The Digital Bank - how will it transform Connectivity

René Schuurman, Global Product Manager of Connectivity Services at Citi
Introducing the speaker

René Schuurman
Rene is the Global Product Manager of Connectivity Services at Citi. Mr. Schuurman has global product responsibility for all file and message based connectivity solutions for Citi Transaction Services within Citi. These include the use of EDI and messaging standards, ERP and TWS integration and the use of SWIFT product and services. In this capacity Mr. Schuurman is also a representative for Citi in EDI standard governing bodies such as the PAY SEG and the Common Global Implementation workgroup. He is also an active participant in the ISO20022 CGI Mapping Group.
The digital bank

The objective

Corporations should carefully consider the impacts of evolving trends in consumer and business payment habits and integrating end-to-end solutions.

Today’s session will examine trends, best practices and provide a framework for overall working capital and efficiency optimization.

The Citi connectivity product team will share how Citi is delivering the digital bank beyond just mobile/online, and how it will transform corporate-to-bank connectivity. We will be exploring market trends ERP integration in the cloud, 3SKey, and interfacing based on standards.
Today’s environment

1. Key Trends
- Diminished Credit
- Globalization
- Digitization
- Changing Consumer Behavior
- Focus on Standardization
- Regulatory Changes

2. Impact on Receivables and Payments
- Employ a more integrated view of working capital management and look to manage DPO/DSO
- Broaden payments channels and methods in alignment with evolving market trends
- Review banking relationships, IT systems, and organizational structure

What does this mean for you?

3. Best Practices & Toolkit for Change

4. Return On Investment
- Increasing centralization, standardization and automation
- Unlocking trapped cash
- Improving Earnings Per Share, Cash Conversion Cycle, Inventory, Days Payable/Sales Outstanding
- Enhancing relationships with clients and competitive positioning
Channel Services

Proven experience to clients, providing Flexible, Scalable, Global Technology Solutions

- CitiDirect is a **global web-based electronic banking tool** designed to support global transaction services in a real-time environment
- Offers payments and collections in 90 countries
- Available in 24 languages
  - Including: Czech, French, German, Hungarian, Italian, Kazakh, Polish, Russian and Spanish (European and Latin)
- Delivers single access for cash, trade and real-time reporting
- Provides on-line service
- 90,000 Clients Live

- Citi Connect for SWIFT provides full payment and reporting capabilities globally
- **Centralised hub approach for SWIFTNet** – connection to Citi via one local branch BIC via FIN and FileAct for global access
  - Consistent SWIFT messages for true STP
  - Ability to reduce SWIFT costs by eliminating cross border traffic fees
- SWIFT accredited for bank readiness programme
- 280 Clients Live
- #1 SWIFTNet Provider – SWIFT

- Citi Connect for Files offers a single channel for transmission and receipt of **files from anywhere in the world**
- Global gateway that integrates payments, receivables and information with TMS / ERP
- Designed to support market formats such as ISO 20022 XML
- 2,800 Clients Live Globally
- 700 clients using SSCs, 130+ using ISO 20022 XML
Best practices – simplifying integration, onto the digital bank

- Build a true STP model, including:
  - Acknowledgement and statement reconciliation
  - Eliminate manual process and steps
- Single network solutions
  - SWIFT
  - Secure, robust protocol
- Single connection to banking partner
- Single, global EDI format
- Bank statement enrichment
- Bank statement consolidation (reduce bank interfaces)
- Use of digital identities, providing true non-repudiation and security behind your firewall

Evolving into the digital bank

- Further eliminating barriers between various channel solutions
- Expand into mobile and tablet platforms, as well as cloud solutions
- Strategic alliances with key partners

Support of industry standards for communications and custom formats

Unparalleled global reach with TTS and SFS capabilities covered worldwide

A multitude of connectivity options

Single Connectivity Window to Citi's Investor Services, Intermediary, Cash, Trade, and Card products

Communication Protocols:
- FTP
- SFTP
- HTTP
- HTTPS
- AS2
- VAN
- MQ Series
- ConnectDirect
- SWIFT

Enrichment Transformation Bundling/Un-Bundling Multi-Destination-Routing

SLA Monitoring File/Msg Monitoring Runtime ID Reconciliation

ERP Integrator

ERP

TMS

Cash & Trade

Wholesale Cards

Issuer Services

Investor Services

Statements & Reporting

Cash & Trade

Wholesale Cards

Issuer Services

Investor Services

Statements & Reporting
CitiConnect® – host-to-host channel solutions

Citi offers automated solutions customised for unique needs - whether the interest may lie in a single module or in the complete CitiConnect® suite

CitiConnect® for SWIFT
- Host-to-Host message & file solution based on SWIFTNet connectivity
- Treasury Payments, FX & MM, Statements via standard SWIFTNet FIN MT message
- Cost saves by Single BIC connectivity to all Citi branches
- Greater control with automated structured response messages
- SWIFTNet FIN & FileAct services

CitiConnect® for Files
- Host-to-Host file solution through wide range of connectivity options
- Rich product set for Vendor and Treasury Payments, Receivables, Trade, Reporting
- Wide range of formats ensures flexibility for integration with TMS and ERP
- Optimized to handle large files with maximum straight-through processing rates
- Advanced reporting capabilities empower straight-through reconciliation

CitiConnect® ERP Integrator
- Accelerates implementation by using Citi pre-tested ISO20022 XML templates
- Cost effective solution leverages existing SAP capabilities to extract transaction files
- Scalable solution supports global footprint
CitiConnect® – the architecture

Single Connectivity Window to Citi’s Investor Services, Intermediary, Cash, Trade, and Card products

Communication Protocols
- FTP
- SFTP
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- HTTPS
- AS2
- VAN
- MQ Series
- ConnectDirect
- SWIFT

A multitude of connectivity options

ERP Integrator

Support of industry standards for communications and custom formats
- Cash & Trade
- Wholesale Cards
- Issuer Services
- Investor Services
- Statements & Reporting

Unparalleled global reach with TTS and SFS capabilities covered worldwide

ERP

ERP Support

Security
- PGP
- S/MIME
- SWIFTNET

Enrichment
- Transformation
- Bundling/Un-Bundling
- Multi-Destination-Routing

SLA Monitoring
- File/Msg Monitoring
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TD Comm Press

Communication Protocols
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SLA Monitoring
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Connectivity and integration through CitiConnect

CitiConnect enables the exchange of data between you and Citi in a multitude of ways, offering the same service and client experience via different channels.
Making ISO 20022 XML a success - Citi’s experience

Experience:

Citi is a market leader, with over 131 global clients already live making 1MM payments across 84 countries, and an rapidly increasing pipeline. Our experience is that XML is much more than just SEPA.

Coverage:

Citi has unrivalled coverage across 90+ countries which provide a unique opportunity to streamline your cash management operations and maximize the benefits.

Engagement:

- Pro-active involvement in the definition and evolution of this new global harmonized messaging standard since 2003.
- Represented on ISO and CGI industry forums.

Collaborative Approach:

- Our 3 phased approach will help improve the overall experience and firmly establish Citi as your trusted advisor:
  - Introduction to ISO XML
  - Technical Training.
  - Harmonization Workshop (35 completed)

Technology:

Citi has developed the ERP Integrator, which is a unique tool that can help customers generate the ISO 20022 XML file with syntax and structure already pre-tested for automated processing at Citi.
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Citi’s ERP Integrator: accelerated banking integration

Solution designed to significantly reduce the resource and timing impact of completing an automated banking integration project with Citi

The Integration Challenge

- Connecting to your bank can be a challenge especially when considering the complexity from the various local country rules that define what data must be provided based on the requested payment instrument

The Solution

- The Citi Connect ERP Integrator can facilitate the banking integration process
- Leveraging existing SAP capabilities, it will deliver payments and collection instructions, pre-configured and fully compliant with the local clearing rules, for straight through processing by Citi

The Citi ERP Integrator Value Proposition

- Provides a cost-effective and non-intrusive solution
- Leverages ISO 20022 XML technology to simplify and standardize the payments process with Citi
- No additional license cost
- ERP Integrator: will allow you to reduce the time taken to implement XML by 60%.
SAP Financial Services Network

Comprehensive Solution by SAP:
- Single connection, multi-service network – payments, trade financing, liquidity management, etc.
- Cloud-based for low TCO, rapid on-boarding
- Non intrusive to SAP ERP supporting IDoc, XML and EDI
- Message tracking, management & alerting
- Reconciliation & exception resolution
Citi engaged with FSN in August of 2011.

First public announcement of FSN solution April 2012

Officially launched at Sapphire in Madrid this month

Co-innovation program under way with Financial Institutions and Corporates

SAP to Work Closely With Citi and The Royal Bank of Scotland to Co-Innovate a Cloud-Based Services Platform

April 19, 2012 by SAP News

WALDDORF — SAP today announced that it will work closely with Citi and The Royal Bank of Scotland (RBS) to co-innovate a cloud-based services platform. The highly interoperable, multi-bank platform aims to seamlessly integrate banks with their corporate customers. A combination of SAP’s deep expertise in enterprise resource planning (ERP), treasury management software and new cloud services technologies is driving the solution development. Together with the industry expertise and global networks of Citi and RBS, SAP aims to deliver a new, innovative solution to the corporate banking marketplace.

“SAP has prided itself in customer-centric innovation, in this case creative innovations in banking that can increase the velocity of information flow between banks and their corporate customers,” said Sanjay Poonen, president, Global Solutions, SAP. “Integrating banks with corporate ERP and treasury systems has always been an expensive proposition for banks and corporations alike. Furthering SAP’s commitment to the cloud, the banking industry and our many thousands of corporate customers, this solution will dramatically ease corporate banking. This will allow corporate customers to seamlessly extend their ERP and treasury systems and interface with multiple banks.”

Due to size, complexity and a reliance on non-standardized legacy systems, banking architectures have historically been isolated entities unique to each bank. This has led to businesses and banks shouldering the burdens of higher connectivity costs and juggling multiple relationships with one another. SAP, Citi and RBS have tasked themselves to define a new, more flexible architectural model that reduces the cost and time-to-value of these interactions.

SAP is taking the lead in developing the solution, which is intended to more closely link banks’ transaction systems with the ERP and treasury systems at corporate businesses. This aims to help streamline financial transactions, such as payments, while enabling new, on-demand banking services to be delivered via the cloud.

“We are working toward a solution with SAP to remove integration barriers and facilitate greater connectivity to Citi’s global network of more than 90 countries and over 100 currencies,” said Naveed Sultan, global head, Treasury and Trade Solutions, Citi. “As a leading international bank, it is always Citi’s desire to bring new innovations to the forefront of the industry. Leveraging the cloud is one effort in Citi’s goal to be the world’s ‘Digital Bank.’ Through our pioneering work here, we hope to bring banks and businesses closer together and create a springboard to new innovations and value creation in the future.”

“The cloud-based corporate-to-bank initiative is an important step for corporate customers toward simplifying the complexity of connecting with their banks,” said Kevin Brown, global head, Transaction Services Product, International Banking, RBS.

For more information, visit the SAP blog Banking View and the SAP Newsroom. Follow SAP on Twitter at @sapnews and @sapforbanking.
### Citi Straight Through Reconciliation

STR can be improved across multiple dimensions through increased use of bank information to support automation.

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<th>Financial Reconciliation</th>
<th>Operational Reconciliation</th>
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<td>• Achieving accurate reconciliation of bank statement balances with GLs and other internal accounts</td>
<td>• Checking all initiated transactions (payments / DDs) have been accepted and executed successfully</td>
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<td>• Confirming cash position and forecasts to support treasury decisions on funding, investment and FX</td>
<td>• Locating batch and transaction level references to support automated reconciliation</td>
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<td>• Using bank transaction codes to collate and post statement entries efficiently</td>
<td>• Identifying rejects and reject reasons promptly to repair and reprocess failed transactions in a timely manner</td>
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**Information is key to raising STR**

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<th>STR Measurement &amp; Refinement</th>
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<td>• Reporting metrics and scorecards to evaluate STR achieved and identify “hotspots” for improvement</td>
<td>• Matching credits and other receivables to open invoices; reducing DSO by knowing who paid, and for what?</td>
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<td>• Refining rules based logic to increase auto matching rates</td>
<td>• Capturing remitter identification details and remittance information from the statement to automate posting of receipts to the correct customer accounts</td>
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<td>• Implementing efficient workflow tools to reduce time and effort for any manual reconciliation that is left</td>
<td>• Resolving part-payments, discounts and credit notes</td>
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eBAM – electronic Bank Account Management

eBAM automates and streamlines Bank Account Management process via new technology and Digital Identity

**Standard (2012)**
- Citi web front-end
- Safeword Token
- Wet Signature
- Paper Supporting Documentation/Authority
- Request tracking and visibility of existing paper based processes
- Signature Management, Account Maintenance, Account Opening

**Premier (Live)**
- Citi web front-end
- Digital Signature
- Electronic instructions
- Elimination of certain paper requirements
- Signer Management, Account Maintenance, (Account Opening targeted Q4 2011)
- Repository for LE and Account Information

**XML (pilot testing)**
- Vendor web front-end, SWIFT/File-based connectivity to connect to Citi
- Digital Signature
- Electronic instructions
- eBAM ISO XML messaging
- 15 Messages: Account Management, Signer Management, Account Opening and Reporting
- Multibank solution
**Citi - Digital Identity Standards**

Citi continues to lead the market in providing digital identity solutions to help corporates increase security for authorizing payments and reduce the requirement for paper-based documentation.

- PKI-based
- Swift is Certificate Authority
- Banks are Registration Authority; Each bank defines the registration process
- Certificates are “anonymous”
- Tokens are distributed by SWIFT

**Citi Implementation Status:**

- Ability to register 3SKey certificates (CMS)
- Supported via CitiConnect for Files. Further plan to roll out on CitiDirect and Citi eBAM

- PKI-based
- Member banks are sub-Certificate Authorities and Registration Authorities
- Inter-operability through standard technology, operational procedures, legal framework
- Certificates are linked to the individual

**IdenTrust**

**Citi Implementation Status:**

- IdenTrust membership since 2007
- Ability to issue Certificates
- CitiDirect (pilot), CitiConnect File (1 client), Citi eBAM (5 clients)
- Digital signature acceptance received for 22 countries and legal analysis for acceptance across Citi’s footprint is on-going
Citi’s competitive connectivity advantage

- Global banking integration solutions that support both choice and ease of access.
- Blended solution options that support efficient centralised and decentralised operating models.
- World class solutions that support financial and operational efficiencies.
- Best in class Global Integration Model to meet your needs.
- Electronic Banking technical advisory team to support your implementation needs.
- Qualified teams with a proven track record for delivering results.
- Fast ERP integration
- Cost efficiency of Single BIC connectivity to all Citi branches
- Advanced reporting solutions for straight-through reconciliation
- Active member of Common Global Implementation (CGI) group
- 96 countries – the broadest footprint in industry, supported through both CitiDirect® and CitiConnect® channels
- 100+ currencies
- Local presence and experience, local language support
Thank you for your time today

Questions?
Thank you

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[TRADEMARK SIGNOFF: add the appropriate signoff for the relevant legal vehicle]

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Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi’s unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation