of this process, banks are also giving greater consideration to the range of products and services they are prepared to offer their corporate clients. The market has seen some banks withdraw from offering certain services to clients and a wider withdrawal from the universal banking model. This cannot be attributed to the current environment alone; for example, only a few banks now offer custody services, as, over the years, other banks have decided to withdraw from the market, rather than invest significant budget in new technology to support a market with lower revenues.
- **A focus on core geographies**
  At the same time, as the regulatory burden has increased, some institutions have taken the decision to withdraw from certain geographies. This represents a reversal of the pre-crisis trend where many banks had a strategy of expansion into new, especially emerging, markets. The relaxation in regulation in certain emerging markets (such as China and Russia, for example) allowed US and European banks (in particular) to expand into these countries, either by setting up a branch or purchasing an established local bank. However, more recently, growing regulatory pressure, together with the need to cut operating costs, has led many institutions to review its presence in many of these markets.

  As with any broad trends, there are institutions that have taken the decision not to retrench, but are instead using the current uncertainty to extend their proposition to corporate clients, especially in the transaction banking arena. Given the uncertainty, the challenge for treasury practitioners is to try to establish which banks are fully committed to products and geographies.

Opportunities too

However, it is not only the ongoing fallout from the crisis that is putting pressure on banks. There are other factors that are having (and are likely to continue to have) a significant impact on banks and, by extension, corporate treasury practitioners into the future. Of these, the most important is technology change. Treasury practitioners have already seen the potential for efficiency gains, as they now have much more flexibility and choice over the way they communicate with their banks. In particular, technology has reduced the extent to which companies have to use bank-specific communication tools. Instead, companies have access to a range of bank-agnostic tools, which allow them to communicate more freely with a much wider pool of potential banking partners. This technology also provides treasurers with greater visibility and, therefore, control over their organizations' cash. This has the potential to offer treasurers more choice of banking partner; treasurers can now choose to work with a number of different specialist banks or to select one or more "universal banks" to provide most of the company's core requirements.

[1] A Brave New World for Global Banking, McKinsey Global Banking Annual Review 2016

Understand the Differences in Domestic Bank Environments

One of the challenges for treasurers operating internationally is to understand the implications of the various banking environments in the countries in which a multinational corporation operates. Recognizing the differences and how they might impact on the corporation's wider cash and treasury operations is an important component of the treasury practitioner's role, especially when trying to standardize processes across multiple locations, whether by the adoption of a global policy or via centralization.

There are two key areas of difference. First, European companies tend to rely on the banking industry to a much greater extent for both short-term and long-term financing. For example, despite recent relative growth in the European market, the US corporate bond market was still more than twice the size of the European market in 2016. This is primarily due to the smaller pool of institutional investors in Europe compared with the US. This means that any company with a decentralized or regional funding strategy may have to consider different approaches in Europe and North America. In particular, practitioners will also need to think about how their company funding impacts on their bank relationship management strategy, both from counterparty risk perspective and also to ensure any bank providing credit is appropriately rewarded with other business.

Second, even within the Eurozone, there are significant differences in the way the domestic banking environments operate. This is clearest in the instruments used to make domestic payments; checks remain popular in France, for example, but are not used at all in Finland. This will affect the way a multinational corporation collects payments, especially if it is consumer-facing, with implications for liquidity management. Although a company will be able to collect electronic payments from multiple locations into a single bank account, especially within the Single Euro Payments Area (SEPA), it will usually need bank accounts in each country where its customers use checks. Note too, that it is not just banking industry norms that affect where a multinational corporation must have a local bank account. A number of Middle East countries require companies to make salary payments from a local bank account, restricting a company's ability to fully centralize regional payment processing.

For treasury practitioners, these differences can represent a major hurdle to implementing a streamlined and efficient banking strategy. Banks operating in each region are used to developing their own solutions caused by the differences in environment. While it may be tempting to try to replicate the banking strategy used in the company's home market, practitioners should recognize that certain local conditions (tax and local regulation, as well as the banking environment) may not make it the optimal approach when operating internationally.

Implications for Corporate Treasury Practitioners

Given the central role that banks play as partners to treasury practitioners, it is unsurprising that achieving good bank relationships is consistently one of treasurers' most common concerns. Trying to achieve all the treasurer's objectives (sufficient funding, efficient liquidity management, effective risk management) while keeping all banking partners happy and engaged is time-consuming and can be difficult; treasurers are under similar cost pressure to their banking counterparts as they try to achieve more with less resource.

It is harder too for a practitioner with international, rather than just purely domestic, responsibilities. Banking practices are different from country to country, both for historical and regulatory reasons. As an illustration, the banking environment in the US is relatively homogenous, notwithstanding the fact that no one bank has a presence in all 50 states. In contrast, the European banking landscape remains fragmented. Despite the introduction of the Euro and the prevalence of EU regulation, there are some major differences in the banking markets across Europe (both inside and outside the European Union and, especially, in central Europe), notably in terms of payment instruments used and the functionality offered by local banks. Understanding the nuances of changing regulation can also be time-consuming; practitioners need to decide whether to track the implications internally or whether to rely on a banking or other partner.

In the current uncertain market, there are some significant implications for those corporate treasury practitioners responsible for managing global banking relationships. Understanding the perspective of current and possible future banking partners is central to successfully managing each banking relationship, as the ultimate objective should be to develop solutions in which both parties achieve their objectives. To get the best from their banks, treasury practitioners need to explain their company's strategies with them, so they can help identify good solutions early. Bear in mind, a more open approach may also result, in some circumstances, in a bank admitting early in the process that it is not interested or able to support a potential client.

The second part of this guide has been written to support treasury practitioners to develop an efficient set of global bank relationships, reflecting the marked change in banking and banking relationships that has occurred over the last ten years. While each of the below considerations, and more, will be expanded upon in further detail later in this guide, it is imperative to keep in mind the following when choosing a banking provider:

- Comfort with a banking provider, from credit ratings to relationship management approach, is essential in fostering strong and long-standing relationships.
- Ensuring that your provider is strong in the key areas that you need support is a logical, yet often overlooked, requirement to partnering with the right provider(s).
- Finding providers with an aligned footprint to your banking needs is essential, especially when your needs are in transactional banking products like Cash Management, Trade, F/X, etc.
- Understanding a bank's strategy to know its level of commitment to certain businesses as well as its expectations for share of wallet is key to building a strong foundation for your banking relationship(s).

Making the Most of Global Banking Relationships

Of all external partnerships, a good set of global banking relationships is probably the most important contributor to an effective treasury department. Achieving and maintaining them is also probably one of the hardest of the treasurer's tasks. Fundamentally, there is an underlying tension between having a wide enough banking group to provide all the services required and a small enough number of banks that can be managed efficiently and rewarded appropriately.

Managing bank relationships is time-consuming; an effective bank relationship develops through the sharing of information and the achievement of efficient solutions to a company's challenges. For an organization with multiple bank relationships, much of the relationship management cannot be scaled – managing four bank relationships takes broadly four times longer than managing one.

Managing multiple bank relationships is also complex. Despite moves towards standardization, there remain significant differences between the ways banks perform key tasks. This complicates the introduction of streamlined approaches to managing treasury activities. As an example, banks have a tendency to add their own requirements for particular fields in standard message formats, making it more complex to integrate data feeds from different institutions onto the same platform. At the same time, each bank needs to be appropriately compensated for the services it provides. Over time, this changes as certain activities become commoditized, reducing the bank's ability to charge a margin: as an example, payment processing is no longer as remunerative for a bank as it once was.

Given this, a treasury practitioner might consider minimizing the number of bank relationships. Certainly, one bank may be sufficient for most small organizations or for larger ones with a simple group structure. However, any company with a degree of complexity, especially from an international presence, or which grows beyond a particular size, will need to consider having more than one bank relationship. The treasury practitioner will need to consider the extent to which a single bank can offer access to the range of services the company needs and across all the geographies in which it operates. Banks often work with partner organizations to deliver services on their behalf but once a company operates outside a closely defined region (e.g. Western Europe), it can be difficult to find a single bank which has partner banks in all the required locations. A larger organization can also find that banks are unwilling to provide the level of credit facilities it requires: banks will have their own counterparty limits and many companies with sizeable borrowing requirements will need to approach more than one bank. Finally, treasurers will also need to manage the counterparty risk associated with their banking partner: a key reason why many companies have multiple banking partners is to avoid being over-reliant on one institution for operational support.

Establishing an efficient bank relationship management approach is made more difficult by the current banking environment. Treasury practitioners should continue to expect at least some of their banks to change approach significantly over the coming years so long as uncertainty remains over the future direction of banking regulation. At the same time, while most banks will have considered how technology will impact their businesses, again, it is by no means certain how technology change will affect the way banks offer their services and, indeed, the nature of those services themselves.

All these factors make choosing and managing bank relationships a highly complex, while vitally important, task. There is no single template or formula to determine the appropriate number of bank relationships. However, it is possible to identify the key factors to help make good decisions.

Understanding Bank Relationship Management

Most companies that have grown organically are likely to have developed a number of bank relationships. This is especially likely in decentralized organizations where group operating companies have responsibility for bank relationships or when a company has grown through acquisition. It may also be the case that such an organization has multiple relationships with the same bank (sometimes, even in the same territory). For any treasury practitioner seeking to exercise greater control and gain greater visibility over group activities in such a complex organization, having tighter control over bank relationships is vital.

Collating information

Collating information about current relationships, as well as about current and likely future requirements, will help treasurers prioritize their requirements of their bank relationships. The following will be helpful:

- **Evaluate current relationships**
  The first task is to identify and evaluate the company's current relationships. How many are there? Where are they located? What services does each bank provide? How much does the company pay each bank? Who manages each relationship? If possible, try to understand how each relationship has changed over time, especially in terms of the services provided.
- **Establish overall bank requirements**
  At the same time, the treasury practitioner should try to establish its core bank requirements, such as required credit facilities, payment and collection services, trade finance, and the company's approach to the level of centralization of cash and liquidity management.

  This should not be too prescriptive in detail. When conducting a wholesale review of bank relationships, practitioners should be open to reorganizing processes to achieve greater efficiency. Different banks will have their own solutions to the company's requirements and problems.
- **Try to standardize processes as much as possible**
  Any reorganization should aim to standardize as much as possible. This makes it easier for a central treasurer to exercise control and also provides processing efficiency. However, standardizing processes can be difficult given the widely different banking cultures around the world. This means, for example, that services common in one market are simply not available in other markets. This can be a result of regulation so that, for example, the availability of different cash pooling techniques can vary significantly between countries (in some locations notional cash pooling is permitted and banks provide it to most corporate treasury departments, if required. In others, notional cash pooling may be prohibited by legislation or regulation.)
- **Try to identify a target number of core relationships**
  Most larger companies use a small number of core banks to provide most of the company's credit facilities, cash management and payment services in the majority of the countries in which they operate. The size of the company's credit requirements and its geographic footprint (including the number of currencies it operates in) will play an important part in determining the appropriate size of the company's core banking group. A large credit requirement will necessitate more than one bank to offer

Case Study: Resetting Global Bank Relationships at Hilton

A major corporate event, such as an acquisition, can give a treasurer the chance to review the organization's core bank relationships. In 2016, the treasury team at Hilton Worldwide saw the upcoming spin offs of the company's real estate and timeshare businesses, and the consequent refinancing of debt, as an opportunity to reset the company's core bank group and to better align credit provision with the company's commercial banking requirements.

The treasury team identified a number of principles to guide the evolution of the company's core bank relationships. "On the credit side, we wanted to rationalize our core banking group down to about half a dozen global relationships, which will be the key lending relationships, and to concentrate our banking activity to this core group as much as possible," explains Fred Schacknies, now SVP and Treasurer.

Functionality is important too. "For example, we look at the technology each bank uses. We are more likely to do business with banks that can integrate better to our systems", says Donald Gradwell, Senior Director of Treasury Middle Office.

Although corporate treasury tries to manage all bank relationships, the company's footprint and structure makes this difficult. Hilton is present in over 100 countries and owns or operates about 3,000 bank accounts with over 100 different banks, many of which are not under corporate treasury's direct control. For example, franchisees, especially across the US, will often use their local bank. "But, our local entities now have to have a good reason not to bank with one of our preferred banks", explains Donald Gradwell.

Schacknies and Gradwell are also conscious of the fluid banking environment. As well as insisting on working with banks with a certain minimum credit quality, they view bank relationships from an operational risk perspective. "All our banks have a material presence in the US. In other markets, such as the UK, our objective is always to have two or three banks in any one region. We do not want to be reliant on one supplier in any geographic region", says Donald Gradwell.

Hilton are only part of the way along the journey of resetting their bank relationships. Although guided by the core principles, the strategy retains flexibility. Decisions ranging from strategic, such as on capital market activity, to operational, such as where to open a new bank account, are taken with the principles in mind, although the team recognizes it is not practical to retain all business within the core banking group. "We have our preferred banks", explains Fred Schacknies. "But, if none of them can service us in a particular location, then we will use a local bank."

credit. A dispersed footprint may similarly suggest more than one cash management bank: a multinational may select one bank per region, or one bank per major currency.

Ideally, the membership of the core banking group should be stable, with limited changes year-on-year. New banks may be added from time to time, notably when the company expands into new countries or makes acquisitions, or when a close relationship manager moves to a new bank.

- **Location of management**
  The treasurer will also need to decide who is responsible for managing the different bank relationships. This will depend on the wider treasury structure, such as if the company operates one or more treasury centers, as well as the extent to which the company needs local branch services in particular locations. This decision will also be determined by the company's approach to managing the relationships. This will include the target frequency of the dialogue between the company and each partner bank, and the personnel the treasurer wants to participate in those discussions. There is no "best" way to structure this process. Some companies drive their bank relationships centrally, with the group treasurer meeting frequently with the bank's senior counterpart; others choose to devolve routine management closer to the business, with perhaps fewer senior level review meetings.

  However, the approach should be flexible as certain activities, such as the adoption of new treasury technology, require more frequent and more detailed discussion and meetings, although this should never replace an annual strategic level meeting.
- **Location of bank(s)**
  Perhaps the most important decision, though, is the location of the banks themselves. Treasury practitioners need to determine how important it is to have access to a local branch network in each location in which they operate. Working with a local bank has a number of advantages: they have a better understanding of the local regulatory environment and closer relations with the government and national regulator; they will have a branch network outside the main business centers, although this is becoming less important as the use of electronic banking solutions increases; and they will be able to provide more general support for the business, as they will have a more detailed knowledge of local business practices and offer all domestic banking products. However, from a relationship management perspective, it can be difficult to manage a series of local bank relationships from the center, especially in terms of managing signatories and resolving the problems which inevitably arise.

Selecting a bank

Whenever a practitioner needs a new service or to support their company's expansion into a new territory, it is good practice to consider whether an existing member of the banking group can provide the required service. There are some clear advantages to using an existing bank; it is much easier to extend an existing relationship than start a new one. However, in some cases, the practitioner may decide to consider other providers, especially if none of the existing bank group has a sufficient presence in the new territory. Treasurers may also review existing bank relationships as part of a wider treasury project – when centralizing or after a major acquisition, for example.

Selecting and appointing a new bank is a critical phase in building a successful bank relationship. Unless the relationship starts well, it is going to be very difficult to create the conditions of mutual trust on which a good relationship must be based. Central to achieving this is an open and honest selection process. There are two major hurdles to overcome: the treasurer's lack of available time and, in many cases, the potential partner banks' sales teams. However difficult it is, treasurers simply must devote sufficient time to prepare for the selection process. Part of this process will be an evaluation of all the propositions of the shortlisted banks. A healthy dose of skepticism will be required to establish the extent to which the bank has the capability (and inclination) to deliver on answers given during the sales pitch. Time spent on four stages in the selection process will help to ensure a new relationship starts well:

- **Engage with all interested parties in the company**
  At an early stage in any review of bank relationships (whether this part of a regular review, as part of a wider treasury project, or when planning an expansion into a new territory), explain the project within the organization, discuss how services are currently used and identify any changes that non-treasury teams would like to make. This means consulting with the operating companies, as well as core central functions including tax, accounting and payroll. Consider too what communications with any new bank will be required, such as to an ERP or treasury management system or to a supply chain finance platform.
- **Provide sufficient information to shortlisted banks**
  If a bank is required to complete an RFP as part of a tender for a new piece of business, the company's RFP needs to be sufficiently detailed to require a clear response. Frame the questions in such a way that the respondent provides the desired information. Although a yes/no

answer may be sufficient in some cases, ask for detailed information when necessary.

It can be helpful asking detailed questions of a selected bank which is part of the core banking group before engaging them for a new product, even if the business does not go to tender. This allows the treasurer to spend time evaluating the precise level of service required and provides a format to validate the decision to award the business to the chosen bank.

- **Interrogate the responses**
  The purpose of an RFP (or similar document) is to check that the shortlisted banks can provide the required service and evaluate any additional recommendations each one has made. It is important to fully understand the proposition, keeping in mind that banks can use different terminology to describe the same product. When operating internationally, terminology may have slightly different meanings in different locations, especially if it has been translated between languages.

  Any bank failing to respond to an RFP is indicating that it does not want (or cannot cope with) the new business. This is unlikely to arise with core relationship banks: they should have already articulated any reasons for not wanting a particular piece of business, often because they do not have the necessary geographic presence. However, if the non-respondent is a secondary bank outside the core group with which the company does limited business, then the treasurer should review any existing business with that bank in case it reflects a wider change in strategy on its part.
- **Seek references**
  Finally, the company should not rely on the response of the bank to a particular question, whether in an RFP response or in a presentation or pitch for business.

  Note that this process may help the treasurer to recognize that an ideal service may not be possible. For example, this may apply in emerging markets where banks can lack some functionality that is taken for granted in more established locations. The process may also help the practitioner understand where to make a compromise on desired service. Consider too that it may be more efficient to use third-party services for some activities, rather than accept a second rate service from a core bank. The processing of physical notes and coin is one example of an activity where specialty providers can add value.

  However, taking time to fully understand the propositions offered by each shortlisted bank will ensure both parties know the other's expectations, which will help the relationship to start well once a selection has been made.

Julian Oldale, Head of Product Innovation and Business Development, BNP Paribas Americas

"Banks will give a new relationship some time to become profitable, but when it gets to a certain point, banks may need to take a decision to exit. Ask new banks whether they are going to make an adequate return, concentrate on [building new relationships] with banks which can get a return."

Keep in mind that the shortlisted banks will also be evaluating the company as a potential partner. In today's environment, all banks need to ensure all relationships are profitable. "Banks will give a new relationship some time to become profitable, but when it gets to a certain point, banks may need to take a decision to exit. Ask new banks whether they are going to make an adequate return", explains Julian Oldale, Head of Product Innovation and Business Development, BNP Paribas Americas. His advice is for practitioners to "concentrate on [building new relationships] with banks which can get a return."

Making the relationship work

As long as the process of selection is an open one, there is every reason to expect the relationship to be successful in the future, as long as the treasury practitioner devotes sufficient time to managing it.

Implementation

Implementing the selected solution as quickly and accurately as possible will also result in the relationship starting well. There are costs associated with this process which need to be resourced, including:

- **Documentation costs**
  Although the selection process will have dealt with many of the issues, it can take some time to agree the relevant documentation, including any covenants and terms of service level agreements. Most companies will be required to accept the bank's standard terms and conditions, so access to them as soon as possible will save time after selection.

Engage Senior Management

Although treasurers are increasingly involved in setting corporate strategy, it is at the C-Suite level that most ideas for the company's future development are generated and adopted. Because banks want access to this information, the CFO will gain access to senior decision-makers in the bank. Although the CFO will not be able to disclose sensitive information, they can discuss the company's business drivers and help the senior bankers understand the business better. The senior bankers also have the ability to better align the bank's resources to help the company achieve its corporate objectives.

"The more the bank knows about a corporation, the better the relationship will be for both parties," Tom Hunt, Director Treasury Services, AFP. "Also, make sure the treasurer is more strategically involved. The treasurer is more focused on getting good communications with the banks and so is better able to react in the current rapidly-changing environment."

- **Bank account management**
  Establishing new bank accounts, closing obsolete ones and changing signatories on retained accounts can be time-consuming and frustrating, especially when being managed centrally. Treasurers will need to maintain an accurate record of all signers, including their individual authorized limits. Note that some banks in some countries require signers to be physically present when opening an account or becoming a signatory.
- **Set up communications**
  Ideally, the treasury department will be using bank-agnostic delivery channels to communicate with all its core banks. Increasingly, standardized formats are available (using the ISO 20022 format) resulting in greater processing efficiency and more timely access to information. Wherever possible, use the proposed communication links (e.g. to the treasury management system) from the beginning of the relationship.

  Where standardized formats are not widespread (notably where SWIFT is less common), achieving an integration of data is more challenging.
- **Test the new structure**
  Any changes should be tested prior to going live. Practitioners should identify business-critical activities, such as any time-sensitive payments, to ensure they are executed appropriately during the transition period.

Walid Shuman, Head of Cash Management, Americas, BNP Paribas

"It is helpful for a company to share its vision and strategy over the next three to five years. This helps the bank to align appropriate products and services over time and the relationship manager to introduce them to the right experts."

Regular review

Once operational, each bank relationship needs to be subject to regular review. This should consist of assessing how the relationship works for both the company and the bank, measuring performance expectations and setting a roadmap for future reviews.

The treasurer can monitor the quality of each relationship in a number ways. As well as checking fees and charges, it is also possible to measure service performance using metrics such as the number of exceptions or the time taken to resolve exceptions. The bank will also track similar metrics to ensure the relationship meets its requirements. As well as addressing past performance, review meetings should also focus on future strategy so that relationship managers can provide timely support for any new projects.

"It is helpful for a company to share its vision and strategy over the next three to five years. This helps the bank to align appropriate products and services over time and the relationship manager to introduce them to the right experts," Walid Shuman, Head of Cash Management, Americas, BNP Paribas.

These regular review meetings are also important as they help the bank understand their clients' needs. "These meetings provide banks with input which helps banks to improve. This collaboration helps to determine the development of future products," explains Suresh Subramanian, Head of Trade & Treasury Solutions, Americas, BNP Paribas.

Managing Correspondent and Partner Banks

Whenever a bank takes a decision to withdraw from a geography, the treasurer is left with the problem of managing activities in that country without having a relationship bank on the ground. Although the treasurer may decide to appoint a new bank with a local network presence, in many cases the treasurer continues to operate via the original bank's correspondent bank in the country. The relationship between the original and correspondent bank can sometimes take the form of a more formal partnership agreement.

Managing this new correspondent, or partner, bank can be a major challenge, as the treasurer will not have direct contact with a person in-country to resolve issues. In these circumstances, it is important to "track all activity in that country, both the positive and the negative," explains Tom Hunt, Director Treasury Services, AFP. "Share this information with the bank relationship manager in regular meetings, perhaps every six months to a year. The purpose of giving them this information is not to complain but to build a better relationship."

Review the market

It is good practice to review the banking market regularly to maintain awareness of developments in the market. In particular, it will be useful to maintain discussions with banks outside the banking group, even if the practitioner has no immediate plans to replace a core bank. These discussions play two roles. First, it provides the opportunity to discuss requirements at a high level. It can be easy to become overwhelmed by detail when managing core bank relationships on a daily basis: a dispassionate, high level discussion with a different provider can help the practitioner refocus away from the minutiae and towards the core objectives. Second, this process can help to form a short-list for a new member of the core banking group, which can be used if problems do arise with an existing bank.

Managing Global Payments

Until relatively recently, most corporate treasury practitioners had only limited involvement in their company's payment strategy, as most payments and collections were managed at operating company level. Improvements in technology over the last few years have allowed treasury practitioners to play a greater role in determining their organization's payments strategy and, increasingly, to oversee its detailed implementation and operation. This is a notable consequence of the centralization of treasury management, such that it is now possible, for example, for a multinational organization to implement a global payments strategy via one or more regional treasury centers or through a payment factory.

Having a coherent global payments strategy should allow treasury practitioners to achieve greater visibility and control over the majority of group cash. However, this requires treasury practitioners to rationalize the number of group bank accounts and set up an efficient bank account structure with appropriate banks. This section identifies the key factors to consider when appointing banks to support a global payments strategy.

The banks' role

As with any treasury process, a successful global payments strategy will have clear objectives. The treasury practitioner will then work with banks to identify the most efficient structure and set of procedures to assist the implementation of this strategy. If the existing cash management banks cannot provide the sufficient range or level of service required, the company may need to appoint additional or replacement banks. The appointed bank (or banks) will need to provide a range of core services, including the following:

- **An efficient bank account structure**
  Each company will need to operate a series of bank accounts through which payments are processed. When determining where these accounts should be located and in which currencies they should be denominated, the treasurer will need to work with other group departments and the operating companies to identify which disbursements the company needs to be able to make and the most effective way of collecting payment from customers. This decision will be determined by the company's activities (mining companies have a different payment and collection profile to retailers, for example) and by its geographic footprint.

  Companies may be required to have external bank accounts in more than one location. As well as for operational reasons (it is easier to effect payroll or collect payments via a local bank account), there can be regulatory restrictions which require companies to hold bank accounts in particular locations. These restrictions include exchange controls (which may effectively require a company to hold a local bank account), local tax rules (which may require corporate tax payments to be effected from a local bank account) and local labor legislation (which may require payroll to be paid from a local bank account).

- **Bank account management**
  Even if the company does not manage its payment activities centrally, most treasurers will want to exercise control over group bank accounts via a set of standard operating procedures. Treasury practitioners need processes for opening and closing bank accounts, controlling and changing signatories on those accounts and tools to manage balances. Although these are all standard requirements, different local regulations can make all these activities difficult to manage as requirements can vary both between jurisdictions, between banks, and even between different branches of the same bank in different locations. For corporate treasury practitioners, these differences can introduce significant internal procedural challenges.
- **Payment initiation and authorization**
  In addition, treasurers may want the company to adopt consistent procedures for payment initiation, authorization and reconciliation, again irrespective of whether actions are performed centrally or locally. This needs to include a clear approach to the segregation of duties and the implementation of appropriate individual limits (which should be subject to regular audit and review and which should always be revised after any change in personnel).

  Treasurers should recognize that operational or regulatory requirements in some locations may prohibit the central administration of some bank accounts. Wherever possible, the procedures should be the same, although some individuals may need to be given delegated authority to manage them.
- **Visibility of cash**
  Finally, a key objective of a global payment strategy should always be to improve visibility over cash. The treasurer will want to be able to collect and collate information from all bank accounts to achieve an efficient control over liquidity. In the past, a treasury department needed a dedicated electronic banking terminal for each bank relationship for processing payments. Today, technology allows treasury practitioners to access bank account information via a single entry point and for data feeds from all the company's banks to be integrated into the same platform. This both reduces the time taken to calculate positions and also makes the positions themselves more accurate and timely.

  In addition to these core activities, treasury practitioners may also be keen to adopt solutions which provide additional benefits. For example, as well as the core elements outlined above, practitioners will also be interested in solutions which help to manage the risk associated with payments (notably foreign exchange risk in the context of global payments) and to capture as much additional data with the core payment. Ideally, additional data can be used to improve relationships with customers and suppliers and to support other corporate functions (such as procurement).

Selecting and managing banks

Given these overarching objectives, treasury practitioners will need to select banks to help achieve them. Where a company has an existing cash management bank (or banks) and it is expanding into a new territory, the process may simply be to ensure that the same level of service can be provided there by a current partner bank.

However, for a more complex project (such as the implementation of a new global payment strategy or as part of a wider treasury transformation project), the treasurer may need to adopt a more thorough selection process. Each shortlisted bank will have its own recommendations when proposing its own solution. As long as the core services are provided (for example, ensure all necessary disbursements and collections can be made), a treasurer should consider the extent to which they are prepared to compromise when appointing a particular bank or combination of banks. Note that any bank specific recommendations will play to the bank's particular strengths, so they are likely to be supported by the bank into the future.

As well as ensuring the company's core requirements are met, treasurers should need to consider a number of key points during the selection process:

- **Number of banks**
  In theory, using one bank for payments should be the most efficient. However, once companies have a certain scale, it can be appropriate to use more than one bank. This is most likely for geographically dispersed groups as this makes finding a bank with a matching footprint more difficult (and this is even more likely when the company wants access to local branches in particular locations).

  Counterparty risk should also be considered, as many treasurers will not want to be over-reliant on a single institution to deliver its payment strategy.

Where a company chooses to adopt more than one bank, there are two broad strategies employed: they can use one bank per major currency or they can have regional cash management banks (so one for Europe and one for North America, etc.). This can be supported by local banks where appropriate.

In reality, adopting a more efficient payment solution can often require the closure of some obsolete accounts. In these circumstances, treasurers should retain accounts with core banks in the first instance.

- **Communications**
  Ideally, communications with selected banks will follow a standard process, with data feeding to the same system. The development of aggregating software that can collate data from a number of different feeds to one location (such as a treasury management system) makes this standardization much simpler than in the past.

  Practitioners should determine the appropriate level of automation and identify when manual involvement (such as an additional approval layer) is required.
- **Support for future activities**
  Treasury practitioners will also want to ensure the selected banks can both help the company achieve these objectives and support any new initiatives which are planned (and, possibly, are under consideration) for implementation in the near future. Again, in the context of a global payments strategy, this may include measures to increase central control over payments, perhaps via the introduction of a series of shared services centers or the adoption of a "payments-on-behalf-of" model.

How will the banks' role change?

There are a number of technology developments which do have the scope to dramatically alter the role banks play in processing payments, whether through the impact of new entrants to the market or as a result of regulation further liberalizing the payment space. It is unlikely that changes will go to the extent of replacing banks as the core relationship through the provision of accounts. However, it is already the case that banks face disintermediation in payments processing. As an example, many cross-border payments are now processed by non-bank payment providers.

Technology is playing a role too. The use of mobile technology is important, both in terms of payment transmission and as a tool for treasurers to manage payments via remote approval. The increased use of real-time settlement systems for non-urgent payments may also lead treasurers to reconsider their liquidity management policy, as the timing of the initiation of these payments becomes more important. Treasurers may demand banks give them greater control over the timing of disbursements, especially if (or when) banks start to charge for intra-day credit.

Banks in some regions are scaling back their physical presence by closing branches, as technology allows them to focus on digital delivery of service to retail and small business customers. This may require practitioners to reevaluate the importance of access to a branch network and focus on other localizing factors, such as the ability to process domestic payment instruments.

The question for treasury practitioners is therefore to anticipate any change for two key reasons. First, practitioners will want to take full advantage of new products and services that will aid the efficiency of their operations. Second, they will want to avoid scenarios where they are forced to rely on any bank's ageing solutions.

Managing Counterparty Risk Among Global Banking Partners

One key element of any global banking strategy is to manage the associated counterparty risk. Companies are highly reliant on banks for a range of services, including credit and liquidity management. Understanding how counterparty risk arises, so that it can be monitored and necessary action be taken, should be an integral part of any bank relationship management policy.

How does counterparty risk arise?

Because of the integral role of a company's banking group to the daily treasury operations, treasury practitioners are acutely aware of the counterparty risk associated with each member of the banking group. Companies are exposed to counterparty risk with regards to banks in three core ways:

- **Bank failure**
  This is the core risk that a bank fails to provide an expected service. This encompasses a range of potential issues including: a denial of service or similar cyberattack; internal processing error or fraud; a general failure of the bank, resulting in a loss of access to bank accounts and deposits; or a failure to extend an expected line of credit.
- **Regulatory intervention**
  In some cases, banks are prevented from delivering a service because of regulatory action, including economic sanctions or a tightening of exchange controls.
- **Change in bank strategy**
  In the longer term, banks may also take strategic decisions to withdraw from certain markets or to cease

offering specific products. The reasons for such decisions can vary, but they can have a significant impact on any company which has to identify a different provider.

What can a treasurer do?

There are a number of ways treasurers can protect against the impact of the events outlined above.

- **Understand exposure to each institution**
  The first step is to understand the group's global exposure to each institution across all geographies and products. As treasurers work to gain greater control over core bank relationships, this should become easier. The calculation should include all products used across the group, including those not directly controlled by group treasury. As well as this, the treasurer will also need to understand how quickly any positions can be unwound and how difficult it will be to establish alternative processing arrangements in the event of a bank failure.
- **Limit exposure to each institution and monitor counterparty credit**
  Armed with this information, the treasurer will want to consider whether the group is too exposed to any banks and, if so, to apply limits. Applying counterparty limits is important when investing and borrowing, but it can also be prudent for operational reasons too.

  Be prepared to take action if there is a merger between two banks in the company's core bank group as this can result in the expanded bank breaching these counterparty limits.

  Treasurers should monitor the creditworthiness of all bank counterparts on a regular basis, not just those with which they place short-term cash.
- **Have a business continuity plan**
  Along with the rest of the organization, the treasury department should have a documented and tested business continuity plan. Part of the plan should cover processes to adopt in the event of the failure of a core bank, whether through financial collapse or technology failure. Treasurers should identify vital business tasks and identify how they can be executed in these circumstances.

  This process should also evaluate the potential impact of regulatory action on bank relationships, especially any with the capacity to disrupt payments and group liquidity management. This will require an appreciation of more general country political risks, which can be particularly acute during periods of political or economic uncertainty in a particular country. For example, a government may impose emergency exchange controls to protect against capital flight after a trigger event. Treasurers will need to work with their banking partners to minimize balances exposed to such action.
- **Maintain relationship with counterparty banks**
  Trying to understand each bank's strategy should be an important part of the company's bank relationship management activity. Although banks may change strategy at short notice, treasurers should always discuss new bank initiatives during part of their regular relationship management meetings. This will help them to identify the areas receiving most investment by the bank, both in terms of product and geography.

  This approach is also important when discussing revolving credit facilities or overdrafts. Practitioners will need to work on any renewal in advance of the actual renewal date, to avoid having facilities withdrawn (or not renewed) with no notice.
- **Keep records**
  Treasurers need to be diligent in both recording the business transacted with each bank and making notes of the discussions during regular relationship management meetings. Over time, these records may identify a trend suggesting an improving or declining relationship,which may be less obvious when recording a single meeting.

  As with most treasury activity, a core part of bank relationship management is identifying and managing risk. Having greater visibility over all group bank accounts is an important tool in being able to measure exposures.

Looking to the Future of Global Banking

History allows us to review changes that have been made over recent years and to understand the implications of these changes on today's environment. Looking ahead to predict which of the many current developments in global banking will come to fruition and have a significant impact is much more difficult. In corporate banking, the failure to develop the concept of electronic bank account management over the last few years illustrates how even quite fundamental developments do not work out as expected.

That said, in the corporate banking environment, for the reasons outlined earlier in the guide, banks are under pressure to innovate. A combination of reduced margins, increased cost of regulation and greater competition from new entrants means that banks have to continue to be able to deliver cost-effective services to their corporate clients.

Where Are Changes Being Made?

As discussed, there are many areas where banks are currently innovating, either on their own or in partnership with other companies and organizations. Much has been written – and is expected – of the so-called FinTech revolution. There have been some tremendous developments that already provide treasury practitioners with time-saving solutions; technology that integrates data feeds from multiple banks to a single screen is saving treasury departments hundreds of hours every year.

There are plenty of articles outlining current developments and predicting how new technologies could be used over the coming years. As with eBam, though, the difficulty for treasury practitioners is being able to determine whether and how to respond to initiatives in the market place over the coming years. The challenge is to identify which developments to pay close attention to because they promise to deliver new efficiencies. At this point, these developments are less about picking the specific solution or developer that will become close to the market standard and more about identifying areas where there is potential to effect savings.

"There needs to be a sense of perspective as the industry has a tendency to overestimate the short term impact of these changes and underestimate the long term impact. In the short term, we see incremental change. Our philosophy is to be nimble so to be able to make changes to benefit us and our clients." Suresh Subramanian, Head of Trade & Treasury Solutions, Americas, BNP Paribas.

The following areas should be of particular interest to corporate treasury practitioners as they have the potential to provide major efficiency gains.

Bank account management and KYC requirements

As outlined above, the banking sector has, to date at least, failed to make significant progress in the development of effective electronic bank account management. New regulation, especially in relation to know-your-customer requirements and anti-money laundering rules, has also added complexity, and therefore cost, to the process of administering bank accounts. At the same time, the central treasury and finance function is under greater regulatory pressure to be able to demonstrate control over all bank account activity, including the identity of payment beneficiaries.

There has already been some development in this area, but treasurers should track two areas of potential efficiency savings, which will also support compliance with regulation.

- **Electronic bank account management**
  Although progress towards eBam has been painfully slow, the need for banks to make efficiency savings means that improvements will continue to be made. The costs associated with opening and managing bank accounts for both banks and corporate clients are simply too high when both are under pressure to improve. The first stage may be the adoption of a more standardized approach between banks towards bank account management before any standardized electronic tools can be developed.
- **The extension of KYC to registries**
  The other area of major potential benefit is the development of KYC registries. These will allow companies to verify the identity of a payment beneficiary (or other counter-party) prior to authorizing a payment. This technology has already been developed and it is likely to become much more widely used as a protection against fraud, as well as to support compliance with regulatory, sanctions and AML requirements and to foster transparency, especially as the use of real-time payments increases.

Blockchain technology

Of all the technology developments that have the potential to impact banking, blockchain has received the most attention. Blockchain is a term used to describe a record-keeping system, or ledger, which is accessible by all participants. In theory, blockchain technology could have applications across a number of banking activities including payments (especially cross-border) and trade finance. Users would benefit because blockchain would be quicker, cheaper and lower risk than the traditional methods, as the transparency associated with the technology allows all participants to see activity on the ledger at the same time and any discrepancies can be identified and resolved early.

There are processing savings. Even where banks are involved, they will transact directly with each other, whether for a cross-border payment or in trade finance, rather than using a network of correspondent banks. Greater certainty over timing allows foreign exchange costs to be reduced and liquidity to be managed more efficiently (as clients will have greater certainty over the timing of a collection).

Many banks are working either on their own or with financial technology partners to develop their own solutions. This does produce the risk of multiple standards and practices being developed and, as with any new technology, potential new users are skeptical of the functionality. To become mainstream, there is a requirement for a critical mass of users. Some legal certainty will also be necessary, especially with respect to the title of any funds or goods transferred using this technology.

Real-time payments

Notwithstanding the promise of Blockchain, real time payments can be made at low cost in increasing numbers of countries around the world. However, even where the functionality is available, most non-urgent payments are not yet being made in real time, as the use is primarily in the retail banking sector for consumer-to-business or consumer-to-consumer payments: for example, in the UK, bulk payments, such as payroll and supplier payments, are still generally processed on a three-day cycle via BACS.

However, over time, as the functionality develops and as regulators require banks to hold collateral against intra-day credit, treasury practitioners will want to reconsider their liquidity and payment strategies. In particular, practitioners are likely to demand functionality to provide real-time transaction and balance reporting from both their partner banks and their technology providers. Pooling strategies may need to be adjusted to minimize charges. This may result in a greater adoption of real-time payment methods over time, although this will depend on the availability of low cost same-day payments (such as the SEPA credit transfer in the EU) and the robustness of corporate cash forecasting processes. Where same-day payments are available, it looks unlikely that there will be much demand to move to real-time transfers for B2B and B2C payments.

Global payments

On the other hand, there are some major potential efficiency gains if cross-border payments can be made more efficiently. The application of blockchain technology is viewed as one way such payments can be made more efficiently. The SWIFT gpi project also promises more efficient cross-border payment processing. In particular, it is aiming access to funds on a same-day basis, irrespective of currency and country, as well as the ability to track the payment in real time and to carry additional data (using the ISO 20022 standard).

The SWIFT gpi project is due to go live in February 2017 and is the banking industry's response to combat the threat of disintermediation posed by non-bank providers in cross-border payment processing.

Big Data

As well as changing processes to perform existing tasks more efficiently, practitioners should also be identifying ways to take advantage of new opportunities. One example is the concept of "Big Data," which is simply the ability to mine data to identify trends and to inform decisions. As payment functionality extends to support the transfer of additional data (via ISO 20022 for example), companies have access to greater amounts of supplier and customer data than ever before. This can be used to inform cash forecasts and to identify problems with suppliers (perhaps via accelerated invoicing) or customers (via a trend towards slower payment).

Corporate exploitation of this data is in its early stages. However, treasurers should be talking to their banks about the data they can capture with payments and other processes so to be prepared to take advantage in due course.

Artificial intelligence

Allied to this is the potential use of artificial intelligence. There are a number of potential applications for corporate treasurers. For example, credit card companies already use artificial intelligence to flag potentially fraudulent transactions. As companies develop their own use of data, the next step is to use data analysis to "teach" systems to identify potential fraud or to learn forecasting or liquidity management.

The application of artificial intelligence to protect against fraud and as a tool to deploy against cyberrisk is available. This functionality could be extended to allow banks to identify bad payments (possibly in concert with KYC registries). The use of artificial intelligence to replace human involvement in some core treasury decision-making is further away although, when a change comes, it is likely to develop quickly.

Keep Track of Developments

Whether and how any of these elements will deliver change of value to corporate treasurers is difficult to predict. It is not necessary to be an early adopter of any new technology and, for many treasurers, doing so is neither attractive nor practical. The key for any practitioner is to retain the ability to act, rather than react.

"The influence of technology on bank selection and corporate relationships is only going to increase", Donald Gradwell, Senior Director of Treasury Middle Office, Hilton Worldwide.

Managing Bank Relationships: A Checklist

Preparation

The first stage in any successful bank relationship management strategy is to build a core bank group containing an appropriate number of banks. Some careful preparation will help to identify the company's core requirements, with key tasks being to:

- **Evaluate current bank relationships**
  Other than startups or divestments, all companies have existing bank relationships. Understanding where these are, who manages them and the range and cost of services provided is critical before any changes can be made.
- **Identify overall bank requirements**
  Armed with this information, the next stage is to identify what services the practitioner needs from the banking group as a whole.
- **Standardize where possible**
  Having standard policies and procedures helps a treasury practitioner exercise control over group activities, although it is not always possible to standardize activities in a multinational organization.
- **Determine the appropriate number of relationships**
  Given this information, a treasury practitioner can start to identify the appropriate number of banks in the company's core bank group. This will be primarily driven by two factors: the company's size and credit requirement, and the company's geographic footprint.
- **Decide who will manage the relationships**
  A key decision will be to determine the extent to which bank relationships will be managed from the center. Some companies may choose to manage bank relationships regionally or even at operating company level (although they may be subject to a global bank relationship policy).
- **Decide where the banks are located**
  This decision will primarily be driven by the extent to which the company needs access to a bank with a branch network in each country in which it operates.

Counterparty Risk Management

Once the core bank group is established, the treasury practitioner needs to manage the associated counterparty risk. As part of this process, it can be helpful to:

- **Understand exposure to each bank**
  Even if they don't manage each relationship directly, the treasury practitioner should calculate the company's exposure to each bank across every location.
- **Set limits**
  Limits should be set for all bank relationships, especially with respect to investments and borrowings. This should be calculated across all institutions in the same group.
- **Monitor counterparty banks**
  Practitioners should monitor the creditworthiness of all counterparty institutions, not just those holding deposits. An operational failure could have serious implications.
- **Have a continuity plan**
  That said, assume something will go wrong, so try to have a continuity plan for all eventualities.
- **Maintain relationships with each bank**
  The purpose of maintaining good bank relationships is not only to get access to the most appropriate products and services, it is also to be able to anticipate a change in counterparty bank strategy.
- **Keep records**
  Finally, keep a record of all meetings with banks and all activity with each bank. Over time, this may indicate a trend: if this shows a deterioration in the relationship, take action.

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