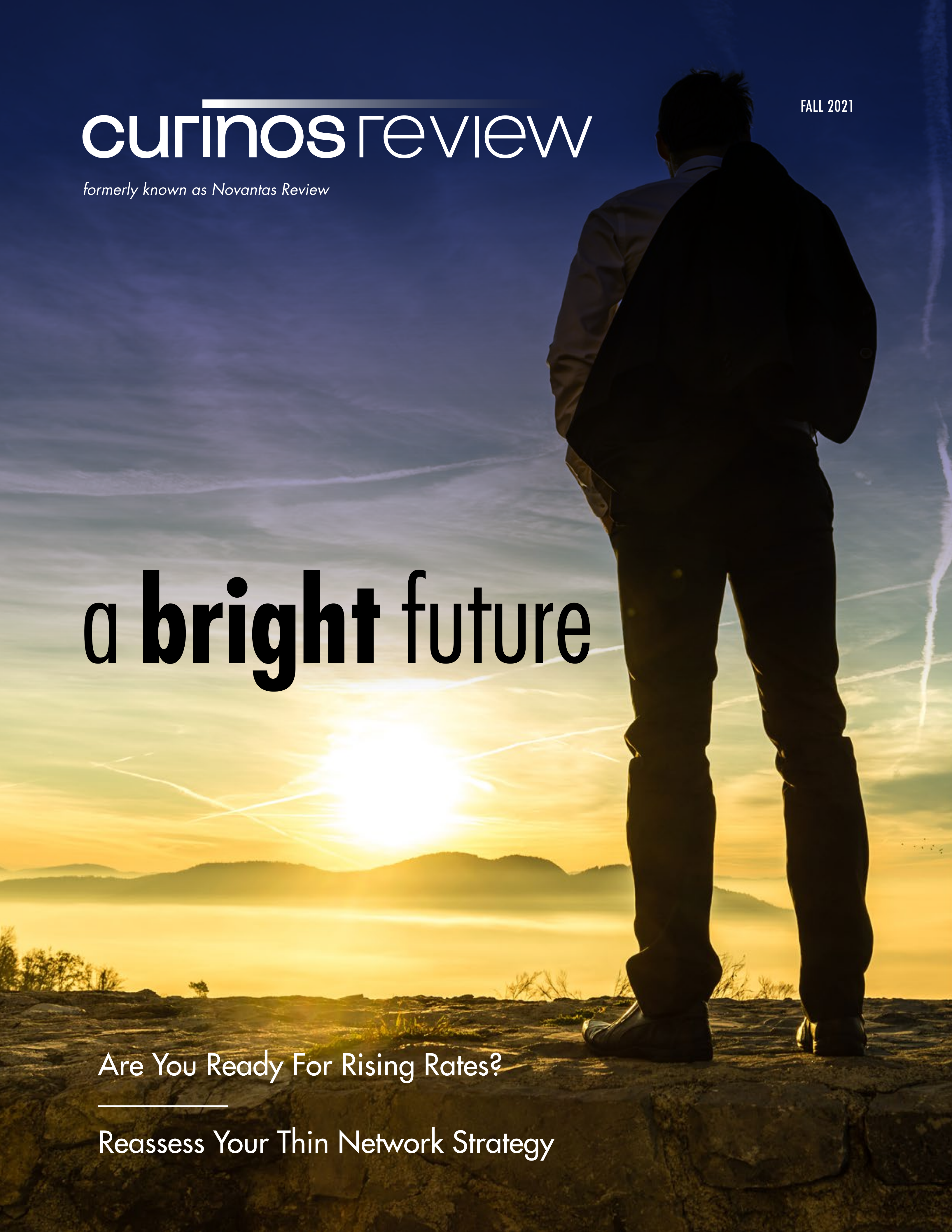

# curinos review

*formerly known as Novantas Review*

FALL 2021

# a **bright** future

Are You Ready For Rising Rates?

Reassess Your Thin Network Strategy

4

*Cover Story*

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# a note from the CEO

**Welcome** to the premiere issue of the *Curinos Review*. Formerly known as the *Novantas Review*, we are delighted to introduce this publication that reflects the recent union of Novantas and FBX, a unit of Informa Financial Intelligence.

As you may already know, we have brought together two complementary companies that provide real-time data, intelligence and solutions to the financial-services industry around the world. The combination adds breadth and depth to the deposit, lending and digital services that we have long offered independently to banks, credit unions and fintechs.

Our teams are working together to share our combined products and solutions with our clients — from digital marketing strategies to balance sheet management. The global reach of the new company means that we can spot trends around the world faster and bring those insights to your institution. You may already be seeing the fruits of these efforts; they will continue throughout the year.

The goal, as always, is to give our clients the tools they need to make decisions that help acquire, retain and grow more profitable customers. We recognize that doing so in today's unprecedented market conditions is challenging. Our purpose is to provide you with insights and analytics that help you navigate the notoriously-difficult planning cycle. The state of the global pandemic, U.S. inflation and the prospect of rising rates are just a few of the topics that are top of mind.

This issue of the *Curinos Review* tackles these critical topics, along with the strategies that are needed to address them. We examine the challenges that banks are facing with their thin branch networks, provide guidance on how to prepare for higher rates and list four areas that marketers should include in the strategic plan. We also offer insights for bankers from our annual survey on the state of the treasury profession and lay out the case for successful digital onboarding.

We are excited about the combined company's enhanced abilities to help further empower our clients. What hasn't changed is our commitment to be your trusted partner and advisor.

Sincerely,

Craig Woodward
CEO


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# IS YOUR BANK READY FOR HIGHER RATES?

BY ADAM STOCKTON AND PETER SERENE
WITH ANDREW FRISBIE

What a difference a year makes. While interest rates have hovered near zero since the pandemic started, attention has moved from the specter of negative rates to the plausibility of higher rates sooner rather than later. Although we have been through this before, the deposit rate playbook for each line of business should be different this time from the one that was used in the last cycle.

There are increasing signs that rates could start rising as soon as next year as the economy expands (potentially increasing loan demand) and the Fed keeps a close eye on inflation. The good news is that higher rates may produce some long-sought relief to net interest margins. The challenge will be to position the bank so that it takes a coordinated, enterprise-wide approach to the new landscape. And there will also be pressure to avoid significant increases in interest expense following widespread cost reductions.

As always, the ultimate goal is to use customer-level analytics to acquire and retain primary relationships, retain low-cost, sticky deposits and avoid doling out higher rates to customers who aren't price sensitive.

## THIS TIME IS DIFFERENT

Critical distinctions between the current low-rate environment and the 2015 cycle mean old truths in commercial and consumer deposit-taking must be revisited. Curinos has identified eight key differences between the current climate and the 2015 cycle that will have assorted impact on betas and growth. (See Figure 1.)

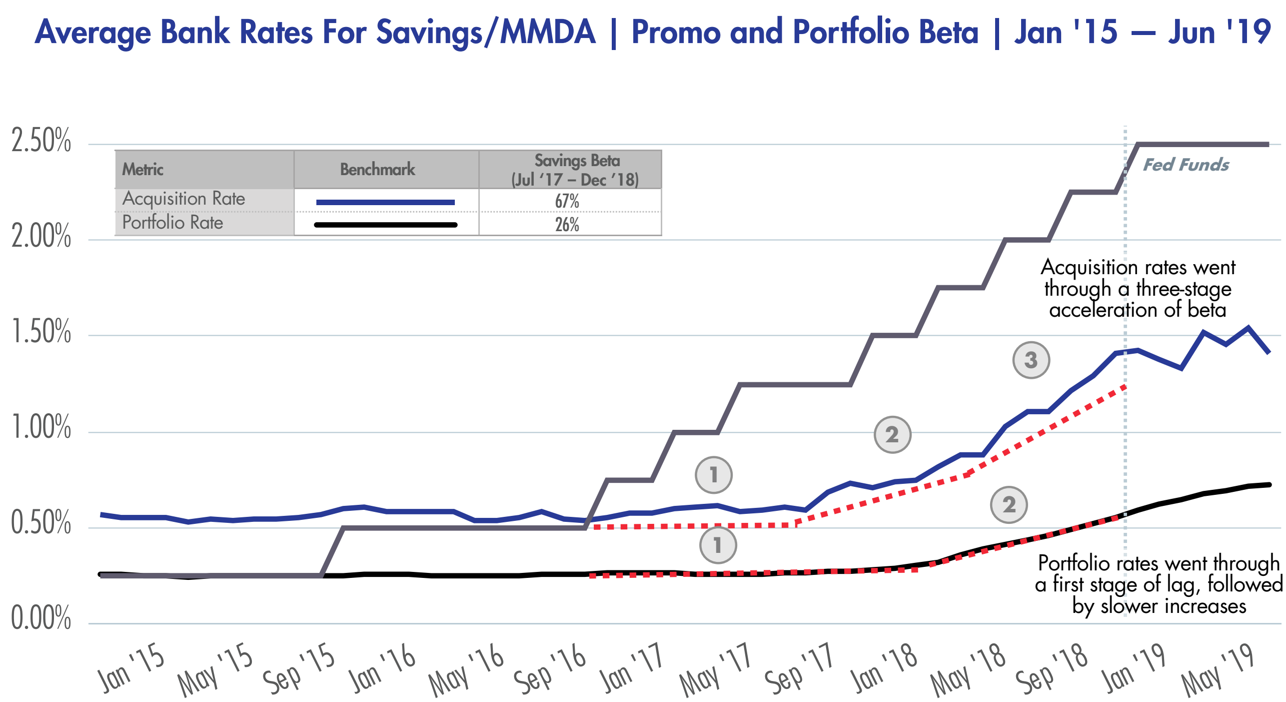
**FIGURE 1:** THE NEXT RISING-RATE CYCLE WILL LOOK DIFFERENT THAN THE LAST ONE

| DRIVERS OF DIFFERENCE | | | IMPACT ON BETA/GROWTH |
|---|---|---|---|
| Demand Side (Consumer Driven) | 1 | K-Shaped Recovery: Changes in Customer Distribution and Elasticity | ↑ |
| | 2 | Increased Comfort with Digital | ↑ |
| Supply Side (Institution Driven) | 3 | Excess Liquidity Given Surge Deposits | ↓ |
| | 4 | Primary Relationships | ? |
| | 5 | Pace of Fed Moves | ? |
| | 6 | Direct Bank and Fintech Entrants | ↑ |
| | 7 | Direct Banks Starting at Historic Low Pricing | ↑ |
| | 8 | Institutional Memory | ? |

Source: Curinos Analysis

1. **K-SHAPED RECOVERY.** The overflowing deposit coffers reflect the fact that a greater share of consumers have money in savings accounts than pre-pandemic due to federal and state stimulus programs and restrictions that reduced spending. More consumers than ever have some amount of savings, even as a smaller number hold a greater share of those deposits. This changes pricing dynamics.
2. **DIGITAL INNOVATION.** The pandemic accelerated the shift to digital channels, challenging incumbent business models. Commercial units are investing in digital platforms to keep pace with their corporate clients' changing expectations. Greater digital uptake by consumers lends itself to more transparency of rates and fees, along with lower barriers to moving money.
3. **EXCESS LIQUIDITY.** The flood of deposits may make banks more tolerant of low deposit growth, or even runoff, after rate competition returns. (Indeed, some banks have already discouraged deposit growth from commercial clients.)
4. **GREATER FOCUS ON PRIMARY RELATIONSHIPS.** The combination of an influx of liquidity and collapsing spreads forced commercial units to focus on primary customer relationships to boost fee income and guide difficult balance sheet allocation decisions (on the liability side).
5. **FED TIMING.** The pace and magnitude of Fed increases will potentially impact competitive response, but both are unknown. Current projections indicate at least two hikes in 2023, but some Fed members anticipate rates rising as early as 2022. And even if loan growth normalizes before the Fed moves, it's unlikely that banks will have lent through the full backlog of accumulated excess liquidity.
6. **FINTECH/DIRECT BANK EXPLOSION.** Many consumer-oriented fintechs are focused more on acquisition than on profitability. (Some had started using rate just before the last cycle turned down.) The rise of disruptive fintechs offering compelling, low-dollar ways to invest in the markets is challenging traditional players. Fintechs are also disrupting commercial lines of business via charter acquisition and deeper capabilities in core cash management functions.
7. **DIRECT BANK PRICING.** Most direct banks are pricing consumer deposits at 40-50 basis points, well below where they were at the end of the last low-rate cycle and under the 100 bp "tipping point" that typically drives higher acquisition.
8. **INSTITUTIONAL MEMORY.** Corporates and banks remember the last rising-rate cycle (through July 2019) when betas on interest-bearing products were quite high.

**FIGURE 2:** BETAS TYPICALLY ACCELERATE AFTER AN INITIAL LAG




Source: Curinos Comparative Deposit Analytics (CDA) Database, Jun '19 | Simple average used to protect participant anonymity

## CREATE PLAYBOOK NOW, DON'T REPEAT HISTORY

Many banks were slow to develop a funding playbook in the last cycle. As a result, they lost valuable time in identifying the best way to respond to the changing landscape. (See Figure 2.) That's why it makes the most sense to start now, when the planning cycle for 2022 is getting underway.

While the playbooks differ for each line of business, they should all consider current deposit needs and anticipated potential needs for the future — and set programs for each macroeconomic and competitive scenario. (See Figure 3.) Chances are they won't be the same; a short-term funding need that requires an aggressive rate posture will likely hurt the bank if it stays in place too long. And consumer promotional fatigue, in which customers stop responding to endless offers, is a real thing!

Commercial banks, meanwhile, should and do compete for primary operating

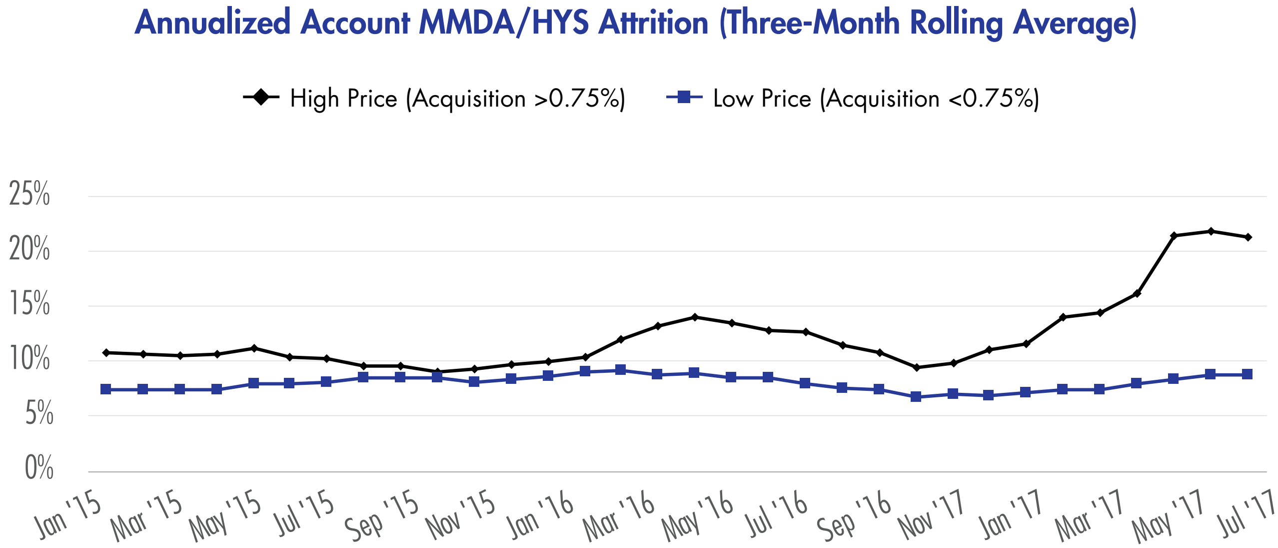
**FIGURE 3:** SCENARIO-BASED ANALYSIS IS CRITICAL

### Potential Impacts on Beta

| LOWER BETAS | HIGHER BETAS |
| --- | --- |
| Low loan-to-deposit ratios and slow loan growth | Increased customer online shopping/ purchases |
| Industry profit pressures | Increased value of core deposits |
| Slower pace of rate increases | Increased customer elasticity |
| Greater share of primary transaction accounts | Mix shift towards term |
| More advanced pricing capabilities | Rise of online FIs and fintechs |

Source: Curinos Analysis

**FIGURE 4:** AS RATES RISE, BANKS NEED TO DEAL WITH HIGHER CHURN AND CHANGING PRODUCT DYNAMICS




Source: Curinos Comparative Deposit Analytics, Sept. 2017

accounts through all cycles and scenarios. But treatments and exception pricing offers on reserve balances will vary significantly from one scenario to the next.

These playbooks should identify efficient growth and ensure sustainability for the future. Some key questions include:

- What is the marginal cost for current and historical strategies?
- How does marginal cost of deposit acquisition change as rates increase?
- How can funding be optimized across line of business and channel (e.g. branch versus direct)?
- What is the retention versus margin tradeoff in commercial standard rates and the consumer "back book?"
- What investments will be required (new products, capabilities) to respond and what lead time is needed to implement each?
- Does the bank have the customer's primary cash management business today? If not, is there a reasonable chance of acquiring it?
- How does the pricing strategy drive product mix shifts and what impact will that have on net fee income (after ECR)?
- To what degree do product capabilities, especially digital ones, create incremental pricing power?

## COMPETITIVE PRESSURES

A bank won't know how the competition will respond to rising rates until it happens, but a well-developed playbook must take those scenarios into account as well. After all, higher rates typically drive higher balance churn. (See Figure 4.) Even banks with significant excess liquidity today are likely to see their growth rates come under pressure if others in the market begin to price up.

Finally, the development of a deposit rate playbook can't occur in a vacuum. A good rising-rate playbook will need to take into account the holistic customer relationship and a strong assessment of both current and potential relationship primacy.

In consumer businesses, direct banks will be one of the biggest wild cards when rates rise. In commercial, it will be critical for banks to have robust pricing processes supported by timely and accurate data on market-cleared prices to avoid indexing to the least-disciplined competitors in the market.

Along the way, banks can't lose sight of the need to manage core funding growth without compromising relationships. That means using customer-level analytics to avoid raising pricing on deposits that aren't price sensitive.

Banks have largely weathered the pandemic by concentrating on core customers, closing branches and expanding digital capabilities. Rising inflation and loan growth will only provide more opportunities for banks to be a trusted advisor to their most important (and profitable) clients. ■

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# IT MAY BE TIME TO REASSESS YOUR THIN NETWORK

BY ANDREW HOVET AND GORDON GOETZMANN

It was only a few years ago when banks began experimenting with thin network strategies as a way to pump up customer acquisition without making massive investments in physical branches. In fact, more than half of the network among banks below the top 25 is in thin or ultra-thin markets today.

But many of these efforts just aren't generating sufficient return for the bank. This has come to light especially as a result of the pandemic, which has accelerated the branch's decline.

The decision about whether and how to compete in certain markets is particularly important as the nation emerges from the pandemic and banks consider the prospect of higher rates. (See *Is Your Bank Ready For Higher Rates?* Page 4.)

It may be the time for some banks to reconsider the thin network playbook.

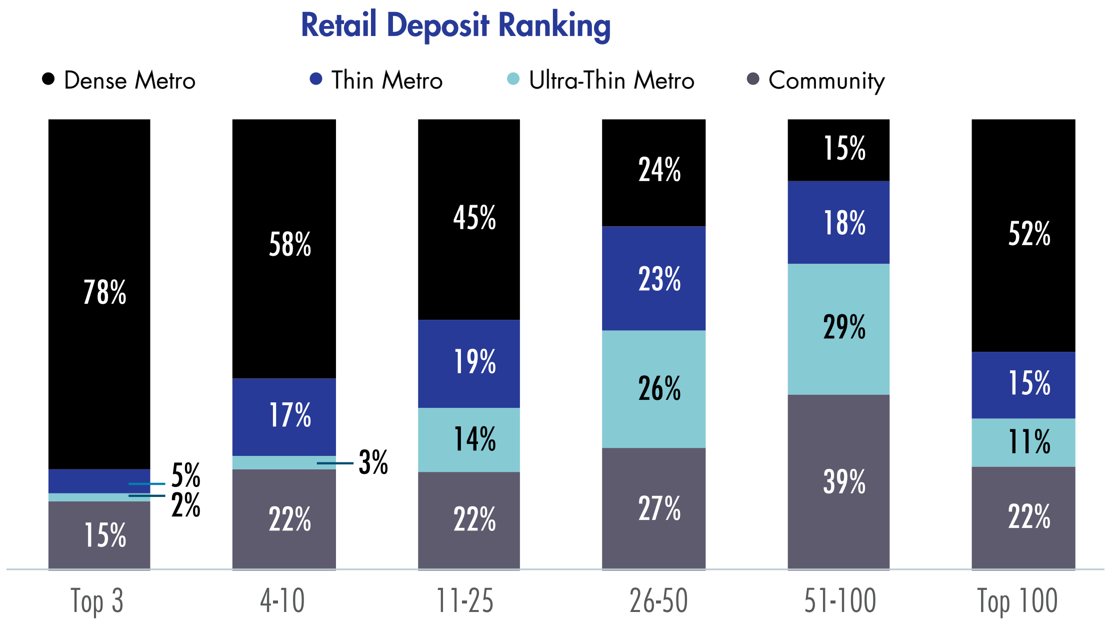
## THE COMPLEX BATTLEFIELD

Most regional banks are in a similar position as they were when the pandemic began, albeit with an increased cushion of liquidity. National banks have the established brands, reach and scale that are needed to invest in digital marketing capabilities and expand into new markets. And then there are the fintechs that are capturing share with select segments by delivering distinctive products and experiences.

Regional banks are trying to compete against both, typically using three or four different archetypes. (See Figure 1.) Dense metro markets are typically hometown cities and towns where the bank holds established market share and strong brand recognition. Regional banks also often capture a strong position in community markets that have a population of fewer than 500,000 and have a smaller presence from national banks.

The final two categories for regional banks are metro markets, where they either have a thin presence (less than 6% branch share) or an ultra-thin presence (less than 3%). These markets are much more competitive, with strong positions held by national banks and hometown regional banks. It's in these markets where many regional banks struggle.

**FIGURE 1: DISTRIBUTION OF BRANCHES ACROSS ARCHETYPES BY RETAIL DEPOSIT RANKING TOP 100 BHCS**




| | Top 3 | 4-10 | 11-25 | 26-50 | 51-100 | Top 100 |
|---|---|---|---|---|---|---|
| **Total Deposits ($B)** | $2,070 B | $1,053 B | $710 B | $471 B | $457 B | $4,761 B |
| **% of Total Deposits** | 43% | 22% | 15% | 10% | 10% | 100% |

Note: Metro areas are CBSAs with populations above 500k; Ultra Thin branch less than 3% branch share; Thin branch networks between 3-6% branch share

Source: Curinos BranchScape — FDIC June 30, 2020, Curinos Analysis

(See Figure 2.)

A Curinos analysis has found that most regional banks haven't matched market-level growth in their thin and ultra-thin markets over the last three years. (The one bright spot is in ultra-thin markets for banks ranked #26-50, but this is driven by a few high-performing regional banks that are often niche players and doesn't reflect the performance of most banks in the group.) There are several reasons these regional banks have found themselves in this predicament. In some cases, they were looking to get a piece of high-growth urban markets, wrongly assuming that the bank can achieve the same level of success using the same operating model as in hometown markets. Other banks have landed in this spot as the result of acquisitions, often of smaller competitors that have less density in their markets.

Regardless of how the banks landed there, they need to address this under-performance now. That is especially the case because branches in thin markets may only represent 20% of the locations but can easily exceed 25% of the bank's branch operating expense. And this doesn't even take into account the relatively higher overhead expenses of local market management or the typical lower revenues per location compared with other markets. Collectively, this leads to thin markets, on average, having efficiency ratios that are considerably higher than well-established and more dense metro and community markets.

## A CALL TO ACTION

Because banks are flush with deposits, they are in a better position to take actions today than just a few years ago when the risk of deposit loss limited their ability to sell branches or exit markets. Now, they must determine how to allocate scarce investment dollars across the footprint in markets that will provide the best opportunity for return. In many instances, that won't be the thin markets.

Strategic alternatives include:

1. Pull Back — reduce investment in non-strategic thin markets, using the window of excess liquidity to consolidate branches, exit outright or sell the branches (despite low deposit premiums).
2. Accept Lower Performance — maintain presence in thin markets and accept lower performance, hoping a strategic acquisition or other options like a branch swap can help build scale or a future operating model pivot. (See #4 below.)
3. Selectively Invest — select strategic thin markets for investment, focused on a particular customer segment and/or differentiated offering and experiences. This could result in a more focused operating model than in legacy dense markets.

**FIGURE 2:** THREE-YEAR FAIR SHARE OF DEPOSIT GROWTH TRENDS

● 1.0 Fair share = maintaining current market share ● > 1 Fair share = capturing market share
● < 1 Fair share = losing market share

| Grouping | Top 3 | 4-10 | 11-25 | 26-50 | 50-100 | Top 100 |
|---|---|---|---|---|---|---|
| Dense Metro | 1.44 | 0.94 | 0.88 | 1.18 | 0.89 | 1.18 |
| Thin Metro | 1.29 | 0.81 | 0.65 | 0.84 | 0.82 | 0.83 |
| Ultra-Thin Metro | 1.73 | 0.85 | 0.78 | 1.07 | 0.75 | 0.91 |
| Community | 1.44 | 0.97 | 0.95 | 1.11 | 0.91 | 1.07 |
| **Total** | 1.44 | 0.92 | 0.84 | 1.05 | 0.85 | 1.07 |

Note: Metro areas are CBSAs with populations above 500k; Ultra Thin branch less than 3% branch share; Thin branch networks between 3-6% branch share

Source Curinos BranchScape — FDIC June 30, 2020, Curinos Analysis; adjusted to normalize for the impact of M&A and divestiture actions

4. Transform the Operating Model — pivot the bank toward a particular customer segment and/or differentiated offering that work across both dense and thin markets.

If a bank wants to compete across multiple market archetypes, it needs to assess each model differently. A one-size-fits-all strategy just won't work here. Notably, we are finding that both boards, investors and executive management teams are receptive to having these difficult discussions.

## WINNING FORMULAS IN THIN MARKETS

While there is no single winning formula for all banks, Curinos sees some consistent themes across banks that perform well in thin markets.

**Target Customer:** Thin-market players don't have the density to be able to be all things to all people. Therefore, it is imperative to focus on a target customer segment. Many successful thin market players have focused on more affluent consumers and/or businesses and business owners. These models are typically led by a salesforce and other support (like local underwriting) that allow them to be successful with fewer branches. Furthermore, a mass market/mass affluent play may be available for a bank that can capture a multiple of fair share by delivering a truly distinctive experience.

**Value Proposition:** It is critical to deliver on a distinctive value proposition the meets the needs of the target customer segment. This should essentially be a concise answer to the question, "Why should I have my main banking relationship with you?" Brute salesforce alone won't alone drive success without proof points that align with the stated value proposition. And a strategy that just focuses on the best price isn't sufficient. While this has supported growth for some banks in thin markets, it isn't sustainable through the cycle.

**Leverage Branch Network:** By definition, thin market players have fewer branches and must get the best bang for the buck with their locations. This includes higher-visibility locations with effective signage to drive higher levels of brand awareness and consideration. Additionally, branches should be staffed with the right mix of workforce to meet the needs of the target customer segment. Banks that effectively partner sales specialists with their retail branch teams seem to get the best leverage here.

**Targeted Marketing Investments:** Marketing is a necessary complement to the salesforce in thin markets. At many banks, thin markets are starved of marketing, which further inhibits their ability to succeed. Well-targeted marketing in select places that is aligned with the target segment and value proposition messaging can provide strong leverage for the salesforce. This often takes the form of content marketing to arm the bankers and reinforce the distinctiveness of the bank's services.

**Execution:** Effective execution discipline is even more critical in thin markets. This includes maintaining focus on investments in the right target segment. This also requires collaboration across the market, including hunting in teams and a willingness to share credit and incentives. Finally, it requires ruthless simplification, both within the branch and across other channels. Some of the top performers in thin-market organization offer tangible examples of the focus on consistent execution, underpinned by notable organic customer growth.

This last year caused most banks to reassess their branch network plans, with many aggressively closing a material portion of their branches in their denser markets. This, combined with the observation that more than 50% percent of many banks' existing markets are already in thin markets means that a thin network may soon be table stakes. Success, however, is far from guaranteed.

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# Four Things

## THAT NEED TO BE IN EVERY MARKETER'S STRATEGIC PLAN

BY SARAH WELCH

Financial-services marketers have been in an all-out sprint since March of 2020. They have helped confused consumers navigate shape-shifting operations, worked around the clock to support anxious businesses and charities applying for PPP loans and radically shifted media plans and acquisition campaigns on the fly to reflect a new world order. What a long 17 months it's been!

Business has been improving, but there's not much time for weary marketers to catch their collective breath — strategic planning season is upon us.

As teams turn to 2022, there are four specific areas that need resources and attention:

## 1

### THE UPPER FUNNEL

Our most recent Shopper research showed that, with the exception of a few neobanks, awareness levels dropped off across the board during the pandemic. This makes sense since most banks pulled back their marketing efforts dramatically at the start of the pandemic and only returned to media in fits and starts as the months wore on. For example, sponsorship events were cancelled or hosted virtually with less impact.

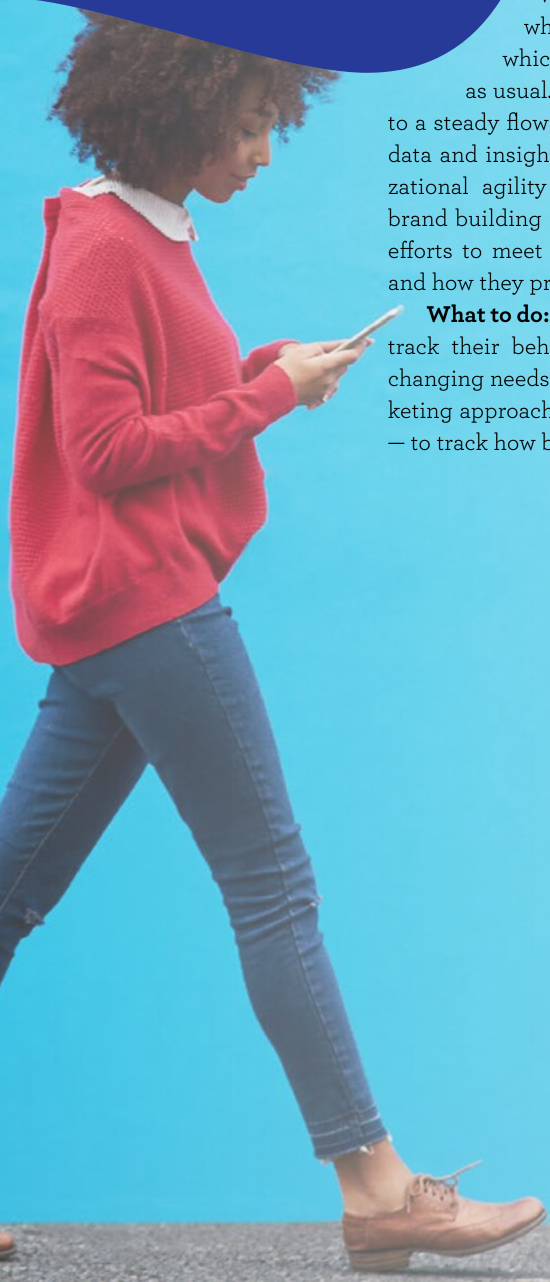
Furthermore, people just weren't out and about. That meant consumers were getting fewer billboard impressions from branches. The cumulative impact on awareness across the industry was significant for banks across the spectrum. Reclaiming that lost ground in a lower-consideration category like banking will be critical.

**What to do:** Reinstate investment dollars that were pulled during the pandemic. Getting the money into your budget is one thing, determining the most efficient use for it is another. Awareness suffered mightily during the pandemic as people restricted their movements, so this is the time to build it back up. But the drop in branch billboard value is likely to continue due to structural declines in the utility of a branch, so some of those investment dollars should be spent elsewhere. Calculate the brand equity of the network and pump up advertising, especially in digital channels.

## 2 CUSTOMER BEHAVIOR

In the wake of such a disruptive period, people are trying to figure out what they need, where they want to go, where they want to live and what they want to buy. Banks need to be on top of these behaviors, gathering consumer insights to monitor and understand how they are changing. This means quickly wrapping arms around the changes and responding to them — from buying journeys to media consumption patterns and preferred modes of interacting. Discern which are likely to stick, which are still in flux and which may revert to business as usual. This will require access to a steady flow of customer interaction data and insights as well as the organizational agility to continuously adapt brand building and demand generation efforts to meet customers when, where and how they prefer.

**What to do:** Listen to customers and track their behaviors. Stay attuned to changing needs. Be adaptive in the marketing approach — lots of test-and-learn — to track how behaviors are changing.



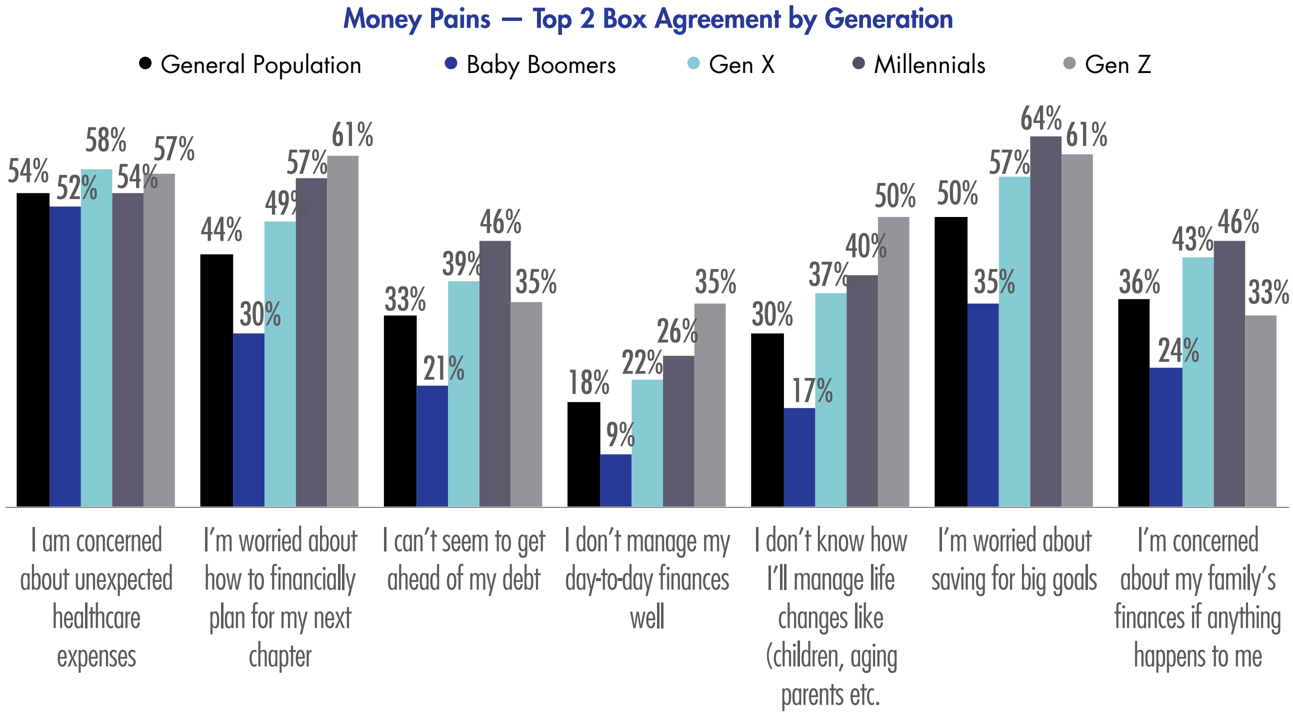
## 3 DIGITAL RELATIONSHIPS

One thing is clear: that the transition to digital is real and it is now. The problem is that many banks still don't stand out from the crowd, resulting in a new commodification of banking services.

To stand apart from the rest, the real opportunity lies in humanizing company-to-customer marketing interactions so that customers feel valued and in turn contribute more value to the company. Unfortunately, this is an area where banks have historically done a poor job of showing that they understand their relationship with customers. Sites and communications often are unchanging — one-size-fits-all — and those that are "personalized" tend to be some combination of pre-programmed, rules-based journeys and highly transactional predictive models that optimize for the next best add or offer to put in front of someone. The latter is certainly better than one-size-fits-all, but in the broader digital context of Google, Apple, Netflix, etc., it's still far from good enough.

**What to do:** Personalize and humanize customer interactions. Making this leap to more human interactions is possible without ripping out legacy martech or investing in multiple-point solutions, provided you make the right investments. Machine learning-driven experimentation components enable rapid, cross-channel experimentation at scale.

**FIGURE 1:** GEN Z CONSUMERS ARE ANXIOUS ABOUT THE STATE OF THEIR FINANCES




Source: Curinos Value Proposition Survey, 2019 | Total N = 3416 | Total Baby Boomer = 1820 | Total Gen X = 684 | Total Millennials = 785 | Total Gen Z = 127 | [1.] Selected Strongly or Somewhat agree with Money Pain statements

## THE NEXT GENERATION

Born in the mid-1990s to about 2010, Gen Z is poised to soon become the largest generational group in the financial services arena (roughly 90 million strong). Many banks are marketing to this cohort as if they're Millennials, (born between 1980 and around 1994), given their youth and tech-savvy orientation. But our Shopper research indicates that is a mistake. This generation has a unique profile when it comes to financial anxieties and bank preferences.

As a segment, Gen Z is the most anxious about its current finances and the least optimistic about its forward-looking financial prospects. (See Figure 1.) Unlike other generations, they have much lower confidence in their ability to manage money well and worry about how to plan for big goals ahead. Their apprehension could be driven by age (they lack experience and know-how) or could possibly be related to living through not one, but two, great economic disruptions during their formative years.

**What to do:** Revisit the product set and positioning of the products to attract this next generation of customers as we come out of the pandemic. A basic checking account isn't enough to reel in this group. Demonstrate your ability to alleviate this generation's financial anxiety by providing them with budget optimizers and bundled checking and savings offerings. While top-notch apps and tech are a must, this generation is surprisingly more branch-centric than Millennials and its members want their banks to provide financial advice. ■

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# PICK YOUR SPOT IN TREASURY MANAGEMENT

BY SCOTT MUSIAL

It isn't easy to carve out a winning strategy in treasury management, a business that is increasingly dominated by a handle of giant providers.

Excluding the largest banks, there are more than 4,000 banks competing for just 20% of the market and roughly $3 billion in gross fees. New research from Curinos reveals executives are frustrated by the slow pace in getting the investments they need to compete with the behemoths. In fact, by the time they get the essential funds, they are often even further behind.

The solution for smaller banks is to pick their spots carefully by specializing in specific size clients and segments. It also doesn't hurt to remind the senior executives that treasury management brings in stable fee revenue and can be a starting point to capture primary relationships.

## HOW BIG BANKS CAPTURED THE TM PRIZE

The 2008 financial crisis accelerated the decades-long consolidation that had already been occurring among treasury management providers. Many transactions were initiated due to distress and/or at the behest of the government. As larger institutions merged or acquired similar-sized players, the market began to consolidate, with market share concentrated among only a handful of providers. This dynamic was magnified in treasury management due to the capital and sophistication required to participate. This consolidation has continued in more recent years, highlighted by multiple acquisitions by Huntington Bank and the 2019 merger of SunTrust and BB&T.

As a result, the treasury management market has become much more concentrated. Curinos estimates that the top four treasury management banks in the U.S. account for 59% of the market and the top 18 banks hold close to 85% market share. (See Figure 1.)

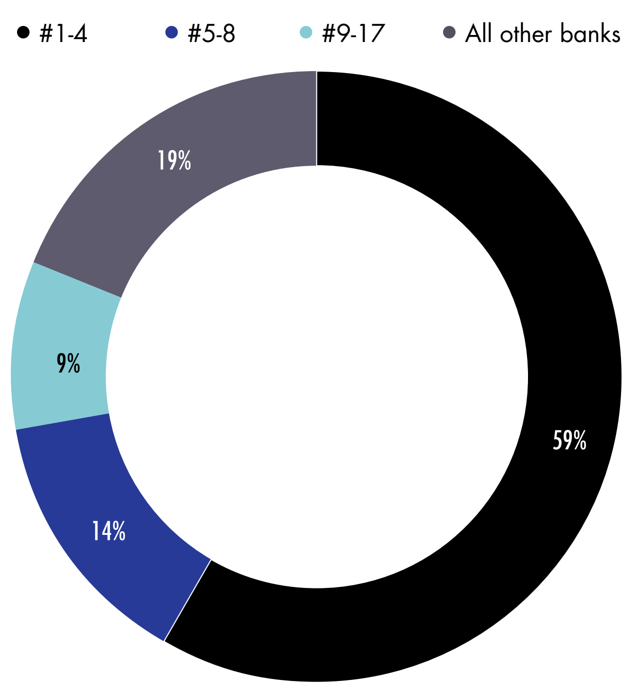
These top providers have the reputation, presence and, most importantly, resources to effectively defend and grow their businesses. Curinos estimates that the largest treasury management players on average generate more than $4 billion in fees annually across the globe. (See Figure 2.) This is more than seven times larger than the average fees generated by the second tier of banks, which are then three times larger than the third tier and 10 times larger than the fourth tier.

The big question, then, is how can the smaller banks compete against other businesses that are so much larger and have outsized budgets to match?

## INVESTING IN THE TM BUSINESS

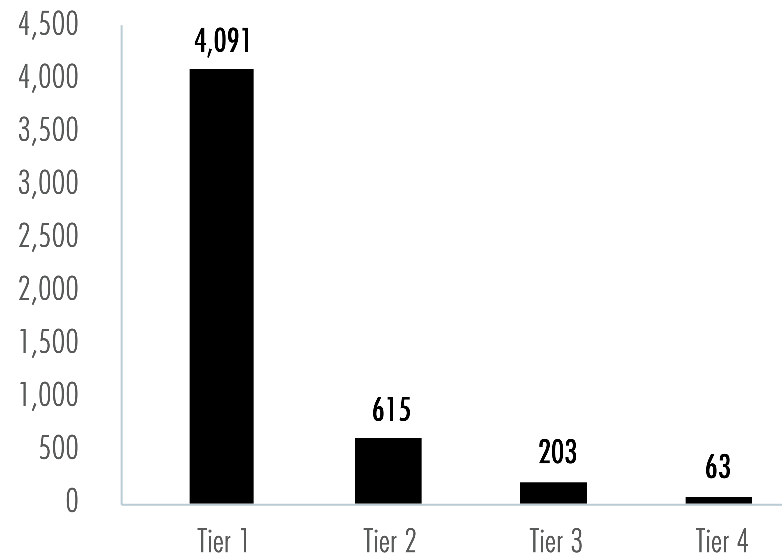
Given the disparity in size and resources across the tiers of treasury management banks, it is critical to invest in capabili-

**FIGURE 1:** ESTIMATED U.S. TREASURY MANAGEMENT MARKET SHARE CONCENTRATION




Source: Curinos estimates and analysis using CDA Executive Summary and publicly available financial reporting

**FIGURE 2:** AVERAGE ANNUAL GROSS TM FEES BY BANK TIER




Note: Tier 1 — Annual Gross TM Fees of $1B+; Tier 2 — Annual Gross TM Fees of $300M — $1B; Tier 3 — Annual Gross TM Fees of $100M — $300M; Tier 4 — Annual Gross TM Fees of <$100M
Source: Curinos estimates and analysis using CDA Executive Summary and publicly available financial reporting

ties. The largest providers have the deep pockets to continue to enhance product and servicing capabilities, raising the bar for the bare minimum. Banks that cannot maintain at least these minimum requirements just won't compete effectively. Even worse, they may be forced to deeply discount or waive charges just to get a foot in the door.

But those basics don't come easily for many. In a recent survey, treasury management executives ranked the investment process an average 2 on a scale of 1 to 5 (difficult/complex to easy/ straightforward).

Among the concerns and frustrations with the investment process, a handful of key themes emerged — some different from what would be expected. (See Figure 3.) For example, we anticipated that gaining approval for funding or competing with the retail bank for investments would be the top frustration for commercial banking executives. While those are common themes, the most common frustrations were around the length of the application process and the availability of technology resources to implement enhancements. Many banks noted that it takes so long to approve or implement investments that they are often behind the market by the time everything is completed.

**FIGURE 3:** COMMON FRUSTRATIONS AND RISKS IN THE TM INVESTMENT PROCESS

1. Securing technology resources required to implement planned investments
2. Length and complexity of investment application and approval process
3. Competing with the retail side of the bank for investment dollars
4. Lack of understanding of the importance and value of treasury management

Source: Curinos 2021 Treasury Management Investment Spend Survey

## PUSH HARDER, FOCUS ON SPECIALIZATION

Commercial lines of business must have greater control over their bank's investment process. We believe there is an opportunity to advocate more effectively for the treasury management business. Treasury management provides a stable deposit base, fee revenues and can be a pillar for capturing primary relationships. These things are valuable to the bank in any environment, not just the current one. Coupling the message of the value of treasury management with a message of the intense competitive dynamics should create the urgency needed to make investments in a timely matter.

Getting the funds versus using them effectively are two different issues. The key to winning is specialization.

One downside with large banks is that it is difficult to gain in-depth knowledge about the needs and behaviors of specific clients and segments. Smaller banks don't have to navigate organizational burdens in order to specialize. This means they have more freedom and flexibility to innovate.

We have seen this specialization succeed even in segments like healthcare, where large institutions have heavily invested. Smaller institutions have notched success in healthcare by focusing on subsegments like senior housing or specific needs like patient financing or refunds. Successful industry specialization often starts from existing institutional knowledge about a specific segment. Using that in-depth knowledge to innovate beyond the traditional scope of treasury can put banks in space where they don't have to compete with the larger players.

Competing against the dominant players in a concentrated market is difficult, but not impossible. Smaller banks can compete and innovate in treasury management if they specialize and more aggressively seek investment dollars that can deliver a strong return.

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# RETAIL BANKS AIM TO PUMP UP DIGITAL ACCOUNT OPENING

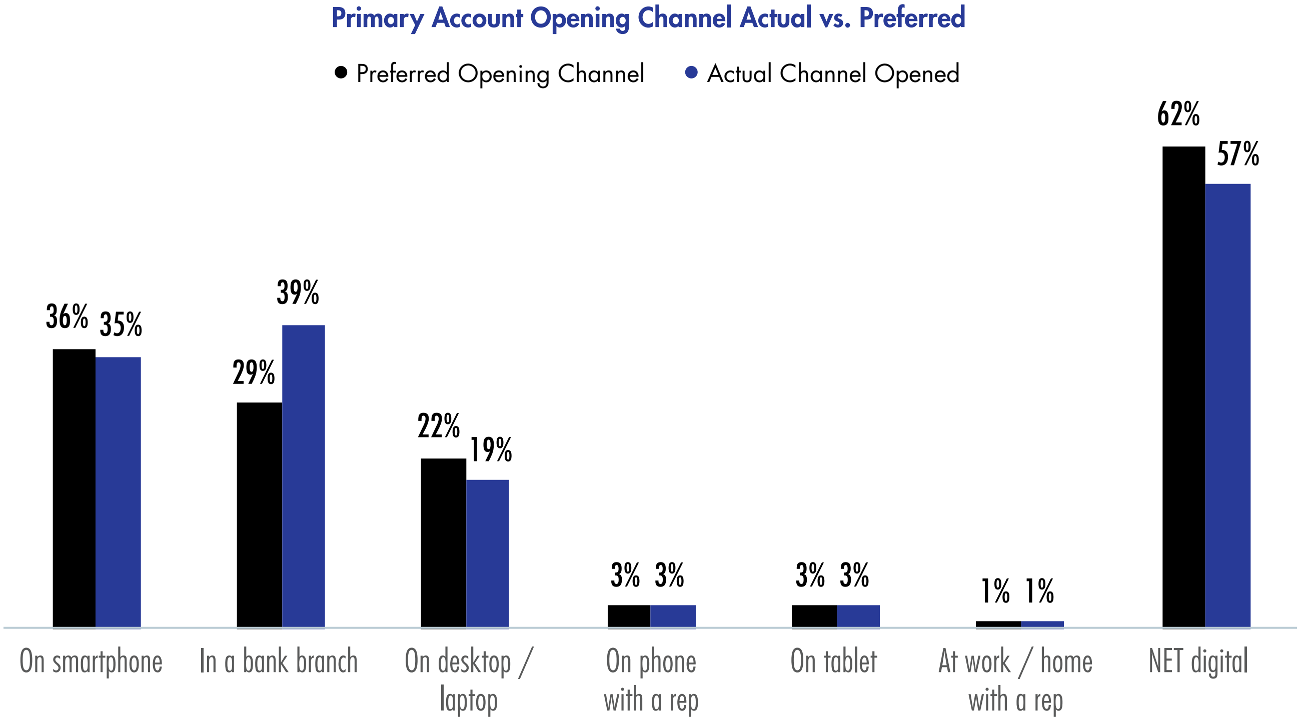
BY MICHAEL MCCAW

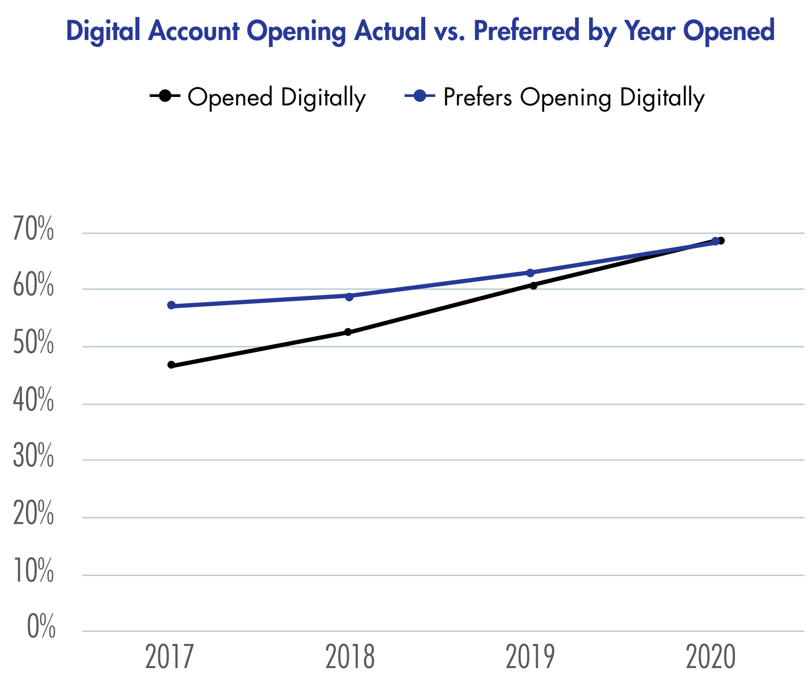
The number of clicks required to open a U.S. bank account using only digital means is as low as 24, but is often much higher. And each tap becomes increasingly important as account applicants place more value on apps that provide better user experience.

The importance of sophisticated digital account onboarding has grown during the pandemic and shows no indication of going away. With branches closed or imposing restricted hours, customers opened more accounts online and became more comfortable conducting many of their basic banking activities that way. Many of these restrictions have eased, but it appears so far that transactions aren't returning to pre-pandemic levels.

It is clear that banks have gotten better at the onboarding process, which is now increasingly table stakes in the industry. (See Figure 1.)

**FIGURE 1:** THE GAP BETWEEN DIGITAL-READY SHOPPERS AND ACTUAL DIGITAL ACCOUNT OPENING CLOSED IN 2020, PARTLY DUE TO THE PANDEMIC




Base: Recent Purchasers (n=10,038) by year opened: 2020 (n=2,147), 2019 (n=2,684), 2018 (n=2,984), 2017 (n=2,223)
Q43: How would you prefer to open your new checking account? Q32: How did you open your current primary checking account?
Source: Curinos Customer Knowledge | 2020 U.S. Shopper Study

## BEST PRACTICES

To be sure, a quick and easy onboarding process is appropriate for most customers. When it comes to cross-selling or deeper engagement, additional relationship discovery may be required. But first, you've got to get the customer in the digital door.

For now, financial institutions are targeting a streamlined, narrow account-opening funnel in the hope of building a healthy, long-term customer relationship. Principal to encouraging the applicant to complete the journey is a smooth transition between each step with few unnecessary intrusions, transparency about the process and specifics about what is involved from start to completion. Progress metrics, clear estimated journey timeframes and lists of requirements are essential for both the bank and the applicant.

In terms of account-opening process features, a number of simple yet highly effective best practices have emerged. For example, providing customers with the ability to save an application midway through — particularly if the process is time-consuming — can be useful if the customer gets interrupted or distracted during the onboarding process. The ability to resume the process should be equally as user friendly. Providing a review page on which the applicant can edit personal information prior to submitting their request can help ensure details are correct.

Many banks assume that because an applicant has downloaded an app or navigated the website, they are capable of completing the onboarding process independently. Nevertheless, best-in-class providers currently offer a helping hand throughout the process through anchored headers, tool tips or live chat services.

Identity verification has become an issue that laggards struggle with, while forward-looking banks use sophisticated technologies to enrich the all-important user experience. Identification image capture — typically scanning the applicant's driver's license — is a user-friendly tool that helps automatically fill in an applicant's details. Some leading players tie this with selfie verification, allowing the bank to match the customer against the ID photo.

Over the past few years, customer-centric banks have looked to embed new customers into their accounts and other services as quickly as possible. This includes streamlining the account onboarding process and simultaneously allowing the applicant to assess other functionalities while encouraging them to begin using their account. Card customization during the application process has become a creative and impactful way of engaging the customer with the brand, such as Revolut offering a range of debit card design options. Those at the forefront of the market allow users to fund their newly-opened account through a variety of means — such as virtual cards — to allow for instant account access.

Relevant and specific cross-selling can help to initiate digital sales effectively, even within the account confirmation or welcome email that explains the functionalities and benefits of the new relationship. Emails and welcome screens that are uncluttered, crisp, intuitive and offer step-by-step guides can help shape the next stages of the user's journey. They are particularly useful for non-digital natives. Here, banks have identified that a personal touch can go a long way in helping to embed the relationship.

## GETTING BETTER

Standards are only rising as the customer base becomes increasingly digital. Of the 20 largest U.S. banks by assets, 90% provide instant application decisions and 60% instantly verify IDs.

But the majority of banks are increasingly looking to innovate solutions and engagement points. As a result, they are testing ever-creative ways of improving the onboarding process. That's in addition to an already highly competitive retail banking environment that has been forced to rethink the way people engage with their financial institutions, as well as their spending patterns.

There will be plenty of opportunities for digital-savvy banks. In the battle to enthuse customers to engage past the magic 60-day mark — the point at which many banks believe a new customer will be retained — significant attention must be paid to delivering best-in-class practices during that first handful of clicks. ■

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# Marketing Can Power More Than Just Retail

BY BRANDON LARSON AND PETER SERENE

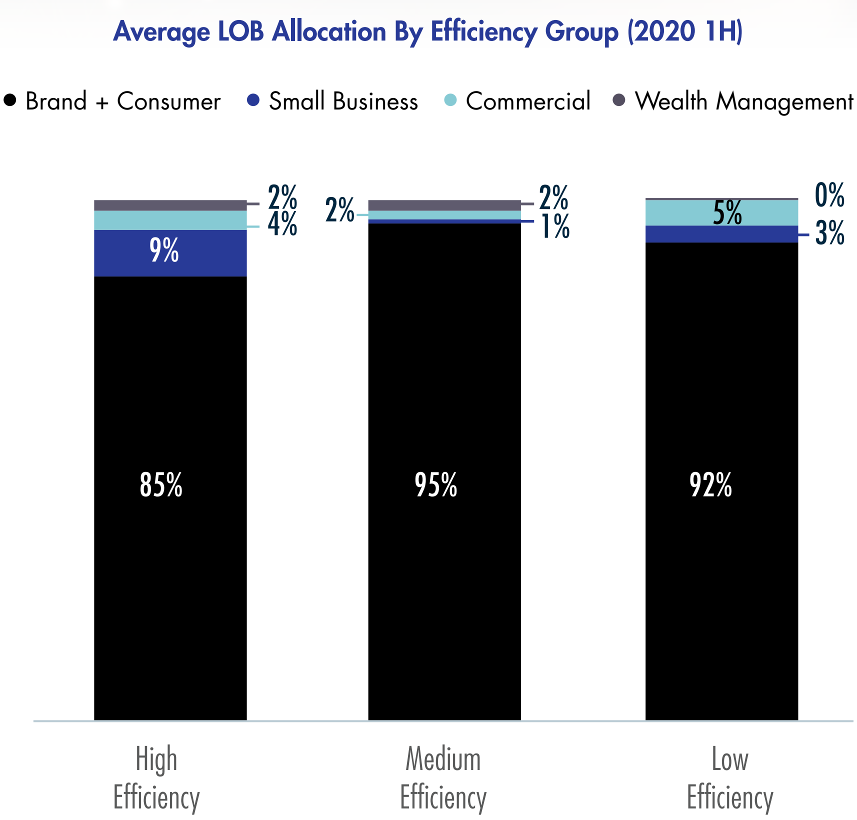
It is easy for banks to understand the relationship between marketing and the consumer business. Afterall, marketing drives about 15-25% of retail production and its impact is considered fairly straightforward to measure.

But other lines of business typically receive far less support from marketing even though it can drive anywhere from 5-15% of new customer acquisition. As a result, opportunities are missed for both the marketer and the non-retail business — especially when it comes to deepening customer relationships.

Marketing budgets often are among the very first to get cut in tough times, so marketing executives can help to prove their worth by allocating more investment dollars to the rest of the bank and establishing metrics that measure the impact. From commercial to wealth, market planning can be a holistic exercise. (See Figure 1.)

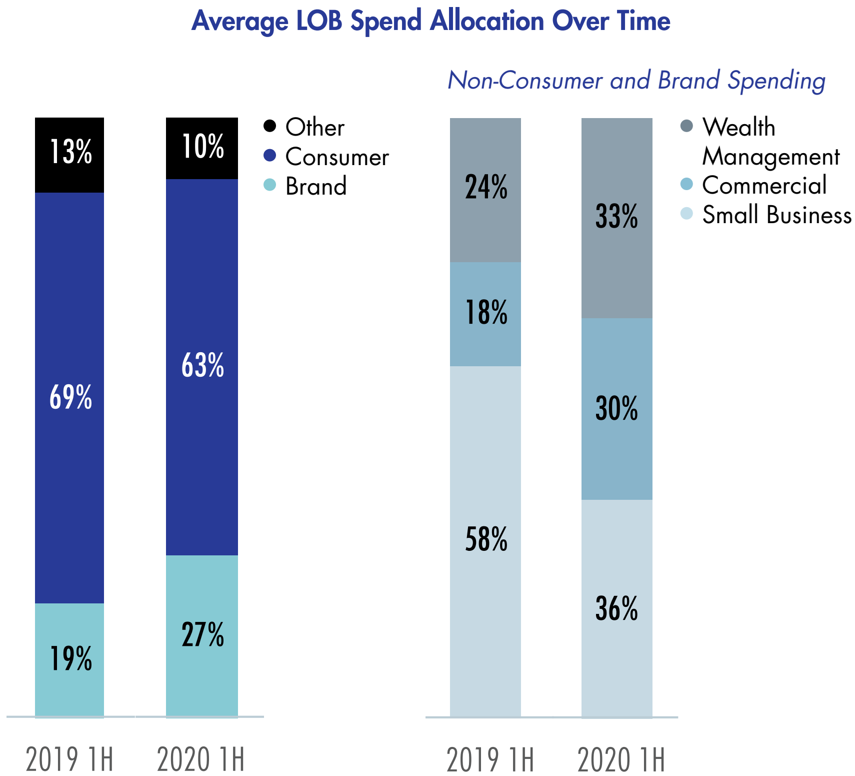
Furthermore, the evolution of digital marketing has made non-retail marketing significantly more relevant. The old-world strategy was events-based, such as sponsoring a yacht race to target

**FIGURE 1:** SPENDING IN OTHER LOBS CAN DRIVE EFFICIENCY IN CONSUMER CHECKING




Source: Acquisition IQ

**FIGURE 2:** SINCE 2018, NON-CONSUMER AND BRAND SPENDING HAS BECOME INCREASINGLY FOCUSED ON WEALTH MANAGEMENT




Source: Curinos Acquisition IQ

wealthy customers in a specific market. Needless to say, those strategies fell by the wayside during the pandemic. While those tactics can still work as we get back to normal activities, marketers can also target that demographic digitally, with ads on boating websites or mobile apps.

Additionally, account-based marketing (ABM) can target specific messages to business customers — both existing ones and potential prospects — across channels.

## RETAIL GETS ALL THE ATTENTION

One of the reasons that retail gets the bulk of marketing dollars is because there are traditional measurement standards in place that allow people to understand the general returns associated with marketing. Indeed, marketing can be a significant contributor. For example, SalesScape data show wide variability of per branch performance, with some players notching 120 new-to-bank sales per branch per year and others bringing in upwards of 300. The difference is partly reflected by marketing.

The same gap in performance exists in business banking where top performers bring in about twice as many new small business clients than do average performers. These data typically don't reflect the impact of marketing because there is either a limited amount of marketing taking place or just a lack of measurement. Just think about how even the top performers could bring in more customers by incorporating marketing programs into their strategies.

Another factor contributing to a lack of marketing attention in non-retail lines of business is that marketing traditionally focuses on measuring new-to-bank customers. Banks typically ignore the ability of marketing to help cross-sell products, deepen relationships and retain customers. That is the case even though near-term revenue drivers tend to focus around deepening relationships with existing customers. Marketing can help achieve those goals!

The net result: data from Acquisition IQ spend and efficiency benchmarks show that banks spend an average of 20% of budgets — and even less of staff — in non-retail lines of business. That means banks are essentially throwing away marketing's potential to contribute to the businesses that drive as much as 40-80% of profitability. (See Figure 2.)

## SEGMENTING FOR SUCCESS

Most marketers naturally use segmentation in order to build a holistic marketing strategy. This is particularly important in non-retail businesses that may be targeting only 1-5% of the population within the market. When going through a segmentation exercise, you find that the average value, the likelihood to open a new account and the resonance of a regional bank varies highly across different customer segments.

A good segmentation exercise would identify segments of customers with whom the brand and products will resonate and have an attractive mix of deposits, loans and fee income. Unfortunately, segments are often created and driven by factors that don't include these characteristics, namely sales revenue on the business side or assets under management on the wealth side.

An examination of Business IQ data, which profile product profitability in small business and commercial operations, shows that industries with annual revenue of $5-$10 million generate significantly different mixes of deposits, fees, and loans depending on industry segment. We often see differences of 25 percentage points or more when comparing the ratio of loans to deposits between industries. The difference is even greater for the most credit-intensive segments, such as manufacturing.

This suggests that it makes sense to cherry pick the segments that would be most attractive to the bank rather than using a one-size-fits-all marketing approach. Additionally, fees generated by treasury management are often significant profit contributors to the bank, but marketing typically isn't involved in driving the TM relationship.

## MARKETING FOR COMMERCIAL

Marketing in the commercial line of business has also been an area of historical underinvestment. But there is great potential and an opportunity for early adopters of more advanced marketing concepts to create real performance differentiation. But while many of the concepts from consumer marketing are applicable, both marketers and bankers will need to adapt a bit.

As an example, marketers need to take into account much longer sales cycles in commercial, meaning that measuring success will also take longer. For example, it may take years to assess the change in business performance versus just tracking the number of account openings over weeks or months. Bankers need to develop higher degrees of trust in data and marketing analytics as they decide how to allocate their time.

Marketing can also help the bank acquire and deepen commercial primary relationships, which typically generate seven to 10 times the DDA balances of non-primary relationships and capture a significantly higher proportion of total fees. But a bank's potential to achieve primacy varies based on a number of factors ranging from credit relationship to product capabilities. Advanced marketing analytics can pinpoint those relationships that have the highest near-term primacy potential, enabling bankers to focus their time where it is most likely to yield results.

## MARKETING FOR SMALL BUSINESS

In the business banking/small business space, there is increasingly a move toward multi-channel coverage models that integrate traditional relationship managers with virtual bankers, digital, service centers and branches. With such an array of potential contact points, it is both more challenging and more rewarding to correctly track clients and position high-value conversations with appropriate experts. In establishing a robust multi-channel coverage model, it is critical that banks integrate digital marketing to accurately assess relationship potential. And a steady stream of relevant content can be a differentiator.

There's certainly no silver bullet when it comes to marketing for non-retail businesses. It requires careful coordination with the sales force and can be a thankless job. (The general attitude is that if things are working, the sales force is doing great. But if things aren't working, it's marketing's fault.)

Organizations need to understand where the opportunity is, leverage account-based marketing tactics for targeting deepening initiatives and surround the process with the right technology (potentially CRM + CDP) to ensure that the bank can scale these efforts and start seeing results. ■

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## CORPORATES TO BANKS:

# HELP US WITH FORECASTING

BY PETER SERENE

Curinos research has consistently shown that companies are eager for broader strategic advice from their banks. We also believe that for banks to achieve breakout growth in treasury management, they must innovate to expand their value proposition beyond processing financial transactions to address a broader spectrum of company needs.

The experience of the pandemic has underscored this need. Companies were forced to adapt to remote work while simultaneously managing unprecedented volatility in cashflows that was driven both by market disruption and fiscal and monetary stimulus.

Business is getting back to normal, but companies still crave advice to help them optimize their business operations. Banks and fintechs are in a fierce competition to own this space. Those that prevail will win an outsized portion of the revenue share from lucrative existing payments business and find themselves in the pole position to monetize opportunities that leverage company data flow to provide insights.

Cash forecasting and working capital management top the list of areas where companies are looking for tools and insights and this is an area where banks are uniquely positioned to help.

**FIGURE 1:** 2021 TOP TREASURY PRIORITIES

| | RANK 2021 | RANK 2020 | RANK 2019 |
|---|---|---|---|
| Cash forecasting improvements | 1 | 1 | 2 |
| Liquidity or working capital management | 2 | 4 | 1 |
| Bank services optimization or RFP | 3 | 3 | 4 |
| Optimization or replacement of TMS | 4 | 11 | 9 |
| Enhance fraud/cybersecurity controls | 5 | 10 | 8 |

**Next in line were:**

*Support for acquisition/divestiture, LIBOR replacement, debt issuance, improvements of payment process*

Source: 2021 State of the Treasury Profession Survey

## SURVEY REVEALS WHAT CLIENTS WANT

Treasury Strategies, a division of Curinos, recently completed its 15th Annual State of the Treasury Profession survey and gathered insights from more than 30 in-depth interviews with corporate treasurers. Combining quantitative survey data and extensive interviews, this study provided a uniquely rounded perspective on the challenges and priorities that are top of mind for treasury professionals. Banks can and should be integral to addressing these challenges.

Company treasurers, sometimes assisted by their banks, spent much of 2020 racing to enhance digital capabilities, from payments and receivables to e-signature. Many of these changes will be permanent. Banks that have gaps in their core digital offerings, therefore, should address them with a sense of urgency in order to serve their clients better.

## CASH INSIGHTS AND DECISION MANAGEMENT

Cash insights and decision management remains the top priority for treasurers. (See Figure 1.) Cash forecasting improvements has been the #1 priority for two years in a row, moving up a notch from 2019. The need for strong forecasting capabilities was critical during the pandemic as some companies even began doing it on a daily basis.

Although that urgency has eased, there is still clearly white space for banks to innovate solutions and integrate with clients. Liquidity and working capital management was the #2 priority for treasurers in 2021, up from the fourth position in 2020.

Cash forecasting and liquidity and working capital management are really part of the same process that starts with data aggregation, integrates decision intelligence and culminates with an action. The process is further enriched with the integration of third-party data to improve decision intelligence and "after the trade" AI to optimize future decisions.

The jury is still somewhat out on who will own this space. The big question for banks is what role they will play. After all, they have the most real-time insights into transactions and have the tools to execute an action such as a payment, cash placement or investment. Many banks would also assert that they have a greater degree of insight into market dynamics and are best positioned to develop and maintain the intellectual property behind the decision management engine.

Ultimately, for banks there are three potential paths. The first calls for banks to own the space, find a way to aggregate more real-time financial data from their customers and build best in class tools. Path two is to partner treasury management system (TMS) providers to provide value-added decisions and integrate with the bank's execution capabilities. The third path is to become a commodity service provider.

The first two options can work well for banks, but they won't happen by sitting idly. Banks need a proactive strategy to determine what role they want to play in this space, and a set of concrete plans to either develop the requisite capabilities themselves or establish strategic partnerships with TMS providers to meet the needs of their clients.

There is another important reason for banks to invest in this space. With banks flush with liquidity and structural factors that may support significantly elevated levels of commercial deposits for a long time, banks need to be increasingly judicious about allocating the liability side of their balance sheets. Enhanced capabilities to forecast customer cash will also help banks manage their own liquidity positions. And investing in the execution tools to facilitate off balance sheet investments helps corporates and banks alike.

Treasurers have clearly articulated the areas in which they need help. Banks have a unique capability to combine their data, expertise and technology to assist corporates. These are big and complicated challenges that continue to expand the value proposition that banks provide to their customers. Banks need to think strategically about what to target, when to go it alone and when to partner. ■

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# CREDIT UNION M&A REQUIRES DEPOSIT DUE DILLIGENCE

BY BOB WARNOCK

Chances are that most bankers have never heard of VyStar Credit Union, which was founded in 1952 to serve military and civil service personnel at the Naval Air Station in Jacksonville, FL. Today, the credit union has 748,000 members and $10 billion in assets.

VyStar turned heads this past spring when it announced plans to buy the assets of Heritage Southeast Bank, a state-chartered bank in Jonesoro, GA., for an 80% premium to Heritage's stock price. It was VyStar's second acquisition of bank assets in two years and, when finalized, will make VyStar the 13th-largest credit union in the U.S.

Faced with excess liquidity and/or capital just like their bank brethren, credit unions are increasingly expected to put that cash to work by pursuing mergers and acquisitions. Deposit due diligence, which should be an integral part of any transaction, takes on even more importance when these small institutions buy pieces of traditional banks. In part, that is because the bank's customers may not know who the buyer is or what the credit union represents.

Therefore, the heightened prospect of customer attrition requires thorough deposit due diligence and treatment plans that can reduce the risk.

## LOOKING FOR GROWTH

Just like banks, credit unions of all sizes have seen their deposits swell over the past year due to pandemic-related government stimulus programs, lower consumer spending and weak loan demand. The 10 largest credit unions, for example, saw their deposits grow by an average of nearly 23% in the first quarter compared with year-earlier levels. (See Figure 1.)

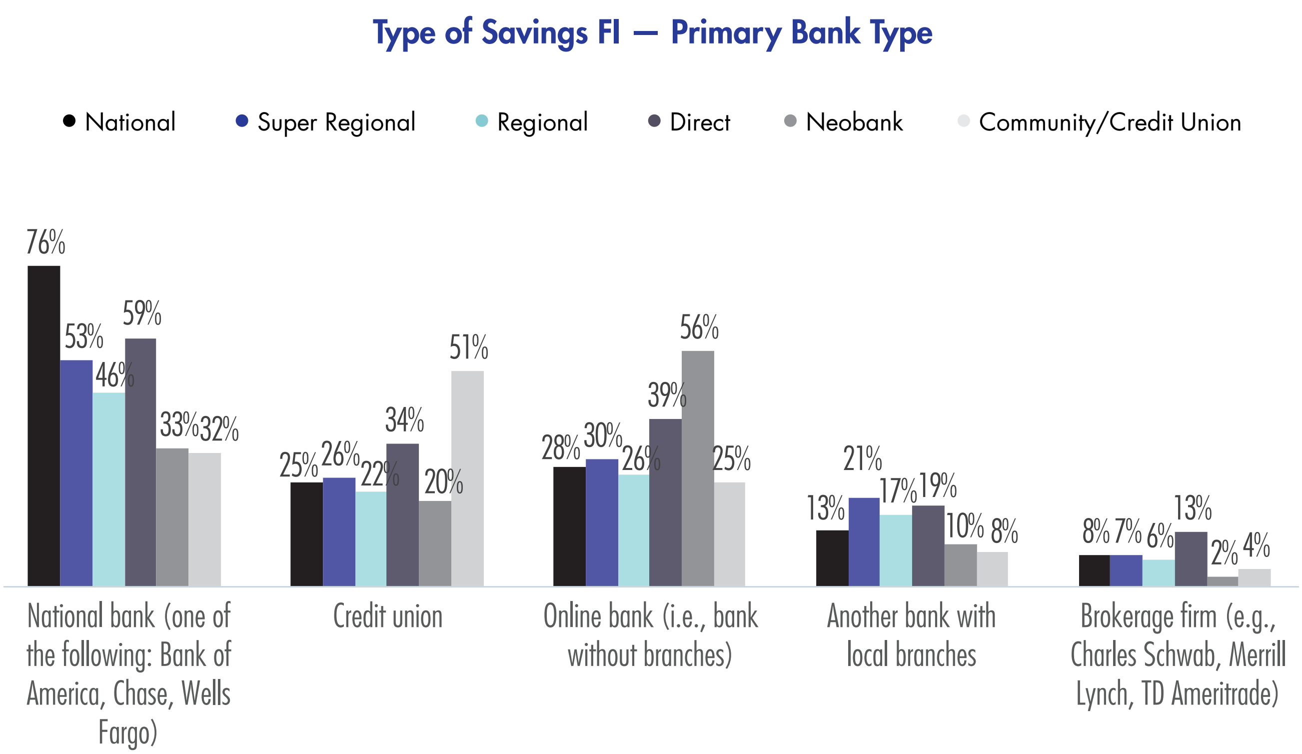
Unlike banks, however, credit unions have fewer options than banks to deploy excess capital, such as an inability to

**FIGURE 1:** KEY Q1 DATA FOR TOP 10 CREDIT UNIONS AND VYSTAR

| NAME | STATE | 2021 Q1 TOTAL ASSETS | YOY CHANGE | 2021 Q1 TOTAL DEPOSITS | YOY CHANGE | 2021 Q1 TOTAL LOANS | YOY CHANGE |
|---|---|---|---|---|---|---|---|
| Navy Federal Credit Union | VA | 144,468,996,333 | 15.0% | 120,209,863,544 | 30.5% | 88,363,656,164 | 6.4% |
| State Employees' | NC | 49,634,688,175 | 15.8% | 45,446,215,137 | 17.1% | 24,167,125,581 | -2.0% |
| Boeing Employees | WA | 28,228,439,367 | 24.3% | 23,955,753,499 | 28.9% | 12,541,759,305 | -13.0% |
| Pentagon | VA | 27,254,912,909 | 8.5% | 20,212,811,165 | 12.3% | 19,205,357,364 | -3.6% |
| Schoolsfirst | CA | 25,252,960,030 | 26.5% | 22,181,639,566 | 29.5% | 11,324,675,705 | -3.1% |
| The Golden 1 | CA | 17,237,843,720 | 24.4% | 15,425,836,415 | 27.1% | 9,001,653,307 | 3.4% |
| America First | UT | 15,685,916,716 | 28.4% | 14,115,674,820 | 30.3% | 9,842,076,440 | 2.7% |
| First Technology | CA | 14,107,089,226 | 1.7% | 11,146,801,444 | 13.4% | 8,613,221,381 | -4.4% |
| Alliant | IL | 13,970,828,354 | 12.8% | 11,691,238,151 | 14.9% | 8,889,730,839 | 3.5% |
| Suncoast | FL | 13,471,639,659 | 22.1% | 12,095,134,756 | 23.4% | 9,390,549,832 | 9.3% |
| Vystar | FL | 10,749,464,222 | 14.7% | 9,718,618,318 | 30.7% | 7,365,524,696 | 8.2% |

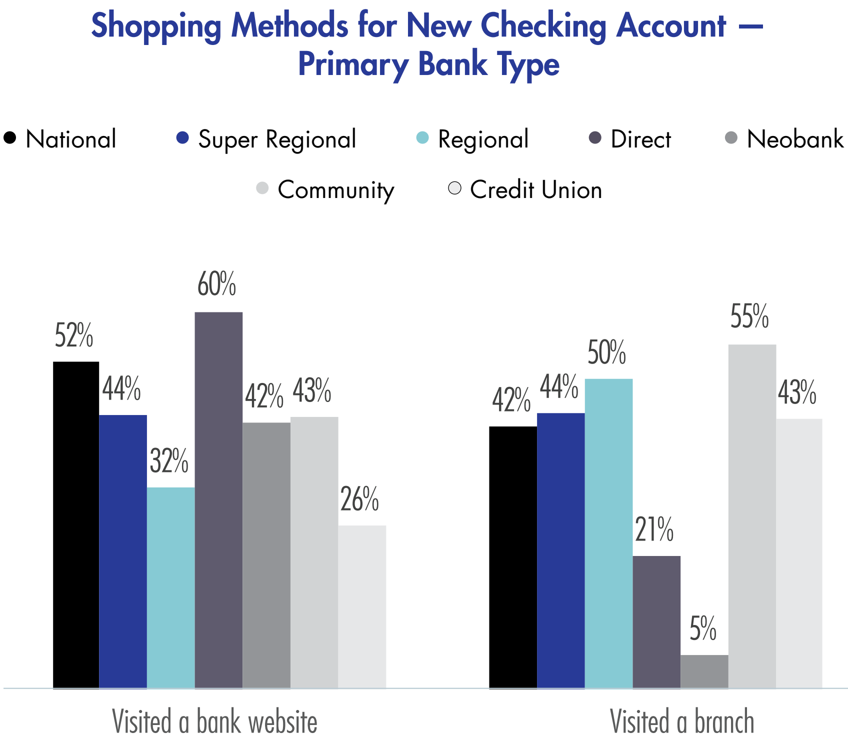
Source: Call reports, Curinos research

**FIGURE 2:** CUSTOMERS WHO HAVE A PRIMARY SAVINGS ACCOUNT AT A CREDIT UNION HAVE ACCOUNTS AT OTHER PROVIDERS MORE OFTEN THAN DO CUSTOMERS OF REGIONAL BANKS OR NEOBANKS




Base: Total National (N=3869), Super Regional (N=1765), Regional (N=410), Community/Credit Union (N=234), Direct (N=836), Neobanks (N=1349)
Source: Curinos Customer Knowledge | 2020 U.S. Shopper Study

**FIGURE 3:** CREDIT UNION SHOPPERS HEAVILY DEPEND ON TRADITIONAL, NON-DIGITAL METHODS




Base: Total National (N=3869), Super Regional (N=1765), Regional (N=410), Community (N=60), Credit Union (N=174), Direct (N=836), Neobanks (N=1349)
Q: Thinking back to the process that led you to open the primary checking account you now have with [PRIMARY BANK], how did you shop or research your primary checking account?
Source: Curinos Customer Knowledge | 2020 U.S. Shopper Survey

engage in stock buybacks. While credit unions can pay special dividends or pay higher interest rates, those tactics aren't going to make enough of a dent on today's bloated coffers.

Furthermore, credit unions can often be hobbled in the search for growth due to restrictions on membership, even though those limits have eased greatly in recent years. It is also difficult for credit unions to attract younger members. The average age of U.S. credit union members is 47, according to industry estimates, as younger eligible members often gravitate to the whiz-bang features of large banks, neobanks and fintechs.

As a result, credit union M&A activity is expected to continue rising, including the acquisition of bank assets. (Credit unions technically don't buy the bank in these transactions because they don't assume the bank's charter and instead acquire the bank's assets.)

## DEPOSIT DUE DILIGENCE IS KEY

Curinos has long believed that conducting due diligence on deposits in M&A transactions is just as essential as traditional credit due diligence. This practice becomes even more urgent as credit unions acquire bank assets. The looming prospect of higher rates is also a critical factor.

The most important aspect that credit unions should consider is customer attrition. If customer growth is a key reason for the transaction, the deal becomes far less valuable if the bank's customers walk out the door. How old are the bank's customers? How long have they been customers of the bank? Does the bank have a more expansive suite of products and services and does the credit union plan to incorporate them into the combined entity? If bank customers perceive that the credit union has fewer offerings, why would they stick around?

Indeed, Curinos research shows that credit union customers typically have accounts — often primary relationships — at other financial institutions. And even customers who consider a credit union to be their primary financial-services provider often have a savings account at other financial institutions — even more so than do primary customers of national and neobanks. (See Figure 2.)

Credit union customers also are much more branch-oriented than other types of customers, especially when it comes to researching and opening a checking account. (See Figure 3.) If the credit union doesn't have the bells and whistles that are valued by customers of larger banks, it may have trouble keeping the bank customers, let alone attracting new ones.

## PRACTICAL CONSIDERATIONS

Credit union buyers should consider a number of factors when entering transactions with banks and starting integration plans.

- Determine what portion of the target deposit portfolio is truly core.
- Consider whether it makes sense to use rate to engage the bank's customers and reduce attrition.
- Examine transaction trends of the bank's customers. If they are increasingly accustomed to digital interactions, closing branches of the acquired bank may not affect attrition.
- Ensure that appropriate communications and marketing programs explain why a credit union can serve bank customer needs since many may be unfamiliar with credit union offerings.

There's no doubt that M&A will continue to be an important consideration for credit unions and banks. As rates begin to rise, deposit due diligence will be even more important in those transactions.

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# YOU MAY HAVE MISSED

## *A snapshot of relevant developments in recent months*

### JUNE

Acting Comptroller of the Currency Michael Hsu told Reuters that regulators are still exploring the best way to incorporate climate change risks into bank supervision and oversight.

Texas regulators said state-chartered banks are permitted to offer cryptocurrency custody services to their customers.

American Express unveiled its first checking account for small businesses under the Kabbage brand. The account offers an annual percentage yield (APY) of 1.10 percent on balances up to $100,000 with no with no monthly maintenance fees.

The FDIC launched its first "tech sprint" in which assorted stakeholders come together to focus on important industry challenges. The first effort is focused on data, tools and other resources that could help community banks meet the needs of the unbanked. Teams will present their solutions to a panel of judges in September.

Two Fed officials said high inflation may last longer in the U.S. than initially anticipated, raising the specter of higher rates.

Nearly two-thirds of bank executives from around the world expect the branch-based model to be gone within five years, up from 35% four years ago, according to a survey from the Economist Intelligence Unit.

Two-thirds of consumers surveyed in the U.S., U.K. and Australia say they made a purchase directly through their phone at least once in the past month and 62.5% say they make most of their purchases online, according to a study from BigCommerce and PayPal.

### JULY

Chicago-based First Women's Bank began operations after receiving the state's first banking charter in more than a decade. The bank says it is the nation's only bank that is owned and led by women. Investors include Bank of America, Fidelity Investments and tennis legend Billie Jean King.

The Consumer Financial Protection Bureau issued a warning about "buy now, pay later services," reminding consumers that the products can carry late fees and don't offer the same dispute protections as credit cards.

Square is launching a decentralized financial-services business that relies on bitcoin and avoids traditional banks.

PayPal increased weekly limits on cryptocurrency purchases to $100,000 from $20,000 and eliminated its annual purchase limit of $50,000.

Massachusetts-based Cambridge Savings Bank launched a digital-only brand called Ivy Bank.

Karat Financial, which is developing credit cards for artists, creators and influencers on Twitch, YouTube, Instagram and TikTok, raised $26 million in a financing round led by Union Square Ventures.

### AUGUST

Roughly 15% fewer U.S. residents say they are living paycheck to paycheck compared with the fourth quarter of 2020, according to a survey conducted by Lending Club and PYMNTS. The majority of those living paycheck to paycheck reside in the South Central region, including Texas, Oklahoma and Arkansas.

SEC Chairman Gary Gensler described the cryptocurrency asset class as "rife with fraud, scams, and abuse in certain applications."

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