Commercial lending and supply chain finance growth under biggest threat from non-bank players, finds Misys survey

Banks cite SME lending (68%) and Supply Chain Finance (61%) facing the greatest pressure from non-bank players, while many see new opportunity in strategic partnerships

London – 26 August 2015 – Banks believe that new digitally enabled supplier finance networks and alternative lenders now pose a significant threat to every part of the commercial lending business, according to a new survey conducted by Misys, the leading financial software company.

Key findings from the survey include:

- **68%** cited small business lending as being under high threat
- **61%** see competitive pressure in supply chain finance product lines, such as receivables finance and factoring
- **84%** see pressure on pricing of loan products as a challenge
- **75%** fear loss of market share to alternative lenders

The research took answers from 114 respondents from 77 banks across the US, EMEA and APAC, who were asked to share their views on the threats and opportunities created by digital disruption in commercial lending, trade and supply chain finance.

Banks have been under pressure since the financial crisis, as demand for credit from small and medium sized businesses has risen, but increased regulation and scrutiny of balance sheets has diminished lending capacity. The rise of alternative financiers, peer-to-peer lenders and new supplier networks in the market is leading banks to re-evaluate their operating models and embrace partnership, new technology and more agile approaches to lending and trade finance.

According to a report by Grant Thornton[1], in 2014, 60% of businesses in the mid-market were already using non-bank lending as a source of finance, showing that it is no longer a fringe activity, but one that is widely considered normal by corporates.

Despite these challenges, the Misys survey results show that banks also believe that a strategic partnership with non-bank players can be a strong driver in growing their trade finance business, with 68% citing that they see this as a big opportunity.

“The banking sector understands that it must now react to remain at the centre of corporate credit requirements,” said David Hennah, Head of Trade Finance at Misys. “Our survey respondents believe they can leverage emerging supplier networks and the financial technology vendors that can provide digital enablement and connectivity across trade and lending to grow and retain clients. We have seen an increasing focus on strategic technology partnership. Clients want to build trade and lending platforms that help overcome their technical debt in digitally enabled corporate banking and build a foundation to dictate future innovation.”

“The threat from non-banks on traditional banking models is clear and present and this has grown largely from the technological innovation in this space,” said David Gustin, Editor of Trade Financing Matters, a trade finance and working capital online site. "The challenge is lenders don't know what they don't know, meaning many clients will access alternative forms of finance without their knowledge. In order to compete, banks need to replace outdated delivery models and put customer interests at the core of their business strategy.”

“Innovation is outpacing the limitations of legacy bank frameworks. By thinking differently and embracing change banks, in partnership with their vendors, can define new value propositions along clients’ financial supply chains,” added Hennah.

Misys’ whitepaper entitled ‘The collision of new supplier networks and trade finance – how banks can respond’ is available here.

- Ends -

[1] Grant Thornton, Capital for Commerce - Fuelling growth through non-bank lending, 2014

For Media Inquiries, please contact:

Edward Taylor
Director – Corporate Communications
T: +44 (0)20 3320 5530
E: edward.taylor@misys.com
www.misys.com

About Misys

Misys is at the forefront of the financial software industry, providing the broadest portfolio of banking, capital markets, investment management and risk solutions available on the market. With more than 2,000 customers in 130 countries our team of domain experts, combined with our partner eco-system, have an unparalleled ability to address industry requirements at both a global and local level. We connect systems, collect data and create intelligent information to drive smarter business decisions. To learn more about how our Fusion software portfolio can deliver a holistic view of your operations, and help you to solve your most complex challenges, please visit www.misys.com and follow @MisysFS on Twitter.