



# INSIGHT

from the Payments and Treasury Expert

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September 2015

Please Note: This edition of *Vizant Insight* contains the correct story for the article titled "The Evolving Treasury Landscape." Please disregard the previous email. We apologize for the error.

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Vizant's thought leadership and advisory services in treasury and payments continue to be at the forefront in September and October.

On September 17th, Vizant had the opportunity to speak before the North Carolina Treasury Management Association (NCTMA) about how treasurers can more closely collaborate with their banking partners to achieve higher levels of efficiency and cost optimization in treasury relationships and operations. Our presentation was given by Vizant's Senior Team of Payments & Treasury Specialists: Brian Swanson and Gabriel Guerrero. ([https://twitter.com/\\_Vizant](https://twitter.com/_Vizant)). Vizant also sponsored the meeting and will be a sponsor at upcoming NCTMA meetings in October 2015, December 2015 and in February 2016 and March 2016 (<http://www.nctma.org/page-1710441>). Please let us know if you would like to receive a copy of the presentation.

On September 24th and 25th, Vizant CEO Joseph Bizzarro has been invited to participate in the prestigious 15th Annual Chicago Payments Symposium presented by the Federal Reserve Bank of Chicago. The Federal Reserve Payments Symposium is one of the premier industry payments conferences and presents a neutral forum that brings together industry experts from around the world to discuss the most pressing payments issues of the day, including public policy concerns. The theme for this year's event is "Enabling Trusted, Ubiquitous Innovation" (<http://chicagopaymentssymposium.org/2015-program/>).

In October, Vizant will assume a high profile position at the annual AFP conference, the premier industry meeting for treasurers and other senior financial executives from across the United States. Vizant will be a major sponsor at the event, supporting and providing thought leadership on the most challenging treasury and payments topics impacting financial leaders. We will be the exclusive sponsor of the invitation-only Payments Roundtable, which will take place on Sunday, October 18th, followed by a reception. The Payments Roundtable will focus around the theme of moving from paper-check based payments to electronic payments systems. During the event, there will also be new AFP benchmark survey data presented on payments costs trends as well as updates on the B2B directory initiative, a portal being developed for helping to facilitate companies' transition from paper-based to electronic payment systems.

Vizant will also co-present a session with our client, Cox Enterprises, on the topic of how to get better control over payment card interchange costs.

## Vizant In The News

Listed below are articles in which Vizant CEO Joe Bizzarro and Executive VP Angie Grunte recently provided commentary:

[Stripe Makes Buying Easy - But Can It Beat PayPal?](#)

[Consumers Need to Cut to the Chase on Credit Card Transparency](#)

[Deconstructing the Enigmatic Hospital Chargemaster](#)

## Vizant in Social Media

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## About Vizant

Vizant is an advisory firm and thought leader with a

You will see the Vizant brand in a big way at the AFP conference – on all the charging stations, where you can recharge your mobile devices, and on various maps, materials and directories, so you really can't miss us! We'll be at Booth #2827, so please stop by and see us!

Finally, Vizant senior management will be at the Money 20/20 Conference a week later in Las Vegas, so reach out to connect with us at the show if you're planning to attend.

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## Payments and Treasury Insight

### Current Payments and Treasury News

ACH Continues to Expand at 5 Percent-Plus Rate  
 Electronic Payments Remain Top Priority for Global Companies  
 The Current State of the Commercial Card Sector  
 Officials Push Real-Time Mobile Payment System for U.S.  
 Key Trends Affecting the Future of Digital Payments  
 Cloud Revolution Underway in Corporate Treasury Automation  
 The Evolving Treasury Landscape  
 Payments Sector Must Balance Speed and Security  
 Prepaid Cards Aid Business Expense Management

## Current Payments and Treasury News

### ACH Continues to Expand at 5 Percent-Plus Rate

Transactions on the automated clearing house (ACH) network grew 5.4 percent in the second quarter, the second straight period of 5 percent-plus expansion for the system, according to NACHA. The second-quarter number also represents the fastest growing expansion for ACH since the third quarter of 2013. The increased growth comes after a comparatively weak 2014. Transactions for the 2015 April-through-June quarter totaled 4.78 billion. IAT application, the network's fastest-growing transaction type, grew 26.6 percent over the same quarter last year, marking 17.8 million transactions. WEB application, for which NACHA now reports credits and debits separately, stayed a strong performer. WEB debits increased by 13 percent to 987.5 million transactions, and WEB credits marked 14.2 million transactions, up from 10 million in the first quarter and just 195,898 transactions in the same quarter last year. In addition, the TEL application increased nearly 15 percent to reach 114.3 million transactions. Prearranged payment and deposit (PPD) transactions, which comprise nearly half of the ACH's volume, continued to grow as well. PPD debits increased nearly 4 percent, and PPD credits grew 3.5 percent. Meanwhile, the ARC code fell 6.7 percent, the POP code dropped 13.5 percent, and the BOC application fell 10 percent to 37.2 million items.

From "As Traffic Heats Up, the ACH Continues to Expand at 5%-Plus Rate"  
*DigitalTransactions.net (09/09/15) Stewart, John*

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### Electronic Payments Remain Top Priority for Global Companies

Clients at the Bank of America Merrill Lynch Conference on Payments and Commercial Card said fully converting their payments to electronic was their top priority in improving their working capital in 2015, followed by expanding their card

specialty focus in the area of inbound payments, treasury operations and outbound payments. We work with our clients to implement actionable and real world solutions that will maximize the efficiency and reduce the ongoing costs of their payments and treasury functions. Our business model is truly unique in the world of professional services and advisory firms: We operate with a 100% results based performance pricing model.

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programs or adopting mobile/digital business-to-consumer payments. These and other findings were revealed during the two-day event recently held in Phoenix.

This year's conference was themed "Pay Everywhere: Extending Your Reach," and drew 300 representatives from 175 companies and government agencies from the Asia Pacific, Europe, Latin America, and North America. Fifty percent of attendees said they had a formal payments strategy supported by senior management. And although many clients said a mobile strategy was not their top priority in 2015, 60 percent acknowledged adopting a mobile payments application was something they were likely to introduce in the future. Furthermore, mobile communications are increasingly important to clients, with more than 50 percent of attendees saying mobile alert messaging was "extremely valuable" for their cardholders.

From "Electronic Payments Remain Top Priority for Global Companies in Digital, Mobile Age"

*Treasury Management International (08/18/15)*

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## The Current State of the Commercial Card Sector

The Bank of America Merrill Lynch Payments and Commercial Card Conference in August convened corporate executives to talk about the state of the commercial card sector and where the industry is headed to make payments faster and easier for businesses. A retrospective summary by the Active Charter Investors Association gauged the lessons the event offered to corporate treasury officials.

According to the summary, BofA learned that "despite the growing emergence of mobile and electronic payment applications, many treasury departments across the globe are still struggling with the continued existence and enormous cost of paper payments." For attendees who identified raising working capital performance as an objective for 2015, their top priority is the conversion of their payment processes to electronic forms, while their second most-pressing goal is fortifying commercial card programs.

BofA found about 50 percent of attendees had an formal payments strategy as dictated by senior management, while 60 percent said the deployment of corporate mobile payment processes are likely planned at some point in the future. Meanwhile, the executives conceded mobile messaging is essential to corporate cardholders, with more than half calling mobile alert messaging "extremely valuable" for clients. BofA's Ather Williams said this finding is "invaluable" as the bank moves ahead with developing corporate card programs and products. Likely giving credibility to BofA's insights is Nilson's listing of the bank as the leading commercial card issuer in purchasing card volume.

BofA's Kevin Phalen reported the rankings mirror BofA's initiatives to innovate and cultivate its corporate card solutions. "Over the last five years, we've made considerable investments into our platform, extending our capabilities in response to the demands of our clients," he noted. BofA said it aims to broaden its travel and expense management services in new markets in coming months. "We are facing dramatic shifts in the global payments environment," Phalen observed. "We hope the dialogue generated among our clients and other industry participants will go some way to advancing preparedness and efficiencies in global commerce."

From "Commercial Card Clients Sound Off"

*Pymnts.com (09/15/15)*

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## Officials Push Real-Time Mobile Payment System for U.S.

Participants at a recent mobile payments industry conference in Chicago were

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confident that real-time mobile payments will be standardized in the U.S., despite the country's lag behind similar efforts in other industrialized nations. Since April, a Federal Reserve task force of banking, consumer, retail, and technology professionals have been brainstorming a faster, safer alternative to the current payment system. The Chicago Fed's Connie Theien stresses the Fed wants all stakeholders to participate in the new system's development, while prioritizing speed, security, and accessibility to everyone. FIS Global's Peter Gordon says countries that have already deployed real-time mobile payment systems are protected from fraud stemming from the time lag between the transmission of payment data and the transaction's approval, which is rampant in the U.S. FIS' PayNet system has been established in the hope it will serve as one of the key channels through which real-time payments are routed, while the U.S. bank-founded Clearing House is developing a real-time system of its own. A Clearing House representative says the system would be available to all and payments would be transferred "near instantaneously."

From "Officials Push for 'Real-Time' Mobile Payment Tech"  
ABC News (09/09/15) Zimmermann, Stephanie

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### Key Trends Affecting the Future of Digital Payments

Digital payments are on the rise and are likely to be spurred further by the confusion created by the ongoing shift to chip-and-pin credit cards by retailers, according to a survey by Blackhawk Network Shopper. The future of digital payments revolves around achieving certain goals, such as digital payments that are near-instantaneous. Within minutes, money sent by a person or institution should arrive at its destination, be confirmed, and not be at risk of being returned. In countries such as the United Kingdom, electronic cash or credit only takes a minute or two to settle.

Digital payments also need to be mobile and secure. On the merchant's side, Payment Card Industry compliance audits are on the rise, and more scrutiny is being given toward secure, segregated, and separate networks for point-of-sale and card data. For cardholders, the switch to chip-and-PIN or chip-and-signature cards means they bear the brunt of the responsibility in proving they did not make fraudulent charges. Solutions to strengthen the integrity of money movement could include scoring transactions in real time and allowing data marts and machine learning to provide some gatekeeping functions.

Finally, digital payments should support micro-transactions, which can be vital for industries such as media outlets. Readers could send 5 or 10 cents to a page creator through a simple mechanism to obtain more valuable content, for example. However, existing processing fees make it impractical to accept credit cards for payments under 50 cents, a factor that has held back industries on the Web, such as content creators. Just as microcredit has enabled third world farmers and villages to improve their quality of life, micropayments could enable a new generation of content not supported by advertising to emerge.

From "What CIOs Need to Know About Digital Payments"  
CIO (08/25/15) Hassell, Jonathan

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### Cloud Revolution Underway in Corporate Treasury Automation

Today's companies seeking to automate the process of payments, statements, and FX transactions now have access to more "business friendly" cloud-based IT solutions that are affordable and can be implemented without disruption to the business, writes SWIFT's Neil Gray. He says cloud technology has five essential

characteristics at its core: on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service. In terms of the collection, payment, and management of cash, automation is desirable, especially when multiple currencies are involved. Gray says such automation requires robust technology to ensure all parts of the process can be easily connected, monitored, and controlled. The key to finding the right solution is to make sure what is offered by the vendor aligns with the requirements and priorities of the organization. Gray says these requirements typically include reductions in operational expenditure, the ability of users to access services using a variety of devices, maintenance handled externally with no need for local application software upgrades, and multi-tenant sharing of resources and costs to leverage centralized infrastructure.

From "The Quiet Revolution—Cloud Based Automation for Corporate Treasury"  
*Bobsguide.com (09/04/15) Gray, Neil*

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## The Evolving Treasury Landscape

The treasury environment and the role of the corporate treasury are quickly evolving, with treasurers devoting more time to risk management, capital, and liquidity management and business strategy in recent years. To keep pace with these changes firms must invest in innovative and up-to-date treasury management systems (TMS) to help meet key challenges. "Treasury was traditionally a cash management function charged with tracking cash balances and executing transactions, however the last few years since the 'Great Recession' has forced treasury to evolve and become more strategic," observes Financial Executives Consulting Group managing partner Bruce C. Lynn. "During the 2009 period, banks were canceling credit lines and operating cash flow slowed, forcing some companies to treat liquidity as importantly as it treats profitability." This has led to treasurers having to cope with growth in regulation and the risks of digitalization and big data.

"Cybersecurity and interest rate/FX risk management are primary focal points that materially impact earnings per share," notes Treasury Strategies principal Jeff Diorio. "Companies that have experienced a big data breach have watched revenue drop; those with a large FX exposure have suffered unwelcome earnings volatility." OpenLink's Mark O'Toole says one big data challenge resides in the mixture of treasury and procurement into a single holistic view by firms that produce finished goods from raw materials, so they can track their at-risk cash flow. Liquidity and success quantification also are challenges for treasurers, according to Lynn. He also cites compliance, noting the welter of new regulations may force treasurers to pay less attention to providing liquidity and managing risk.

Diorio thinks technology within treasury is helping position the department as a value creation nexus. Lynn reports a TMS offers various advantages to professionals working in different sectors, while Reval chief marketing officer Justin Brimfield recommends corporates seek a TMS provider with a proven track record that is investing in innovation. O'Toole describes a TMS solution that sits on one platform and requires less manual processing as a good bet for meeting treasury's need for transparency. Diorio says choosing between an installed or cloud-based TMS depends on variables such as the size of the treasury department and their level of IT support. Lynn cites cloud-based systems as a strong choice for firms with "generic needs," with treasury being one of them. "Over time TMS vendors have been able to design their products to service many different industries," he maintains. "Cloud-based systems should be considered the default mode." Lynn notes the most critical consideration when selecting either a cloud-based or an installed solution is the service and having sufficient training and support to use it appropriately.

From "TMS Feature Part 1: The Evolving Treasury Landscape"

*Bobsguide.com (08/14/15)*

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### Payments Sector Must Balance Speed and Security

Public and private entities are launching hundreds of initiatives across various payments rails in an effort to make the U.S. payments industry more secure, writes the Atlanta Fed's Douglas A. King. He notes network rule changes are taking place as well, and new technologies are being harnessed to make payments more secure. Startups, established payment companies, payment associations, and the Fed are all collaborating to improve the speed of payments. King cautions although it is easy to get excited about the possibilities of faster payments, the speed of payments may be impacted by security efforts. For instance, a more secure EMV chip credit card has reduced the speed at point-of-sale for card payment transactions. But just as strength and speed among football players have evolved alongside safety through rule-making and technology, the same progression is to be expected within the payments industry, King emphasizes. He says the payments industry will need to strike the right balance between speed and safety instead of see them as mutually exclusive.

From "Pigskin and Payments"  
*Take on Payments (08/17/15) King, Douglas A.*

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### Prepaid Cards Aid Business Expense Management

Prepaid cards may be able to help fill the technology gap in business payments, and the travel and entertainment expense management industry is brimming with technology companies that aim to reduce processing costs and save time. Tallie CEO Chris Farrell says most manual T&E processes can cost about \$72 to manage, but an automated expense reporting solution can cut costs to \$25. Although remaining non-T&E costs do not have as many simple solutions available, the forecasting and variance reporting process also can pay off over time. These expenses are managed by company business managers via a budgeting process arranged to establish operating goals, such as marketing and capex, which are normally managed in spreadsheets or accounting software. T&E, however, is managed with an end-to-end process that includes creating, filing, approving, and reimbursing for an expense report. Therefore, companies can allow business clients to use prepaid cards, funded through a manager by Web or mobile apps, instead of charge or credit cards to field employees. Managers are provided with more opportunity to discuss purchases before they are made, which can ensure purchases are done right the first time, increasing efficiency in budget compliance. Businesses that take the time to deploy proactive cash management methods also may benefit more than those that use reactive management strategies.

From "Prepaid Cards Can Aid Business Expense Management"  
*PaymentsSource (08/31/15) Grant, Toffer*

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