Pivot: Cross Border Commerce Podcast Series

Product or Technology, which is driving the market?

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Mike Robertson **(00:00)**:

Welcome to Pivot, the Bank of America Cross-border Commerce Podcast Series. Pivot refers to a moment where, due to an impactful event within the business environment, one is set on a new path and a new series of possibilities arise. In this series, you'll hear competing discussions with industry leaders and key figures in the cross-border payments ecosystem and learn how they pivoted when the situation demanded it. I'm Mike Robertson, Head of Transactional FX Trading, Global Banking and Markets at Bank of America. And I'm joined by my colleague, Doug Houser, Head of Transactional FX at Bank of America. And our guest today is Wolfgang Koester. And the particular topic that we're going to cover with Wolfgang today is really around technology, and what drives the ecosystem today? Is it technology or is it indeed the environment itself? I'll hand over to Doug to take it from here.

Doug Houser **(00:51)**:

Thanks Mike. So I want to start off with a story here to lay the foundation for everyone out there, talk a little bit about MyLackey.com. Mike, do you know, do you remember MyLackey? I would be surprised actually, if you did. So, MyLackey was a platform designed to crowdsource people to run your errands, right? Late nineties, Seattle outfit, right? And so, you know, if you need somebody to get you a sandwich or pick up your dry cleaning, right? You would be able to go online and get someone to say, Hey, you know, for, yeah, sure. I'll do that for $10, right? So bottom line, MyLackey, no reason nobody really remembers it is, you know, it did not last, but then 10 years later, TaskRabbit®, essentially the exact same model, wildly successful, bought out by Ikea, we all know the story. And, so what was the difference between MyLackey and TaskRabbit® and, you know, what did MyLackey lack? So Mike, what did MyLackey lack? Do you know?

Mike Robertson **(01:52):**

I don't really know. I feel like this is a bit of a layup.

Doug Houser **(01:55):**

Yeah. So MyLackey, what MyLackey lacked was our phones. Ubiquitous GPS attached to people. Right? So that technological innovation is really what drove a perfectly great product idea, but actually made it successful. Right? So the technology had to be symbiotic with the product at the time that the products launched. Right and so that's what we want to kind of talk about here is, which one's driving right now? We see a lot of new technologies coming out in this space and the, in the cross-border commerce ecosystem. Is the technology driving the product, is product driving technology, or what's the push pull of either of those, right? So, Wolfgang, I'm going to hand it over to you, and before we get into this market, I want you to talk a little bit about FiREapps, right? You founded FiREapps and that was recently purchased by Kyriba, where you're chief evangelist. So when FiREapps was founded, it was the Renaissance in corporate EFX training. Right? It was going on. But, you know, clearly that market was booming, but what other factors in the technology landscape also drove you to say, you know what; this is a great time for this idea of an exposure management tool connected to ERPs to be launched in the marketplace.

Wolfgang Koester **(03:12):**

Yeah. Thank you for having us, by the way, first of all, so exciting to be on Pivot, so thank you for that. To answer your question, I'm actually a pretty conservative business person in the sense that I always think about what's the problem we want to solve. And then you got to ask yourself, can you solve this problem? And can you solve it now? And I think that the issue that I think Lackey had was they couldn't solve it now. So timing is crucial in this area. So when we looked at FiREapps, we had actually, before we came out with any technology for two and a half years, helped corporations understand and manage their current exposures manually and then started seeing what was actually missing. And the beauty of that was that you started having software to service raise its weary head, where you didn't have to implement technology at every single customer. And when that came about, that was kind of like, do you have a phone with the location GPS or not? That really said to us that enables us to do it because we couldn't get the business model otherwise to actually work, because it would be too expensive to implement and to maintain and to break into that market and make it easy and safe. Yet, be on the forefront of it is all about timing. So I'm a big fan of actually not building technology to find a problem, but rather find a problem, solve the problem, and then ensure you have the right technology from A to Z to do it, and then make sure the timing is correct.

Doug Houser **(04:45):**

So that’s great insight. And I do want to talk a little bit about that now, how it is in the marketplace, right? How we're seeing that now. And I say this because a lot of what we're seeing is a technology that's a solution for, and then we're trying to find problems to attach it. Blockchain is the greatest example of this, right? I think we all agree, right? Where you see oh, we have this great technology and everyone's trying to say, okay, what problems can it solve? So do you think that the outfits that are going to be the most successful is really going to follow the path that you're talking about, right? They're going to solve problems first and then apply the appropriate technology rather than trying to; you know kind of shoe horn, something into a technology as the solution.

Wolfgang Koester **(05:32):**

Yeah, I really do. And I mean, I can't think of too many examples of very successful companies that created a technology and then try to find a problem. I think that when people, you know, call it any sort of technology firm, looked at what they're trying to do, they had a vision of what problem to solve. And with that vision, they had to push technology along and to ensure that they had it. So it's the interesting part about this is that you don't rely on five-year old technology to solve your problem. You actually have to stay ahead of that while you're trying to solve the problem, where things going and then do not succumb to the market forces. So the market forces, when we started FiREapps, where people said to us, you got to be crazy, if you think that we will allow you to give us a script, to run behind our firewall, on an ERP system, nobody touches the ERP system. And then you're going to take that data and you're going to uploaded into a cloud somewhere. You've gotta be kidding me. And there were certainly, especially technology firms, interestingly enough, who said, we're not going to do that in the very early stages. And then they said, we want you to solve that problem, but we want you to solve it on premise. And probably one of the tougher decisions I had to make during that time was to really say, I'm not going to take that customer today. Eventually they're going to see that this is the way it's going forward. And today, if you're coming with even a hint of an on-premise solution, that probably they're gonna look at you and go next, you're living behind the times. So again, it's kind of interesting because you have this you want to solve a problem. You got to be at the edge of the technology, make sure you have all the technology, but don't be belated to the technology because that combination is what ends up making it successful. Look at any companies; we can go through the Amazons. We can go through anything is where did they come from? And it was my opinion all about, was a problem. And what we did, when we looked at FiREapps and initially started, as you know, just helping companies understand their exposures on their balance sheet, on the monitor assets, liabilities. People said, you can't do it! Funny enough - now everybody agrees you can do it, but at the time nobody thought we could do that. I mean, everybody says, that's impossible. And I said, well... go ahead.

Mike Robertson **(07:51):**

It's kind of interesting though, isn't it? Because when you think about this, this whole solution or technology or product or technology, it goes to this need to be able to be flexible, I guess, because, you know, we all know many companies that have stuck to the knitting, so to speak, and it failed because of it or were successful, didn't pivot, to use that word, and then things changed. I mean, could you speak a little bit about how you look at that? I mean, ultimately the cross-border commerce has a number of players, those in the Fintech space clearly there's legacy banks and so on. Could you speak a bit too how you see technology driving those sorts of changes and the absolute need of CEOs to be aware of, you know, to use the words you were saying before the coming change, being on the edge of it. How does one approach that strategically?

Wolfgang Koester **(08:36):**

Yeah. So I know I look at this, the problem of cross-border payments, really being one of, it's somewhat archaic that we have processes that may take two days to settle a transaction. Okay. But it would require a pretty significant change of the monetary system or create technology that actually addresses the problem and settles things quicker, faster, and cheaper. And I think that from various aspects, everybody's working on that problem. From our aspects, whether it's on the FiREapps side, or whether it's on the Kyriba side, is we really look at helping companies get to push a decision to a financial institution. And I say that specifically, we'll talk about that in a minute. Why finance an institution in order to execute for liquidity and then feed that back? We feel pretty strongly that the future remains with the financial institutions. And I know that there's a lot of players, who want to be quasi friendly in that environment to financial institutions, so maybe they have enough liquidity not to have to be. I think that that's a very dangerous place. So the thing that, the problem that we're looking to solve is, how do you make it easier, cheaper, and easier to reconcile, quite frankly, for corporations? What are the problems that a corporation has with cross-border payments and how do you solve that? Not with a number one focus on pricing.

Mike Robertson **(10:00):**

See that's kind of fascinating to me. How, when you think about the corporate problem, as you phrase that it's very neatly phrase there, how does one really, or how do you see a version of, I'm gonna use the word collaboration in a space where if financial institutions and let's call them the legacy institutions exist and they have a role to play and given the way I sit on, you know, of course hoping that is the case. And then we have a raft of people finding utility solutions out there that aren't traditional banks. And they're looking at corporate problems and saying, we can solve these. Speak a bit about how you see those vendors or those solution providers and legacy banks collaborating in the future. How does that look for you?

Wolfgang Koester **(10:38):**

Well, so I think that one should not look at a problem like this in isolation in its own silo. And if you do, then you could easily make the argument for that. These technology vendors would be able to take business from the financial institutions, but I think that's a very narrow minded thinking because at the end of the day, financial institutions were around for thousands of years, as we all know, and they've been around because at the core they provide liquidity and not just provide liquidity one, they provide liquidity in lots of different areas. And whether it's depth, whether its use of the leverage of the balance sheet for all things are. And if you, as a corporate, aren't willing to pay one way or the other for a service, then you will not have that service any longer. And I think that's becomes the issue here is, you know, at some point that corporate is going to say, well, I really need it during this COVID crisis. I needed really needed right back. I really think that this COVID crisis really was a great highlight about the importance of liquidity in general, and that being the core provision of a financial institution and that liquidity isn't being really provided by these other technology vendors.

Mike Robertson **(11:47):**

Hmm, Interesting!

Doug Houser **(11:48):**

So, yeah. So to push on that just a little bit, and I do agree with what you're saying Wolfgang, because it is very interesting that simultaneously during COVID, right? What we saw is an appetite for digital solutions, which would immediately have people thinking Fintech, right? But exactly the same way where this, there was absolutely gravitating towards the security of major liquidity providers, right, in the banks as well. So that would have you thinking banks. So I guess where is the power center line also between those two, right? We all know that they've gone from competitor to collaboration and back and forth. Where do you see that in the market right now? Where do you think we are in that space?

Wolfgang Koester **(12:30):**

Well, I'm actually very, if I may put it this way, you know, black and white on this in the sense that there's really not that much grey to me at all. There's a handover process. There's a pre-trade, trade and post-trade. And I feel that financial institutions will remain at the center of trade. And there's pre-trade, which has a lot of preparation, which the financial institutions are getting more and more involved in to get closer to the customers and working with Fintechs, who are not looking to get into the trade space. I think this is a really important aspect that I've seen again and again. Are they truly long-term these Fintechs friends or they frenemies? And if they're frenemies, one has to be very careful as a financial institution to work with them, because then all they're trying to do is get enough volume to compete. So, but I think that there, it really depends about where the pre-trade starts, which in my opinion, is raw data to the base decision, which is really not something that as a base decision, financial institution wants to get involved in, but the financial institution wants to get involved. Okay, now you have a base decision. You need to, you know, sell euro by dollars, whatever it is, 40 million, whatever. Now let's put about what product do you use. Is that a cross-border port is, what are the products, financial liquidity products that actually fit around what you want to do. And then we're going to give you the output of that, but you need to put that output somewhere else and need to push that. And I think what's interesting, there's enough space for the companies like us, Kyriba, I think we're as good position as anybody honestly, in this space is to really have ERP integrations for, and with the banks. In other words, where a corporation's problem is, I've got a lot of banks from Bank of America, I'm hoping not too many banks, but that's unrealistic to think that there's only one bank, but a lot of banks, you going to have a lot of accounts. I want to actually be able to as easily as possible transact with the banks, I want to transact with. And the ones who are investing in it, certainly Bank of America being one of them, they're the ones who are actually going to stay ahead. And you will see a dichotomy of the ones who are not investing in technology and the APIs digitalization close to it that are going to fall behind them.

Doug Houser **(14:45):**

Okay. I just have one follow on to that, Wolfgang. I want to talk a little bit about not only the Fintechs and the banks, right? But there's another side of this now with other players, which are the large tech players, right? And the Fintech integration with the large tech players, who have a user base, have user experience knowledge, right? And also of course have capital as well. How do you see that evolving? Right? I mean, as technology players, the large technology players as a competitor to the banks via the Fintechs, right? Where you actually say, okay, that's great that the Fintechs are providing the service to the banks, but they can also provide it really to anybody else who has a user base or capital. I think we see a little bit of this. Obviously the regulatory framework is something that adds complexity to that market, but how do you see that evolving as well as big tech looks to move into the banking space?

Wolfgang Koester **(15:35):**

So you're talking about like the Amazons and the Apple Pays on these sort of things?

Doug Houser **(15:39):**

Exactly, exactly! Where they're fully integrated with the Fintechs. Listen, they can do the user experience better than the banks, they would say, but of course the banks still have the accounts of liquidity, but they figured, you know what? We have the capital as well. We have the relationship. This is something where we can disintermediate the banks from at least some stand point.

Wolfgang Koester **(15:59):**

Yeah. So I'm looking at that pretty similar to, you know, in, when we started FiREapps, we have to ask ourselves and every investor asks the question, why isn't SAP doing this? Why isn't Oracle doing this? They are, the ERPs. They are the, you know, owner of the data. Why aren't they going in there? And my answer to that question was it's not their core business. And people, it's very dangerous to walk away from core business. Apple's core business is not Apple Pay. Apple's core business, the Apple Pay is facilitating payments, but are they really going to go away from their core business to go into that bit? I doubt it. I really doubt. And I'm not even sure the investors would allow them to quite frankly. So I think that you have this area where people still go back to what is their core business. Amazon, okay, we were a core business. You may say, well, they were book, you know, they're buying and sell book. Now, they were buying, selling a product and book would being the first. But I think you're going into that space. You're going into a very different space and that can work if it supports your product. You know, look at the General Motors accepting corporations and the financing of these things. But is it really going to get you into that business to compete with financial institutions? I would say that it's a bit difficult to create that much liquidity. Now, I think we, you're going to see this becoming very interesting. Sorry, go ahead.

Mike Robertson **(17:22):**

No, no, I hate to interrupt you. I'm just fascinated by what you said there. You know, I do want to gently challenge that because I'm not sure that and perhaps this is the definition of core business. It feels to me like the successful companies in the large tech space of, sort of, you know, there's almost a concentric ring of how they view their business. And so you might use Amazon as an example from, you know, retailing to web services for, you know, going into that space movies. It feels like the successful large techs are able to re-imagine what core is for them. And I think in that sense, the interesting area is when there's sufficient importance for the actual transaction within that business construct, then you can sort of see them imagining a banking type utility, which they embed within their user group and then provide a user interface, which is just generally more attractive or more agile than that, which the user was used to. I mean, do you see that that's a possibility?

Wolfgang Koester **(18:24):**

I mean, I hear the argument. I actually think that if you look at technology firms, they evolve from one product on to become a platform. And I think that's what you're in my, that's how I would interpret when you're saying it's kind of becomes circular and becomes bigger and it's supporting more and thinks, and does it more interactively, etc. At Kyriba, we do the same thing, right? We had at the, at the core, we had the visibility to cash. Then we started looking at accounts payables and then receivables, and then that kind of just kept going to the point that now we have a full on platform that at the end still supports the vision about giving people the visibility and then the ability to manage what they can see. And I think that at the end of the day, an Amazon, while they certainly can do any and everything, you know, with enough time money, you can do anything. But I think what they're trying to achieve is they're still trying to be part of the financial ecosystem without being the ecosystem. And I think that, you know, if you look at your, why can you add your American Expresses and your Visas there? Is Amazon really thinking about taking on these credit cards and the virtual cards, et cetera, et cetera, just doesn't feel like that's the core business. Of course, making it easy as possible to purchase as much product as possible and facilitating that. Of course, that's part of the platform.

Mike Robertson **(19:55):**

Yeah, yeah, of course. And then, you know, and as part of all of that thinking, you know, as they evolve and as they move, you know, and using my words carefully, as they, as a large tech, not necessarily Amazon, but any large tech moves closer to, you know, legacy style financial services, then there's of course the regulatory environment, which comes into play. And I suspect some of the decision-making happening in these large organizations also takes account of the potential regulatory change. Don't you think that may occur because of that?

Wolfgang Koester **(20:25):**

Absolutely! I 100% agree with that. I think that, you know, you just saw it with Alibaba and Jack Ma, right? All of a sudden they said, no, no, no, no enough of this. I think that he's probably the ultimate example of this. It's always been, you know, it's kind of the same thing about this debate about cryptocurrency, you know, and I have never been a huge fan of cryptocurrencies for the sake of replacing a government issued currency, replacing a government issued currency. I have been a big fan of A. Blockchain and the technology and B. Cryptocurrency issued by governments. And I think we're going to end up seeing that, and that will create faster, better efficient financial markets, but at the end of the day it's the regulatory environment that's going to slow that down, and go back to when all this thing came out with a Bitcoin. There's a senate bill that has never been challenged or try to be passed, but was drafted to be passed, which changed the definition of a financial institution to include issuance of currency. And those three words would actually change them and require them to be a regulated financial institution under the, you know, in this case, the United States law and therefore fulfill all the regulatory environments, which are there to protect the market and the individuals.

Mike Robertson **(21:47):**

Of course, of course! And that's fascinating really, because just a final thing on that crypto side, because ultimately one does get a sense that in the same way, we can ask whether product drives technology or the other way around? One can also say, well, does the evolution of the crypto discussion, is it driven by simply liquidity from people, you know, investing so to speak in that token? Or is it driven by or held back by the really true environment? And it's a fascinating area because sometimes, you know, as we could see growth in, let's say just use Bitcoin as one example, whether one agrees or disagrees with the underlying premise may eventually be a moot point. If the token itself has appreciated to a point where it's, you know, now accepted or perhaps more ubiquitously used.

Wolfgang Koester **(22:33):**

Yeah, and I feel that's going to be a while. I think the volatility within that is just too high for corporates to really take. We know that there's some examples of corporates to some degree self-serving who are accepting it. And we've seen how Tesla is starting to look at these things. But, maybe I'm a little too conservative, if I still believe that the government issued currencies as were, it's going to continue to stay.

Mike Robertson **(22:56):**

Hmm. Time will tell, I agree with you.

Doug Houser **(22:57):**

Yeah. I think that, I want to touch a little bit on this about crypto is great because it's so polarizing in a lot of ways. And I think that one thing I want to talk about with technology is the taking sides' aspect of it. Right? We tend to, and this goes back to what you were saying, Wolfgang, about solving a problem, right? Being the center of all of development, versus a technology. You get something where there's a technology that comes out and people start taking sides as to whether or not it's going to be either completely revolutionary or nothing. Right? And the bottom line is much of the technological advancements are really, they're tools that you can use and some are better than others for different use cases. Right? But, I don't know, I don't know if it's actually serves anybody for us to kind of think of technology as either a revolution or a dud. I mean, it's like, that's great that we have more tools in the tool belt and we can build around them, but only when appropriate. Right? I mean, I think that that's what we want. We want to build solutions with the appropriate technology versus, you know, again, shoehorning it into a technology.

Wolfgang Koester (24:00):

Right! And I think then you can actually differentiate between Blockchain and cryptocurrency and make the Blockchain, the technology that it is and cryptocurrency a product that they're trying to push on that Blockchain.

Mike Robertson **(24:12):**

Yeah. That makes sense. I mean, and I think that's, I think that the use of currency and coin hasn't necessarily helped the argument because it takes the mind to a certain place, you know, but I'm with you. I think it feels like, in fact, this is probably a neat segue to a question about technology, you know, and your thoughts on it because ultimately, if one understands the potential of the Blockchain or distributed ledger technologies, and the applications that could be built on those. Where do you see that specifically narrow on this? Where do you see that type of technology potentially playing a role in the Fintech space in the future?

Wolfgang Koester **(24:50):**

Well, I think that it will continue to have a role as it helps companies track products and transactions. So I think that matching the two up is something that's going to be a, so you're going to start seeing where all of a sudden, in my opinion, in 20 years, you won't have any more borders when it comes to products. Maybe a little bit brash of a statement right now, given the administration we just came from, but at the end of the day is if you can track and you don't have to stop a truck to get checked out because you already know all the products that are on this truck and you have the DLT to support it. You actually start smoothing out and speeding up the supply chain. And I think that these sorts of things, this word DLT plays a significant role and finance will be part of that because at the end of the day, somewhere, somebody is going to get paid and you're going to have technology staying on top of it, making sure that when, what got delivered that a payable is paid and a receivable accepted and then cash is exchanged. So I think that there's lots of applications. I was a big fan of IOT, Internet of Things, especially when they started off on the figuring out where bicycles were, you know, and then that obviously took over into the scooters, etc. But the idea was pretty phenomenal that also, and it was really because you had the technology to be able to exchange things that fast and track where those scooters and bikes are.

Mike Robertson **(26:17):**

Hmm. You can kind of see that transparency really working, I guess, into all sorts of areas in financial services. I mean, one obvious one might be transparency of fees within a particular service supply chain, you know, and how it would be possible, simply to embed that knowledge within the construct itself.

Wolfgang Koester **(26:39):**

Well, that's, you're touching on another, I think really phenomenal and very interesting part, which is, I actually believe that the right thing to do is to be able to attach all fees to every single transaction and actually give a better picture of the balance sheet and the cashflow of a corporation. So, you know, I would challenge the question about, okay, you are managing currency risk, let's go right back to that, which is what we try to solve and did solve with FiREapps. You're managing currency risk, but are you managing the foreign exchange gain or loss line. Or are you managing the expense and where is it? That's not always very clear, right? So, if you're managing it, but you buy the technology. If you buy the technology, you'll be in the expense side and the impacts of the foreign exchange gain or loss, and going into the foreign exchange last line below the line. But wouldn't it be better if you could actually say the overall impact of it, including the cost of managing is a foreign exchange gain or loss line. And I think we're going to go right into that direction, and DLT will be part of that, as really being able to track it. And I think we're going to see this entire industry in the financial parts, going much more oriented towards transaction fees and transparency thereof.

Doug Houser **(27:57):**

So that leads me to have a question about, I mean, we love transparency and we also love as you're talking about transparency and a Blockchain security. But that's very tricky also from a technological standpoint is, and from a regulatory standpoint, is we live in an era where we want transparency, security, but we also want to share our data with everyone because we want to be able to make our choices and open banking and everything as well. So in that space, right, you definitely see some contradictions about how data has to flow. So from a technology standpoint on your side, what do you see as being able to kind of solve that problem? Because something like, we talk about Blockchain solving problems of security. You don't necessarily want everything to be visible, only sequentially or not visible at all, right? There are very good reasons to have some data actually be accessible and there are very good reasons to have it distributed, right? So, talk a little bit about that, about the push/pull in the market of how technology is driving, both openness and security.

Wolfgang Koester **(29:11):**

So, I do believe that you're going to continue to show that a customer, and let's talk about corporates, want absolute transparency, and they're going to continue to want transparency towards what they are doing. And they want that in the most secure environment. I do think that those two things are not contradictory. I do actually believe that the sharing of data with everyone is actually reached an inflection point where actually people are questioning that. And actually you're going to see that pendulum, in my opinion, actually coming back. You want to actually be able to control who sees what data. And so if you have to look at those three variables, I would challenge that the variable of sharing data with everyone is very questionable and something that people are going to resist more and more too. I know that you have the, obviously the, you know, certain generations who wanted to see a show, everybody everything about everywhere, where they are, what they're doing and all these sorts of things, but you do actually see even that generation starting to question the positives and negatives of that. And I think that for corporations as executive, same thing, if you shared all the data with everyone, you have no more competitive advantage, if you take the extreme of that. So it's really important to make sure that you keep a competitive advantage. Transparency and security, absolutely! It's going to continue to move forward in that direction. And companies like Kyriba; we have to stay five years ahead of that from a security point of view. And we did the same thing in FiREapps, because that is part of our product. Now, if you're building a car, security is not part of your number one, it's not your core product. But if you're building technology, financial technology, security is absolutely part of your product and part of your investment strategy.

Doug Houser **(30:53):**

That's good question, right? Is that as we, for example, see our clients build out their own financial technology platform, and I say that because what they're really doing is they have their core financial activities that they have to do, but more and more, those are comprised of multiple systems, multiple providers, and downstream from those providers are other providers, right? And so we've created this web where data needs to be permissioned out, to not only your immediate partners, but also then their partner's partners. And so how's that going to be managed and going to be driven? Is when you're essentially creating these apps of apps everywhere, right? How is data going to be protected and also, who is going to control that and really, how do you balance control versus what becomes an operational nightmare really, to try to manage that data flow?

Wolfgang Koester **(31:54):**

Yeah, it's a key question. It's going to continue to evolve; I actually feel that at the end of the day technology is going to push, to give those controls back to the users. And, you know, that control was taken away from the users quite frankly, in the last 10, 15 years, so I think we're going to see that there's going to be much more control of people wanting to be able to say this data goes there, and this data doesn't go there. And I think that becomes a key discussion that I think you're going to see. But the apps of apps is an interesting process. So in the meantime, at the likes of Kyriba, we have to ensure that we still do what the customer needs and what the customer wants and not take it beyond that. So the customer doesn't want, you know, it's a great example of FiREapps, for example, when the first question was always, okay, you're working with this financial institution, are they able to see all our data? And the answer was no. No, why would they, how would they? Well, okay. And they got comfortable with that, interestingly enough, because we weren't part of a financial institution. We're not. And they got very quickly comfortable, but it was all typically the first question in due diligence to somebody says, can anybody else see that data? And so I think that's, especially when it comes to financial data, people are going to remain rather protective of it. And they want to be able to tell you exactly the workflows. And I think this is where platforms become so important because there the user can control what part interacts with what part easily. And the platform is the easily part of this thing. When you get an app and you try to control all these apps and pull all these together, and is there a lack and therefore, could that be a risk of security, which it could, then that becomes an issue. But if you're creating a true platform where you're saying, okay, here's the environment, here's everything that can be controlled and then allow others to plug into it, to be able to interact per permission of the corporate. I think that's the direction this is going, we're already seeing it.

Mike Robertson **(33:58):**

Yeah. It's a fascinating thing because in many ways, if you ask anybody, do you care about your data? And most people say yes to that question. But I sometimes get a feeling that in some senses, it's a little bit like a terms and conditions click through for a lot of people when they're actually faced with having to control permissioning, you know, how much attention is really paid to that by individuals, it kind of goes to the need for solid policy really, because ultimately when you think about it, the data conundrum between a business to business is a very different conversation between business to consumer. And ultimately the permissioning piece of that, it needs to be controlled, I think, in stronger corporate policies so that one can use the utility or the goodness, if you like, behind data share, but don't abuse it. And I think that's ultimately the challenge. You know, I challenged an executive here at the bank once about that, and I said, we know so much about our users. And he said to me, yes, we do, but we can't use it because it would be, perhaps construed as us overstepping the mark. And I think that's part of the challenge. And frankly, it's just really about, we're moving into a place where I think, and would you agree that corporations are going to be expected to do the right thing? Not necessarily just what the regulation says, but do the right thing by some sort of moral standard, would you say?

Wolfgang Koester **(35:14):**

Yeah, I think that eventually, and this is where they always say, look to the financial institutions, the consulting firms. They do what's, you know, what's always been the case. I feel what they try to do, which is best applicable practices. They really need to look at what applies to us and what are we comfortable with and what are we not comfortable with? And when it comes to finance, that's probably the most conservative part within a corporation, right? The finance part of the treasuries, etc., is they're the laggards when it comes to innovation, so to speak. And I don't mean that in a negative way. I mean that in a, they're very cautious about what to do, so they don't make a mistake, which could be extremely costly, because at the end of the day, cash and liquidity is the bloodline of that company. And you don't want to mess around with that.

Mike Robertson **(35:56):**

Absolutely! Yeah. By nature there's a risk culture, I guess that goes with those institutions for very good reasons. Wouldn't you say, Doug?

Doug Houser **(36:03):**

I agree. And, I mean, I think in a lot of ways, for good reason, right? I think that it's at the forefront of when we talk about treasury, which is really, you know, and all of us in our treasury business and Kyriba in treasury management. It is a risk managing function, ultimately, right? And while it gets tied up in all of the financial activities and payments and all the actual commercial business, effectively at the end of the day, they're managing risk. And so that's one thing I want to talk about, Wolfgang, is how do you think your business, treasury technology specifically, how do you think that changes over the next 3, 5, 10 years? How do you think that that's going to look, what's going to change about the way you approach corporate clients and how you interact with the financial ecosystem?

Wolfgang Koester **(36:49):**

I think we've seen, COVID really high-lit this, if I may, that really financial functions have been extremely siloed within corporations. And, you know, AP may or may not be within treasury, etc., etc., etc. And what you're going to see, and we're well prepared for that is to really get everybody around the proverbial table to continuous to discuss this. And we actually came up and I, look, chairman CEO of Kyriba came out with a paper that we supported in the September before COVID. So about six months prior and really advocating that there will likely be a chief liquidity officer or a person that is strictly responsible for anything related to liquidity, which is not just cash and his working capital and its risk. It embodies all that its tax implications, everything, and then work with the rest of the teams to do that. And I think you're going to see, just like we did a FiREapps at the end of the day, FiREapps foreign exchange understanding it. We really had to put different people around the table in order to have them resolve it. And then we had the technology to filter that. But at the end of the day, one of the questions I used to always ask people when it comes to understanding your balance sheet exposures. I'd asked the treasurer, do you actually have a password for your ERP system? And 95% of them said, no, they had to wait for the controller, who had obviously the key to give them the data. And so that doesn't make sense. So it's the same thing here. It's, treasury isn't just going to be treasury any longer. And we're positioning for that. It is all of the above; its cash, its working capital, liquidity, risk, its currencies, its international business, its flows, its timings. All these, you can put them in about eight categories, but you're going to see that effective companies are bringing more and more of this decisioning together and not doing one, the other. You will recall, Doug, for example, when people used to say, okay, I'm going to settle a transaction, and then they didn't realize that that reduced their exposure, but they still had a hedge on. So they didn't realize that it needed to take that hedge down maybe a day, maybe a week later. So those were two silos because one, you were AR/AP and then the other one, you had foreign exchange exposure. How did you bring those two together? And you're going to see the same thing as treasury becoming a much more strategic partner within the ecosystem of finance, not just a cost center. I think that pendulum is swung too far the other way. And you're going to end up seeing that corporations are going to want to have an integrated platform to manage their liquidity holistically.

Mike Robertson **(39:33):**

Fascinating stuff, really has been, Wolfgang! Thank you so much. It's really going to be interesting to see how the current debates evolve over the next number of years and how large tech, how Fintechs, how Reg-tech, how legacy, financial institutions play, and of course then how regulators evolve as well with this whole space. I want to thank you very much, Wolfgang, for joining us, both Doug and I and this podcast, the Pivot Series.

Wolfgang Koester **(39:57):**

My absolute pleasure!

Mike Robertson **(39:58):**

And just ask whether you have any final thoughts before we wrap up?

Wolfgang Koester **(40:02):**

No, I think liquidity is where everybody's going to have to focus on, and to make sure that we keep solving a problem with technology, not a technology in finding problems. And, but I thank you all very much. Thank you for your vision and thank you for including me in this great conversation.

Mike Robertson **(40:18):**

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