Vizant INSIGHT
from the Payments and Treasury Expert

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Predictions and Prognostications for 2016

While we do not claim to be Nostradamus, we do have some predictions and prognostications for 2016:

- In late 2016, the Federal Reserve will increase interest rates by 25 bps, for the 4th time in a one year period; this will then accelerate a recessionary period.
- The Apple Watch will fade into the darkness and Apple will experience its most famous product failure ever.
- Same Day ACH credits will launch and then the ACH system will experience a multitude of unexpected problems.
- As companies struggle for top line growth and increased profitability, “improving efficiencies” will be the new hot topic in corporate America.
- Treasurers will continue to take on more financial and operational responsibilities, and many will ascend to the role of Co-CFO.
- The massive overvaluation and investments in so many FinTech companies in 2014 and 2015 will come crashing down in 2016. Multiple big names will fail, as many business models are flawed.
- SaaS excitement will wane, as many organizations will make moves to bring back in-house many of their technology needs.
- A large US bank will offer a new, never before seen, *Super Rewards Credit Card*, with perks like never before and merchants will bear the costs of this card.
- Banks will offer up new suites of Treasury Services, with many bells and whistles, that will cost more but deliver no new value. It will only be pretty wrapping paper on a legacy and tired payment system.
- Paper checks and cash will not disappear into the darkness, as so many so-called experts have predicted.
- With the recent news that Global Payments (8th in volume) buying Heartland Payment Systems (9th in volume), there will be additional consolidation in the merchant processor world. We predict that there will be two more mergers/consolidations in 2016.
- Despite all of the industry talk and the multiple initiatives around a new payment system, we predict that 2016 will end without any ‘new’ payment system.
- Mobile Wallet market fragmentation will continue and one of the big mobile wallet players will fail.
- Electronic invoicing will continue to make huge gains, while paper invoicing will fade away.
- “Big Data” and its promise to solve the problems of every business will continue to be overblown and underutilized.
- The wire transfer system will continue to experience large increases in

December 2015

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Vizant 2016 Speaking Engagements

January 12th - HFMA
Panama City Florida

January 13th - AFP
Kansas City

April 17-20th - NACHA
Payments Annual Conference, Phoenix, AZ
"B2B Payments - The Corporate Perspective: Innovation and Efficiency"

May 22-25th - NCTMA
Carolina Cash Adventure, Myrtle Beach, SC

About Vizant

Vizant is an advisory firm and thought leader with a specialty focus in the area of inbound payments, fraud.

- Online payment card fraud will increase by double digits in 2016.
- Paper check based B2B payments will continue to rule the day over ACH B2B payments.

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Payments and Treasury Insight

Current Payments and Treasury News

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Managing Risk With Digital B2B Payment Networks

Payments management entails a great deal of risk, especially as assaults on corporate payment systems accelerate. Digital payments can help ameliorate risk in business-to-business (B2B) transactions by generating a proxy number to conceal any specific corporate financial data until the payment safely reaches its destination. Systems that use proxies not only remove the risk of the theft of sensitive information while in transit, but also reduce the likelihood that a fraudster within either the buyer or the supplier will be able to initiate a bogus payment.

This kind of consumer-payment network has yet to find routine use in B2B payments, but as mobile transactions and e-commerce become more popular in business transactions, it is only logical that large firms will start adapting and expanding upon the technologies and techniques used by consumer-payments pioneers. In a B2B commerce network, when a buyer requests an order and chooses one of the sellers that bid on it, the buyer can initiate a payment file in a process very similar to using consumer sites such as Amazon or using PayPal to make a purchase. The payment file is transmitted to the network and processed, and the payment is linked to the invoice and sent to the seller.

Another advantage of digital B2B payment technology is suppliers know precisely when a buyer initiates payment, and they can track the payment until it reaches their bank. This helps lower the risk of late payments or non-payment by eliminating the reliance on trust between buyer and seller to ensure a proper transaction. Factors CFOs should weigh when considering a move to a B2B commerce network include how much turnover is in the client base, whether

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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orders frequently are one-time or change based on seasons, the percentage of the human resources budget being channeled into fraud detection, and the security in place to shield both the company and the client's data. When considering such a network, CFOs and treasurers must consider whether the organization needs a network that oversees the entire procure-to-pay spectrum leading up to the payment itself.

From "Managing Risk in the Digital Era With Payment Networks"
Treasury & Risk (11/17/15) Hofler, Drew

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CFOs Should Pay Attention to Blockchain Technology

Bitcoin is beginning to stir up business models as a way to securely track and verify transactions. Bitcoin's underlying blockchain technology is a public ledger that employs a decentralized, mathematically encrypted network of computer nodes to confirm and record transactions. It enables a distributed ledger to be updated in real time, permitting an unchanging forensic audit trail of all transactions. Because blockchain technology facilitates a scalable and secure ledger with limitless account creation and programmable, trackable money, CFOs would be able to access a record of all monies that go through their systems in real time.

CFOs also would be able to easily set spending limits and automated reports, and see precisely when payments are made and track how fast they proceed down the supply chain. Payment cycle data could be monitored automatically, clearing a path for predictive analysis aimed at tightening accounting processes, enhancing policymaking, and improving treasury management. Moreover, the decentralized ledger cannot be hacked or tampered with.

A significant investment in time may be required to deploy blockchain technology across financial and banking sectors. A recent Santander InnoVentures report estimated that implementing blockchain technology could save the banking industry more than $20 billion annually on infrastructure costs alone. Blockchain's scalability removes discrepancies and reduces the personnel needed to complete banking operations. In the future, these systems could be combined with accounting software, giving CFOs access to streamlined information collected from the same familiar systems already in operation.

From "Why CFOs Need to Pay Attention to Blockchain Technology"
CFO.com (11/20/15) Wilson, Lamar

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Treasurers See Appeal of Multibank Payment Factory

Doing more with fewer available resources is the leading modern challenge faced by multinational corporate treasurers, who are increasingly seeking aid from banks and technology partners. The multibank payment factory holds tremendous appeal for corporates that have to centralize their payments and/or collection processes, send financial messages more easily and efficiently, and gain deeper insight into liquidity with the goal of optimizing working capital for the entire enterprise. In reaching the last goal, forward-looking corporate treasurers are going beyond their traditional duties to actively produce revenues by making the firm's capital strive harder.

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There are five key functions that corporates throughout all industries expect their technology partners to fulfill. They include message transformation, in which the payment factory converts disparate messaging formats to ensure they contain required information based on the type and geography of payments; workflow capabilities; message routing and transportation, which can take many forms; Office of Foreign Assets Control/Sanctions list filtering; and accounting/reconciliation for all transactions passing through the payment hub.

These functions are centralized and automated in a flexible, cost-effective, and proven setting by a multibank payment factory solution. This option enables corporate treasurers to keep up with complex transaction requirements and facilitates simplified and automated systems, boosts straight-through processing, effects integration with enterprise resource planning systems, enhances security, manages risk, satisfies regulatory requirements, and improves cash visibility.

From "The Emerging Importance of a Multibank Payment Factory"
Treasury Management International (12/15) Sanders, Helen

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B2B Payments Digitization Stalls at the Last Mile

There has to be common standards and transparency as more companies eliminate paper checks and move to digital transactions, according to experts. They note the "last mile" of a business-to-business (B2B) payment is especially important, as funds reach a destination bank account. This transformation will be a key driver for "new economy companies" seeking to make high-volume, low-value payments to suppliers without writing paper checks, according to Currency Cloud CEO Mike Laven. The U.S. is lagging Europe in B2B payment automation, mostly because paper checks still thrive in the U.S. These trends can be attributed to the fact that the Single Euro Payments Area has made credit transfers and direct debits in the European Union cost-effective and efficient. "Large U.S. corporations have been moving away from paper payments towards electronic for decades, but can't always achieve complete conversion because receiving companies won't provide their bank transit routing number and account number," says Aite Group analyst Nancy Atkinson. B2B payments remain a challenge because of the data management and reporting that is included in a transaction. Some countries are trying to address this concern by calling for the ISO 20022 standard, which enables companies to include invoicing and other data with transactions in a common format that would be used on a global scale.

From "Digitization of B2B Payments Stalls at the 'Last Mile'"
PaymentsSource (12/04/15) Heun, David

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ACH Payments Grow Almost 6% in Third Quarter

The Automated Clearing House network recorded a 5.9 percent year-over-year increase in transactions in the quarter ending Sept. 30, reaching a total of 4.83 billion transactions, according to NACHA. That figure represents the fastest quarterly growth in two years and the third straight quarter of at least 5 percent expansion, and comes as the network prepares to begin processing same-day settlements in the fall of 2016. The ACH's fastest-growing transaction category is IAT, referring to cross-border payments, which increased 24.5 percent year-over-year to 18.3 million transactions for the quarter. Meanwhile WEB debits, which are used for online and person-to-person payments, grew 719 percent in a year to 15.7 million transactions for the third quarter. Likewise, the TEL application, used for payments by voice over the phone, saw a 14.2 percent increase to 117.5 million transactions. On the other end of the spectrum, BOC, used for back-office conversions of consumers' checks, fell 10 percent to 36.1 million transactions, and POP, which cashiers use to convert checks at the cash register, dropped 13.3 percent to 76.3 million transactions.

From "The ACH Continues to Sizzle, Racking Up Nearly 6 Percent Growth in the Third Quarter"
DigitalTransactions.net (12/04/15) Stewart, John

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Accountants Slowly Adopting Digital Payments

The payments approach for accountants varies dramatically between work and home and illustrates some of the pitfalls to slow adoption at work, according to a new MineralTree survey. Those who are involved in the accounts payable process choose to utilize advanced bill paying technology such as electronic payments at home, compared to the workplace where paper check payments are still dominant. The survey, which polled 161 professionals involved in the accounting or accounts payable process for their respective organizations, found 24 percent of respondents said current payment methods are causing their organizations to have cash-flow problems. Even when participants do use electronic payments at work, 17 percent said they store bank account information and routing numbers in spreadsheets or word processing documents, which lack proper security protocols. The study also found 81 percent of respondents reported using paper checks frequently or exclusively while at work. About 20 percent verified their companies had already migrated to paperless AP and payment automation, while only 15 percent thought their rivals had done the same. Some organizations are starting to use electronic payments, but research shows there is still an opportunity to educate professionals on more advanced payment methods and increase their usage.

From "Accountants Tackle Digital Payments Gap"
Pymnts.com (12/08/15)

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E-Invoicing Systems Can Optimize the Payment Process

Electronic invoicing systems that match invoices to goods receipts and to purchase orders or contract rate tables can help insure savings. When an invoice comes in, these systems can automatically verify the goods have been delivered and have been billed at an appropriate rate. After the billing is confirmed, the invoice can be automatically approved for payment, and if not, it can then be bounced back to the supplier for correction, verification, and resubmission. This type of two-stage system, which catches the erroneous invoices and send them back, could reduce the number of invoices that need to be manually processed to 3 percent of electronically submitted invoices. The key for any organization is picking the right technology that does not just automate but helps improve and failsafe the process to create a first-pass match rate and on-time payment rate. Billing accuracy, shipment accuracy, and reject and return ratios are all relevant performance metrics. Some of this data is available with the invoice, some comes from the goods receipt, and still other data comes from point-of-sale systems. In addition, finance needs to know when an invoice was received and what the payment terms are under the contract. This data needs to get in the financial planning and treasury management system so cash flow can be optimized and available cash can be invested.

From "Finance and Procurement: Let's Talk Savings From E-Invoicing, Supplier Performance and Vendor Intelligence"
Spend Matters (12/08/15) Busch, Jason; Lamoureaux, Michael

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How Treasury Can Help Identify Hidden FX Exposures

Companies may have limited transparency into earnings volatility because of foreign exchange (FX) movements, and need strong exposure identification capabilities to avoid being left with inaccurate data that could impact risk management decisions. "Identification and visibility of exposures continue to be one of the most significant challenges facing the treasury function," says Deloitte Advisory partner Jade Shopp. FX exposures can be attributed to internal functions, such as treasury, trading, and technology; and external forces, such as currency volatility or government-imposed cash restrictions. "FX exposures can hide in plain sight on a company's balance sheet and within various intercompany transactions, which can complicate exposure identification," says Deloitte Advisory partner William Fellows. Some organizations address transparent and nontransparent exposures by looking for alternative approaches to FX risk management. One strategy is to launch a central hedge desk to catch exposures. Another emerging trend is for organizations to standardize their FX and treasury processes for certain decentralized systems, with the goal of improving transparency and allowing for other hedging techniques when using more restricted or emerging currencies. "To address FX exposures, organizations should consider connecting operations with the treasury function so there is a seamless integration between business activities and risk management activities that may be directed by treasury," Shopp says. Common missteps in identifying FX exposure that can lead to missed or incorrectly identified FX exposures include multiple systems and handoffs, the inability to identify natural offsets, big data and modeling analytics, highly manual processes, inconsistent FX accounting, policy and broad alignment, and enterprise integration.

From "How Treasury Can Help Identify Hidden FX Exposures"
Risk & Compliance Journal (12/08/15)

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A Third of Businesses Use Mobile Banking for Payments

More than 30 percent of organizations use mobile devices to access corporate bank accounts and to make financial transactions, according to a survey by Kaspersky Lab and B2B International. The survey found 28 percent of small and medium companies, and 34 percent of larger enterprises, conducted financial transactions via mobile devices. The survey also found employees at all levels of the organizations access corporate bank accounts from mobile devices, including 63 percent of those in financial departments, 54 percent of top managers, and 8 percent of ordinary employees. "The trend shows a continual increase in mobile banking usage by corporate banking clients," says Kaspersky Lab's Ross Hogan. "This trend is certain to continue as corporate and consumer banking clients alike migrate to the convenience of mobile banking." However, hackers are taking advantage of these trends. For example, in the third quarter of 2015, Kaspersky Lab products for mobile devices detected more than 300,000 new malicious programs. Of these, the highest growth rates were demonstrated by a Trojan-Banker designed to steal credentials to Internet banking and e-payment systems, as well as credit and debit card data. This type of malware increased from 630 programs in the second quarter to 2,500 programs in the third quarter.

From "A Third of Businesses Use Mobile Banking to Make Payments"
BetaNews (12/04/15) Fadilpašic, Sead

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Nonprofits Struggle to Embrace Treasury Innovation

New research AccuFund's 2015-2016 Nonprofit Accounting Insights & Analytics Survey and Abila's Nonprofit Finance & Accounting Study examines some of the money management needs and challenges that are unique to nonprofits. AccuFund's survey found 95 percent of nonprofit organizations said they have less than five accounting staff members. In addition, it found nonprofit organizations are not sufficiently taking advantage of more advanced technologies that can help them manage their cash flow. For example, the survey found 60 percent of nonprofits think the existing financial software their firms use cannot store or analyze non-financial performance data, and 55 percent said their financial software platforms are not customizable. Slightly less said their software tools do not provide visual, graphical analysis of their financial data. Nonprofit accounting officials reported their most common challenge is being interrupted by other departments. The surveys also found that nonprofits, especially the larger ones, are embracing cloud technology. The research indicates a greater need for collaboration within nonprofits, says Abila's Erika McNichol. "Closer collaboration between the two departments will likely increase finance's strategic involvement in the organization, and help develop a clearer vision of how, when, and where dollars are used to fulfill the mission," she notes.

From "Nonprofits Struggle to Embrace Treasury Innovation"
Pymnts.com (11/19/15)

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