Finding the balance of payments innovation, scale, and security

The growth of digital payments, the emergence of new technologies, and the increasing demand for convenience and security from consumers and vendors are pushing organizations to modernize their money movement.

As for the banks entrusted with moving that money, they need to meet the evolving needs and expectations of modern companies. They need to offer scalability and security, two key factors that can dramatically impact a client's experience, operational efficiency, and financial performance.

As imperative as it is, delivering both can be a challenge.

To help you and your organization understand how financial institutions balance the demands to develop tailored solutions capable of growing along with a client's business, while protecting those clients from data leaks, cyberattacks, and financial fraud, KeyBank has collected insight from experts with decades of payments experience.

Our experts have led finance departments, powered product development teams, and founded fintech start-ups dedicated to simplifying payments with technology.

In this report, each will discuss the strategy and process behind the most innovative solutions on the market — solutions developed to help modern businesses enjoy sustainable growth, save time and money, reach new customers and markets, and adapt to changing organizational demands and opportunities.

We hope this report helps you understand the "why" and "how" behind modern solutions designed to power and enable growth for organizations like yours in 2024 and beyond.

Jon Briggs

Head of Commercial Product and Innovation, KeyBank

For years, banks and fintechs looked at each other as competitors. That is until they realized how much more effective each could be if they swapped competition for collaboration. Learn how KeyBank develops powerful, secure solutions for its clients by leveraging a comprehensive fintech strategy rooted in partnership, innovation, and security.

Why KeyBank partners with fintech to bring scale and security to payments innovation

By Jon Briggs

At KeyBank, we deliberately embrace fintech. It's the technology that makes banking better and easier for our clients. We use fintech to grow our business, make our digital spaces intuitive, and connect with our partners.

But that wasn't always the case.

More than eight years ago, as a bank, we came to grips with the fact we couldn't be everything to everyone. We understood it was in our best interest and our clients' if we worked with top fintechs in the industry to bring their capabilities to market and to our bank channel.

This was how we would create deep, integrated experiences for our clients — quickly.

> **Our fintech partnership strategy is not a one-time project but a continuous journey of innovation and improvements.**
>
> Jon Briggs

Our strategy (which other banks have since tried to model) was a significant shift in the bank-versus-fintech landscape. It was a shift from competition to collaboration. While traditional banks bring money movement, financial experience, and risk management services to the table, agile financial technology (fintech) companies can offer game-changing products that solve pervasive problems for specific industries.

Fast forward to 2024, and our fintech strategy is still an important focus for KeyBank. We remain dedicated to bringing our clients effective solutions, including KeyVAM, our latest offering developed in partnership with Qolo.

We'll dive more into KeyVAM later, but I first want to peel back the curtain on how and why KeyBank partners with leading fintechs to bring the scale and security of a centuries-old bank to the latest innovations in finance.

The blueprint

Our fintech strategy is an extension of our core strategy, which is serving our clients. We look at it as a way to advance our product roadmap in a shorter period of time.

Every day we ask ourselves what is the biggest pain point we can solve for our customers in the industries and segments we serve the best? Are we the best builder of the tool to solve that problem? If yes, we're going to build some of those software capabilities. If not, if there's a better innovator out there, how do we partner with companies like that to solve those problems?

We choose our fintech partners carefully, based on how they can help our clients, how they fit with our culture, and how they share our vision. We work with them closely to build trust and collaboratively shape their product roadmap based on our deep knowledge of what our clients need. We also help our clients understand and use fintech to improve their payment processes, save money, and be more efficient.

Our fintech partnership strategy is based on four key pillars:

1. **Commercial partnership**
   We collaborate with fintechs to offer their products and services to our clients, and vice versa. This way, we can leverage each other's strengths and expand our market reach.
2. **Equity investment**
   We invest in fintechs that align with our vision and values, and provide them with capital, mentorship, and access to our network. This way, we can support their growth and innovation, and share in their success.
3. **Joint roadmap**
   We co-create and co-deliver solutions with fintechs and integrate them into our core product portfolio. This way, we can enhance our offerings and provide our clients with the best of both worlds.
4. **Cultural exchange**
   We learn from fintechs and adopt their agile, customer-centric, and data-driven mindset. This way, we can foster a culture of innovation and transformation.

To put it simply, we establish relationships with organizations that can help our clients achieve their goals. For us, creating relationships with fintech organizations is an effective method for tapping into fresh, innovative ideas — and we're a better bank for it.

And in that process, we turn over every stone across every area of risk — credit risk, operational risk, and information security — to ensure our clients can move money securely.

This strategy enables KeyBank to provide unique, holistic solutions and offer nontraditional treasury services. As a result, we bring the most innovative fintech payment solutions quickly to the market to best serve our clients.

The results

As a product leader at KeyBank, I'm excited about what we're building and what we're bringing to the market. This brings me to our latest innovation — KeyVAM — our virtual account management solution developed in partnership with Qolo.

KeyBank and Qolo share a vision of helping businesses grow and thrive with cutting-edge products and services. By leveraging Qolo's digital ledger capabilities within our KeyNavigator platform, clients can better manage cash flow and liquidity across multiple entities and geographies. They can also be more nimble with the ability to open new accounts with greater speed and efficiency.

KeyVAM allows users to consolidate transactions under one physical account, while maintaining separate virtual accounts for each business unit, subsidiary, or customer. This way, users enjoy the benefits of a centralized account structure, such as improved cash visibility, optimized liquidity, and reduced account maintenance costs, without compromising on the reporting, reconciliation, control, and flexibility of a decentralized account structure.

Though KeyBank is not the first to market with a virtual account management platform, we are one of the only banks that offer our solution via application programming interface (API). This allows KeyVAM to integrate directly into client enterprise resource planning (ERP) and accounting systems, which is a major advantage for large, complex organizations.

Our patience, tech strategy, and feature functionality have allowed us to create a best-in-class solution out of the gate.

This is just the latest example of how KeyBank's fintech partnership strategy brings together the best of both worlds to our clients: the expertise and trust of a traditional financial institution, and the innovation and agility of a fintech startup.

Our partnership with fintechs like AvidXchange streamlines and automates the payment process for our clients and reduces the cost and complexity of their workflows and systems.

Alongside Yodlee, KeyBank provides clients with data aggregation and analytics tools and helps them optimize their financial performance and decision-making.

By integrating the capabilities of Zelle and Token, we offer our clients fast, easy, and secure ways to send and receive money, and protect them from fraud and cyberattacks.

KeyBank also acquired fintechs like HelloWallet and Laurel Road to offer our clients personalized financial wellness and education programs and help them achieve their financial goals and aspirations.

The future

Our fintech partnership strategy is not a one-time project but a continuous journey of innovation and improvement. We are always looking for new and better ways to serve our clients, and to create a positive impact on their lives and businesses.

As we look forward three to five years from now, I believe KeyBank will still be viewed as a leader in the banking space when it comes to fintech partnerships. Our history with our fintech strategy shows we have the right ingredients as a nimble institution that can provide scale and security, and we do that in a space that requires all those things.

There's no reason to believe the next decade for KeyBank and our fintech partners will be any less exciting than the last.

About the author

Jon Briggs leads the Commercial Product & Innovation team for KeyBank's Commercial Bank. 6

He develops and manages fintech, treasury, liquidity, merchant, payments, and loan products for commercial clients. business development and client support teams to deliver and support these solutions. He serves on KeyCorp's Executive Council and Risk Committees.

Patricia Montesi

CEO & Co-founder, Qolo

After decades in the payments space, Patricia Montesi was tired of watching companies wrestle with decades-old technology to power money movement. That's why she co-founded Qolo, a fintech dedicated to simplifying payments with purpose-built solutions that are flexible, adaptable, and future-proof. Now she's sharing what modern business should consider non-negotiable attributes of a payments provider in 2024 if they want sustainable, scalable growth.

What modern companies should demand from a payments provider

By Patricia Montesi

In finance departments and in payments, specifically, needs are never truly met — they only change.

When my co-founders and I started Qolo in 2018, companies were in dire need of two things.

First, they sorely needed modern technology and platforms to replace the legacy systems they had suffered through for decades.

Second and often the more challenging need, they needed simplicity. Every time a new payment modality would come out, they were forced to go through another supplier to adopt the capabilities required because their bank couldn't offer the functionality.

Every time an organization wanted to add a new payment feature, such as push or pull debit or virtual account management, they had to deal with another supplier, another integration, another capital reserve, another bank sponsor to try to piece together the payments ecosystem they wanted.

As time went on, these companies were stuck in this spiderweb of fintech that only added overhead and complexity. They had to figure out how to unify and manage all the payment sources, the system of record, customer service, and reconciliation. They had to build their own infrastructure from scratch. This took their attention away from their customers, their sales, and their marketing.

This means they were forced to spend more, launch slower, and innovate less.

Even today, 49% of surveyed executives at commercial payments clients said they use a combination of banks, fintechs, bigtechs, and non-bank payments providers to address their payments needs, according to Accenture's 2023 "Commercial Payments, Reinvented" study.

With that understanding of the payments landscape, Qolo set out to create a platform that can handle any payment modality a customer wants. We built it with the future in mind so we can easily add new payment features as they become available without changing our code or our infrastructure. We designed our system to be flexible and adaptable. That's why we say to stop settling for less and demand more from your payments provider.

Now, fast forward to 2024, and the landscape is vastly improved. Many legacy banks, including KeyBank, have invested in innovation and partnered with fintechs to offer clients purpose-built solutions. But that doesn't mean companies should stop demanding more.

Because, like I said, needs are never truly met — they only change. So, in the same way I took inventory of the payments landscape before launching Qolo, I want to offer modern companies a few traits they should demand from their payments provider.

This list isn't comprehensive but will certainly get you thinking about which provider is right for your organization.

Demand scalability

Scalability enables your business to handle a growing number of transactions, users, and payment modalities without compromising performance, security, or reliability. Your provider should help reduce costs, speed up program launches, and empower innovation in your finance operations by offering fast, flexible, and cost-effective payment solutions that can support your growth.

Payments tech modernization has been shown to reduce operating costs by 20% to 30% and bring new products to market in half the time, according to McKinsey's Operating Model Index, compiled from research at 150 leading financial institutions.

This aspect is crucial considering the commitment you make with a provider may extend for five years or more. It is essential to ensure their services and capabilities not only align with your current business needs but support the evolving demands of your business in the future.

Imagine you're three years into your agreement and want to leverage a new payment rail or dive into virtual account management to support multiple locations. What happens when you go to your provider and those features are still a year out on its roadmap? If you're serious about your needs, you end up coding around that inefficiency by adding something new to your tech stack.

Modern companies shouldn't be handcuffed to innovate on their own.

Demand partnership

Choosing a payments provider is a crucial decision for your business. It can make or break your customer experience, your operational efficiency, and your bottom line. That's why you should look beyond the price tag associated with a given solution and demand partnership.

A strategic partner in the payments industry does more than provide a solution — they become a dedicated ally throughout the entire journey. From implementation and launch to ongoing maintenance and optimization, they will share their industry knowledge and best practices with you. They will help you avoid common pitfalls and overcome the challenges that may arise along the way.

A true partner will also align their goals with yours. They will understand your vision and strategy, and tailor their solution to your specific needs and preferences. They will collaborate with you to create a seamless and secure payment experience for your customers and your business.

Don't just rely on the sales pitch or the technical specs. Dig deeper into the details and the outcomes. How easy is it to integrate their solution with your existing systems and processes? How flexible and scalable is their solution to accommodate your future growth and changes? How proactive and responsive is their customer service and support? What happens in the event of performance issues? What happens in the event of an outage? What happens if you need to end the agreement?

Choosing a payments provider is not a one-time transaction but a long-term relationship. That's why you should demand a partner who will treat you with respect and care, and who will work with you to achieve your goals.

Demand vision

In the rapidly changing payments landscape, you need a partner that keeps pace with the latest innovations. The last thing you want is to be stuck to outdated systems that are not only expensive but challenging to transition away from.

For years, what I saw in the payments world and the legacy players was that the moat they built around themselves was the sheer difficulty of switching providers.

Even if an organization desperately needed new capabilities to power growth, it was simply too hard to give up on an integration that already existed. It was too hard to unwind processes with suppliers. And it was too hard to swallow the years and millions of dollars it would cost to switch banking cores.

If the moat around your offering is "it's hard to leave us," you're not really advancing your industry. You're not really helping provide value to your customers.

So, when you enter a partnership with a provider, demand they look around the corner and understand what innovation may be necessary to provide value. This is why I admire the work Qolo has done with KeyBank on its new KeyVAM (virtual account management) solution.

It takes vision to take your existing legacy infrastructure, find a technology provider like Qolo, and lay it over the older technology to create an elegant, modern version that empowers an organization.

So, now KeyBank commercial clients can manage transactions from one main account but still have different virtual accounts for each division, branch, or client. This means they can take advantage of a unified account structure, which offers better cash management, enhanced cash flow, and lower account upkeep expenses, while still keeping the accuracy, balance, oversight, and adaptability of a separate account structure.

Imagine what that can do for a CFO and their treasury management. It isn't even about the cost of the accounts; it's keeping track of the money and reconciling it and making things simpler. When you remove the inefficiencies associated with legacy money movement, it allows you to grow. It allows you to innovate.

Our mission is to simplify payments, and this partnership with KeyBank and the KeyVAM product does that.

> **Choosing a payments provider is not a one-time transaction but a long-term relationship.**
>
> Patricia Montesi

Demand more

Qolo was born out of a necessity to replace outdated legacy systems and to provide a platform capable of handling any payment modality. We strive to meet the changing demands of companies, emphasizing the important traits, like scalability, partnership, and vision.

However, the journey doesn't end here. Companies should continue to demand more and push their providers to deliver value and innovative thinking. The goal is not just to meet current needs but to anticipate and adapt to future changes. This is the key to thriving in the dynamic world of finance and payments.

About the author

Patricia Montesi is an accomplished business executive with over 20 years of global experience in various industries. She has transformed and scaled complex businesses from start-ups to Fortune 100 companies in roles that included sales, marketing, operations, and technology. She co-founded Qolo in 2018 to better serve the payments industry with innovative, best-in-class technology solutions.

qolo

As the leading omnichannel card issuing and payments processor, Qolo is the nexus of banks, card networks, payment rails, customer data, and integrated third-party services. Its next-generation platform offers first-party access to card networks and payments processing, while its advanced ledger delivers insights previously not available on a single platform. Qolo powers businesses wherever speed, security, and flexibility are important, allowing clients to launch innovative payment solutions quickly and efficiently.

Bennie Pennington

Vice President of Embedded Banking, KeyBank

How do you bring modern technology to traditional banking? That's the challenge that the embedded banking team at KeyBank takes on every day. In this article, Bennie Pennington takes you behind the scenes to show the why and how that powered this team's latest solution, KeyVAM, a virtual account management solution that blends fintech innovation with the stability of a 200-year-old bank.

The process: Building products that offer true impact

By Bennie Pennington

Every day, the embedded banking team at KeyBank challenges itself to bring modern technology to traditional banking. It's a point of pride when a client tells us we're providing a service they never expected from a centuries-old financial institution.

We are a product development team focused on innovation that helps our clients embrace the digital age, because we see three types of players in embedded banking:

1. Processors that handle payments with software and systems but often lack customer engagement.
2. Fintechs that use new technology and move fast but may lack credibility and stability in the financial market.
3. Banks with proven infrastructure and stability that partner with other technology companies to create solutions that address complex and sensitive problems.

KeyBank fits nicely into that third, most effective category and offers the best of everything. We are a bank that uses a product development team that works like a fintech with new technology, speed, and agility, but we also have the strength, stability, expertise, and relationship focus that comes with a bank that's been around for 200 years.

We used those advantages and our proven fintech strategy to create our latest virtual account management solution — KeyVAM.

Let me show you why we decided to revolutionize the traditional way of managing multiple accounts and tell you how we envision this impacting growing organizations.

Why solve for virtual account management?

In 2021, we conducted a thorough analysis of our Embedded Banking market position and identified the gaps in our offerings. We found that one of the most sought-after features by our clients in the tech sector was virtual account management. They needed it to help them manage multiple bank accounts with ease, speed, and efficiency.

The more we analyzed the potential for a VAM solution, the more we realized the tremendous impacts it could have not only for the tech sector but for real estate, energy, property management, and nearly all other industries.

It also helps solve a common pain point for many commercial clients: reconciliation.

Nearly half (44%) of U.S. businesses say payment reconciliation is their largest concern, according to a PYMNTS report. Some of our largest clients have as many as 20 employees spending 40 hours a week making sure every payment that goes in and out of the company is reconciled properly.

We decided to provide a self-service, fully digital way to streamline those processes.

> **KeyBank's mission is to help our clients grow and run their businesses better.**
>
> Bennie Pennington

How KeyVAM came together

After deciding to pursue a virtual account management solution, we first analyzed our in-house capabilities and quickly realized this project could take years to complete. We knew our clients couldn't wait that long, so we decided to find a fintech partner that could help us iterate a solution in a fraction of that time.

We evaluated a number of vendors by assessing their infrastructure, their existing clients, their use cases, their APIs, and their ability to build custom features for us. Ultimately, in 2023, we signed a deal to develop the KeyVAM solution with Qolo, a fast-growing payments processor founded by an impressive team of veterans in the payments space.

Qolo understood our vision of delivering more tech-focused solutions. Their technology stack was first class, and we recognized their APIs and guidance would be truly differentiated in the space.

Then, in a matter of months, Qolo's tech and expertise helped build a KeyVAM solution in a matter of months that's well beyond an introductory version.

What does KeyVAM mean for clients?

Our commercial clients who leverage KeyVAM will enjoy a simpler account structure that allows them to spend less time and effort reconciling payments and opening new accounts. This means enhanced reporting, faster account opening, and improved cash visibility. All of this leads to more time available to scale their businesses.

Let's walk through a few scenarios to show how KeyVAM can empower growth and efficiency for different business and the people who work there:

Client scenario: Multi-location franchise business

Let's imagine a parent company that owns 30 different franchise locations of a retail business and has a separate demand deposit account (DDA) for each location to collect payments from customers and make payments for location-specific ordering. The parent office manages all the payments in and out of each franchise location at the corporate level, such as buying new equipment or paying fees.

Using KeyVAM, this client can now streamline its banking process by having one master DDA at KeyBank and a subaccount for each of the 30 different locations that have unique routing and account numbers to make or receive payments.

The client can also download one master statement for the parent account or view the details of each subaccount digitally through the KeyVAM user interface. This will save the client time and hassle by potentially eliminating the need for 30 separate statements, logins, and reconciliation processes.

Client scenario: Property management group

Imagine you own an apartment complex with 100 units and 100 residents. You want to keep security deposits for each resident in separate bank accounts. Without KeyVAM, this is a lot of work. You have to fill out and send dozens of forms to the bank and wait weeks to have these accounts operational, or you might have one account for all of it, and then track the balances in some other software or spreadsheet you're toggling back and forth between.

KeyVAM makes this easier. You have one main account and 100 smaller accounts for each resident. For example, if Bennie Pennington wants to move in tomorrow, all you do is gather his information, log into KeyVAM, make an account for him, give him the routing and account number, and he sends you the deposit directly to his individual subaccount. You can do this in minutes with one digital tool.

For the front-office personnel, the benefits are very straightforward — streamlined account creation and management. But the impact of the solution for back-office personnel who manage dozens (or even hundreds) of DDAs is even more transformative.

Persona scenario: Accounts receivable (AR) manager

Imagine you're an AR manager for a title company that helps people buy and sell houses. You have to deal with a lot of individual payments coming in and going out. When someone wants to buy a house, they send you earnest money to hold until the deal is done — which could take 90 days or more.

Then, when the deal goes through, you have to send that money to the seller, the agents, and others. This can take a long time and be confusing if you're juggling multiple wires per day, double-checking bank accounts, validating information that's months old, and logging in and out of multiple accounts.

But with KeyVAM, if Bennie Pennington wants to buy a house, you make an account for him and give him the account number in minutes. He sends you the earnest money directly to that account. You can see the money right away and know it is for his deal without checking any papers or transferring any money. When the deal is done, you send money to the seller and others from that account in a few clicks.

Persona scenario: Onboarding manager

We often deal with software companies in the tech vertical that offer solutions for consumers or small businesses that need the product. Many of them want to embed payments within the software, which means they need to separate funds coming in and going out for each client. To do that, they need to set up a new account for each one — which can take six to eight weeks per client in a traditional banking scenario.

If I'm in operations or onboarding setting up accounts for upward of 50 clients per month, I have to send dozens of forms to the bank, wait weeks for updates, and somehow keep track of everything. Not to mention, I have to do the same thing when a customer closes their account.

But with KeyVAM, this can be streamlined and even automated. When a new client comes onboard, I can go to my KeyVAM API and tell it to stand up a new virtual account using the information on file for the customer. So, in less than a minute, I have the account, it is already enabled for payments in and out, and my new client is ready to roll.

Persona scenario:
CFO

Imagine you are a CFO, and you have 60 bank accounts for your business. It can take several steps to see roll-up reporting for all those accounts in a traditional DDA setup.

But with KeyVAM, you can have one parent DDA account and 60 subaccounts and get statements in a CSV file for all 60 of those subaccounts in just a few minutes. Or better yet, view the roll-up and detail within our intuitive user interface, all available in a few clicks within KeyNavigator.

For our largest clients, it's valuable to be able to easily see roll-up data and drill down into individual accounts with as much detail as you need with as little effort as possible. And with KeyVAM, we're empowering organizations to get the information they need in a matter of moments, all within a single interface.

Furthering the mission

KeyBank's mission is to help our clients grow and run their businesses better. We heard from clients about their needs for virtual account management and to connect to their software more directly through APIs. We leveraged their pain points to develop a solution that allows them to take the guesswork out of reconciling and managing their accounts.

We want to help power growth for our clients and make it exciting, not daunting. If they're a small business and want to grow to the size of an enterprise company, we have the security, stability, and modern solutions built to adapt and scale with them.

We want to be a client's bank for life, and KeyVAM help us do that.

About the author

Bennie Pennington is the head of product and strategy for the Embedded Banking division within KeyBank's Commercial Bank. He is responsible for product development and strategy for new solutions in embedded banking and integrated payments including gateways, platforms, ERP integrations, and software solutions for treasury. He and his team manage the product lifecycle and partner relationships for these digital payment solutions for corporate clients.

To learn more about KeyVAM visit key.com/VAM or speak to your payments expert today.