> CFI.co Meets the CEO and Founder of Vallstein:

Q&A with Hugo van Wijk

FIRST OF ALL, CONGRATULATIONS ON WINNING THE 2018 AWARD FOR BEST BANK RELATIONSHIP MANAGEMENT SOLUTIONS. THE JUDGING PANEL COMMENDED YOU FOR FURTHER IMPROVING A PRODUCT THAT CREATES VALUE FOR CLIENTS AND BANKS ALIKE. WHAT CAN YOU SPECIFICALLY TELL US THEN ABOUT THE MOST RECENT DEVELOPMENTS?

Well, thank you. Indeed, there have been a lot of important developments in the past twelve months. As you know, the Basel Committee finalised Basel 3 in December 2017. A key objective here was to reduce variability in how banks measure risk-weighted assets. This has direct implications on how much regulatory capital banks must hold to support any specific client-relationship. Therefore, the correct analysis and integration of these new rules into our WalletSizing solutions was of course essential. We've done that. It's at the very core of our unique value added. Secondly, innovation in fintech continued, but we've also seen increased attention and activity from the side of the regulatory authorities – called regtech – to try and keep up with the new possibilities and threats that some of the new fintech solutions may represent. It's important to stay on top of this to ensure our clients can make sense of it all.

CAN YOU GIVE US AN EXAMPLE?

Fintech solutions in, for example, funding or payments may raise questions about the monitoring of credit risk, protection of investors - which may be retail clients placing funds looking for yield, know-your-customer, and compliance. Almost by definition fintech solutions are web-based and cross-border. That poses challenges for regulation. It is almost impossible for regulators to keep up. That, in turn, poses challenges for clients, because you thus can't count on the regulator to keep the entire financial system safe. I recall that in the credit crisis that is now behind us the then chairman of the Basel Committee, Nout Wellink, noted in a speech in 2010 that "there are limits to what supervision can do. We cannot supervise everything, even if we wanted to. And we have to realise that more supervision also creates a moral hazard problem." Mr Wellink then also pointed out specifically that clients have to take their own responsibility as well and use common sense when engaging in financial products. This still is completely true today, and in fact it has become even more relevant in view of these fintech developments I just mentioned.

HOW DOES THIS IMPACT VALLSTEIN?

For us, helping our clients to actually execute on this own responsibility and applying common sense when engaging with financial products

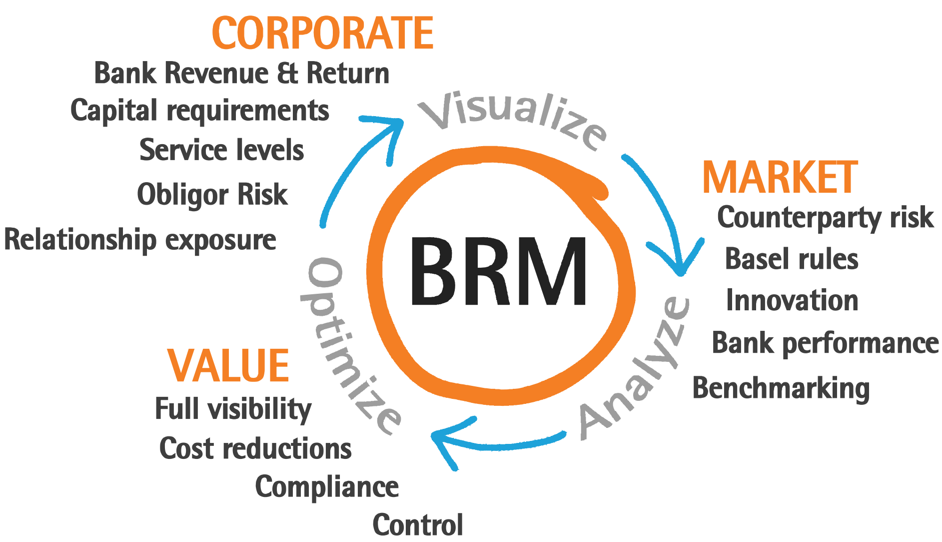
> "Helping our clients to actually execute on this own responsibility and applying common sense when engaging with financial products and financial service providers is precisely at the very core of what we provide with our bank relationship management (BRM) solutions."

and financial service providers is precisely at the very core of what we provide with our bank relationship management (BRM) solutions. It is what we have been doing since the very beginning of our firm almost twenty years ago, in 2000. And so this has only become more important. The complexity and the amount of products, client-, and pricing data that can be taken into consideration have only increased. Of course, data-mining capabilities and analytical solutions to work with big databases and such have developed as well but these do not always generate real value added that provides true insight and common sense.

Let me give a specific example here. In cash management there has been lot of development in charges reconciliation. Most of the large international banks have improved their capability to provide customers with specified invoices for their cash management fees, covering sometimes literally hundreds of individual banking products ranging from fees for check deposits to account maintenance and direct debit costs. Different banks use different product labels in spite of attempts at standardisation, for example with AFP codes in the US. Same products have different prices in different countries. So, it is quite possible to build up databases with thousands of individual pricing points and then provide some kind of benchmarking in cash management. But really, frequently that in our view results in nonsense and false business intelligence on perhaps an impressive looking dashboard.

THAT IS QUITE A CLAIM: PLEASE EXPLAIN.

If you have thousands of pricing points on cash management products collected in a database and you get the question from a client: "Can you please give me the best practice price from your database for an urgent (non-SEPA) cross border payment from Italy for a company like ours?" you can look in that database and come up with a price based on such correlation. It looks impressive but in fact it's meaningless. Correlation is not causality. The best practice price for any individual banking product usually is zero as a bank is typically willing to waive something in the context of the overall relationship. But you never get all products for free of course. Aiming for the lowest benchmark price on one product is like pushing on a waterbed. So, what always matters in the end is the totality of the bank relationships you have, and the ability to view an individual banking product in terms of the entire banking wallet and associated annual revenue & return generation allocated to such bank.



CEO and Founder: Hugo van Wijk

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Understanding the full equation provides the correct causal insight into the bank relationship and is the only sound basis for sustainable optimisation between you and your bank. So, although our bank fee management solution, that indeed just as easy can process huge billing files with these thousands of pricing points, is able to provide also such benchmarking in terms of lowest price, rather helps our clients steer away from that and instead provide a much better analytical insight opening up into optimisation opportunities in the context of the entire wallet.

And of course, our bank fee management solution does all the usual stuff such as billing audits and reconciliation, identification of overbilling of bank charges, and so on. That is important housekeeping in financial control as well, that fortunately most companies nowadays take serious too.

WHAT ARE YOUR PLANS FOR THIS YEAR?

Our own direct client base continues to show healthy growth and we continue to enjoy very strong business momentum also through our partnerships with e.g. Bellin and KPMG in German-speaking countries and wider Europe. We have seen a very good increase in our US clients – and we're very glad about the positive client feedback we have been receiving. Most of our clients are very international and our research environment now spans more than 300 banks and 80 countries world-wide. For 2018, we plan to test a very innovative development with clients in Portugal. It is a perfect market to run such a pilot as they are very open to new technologies. We look forward to tell you more about that next year.