

BEST GLOBAL TRANSACTION SERVICES HOUSE

CITI

Scale enables the bank to dominate the high-end market in cash management and trade finance

Being big can sometimes mean losing focus on your clients. This is not the case, though, for Citi's Global Transaction Services business, and specifically its Treasury and Trade Services (TTS) arm. TTS comprises Citi's cash management and trade finance businesses and in many ways it is the engine room of everything that Citi looks to do around the world. The sheer scale of the business shows how important it is and how good Citi is at doing it. It has 22,000 employees based in 96 countries and does business with a further 43. Every month the business generates \$300 million of net earnings. It runs margins 20% to 30% higher than its competitors'.

The business generates about \$7.2 billion a year, of which about \$1.2 billion comes from trade finance and \$6 billion from cash management. Although other banks have an approach that is more balanced between cash and trade, Citi is nevertheless strong at the high end of trade finance, especially on work with export-credit and other official agencies.

Some might see working at the top while also being a scale business as mutually exclusive. Other banks do have greater numbers of clients and work with more medium-sized and SME clients. But Citi's dominance at the top – working with Fortune 1000 clients wherever they operate – makes it a formidable competitor. This is reflected in win ratios that consistently top 90% in most regions. When it comes to transaction banking, large companies not only want to work with Citi, they need to.

It all comes down to having the global network and then on top having the technological platforms that enable Citi to provide the liquidity that clients need. "If you don't have scale, you cannot compete, even when it comes to client service and technology implementation," says Francesco Vanni D'Archirafi, chief executive, GTS, at Citi. "We have the scale and that translates into a pricing advantage, which increases our ability to win clients and invest in new technology and good people."

Scale also brings with it a level of resilience that is sorely needed in times of heightened geopolitical risk. Over the past six months, earthquakes, tsunamis, revolutions and debt crises have appeared all over the world. They have shown the fragility of global supply chains and the lack of back-up plans when things go wrong. Yet Citi has managed to extract some positives from these calamities. In Egypt, when the government shut down local banks, local companies turned to Citi to do their electronic payroll. The same thing happened in Japan in the chaos after the earthquake. Having a global scale brings the experience of what to do in these situations, which local clients find hugely valuable.

It is not just breadth and experience. The bank is also keeping a close eye on new developments in the business. Vanni d'Archirafi believes his greatest competition comes from non-bank players, especially those that are offering new solutions in the mobile pay-



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ments area. The bank is focused heavily on a global enterprise payments system that will enable business-to-consumer and consumer-to-business payments. Over the past year it has set up a second innovation hub in Singapore to add to its existing R&D centre in Dublin, to capitalize on the moves to globalization, urbanization and digitization.

Citi's global reach means nothing if its various platforms do not talk to each other. Many banks say they have a single platform but fail to deliver even the basic level of interconnectedness that clients want. Citi works as one bank – and clients are pleased with its offerings. Its client satisfaction survey results have improved from 73% in 2007 to 85% today. And what clients want from this business is a bank that lets them focus on their underlying business rather than having to worry about cashflow, liquidity and trade blockages. "Clients want more visibility, transparency and control of their flows," says Vanni d'Archirafi. "This allows them to manage their businesses better."