

Where Payments Meet Life

2017 Corporate Payments and Bank Connectivity Report – Simplifying the Global Payments Journey

Introduction

Payments are a part of the day-to-day life of a corporate treasurer or finance professional. They are on an ever-changing journey, dealing with challenges such as payment fraud and trends like real-time payments. How they navigate that journey is key to the success of their corporations.

In this study, FIS surveyed 132 treasury and finance professionals from corporations around the globe to understand how they navigate or plan to navigate through their payments and bank connectivity challenges, the latest payments trends such as real-time payments and open application programming interfaces (APIs), and the role technology plays.

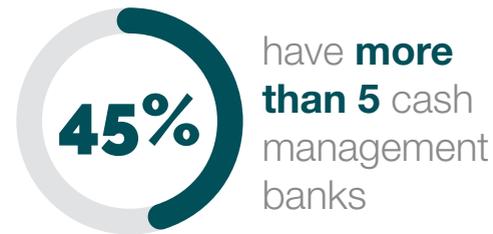


Key findings – Challenges, Complexity and Trends

Top challenges and key drivers for a payments project:



Complex environments



Future trends: Real-time payments/open APIs



Payment Challenges and Drivers for a Payments Project

Increasing **controls** (55 percent), **payment fraud** (54 percent) and **cash visibility** (48 percent) are the top challenges and drivers for a payments project. Cybercrime has become so widespread, complex and frequent, that the role of the treasurer has evolved to be a much more active player in mitigating this type of risk.

Treasurers are relying on system providers to reduce the likelihood of a cyberattack or any other fraudulent event. Those treasurers without the latest in payments technology feel the most exposed and are addressing that exposure through payments improvement projects.

Key payments challenges and drivers



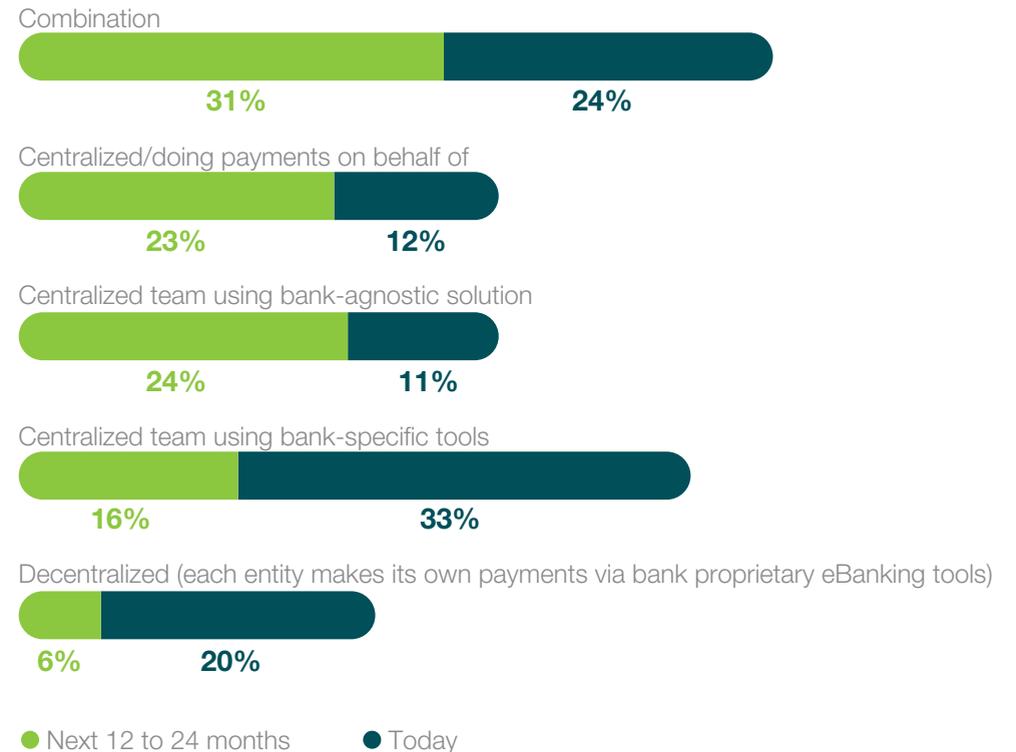
Payments Centralization Is Key to Overcoming Payment Challenges



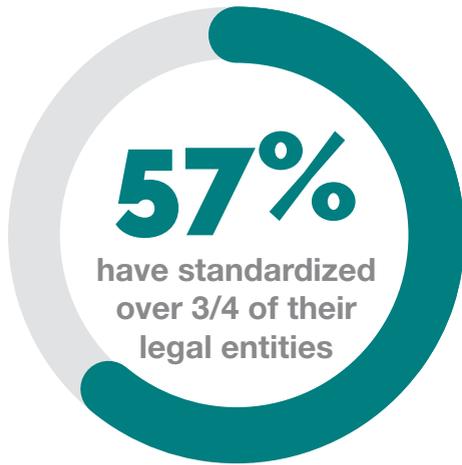
Today, **80 percent** of respondents have some sort of payments centralization in place, and **94 percent** plan to have one in the next 12 to 24 months. These percentages increase when you look at corporations with revenue over \$5 billion. Of those, 86 percent have some sort of payments centralization in place today, and 96 percent plan to have one in the next 12 to 24 months.

Payments centralization is viewed as critical in the improvement of overall controls, reduction of costs and rationalization of payment channels. By centralizing data from disparate A/P, ERP and treasury management solutions into a single payment factory, companies gain real-time visibility into cash. The adoption rates for payment factory solutions that can enable centralization will continue to increase with further globalization.

Payment centralization structure



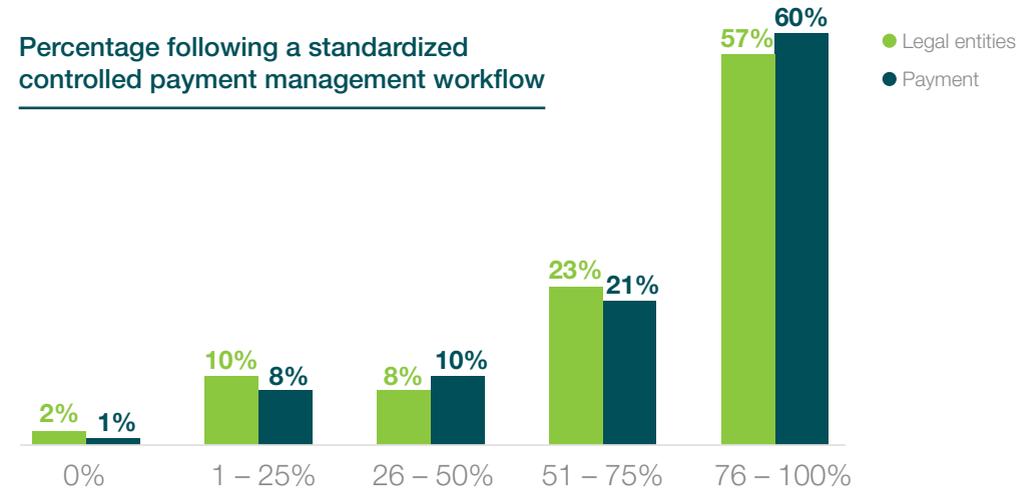
Payments Standardization Leads to Increased Control and Payment Fraud Reduction



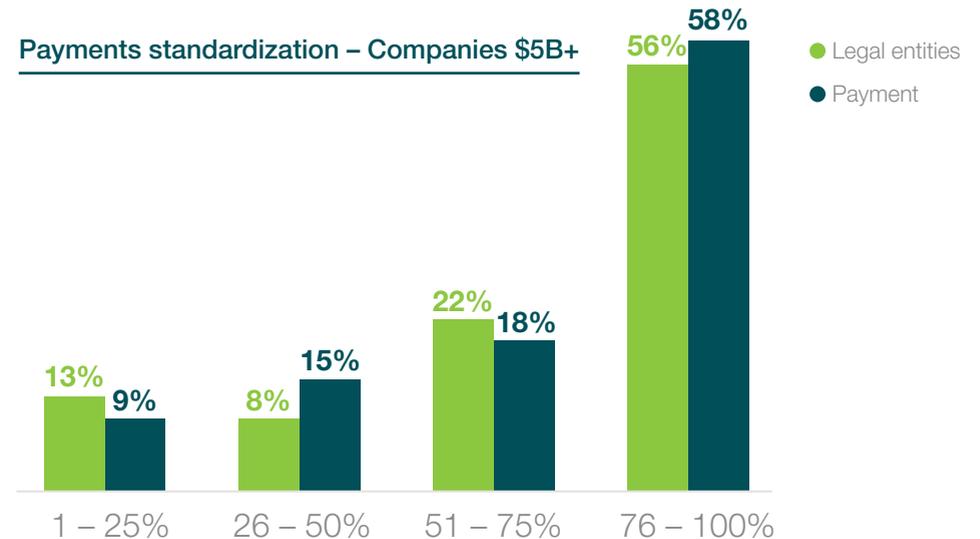
More than half (57 percent) of respondents have standardized over 75 percent of their legal entities. 60 percent have standardized more than 75 percent of their payment volume. This is up from last year's report in which 53 percent of the respondents standardized over 75 percent of their legal entities and their payment volume. More than 55 percent of companies with revenues of \$5 billion and above have standardized 75 percent or more of their legal entities and payment volume.

The trend toward greater standardization in payments processes has been accelerated by higher payment factory technology adoption rates, and the improvements in global processing functionality such as workflows, fraud control and approvals processes within payments factory technology. Specialized payments technology helps treasurers sleep at night.

Percentage following a standardized controlled payment management workflow



Payments standardization – Companies \$5B+

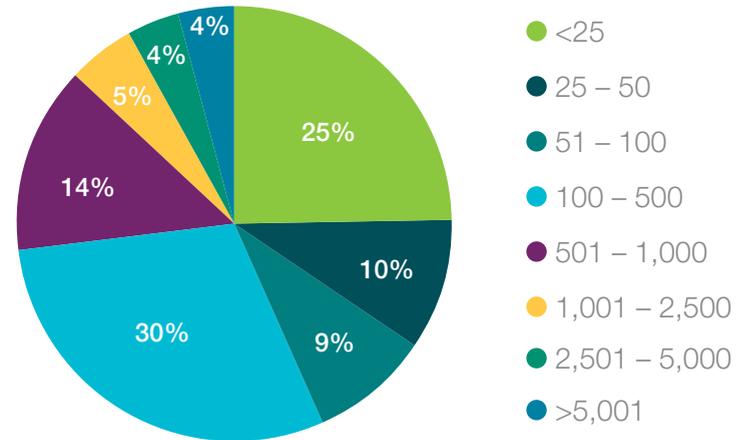


Streamlining Bank Relationships and Accounts Reduces Complexity and Costs

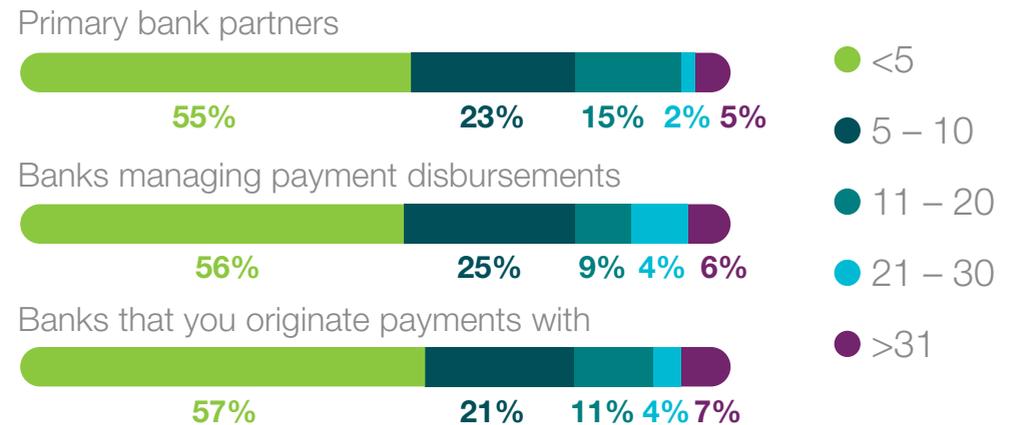
Complexity is a common theme among study participants. Forty-five percent of respondents have more than five cash management banks. Fifty-seven percent manage more than 100 bank accounts. Of those, 13 percent manage over 1,000 bank accounts. There are also multiple ways corporations are connecting to their banks. Connecting via an eBanking platform is still the most popular method, according to last year's and this year's studies, followed by host-to-host and SWIFTNet.

Counterparty risk concerns, along with the globalization of organizations of all sizes, have made banking structures larger and more complex than ever before. There is an opportunity for organizations to further rationalize global liquidity structures and consolidate the number of partners used for global transaction banking services. Banking reorganization and rationalization projects are often performed in conjunction with technological improvement and process re-engineering projects.

Number of bank accounts



Number of bank relationships

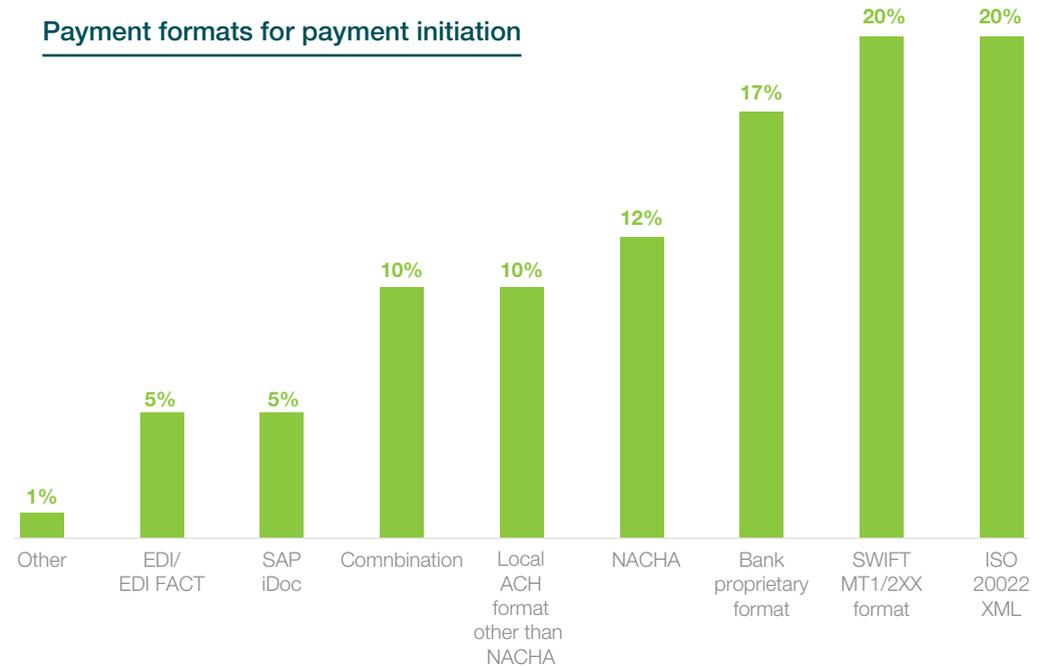


Reducing The Number Of Payment Formats Can Also Help Reduce Complexity

SWIFT MT1/2xx and ISO 20022 XML are the leading formats corporations are utilizing when initiating payments.

Treasurers continue to take advantage of ISO 20022 standards when undertaking global payments standardization and improvement initiatives. The maintenance of global payment channels, and the establishment of new channels are made much simpler through the use of ISO 20022. The use of bank proprietary formats or other legacy formats are common within organizations with decentralized business structures. The fewer formats, the better.

Payment formats for payment initiation



Fragmented Bank Connectivity Models Raise Costs and Increase Complexity

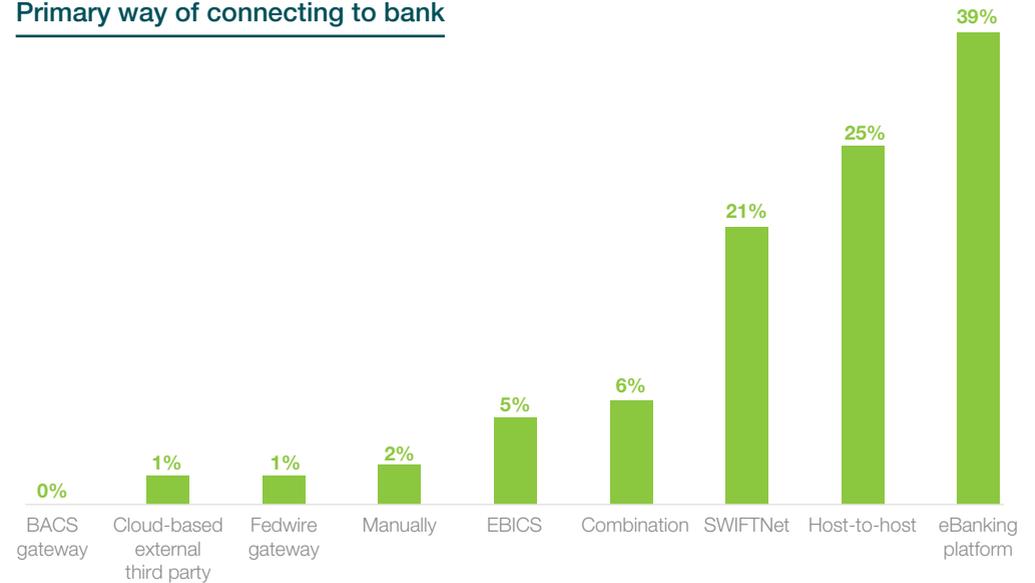


Companies today have any number of ways that they can connect to their banks, from connecting via an eBanking platform from host-to-host and SWFITNet.

However, Many treasurers still have not rationalized bank connectivity models, resulting in more complex control environments, high change and maintenance costs, and limited opportunities for scalability in transaction processing. As the

trend toward payments factory technology continues, treasurers will start to reevaluate connectivity optimization opportunities, seeking to streamline connectivity in conjunction with payments technology improvement and standardization projects.

Primary way of connecting to bank



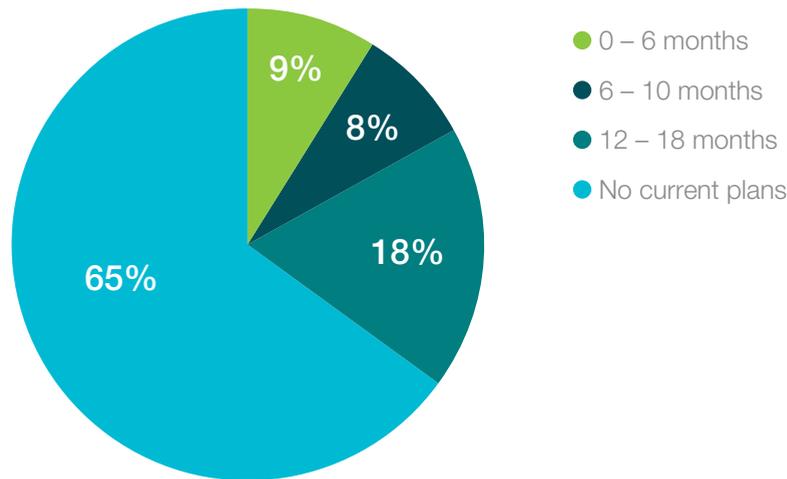
Another Channel to the Banks – Open APIs Lead to Real-time/Faster Payments

Thirty-five percent of study participants are interested in open APIs. Thirty-five percent already have or plan to have an API banking initiative in place within the next 18 months.

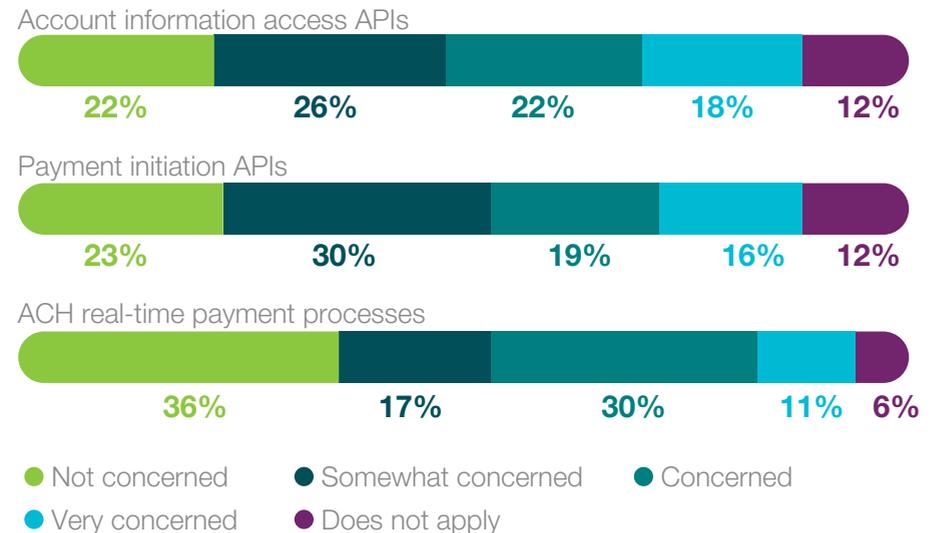
Open APIs are just another channel into a bank. However, they can help facilitate the reality of real-time payments between banks, corporations and their consumer or corporate customers, because APIs interact in real time with the payment systems.

They also offer the possibility of additional services, which can be offered to consumers or corporations. Open APIs are not only relevant for payments but any business process that can benefit from interacting in real time with a bank could be interested – provided that banks are offering APIs for these domains: Think balance inquiries, cut-off time checks or checking credit line availability.

API banking initiatives



Concerns of global payments trends



The Race Is on Toward Real-time/Faster Payments

Real-time payments have become a global phenomenon with regional impact and national schemes, with 23 percent viewing it as a challenge or driver for a payments project. Single Euro Payments Area (SEPA), the payment-integration initiative in Europe, helped 20 percent of study participants to achieve faster payments. FIS' Flavors of Fast study dives into the real-time payment initiatives taking place around the globe.

Real-time transaction processing is viewed as both an added convenience and control for treasurers. As security concerns continue to grow within the financial services space, corporations will gravitate to new faster payment channels, which offer immediate, preventative and detective controls to catch fraudsters. The recent U.S. Federal Reserve Faster Payments Initiative has also recommended stronger methods for fraud detection in order to ensure the future of real-time payments is more secure.

Real-time transaction processing is viewed as a differentiator by those within industries whose suppliers and clients can benefit from the speed of payments, such as those within the insurance industry who can pay to utilize it. The benefits of real-time payments increase for the treasurer, as the volume of payments and importance of the timing of those payments increase to the business.



view real-time payments as a challenge and driver for payments projects



achieved faster payments as a result of their SEPA projects

Simplify the Global Payments Journey with a Payment Factory and Managed Connectivity Solution

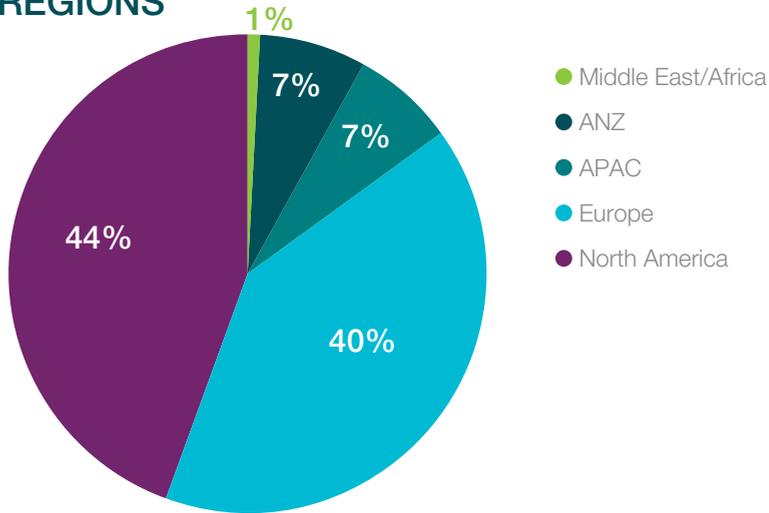
Decentralization, complexity and a lack of standard processes make it difficult for corporate treasurers to improve controls, minimize payment fraud risks, create visibility into cash and reduce costs. It also becomes challenging to take advantage of payment trends such as real-time payments.

Corporate treasurers should be reviewing their payment and bank connectivity processes and evaluating payment factory and managed bank connectivity solutions to help them overcome their challenges, reduce complexity and benefit from trends – ultimately simplifying their global payments journey.

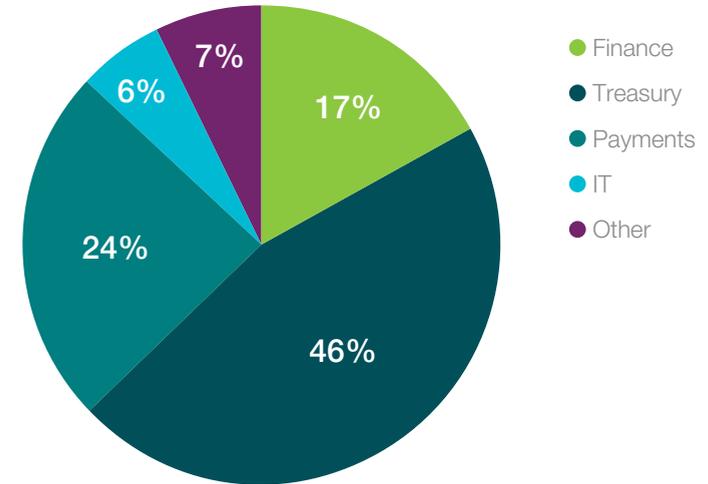
- ✓ Gain single source for payment execution.
- ✓ Improve auditing and controls.
- ✓ Reduce payment fraud risk.
- ✓ Increase cash visibility.
- ✓ Reduce costs.
- ✓ Leverage real-time payments.
- ✓ Enhance reporting capabilities.
- ✓ Centralize bank connectivity.
- ✓ Achieve straight-through processing.

Appendix

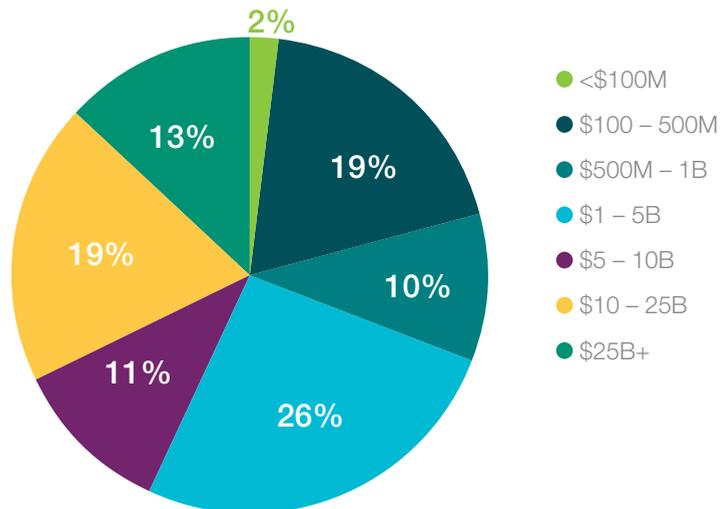
REGIONS



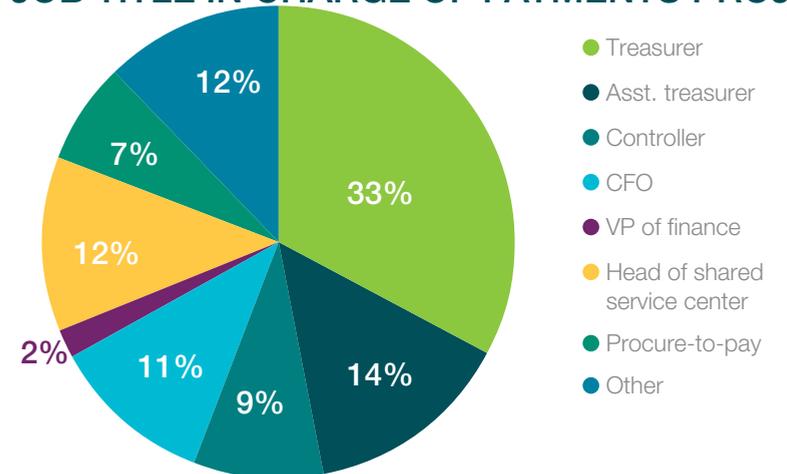
SCOPE OF RESPONSIBILITY



ANNUAL REVENUE



JOB TITLE IN CHARGE OF PAYMENTS PROJECTS



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