TREASURY AND PAYMENTS

TRANSFORM YOUR TREASURY

B2B PAYMENTS AND BANK CONNECTIVITY 2016 STUDY: REDUCING COMPLEXITY AND FRAUD WHILE TAKING CONTROL OF YOUR PAYMENTS

Empowering the Financial World

FISGLOBAL.COM

FIS

CONTENTS

1 **Introduction**

1 **Key findings**

2 **Section One: Optimizing the Payments Function**

2 The scope of the payments challenge

3 Standardization and centralization

5 Driving positive change

7 **Section Two: Payments in Practice**

7 Scope of supplier payments

8 Making supplier payments

9 Producing checks

9 Payment formats

11 Bank communications

12 **Section 3: The Strategic Importance of Payments**

13 **Section 4: Global Payment Trends**

13 Standardization of formats

13 Quality of remittance information

13 Acceleration of payments

14 Virtual accounts

14 Payment screening obligations

14 Open APIs

15 Emergence of independent supply chain platforms

15 Corporate payment demands

16 **Section 5: Conclusions**

B2B Corporate Payments and Bank Connectivity Study: Reducing Complexity and Fraud while Taking Back Control of Your Payments

Introduction

The ability to make payments efficiently and securely is a fundamental commercial activity on which the survival of every business depends. Failures in either efficiency or security can have serious financial, reputational, and competitive implications. Therefore, every treasurer and chief financial officer is motivated to minimize operational risk and make payment processes as efficient and cost-effective as possible. Although these have been objectives common to every company in every generation, treasurers and chief financial officers today face unprecedented challenges, given the complexity of global supply chains, but also unprecedented opportunities.

In this study, more than 170 corporations globally outlined the progress they had made towards an optimal payments and connectivity framework, and their thoughts on some of the innovations that are now emerging that have the potential to transform the way that corporations share transactions and information in the future.

Key findings

The scale of the payments challenge. More than 40 percent of organizations work with more than five cash management banks, a third of these work with more than 20 banks. More than half manage more than 100 accounts, of which nearly 28 percent hold more than 1,000. This makes it very difficult to implement consistent payment processes, controls and formats, adding significantly to the cost and risk associated with payments.

Progress towards standardization. The survey illustrated that corporations are becoming increasingly successful in standardizing payment processes and controls. Fifty-three percent of participants indicated that they have standardized at least three-quarters of their payments by volume, and for more than three-quarters of their legal entities.

Leveraging opportunities for centralization. Eighty-three percent have achieved some degree of payments centralization, even though this can be challenging for businesses operating across regions, growing through acquisition, or with a cultural legacy of decentralization. A growing number of treasurers and finance managers are seeking to extend the value of centralization to leverage in-house banks, payments-on-behalf-of (POBO) and collections-on-behalf (COBO) structures.

Bank communication ... Although web-based and host-to-host bank communications are currently most common, a growing proportion of companies (28 percent) that have a centralized payments model are intending to use bank-independent systems in the future. This is particularly timely given that some banks have chosen to exit certain markets recently to de-risk their business in a more challenging regulatory environment, and ongoing risk of bank failure in some highly volatile markets.

... And its complexity. One opportunity to achieve this is to use SWIFT, used by 11 percent of participants, particularly larger companies. SWIFT offers multi-banked, bank-neutral connectivity through a single channel. However, given the diversity of different communication methods available, and the resources required to maintain them, the ability of outsourcing bank connectivity to specialist organizations is becoming increasingly attractive.

Payment and connectivity objectives. Treasurers' and finance managers' motivation for optimizing payments and connectivity can vary considerably, but the most commonly cited aims are to improve controls (59 percent) and reduce fraud (52 percent). Many early centralization projects were motivated primarily by cost reduction, so the increased focus on control and fraud prevention, as opposed to cost alone is an important and timely development.

Optimizing supplier payments. Around 30 percent of companies reported that they have strategic relationships with more than half of their suppliers which suggests that there is a relatively high proportion of suppliers with which companies can negotiate the use of efficient, electronic payment methods, as opposed to manual methods such as checks. However, in the U.S. in particular, 41 percent of those currently using checks indicate that they do so as a result of supplier preference. Twenty-one percent are planning to discontinue the use of checks.

Standardizing formats. It is not only the diversity of payment instruments, but also formats that causes complexity for treasurers and finance managers. Although previous efforts at standardizing formats for exchanging payment and account statement information have enjoyed limited success, a breakthrough appears to be have achieved with XML ISO 20022, which is most popular format amongst survey participants (19 percent).

Section One:

Optimizing the Payments Function

In the first section of the survey, participants outlined the scale and scope of their banking structures and relationships, and their internal payment operations. They then considered the initiatives they had, or were intending to undertake to standardize and centralize these activities, and deliberated on the successes they had achieved so far.

The scope of the payments challenge

Almost 60 percent of organizations surveyed work with up to five payment banks, typically smaller corporations and/or those that operate predominantly within a single region. However, more than 40 percent of organizations, particularly larger, multinational corporations, need to transmit payment instructions, receive payment confirmations and retrieve account statements from more than five banks (Figure 1). A third of these work with more than 20 banks. This makes it very difficult to implement consistent payment processes, controls and formats, adding significantly to the cost and risk associated with payments.

Similarly, collating information and managing accounts (such as maintaining signatories and fulfilling compliance obligations) is challenging and resource-intensive for many companies given the large number of accounts that they hold. While smaller and less internationally diverse companies generally maintain a relatively small number of accounts (e.g., 23 percent hold up to 25 accounts; see Figure 2), more than half manage more than 100 accounts, of which nearly 28 percent hold more than 1,000. In order to maintain visibility, control and compliance over accounts, treasurers and finance managers are increasingly seeking to rationalize and simplify their account structures by centralizing payments and cash management, and leveraging in-house banks, POBO and COBO structures.

Figure 1. Number of banking partners

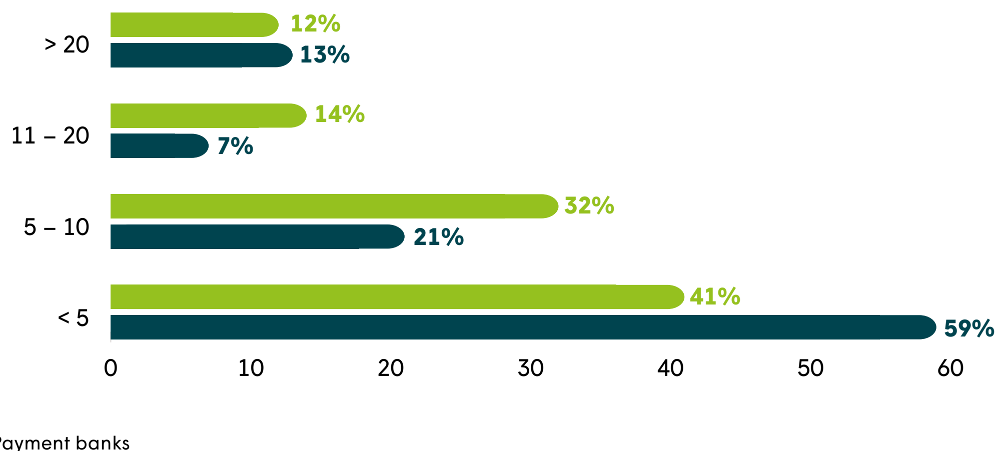
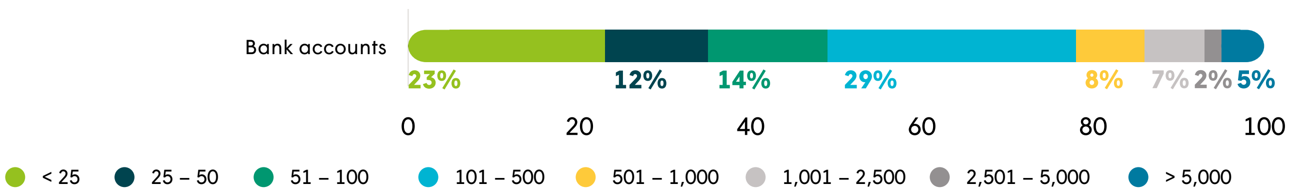


Figure 2. Number of bank accounts



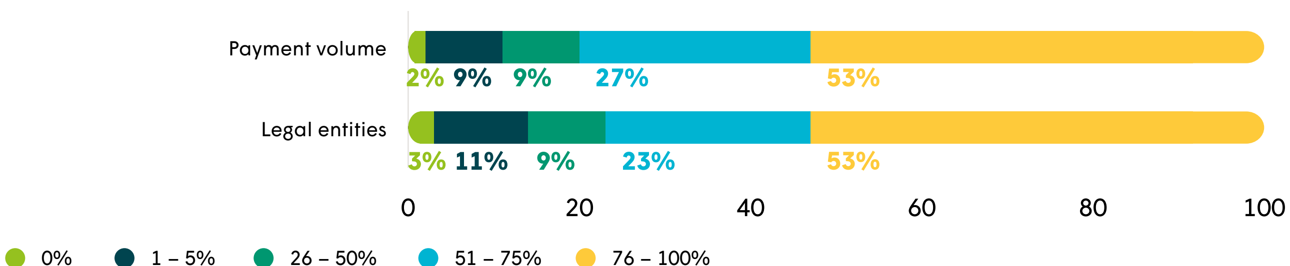
> Our centralized payments project has significantly improved efficiency.
>
> **ALAIN VANDE REYDE,** GROUP TREASURER, CARMEUSE.

Standardization and centralization

These centralization initiatives are having a growing impact on process efficiency and control. More than half (53 percent) of participants indicate that they have standardized at least three-quarters of their payments by volume, and for more than three quarters of their legal entities (figure 3). As every treasury and finance professional who has embarked on a payments centralization project knows, however, it is often the final 10 or 15 percent that are the most difficult, but this still represents significant risk and cost to the organization if there are deficiencies in control or visibility.

For the remaining 47 percent of respondents, there is still some way to go in standardizing payment processes. There are multiple benefits of doing so, both improving process efficiency and lowering internal costs, but also reducing external costs, such as bank fees. Most importantly, it is essential to have consistent control over payments to minimize the risk of internal and external fraud as well as cybersecurity risks. These are growing problems, affecting companies of all sizes, with major financial and reputational implications. Standardization is far easier when these processes are centralized, either by channelling payments through a central payments hub, or setting up a payments factory or shared service center.

Figure 3. Percentage of payment process standardization



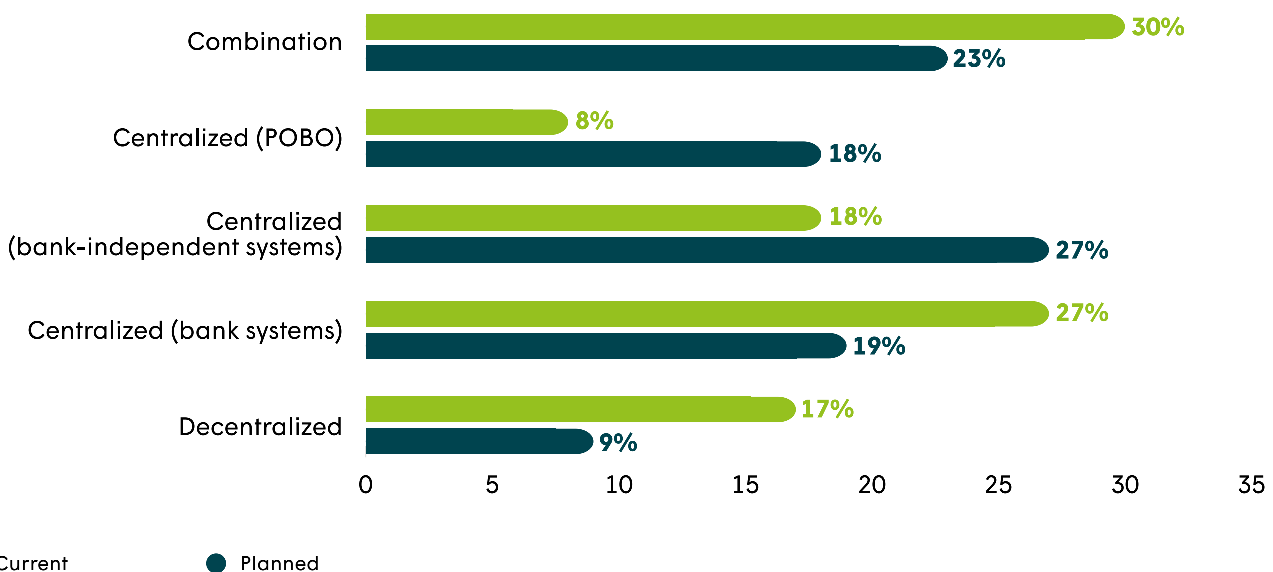
An increasing number of corporations are recognizing the advantage of centralizing payments, with 83 percent achieving some degree of centralization. This can be challenging for businesses operating across regions, particularly when operating in locations that have regulatory constraints and a less mature market infrastructure. Similarly, where a company is growing through acquisition, or has a cultural legacy of decentralization, standardizing and centralizing financial activities can be an ongoing process.

As a result of these difficulties, 30 percent of participating companies have a combination of centralized and decentralized payment operations currently. However, with the benefits of payments centralization now widely acknowledged, many are planning to increase the degree of centralization in the future (Figure 4).

An interesting trend highlighted in Figure 4 is that while more companies currently use bank systems as part of a centralized payments infrastructure (27 percent) than bank-independent systems (e.g., SWIFT, EBICS etc.) at 18 percent. This proportion is set to reverse. Twenty-eight percent of participants plan to use bank-independent systems in the future, compared with 20 percent who intend to use, or continue using bank systems. Although connectivity solutions such as SWIFT are not the most appropriate solution for every organization, use of a bank-neutral connectivity infrastructure enables treasurers and finance managers to switch or add banking partners more easily, and manage their bank risk more effectively. This is particularly timely given that some banks have chosen to exit certain markets recently to de-risk their business in a more challenging regulatory environment, and ongoing risk of bank failure in some highly volatile markets.

Another significant finding is the increasing interest in POBO (i.e., when one entity makes payments on behalf of other group entities via a single external account – typically per currency – and settles the intercompany flows through an in-house bank. While a minority of survey participants (8 percent) have implemented POBO to date, a far higher number (19 percent) intend to do so in the future, particularly now that some of the structural and legal barriers to POBO, such as in Europe, no longer apply.

Figure 4. Current/planned payments centralization

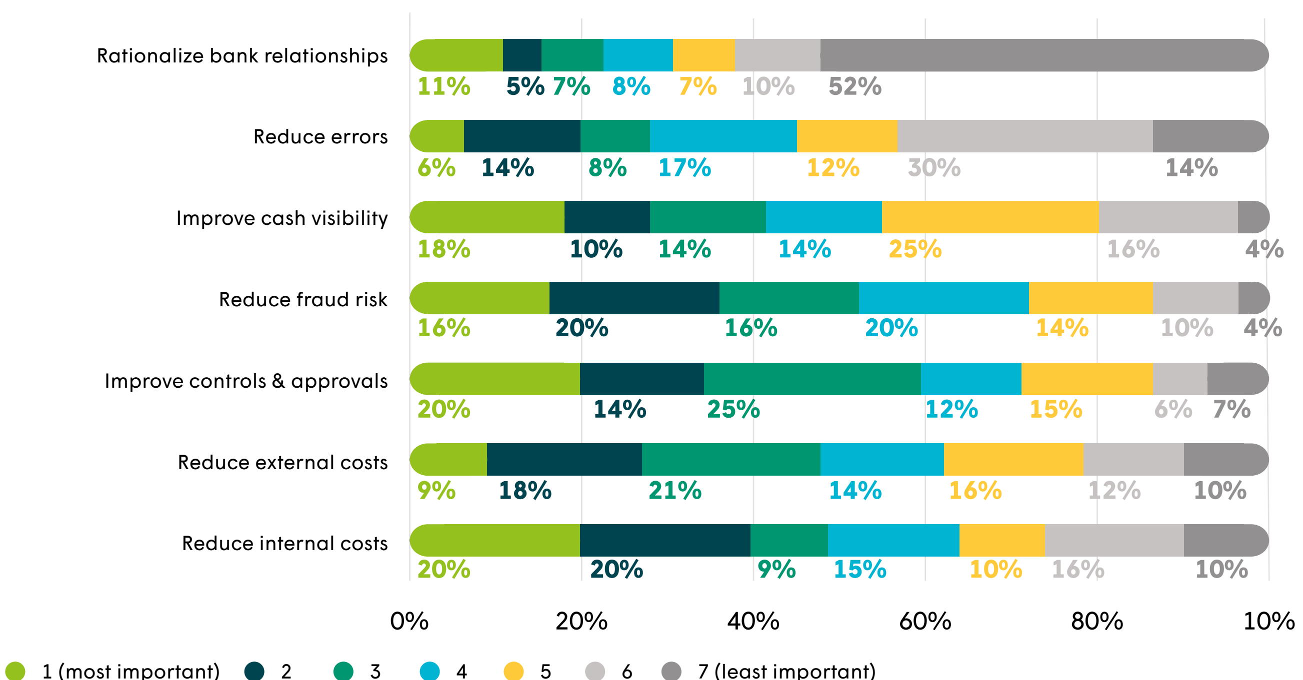


Driving positive change

While many corporations have already implemented payment and connectivity projects, their motivation for doing so can vary considerably, as Figure 5 demonstrates. The most compelling driver (59 percent of respondents who ranked it between one and three in the relative level of importance) is to improve controls, followed by reducing fraud (52 percent). Given the risk of financial loss and reputational damage as a result of error or omission, internal or external fraud, this is not surprising in some respects. However, given that many early projects were primarily motivated by cost reduction, the increased focus on control and fraud prevention, as opposed to cost alone is an important and timely development, and may prompt banks and technology companies to review how they position their solutions with customers.

Interestingly, the least significant driver when initiating payments or connectivity projects is to rationalize bank relationships, with only 23 percent noting this as a major priority. This is not to say that treasurers and finance managers are not seeking to do this, simply that this may be a separate initiative with a payments and connectivity project likely to be a second step having appointed or re-appointed key banking partners.

Figure 5. Drivers for payments/connectivity projects

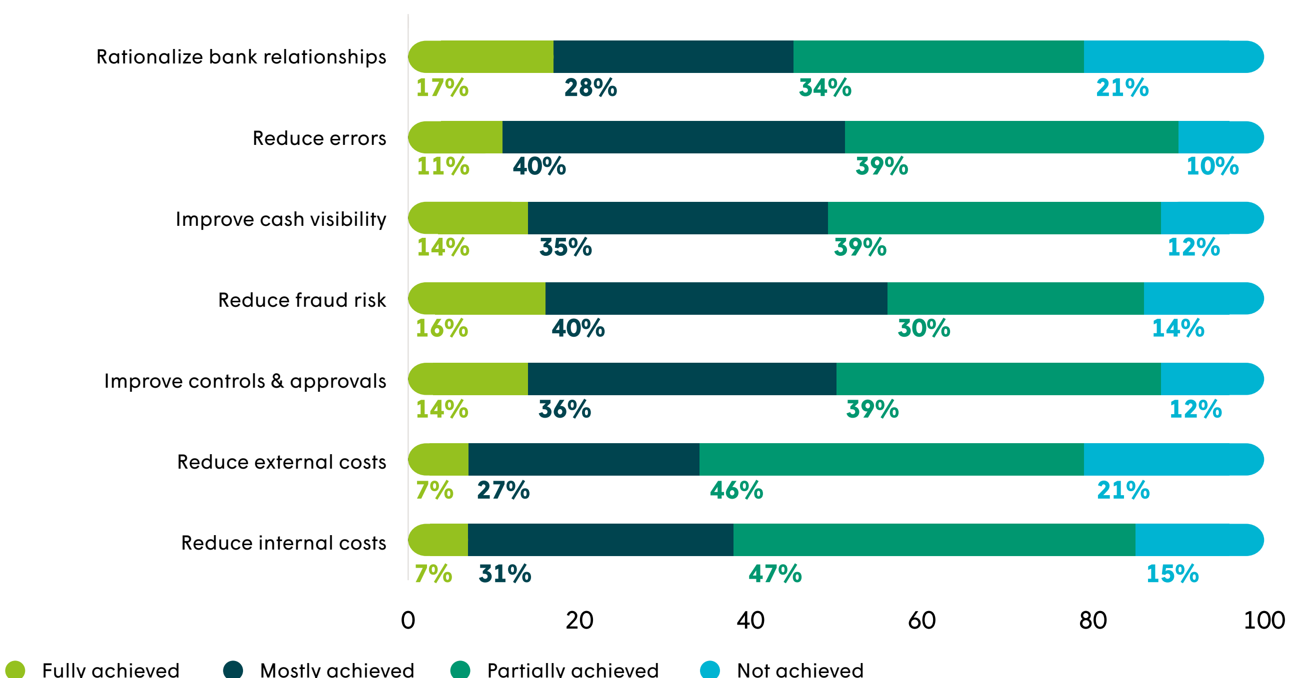


Despite the attraction of payment and connectivity enhancement projects, companies have experienced varying degrees of success. Figure 6 shows that the project objective in which companies have been least successful is reducing external costs, with 67 percent indicating that they were only partially successful or not successful in doing so. Reducing internal costs was the second most common area where project success has been limited (62 percent). There are a variety of reasons why a payments or connectivity project may not be as successful as anticipated, but frequent issues include:

- **Lack of management sponsorship.** Lack of active senior management support can make it difficult for treasury or finance to gain support from business units, therefore limiting the scope and ultimate benefit.
- **Transfer not transformation.** In many cases, treasurers and finance managers "pick up" existing payment activities from other parts of the business and centralize them, but without fully exploiting opportunities to standardize and streamline processes, formats and the use of technology.
- **Inability to capitalize on centralized structures.** While centralizing payments and connectivity can offer considerable advantage, as discussed earlier, treasurers and finance managers are not always clear at the outset about what benefits are achievable given the specific scope of their project. For example, if a company is aiming to reduce external costs, but is not implementing POBO, then cost savings will be more limited than when reducing the number of accounts and channelling payments as domestic rather than cross-border flows.

Overall, treasurers and finance managers therefore need to be visionary in defining their objectives given the opportunities that exist for standardization, centralization, improved efficiency and control and economies of scale. However, they need a clear roadmap of how they will achieve them, and should be realistic about the project scope given that organizational, resourcing and potentially technological constraints may impact on these objectives.

Figure 6. Success in achieving project objectives



Section Two:

Payments in Practice

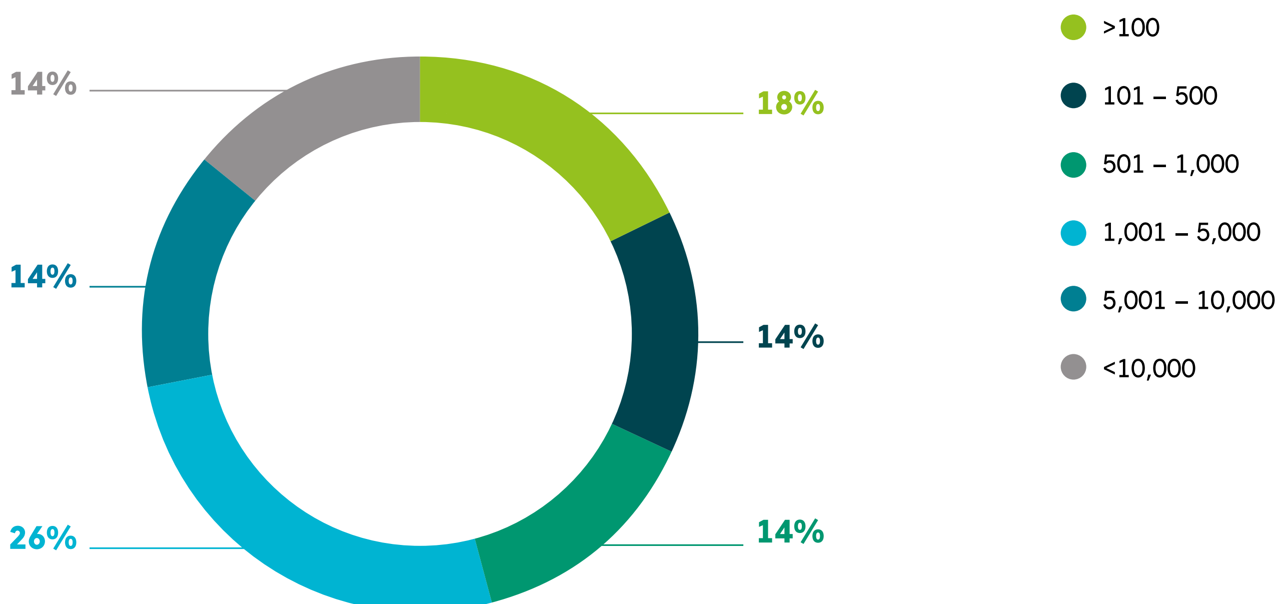
In the second section of the study, respondents provided insights into the scale and complexity of their external (i.e., supplier) payment activities, and considered some of the challenges associated with operating across multiple countries, currencies and payment methods.

Scope of supplier payments

As Figure 7 shows, more than half (54 percent) of participating companies need to pay more than 1,000 suppliers, of which half again pay more than 5,000 suppliers. This creates significant processing volume and complexity, particularly when suppliers are paid in multiple currencies and payment methods. Furthermore, there are control issues in ensuring that supplier payment instructions are maintained accurately and securely, particularly given the increase in cyber security attacks and in "supplier" fraud where fraudsters send credible advices of a change in settlement instructions.

Around 30 percent of companies reported that they have strategic relationships with more than half of their suppliers (i.e., those with which a company has a long term relationship and to which it makes payments regularly, as opposed to suppliers providing ad hoc products and services). For a further 31 percent of companies, 25 – 50 percent are strategic suppliers. This suggests that there is a relatively high proportion of suppliers with which companies can negotiate the use of efficient, electronic payment methods, as opposed to manual methods such as checks. In addition, companies that work with a large number of regular suppliers, particularly where these are smaller companies or have a lower credit rating, are in a strong position to introduce supplier finance programs to enhance supplier liquidity, therefore improving relationships and supply chain resilience, whilst also optimizing their own working capital position.

Figure 7. Number of active suppliers



Making supplier payments

As Figure 8 illustrates, organizations are keen to leverage efficient, electronic payment methods wherever feasible, particularly ACH payments and wire transfers. SWIFT is used by a relatively small number of companies in this study, given that a broad spectrum of company sizes are represented, but SWIFT is widely used amongst the largest multinational corporations with multiple bank relationships. Other payment methods in the survey include direct debits, local payment instruments such as RIBA in Italy, and electronic payment protocols such as EBICS in Germany and France.

While the use of checks appears relatively low overall, this is disproportionately weighted towards U.S. respondents, of which over 50 percent of companies use checks for more than 20 percent of their payments. A fifth of these use checks for the vast majority, or all of their payments. Overall however, 21 percent of those that currently use checks are intending to discontinue them.

Participants indicated that the primary reason that they use checks is supplier preference (41 percent) as opposed to benefits to the organization itself. Fifteen percent indicated that their suppliers do not have bank accounts, hence using checks, but suppliers incur high costs for cashing checks, and alternative payment methods such as cards are readily available. Eleven percent note that they value the ability to send remittance information to suppliers when sending checks; however, again, this can be achieved when using electronic payments, particularly with XML-based formats.

Figure 8. Payment method by percentage

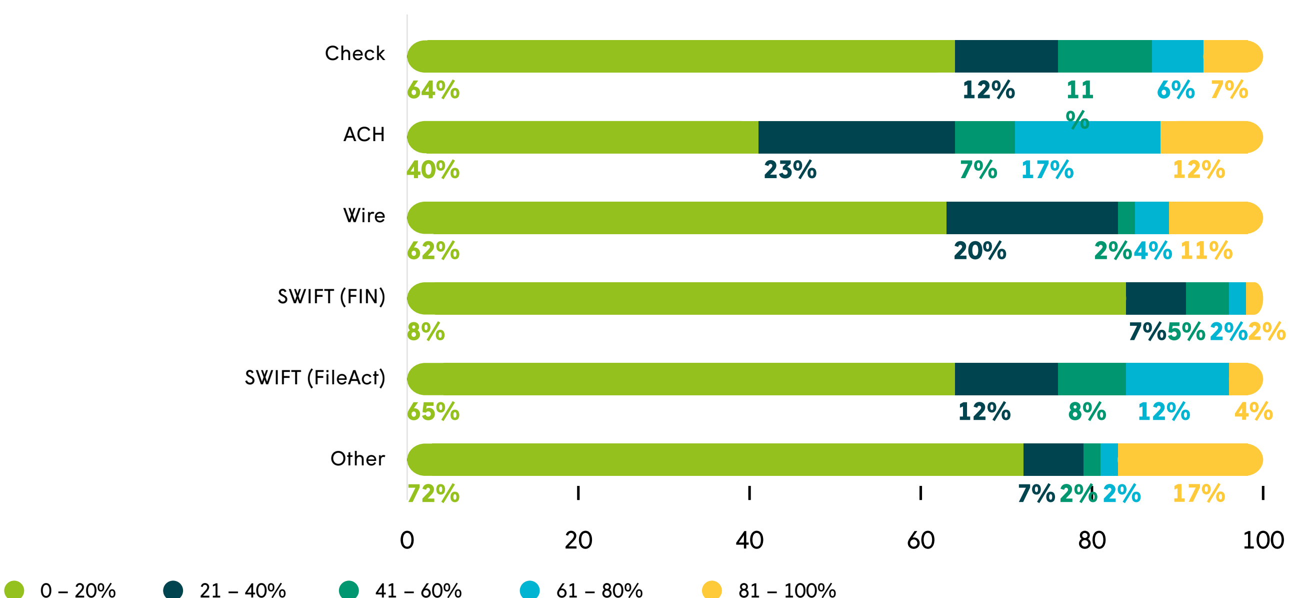
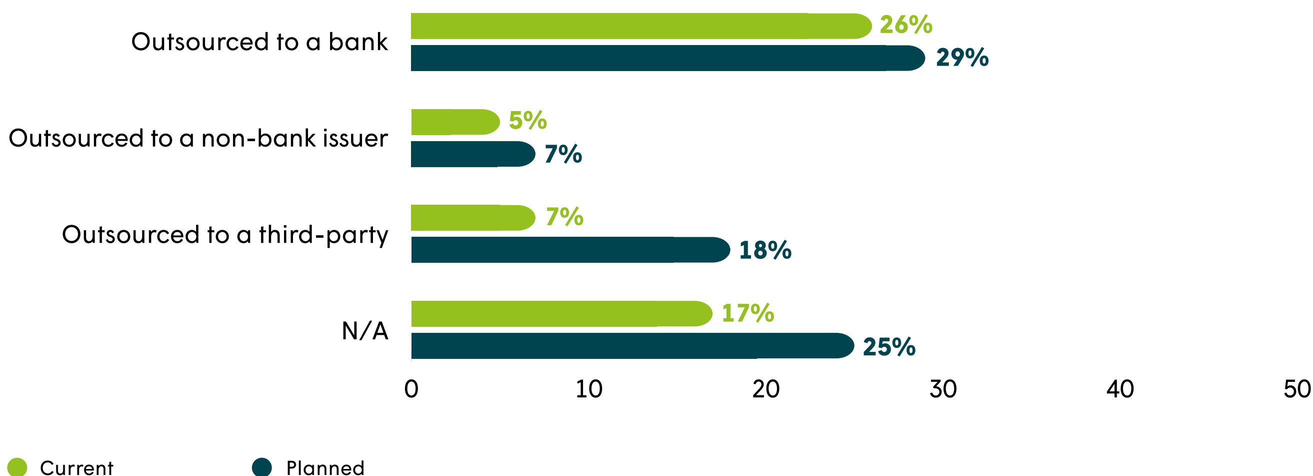


Figure 9. Check printing



Producing checks

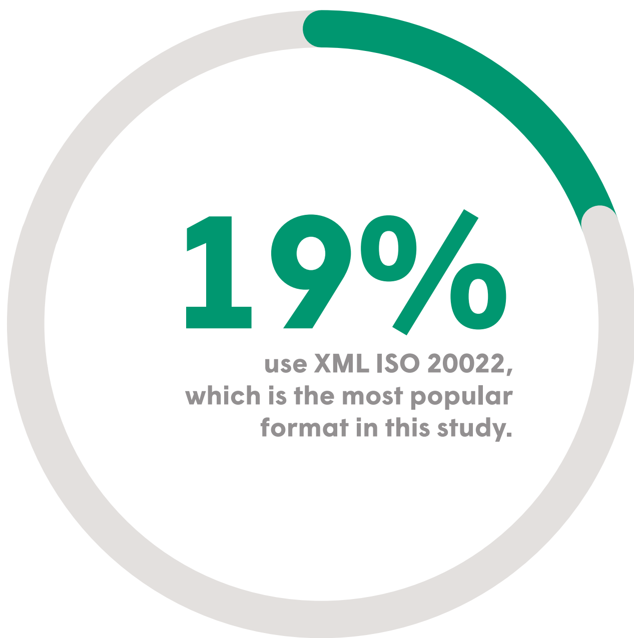
For companies that currently use checks, an important consideration for treasurers and finance managers is how to produce them as cost-effectively as possible, as well as ensure that appropriate controls are maintained. As Figure 9 shows, most companies (41 percent) still produce checks internally, but half are planning to outsource this activity in the future. Of those currently outsourcing checks, the highest proportion outsource to a bank, there is a growing trend towards using third party providers who can not only execute check and ACH payments but also virtual card payments. Virtual cards are single-use, unique card numbers with fixed credit limits that are set based on a given company's payment instructions. Virtual cards supplement existing card programs and enable companies to earn rebates. Some third-party providers also offer comprehensive vendor enrollment programs to help companies migrate checks to ACH and virtual cards and maintain ongoing supplier or vendor relationships.

> By outsourcing our payments processing, we have been able to migrate 24% of our payments to ACH and 7% to virtual cards helping us reduce 100% of our monthly payments processing costs and generate annual rebates.
>
> **DAWN LOTHRINGER,** TREASURY MANAGER, ZACHRY INDUSTRIAL, INC.,

Payment formats

It is not only the method of payment which is a consideration for treasurers and finance managers, but also the format in which payment information is exchanged with the bank (Figure 10). One of the difficulties experienced by many multi-banked corporations is that banks exchange data in varying formats which their customers must then configure and maintain in their own internal systems. This makes it time and resource-intensive to change or add banks, and complicates system upgrade and integration projects.

There have been a variety of initiatives to standardize the format of payment and account statement information, both domestically (such as NACHA) and internationally (such as EDIFACT and XML) but it has often taken a long time to achieve widespread adoption. A breakthrough appears to be have been achieved with XML, however, as XML ISO 20022 formats are used for SEPA payments (i.e., credit transfers and direct debits in euros in the Eurozone) which has obliged both corporations and banks operating in Europe to support XML. Furthermore, both payment users and providers are keen to capitalize on their investment by implementing XML more widely to achieve global rather than regional standardization, which is resulting in XML becoming the most popular format in this study (19 percent).



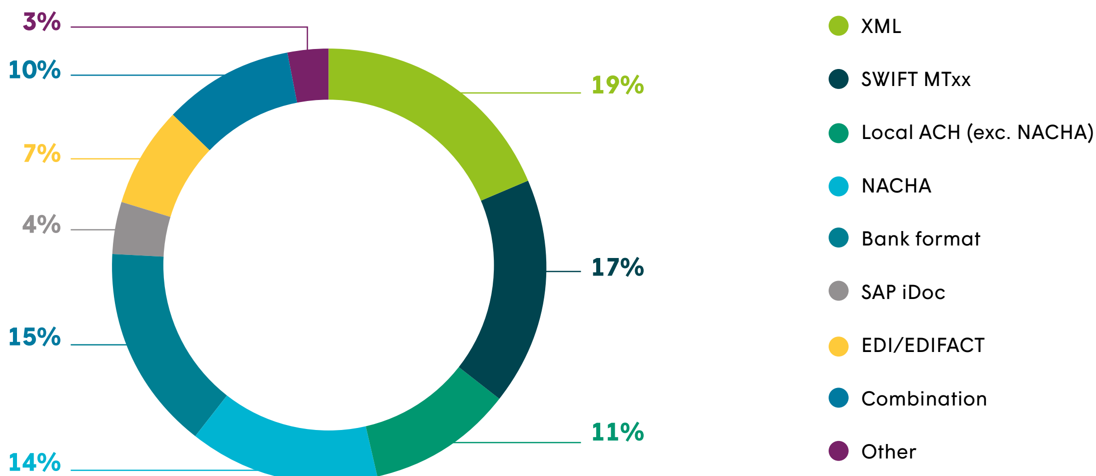
Among those that use XML, whether for SEPA payments or more widely, more than three-quarters (78 percent) are now using version of systems such as ERPs or payment factory systems that support XML formats directly, rather than having to convert from local or legacy formats. In a few cases (9 percent) the bank provides this conversion on their behalf, while 12 percent use a middleware tool to convert payments to XML.

Similarly, there is significant use of SWIFT message types (17 percent); the difficulty, however, is that banks often use a variation on the standard message types which can add complexity for corporate customers. There remains a significant number of companies that use bank formats (15 percent) while 10 percent use a combination of different formats. However, as banks increasingly extend their support for industry-standard formats, the number of corporations benefitting from standardized payment formats is likely to increase.

> We first selected our payment factory some years ago now, and we have since reappraised and validated our decision. Although other solutions have emerged since then, we remain confident that our payment factory fits our payments processing and bank connectivity requirements.

ERIC BERANGER,
PROJECT MANAGER,
AIR FRANCE.

Figure 10. Formats in which payments initiated



Bank communications

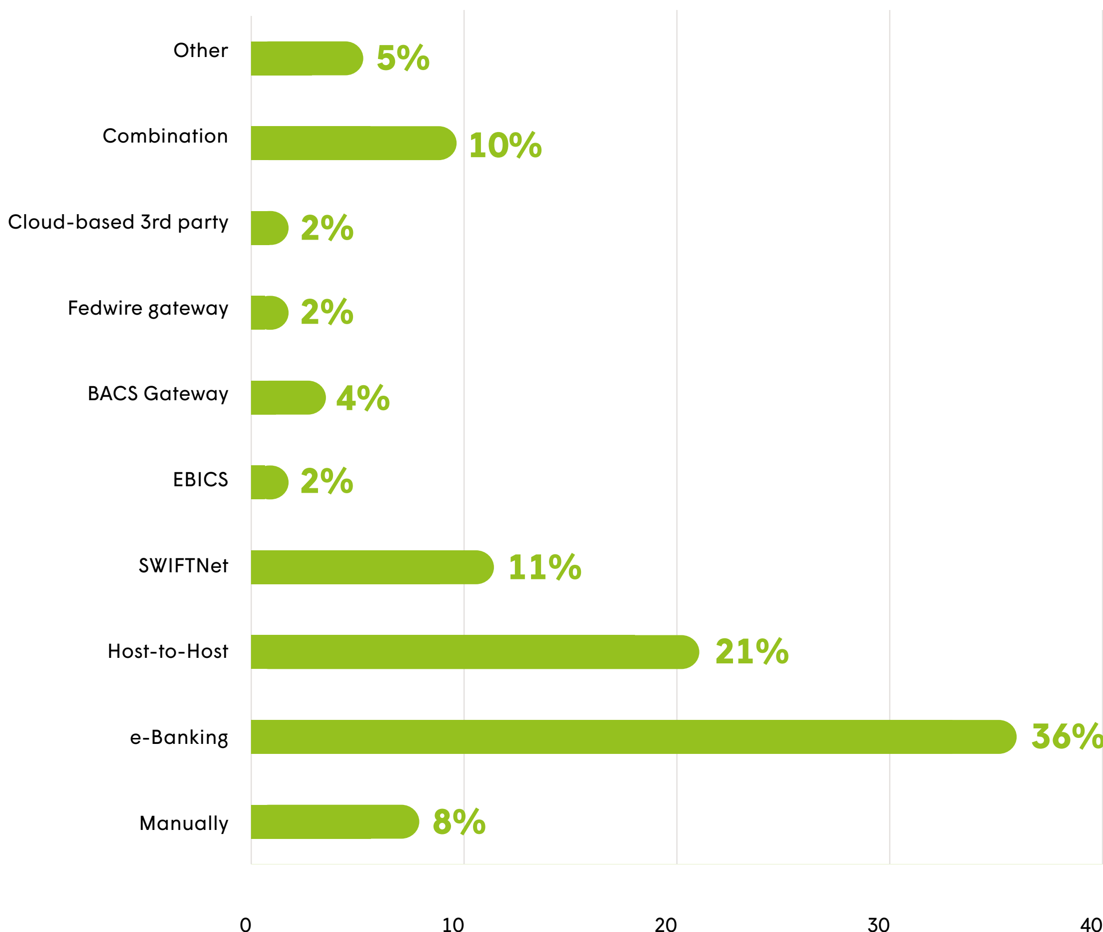
Seven percent of companies still use manual methods of communication with their banks, predominantly small companies and those located in countries where electronic banking is currently less prevalent. However, this is a declining trend and likely to reduce further as bank and corporate sophistication continues to increase. Web-based electronic banking systems are the most popular way in which to communicate with banking partners (36 percent; see Figure 11) which have the benefit of convenience and ease of adoption. This approach can be challenging, however, for multi-banked corporations, as they need to maintain and access different systems in order to communicate with each of their banks.

More than 20 percent of respondents now use host-to-host connectivity with their payment banks, which enhances straight-through processing (STP) and standardizes controls. This approach is most suited to corporations with a very limited number of payment banks who have a centralized approach to payments and payment systems.

Larger companies in particular use SWIFTNet (11 percent) for bank connectivity, which offers multi-banked, bank-neutral connectivity through a single channel. By using one communication channel, the burden of integrating with internal systems is reduced, and processes and controls can be more easily standardized. Smaller companies may be put off by the perception of implementation effort and cost, but in reality, these are rarely considerations, particularly when using a service bureau. Among those using SWIFT, the largest proportion of respondents do so through their treasury management system – 30 percent for payments and 23 percent for retrieving balance and transaction information on accounts, with 20 percent connecting via their ERP for payments and 13 percent for information on accounts.

With a variety of different communication methods available, however, it can be a daunting task for treasurers and finance managers to identify and manage the most appropriate method for their business. As a result, managed connectivity services are becoming increasingly popular to take advantage of secure, robust and streamlined bank communication without the need to select or manage connectivity methods internally.

Figure 11. Primary method of bank communication



Section Three:

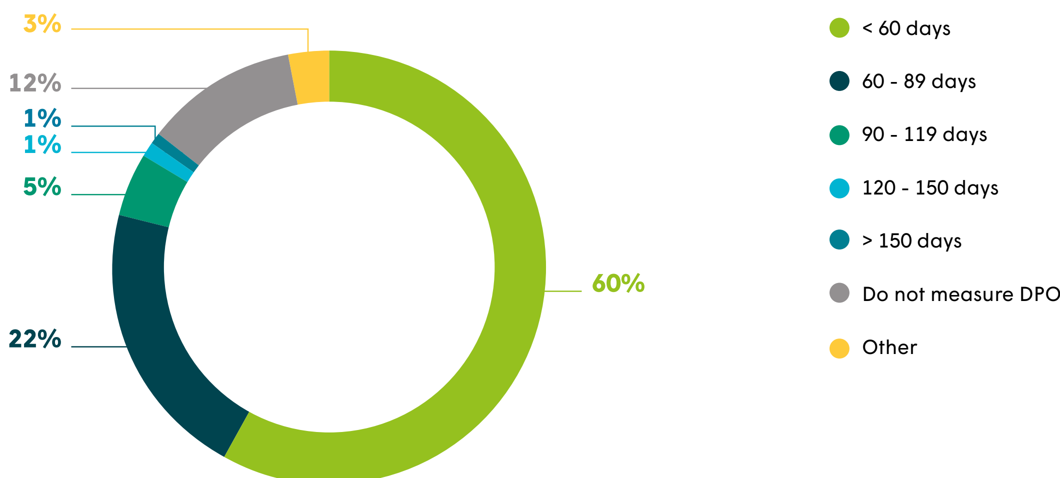
The Strategic Importance of Payments

While operational efficiency and control over the transmission of payments is an essential objective, treasurers and finance managers also recognize the importance of payments as an essential "lever" from a working capital perspective.

Although 12 percent indicate that they do not measure days payable outstanding (DPO) – the average period taken to pay creditor invoices – the majority of companies do, with 60 percent of companies recording an average DPO of less than 60 days (Figure 12).

Just over a quarter of respondents (27 percent) are looking to increase DPO where feasible, with a slightly higher proportion (31 percent) seeking to improve working capital by reducing days sales outstanding (DSO). Historically, there has been a tendency to try and increase DPO as far as possible, but companies are now more cognizant of the difficulties that long payment terms create in their supply chain. In some countries too, there are now mandatory limits on supplier payment terms, particularly for public sector contracts. Instead, a growing number of companies are leveraging supply chain finance programs such as supplier financing and receivables financing to improve working capital metrics without jeopardizing the supply chain or impacting on supplier relationships.

Figure 12. Days payable outstanding (DPO) in organization



Section Four:

Global Payment Trends

There are some exciting trends taking place in the payments space, driven by banks, market infrastructure providers, financial technology companies and most importantly of all, users of payment services. As payments technology has evolved, user demands for standardization, acceleration and ease of access are becoming more achievable, more quickly. While as consumers, it is relatively easy to adopt new technology and transaction methods, businesses find it more difficult given the need to adapt or replace technology, processes, controls and interfaces. However, as digitization in the payments space becomes more widespread, payment users are becoming more comfortable, and therefore demanding more, at a corporate level.

Standardization of formats

As automated clearing houses (ACHs) increasingly adopt XML-based formats, corporate users can reduce the number of formats that they need to support, therefore reducing the technology overhead in defining, mapping and maintaining formats and interfaces between systems. For around a quarter of organizations (26 percent), however, there are some concerns, given that there is an initial investment required to support new formats which in some cases can include new or upgraded solutions, or the introduction of middleware. Some companies (20 percent) are not yet aware of some of the initiatives by organizations such as NACHA in the U.S. and the EPC in Europe to promote and support standardization through the common use of XML ISO 20022 standards, but as these become more prevalent outside the Eurozone where ISO 20022 is already the standard, awareness will undoubtedly increase.

Quality of remittance information

One of the benefits of ISO 20022 is the ability to provide more consistent, richer remittance information as part of a payment instruction. This helps companies to identify incoming flows more easily, automate reconciliation and account posting, and free up customer credit limits more quickly. Again, there is widespread support for this development, but a third of respondents (33 percent) had some concerns, potentially as a result of lack of information on these opportunities, worries that their banks may not support XML, or lack of confidence that current systems and processes can recognize or take advantage of enriched remittance information.

> A payment factory helps to channel payments through a single bank, which enables us to rationalize our cash management structures and banking systems, standardize formats, and achieve greater economies of scale.

GAETAN DUMONT,
SENIOR DIRECTOR, GROUP TREASURY OPERATIONS, UCB.

Acceleration of payments

There is a similar level of support for accelerated payments, with a significant number of initiatives for real-time domestic payments now underway in many parts of the world. In countries such as the U.K. and Singapore, real-time payments already exist, although the value of transactions is capped, making real-time payments more relevant to consumers than corporations. In the U.S., the Federal Reserve Faster Payments task force is a key initiative, demonstrating the government's commitment to a new payments model, with widespread support from providers and users of payment services, despite the obstacles of engaging the 12,000 U.S. banking industry participants.

For multinational corporations, while real-time payments create opportunities for both incoming and outgoing flows, the value may be limited without the opportunity to settle cross-border transactions on a similar basis. There are more challenges to delivering real-time payments cross-border than domestically, particularly due to currency conversion and different compliance requirements across jurisdictions, but there is considerable motivation to overcome these obstacles. In December 2015, SWIFT launched its global payments innovation initiative (GPII) and there are already more than 50 banks signed up, of which 20 are engaged in pilot projects. GPII aims to use the SWIFT network to facilitate real-time messaging between banks as an interim step to connectivity between clearing systems, which will have significant implications for users of cross-border payment services. In particular, companies will be able to manage working capital more precisely, accelerate the supply chain and potentially leverage new sales and distribution models.

Thirty percent of survey respondents noted some concerns about real-time payments, however. In particular, there are considerations around how fraudulent or erroneous payments are handled, the legal framework, and how companies will adjust their processes to facilitate "just-in-time" payments.

Real-time payment initiatives are underway in more than 30 countries around the globe.

Virtual accounts

Many banks now offer virtual account solutions, particularly to customers that are seeking centralize collections on a POBO basis. POBO refers to a structure where outgoing payments are made from a single account on behalf of multiple entities, with group positions managed via an in-house bank. Virtual account solutions enable these companies to distribute unique, "virtual" account numbers to customers or business units that resemble physical accounts into which payments can be made. These virtual account numbers are linked to a single physical account, but these details can be used to reconcile flows and create account postings more easily.

Around a quarter (23 percent) of respondents are not yet aware of virtual account solutions. In some cases, this may be because their primary banks do not offer them, or they are not relevant to their business. In others, however, it may be worthwhile to explore the options that are available, particularly those that have centralized collections (or are considering doing so), those who find it difficult to reconcile incoming flows and/or have complex intercompany flows. Although around half of companies who are familiar with these solutions are attracted to the concept, the remainder have some concerns about how they may operate in practice, suggesting that there is still some market education, and publication of real-life case studies required.

Payment screening obligations

One of the most challenging issue for banks – and ultimately therefore their customers – is the need to comply with increasingly stringent anti-money laundering obligations. Clearly it is in everyone's interests for these rules to be observed scrupulously, but inevitably there is an impact on both processing efficiency and the amount of resourcing required to provide the necessary supporting information. Survey participants identified compliance with payment screening obligations as the issue of greatest concern, highlighted by 60 percent of respondents. This is not surprising given that many corporations, particularly larger organizations operating across multiple markets, have reported a significant increase in the amount of resourcing required to comply with payment screening and know your customer (KYC) obligations, a trend that is likely to increase. As a result, tools to help automate and streamline the production and transmission of information required for compliance are likely to become increasingly important in the future.

Open APIs

Under the Second Payment Services Directive (PSD2) in Europe, payment initiation service providers and account information service providers (AISPs) will have greater access to customer data (such as bank accounts, investments etc.) under certain conditions, to boost competition in the sector particularly amongst non-bank players. This is being done by obliging banks to make data accessible via open APIs (application program interfaces) to their systems. In some countries, the move towards "open banking" is going further, such as in the UK, where proposals go further than the PSD2 with an open banking working group working to establish the relevant technical standards and legal and regulatory framework to support this. The shift from a bank "monopoly" to enabling fintech companies to participate in the banking sector represents a major industry change, although initially it is likely that the most significant impact will be in the consumer banking space. Some initiatives based on open API are already reaching fruition.

With open API initiatives still at an early stage, albeit rapidly evolving, this is the area with which the fewest survey participants were familiar, with 34 percent not yet aware of the likely opportunities that will emerge. It is also an area where a sizeable portion – 42 percent – expressed concern, particularly regarding the potential risks of making account information via less secure means than specialist platforms.

Emergence of independent supply chain platforms

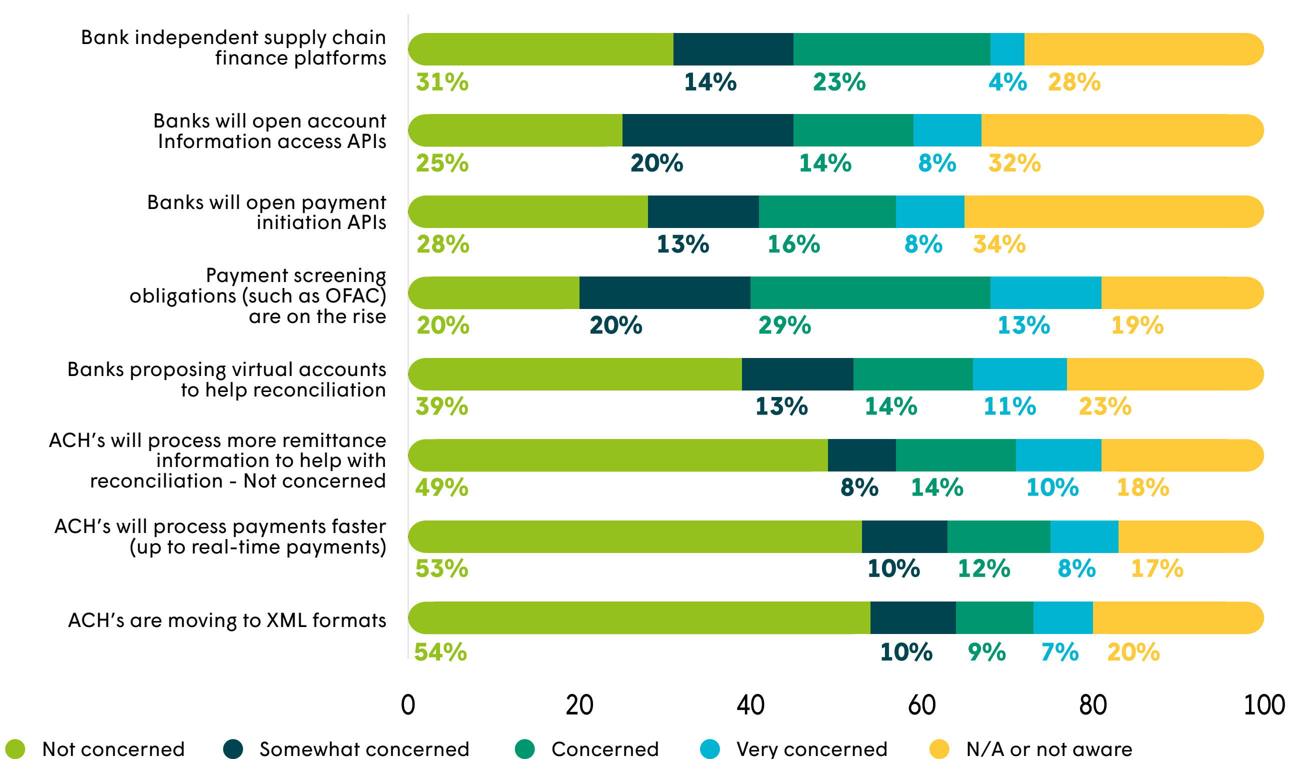
Supply chain finance (SCF) programs have become increasingly important to many companies over recent years as a way of increasing the resilience of the supply chain and optimizing working capital. As these programs grow and mature, however, it becomes more difficult for a single bank to provide the relevant financing, so multiple banks may need to be engaged. Furthermore, particularly given the prolonged period of low or negative interest rates, and the need for institutional and retail investors to diversify their investment portfolio, investing in SCF programs offers a number of attractions.

In many cases, the company itself may wish to invest in the program, therefore addressing both working capital and cash investment objectives. The emergence of bank-independent SCF platforms is an important means of expanding the investor base, and therefore enabling larger programs, as well as reducing reliance on a single bank from a risk perspective. According to Figure 13, just over a quarter of participants (28 percent) are not yet familiar with the opportunity to use independent platforms on which to base SCF programs, while a further 41 percent have some concerns, partly as not all banks will necessarily support the use of independent platforms.

Corporate payment demands

In addition to the initiatives that are taking place globally in the payments space, corporate users have a number of specific demands from their payment systems to facilitate their internal objectives. The three key areas of interest, in which there is an equivalent level of demand are: greater access to data and functions through tablets and smartphones; improved reporting, and the ability to monitor and analyze information using dashboards. From a reporting perspective, user demand varies depending on the nature of the business and the systems in use, but exception management, bank fee analysis and real-time access to information are amongst the most frequently cited demands.

Figure 13. Concerns about global payment trends



Section Five:

Conclusions

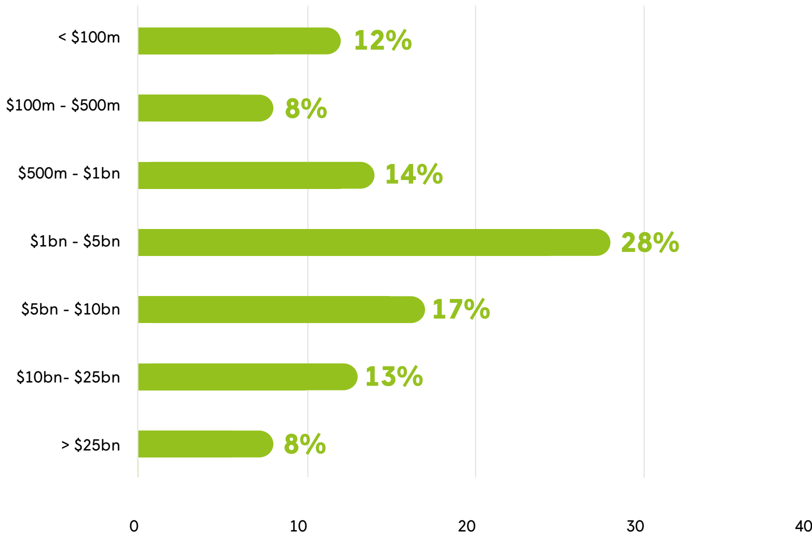
Treasurers and chief financial officers face unprecedented complexity in the scale and diversity of their global payment and cash management objectives. They also are concerned with cyber security and fraud risks. At the same time, the most successful treasury and finance functions are those that are exploring and adopting innovative techniques and solutions to standardize and centralize payments and bank connectivity.

This is not without its challenges, both internal and external. Therefore, treasurers and chief financial officers need to be realistic about what they can achieve, particularly given regulatory and infrastructure constraints in some emerging markets. However, limits on achievement should not be a disincentive to aim for no achievement at all. Establishing a clear vision in defining standardization and centralization objectives, working with key suppliers to migrate to digital payment methods where necessary, and devising a clear roadmap that reflects the organizational, resourcing and technology environment are essential drivers of success.

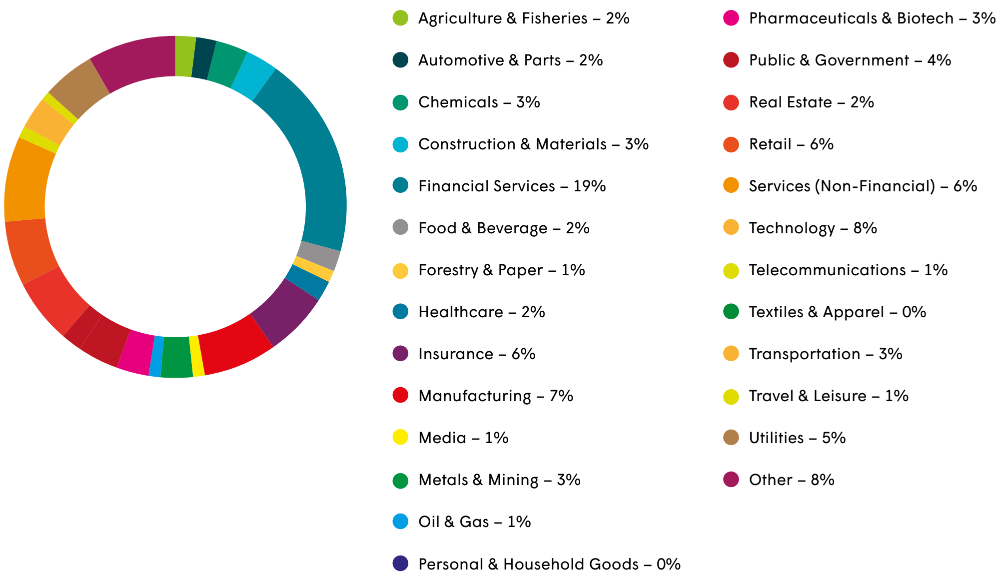
Not only do treasurers and chief financial officers need to keep up to date with current opportunities, but also the fast-emerging innovations that have the potential to transform the payments space. Real-time payment initiatives, for example, are underway in more than 30 countries around the globe, with significant momentum too for accelerated cross-border payments through SWIFT's GPII initiative. The ability to make, and receive payments in real- or near-real time has major supply chain and working capital implications for corporate treasurers and chief financial officers, so it is important to remain informed and aware of new opportunities, and participate in working groups wherever possible. However transformative some of these initiatives, from real-time payments to the ability to harness banks more easily through open APIs, however, the fundamental need for robust, secure and efficient systems, processes and controls remains as important as ever.

Appendix:

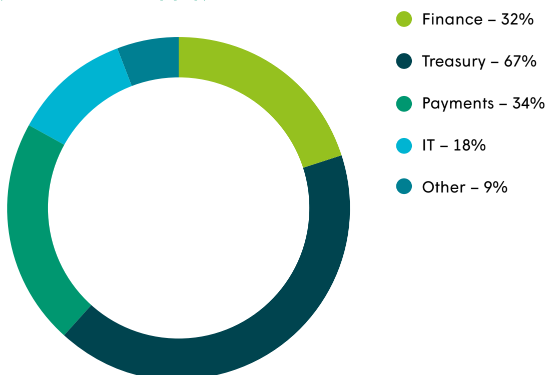
What is your company's annual revenue?



What is your industry classification?



In your role, what is the scope of your responsibility? (Select all that apply)



About FIS' Corporate Solutions

FIS offers a leading liquidity and risk management solution for corporations, insurance companies and the public sector. The solution suite includes credit risk modeling, collections management, treasury risk analysis, cash management, payments system integration, and payments execution delivered directly to corporations or via banking partners. The solutions help consolidate data from multiple in-house systems, drive workflow and provide connectivity to a broad range of trading partners including banks, SWIFT, credit data providers, FX platforms, money markets, and market data. The technology is supported by a full range of services delivered by domain experts, including managed cloud services, treasury operations management, SWIFT administration, managed bank connectivity, bank onboarding, and vendor enrollment. For more information, visit **www.fisglobal.com**

About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit **www.fisglobal.com**

www.fisglobal.com

twitter.com/fisglobal

getinfo@fisglobal.com

linkedin.com/company/fisglobal

©2016 FIS
FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries.
Other parties' marks are the property of their respective owners.