

An eBook written & produced by



**STRATEGIC
TREASURER**

Consultants in Treasury



WITH GREATER PAYMENTS COMPLEXITY

Comes the Need for Efficiency

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Introduction

The payments landscape is evolving at a spectacular rate. The rapid economic globalization and technological advancements that have occurred over the past several decades are allowing today's organizations to conduct business with clients and partners across the world. However, this global web of connections can be difficult to maintain.

With the introduction of more sophisticated payments technology has come heightened expectations, particularly for treasury. Today, the ability to quickly and accurately exchange information between parties is not an optional benefit; it's a vital necessity. For most businesses, this includes the ability to efficiently manage payments in different currencies and through a variety of

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banking channels. However, for firms sending out thousands, or even millions, of payments every month, this is easier said than done.

As organizations continue to ramp up their global operations, it can be difficult to keep their payments processes up-to-date and in-line with the changing needs of the business. The payments complexity that arises from conducting business on a global scale leaves many companies striving to increase efficiency wherever possible. This is especially true as they outgrow their existing tech infrastructure or as new and improved technologies are introduced that render their current infrastructure obsolete.

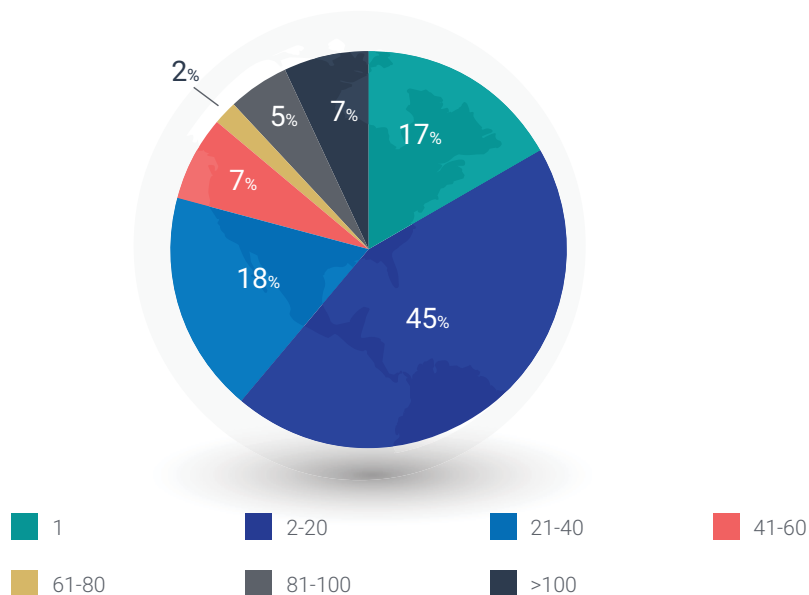
The 2016 Global Payments survey conducted by Strategic Treasurer and underwritten by Fides Treasury Services helped to shed light on just how complex the current payments landscape is for most firms and what the leading drivers were for adopting new payments technology. Furthermore, the survey touched on the strategies used by firms for simplifying and streamlining their current payments processes and what their plans were for future technology adoption. The insights gained through the survey are provided in the following pages to give readers an understanding of the current state of the payments landscape, including the challenges faced, key industry drivers, and the outlook for future growth.



01

How Global
is the Current
Business
Environment?

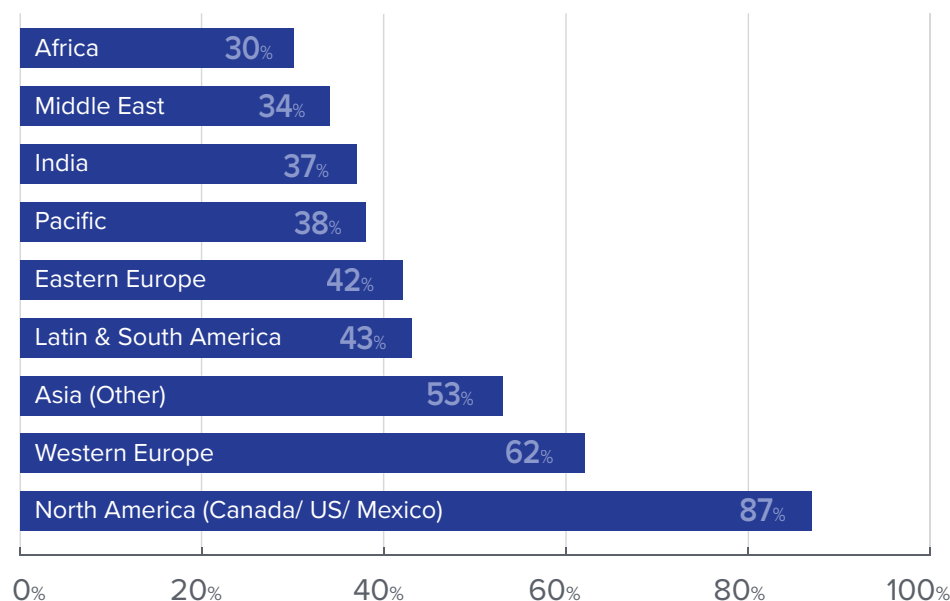
Our Business Operates in This Many Countries:



Although globalization can be a topic of frequent discussion, few realize just how global the modern business environment is. According to the 2016 Global Payments survey, 83% of firms were operating in more than one country, and 39% were operating in more than 20 countries. Furthermore, at least 30% of respondents were operating in each of the major world regions, including Africa and the Middle East, as well as the Pacific, South America, Europe, and North America.

This data sheds light on the fact that not only are firms operating in multiple countries, but they are branching out to entirely new world regions. It is one thing to operate in the United States and Canada. Operating in the United States, Egypt, Ukraine, and Vietnam is a whole new beast entirely. Expanding outside of one's geographic region means more than just a change in time zones; it is a new set of currencies, customs, volatilities, bank relationships, and regulatory infrastructures. As organizations seek to expand further and further outside their region of origin, these factors will have to be addressed.

Which Region(s) Does Your Company Operate In?



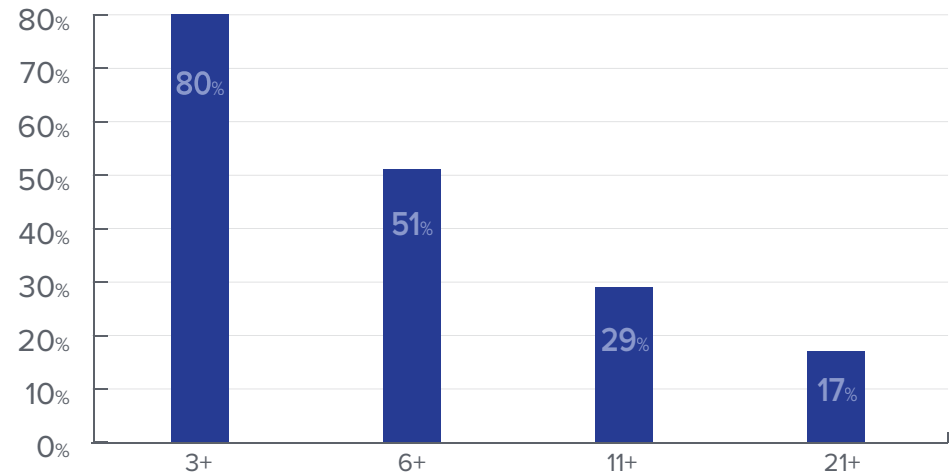
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02

A New Region, A New Currency

How Many Currencies Do You Regularly Make Payments In?



On par with what would be expected given the global expansion efforts of many firms, the number of currencies that organizations are originating payments in is quite high. For starters, 80% of firms regularly make payments in three or more currencies, and 51% regularly make payments in six or more currencies. At the top end of the spectrum, however, 29% of firms are making payments in 11 or more currencies, and 17% in 21 or more currencies.

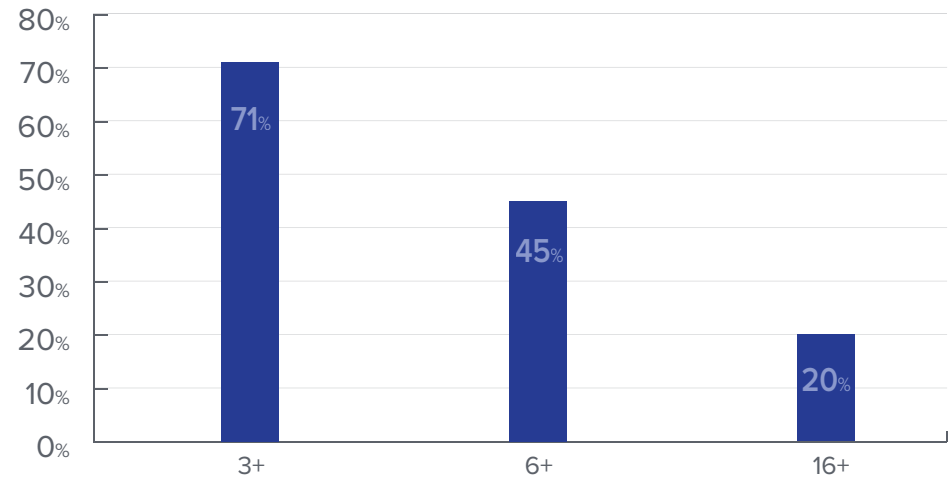
The addition of more currencies to a firm's payments operations brings a new set of components that treasury must confront. For instance, firms must ensure that their payments systems can toggle between different currencies when viewing account balances and transaction activity. Furthermore, firms must account for exchange rates and the fluctuating values of various currencies, which ushers in a whole new set of exposures and volatilities. For each new currency an organization adds to their repertoire, a new layer of complexity is added to their payments operations.

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03

The More Banks the Merrier? Not Really

How Many Banks Do You Originate Payments With?



In some circumstances, a firm may find that their core banking partners are able to service their needs in each new country or region they enter. However, this is not always the case. Often, expanding to a new geographic location requires a firm to establish a new set of relationships with institutions that are familiar with the region and that have an active presence there. Thus, as firms begin operating in multiple regions, the number of bank relationships they must maintain can grow quite large. That is the situation we are seeing today, as 71% of corporates originate payments with three or more banks, 45% with six or more banks, and 20% with 16 or more banks.

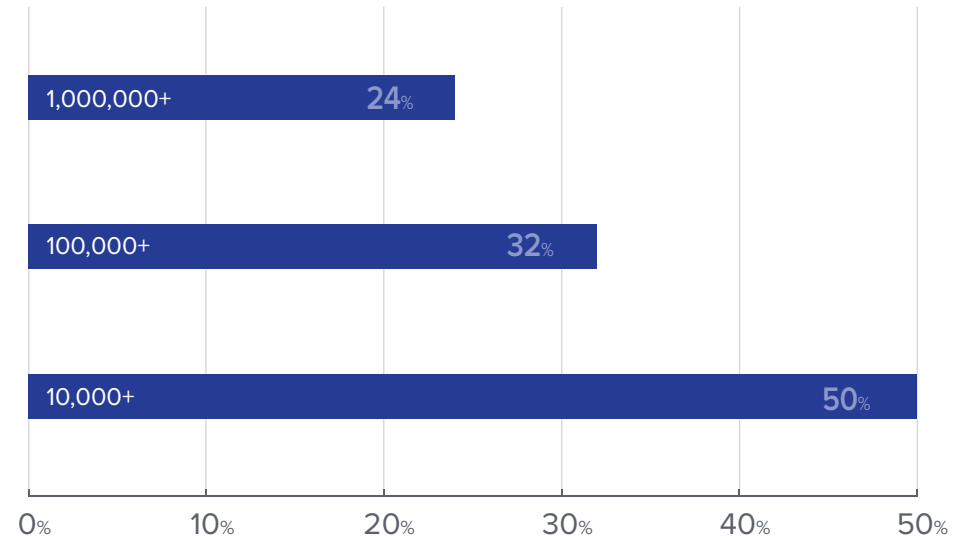
For most firms, adding a new bank to their payments operations is not a simple task. It requires communication with a new set of bank personnel, additional fees, the use of an additional bank portal, the integration of a new channel to their payments system, and the reconciliation of another set of account statements and reports. In many cases, this means more time must be spent managing the bank relationship, and, subsequently, less time is available for core operations.

Often, expanding to a new geographic location requires a firm to establish a new set of relationships with institutions that are familiar with the region and that have an active presence there.

04

Payments
Complexity
Intensified
Through High
Payments
Volumes

What is the Approximate Volume of Payments You Generate Globally Per Month?



While the addition of new currencies and banks adds complexity to payments operations, one of the most significant issues plaguing corporates is the momentous number of payments that they generate. In total, 50% of firms that completed the Global Payments survey were generating 10,000 or more payments globally per month. However, more than 1 in 3 firms are generating 100,000 or more payments monthly, and almost 1 in 4 are generating more than one million payments monthly!

Managing 10,000, 100,000 or one million payments every month would be difficult enough with one country and through a single currency and bank. Factor in various subsidiaries, countries, currencies, banks, and bank accounts, and you have a handful of treasury personnel attempting to do what is almost impossible. Add in the fact that managing payments is not the only function that treasury is tasked with, and you have a serious problem.

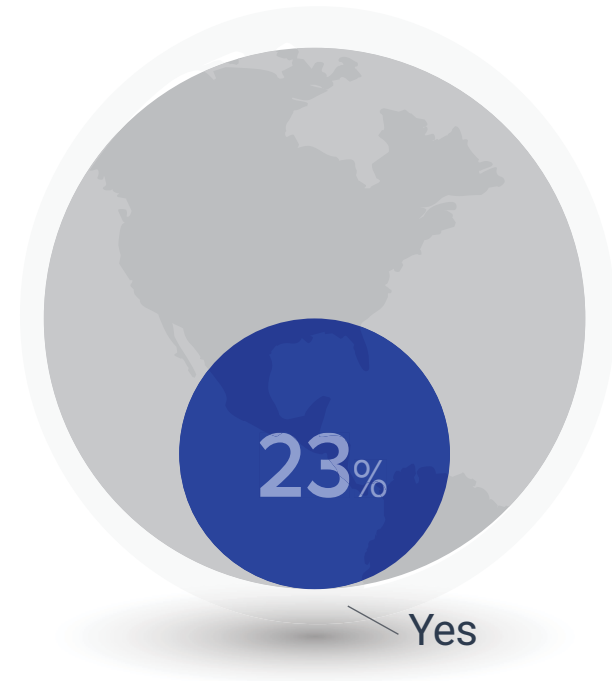
Nearly 1 in 4 firms that completed the Global Payments survey were high-intensity payments organizations that generated more than one million payments worldwide every month.



05

A Significant
Number of
Firms Have
Trouble Making
Payments

Do You Have Problems With Making Payments in Certain Countries?



The final nail in the coffin for many firms regarding payments complexity is the difficulty that arises when attempting to make payments in regions with known criminal or terrorist activity, or where a lack of regulation makes payments security or efficiency far from ideal. This is an issue that affects a significant number of organizations. In fact, nearly 1 in 4 firms (23%) experience problems making payments in certain countries, the majority of which are located in Africa and the Middle East. These problems are due mainly to strict sanctions placed upon certain countries for funds transfers, or because outdated technology in certain regions causes it to take days or even weeks for payments activity to clear.

These speedbumps can be a massive thorn in the side of treasurers who are already fighting heavy payments complexity, and can take time away from other vitally important operations as firms are forced to confront these issues.

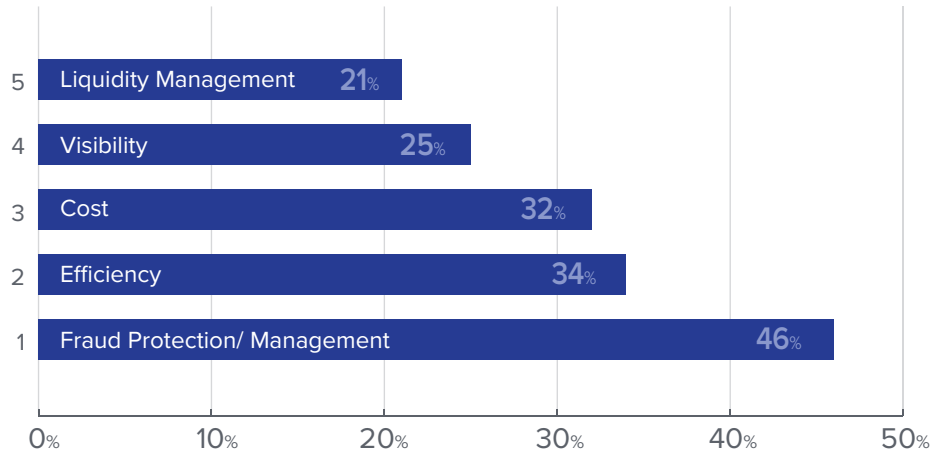
The difficulties associated with making payments in certain regions can be the final nail in the coffin for firms already bogged down by heavy payments complexity on other fronts.



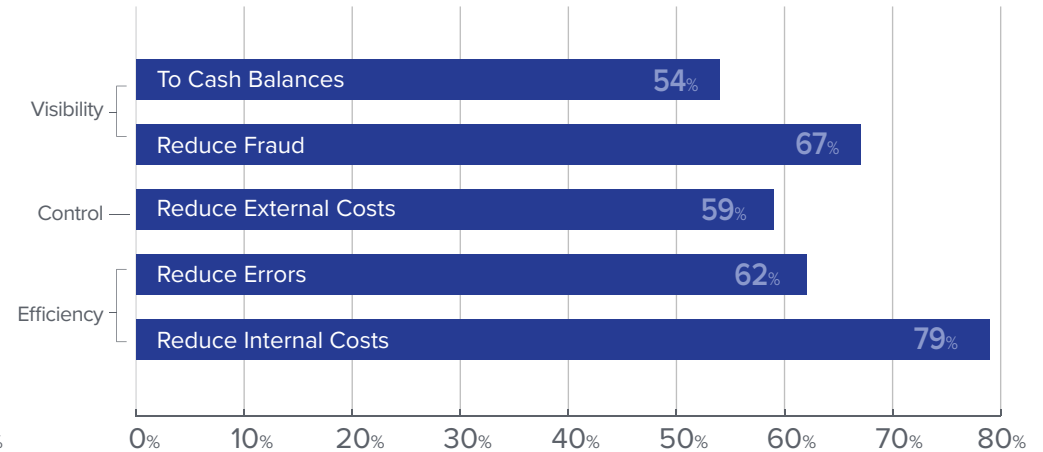
06

Efficiency &
Fraud
Protection Top
Corporate
Payments Drivers

Top Five Corporate Payments Initiative Drivers



Top Five Corporate Payments Value Drivers



When asked about their value drivers for making changes to payments methods and formats, 79% of firms named efficiency in reducing internal costs, 62% named efficiency in reducing errors, and 59% named efficiency in reducing external costs. 67% also named control over fraud. Similarly, when asked to rank their payments initiative drivers, fraud protection & management ranked at the top, with 46% of firms labeling it as their first priority. The second priority was efficiency for 34% of firms, and third was cost with 32% of firms.

The combined challenges of managing all the layers of complexity within the payments landscape leaves treasury struggling to gain efficiency and control wherever they can. At the same time, the complexity faced by treasury means they are more susceptible to fraud activity as higher payments volumes and multiple payments channels result in more exposure points and staff that are worn too thin to effectively combat criminal activity. Thus, when respondents were polled over their top payments priorities, fraud prevention and efficiency were repeatedly put at the top of the list. Moving forward, these are the areas that

firms are addressing when adopting new payments technology and software, and are subsequently the areas where most technology providers are focusing on enhancements.

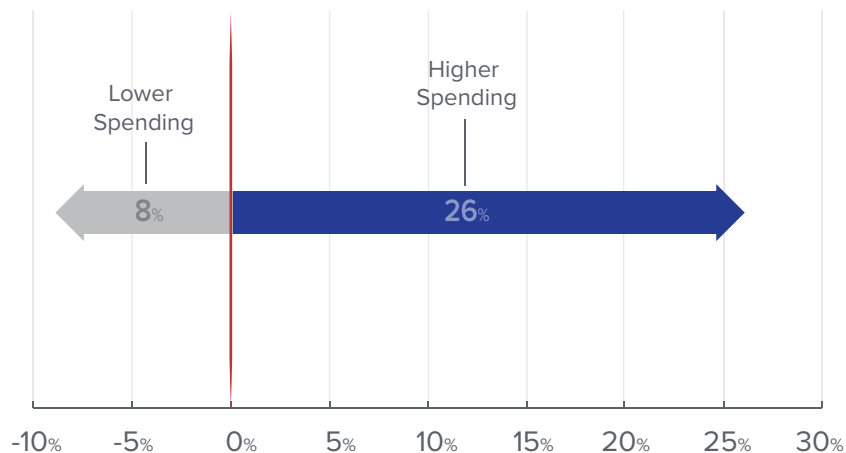
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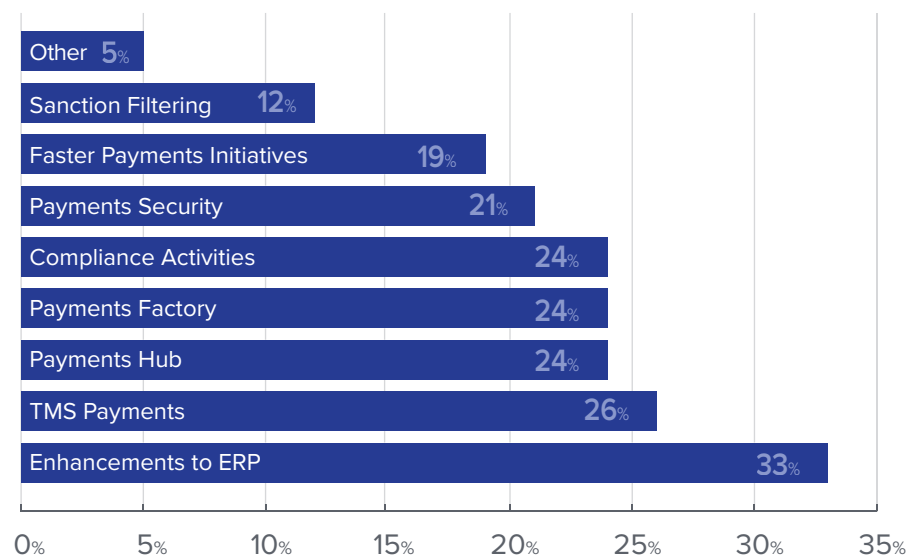
07

The Good News:
Corporates are
Investing in
Payments
Technology

Our Planned Payments Spend in 2017



For Our Higher Spend on Payments, We Intend to Focus on the Following:



Given the growing complexity of the payments landscape and rising fraud concerns, a significant number of firms are looking to update their payments technology. When polled over their upcoming spend plans, 26% of firms were planning to spend more on payments in 2017 compared to 2016, compared to just 8% planning to spend less. This elevated spend was distributed across multiple areas, most notably the adoption of payments hubs and payments factories, as well as updates to firms' payments functionality contained within their TMSs and ERPs. Payments security and compliance activities were also top priorities for more than 1/5th of those planning to increase their payments spend.

This data is promising and shows a willingness of firms to invest in areas where a clear need is recognized. With outdated or overly complex payments operations posing a problem for many organizations, the elevated intent to spend by corporates indicates that steps are being taken to rectify the situation. Simply put, while the payments processes of many firms are lagging, they are on the right track to recovery.

The planned spend on payments indicated by many firms shows promise regarding their intention to update their payments operations.



Final Thoughts

The need demonstrated by firms in the payments arena is twofold. First, corporates need solutions that can streamline, automate, and centralize as much of the payments lifecycle as possible. With already constrained resources, treasury does not have the time to manually perform funds transfers, especially for those making hundreds or thousands of payments every day. Treasury also needs to cut back on the complexity involved with connecting to each of their banks through individual bank portals, as firms operating with multiple banks have to log in to multiple portals just to register activity, receive statements, etc.

To aid with this, there are a number of solutions available that provide instant connectivity to all of an organization's banking partners, and offer a central repository for viewing and managing payments activity. These solutions pull information automatically from individual bank portals and display it through user interfaces that allow for a broad range of cash management, payments, and reporting activity.

Second, firms have demonstrated a strong need for updated payments security and fraud prevention technology. This demand has been noticed by technology

vendors, who have grown adept at building additional security software and incorporating it into their payments solutions. Examples of this include various types of file control and transaction controls, as well as IP filtering and token support. Furthermore, many vendors provide sanctions screening and data validation checks on all funds transfers exchanged through their system, further ensuring the validity and security of client data. If security and fraud prevention are as high on corporates' list of priorities as they let on, we should see an increase in the adoption of these solutions as the benefits they offer for payments security are identified.

The payments complexity being experienced by firms is not going to disappear on its own. Treasurers hoping that their operations will suddenly rectify themselves are wasting their time and their company's time by not taking the necessary steps to update their technology infrastructure. Given the strength and capabilities of today's financial technology solutions, firms have no excuse to be this bogged down. The payments landscape is evolving, and unless treasury takes action, they could get left behind.



About the Firms

FIDES

Fides Treasury Services is the leader in global treasury payments and information reporting aggregation. Fides' connectivity model enables over 3'000 corporate clients to connect to banks worldwide, with a streamlined channel and format of their choice.

Fides' well-developed hybrid model converts and validates payments and cash management reports allowing the corporate to seamlessly communicate in varied formats and over varied secure channels from SWIFT, EBICS, H2H to proprietary bank systems by using one single system only, whether this is your Treasury Management- (TMS), Enterprise Resource Planning System (ERP), or our Fides Applications.

Fides – the true one stop shop for global multibanking.



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STRATEGIC TREASURER

Since 2004, Strategic Treasurer has helped hundreds of corporate clients face real world treasury issues. Our team of senior consultants is comprised of former practitioners with actual corporate treasury experience who have "hopped the desk" to support their former peers from the consulting side. Strategic Treasurer consultants are known not only for their expertise in the treasury space, but also for their responsiveness to client issues, thorough follow-through on each project, and general likability as temporary team members of your staff.

Our focus centers on maintaining true expertise in the treasury space. Through constantly refreshing our knowledge and intentionally learning about leading solutions, we ensure that our understanding is both global in scope and rich in detail.



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