



From Regulatory Challenge to Opportunity

An Executive Interview with Thomas Dolenga, Global Head of Product Development Cash Management, UniCredit Bank AG



This edition's Executive Interview features Thomas Dolenga, who joined UniCredit in Munich earlier this year following seventeen years in Singapore, latterly as global head of product development for cash, trade and securities for Standard Chartered Bank. Since joining UniCredit, Thomas has taken responsibility for product development for cash management, including payments, collections, liquidity, account services, cards and client access, whether web-based, host-to-host or third party channels such as SWIFT. In this feature, Thomas discusses how some of the recent and ongoing regulatory changes are impacting, and will continue to impact, on banks and corporates alike.

What would you highlight as the most significant regulatory change in Europe recently, and what does this mean in practice?

Migration to SEPA has been a major change for both bank and corporate communities over the past few years. While the mandatory migration deadline has now passed, and most financial participants have completed their technical implementations, most organisations are not yet taking full advantage of a harmonised payments landscape. For example, SEPA offers unprecedented opportunities for standardisation and centralisation of payments and collections, and simplification of cash management across the Eurozone. Once companies start to standardise and centralise their cash management operations, their ability to respond to market and regulatory change is greatly enhanced, while compliance risk is reduced.

At UniCredit, our focus extended beyond compliance to a proactive approach in helping clients to understand and leverage the particular advantages that SEPA offers for their business, and creating the solutions that enable them to do so. Intelligent process automation is difficult to achieve in a fragmented or decentralised cash management environment, such as automated reconciliation and eInvoicing. The UniCredit solution UC Virtual Accounts allows companies to maintain a single account for

payments and collections (per currency) but still differentiate between transmitting and beneficiary entities for automated reconciliation and account posting. Treasurers and finance managers therefore gain the transparency and granularity of information that they require, whilst simplifying account structures and potentially eliminating the need for overlay liquidity management techniques such as cash pooling.

When SEPA was first conceived, there was a view that it would trigger rationalisation in the European transaction banking landscape. This has not happened so far, but can you see this happening once companies start to leverage a harmonised payments area more fully?

Despite the harmonisation opportunities that SEPA offers, there continue to be differences in payment culture across the Eurozone. For example, direct debits are the preferred payment method in Germany, while cards are more prevalent in other parts of Europe. As a result of UniCredit's depth of local capabilities and expertise in each market in which we operate, combined with an extensive geographic footprint and comprehensive cross-border solutions, we are able to support clients' harmonisation objectives whilst addressing local payment

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cultures. Consequently, we anticipate that UniCredit will continue to gain market share.

With SEPA compliance now a less immediate concern, Basel III is becoming a more important topic of discussion between treasurers and their bankers. What effect is Basel III having on transaction banking so far?

Basel III will have a significant impact on transaction banking at UniCredit and across the wider banking community, and we are starting to see this. Banks are obliged to take a different view of short-term cash and liquidity from what they have done in the past, which will result in newly emerging products and solutions that blur the boundaries between deposits and cash operations. Banks will still want to attract customer deposits, and will therefore seek to make their investment offerings as attractive as possible, using flexible maturities to ensure that solutions meet customers' liquidity needs whilst

complying with liquidity coverage ratios.

While the transition to Basel III will undoubtedly create challenges as banks and their clients adjust to a fundamentally new environment, it also presents the opportunity for banks to work with their clients to find new ways of addressing liquidity challenges. This is a major priority for UniCredit and we are being proactive in bringing new solutions to market that support our clients' and the bank's objectives.

How important are technology innovations in responding to the changing market and regulatory landscape?

Technology underpins transaction banking, and we continue to invest heavily in secure, robust platforms that combine depth of capability, reliability of processing and innovative design. This investment is allowing us to expand the range and depth of cash, trade and liquidity solutions that we offer. For example, we are extending our cash pooling solutions into Asia and North

America, providing customers with the ability to manage their global cash effectively.

UniCredit's global eBanking strategy is a key element of our commitment to customers, supporting UC eBanking global, a single platform across our global footprint. We recognise that timely, accurate and convenient access to information is critical for our customers. We combine data in one place, for both UniCredit balances and transactions and third party banks, with the aim of providing near real-time, high quality, useable data to our customers. This is essential to achieve visibility and control of cash and risk and automated processes such as cash positioning, reconciliation and account posting.

While technology is essential to transaction banking, it is not the only component required in delivering a high quality customer experience. Individual tools and solutions successfully address specific customer challenges, but the greatest value is in the combination of solutions, geographic reach and depth of expertise and service that a bank such as UniCredit is able to offer. □