



B2B Payments and Fintech Guide 2019

Innovations in the Way Businesses Transact

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B2B Payments and Fintech Guide 2019

Innovations in the Way Businesses Transact

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Management summary

The payments industry – as it has developed in the last couple of years – proved that technology and collaboration, a boom in fintech startups, and regulation changes have created a living, breathing organism that only knew an upward turn. And topping the metaphor, it is now all grown up, having gained an identity of its own and currently learning how to keep its momentum.

According to **McKinsey's** Global payments 2018 analysis, the 11% growth generated by payments — which reached USD 1.9 trillion in global revenue — is the largest annual increase the statistics entity has measured in the past five years. The milestone of a USD 2 trillion global industry is set to be surpassed two years sooner than expected, and a USD 3 trillion threshold looms just beyond McKinsey's five-year projection horizon. Compared to these figures, **Mastercard** estimates, just in the US, for reference, based on an analysis of payment flows, that the business-to-business (B2B) payments market is in the range of USD 25 trillion annually, with checks accounting for more than 50% of the overall transaction value.

Within the complexity of this environment, B2B payments gain substantial leeway in terms of technological advancements, and banks are trying to develop reliable means of enabling corporate transactions, even though there still is room for improvement. B2B payments have to be instant, real-time, they have to be global, cross-border, ubiquitous, and, of course, safe.

In the tradition of analysing the most relevant trends and lessons to be learned from the current B2B payments landscape, we, here, at The Paypers have seen this year's **B2B Payments and Fintech Guide** as a good opportunity to offer thought leaders a podium from which to share insights and analyse use-cases that reflect key industry topics such as cross-border payments, instant payments, B2B commerce, payments infrastructure, all the while not forgetting the important role that e-invoicing plays in the industry.

The heart of the matter – taking the pulse of B2B payments

During the launching phase of any business, B2B payments aren't always topping the company's list of priorities. **Banking Circle's** CEO, **Anders la Cour**, explains how 'payments can be slow and expensive, especially across borders. In addition, many banks are pulling back from correspondent banking because of risk and compliance concerns, and, post-recession, traditional banks have become reluctant to lend to smaller businesses. New companies are finding themselves unable to compete effectively, thus limiting their potential.'

In this ever changing environment, according to **Alain Raes**, **SWIFT's** head of EMEA, 'a generational shift is underway in payments industry infrastructure and technology that promises to deliver 21st century speed, transparency, and efficiency to B2B payments.' The expert sees great promise in trends such as instant payments, underlining the growth and increasing inter-operability across SEPA, and stressing the impact, in the European B2B payments scene, of systems such as instant SEPA credit transfers in Euros (SCT Inst), EBA Clearing's RT1 – an infrastructure for processing payments at pan-European level – , or Eurosystem's TARGET Instant Payments Service (TIPS).

Interoperability is a key factor in the fluent evolution of B2B payments. In this sense, globally-agreed market practice will be critical to ensuring true interoperability across infrastructures. Guidelines for the common rollout and implementation of ISO 20022 for cross-border payments will lay the cornerstone for a successful migration of cross-border payments traffic to ISO 20022 beginning in November 2021, the **SWIFT** expert insists.

These are just a couple of key points we tackle in the first chapter of the guide, predominantly aimed at covering the current state of affairs and 2019 perspectives in B2B payments, with a focus on security and fraud prevention in the field, and on use-cases that drive innovation, such as **Banking Circle's** Banking Circle Virtual IBAN, or **Commerzbank** and **UniCredit's** elaborate takes on SWIFT gpi's potential future. →

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B2B commerce is also an important aspect of the B2B payments space that we felt necessary to highlight in this year's guide. As the B2B ecommerce market is still difficult for analysts to fully understand, correlated as it is to the late adoption of digital transformation in the B2B segments, **Jordan Graison** from **Limonetik** reveals from the company's investigation that market segments such as B2B (wholesale) 'will account for some multi-trillion USD before the end of the next decade.' Conversely, 'the APAC region is the main driver as it has the highest concentration of manufacturers in the world' (42% of global GDP in 2017). The expert argues that B2B companies are expecting their payment service provider to offer cheap acquiring cost or at least the best value for money, reconciliation of invoices, and highly secured payment methods. 'B2B players are searching for payment methods that are not subject to chargeback or dispute (large volumes expose the business to higher credit risk). The ideal payment methods would be instant payments and those that allow recurrence' – and companies have already started working together to fulfil these needs.

While Limonetik leverages partnerships with B2B front-end platforms such as OroCommerce to offer a contextual pricing catalogue or a better procurement decision process, this proves that collaboration between PSPs and fintechs in the B2B commerce space is not only mutually advantageous, but creates a more effective experience for merchants.

How trade finance redefined teamwork

The second chapter of the guide debates topical issues such as the entrance of innovative disruptors in both cash management and trade finance, the acceleration of online B2B purchasing, along with the reduction of supply chains and the proliferation of domestic faster payment systems.

Amit Vyas and **Michael Sugirin** from **Standard Chartered** argue that the digitisation of trade and the increasing connectivity to trade platforms 'give financing providers better visibility of clients' trade performance and business patterns.' While being part of consortia such as Marco Polo or we.trade, companies gain the opportunity to digitise their trade process and achieve better visibility, plus they simultaneously connect, access, and interact with banks more efficiently, thereby enabling 'organisational agility.'

We want it all, and we want it now – Instant B2B payments

It is no mystery that speed is the key combustion fuel of today's financial world. We deemed it not only natural, but increasingly necessary to paint an exhaustive picture of how instant payments are shaping the way businesses make transactional decisions – all encompassed in the third chapter of the guide.

As **Fred Bär**, partner at **Payments Advisory Group**, carefully points out, features such as speed, coupled with irrevocability, along with the ability to make and receive payments outside banks office hours could signify quite an important change. Moreover, B2B instant payments 'have the potential to break the current dominance of credit card (low-value payments with payment guarantee) and correspondent banking models (high-value payments, with long execution time).'

An in-depth view of instant payments' potential to become embedded in businesses' core also implies taking a good hard look at the risks. **Martin ten Houten**, VP EMEA at **Feedzai**, indicates that the proliferation of phenomena such as instant payments also speaks 'to the immediacy of the global fraud and financial crime issue, as in 2017, there were 380,000 mobile account takeover (ATO) occurrences, and, as companies continue to shift a large portion of their business to online and mobile channels, this number has skyrocketed to an all-time high of 679,000 occurrences in 2018.' Hence, the requirement for an efficient fraud or financial crime prevention system is to build a platform 'capable of scoring behaviour with hypergranular accuracy across all channels in real time.' →

Management summary

The debate seems to fall over from how central banks are competing with the private sector's instant payment networks to the 'how' of the matter. Technology is key here and its proliferation and adoption rate could help bring balance to an already age-old battle – in 'payments years' – between public and private on one side, and incumbent and challenger on the other. The battle will intensify during 2019 in Europe and the US, with no clear consensus in sight.

It's the age of open APIs, of open and alternative banking, and of corporates competing with financial institutions only to make payments a more seamless experience. And even though **Mark Beresford** from **Edgar, Dunn & Company** estimates that it could be as long as 5 to 10 years before open banking and instant payments are fully embedded in the way merchants and other businesses transact, the wheels are clearly not only invented but fully in motion.

The road to digital transformation

One of last year's most fundamental changes in B2B payments, when it comes to digital transformation and e-invoicing, is not technological per se. Invoices were on their way to being automated, cloud-based, embedded in the newest generation enterprise resource planning systems for a while now.

No, the change is systemic and regulatory. On 1 January 2019, Italy became the first country in Europe to make e-invoicing mandatory for all B2B and B2C transactions, followed by future similar governmental projects from countries such as Cyprus and Croatia, and the definitive deadline, on 18 April 2019, for European public administration authorities to be prepared to receive structured e-invoices. **Adam Beldzik**, the Director of the E-INVOCING Business Unit at **Comarch**, is asking, as 'the revolution is gaining momentum, are we ready?'

This is what we try to find out in a final chapter of the guide, whilst also counting down the most relevant initiatives in terms of essential e-invoicing practices outside Europe, along with the most important mergers and acquisition the e-invoicing, procurement, and business process automation market has seen in 2019.

Closing remarks

Among so many looming regulatory changes, PSD2 closing in September 2019, and experts still trying to figure out what this means for instant payments, governments reshaping the way they mitigate B2B payments infrastructure and blockchain becoming less of a novelty technology and more of a valuable tool in the hands of trade finance consortia, we find ourselves realising that payments are indeed on their way to unite us in the simplest way.

Cross-border instant B2B payments are another means for companies to work and innovate together. And we are excited to witness this first-hand and to relay to our readers what industry experts have witnessed and analysed in the last year.

Enjoy your reading!

Alexandra Constantinovici,

Content Editor

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B2B Payments

As payments get faster and cross any and all borders, in this chapter we strived to get a pulse on the current state of how transactions are viewed and handled in the business-to-business world and draw a detailed picture of the innovations, new technologies, opportunities, as well as challenges that the last year had to offer to cross-border B2B payments, with a close eye on fintech, B2B commerce and commercial cards.



Current state of affairs and 2019 perspectives

SWIFT

The Future of B2B Payments in Europe - Key Drivers of Change and Trends



About Alain Raes: Alain Raes was appointed Head of the EMEA region of SWIFT in September 2007 and added the role of Chief Executive Asia Pacific in January 2013. Alain was previously Director of the Continental Europe region at SWIFT. During this time he covered securities and banking sales activities, spending time in Paris as well as Brussels. He joined SWIFT in 1990, following previous roles at Citibank in Belgium and Fortis Bank in Singapore.

Alain Raes ■ *Chief Executive EMEA and Asia Pacific* ■ SWIFT

Ever since the creation of the internet, we have come to expect 'always on, always available' communications across every aspect of our lives. As the payments industry evolved from paper-based to digital, these growing expectations have proven to be challenging. In B2B cross-border transactions, for example, supply chains frequently move faster than the underlying payments, leading to inefficiencies and loss of value.

Today, a generational shift is underway in payments industry infrastructure and technology that promises to deliver 21st century speed, transparency, and efficiency to B2B payments. Within this article, we highlight key drivers and trends.

Trend 1: Instant payments will become the norm

To ensure they meet suppliers' payment terms, businesses must usually either build a two or three-day clearing cycle into their payments processing, or pay much higher fees for same-day transfers through Real Time Gross Settlement (RTGS) systems designed for high-value payments.

Now customer demand, as well as competition from non-bank providers, are driving the proliferation of low-cost, instant or real-time payments systems in domestic markets and currencies. In Europe, some 17 countries already had implemented, or were in the process of implementing such services at the end of 2018.

Instant payments services focus on local market needs and operations, and as a consequence, they do not offer cross-border capabilities. However, regulators wanted to ensure inter-operability across

the Single Euro Payments Area (SEPA) and defend against possible market fragmentation, therefore, they developed a standard message format for instant SEPA credit transfers in Euros (SCT Inst). Moreover, in November 2017, EBA CLEARING introduced RT1, an infrastructure for processing payments at pan-European level and a year later, the Eurosystem launched its TARGET Instant Payments Service (TIPS) for the settlement of instant payments in central bank money across SEPA - and potentially beyond.

With instant payments services also in place or in development in other major economies worldwide, including Australia, Japan and the US, we can expect instant payments to become the norm for domestic B2B and retail payments in the next five years.

Trend 2: All cross-border payments will be fast and trackable

In parallel with developments in instant payments, SWIFT's Global Payments Innovation (gpi) is eliminating the delays and uncertainties associated with the traditional correspondent banking model for cross-border payments, handling more than USD 300 billion of payments daily. 50% of payments are delivered within 30 minutes and many in just a few seconds.

With a gpi payment, your bank can tell you at any time where your payment is, when it will arrive in your account and what the cost is. To date, SWIFT gpi has been adopted by 3,500 banks and by 2020, all banks will be able to track and confirm their customers' cross-border payments end-to-end, bringing certainty, efficiency and improved cash management to businesses. →



Trend 3: A common messaging platform and an information-rich experience

Words like infrastructure and standards may not excite, yet a market-wide renewal of payments infrastructure based on a common messaging approach called ISO 20022 is the most significant development in B2B payments for a generation. ISO 20022 provides a platform for developing a flexible, yet interoperable set of financial messages, and enables more and richer machine-readable information to be included into a payment message, making it straightforward to track, process, reconcile, and apply payments. More information means simplified compliance requirements, all leading to faster and more efficient payments for businesses.

What makes this a significant moment is that all major Payments Market Infrastructures (PMIs) are now adopting ISO 20022 as part of renewal projects that encapsulate instant, credit transfer and RTGS systems. PMIs moving to ISO 20022 include the Eurosystem, the Bank of England, the Clearing House and Federal Reserve in the US, Payments Canada and infrastructures in Japan, Singapore, Hong Kong, and Australia. However, Europe is leading the way, as the Eurosystem has set a date of November 2021 for migration of its RTGS system, TARGET2. TARGET Consolidation is a project launched by the Eurosystem to consolidate TARGET2 and T2S, in terms of both technical and functional aspects. The objective is to meet changing market demands by replacing TARGET2 with a new real-time gross settlement (RTGS) system and optimising liquidity management across all TARGET Services. Within the same timetable, EBA CLEARING has also announced the migration of its large-value payment system (LVPS) EURO1 to the ISO 20022 standard.

Following an industry-wide consultation, SWIFT has announced the migration of cross-border payments to ISO 20022 over a four year period, beginning in November 2021. Globally-agreed market practice will be critical to ensuring true interoperability across infrastructures; SWIFT is facilitating this work by establishing the HVPS task force (High Value Payments Plus/HVPS+) and more recently, the Cross-Border Payments and Reporting Plus group (CBPR+), a working group of international payments experts that will formulate global Market Practice and Implementation Guidelines for the common rollout and implementation of ISO 20022 for cross-border payments. The guidelines drafted by the group will lay the cornerstone for a successful migration of cross-border payments traffic to ISO 20022 beginning in November 2021. A standardised global approach will lower the implementation cost for the industry as a whole.

The financial landscape of the future

By providing a common language, ISO 20022 will give the payments industry and its users a strong yet flexible backbone for 21st century efficiency and innovation. Technologies such as cloud, artificial intelligence and APIs will also play important roles in making payments faster, more automated and cheaper. Fraud prevention and privacy tools will also need to be taken into account.

The future will bring ubiquitous connectivity between systems, counterparties and across value chains, facilitated by regulatory initiatives such as Open Banking (PSD2), but also by standardised open messaging and APIs.

About SWIFT: SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 11,000 financial institutions and corporations in more than 200 countries. SWIFT enables our global community of users to communicate securely, exchanging standardised financial messages in a reliable way, thereby reducing operational risk and eliminating operational inefficiencies, while supporting global and local financial flows, as well as trade and commerce all around the world.

www.swift.com

Deutsche Bank

Where Do Fintechs Fit into the Global Payments Puzzle?



About Marc Recker: Marc Recker is Global Head of Cash Market Management, Global Transaction Banking, at Deutsche Bank. Prior to this, he held various senior product management roles, both with Deutsche Bank and other leading financial institutions.

Marc Recker ■ *Global Head Cash Market Management* ■ Deutsche Bank

Ongoing technological and regulatory changes have made it difficult to see the big picture of the payments landscape. Yet it is crucial to understand this picture if industry players are to innovate effectively. So, where do fintechs fit in? While much of the change has been set in motion by traditional industry players, fintechs can also play an important role by focusing on the key needs of end users. These can be split into three broad categories: security; speed, efficiency and transparency; and global reach.

Whether it's supporting banks with cybersecurity and compliance, facilitating innovative payment models such as mobile wallets, or working on longer-term initiatives to improve global reach, fintechs can contribute as key pieces to the payments puzzle.

Deutsche Bank's new whitepaper, **'Piecing together the payments puzzle,'** breaks down how fintechs can contribute to the global payments landscape.

Fighting cybercrime and facilitating compliance

One area where fintechs can add immediate value is to help banks combat cybercrime. Payment flows are becoming increasingly digital – driving efficiency, but also creating new channels for cybercriminals to exploit. As attacks grow in sophistication, fintechs can bring their innovative mindsets to bear – bolstering the industry's defences against fraud and money laundering. Fintechs specialising in artificial intelligence, for instance, stand to make a big impact – enabling bank systems to identify anomalous transactions and patterns that could indicate fraudulent activity.

Specialised fintechs can also offer banks security and convenience when it comes to compliance processes. For example, some regtechs provide automated embargo filtering that instantly blocks scheduled cross-border payments covered by ongoing embargos – securing clients against legal infringements and sizeable fines. Regtech can also be extended to risk management, reporting, identity management, and control, compliance and transaction monitoring.

Upscaling speed, efficiency and transparency

Fintechs can equally lend a hand when it comes to meeting end-user demand for improved speed, efficiency and transparency of payments.

In collaboration with banks, fintechs can help open up new payment channels, such as mobile wallets. These not only allow users to make a payment in seconds – using contactless technology to pay using a mobile phone, rather than a card – but they also facilitate more efficient transactions, bypassing the need to input card details before online checkouts.

The benefits of this kind of bank-fintech partnership are mutual: the fintech boosts its credentials in terms of security and due diligence, while the bank opens up new sources of income. For instance, the US-based mobile payments provider Modo, in collaboration with Deutsche Bank, has allowed the bank to extend its digital B2B and B2C payments business into non-bank platforms, facilitating payments beyond traditional banking channels, including mobile wallets. →



This is just one example. Bank-fintech partnerships can add value right across the value chain, including exceptions handling, reporting and client onboarding. The result should be an ecosystem in which banks can offer fully digitised end-to-end services, with efficient onboarding, real-time intraday analytics, and real-time surveillance controls.

Improving global payments service

Improving global reach is a more complicated matter. Currently, cross-border payments are run through a network of correspondent banks. This ensures payments reach their destination anywhere around the world, but not with the same levels of speed, efficiency and transparency as domestic payments.

While SWIFT gpi has made significant inroads, there is an opportunity for fintechs to identify a longer-term solution. Tech giants, such as Google, Amazon, Facebook, Apple, and Alibaba, have been successful in carving out new areas of engagement and behaviour in consumers' social, commercial and financial lifestyles. In partnership with banks, tech enterprises such as these can offer new – potentially global – client networks, and a full business platform model with shared economies.

Whatever new technology or expertise fintechs bring to the table, however, it will only be valuable insofar as it can be applied to one of the fundamental client needs. So long as they address these directly – in harmony with other ongoing initiatives – fintechs can play an important role in the evolution of the payments sector.

About Deutsche Bank: Deutsche Bank is a leading transaction bank and the world's biggest Euro clearing bank. Its trade finance and cash management offering supports corporates and FIs with domestic and cross-border payments and international trade transactions.

www.db.com

The Changing Face of Cross-border B2B Payments



About Chris Holmes: Chris is a Senior Vice President and FinTech Practice Lead at KAE. Chris has managed multiple high-profile global projects across the payments, banking, FinTech, AltFi and Telecoms industries. His specialist skills are geared to NPD, market sizing and opportunity assessments, benchmarking, best practice identification and go-to-market initiatives. As part of his focus on the payments industry, Chris sits across the Commercial Payments International (CPI) advisory boards (Global, US & Europe).

Chris Holmes ■ Senior Vice President and FinTech Practice Lead ■ KAE

Cross-border payments have rightly risen up the corporate agenda and are receiving more attention in the commercial payments world. For today's businesses, their marketplaces and their supply chains have become borderless and more fluid. This change in the way 'we do business' has also seen a shift in expectations. Today's corporate treasurers demand the ability to make cross border-payments quickly, at a low cost, from anywhere at any time, and from any device (mirroring the experiences we have in our personal lives).

Reports continue to show the staggering volume, growth and opportunity in B2B cross-border payments. Yet, for many corporate treasurers, grappling with and striving to improve the efficiency, cost and transparency of these payments is a daily frustration.

Pain points

Speed, transparency, and traceability are common pain points. Arguably the importance of payment speed is largely driven by the industry that a business operates in; fast payment is not a priority for all businesses. However, the certainty of payment is and this is where transparency and traceability become top priorities. Despite some changes, there is generally little ability to effectively track and trace payments, often with no confirmation of receipt by the beneficiary. The lack of validation that a payment has the right configuration is also an enduring problem.

We must also remember that international trade is no longer just for large corporates and many recent developments and partnerships have focused on providing solutions to SMEs.

This focus is encouraging, but more needs to be done as SMEs are often penalised according to their size, often being given less favourable retail vs wholesale FX rates.

New players

Incumbent banks account for the largest share of cross-border payment volumes, but they have been slow to adapt and innovate to meet changing corporate needs.

This has opened the door for agile fintechs, who have looked to simplify the complexity of cross-border B2B payments and have reshaped what is expected as the 'norm.'

Despite their promises of a better experience with greater transparency and control, the vast majority of fintechs lack the liquidity to manage large payments flows. And as fintechs scale, they will increasingly face more regulatory and compliance requirements.

New technology

Distributed Ledger Technology (DLT) has increasingly been investigated and trialled within this space. Despite the appetite for DLT and claims that this technology will offer value such as more efficient money transfer, improved information flows, richer data, and better invoice reconciliation, critical mass is still some way off. →



It is also unlikely that DLT alone will be a game changer as cross-border payments compose many components, eg FX, compliance etc, plus there are a range of regulatory headwinds to overcome and a complexity involved in creating industry standards. And we cannot neglect the costs involved in replacing or updating legacy systems. DLT is, therefore, likely to be part of a wider solutions package going forward.

Reaching for cross-border payment utopia

The utopia for the industry is a seamless, open and single global payment area. Sadly, the complex regulatory landscape, fragmented bank relationships, intensifying and increasingly fluid geo-economic and political instability, coupled with increasing trade protectionism and the questioning of established trade agreements, are likely to thwart the achievement of this in the short term.

Instead, greater focus is likely to be placed on strengthening and improving regional faster payment schemes, such as Europe's SEPA Instant Credit Transfer (SCT Inst) and TARGET Instant Payments Settlement (TIPS) schemes.

What to expect in the future?

International trade and the need for cross-border payments will continue. We expect to see the flows and growth in cross-border payments shift as trade increasingly moves towards Asia. Likewise, we expect to see SME payments account for a larger share of volume.

To fully realise the growing B2B opportunity, developing agreed industry standards so that cross-border payments are standardised will remain key. Current initiatives will continue to help, eg ISO20022,

but we expect to see a new wave of initiatives that will make interoperability between payment systems and schemes a reality.

A greater focus on customer experience with seamless integration into back-office systems is also expected. Customer experience will become an integral part of value propositions, a trend that we expect to see across the entire Financial Services industry, as it becomes key differentiator and revenue generator.

Consolidation of the fintech space is on the horizon as is greater co-operation and partnerships between fintechs and incumbent banks (alongside third-party infrastructure and technology providers). For fintechs, these partnerships will help them scale, meet regulatory requirements, and provide security and trust to their customers. For incumbents, fintechs will continue to offer more agile, seamless and customer-centric solutions and functionality that can be integrated to address the common pain points in their legacy systems.

The landscape will become more competitive and technology driven. There will be the emergence of a new breed of digital players, supported by open banking initiatives like Europe's PSD2 and developments in the regtech and API spaces (helping to facilitate compliance and data sharing across platforms). We also expect a greater threat from ecommerce companies such as Amazon and Alibaba who have international infrastructure and reach. For these players, the end point is currently unclear – do they want to become fully regulated payment providers as opposed to infrastructure or distribution partners? Only time will tell.

About KAE: KAE is a UK-based strategic marketing and trend consultancy that has been providing evidence-led recommendations to some of the world's largest financial services brands for 50 years. KAE has proven global capabilities and has led client initiatives in 60 countries across 6 continents over the last decade. For more information, please visit

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Royal Philips

Accelerating the Change in B2B Payments through Early Payment Solutions



About Alexander Visser: Alexander is the Head of Finance Procurement in Royal Philips heading savings and cash-flow optimisation strategies including early payment programs to suppliers.

Alexander Visser ■ *Head of Finance Procurement* ■ Royal Philips



About Beata Wandachowicz-Krason: Beata, currently a Director of Supplier Risk Management, previously managed a global Supply Chain Financing program in Royal Philips.

Beata Wandachowicz-Krason ■ *Director of Supplier Risk Management* ■ Royal Philips

As a leading health technology company, Philips has the ambition to make the world healthier and more sustainable through innovation. Strong and financially healthy partners in our supply chain are key to us to realize our ambition. A strategic initiative from Philips has been to provide suppliers with supply chain finance solutions to help them meet their cash needs for more financial stability.

Philips is one of the pioneers of the Supplier Financing solution, due to an early adoption by its key suppliers after the economic crisis in 2008. Since then, the company has successfully scaled up the program and brought it to a stable maturity level and sustainable cash-flow advantage for Philips and its suppliers. At the same time, we followed the latest trends and explored research programs and innovations in early payment and working capital programs, seeking best applicable solutions for an even stronger financing approach towards supply chains. Given internal conditions, as well as external needs of our suppliers, Philips deployed a Dynamic Discounting programme in 2018, in which the supplier benefits from an early payment in exchange of a discount. Today we see a smooth co-existence of both solutions, Supplier Financing and Dynamic Discounting, with their own advantages.

Why early payment programs

Given the current economic times, with global debt hitting a record high and the number of companies with cash decreasing, topped by regulatory requirements, banking and healthcare industries have changed significantly. Therefore, finance constructions supporting efficient, strong, and reliable supply chains come with certain challenges. Our programmes address these challenges and turn them into best-in-class opportunities.

Fit for purpose

The selection of an early payment solution is not a one-time decision, but rather a long-term commitment. Therefore, it should fit the needs of the industry and its respective supply base. With the emerging disruptive fintech solutions, there are multiple options to choose from to fit the purpose, so you do not have to look for a 'one-size-fits-all' programme. In some cases, you might choose the cash-flow advantage supported by the classic Supplier Financing solution with your own bank, or you might realise that turning payables to EBIT (Earnings Before Interest and Taxes) might be more optimal for your business, so you opt in for the Dynamic Discounting form. Both can co-exist, addressing different supplier profiles, thresholds, markets, local regulations and internal IT landscape. →

The choice of the program should be a corporate decision, as it affects multiple functions. Moreover, teams across the globe must achieve this goal by aligning their business objectives.

Make cash available and affordable

Whatever programme we choose, there is one prevailing expectation from suppliers – how to make cash more affordable. The distribution diversification of the funding sources or liquidity available for early payment programmes will determine the conditions. However, nowadays there is hardly any exclusivity in these programs, as times when suppliers deployed only one financing solution are long over. Today, suppliers will have multiple levers and the one provided by Philips will be one of many. We could estimate that 40% of our suppliers can have at least one early payment programme in place with other customers and we would not be far off. Suppliers will seek more flexibility with full control over their working capital. By allowing a more dynamic way of accessing cash, we allow suppliers to capture opportunities that were out of reach in the past. We secure this flexibility on conditions, which are favourable and acceptable for both parties.

Inject cash deep into the supply chain

There are multiple governmental programmes in different countries, which emphasise the need for enabling access to capital for SMEs. Still, the deeper we go in the supply base, we discover that the nature of cash flows, volumes and values of our Accounts Payables to suppliers differs a lot. An extensive and lengthy SCF onboarding process, which requires time and resources from all parties' sides, might be reasonable for higher values and less volume. However, it would be an overkill for SMEs and for our internal resources to process higher volumes with lower spend in

the same way. Smart, mobile solutions, which are easy to plug-in and manage with a simple technical integration with ERP systems or IHB are the way forward. In applying both programmes, we can enable on-demand access to cash to various companies in our supply chain across the globe, including SMEs.

Advanced analytics for efficient risk management

Latest research predicts that global corporate defaults will increase from very low levels in the next year. This poses another question to early payment programs: do our programs help suppliers to cover short-term cash flow issues as well as give insights into their long-term financial health? Today we have access to information on suppliers' activity in our payment programs, including interdependencies, commodities and countries in which they operate. We are able to extend that with suppliers' financial health ratings and credit risk in industries and countries. Having such analysis from a fintech company, we can better understand discounting behaviours in the context of accepted rates, APR, market trends, and capture potential defaults. This also enables the identification of patterns and exceptions that leads to deciding if taking any mitigation steps to prevent business interruptions is necessary. Incorporating credit risk trends and market insights into early payment program definitely brings new value to the business.

About Royal Philips: Royal Philips is one of the largest electronics companies in the world, a leading health technology company focused on improving people's health and enabling better outcomes across the health continuum from prevention, to diagnosis, treatment and home care. Philips employs approximately 77,000 employees with sales and services in more than 100 countries.

www.philips.com



Overview of security and fraud prevention status in B2B payments

Strategic Treasurer

How to Combat B2B Payments Fraud in 2019



About Rebecca Brace: Rebecca Brace is the former editor of Treasury Today and has 13 years' experience in writing about global transaction banking, corporate treasury, trade finance, and risk management.

Rebecca Brace ■ Content creator & collaborator ■ Strategic Treasurer

There's no doubt that the threat of fraud is a major concern for companies around the world – and with good reason. In July 2018, the FBI reported that Business Email Compromise (BEC) scams had resulted in losses of over USD **12.5 billion** globally since 2013. For companies falling victim to fraud, the consequences can be far-reaching, ranging from financial loss to reputational damage. The good news is that companies are increasingly taking action to mitigate these risks. But with the techniques used by cybercriminals continuing to evolve, how should companies protect themselves in 2019?

What are the threats?

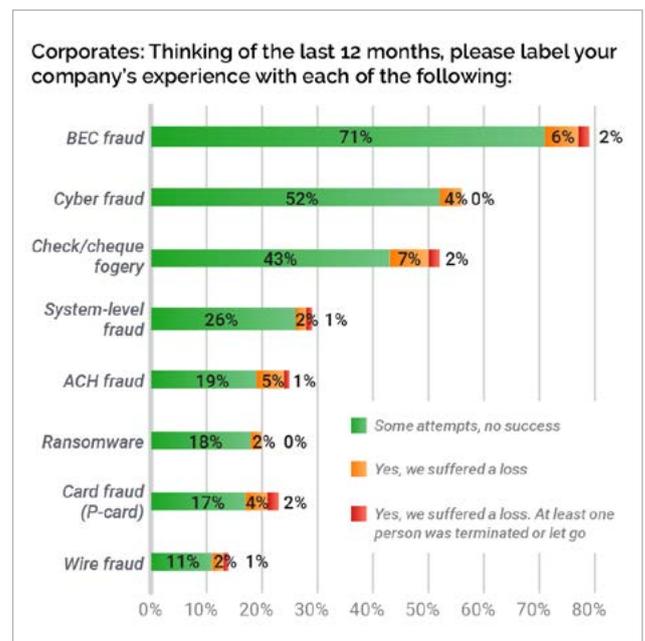
Payments fraud can take many forms, and different types of scams vary when it comes to frequency of attack and the scale of a possible loss. To understand this in more detail, [Strategic Treasurer's 2019 Treasury Fraud & Controls Survey](#) took a closer look at the types of threats companies face, and the actions that companies can take to shore up their defences.

The survey's respondents identified the top three risks as follows:

- **Business Email Compromise (BEC) fraud.** Almost 80% of companies had experienced attempted attacks in the last 12 months. However, the success rate for such attacks was relatively low, with only 10% of the reported attacks leading to a loss.
- **Cyber fraud/data theft.** The theft of sensitive data via phishing attempts or similar was very significant. Over half (56%) of the companies polled had experienced an attack – and while only 7% of those attacks were successful, such attacks do not always lead to immediate financial loss and some companies may be unaware they've been targeted.

- **Check forgery.** Fifty-one percent of respondents encountered check forgery in 2018. While fewer attacks were noted than for BEC fraud and cyber fraud, check forgery demonstrated a higher success rate: around 18% of the attacks recorded led to loss.

It's clear that some types of attack are more likely than others. Likewise, various types of fraud are associated with different levels of financial loss. For example, analysis in 2016 found that BEC fraud was associated with tens or even hundreds of thousands of dollars per loss, compared to less than USD 2,000 per loss for check forgery.



→

How to bolster your defences in 2019

Understanding the risks is important – but companies need to take definitive action to protect themselves. **The 2019 Treasury Fraud & Controls Survey** offers encouraging signs that companies are upping their game where security is concerned: half said that they were in a better position to fight fraud compared to last year. But for many companies, there is plenty of room for improvement.

From training staff in security to applying robust controls such as multi-factor authentication, companies should consider whether they are taking all necessary precautions:

- **Security training.** Regular security training is a must. While the research showed that almost two-thirds of organisations train employees on security annually, not all training is alike. For example, less than half of companies tested their employees with fake phishing emails. To equip employees with the tools they need to combat criminals, businesses should give employees annual training on how to prevent fraud, identify suspicious activity, and respond to an attack – and they should test employees with written tests and fake instances of fraud.
- **Multi-factor authentication.** MFA is an essential fraud control which reduces the likelihood of a criminal accessing payment systems or executing a funds transfer. With MFA, users must provide both a username/password as well as another form of identification, such as a randomly generated passcode or biometric scan. The survey found that while 69% of corporates are using MFA on all wire payment platforms, only 41% were doing so for non-wire payment platforms.
- **Encrypt data.** While over half of the survey's respondents cited data encryption as an area of focus, it was clear that the most

effective measures for protecting data were not always used. Forty-one percent said they were encrypting data at rest, while 39% were encrypting data in transit – meaning that for many companies, data remains vulnerable at certain junctures.

- **Least privilege.** The principle of least privilege states that users should only have access to systems or information they need to support operations. This is an important means of reducing fraud exposure in the event of an attack. In practice, however, only 13% of respondents said they had officially adopted this policy in-house.

Next steps

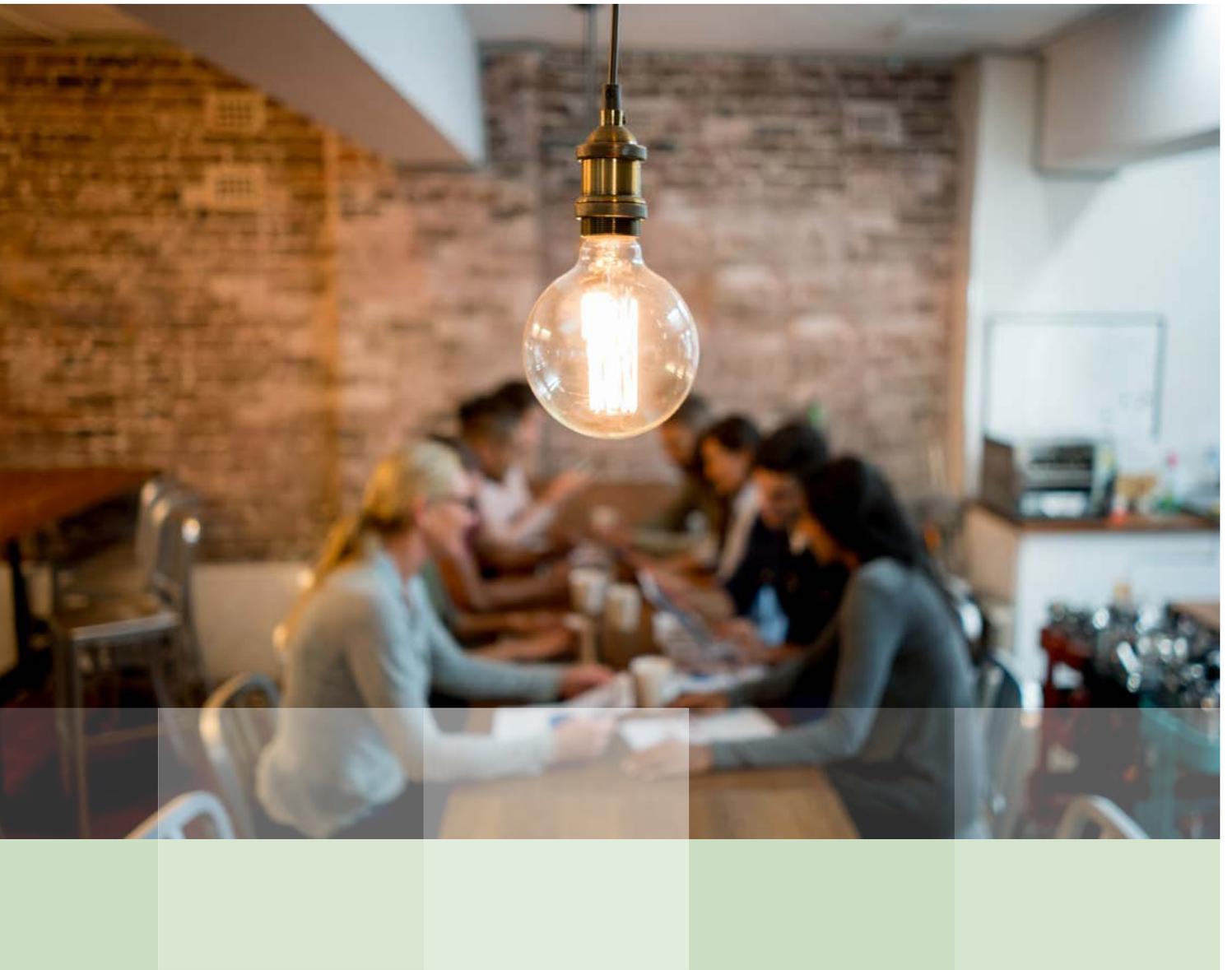
While companies are increasingly taking action, there can be no complacency in the fight against payment fraud. The techniques used by criminals are becoming more sophisticated, so treasury and finance professionals must regularly inspect their controls to spot exposures before a loss occurs.

'Cyber attackers are sophisticated, persistent, patient, and leverage automation,' comments Craig Jeffery, Managing Partner of Strategic Treasurer. 'The same can't be said for the majority of organisations.' As such, he says companies must constantly upgrade both the technology and human elements of their controls, and continually examine their payment processes in light of the new threat level.

To learn more about the risks treasurers face and the measures they can take to protect their businesses, download the 2019 **Treasury Fraud & Controls Survey Report.**

About Strategic Treasurer: Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span the US, the UK, and continental Europe. For more information visit www.strategictreasurer.com

www.strategictreasurer.com



B2B payments and fintech –
Use cases that drove innovation

Banking Circle

Leading the Way in Futureproof Banking Solutions



About Anders la Cour: Co-founder and Chief Executive Officer of Banking Circle, Anders la Cour is a hands-on leader driving innovation to facilitate more efficient, cost-effective banking solutions. He was instrumental in arranging the acquisition of Banking Circle by EQT VIII and EQT Ventures.

Anders la Cour ■ *Co-founder and Chief Executive Officer* ■ Banking Circle

In 2012, Anders la Cour and Laust Bertelsen identified a way to address several B2B cross border payments challenges such as time and costs. Four years later, Banking Circle (then known as Saxo Payments) launched, and in 2017, Banking Circle Virtual IBAN was rolled out as a means to provide access to faster and cheaper payments both locally and internationally. Today, a significant membership has been built, which includes banks and Financial Tech businesses, with Banking Circle processing more than 1.5 million transactions each month.

Businesses of all sizes, especially the smaller, younger companies, can be held back from meeting their full potential due to difficulties with payments and cashflow. Despite this area of business being highly influential, it often is left out of business planning. Transfers can be too slow and expensive, and without access to additional funds, many SMEs struggle and potentially fail. Moreover, traditional banks are unable to provide flexible, fast, and low-cost solutions, which leaves many SMEs financially excluded. Banking Circle has built solutions that aim to support financial inclusion by providing the previously excluded businesses with access to essential lending, banking accounts, and cross border payments.

Tackling market challenges

When new businesses launch, payments are often low on the list of priorities. SMEs traditionally manage payments through banks where legacy systems cause inflexibility, meaning banks struggle to provide the best businesses solutions.

Payments can be slow and expensive, especially across borders. In addition, many banks are pulling back from correspondent

banking because of risk and compliance concerns, and, post-recession, traditional banks have become reluctant to lend to smaller businesses. New companies are finding themselves unable to compete effectively, thus limiting their potential. Hence, Banking Circle has created a suite of tools designed to meet the changing market needs.

Banking Accounts and Banking Circle Virtual IBAN

Through Banking Circle, banks and FinTech businesses can provide customers with accounts in over 25 currencies. Financial institutions can issue multi-currency physical and virtual IBANs for customers in their own name, in multiple jurisdictions. Banking Circle Virtual IBAN enables financial institutions to give clients their own virtual IBANs, eliminating the need for several banking relationships. Benefits are experienced across payments acceptance, screening time, reconciliation/settlement times, and customer experience.

How Banking Circle Virtual IBAN works

Banking Circle is the first non-bank to provide multi-currency virtual IBANs for businesses to offer to their clients. Banking Circle Virtual IBAN delivers full transparency and faster settlement on payments and transfers, enabling Banking Circle members to give their merchants easy payments acceptance and settlement worldwide, including same day SEPA payment settlements.

Merchants can apply for Banking Circle Virtual IBAN accounts through their payment provider, or through an online Marketplace via its payment provider. The merchant is provided with a unique virtual IBAN account in its own name. →

When a payment is received into the virtual account, Banking Circle sends a report detailing the transaction, and because the unique virtual IBAN is used, the payment provider can automatically and instantly reconcile the payment to the merchant's account. From there it can be transferred to a physical account or used to pay suppliers directly from the virtual account.

The use of these accounts allows payments organisations to control a master IBAN account where they can create and allocate a segregated virtual IBAN account to each of their customers, aiding settlement and instant, automatic reconciliation. The use cases for Banking Circle Virtual IBAN have increased significantly since launch. Initially starting as a means for supporting cross border payments for FX and payments businesses it has now been modified to deliver benefits for: prepaid card issuing, marketplaces and marketplace sellers, FinTech banking providers, payroll, and invoice discounting, with many more to follow.

In the first six months after its launch, virtual IBAN accounts handled on average 2,000 payments per month. In the following six months that had reached on average 15,000 per month. Banking Circle expects 250,000 monthly transactions to be taking place by mid-2019. Over 1 million virtual IBANs have been issued in the past 12 months, to 30 institutional clients.

Banking Circle Lending and Banking Circle Instant Settlement

Banking Circle recently commissioned a study of 500+ SMEs to uncover pain points they experience in accessing funding through traditional lenders. In response, the company built two propositions - Banking Circle Lending and Banking Circle Instant Settlement.

Where once smaller businesses were unable to achieve global ambitions due to a lack of necessary funds, Banking Circle is improving financial inclusion by giving financial institutions the ability to offer SMEs fast access to loans with flexible repayment options.

Banking Circle Instant Settlement, a receivables financing solution, enables PSPs to offer their merchants instant access to cash, while they wait for payment from customers or marketplaces – taking up to 90 days. The tool provides an instant cash advance for receivables due, giving merchants access to the cash flow they need to run their business effectively. FinTechs can also offer merchant customers fast access to cash through Banking Circle Lending.

The Banking Circle future

Banking Circle gives businesses the ability to offer their merchants the facility to pay suppliers and partners directly from a web interface delivered by them, in their name, without the need to invest in internal infrastructure. This is done without any loss of time or cash, empowering global trade for even the smallest business.

Regularly conducted research among Banking Circle customers and the wider industry has revealed the importance of payments that occur quickly and at low cost, seamless reconciliation processes, and affordable, fast, and flexible access to cash, especially for smaller businesses. New solutions must also ensure compliance with the latest regulation. Banking Circle has built solutions which give FinTechs the ability to offer their merchant customers banking accounts in over 25 currencies, in their own or their client's name.

About Banking Circle : Next-generation provider of mission-critical banking infrastructure, Banking Circle is underpinning the service proposition of Financial Tech businesses, PSPs, FX providers and banks. Banking Circle is helping financial institutions provide their customers with faster and cheaper banking solutions, including local and cross border payments, banking accounts and lending.

www.bankingcircle.com

[Click here for the company profile](#)

Company description	Innovative global scale financial utility, Banking Circle is underpinning the service proposition of FinTechs, PSPs, FX businesses and banks. Banking Circle members can offer banking services - from local or cross border payments to business loans - to their customers and help them to trade globally and efficiently at low cost.
Service provider type	Banking services
Business model/pricing	Tailored to each customer
Active since	2013
Head office	Hellerup, Denmark
Geographical coverage (operational area)	Global
Industries / target markets	Targeting: PSPs, payment gateways, e-wallets, alternative payment methods, payment processors, banks, insurance providers
Core services and solutions	Banking Circle provides global banking services for Financial Tech businesses and banks, allowing them to offer their customers access to fast, low-cost banking services including local and cross border payments, IBAN accounts and flexible business lending.
How it works	Banking Circle enables transfers to happen in seconds, at very low cost, in multiple currencies and in a secure cloud-based environment. Payment service businesses can add value to their proposition by joining Banking Circle and offering their merchants own-branded global banking services including payments, IBAN accounts and flexible lending.
Market Share	N/A
Technology	N/A
Partners	FinTechs, payment providers and banks
Customers / Case studies	SafeCharge, Ixaris, Airwallet, Alibaba, CaxtonFX, PPRO, Paysafe, PerfectCard, Revolut and Wavecrest.
Awards	Wins include: Global Finance Best Treasury and Cash Management Providers Awards, Merchant Payments Ecosystem Awards, Card & Payments Awards, Emerging Payments Awards, PayTech Awards, FinTech Breakthrough Awards, Banking Technology Awards, ACQ5 Global Awards, Juniper Research Future Digital Awards, CEO Monthly CEO awards.
Contact	info@bankingcircle.com +44 (0)20 7073 0421
Website	https://www.bankingcircle.com

Commerzbank

Payment Innovation via SWIFT: Can It Keep Momentum?



About Ingrid Weisskopf: Ingrid Weisskopf is the department head for payments and financial institutions at Commerzbank. She has over a decade of experience at the bank in cash products and advisory services. Weisskopf has contributed actively to major payment initiatives at European and international level, and has a particular interest in the banking world's digitisation challenges and opportunities.

Ingrid Weisskopf ■ *Head of the payments, financial institutions* ■ Commerzbank

The introduction of SWIFT gpi has spurred undeniable benefits for the payment space. So where can the industry go next? Ingrid Weisskopf, Head of Payments Financial Institutions, Commerzbank, discusses how the SWIFT network will likely continue to be the industry's go-to for cross-border payments against a raft of blockchain and other emerging technology disrupters.

In the past few years, the payment space has changed significantly: siloed thinking and less connectivity between market participants has subsided in place of greater collaboration. And, in turn, advancements to the customer's benefit have been impressive. Financial institutions are now far more comfortable using joined-up approaches to better their clients' payment experiences. For instance, the SWIFT global payment innovation (SWIFT gpi) has leveraged its connectivity to drive a faster and more transparent payment service. Discussions, too, are ongoing about how institutions can harness the potential of blockchain and other innovative technologies.

The speed of change seems almost exponential – but what has been the catalyst? The role of collaboration itself, rather than technological nous, cannot be ignored. It has become clear that industry players cannot achieve lasting change in a vacuum. And to really maximise the benefits for the customer, banks should look to complement these developments with advancements of their own.

Swifter payments: the standard

SWIFT is among the industry's prime sources of collaborative spirit. Before its launch in 2017, SWIFT gpi billed itself as 'the biggest thing to happen to correspondent banking in 30 years.' Today there's a strong case that it has largely lived up to this expectation.

Each day SWIFT gpi is being used to process more than half (55%) of SWIFT's cross-border traffic. And it isn't only the volume of payments that is impressive, but the efficiency too. SWIFT boasts an extensive network that connects every bank in the world – allowing payments to reach a beneficiary with markedly improved speed, ease and transparency. In fact, over 50% of SWIFT gpi payments are credited to end beneficiaries within 30 minutes, and nearly 100% of payments within 24 hours.

The payment infrastructure isn't standing still; rather, SWIFT has raised the bar higher for the 'payments standard.' The MT November release 2018 has sought to eradicate any interruption in the transparency on payment transfers and, for the first time, it allows SWIFT to track the payment from end-to-end even when non-gpi members are involved – meaning gpi's advantages with respect to transparency are not lost when passing through a non-gpi member bank. →

So, what has changed exactly? Since its inception, one of SWIFT gpi's primary features has been its end-to-end payments tracker. The gpi Tracker gives crucial visibility on the status of the payment – from the moment it is sent until the moment credit is confirmed.

Or at least this was the theory. However, before November 2018, non-gpi enabled intermediary banks had no obligation to send on the payments' unique end-to-end transaction reference (UETR). But not anymore. Following the release, banks that are not yet gpi-enabled are required to transport the reference number from end to end. This represents a crucial step towards achieving complete transparency.

It is hoped that following the MT November 2018 release, SWIFT gpi's grasp of the payment space will only strengthen. Smaller banks – key targets to ensure SWIFT's aim for global adoption by 2020 – cannot ignore the changing tide. And, as more institutions become gpi-active, collaborations will likely be key to securing lasting change across the payments space.

Unlocking the future: more of the same?

SWIFT gpi is not alone in its efforts to revolutionise payments. Disruptive technologies, such as settlement system Ripple, are seeking to find their slice of the payments pie, too, by offering alternative distributed ledger technology (DLT) that can provide settlement in seconds.

Of course, blockchain-based platforms hold some merit: the technology applied is advanced and can, therefore, convert payments quickly while offering transparency over payment information – much like SWIFT gpi. Commerzbank has already participated in

a SWIFT project where ad nostro account reconciliation was carried out using DLT. In effect, the project created a common platform via which an account holder could access payment information. But using DLT for this purpose, while interesting, isn't a top priority; the task of ad nostro account reconciliation can already be carried out by other means.

Building on partnerships: the key

Remaining focused on well-established and proven networks is crucial to ensuring that the industry continues to make tangible progress. And, as further industry hurdles may arise, a solid foundation of partners and collaborative efforts will be necessary.

It appears, then, that the financial community has found its rhythm when it comes to innovating the payment space. As the industry's mindset continues to favour rather than discourage partnership, we remain hopeful that the momentum will not be lost.

About Commerzbank: Commerzbank is a leading international commercial bank, serving more than 60,000 corporate clients, multinationals, financial service providers, and institutional clients. The bank has some 1,000 branches – one of the densest branch networks among German private banks. With its global reach, the bank provides access to more than 150 markets and settles EUR 50 billion worth of trade at any time in approximately 50 different currencies.

www.commerzbank.com



About Cédric Derras: Cédric Derras is Global Head of Cash Management at UniCredit. Before taking up his current position, he was responsible for Cash Management Sales Italy. Prior to that, he held several senior positions at Deutsche Bank and Société Générale in Italy and France.

Cédric Derras ■ *Global Head of Cash Management* ■ UniCredit

With SWIFT gpi already making huge strides in the correspondent banking sphere, we must now consider how the service can be built upon, and what the future of SWIFT gpi should look like, says Cédric Derras, Global Head of Cash Management at UniCredit.

Since its launch in early 2017, SWIFT gpi has radically transformed cross-border payments. As this payments system builds towards critical mass, now is the time to think about the next steps towards ensuring a smooth process for global payments.

Based on pre-existing messaging standards and bank payment processing systems, SWIFT gpi's suite of cloud-based tools allows banks to execute international payments with speed and efficiency. What's more, SWIFT's gpi tracker facilitates end-to-end payments tracking – providing banks' clients with detailed information on the status of a payment, as well as any associated fees.

By the end of 2018, all 60 of the world's biggest banks were using the service – including hundreds of financial institutions (FIs). Looking ahead to 2020, the SWIFT organisation expects all 10,000 banks on the SWIFT network to be able to offer same-day delivery and full traceability across the payment chain.

These features of gpi address some of the key pain points of cross-border payments. Before SWIFT gpi, banks would have often received calls from clients whose cross-border payments were taking longer to arrive than expected.

Finding out the funds' journey was a time-consuming and difficult undertaking – involving phone calls to one bank after another in the correspondent chain, until the cash was found. Clients were typically left unimpressed, despite the bank's considerable effort. Matters were often worsened when suppliers received less money than expected due to unforeseen fees incurred along the chain. With no way to check which bank had applied these fees and for what reason, banks would often find themselves giving explanations to an unhappy customer.

SWIFT gpi, however, provides a solution to this process. With around 50% of transactions now executed in under 30 minutes, coupled with full visibility over the journey of the payment, treasurers know where their payment is at all times and can clearly see where and why fees have been applied.

This undoubtedly represents an important step forward, but fragmentation still exists in the payments space. In parallel with SWIFT gpi, a number of domestic instant payments schemes have been springing up. The most notable of these is SCT Inst – the European Payments Council (EPC)'s instant payments initiative, which facilitates credit transfers within the Single Euro Payments Area (SEPA). Guaranteeing delivery of funds in a maximum time-frame of just ten seconds, SCT Inst has enjoyed significant uptake since its inception in November 2017, with over 2,000 payments service providers (PSPs) across 16 countries now offering the service. Like SWIFT gpi, the 2020 objective for SCT Inst is to reach critical mass. →

While this is great news for SEPA-based FIs, the global payments landscape is yet to be harmonised. Even where new payment systems have sprung up over recent years, there is no common framework uniting them, and payments between systems still rely on ageing correspondent banking infrastructure. To address this, banks are now looking at how advancements can be made to bring these disunited systems into harmony.

The prospect of interoperability

SWIFT gpi will most likely be the keystone to any such solution. Imagine, for example, if banks could combine SCT Inst, with its speed and pan-European reach, with the cross-border speed and transparency of SWIFT gpi. This would represent an invaluable step towards simplifying international payments into Europe and globalising the reach of faster payments.

However, before this can be done, we must align the unique tracking references for SCT Inst and SWIFT gpi and create a consensus on how they can be standardised.

While this is a daunting task, there are already promising developments at hand. The launch of the European Central Bank (ECB)'s Target Instant Payments Service (TIPS), for instance, will serve to connect all European central banks, as well as many corporate banks. It will also drive an increase in the use of SCT Inst over existing SEPA Credit Transfers. Moreover, work is ongoing to foster interoperability between TIPS and the SWIFT gpi infrastructure. UniCredit, along with a number of other banks, is part of a working group looking to integrate gpi's unique end-to-end tracking

reference (UETR) into SCT Inst's pacs.008 format. If successful, this will make the TIPS platform interoperable with SWIFT gpi – opening up new possibilities for increasing the speed of cross-border payments.

A connection of this kind would enable correspondent banking channels to be significantly streamlined – cutting down on the number of banks required in a given transaction chain to see a payment through to the end recipient. At the same time, by improving the speed and visibility of these payments, a unified SWIFT gpi-SCT Inst process would help corporates optimise liquidity, free up working capital, and reduce enquiry costs.

This would be the first step towards an even loftier goal – the harmonisation of domestic instant payments systems around the world, with SWIFT gpi as the intermediary.

About UniCredit: UniCredit is a simple, successful pan-European commercial bank, with a fully plugged in CIB – delivering a unique Western, Central and Eastern European network to its extensive client franchise of 26 million clients. With its 4,000 correspondent banking relationships in over 175 countries, business opportunities for UniCredit's clients are practically boundless.

www.unicreditgroup.eu



B2B commerce

Limonetik

The Paypers interviews Jordan Graison, Head of Sales at Limonetik, to learn more about the emerging trends in B2B ecommerce.



About Jordan Graison: As a specialist in the Asian market, Jordan is responsible for the development of Limonetik's international sales strategy in the B2B online marketplaces. He started his career as a sales representative at AVIAREPS, after completing a degree in Korean studies at the Seoul National University in conjunction with the French National Institute for Oriental Languages and Civilizations in Paris.

Jordan Graison ■ Head of Sales ■ Limonetik

What is the size of the B2B ecommerce market and what new buying trends have you noticed?

The B2B ecommerce market is still difficult for analysts to fully comprehend, due to the fact that it is correlated to the late adoption of digital transformation in the B2B segments, and the volumes announced differ from source to source. Surprisingly, many statistics are actually on B2B2C ecommerce (retail), whereas B2B2B figures (wholesale) are conflicting and not well estimated. Our investigation estimates it will account for some multi-trillion USD before the end of the next decade.

The APAC region is the main driver as it has the highest concentration of manufacturers in the world. According to Asian Development Bank, the APAC region accounted for **42% of global GDP in 2017**.

There are two trends currently emerging:

a. Dedicated marketplaces, with Alibaba as a pioneer. Since 2010, Alibaba has served as the intermediate between buyers and sellers, facilitating the business flow and helping secure a competitive price. We have seen this trend in Europe as well. Mirakl, a marketplace solution, announced the launch of Conrad.biz, the first electronic marketplace in Germany for B2B. Selling on a direct marketplace provides manufacturers with opportunities to upsell new services in addition to the product itself. For example, a maintenance package or installation from a reseller can be easily included in the order, without affecting the customer experience.

b. Invoice digitalisation: Companies have seen a positive correlation between having a global value chain and business growth. However, this expansion multiplies the coordination needed to manage orders and payments via their accounting ER. These considerations are not readily adapted to digital transactions, which means that heavy manual processes are still a reality for financial departments.

“ B2B purchasing is different from B2C but buyers expect to have a similar approach when it comes to user experience.

Forrester predicts that the US B2B ecommerce market will reach USD 1.8 trillion and account for 17% of all B2B sales in the US by 2023. What are the trends driving this growth?

Liquidity management for a company is key. With the number of online customers on the rise, going online can bring substantial new sources of liquidity. Moreover, it implies several key factors of success:

- mastering the digital customer experience. Users do not expect to start ordering online and then check out offline, but to have the possibility to choose their delivery solution online. However, not all offline processes can be easily replicated online; →

- consumer habits. Offering a global solution, selling online implies selling worldwide. For example, while Germany is not expected to give terms of payment, India is much more flexible, but the debts collection is much more important.

In ecommerce, what B2C features are equally important for B2B? B2B purchasing is different from B2C. While B2C buyers are occasional, more impulsive, less likely to pay on terms at a fixed price and with a small basket, B2B buyers are regular, part of a procurement process, often paying within terms (30 days, 60 days etc), and getting different pricing options entering in the framework of a contract.

However, B2B and B2C buyers will expect to have a similar approach when it comes to user experience, such as a one-stop shop platform that allows an end to end experience online without disruption (front office); a single interface to interact with the seller (back office), or an option to pay online at the checkout page.

What are the demands of the B2B market when it comes to payment?

Often, B2B companies are expecting their payment service provider to offer:

- cheap acquiring cost or at least the best value for money. It is difficult for a company to pay 3% on a EUR 300, 000 basket, especially as the numbers of transactions are lower than B2C segments;
- reconciliation of invoices. While an accounting ERP can match transaction with orders, the reconciliation of all transaction is still a manual process for the treasury to handle. Going online implies that the PSP offers a reconciliation service as the numbers of

transactions will increase, and perhaps be invoiced by a third party (marketplace cases). Accounting ERP can only match the total amount of received money with existing orders. Still, reconciliation of invoices is not a precise science as the issuer of remittance is not a machine, and can easily make mistakes (incorrect amount sent, double etc);

- highly secured payment method. B2B players are searching for payment methods that are not subject to chargeback or dispute (large volumes expose the business to higher credit risk). The ideal payment methods would be instant payments and those that allow recurrence;
- additional services linked to the context of transaction. B2B actors will not offer payment terms or options to customers that are late paying. They will even ask for an insurance or a factor transaction if they see this transaction as risky.

In 2018, Limonetik has announced a collaboration with B2B ecommerce platform OroCommerce. What are the benefits of this partnership?

OroCommerce is a front-end platform dedicated to B2B, targeting companies that are interested in offering online B2B experience. Oro can offer contextual pricing catalogue, procurement decision process, multiple types of user roles, and access to the platform. Limonetik is bringing to OroCommerce all the payment part by connecting the right payment methods at the checkout page, while also being able to handle complex scenarios of reconciliation as well as international reach of acquirers and payment methods. The Plugin was published two weeks ago after a beta test, and we expect to industrialise the process of merchant onboarding, even if each merchant is different and this is even more true for B2B ecommerce.

About Limonetik: Limonetik is a full service payment aggregator that offers via a unique API connection, acceptance of more than 125 international payment methods and advanced services from collection and settlement management to reconciliation and account management to enable new payment experiences (marketplaces, omnichannel model).

www.limonetik.com

[Click here for the company profile](#)

Company description	Limonetik is a full service payment aggregator that offers via a unique API connection, acceptance of more than 125 international payment methods and advanced services from collection and settlement management to reconciliation and account management to enable new payment experiences (marketplaces, omnichannel model).
Service provider type	Payment service provider aggregator, alternative payment methods creator, full service payment provider, B2B payment service provider
Business model / pricing	Setup fees, monthly fees, run fees with minimum commitment revenue. For pricing enquiry, please email us: contact@limonetik.com and marketingww@limonetik.com
Active since	2008
Head office	Paris
Geographical coverage (operational areal)	Europe, Asia Pacific, the US
Industries/target markets	Marketplace, ecommerce, retail, travel, B2B, payment methods, PSPs, acquirers, insurances, banks
Core services and solutions	Payment gateway, processing, reconciliation, account management, risk management, payout services
How it works	In one single unique API with 6 webservice to integrate, customers can reach all the payment processing capabilities of Limonetik
Market Share	N/A
Technology	API
Partners	SFPMEI, Webhelp/FDI, Asten Retail, Yelloco, Cylande/Cegid, Paytweak, Uppler, Mirakl, Wizaplace, OroCommerce, AMADEUS
Customers / Case studies	PSPs and acquirers such as: Ingenico, Worldline, Pay.On, Computop, Ingenico, Payline, Paybox, Monetico, Pay.NL Payment methods: Oney, Cofidis, Sodexo Other sample customers: Rakuten Price Minister, CMA CGM, Vente Privée Voyage, Conforama France
Awards	Awarded 'Cool Vendor in Digital Commerce, 2015' by the international analyst cabinet Gartner
Contact	+33 (0) 1 75 77 01 15 contact@limonetik.com marketingww@limonetik.com
Website	www.limonetik.com

Modulr

The Paypers sat down with Myles Stephenson, the Chief Executive of Modulr to chat on Payment-Accounts-as-a-Service and the latest advancements in commercial digital accounts for B2B payments.



About Myles Stephenson: Myles Stephenson is the CEO of Modulr and the Deputy Chair of the Emerging Payments Association Advisory Board. Myles has over 14 years' experience in the payment industry and founded CorporatePay before its acquisition by WEX Inc. Myles is a prolific writer and speaker on the topic of payments.

Myles Stephenson ■ CEO ■ Modulr

What would you name as some of the latest advancements in commercial digital accounts for B2B payments? What is Payment-Accounts-as-a-Service and what issues does it solve?

Commercial payments have taken a dramatic shift into the 'fourth age of money,' after a long time in the age of cash and electronic payments. This shift from electronic to digital is enabling payments to be fully integrated into digital products, and companies are rebuilding their e-commerce and B2B propositions and experiences to take full advantage of this new approach. Digital-first payment solutions are enabling businesses to build new innovative customer experiences that weren't possible with electronic payments.

Payments have also become more critical to new business propositions. In the past, you would build a product and then later down the line consider the payments process. Now, payments are truly part of the experience, whether it is B2B or B2C. In addition, the profile of payments has changed significantly, Ron Kalifa, Deputy Chairman at Worldpay plc described payments as having gone from 'boring to boardroom.' This makes Payment-Accounts-as-a-Service hugely important and relevant as it's the approach required to deliver a fully integrated end-to-end digital-first experience.

“ In spite of the support and changes that have happened in the industry there still is very low awareness of the fact that there are alternatives to the banks.

From a product perspective, it's all about the platform and being able to deliver a cloud-based service through an easy to use and robust API, allowing instant creation of accounts and managing payments in and out of those accounts in real-time. By using the API, digital payment services can now quickly, easily and securely be embedded into existing systems providing businesses with an opportunity to operate more efficiently as well as create new revenue streams. In terms of the problem that it solves, the overall issues are speed and accessibility. Particularly, how to quickly and easily build and deliver a proposition that's easy to integrate without the delays and hassle that still exists within commercial banking. In addition to the advancements in technology, the significant and wide ranging regulatory changes in the UK and across Europe are a perfect complement. These changes in the regulatory environment which started with changes such as the advent of Payment & Electronic Money Institutions and have evolved rapidly, particularly in a regulatory context, to including more recent changes such as direct access to settlement accounts for non-bank financial institutions at the Bank of England, the EU's 2nd Payment Services Directive ('PSD2') and Open Banking. This powerful combination of technology advancement and regulatory change has the potential to create the perfect storm for competition in the B2B payments market.

What stands at the core of the Modulr commercial digital account and how does the product improve on the current state of B2B payments as a whole?

What lies at the core is removing the friction through developer friendly integration enabling the rapid opening of accounts combined with the real-time processing of payments – in a fully automated way that does not require manual or human intervention →

– delivering a superior fully automated service with in-built controls and, therefore, security. In terms of actual product delivery, the Modulr platform delivers the service robustly through hosting it in the cloud and, therefore, provides scalability and security. With our service, you can instantly open accounts linked to existing payment schemes, whether that be the UK's Faster Payments, Bacs, and CHAPS payment networks; Europe's SEPA network; and Mastercard's global network. In addition to direct clients consuming our APIs to enhance existing products and build new services, our Payments As a Service platform enables our partners to rapidly add new functionality to their platforms. We've enabled lending platforms, payroll providers and accounting software providers to enhance their services to improve customer acquisition and retention as well as accessing additional revenue by providing payment services.

In the last couple of years, your company has led several initiatives to automate B2B transactions. What challenges did you face in pursuing the advancement of B2B payments and what solutions did you find?

In addition to the usual B2B sales engagement process challenges, there is a unique aspect that is both a challenge and an opportunity – the awareness of alternatives. In spite of the support and changes that have happened from a regulatory, governmental, and competition authority point of view, there still is very low awareness of the fact that there are alternatives to the banks. Making businesses more generally aware of the existence of these alternatives including Electronic Money and Payment Institutions and their validity is a key challenge. Corporate, finance, and treasury functions are used to going to banks for all their payment needs. What we strive to do is to create a general awareness of alternatives, with the help of industry and trade bodies such as the Emerging Payments Association.

How does Modulr, as an FCA regulated entity, come to meet corporate needs and how does it position itself with regards to the banking environment?

Our focus is on commercial payments – transaction banking and wholesale banking. We work with individual clients that have a reasonably high volume of payment transactions where the automation of those payments provides value, by eliminating manual processing and improving controls and security. We also work with partners who aggregate volume from individual businesses, for example, Sage (the global enterprise software company and the second largest tech company within the UK) who, by partnering with us, provide a faster, easier and more reliable payment service to their end-users. This, in turn, gives us access to the SME market. Our regulatory approval as an Electronic Money Institution (EMI) with the UK's Financial Conduct Authority (FCA) provides the reassurance to our clients that their funds are protected – we are required by the FCA to ensure that 100% of our client money is safe-guarded at all times and we also hold regulatory capital which is calculated as 2% of the outstanding Electronic Money (client money) balance.

What is on the roadmap for Modulr in 2019 in terms of expansion, partnerships, and new tech advancements in the B2B payments field?

We will be diving deeper into alternative lending, payroll, employment services, accounting software, fintech, and travel – where we've launched virtual cards using the Mastercard network with Paxport an industry aggregator and distributor. We'll be delivering new capabilities including direct debit, international payments and foreign currency payments. We are also expanding in the UK (in London and Edinburgh) and into Europe – having opened an office in Dublin from where we will be building our European presence.

About Modulr: Modulr is the Payments-as-a-Service API platform for digital businesses. Modulr's payment accounts are built for businesses that need a faster, easier and more reliable way to move money. Modulr is authorised and regulated by the Financial Conduct Authority as an Electronic Money Institution and has processed more than GBP 10 billion in payments for its clients since 2017. For further information – please visit www.modulrfinance.com.

www.modulrfinance.com

[Click here for the company profile](#)

Company description	Modulr is the Payments-as-a-Service API platform for digital businesses. Modulr's payment accounts are built for businesses that need a faster, easier and more reliable way to move money. Modulr is authorised and regulated by the Financial Conduct Authority as an Electronic Money Institution and has processed more than GBP 10 billion in payments for its clients since 2017.
Service provider type	Payment service provider
Active since	2016
Head office	London
Geographical coverage (operational areal)	UK and Europe
Industries / target markets	Business software providers, accountancy firms, employment services providers, fintech, lending and travel verticals.
Core services and solutions	Through our easy to integrate payments-as-a-service API we provide automated pay-outs, simplified pay-ins and the ability to open and manage unlimited payment accounts.
How it works	Modulr enables fast and easy integration. Businesses simply plug their platforms or applications into our API. And we plug into all the payments infrastructure they need. An easy-to-use portal puts you in full control of alerts, permissions and approvals.
Technology	We have an easy to implement API integratable into any system or platform offering clients and partners a fully automated end-to-end payment processing solution.
Partners	Partners include software and service providers such as Sage and Paxport.
Customers / Case studies	Alternative lending provider, Liberis: https://www.modulrfinance.com/blog/liberis
Awards	<p>Rewards 2018 - Technology Award winner</p> <p>Rewards 2018 - International Payments Provider Award winner</p> <p>Emerging Payments Awards 2018 - Best B2B Payments Programme (Gold)</p> <p>Emerging Payments Awards 2018 - Best Technical Service Organisation supporting Emerging Payments (Gold)</p> <p>Emerging Payments Awards 2018 - Leading Payments Start-Up (Silver)</p> <p>Lending Awards - Alternative Consumer Lender of the Year (lending over GBP 2500) in conjunction with Salary Finance</p>
Contact	sales@modulrfinance.com
Website	www.modulrfinance.com

CleverAdvice

Commercial Cards in Europe - Current Status and Outlook



About Marco Fava: Marco Fava is Managing Director at CleverAdvice. With over 20 years of experience in payments, Marco helps issuers in improving their commercial cards strategy and propositions, customer journey, digital onboarding, online marketing and portfolio performance leveraging Open Banking opportunities. Marco speaks regularly at conferences across Europe.

Marco Fava ■ *Managing Director* ■ CleverAdvice

European issuers face new opportunities in the commercial cards space, but in order to reap full benefits, they must adapt to a payment market strongly impacted by recent regulations.

Mandated changes in Interchange Fees

The average revenue per commercial card used to be 3-4 times higher than revenue per consumer card due to higher spend, annual fees, and most of all interchange fees. Interchange Fee Regulation (IFR) capped interchange fees (IFs) to low levels (0.3% on credit and 0.2% on debit cards) reducing margins on consumer cards to a fraction of what they used to be, making the revenue generating ratio of commercial-to-consumer cards at approx. 8:1. Depending on spending levels, in some countries, the commercial-to-consumer revenue ratio is close to 10:1.

Only central billing commercial cards are exempt from the IFR; the severe reduction in IFs applies also to individual billing business/corporate cards as they now generate consumer interchange revenue. As such, issuers should rethink their strategy to offset expected losses and re-balance their portfolio mix. This can be done by leveraging opportunities to benefit from uncapped IFs, including migration of consumer cardholders with business-like behaviour – as often hide business customers – and individual billing business cards to central billing products.

In addition, their product offering should not be limited to credit/deferred debit cards, but also include commercial debit and prepaid cards: the former mostly addressed to sole traders and smaller companies while the latter offers a number of benefits appealing also to medium-sized companies and larger enterprises.

Product innovation

Current trends in product development suggest that even business customers – not just consumers – expect to be able to self-personalize key features of payment products to flexibly accommodate evolving needs in addition to be integrated with other applications including their accounting systems.

Businesses are increasingly attracted by expense management features that facilitate reconciliation and that may be integrated into the company ERP system. Issuers should look closely at embedding such options in their commercial cards offering, not just because of their appeal but as they make customers stickier – they will be less likely to look for alternative solutions, partly due to higher switching costs.

Multiple points of interaction with payments products are also highly appreciated, particularly if provided with a user-friendly interface accessible from multiple devices, including a mobile app, which is often a 'must' nowadays. Popular services include cardholder's ability to change spending limits – F2F and online – temporarily ban usage on selected product categories, upload receipts at the time of purchase, PIN change & lookup and flexible push notifications.

More structured businesses welcome availability of different user profiles useful to access a set of transaction information and change parameters according to the corporate role. One scenario might be that top management has full access to all company-wide payment products while the administrative personnel enjoys read-only access.

→

On the other hand, individual cardholders may access only their card profile to view their transaction history and change allowed card parameters.

Onboarding is a critical area of improvement. Today, most commercial products are sold in branch or via a sales person at the company premises. However, many businesses welcome the ability to buy payment products or onboard services online – that apply not only to issuing and acquiring services but also to POS terminals. As such, PSPs should offer quick and simple digital onboarding processes through a user-friendly customer interface along with minimal input requirements. Digital onboarding processes are able to boost sales in addition to shortening timing of revenue generation.

PSD2 challenges and opportunities

In the last few years, initiatives aimed at developing innovative products and services undertaken by traditional banks have been mostly focused on the consumer segments. Commercial offers have usually lagged behind widening the gap with the evolving needs of business customers. In the meantime, a number of challenger banks and diversified players have emerged leveraging opportunities offered by the PSD2 regulatory regime. In particular, these new players benefit from access to customer account information that boosts their ability to compete with traditional peers.

Challenger banks – Fidor, N26, Revolut and Starling, to name a few – are redefining the competitive landscape combining quick digital onboarding with user-friendly customer interfaces, and online/in-app commercial card and account management features, all at competitive prices.

Fintechs are offering a variety of specific business services directly and/or via collaborations/partnerships with digital banks, challenging traditional players. The large majority of services relates to lending & factoring, financial management and payments & acceptance.

The past financial crisis has tightened access to credit, so new lending services are gaining traction as alternative sources of capital. They usually offer competitive rates due to innovative credit scoring techniques that assess customer account information and online marketplaces to enable P2P lending, lower loan applications complexity, quicker service, lower servicing costs in addition to invoice financing options.

Financial management range from accounting solutions – including seamless integration of third-party software via APIs and Payroll services – to e-invoicing services such as buyer-supplier networks, marketplace financing and cloud-based services.

Payments & acceptance options include mobile payments, transaction-based CRM tools and reports, FX in multiple currencies and international transfers at lower rates.

Commercial cards are critical as they enable innovative services, particularly when fully integrated with banking apps and web services, and, in addition, their penetration and usage are set to rise.

We urge issuers to focus on establishing partnerships with fintech and/or providers of specific solutions and evolving their commercial card offering to the changing market dynamics, as both are critical components of success.

About CleverAdvice: CleverAdvice is an independent professional services firm focused on the payments industry and member of the European Payments Consulting Association (EPCA). Areas of expertise include commercial cards and B2B payments, instant payments, access to the account and Open Banking opportunities and strategies, Authentication, Digital onboarding, Conversion techniques and Customer retention.

www.cleveradvice.eu



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B2B Payments Infrastructure

As a pivotal point in discussing about payments infrastructure, this chapter covers the latest developments in terms of blockchain-powered multi-bank trade finance, from Marco Polo to we.trade, all the while trying to pinpoint the collaborative efforts of financial institutions working on establishing an inclusive standard in the industry.

Standard Chartered

Cash and Trade: Moving Faster, Moving Closer



About Amit Vyas: Amit Vyas is Global Market Manager driving Cash Management across Commercial Banking, Banking the Ecosystem and Fintech client segment. Amit joined Standard Chartered in 2009 and has handled multiple global roles for the bank.

Amit Vyas ■ *Global Market Manager* ■ Standard Chartered



About Michael Sugirin: Michael Sugirin is Global Head, Open Account Trade & Trade Implementation at Standard Chartered and has been with the bank since September 2014. Michael is responsible for the development for supply chain finance, receivable finance, payable finance and commodity finance product suites. He also looks after the trade implementation practice.

Michael Sugirin ■ *Global Head, Open Account Trade & Trade Implementation* ■ Standard Chartered

Historically, cash management and trade finance have existed in parallel, however, this situation is now changing. Some factors that have led to this change include:

- the entrance of innovative disruptors in both cash management and trade finance
- the acceleration of online B2B purchasing
- the reduction of supply chains and the proliferation of domestic faster payment systems.

Collectively, these and other factors are driving the increasing convergence of cash and trade to support a more integrated commercial environment.

Payment infrastructure evolution

Faster payments

Payment infrastructure has been evolving rapidly in various areas in recent years, but one of the most striking changes has been the emergence of faster payment systems that enable near-instantaneous domestic electronic payments. There are currently 43 faster payment systems live around the globe (another **15 being planned**) with markets such as Singapore, Hong Kong and India being rapid adopters. This shift is already delivering real benefits. Such benefits include not only reducing the use of physical cash, which is both labour intensive and high risk, but also enabling faster circulation of cash, which supports growth in domestic economies, particularly for those with less easy access to working capital, such as SMEs.

Cross-border payments and mobile wallets

Another important trend in payment infrastructure has been the adoption of SWIFT's global payments innovation (gpi), which enables participants to track their cross-border payments in real-time. This also has the advantage of scale and reach, given the number of banks on SWIFT. This is an important change, because it addresses the historic challenge of it being slow, difficult and costly to track international payments. At the same time, international payments are becoming faster and cheaper following the adoption of new technologies. Through the use of new platforms, instant cross-border payments, including mobile wallets, are expected to account for **USD 14 trillion of payments per year by 2022**. This combination of global payments via a low cost network and the use of mobile wallets is particularly supportive for SMEs looking to expand globally. Moreover, it enables multinationals to reach out to smaller SMEs and digitise the disbursement process.

Trade finance

Similar disruption to that seen in the payment infrastructure is also underway in trade finance: innovations are underway in digitisation, platforms and data, but a common theme is that technology is becoming far more collaborative than hitherto. This is making it far easier for participants to obtain a holistic view of both the physical and financial sides of trade at the same time. In addition, the move away from paper in trade finance is enabling a more efficient market. →

The digitisation of trade and the increasing connectivity to trade platforms give financing providers better visibility of clients' trade performance and business patterns. Coupling this with the important role and growing adoption of trade finance platforms delivers multiple benefits for corporates. These include opportunities to digitise their trade process and achieve better visibility of their business. At the same time, they will be able to connect, access and interact with their banks more efficiently, thereby enabling organisational agility.

Integrating payment infrastructure

Combining these two trends presents interesting possibilities, especially when paired with the popularity of APIs (Application Programming Interfaces). APIs facilitate deeper integration, and as a result, banks can embed their functionality in their clients' ERP systems and/or third-party cloud systems, rather than clients having to use standalone bank platforms.

One factor facilitating the move towards APIs is the recent shortening of supply chains. Moreover, greater supply chain transparency further increases the chances of fuller/faster integration within supply chains, though there is still some way to go before cost-effective financing mechanisms are automatically embedded in trade platforms. Furthermore, these platforms may also include services such as logistics, customs, regulatory and tax filing – therefore potentially providing a one-stop shop for purchasing decisions, payments, trade finance, and business services.

Some fintechs have already made a start in this sense by launching holistic trade solutions (including logistics, customs, and regulatory compliance) that can be applied across multiple markets. This, in turn, facilitates major growth in trade activity among SMEs, many

of which – especially those in markets with currency restrictions – simply do not have the bandwidth to cope in house with all the logistics and regulation of global trade.

Looking ahead

B2B ecommerce growth is certainly driving the need for digitisation and integrations across platforms, particularly since businesses are increasingly making buying decisions online. They also wish to action them immediately, which requires both embedded credit and cash payment facilities. In the case of the latter, there is a direct link with progress in instant domestic and cross-border payments. This is particularly relevant and valuable for treasurers looking to maximise efficiency by using just-in-time funding to better support businesses in an increasingly dynamic operating environment.

Finally, it is worth noting the proactive stance of regulators to cash and trade finance innovation, both individually and jointly. Various regulators have established sandboxes to facilitate the development of new disruptive technologies, which cultivates the accelerated innovation of cash and trade integration. Governments have also been active with initiatives supporting the same goals, such as **Singapore's Networked Trade Platform**.

Cash and trade may not yet function as one, but there are clear signs that they are moving in this direction. Numerous factors, ranging from real-time cross-border payment tools, increasing B2B volumes and demand, to the use of disruptive technologies, are all driving integration. This places an onus on banks to facilitate this by engaging with fintechs and trade platforms alike, to the ultimate benefit of clients.

About Standard Chartered: Standard Chartered is a leading international banking group, with a presence in more than 60 of the world's most dynamic markets. Our purpose is to drive commerce and prosperity through our unique diversity. The bank's heritage and values are expressed in our brand promise, *'Here for good.'*

www.sc.com

Rabobank

The Paypers interviewed Chris Huls, Blockchain Lead at Rabobank, to learn about the latest developments in we.trade and trade finance as a whole.



About Chris Huls: Chris Huls is Lead Tech Labs at Rabobank Netherlands. Being educated as a Business Information Technologist at the University of Twente, he started working at Rabobank as a blockchain specialist. Currently Chris holds the position of Lead Tech Labs, and is responsible for exploring emerging technologies and taking care of the adoption of these technologies.

Chris Huls ■ Lead Tech Labs ■ Rabobank

Trade Finance Global says trade finance accounts for 3% of global trade, valuing some USD 3 tln annually. How do banks and trade finance consortia encourage both competition and expansion in the trade finance market?

The trade finance industry characterises itself by a great need for collaboration, and requires interoperability between thousands of banks in hundreds of countries. For instance, Rabobank participates together with tens of other European banks in two blockchain consortia: we.trade for trade finance, and Komgo for trade commodity finance. These two initiatives try to kickstart a new age of trade finance, enabled by blockchain technology, to facilitate more speed, comfort and ease of use in daily trade finance transactions. As there are no more documents in play, comfort and speed are increasing. Next to this, trades can be programmed that payments are executed the moment the goods arrive, facilitating an even faster process with less manual steps. The end goal of our efforts is to facilitate more trade for our customers, to help them grow internationally.

“With advancing technological developments and rising adoption, we expect blockchain to have a great role in connecting enterprises to collaborate more efficiently.”

When it comes to export, ‘access to trade funding’ was cited as the second-largest obstacle in 2016 by the World Economic Forum. How did we.trade work to overcome this hurdle? What are some lessons learned from a bank’s perspective after joining the trade finance network?

The we.trade platform connects the buyer, seller, and the banks of the buyer and seller. Customers can find their counterparts via the we.trade platform and register their trades with them. The banks can offer payment guarantees or financing options for this trade. The we.trade platform ultimately provides transparency in trade agreements, trade statuses and counterparts, which enables banks to offer a better risk assessment. In summary, we can more easily answer the question: ‘what are the chances that this trade goes wrong?’ Through this transparency, banks can finance more trades, and thereby increasingly overcome the hurdle of ‘access to trade funding.’

Parm Sangha, GBS Blockchain Leader, IBM has stated that we.trade has proved the power of blockchain in an enterprise setting. What is your take on this? Does blockchain still need to convince the sceptics of its efficiency in cross-border payments?

Blockchain is a shared, non-manipulable administration and enables companies to work better together. Through the blockchain technology underneath we.trade, the participating banks can collaborate to facilitate a trade deal for their customers. On the platform, customers enter in a trade agreement, while their banks sign off on payments guarantees and financing. →



The blockchain smart contracts provide assurance that everything follows the right processes and payments are executed according to the right conditions. Blockchain is a relatively young technology, and with advancing technological developments and rising adoption, we expect it to have a great role in connecting enterprises to collaborate more efficiently.

One of the advantages promoted by the we.trade platform is that invoice settlement is automatically triggered by smart contracts, though payments go via SWIFT or SEPA, and not blockchain. How does technology advancement couple with banking infrastructure legacy in the context of current trade finance?

Quite easily, actually. Each bank integrated the we.trade platform to its own proprietary payment system. If the we.trade platform signals that the payment conditions for a trade have been met, it will send a message to the buyers' bank that the payment can be initiated according to the agreement. The we.trade blockchain platform does not facilitate payments yet. Digital payments have stricter technological and regulatory requirements, and the blockchain technology is not ready yet to facilitate this.

As the EBA made clear in 2018 that emerging tech still faces potential risks as applicable law remains uncertain at the moment, how does we.trade mitigate regulatory differences across the EU and what do you see happening with DLT in trade finance in terms of regulatory frameworks?

The we.trade platform needed approvals from several central banks in European countries. we.trade has created a rulebook where all banks have to apply to. This was created by all participating banks

with a UK law firm to iron out all the details. Banks participating in we.trade are also participating in ICC work groups to bring our rulebook to a new international standard.

Currently, we.trade can be used within 11 member states of the European Union. In 2018, you estimated the platform will be expanded to cover Eastern Europe and Asia in 2019. What can you tell us about the progress so far, the market strategy and the tech innovation that we.trade is basing the growth on?

We.trade is currently being rolled out by all participating banks in the European Union, and customer pairs of these banks are already using the platform. Next to making sure that every bank and its customers are well connected, we will expand the platform in terms of functionality and participating banks. Recently, we successfully experimented with connecting the European we.trade platform with the Hong Kong eTradeConnect platform. This gave us insight into how we can make two blockchain platforms interoperable, and the first results are very promising.

About Rabobank: Rabobank is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. As a cooperative bank, Rabobank puts customers' interests first in its services and is committed to being a leading customer-focused cooperative bank in the Netherlands and a leading food and agri bank worldwide. Rabobank Group is active in 40 countries.

www.rabobank.com

An aerial photograph of London, England, taken during the "blue hour" of sunset. The River Thames flows through the center of the frame, with the iconic Tower Bridge spanning across it. To the left, the sharp, glass-clad spire of The Shard rises prominently against the sky. The city's dense urban landscape is visible, with various buildings and structures illuminated by the warm, golden light of the setting sun. The sky transitions from a deep blue at the top to a soft orange near the horizon.

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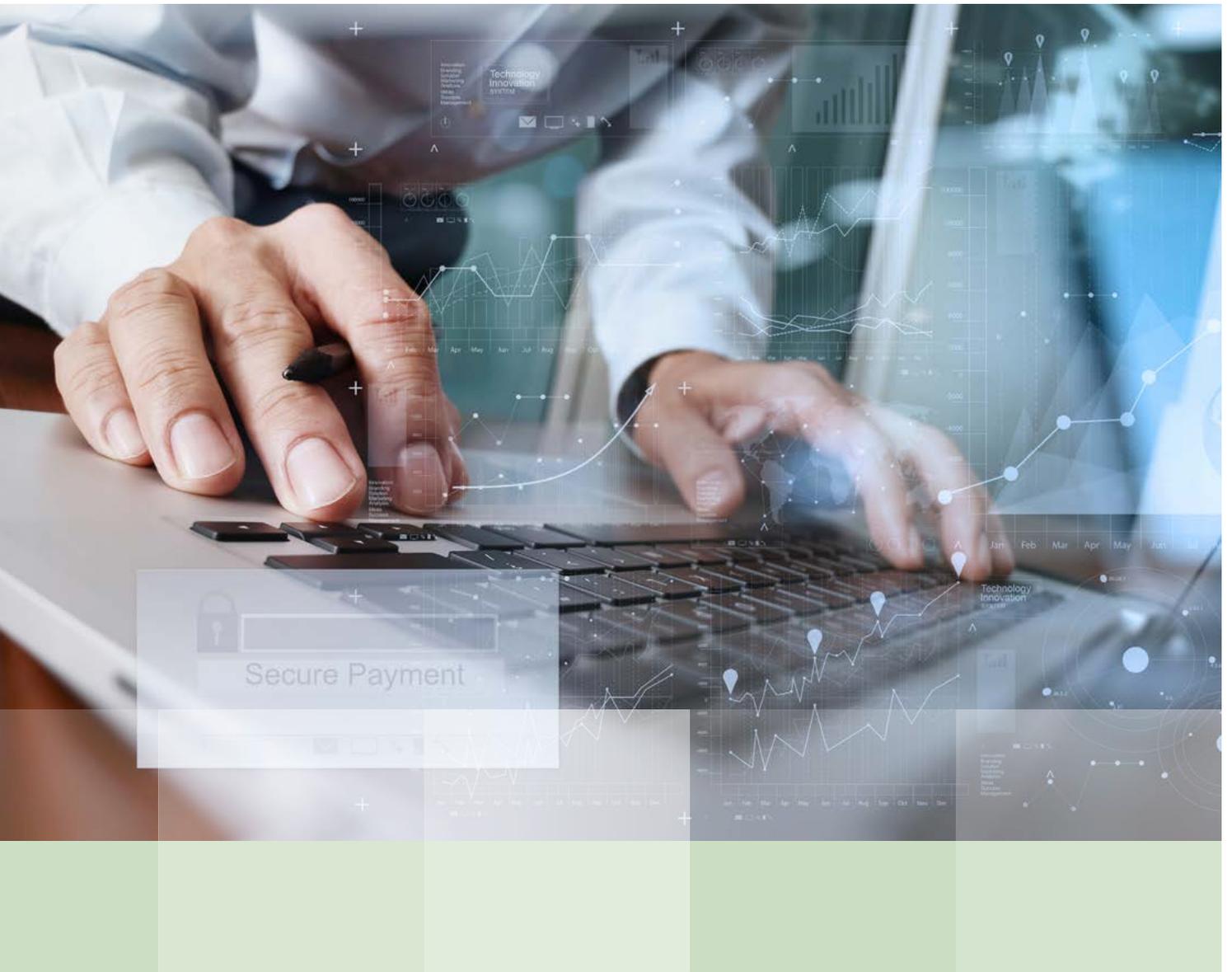
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Instant Payments: Driving Forces

As speed becomes embedded in the way payments are conducted, the challenges instant payments raise and the solutions that governments, banks, fintechs, and payment providers come up with are the true new 'it' topic in the field. In the following chapter, we attempt to shed light on the main strategies involved in fighting fraud and financial crime, along with new products and business models in instant payments, while also analysing how regulation such as PSD2 or systems such as SCT Inst might disrupt the status quo.



Building blocks of speed:
Enabling the potential of instant
payments and secure transactions

Feedzai

Fighting Fraud and Financial Crime with a Single Customer View



About Martin ten Houten: Martin ten Houten has more than 25 years of experience in both fintech and technology industries with roles at Visa, Pindrop, NetApp, PTC, and others. Martin joined Feedzai in 2018, serves as VP EMEA, and has helped to ramp up the company's expansion throughout EMEA.

Martin ten Houten ■ VP EMEA ■ Feedzai

The number of companies reporting fraudulent occurrences has surged once again – this time, **from 36% of banks in 2016 to an astounding 49% in 2018**. This massive increase in fraudulent activity has occurred in parallel with digital transformation efforts from companies globally. Fraud and financial crime have evolved to a new level of complexity, exploiting weaknesses that these new channels have. The insights around the exploitation of these new channels also speak to the immediacy of the global fraud and financial crime issue: in 2017, **there were 380,000 mobile account takeover (ATO) occurrences**, however, as companies continue to shift a large portion of their business to online and mobile channels, this number has skyrocketed to an all-time high of **679,000 occurrences in 2018**.

These challenges are also compounded by the growth in purchase transactions, which is expected to explode from their last measurement in 2015 of USD 258 billion to **USD 767 billion by 2026** – an increase of roughly 297% in just 11 years. The combination of this growth paired with the high fraudulent occurrences paints a worrying picture. All companies within the payment ecosystem – global banks, challenger banks, ecommerce marketplaces, big and small merchants – will all feel the heat of this massive surge in financial crime activity.

One big question arising from these major problems is this: with financial crime schemes already so advanced and so adept at exploiting weaknesses in not just a singular channel, but across multiple channels simultaneously, how do organisations best protect themselves from financial crime and fraud?

First, it's important to acknowledge how advanced financial crime and fraud has become. Take, for example, a multichannel ATO fraud scheme used by criminals at banks:

1. fraudster gains visibility into credit card number, account user details, and phone number from a data breach;
2. fraudster commits a SIM swap (tricking a phone company to change the SIM on an account to the one fraudster has in their possession) to take over the individual's phone and intercept incoming messages;
3. fraudster calls the bank on the new phone number and, after researching the individual online, answers the basic verification questions and asks to reset the password;
4. the bank sends a text message with a security code to the number on file, that the fraudster receives immediately;
5. fraudster logs into the account on their computer and drains the account.

In just a few hours, a fraudster can completely drain an account, forcing the bank to repay the customer and rebuild the broken customer relationship.

The problem with the majority of fraud and financial crime prevention platforms is that they are not properly equipped to detect this type of behaviour. Often, customer behaviour is siloed and only specific to a single channel, enabling criminals to avoid detection methods by exploiting gaps that exist between channels. →

Banks need to be able to build a single view of the customer across all channels

In order to meet this need, the requirement for a fraud or financial crime platform is simple, but the execution is not. The platform needs to be capable of scoring behaviour with hypergranular accuracy across all channels in real time. Profiles that are created in one channel shouldn't be 'recreated' in another channel. Rather, profiles should be able to add risk information as a customer interacts with a bank, regardless of the channel the customer chooses.

This enables companies to build a 360-degree view of each customer within their system. That way, not only are anomalies clearly seen, but banks are able to mitigate even the most elaborate fraud and financial crime attempts across both new and old channels.

To build an even more accurate customer profile, companies need to also think beyond cross-organisation for data collection. Data consortia enable enrichment from outside of a company, allowing companies to assess risk and behaviour more accurately, even if they've never seen the customer before.

Leveraging Feedzai for a 360-degree customer view

Feedzai's platform is built from the ground up as an omnichannel fraud and financial crime mitigation platform. We leverage hypergranular **Segment-of-One profiling** to hyper-analyse individual entities, and then collect data across all channels to accurately provide a 360-degree risk and customer behaviour assessment.

Feedzai's clients also use **Risk Ledger**, our proprietary risk-focused data consortium, to bring insights from all across the payment ecosystem and significantly bolster scoring accuracy. For that reason, Risk Ledger enables companies to acquire more customers — even those with thin files or who are underbanked — with confidence.

About Feedzai: Feedzai is the market leader in fighting fraud with AI. We're coding the future of commerce with today's most advanced risk management platform powered by big data and machine learning. Founded and developed by data scientists and aerospace engineers, Feedzai has one mission: to make banking and commerce safe. The world's largest banks, processors, and retailers use Feedzai's fraud prevention and anti-money laundering products to manage risk, while improving customer experience.

www.feedzai.com

[Click here for the company profile](#)

Company description	Feedzai is the market leader in fighting fraud with AI. We're coding the future of commerce with today's most advanced risk management platform powered by big data and machine learning. Founded and developed by data scientists and aerospace engineers, Feedzai has one mission: to make banking and commerce safe. The world's largest banks, processors, and retailers use Feedzai's fraud prevention and anti-money laundering products to manage risk, while improving customer experience.
Service provider type	Fraud prevention provider, technology vendor, AML solutions
Business model/pricing	On-premise, cloud and hybrid
Active since	2011
Head office	San Mateo, CA
Geographical coverage (operational area)	Global
Industries / target markets	Issuing banks, acquiring banks, payment services providers, merchants
Core services and solutions	Artificial intelligence and machine learning based fraud detection platform for merchants, acquirers and issuers.
How it works	Artificial intelligence and machine learning based fraud detection platform for merchants, acquirers and issuers.
Market Share	More information available upon request.
Technology	AML, fraud prevention platform
Partners	Deloitte, Cognizant, CapGemini, InAuth, Mitek, Cloudera, Datastax, DataRobot
Customers / Case studies	More information available upon request.
Awards	More information available upon request.
Contact	pr@feedzai.com
Website	www.feedzai.com



About author: Allard Zijp is a Senior Consultant in the Financial Advisory team at EY Advisory in the Netherlands. For the past six years, Allard has been involved in delivering various strategic payments projects, for corporate clients, banks and payment infrastructure facilitators.

Allard Zijp ▪ Senior Consultant ▪ EY Advisory

In a world where consumers expect services instantly, it was only a matter of time before instant payments transformed business-to-business (B2B) transactions. Instant payments schemes can unlock significant benefits for B2B companies that ask the right questions, to enable choices that work now and over the longer term. The benefits go well beyond speed, but businesses must ask some critical questions to achieve successful adoption of instant payments.

The adoption of instant payments schemes is rapidly increasing, with (amongst other) the successful and well-known implementations in the UK and Singapore, the recent launch of instant payments in the European Union, and Canada's ongoing development of instant payment functionalities, as only a few examples of the many countries active with instant payments. The success of instant payments is evident in the huge volume of these transactions, the reach of consumers and the responsiveness of regulators to update regional rulebooks – the UK has increased the maximum amount per instant transaction from GBP 100,000 to GBP 300,000, and plans to boost this further to GBP 500,000.

The success and normalisation of instant payments schemes have also resulted in new and more attractive use cases. These transactions boast benefits beyond speed – they are definitive within seconds, allowing businesses to build trust with customers, reduce costs, improve customer service, and offer more products. We are seeing a wide implementation rate of these benefits across the customer-to-customer (C2C) and business-to-customer (B2C) domains, by virtue of financially attractive business cases, customer demand, and reduced efforts in implementation.

Now, the B2B domain is starting to unlock the potential of instant payments, which, if deployed in the right way, offers huge opportunities to businesses.

Four major benefits of instant payments for businesses

Key questions to consider

If instant payments schemes are to be adopted within the B2B domain, they must meet users' needs – and be flexible enough to adapt to future developments. As companies consider the benefits of instant payments in their B2B transactions, they should also consider these critical questions:

What is the impact on the entire value chain? A company's ability to adopt instant payments, and reap the potential benefits, is limited when companies they do business with continue to use legacy systems and processes. If companies can incentivise stakeholders to also shift to instant payments, by helping them understand the benefits or sharing their own, they will be better able to reduce costs and focus on the core business. →

Is our environment ready for change? Not all instant payments schemes are suitable for B2B payments, with many differences across rulebooks, even within regions. For example, the European Union's rulebook demands transfers are finalised within 10 seconds, with a maximum transaction of EUR 15,000 (about USD 17,000). On the other hand, the rulebook of the Netherlands, which is part of the same scheme, requires transfers to be finalised within five seconds, and with no maximum amount.

What is the potential future impact? Companies are still taking a cautious approach to investing in instant payments due to the significant resources required and the risk of regional incompatibility stated above. However, this investment is likely to pay off over the longer term (10+ years); as adoption scales up and reduces costs, companies develop more experience and flexibility in applying instant payments and cross-border reach grows.

Can instant payments lead to other instant functionalities? After offering near-real-time payments functions to retail consumers, including request-for-payment and weekend emergency payments, the abilities for corporate banking / treasurers can be rolled out in the soon future. Imagine the effects of instant treasury, real-time liquidity management, real-time information, cashless businesses, or pay-per use services. However, these benefits will require significant effort and commitment from all stakeholders in the value chain if innovation is to succeed.

The true potential of instant payments is yet to be unlocked

The adoption of instant payments has rapidly evolved, both in the number of countries deploying these standards and the continued development of established schemes, such as that of the UK. The fast pace of change is expected to continue in coming years, reshaping the entire payments landscape and transforming B2B operations. Now is the time for companies to rethink how their payment infrastructures can fast-track their payment flows, thus increasing speed and trust across the entire value chain. Instant payments schemes offer companies new business opportunities, but successful implementation requires asking the right questions to make choices that work now and in the long run.

About EY Advisory: EY Advisory is continually seeking better ways of working as we collaborate with clients to help them solve their complex industry issues and capitalise on opportunities to grow, optimise and protect their businesses.

www.ey.com

European Payments Council

Javier Santamaría, Chair of the European Payments Council, spoke with The Paypers about cross-border B2B payments, PSD2, and use cases, new service opportunities and business models in instant payments



About Javier Santamaría: Javier Santamaría has been the Chair of the EPC since June 2012 and a member since its creation in 2002. Owing to decades as a bank employee, Mr Santamaría has accumulated a broad and balanced expertise in the intertwined dimensions of payments – business-related, operational, technical – across different client segments and product lines in both the legacy and innovative spheres. Mr Santamaría is also Chair of the Iberpay Board.

Javier Santamaría ■ Chair of the EPC ■ European Payments Council

What are the latest figures for the adoption across Europe of the SEPA Credit Transfer Inst scheme, among both banks and other PSPs?

The **Register of Scheme Participants** published in April 2019 reveals that the SEPA Credit Transfer SCT Inst scheme now includes 2,062 PSPs (50% of the total) from 20 countries in Europe. The countries with the largest number of registered PSPs are currently Germany (1,299 Payment Service Providers (PSPs), Austria (459 PSPs), and France (125 PSPs).

From this 50% of PSPs that already joined the scheme, SCT Inst largely enumerates those having the most significant volumes in their countries. We remain confident that a critical mass of SCT Inst scheme participants will be reached by the end of 2020 particularly in the euro area.

“ In cross-border B2B payments, the SCT Inst scheme delivers faster services by enabling pan-European credit transfers with the funds made available on the account in less than ten seconds.

What were (and still are) the challenges for PSPs and banks in moving to instant payments?

The PSPs willing to adhere to the SCT Inst scheme need to have a substantial amount of resources to be allocated to the rollout of an instant payment solution. They are urged to adapt their IT systems to make them real-time and available 24/7/365, as well as to establish back-up arrangements for them, upgrade their operational and risk management processes such as fraud detection, their clearing and settlement arrangements, and develop and promote this new service to their customers. Therefore, the EPC did not expect all PSPs from all SEPA countries to join immediately in November 2017, but instead anticipated a progressive implementation.

Notwithstanding the challenges PSPs face, so far, the scheme is being deployed in line with expectations and the EPC has not identified any significant obstacles.

What are the main use cases, new service opportunities and business models in instant payments? How will instant payments solve the complexities of cross-border B2B payments?

A boundless list of examples of SCT Inst use cases shows in which situations instant payments could bring benefits to payers and/or payees, such as: buying goods online from another consumer, purchase on online/internet stores, immediate reimbursement by a merchant of a returned good bought by a consumer, payment of insurance claims, payment of tax, fines or penalties etc. →

Accordingly, PSPs may also continue to introduce new services based on instant payments and/or their internal instant infrastructure, which could lead to new use cases. However, PSPs choose individually their offerings and business models; therefore, we do not have concrete data about them.

In cross-border B2B payments, the SCT Inst scheme delivers faster services by enabling pan-European credit transfers with the funds made available on the account in less than ten seconds. The maximum amount of the scheme (currently set at EUR 15,000) is expected to be raised over time, thereby addressing more B2B payment use cases.

The combination of PSD2 and instant payments has a huge potential to disrupt existing business models. How will this change the game and what is the impact that it will have on TPPs and banks alike?

The objectives of PSD2 are to make payments safer, increase the consumers' protection, foster innovation and competition while ensuring a level playing field for all players, including new ones.

The combination of PSD2 and instant payments may impact the European payment markets over the coming years. Nevertheless, we believe that existing European PSPs will remain key actors in payments if they proactively embrace these changes with customer needs and experience in mind, as TPPs could strive to leverage SCT Inst to enhance their offering.

What plans do you have for the further evolution of SCT Inst over the next few years?

Obviously, the SCT Inst scheme will progressively have a broader geographical reach, as PSPs from more and more SEPA countries implement it. The key to maximising the potential of the SCT Inst indeed lies in its reachability.

Moreover, we have no doubt that the SCT Inst scheme will further evolve based on experience, market demand and technological advances. Some new features have already been implemented, like the repayment functionality (effective in November 2019), and others will be developed in line with the EPC's scheme management process, which involves interested stakeholders closely followed by market needs.

About European Payments Council: The European Payments Council (EPC), an international not-for-profit association, representing payment service providers, supports and promotes European payments integration and development, notably the Single Euro Payments Area (SEPA).

www.epc-cep.eu



New business models

Paysera

One of Paysera's founders and main shareholders, Kostas Noreika, talks about the company's journey so far and how it strives to innovate B2B electronic payments



About Kostas Noreika: Kostas is a finance expert, with more than 20 years of business experience. He is one of the founders and a shareholder of the successful payment system, Paysera. Kostas is a true leader, interested in innovation and technology, always striving to improve and expand, both in his field, and beyond.

Kostas Noreika ■ Founder and shareholder ■ Paysera

Can you tell us more about Paysera and its origin story? How did it all start, what are the main products/services that Paysera offers and what problems does the company strive to solve?

Everything started in 2004, when, together with two other friends, we wanted to create something that would generate stable income for us on the internet. We started to create an ad portal, which was a completely new thing in the Lithuanian online world. Simultaneously, we offer business clients text messaging services. At that time, the ecommerce market was expanding, and the need for electronic payment solutions was growing. After a few years, in 2006, reacting to the demands of the clients, we created a payment system for accepting electronic payments. That was the start of Paysera services.

“ Our long-term vision is a world where electronic payments have no boundaries, are accessible to everyone, everywhere, at any time.

In 2011, Paysera was granted a payment institution license, and a year later, our team of approximately 30 people managed to acquire the first e-money license in Lithuania. Today, we are a group of companies employing more than 180 professionals.

We have nearly 400,000 clients, who in 2018 made 1.87 million transfers in 30 different currencies. The amount of all transfers exceeded EUR 3.9 billion, with an income of EUR 9.7 million. Currently, we have representatives in Latvia, Estonia, Bulgaria, and Poland. Next step for expansion abroad – Paysera Romania, Paysera Spain, and Kosovo.

Paysera offers a wide range of services, for both private and business clients: from free (IBAN) accounts and transfers to real-time currency exchange and unique payment solutions, such as payments at schools, SMS payments, QR code payments, transfers by phone number, and custom business solutions. Our unique event ticketing system - Paysera Tickets, was nominated as 'The service of the year' in Lithuania, 2017. In the Baltic States, Paysera is known as a leader in ecommerce and as a reliable and secure partner for executing and receiving online payments. The number of private clients is also growing because of our easy-to-use mobile application, unlimited free transfers in euro within the European Economic Area (EEA), and various other services.

The focus of our services was established based on the demands of our clients, so we deeply believe in and work to meet them. Our long-term vision is a world where electronic payments have no boundaries, are accessible to everyone, everywhere, and at any time. At the moment, we are looking to acquire a specialised banking license. →

What is the company's business model and what makes it unique and different from other companies operating electronic payments?

We have a unique method that no other fintech uses: we look for local partners – people who invest their own money in the development of Paysera in their country. We strongly believe that this way our partners will be 100% involved and will do everything for their business to also succeed. We share all our know-how, products, and service packages, as well as our full IT system and our specialists' time for support. Practice shows that small fintechs usually specialise in a narrow sphere, so teaming up with a player that provides a full package of different services, like Paysera, could be an opportunity to get new clients – clients like to get everything from one source, and for small fintechs this could become a challenge. Our partners' success in Bulgaria is the best proof that this model works. Paysera Bulgaria is working for more than 3 years now, and is still growing. As a result, the number of transfers grew 75%, since 2017 the company's revenue registered a 111% growth, and won several awards: 1st place in category 'Quality Service' - Forbes Bulgaria awards 2018, 2nd place in category 'Dynamic Development' - Annual B2B awards 2018, 3rd place in category 'Employer Branding Innovation' - Employer Branding Awards 2018.

What are some current projects you are excited about and what new tech are you employing? How is technology complementing your product strategy?

In the last five years, we launched a mobile app with functions such as bill splitting, a savings account and a Paysera debit card. For business clients, we introduced a payment initiation service as a cheaper alternative payment method; our network of partners

(banks and other financial institutions) was expanded so we can offer our clients faster transfers. Moreover, we were the first financial institution in Lithuania to connect to the SEPA INSTANT network, and Paysera is still one of the two to offer a full package of Instant payments options – our clients can execute and receive instant payments (other institutions are doing this with some exceptions). For private clients, all transfers in euro within the European Economic Area are unlimited and free.

Our expansion is also one of our strategic goals, so we are making big efforts with it – from dealing with potential partners to searching and participating in trade expos, conferences. A few new local partners are already on the way.

We are also looking to improve in all possible areas – from better design, to better UX, to entirely new products and services. Everyone can find our product roadmap on our public [Trello board](#). As I mentioned before, we do everything to meet our clients' needs, so our product roadmap is arranged by prioritising client requests. The board is not set in stone – it is a living organism which changes according to client needs.

About Paysera: Paysera is the first fintech company in Lithuania, successfully operating for more than 15 years. Paysera offers a wide range of services for both private and business clients: from free (bank) account to real-time currency exchange and unique payment solutions. Currently the company is rapidly expanding, providing the services worldwide by adopting them to local markets through a network of partners.

www.paysera.com

[Click here for the company profile](#)

Company description	Paysera is a rapidly growing Fintech company in Lithuania. It provides innovative services across and outside Europe, from bank account alternatives, to payment collection for e-shops, and more. Paysera offers flexible payment options, seeking to make processes simpler and cheaper.
Service provider type	Payment service provider, payment gateway, alternative payment method
Business model/pricing	Pricing can be found at https://www.paysera.com/v2/en/fees
Active since	2004
Head office	Vilnius, Lithuania
Geographical coverage (operational area)	Paysera has a licence to operate in the EU, but services are available in more than 180 countries
Industries / target markets	The target market is business clients and companies, although we Paysera works and supports private clients as well.
Core services and solutions	Money transfers and currency exchange, ecommerce solutions
How it works	Paysera is working through partners - banks and other payment systems – as a network. The company has different accounts in different banks and payment systems in different countries. When a client initiates a payment from their Paysera account to a recipient in another bank (not SEPA transfer), Paysera transfers the money specifically from an account which our company has in the recipient's bank.
Market Share	N/A
Technology	Direct connections, batch processing, per order processing, PSP pages (redirect model), Interface - REST APIs, Security - HTTPS + MAC tokens/client certificates
Partners	Transfermate, Instarem, Contis, Credit Agricole, ING Bank, SEB, Societe Generale, Raiffeisen
Customers / Case studies	Wargaming, Hotelston, OLYMPIC CASINO GROUP BALTIJA, Viasat, Teztour, BTA Insurance Company, Trade World Online Limited, Itaka, Studio Moderna, Multikino.
Awards	Paysera Bulgaria was awarded 1st place in the Services quality category at the Forbes Business Awards 2018, also 2nd place in category 'Dynamic Development' - Annual B2B awards 2018, and 3rd place in the 'Employer Branding Innovation' category at the Employer Branding Awards 2018; Paysera LT product 'Paysera Tickets' was nominated as 'The service of the year' in 2017
Contact	Phone: +370 5 207 1558 E-mail: hello@paysera.com Pilaitės avenue 16, Vilnius, Lithuania
Website	www.paysera.com

Payments Advisory Group

New Products and Business Models in B2B Instant Payments?



About Fred Bär: Payments expert with 15 years of experience as director and advisor at payments processors (equensWordline, EBA Clearing, Vocalink). Partner in PAG since 2013, working with clients, in Europe and beyond. Prior to payments, Fred worked in the telco, energy and IT-sectors.

Fred Bär ■ Partner ■ Payments Advisory Group

The ability to make a payment instantly presents, intuitively, a good fit with our increasingly mobile lives as 21st-century consumers; but will it also fit well with the more formal, structured, and controlled workflow and processes used by businesses and corporates?

Will instant payments catch on in B2B space?

Payment is a part of a B2B transaction, which is typically more complex than a person-to-person or a consumer-to-merchant transaction. The selection of (a) provider(s), agreeing delivery process and conditions, drawing up contracts, confirming orders and delivery times, taking acceptance of a delivery, and verifying quality of delivery represent steps and validations that are taken in a controlled manner, before a business makes an actual payment to another business. This is not just a matter of speed or convenience, but also and most importantly, a matter of quality and risk control, multi-level validation and authorisation.

The role of the payment in any trade transaction will vary – depending on the specific trade value chain and the type of service/goods. Parties may arrange for pre-payment (Pay Before), for payment at delivery time (Pay Now), or after (Pay Later). The balance of perceived risk between buyer and seller plays a role, as does the relative bargaining power of suppliers in determining what payment instrument is used.

What features of IP could provide potential B2B benefits?

There are three features that can potentially offer benefits for trading businesses:

Speed (immediate availability of funds, within seconds) coupled with irrevocability. Standard digital funds transfers take much

more time to arrive in the receiver's bank account, and are not always guaranteed. In Europe, a SEPA-credit transfer must legally be delivered to the receiver's bank account no later than 'the next banking day.' A Direct Debit collection, even if it is irrevocable, could bounce and not be executed due to insufficient funds, or a blocked account of the payer. A 'Pay Now' arrangement based on IP could remove risk for the seller and the buyer.

24/7/365 execution: Ability to make and receive payments outside banks office hours could signify quite an important change, but currently, businesses have processes in place enabling them to interact with banks in an optimal fashion without such availability. For existing businesses, it will often seem more costly to change contractual arrangements than just continue using them, whereas startups have more potential to build new 24/7/365 services.

Fees and charges: B2B IP has the potential to break the current dominance of credit card (low-value payments with payment guarantee) and correspondent banking models (high-value payments, with long execution time). Different examples have been seen: in Poland, banks position IP as a premium service, charging ca. EUR 1 per transaction. In the US, initial attempts to charge USD 4-6 per transaction to business users have been thwarted; competition between banks drove down fees – within a year – to circa USD 4-6 cents. →

Examples of B2B IP use cases

Based on the three elements, we could see some initial use cases where IP can deliver improvements in the B2B space.

Traditional (offline/physical) value chains with specific characteristics refer to trades where a delivery cannot be returned and is technically irreversible – eg delivery of bulk fluids (oil, gasoline, chemicals, dairy food), pumped through pipes, or trades where services once rendered cannot be ‘returned’ (transport services, live art performances).

Online value chains: Distribution centers can demand upfront payment and have 100% certainty of payment before releasing goods to be shipped to a webshop customer. The webshop can, in turn, demand upfront payment from its retail customer before accepting a sale. IP can speed up the whole value chain and costly reconciliation, while chasing bad debts as they decrease.

Intracompany payments and treasury operations: For companies with large international money flows, working capital inefficiency can be improved by faster and more frequent pooling of cash balances, netting deficits and surpluses across parts of the business. Companies may do this themselves or through a house-bank.

Enabling the ‘gig-economy’: In many sectors, such as household services (window cleaning, babysitting, gardening), taxi industry, entertainment (art performance), home deliveries (fresh food, packages), online marketplaces are emerging as platforms, matching freelance supply to market demand. If the platform (example: Uber or Deliveroo) is collecting the service revenues from customers, it usually pays the freelancers a ‘per-gig’-fee, for which IP is well suited as it is immediate and irrevocable.

What could hinder B2B IP-adoption?

Firstly, a factor that should be considered is *change of risks*. Fraud and AML screening are a big responsibility for banks, handling typically large business payments. UK banks experienced increases in fraud in the early days of Faster Payments. If money is stolen, it is dissipated very (for example, after a successful ‘CEO fraud’).

Secondly, schemes usually put *limits on amounts*, at least initially, on amounts allowed (SCTINst: EUR 15.000, planned to increase end 2019; not clear by how much). Such limits can deter businesses from using IP. Banking communities may decide to not impose limits (the Netherlands and Belgium).

Lastly, B2B IP-adoption could be affected by *changes in administrative processes*, or customer service processes. When payments will be made or received outside business hours, payments visibility may need to be updated to externally facing parts of organisations. Or internal administration may need to be adapted.

A look in the crystal ball: new business models?

Just-In-Time delivery with automated continuous ordering has been around for decades. AI processes are increasingly taking over control tasks in these value chains. Banks require business payments to be initiated only by pre-authorized registered persons, which today means ‘natural persons.’ Will this practice evolve and eventually accept payments authorised by ‘avatars’? If so, that could give rise to a series of new types of value chains and accompanying business models. A medical robotic home-companion, ordering and paying for new medicines? A fridge ordering ice cream, beer and burgers for the coming hot summer weekend? A car paying for a live music stream? As happened with other inventions, the supply of instant payments may well create its own new demand.

About Payments Advisory Group: Payments Advisory Group is an international business consultancy specialised in payments. Founded in 2011, PAG supports clients active in the payments value chain in Europe and beyond, to create strategies for business/IT change and regulatory compliance, in the rapidly changing field of payments. Clients range from corporates, merchants, processors, to payment service providers and banks.

www.paymentsadvisorygroup.com

Data Sharing Could Be the New Game for Corporate Treasurers



About Esther Groen: Esther is partner at INNOPAY and leads the Banking and Payments business. She has a background in transaction banking and supports financial institutions and corporates in their digital transformation to successfully operate in open digital (data) ecosystems.

Esther Groen ■ Partner ■ INNOPAY

Developments like instant payments, blockchain, AI/ML, and new regulation, such as PSD2 and GDPR in Europe and CDR in Australia are changing the way organisations interact and exchange data with each other and within their respective ecosystems. Due to digital technology, almost every interaction creates data, which rapidly increases the volume of available data. At the same time, corporates are demanding 24/7 (realtime/instant) availability of that data, not only within their own organisations, but in the entire ecosystem, especially when they have implemented open business models.

In this article, we will elaborate on how data developments impact corporate treasury.

Open business models require instant data exchange

Most organisations respond to the aforementioned developments by transforming into open business models. Timely access to relevant data within and across value chains allows for more transparency in business processes and can provide corporate treasurers with new data sources. Enhanced predictability of cash flow in combination with instant payments enables the corporate treasurer, for example, to reduce mismatches in outgoing and incoming funds. As a result, cost related to cashpools and intra-day and overnight facilities can be optimised. In an ideal situation liquidity could even be optimised at ecosystem or value chain level. Platforms such as Flinqer or Tradeshift already offer cash management solutions for complete value chains. However, many large corporates are hesitant to share their data with these platforms.

Triple-A framework shows data solutions for each layer

To get a quick overview of relevant solutions, INNOPAY developed the Triple-A assessment framework (figure 1: Example TripleA assessment for Treasury). This proven framework defines and shows data sharing propositions and gives a quick overview of what technology is available for each layer. To successfully share data, organisations need to develop or buy capabilities for all layers: data **A**vailability, data **A**ccessibility, and data **A**pplicability, as illustrated in the picture below.

Figure 1: Example Triple-A-assessment for treasury

A simplified clarification of the assessment framework is that the data availability layer in the model represents the source where data is generated and or stored. The accessibility layer is the way data is disclosed from the source to an application. This can be achieved using 1-on-1 APIs, a platform or a collaborative scheme defining a common set of agreements across organisations. In the applicability layer, data is converted to information delivering the insights treasury is seeking to create value in managing intraday liquidity, cash forecasting, and FX risks, for instance. →

For detailed description of the Triple-A model, have a look at the EBA report supported by INNOPAY on [Data Exploration Opportunities In Corporate Banking](#).

By using technology such as data visualisation, robotic process automation, and advanced data analytics (AI/ML), treasurers can apply data to support their daily activities. Already, we see fintech companies stepping into this space, offering data-based treasury insights.

The value potential of these solutions, depends heavily on the (timely) availability, quality, and richness of the data within the organisation and ecosystem. This is where companies struggle. On the one hand, companies are hesitant to select a platform solution because they are uncomfortable with giving away so much data to a third party. On the other hand, sharing data within the value chain is challenging because you will need to interface with other parties. This is difficult as you don't always know with whom you are going to do business tomorrow and respective IT calendars often are fully booked.

Trust framework as rulebook for data sharing

This logistic sector faced a similar data trust problem in their value chains. Together with INNOPAY, a group of sector representatives co-created a so called trust framework: [iSHARE](#). Such a trust framework consists of a set of agreed standards taking business, legal, operational, functional and technical aspects of the solution into account. With iSHARE, a network around data sharing in value chains can be developed, bringing together different stakeholders who do not yet know each other, but want to have the opportunity to do business in the future. The trust framework ensures that

every organisation can build and implement a connector box to the network themselves and start sharing access to their data. It is not a platform for sharing data! Organisations 'simply' manage and control access to their data via a user-friendly toolkit.

Implications for the role of the corporate treasurer

As the world is increasingly being disrupted by open business models and around the clock availability of products and services, it is only a matter of time until the corporate treasurer will experience a similar disruption. The role of the corporate treasurer is likely to change towards a data scientist who safeguards daily operations and the continuity of the business by managing data flows. The innovative treasurer is able to seamlessly shift from a company to an ecosystem perspective and understands the collaborative advantage of data sharing across value chains either via standalone API's, a platform or a trust framework. This will offer great opportunities to explore the options on how to enrich datasets by sharing non-competitive data. This is a prerequisite for any organisation that wants to successfully operate and participate in an open data economy and society.

About INNOPAY: INNOPAY is a consultancy firm helping companies and public institutions innovate in their digital transformation from strategy to execution by offering services on business, technology and regulation related topics. They focus on trust, (data) transactions, customer journey and adoption.

www.innopay.com



Open Banking and instant payments

Edgar, Dunn & Company

Instant Payments: From Open Banking to the Latest Developments and the Implications for Merchants



About author: Mark Beresford has over 20 years of consulting experience in the financial services and payments industry. He is a Director at Edgar, Dunn & Company (EDC), based on their London office, where he supports a variety of payment providers and retail clients all around the world.

Mark Beresford ■ Director ■ Edgar, Dunn & Company

In Europe, Open Banking is supported by a regulatory regime, the second Payment Services Directive (PSD2), which means that banks are required to share more customer information than ever before via Application Programming Interfaces (APIs). Banks will have to make available the necessary infrastructure through standardised interfaces.

This is believed to be the starting pistol for greater competition and innovation where merchants are expected to benefit from. In the UK, a real-life example of this is Mastercard's acquisition of Vocalink and the launch of the 'Pay-by-banking-app' offering, originally based on the Barclay's 'Pingit' service, which in turn rides rails of the Faster Payments Service. Mastercard's Pay-by-bank-app is not Open Banking in the true sense of PSD2 Open Banking, but a proprietary solution with its own APIs designed for its distribution partners. Conversely, it is a taste of what Open Banking could bring to merchants in the future, not just in the UK, but all over Europe.

Merchants have not fully appreciated the huge implications of Open Banking for their own businesses and for their customer's payment checkout experience. Potentially, part of the reason why merchants have not embraced Open Banking is because they imagine it is an initiative for banks to create new banking services. Payment service providers (PSPs) are already preparing commercial solutions, whereby merchants will be able to take advantage of the new SEPA credit transfers (SCT) which supports instant 'SCT Inst' payments. By using immediate payments rather than traditional card payments, merchants will not only receive their funds faster, but the processing fees are expected to be

less than for card payments. Both online merchants, as well as traditional brick and mortar merchants, will benefit from these features. Innovative payment solutions and potentially new overlay services are on the horizon to take advantage of the fact that the underlying payment processing will be real-time. Call it instant or call it immediate, the genie is out of the bottle and Open Banking will be the catalyst. New payment services, such as Paym in the UK, or Swish in Sweden, have predominately been launched as personal-to-personal proposition. Similar payment services, designed for merchants, will be available to accept payments from consumers. These new overlay mechanisms will build on the real-time payment infrastructures, just as Paym is using the UK's Faster Payments Service.

Looking outside Europe – Tencent, Alibaba, and alternative banking

In China, we have seen new digital ecosystems specifically designed for merchants, such as Tencent (WeChat Pay) and Alibaba (AliPay). Both examples have come from companies outside the financial services industry, whereas the incumbent European financial institutions hold the keys to the vault in terms of rich customer data, as well as trusted client relationships. These banks are being mandated through regulation to hand the keys over to fintech companies who view the opening of these customer data stores as an opportunity. It has been the non-bank fintech companies who have already demonstrated market traction – such as WeChat, Amazon, Google, Apple – and have gained trust amongst customers by building strong relationships and presenting data in new forms. →

Some consumers believe they pay for their daily travel and groceries with Apply Pay, not with their Barclaycard, even when their Barclaycard is embedded in the Apply Pay wallet. The wallet facilitates the transaction and provides a transaction history, and in many cases, there is a richer set of information compared to what is held in the mobile banking app. The consumer is starting to see the value of these alternative banking and payment solutions provided by non-banks.

What does Open Banking mean for instant payments?

Merchants must educate themselves on the world of possibilities beyond Account Information Service Providers (AISPs), as defined by the PSD2, as well as understand the even greater possibilities, now that Payment Initiative Services Providers (PISPs) are expected to provide the next wave of service innovation. Open Banking will allow merchants access to all of the major banks as the APIs evolve. Merchants, for example, will be able to use loyalty programs to incentivise customers to initiate payments directly through their POS channels.

In summary, merchants should be more excited about Open Banking because of the following reasons:

- they will be able to create new customer experiences to spend – for example, APIs will be imbedded in their existing sales channels to enable account information services, such as current account balance display, electronic receipts, and transaction history;
- they will be able to initiate payments directly with the customer's banks which will introduce better transaction processing fees and faster clearing of funds;

- they will be able to generate relevant POS offers and discounts based on consumer spending habits and loyalty, like never before.

Edgar, Dunn & Company (EDC) is currently working with its clients to develop and design new and engaging, yet safe and frictionless customer-centric omnichannel shopping experiences. Open Banking will give merchants the opportunity to accept payments directly from a consumer's financial institution without the need for an intermediary, as well as let them access a consumer's financial data. This will provide merchants with better customer experiences through flexible payment initiation and faster refunds, improving cash flow by bypassing the card networks and reducing processing fees, fraud and chargebacks that are associated with card payments.

There is a long road to travel and the adoption of Open Banking and instant payments by merchants is expected to be slow. Consumers do change their spending behaviour but that change is typically slow and that should never be underestimated. It could be as long as 5 to 10 years before it will be considered mainstream.

About Edgar, Dunn & Company: Edgar, Dunn & Company is an independent global payments consultancy, widely regarded as a trusted adviser since 1978, providing a full range of strategy consulting services, expertise, and market insight to a broad range of international clients including industry associations, issuers, acquirers, financial institutions, payment providers, etc.

www.edgardunn.com

Payment Counsel

PSD2 and Instant Payments: Catapulting B2B Payments into Real-Time



About Nadja van der Veer: Nadja van der Veer is a payments lawyer with over 10 years of experience in the international Payments industry and a legal expert in rules and regulations involving PSD, AML and CDD and Card Schemes. Having worked for a PSP and an acquirer, she has a broad perspective on all legal and business aspects of (Card and Alternative) Payment processing in the global ecommerce industry.

Nadja van der Veer ■ *Co-Founder Payment Counsel & Managing Partner Pytch Ventures* ■ *Payment Counsel*

The last few years have been transformative for the payments industry. While financial services businesses are no strangers to regulation, the increasing complexity of legislative change and the accelerating pace of technology development are bringing about a new era in the ecosystem's evolution – albeit one which is currently difficult to fully envision.

One thing is certain though – the next logical step in the advancement of the payments landscape is to look for further ways to speed up the movement of money between parties in the chain while decreasing costs, by taking advantage of the incoming infrastructure and market opportunities.

The open payments culture

With just a few months to go before the final PSD2 (RTS) deadline hits, not even the legislators really know what shape the payments world will take following the full implementation of the Directive. While many payments businesses remain focused on compliance, the infrastructure and solutions being put into place to address PSD2 also present a variety of new opportunities.

A key aim of the Directive was to open up competition in the payments industry and encourage greater innovation, mostly through the key tenet of 'Access to Accounts' or XS2A. While much of the focus was aimed at improving choice for consumers, it is safe to say that the effects will be felt much more broadly. The APIs, which are core to PSD2 compliance, can be (and should be) a chance to find that innovative edge – a means to build the next generation of payments services for all customer types.

For existing payments businesses and aspiring market entrants, PSD2 presents an opportunity to expand their access to data to create a more compelling customer proposition. Of course, the more customer data you have, the more you can offer a closely tailored functionality, which translates to better customer acquisition and retention rates. In the B2B payments world, many traditional offline or manual payments processes are still being used, causing delays to trade, high resource costs, and a greater degree of risk.

The introduction of more high-performing, open APIs, supported by an enhanced range of payments services, could help to offer businesses real-time visibility of funds and financial performance, plus the ability to produce up to minute analysis and reports. This could be invaluable to many businesses, helping to power better informed choices and strategic decisions.

Instant payments: the popular all-rounder

Instant payments have been growing in popularity over the last few years. Although originally driven by consumers and regulators, both payments companies (including banks) and their business customers also now recognise the benefits that instant payments can deliver.

Two key issues trouble businesses when it comes to sending and receiving payments: the speed and the reliability of their transactions. Fintech players have made their mark in the B2B payments space by offering a way to connect buyers and sellers, offering them a secure and guaranteed way of getting paid and receiving goods. →

In these cases, fintechs have acted as intermediaries, moving traditionally offline transactions to online. While some of these offerings may retain, or even grow in popularity where payments infrastructure is lacking, instant payments now offer businesses a much more assured and direct means of sending and receiving money.

Undoubtedly, instant payments will positively impact the way businesses operate – and the possibilities are extensive. I recall having seen a video from Alipay on what the future may hold during a conference several years ago. It showed how a business could sign a contract and receive big sum payments while being on a video conference call with their customer. Back then, it all looked very futuristic, but with instant payments gaining rapid ground, we are just several steps closer to this sort of scenario becoming a reality. Faster cash access will effectively improve working capital and will also impact the way companies manage their cash flow, financials, budgets and suppliers. Credit risk in the supply chain will also be greatly reduced.

A catalytic combination

There is one key thing that PSD2 and instant payments have in common, and it can amplify when used in combination: immediacy. The ability to view, monitor, access, and transact across a business' full range of accounts in real-time has a value that should not be underestimated.

Full-service APIs and platforms are now starting to emerge (although somewhat independently of the PSD2 requirements) so as to deliver immediacy not only across the board and around the original

payment, but also with instant reconciliation and refunds. This can help to deliver better cash flow and to achieve the potential for a real-time end-to-end payments journey – something that has not been possible before.

Ultimately, the combination of PSD2 and instant payments will drive the opportunity for payments companies (both new and incumbent) to extend their value proposition and create new business models centered on real-time controls. Payments businesses who choose to take advantage of the open API and instant payments infrastructure will be those who lead the drive to make immediacy the 'new norm' for both consumer and business payments.

The question will be who fronts that race and how. The move to real-time payments is extremely complex, whereas many banking operations and technologies lack agility and are far from ready. This in itself presents an opportunity for fintechs and other instant payment-ready players to offer their solutions as a service to others - an already emerging trend. Of course, the regulatory impact on the faster movement of money and information is still to be seen and those businesses investing in real-time monitoring and alerts will potentially place themselves ahead of the game. The regulators will catch up with these parties eventually as well.

Ultimately, there is still a long road ahead – but real-time payments for businesses is now definitely on the horizon.

About Payment Counsel: PaymentCounsel provides a breadth of services to companies spanning the payments value chain, including: drafting industry standard merchant agreements, analysing risk and global compliance with payment laws and regulations, negotiating payment partnership and vendor relationships, and reviewing and negotiating agreements. PaymentCounsel will help impact your speed and competitiveness, accelerate revenue, and manage your global risk, while providing a cost-effective solution.

www.paymentcounsel.com

www.paymentsguru.com



E-Invoicing & E-Billing

As billing and invoicing are at the very core of B2B payments, the last chapter comes to offer an in-depth update on mandatory e-invoicing governmental initiatives, differences between the clearance model and post-audit and why the former is gaining terrain. Lastly, the guide includes a structured overview of the most relevant M&A stories in the business process automation, e-invoicing, and e-procurement.

Comarch

The Clearance Model: Time to Say Goodbye to Invoicing as We Know it?



About Adam Beldzik: Adam is a Director of the E-INVOCING Business Unit. He has more than 17 years of experience in the IT environment. He joined Comarch in 2005, connected with ERP and BI division. Since 2010, he has been managing B2B communication teams (ECM and EDI) in the fields of consulting, product management, R&D, service desk, development and implementation. Mr. Beldzik has supported and managed global projects for clients such as Auchan, T-Mobile, Valeant, BP, BIC, Technicolor, Carrefour and Rossmann.

Adam Beldzik ■ *E-Invoicing Business Unit Director* ■ Comarch

Not so long ago, entrepreneurs were getting ready to implement solutions allowing tax declarations to be filed in the Standard Audit File for Tax format. On 1 January 2019, Italy became the first country in Europe to make e-invoicing obligatory for all B2B and B2C transactions. A significant change happened on 18 April 2019, which was the definitive deadline for European public administration authorities to be prepared to receive structured e-invoices. The revolution is gaining momentum, are we ready?

Tax administration has never been so easy

VAT is a significant source of income in the budgets of European Union Member States. It is no surprise then, that tax authorities take actions intended to facilitate VAT administration. Their main goal is to tighten up the system in order to reduce the VAT gap, as a result of several factors, including VAT returns under false pretences – the biggest source of losses for European countries. On the one hand, legislation is being passed, while on the other hand, a major role is being played by the growing European tendency to replace paper invoices with their electronic equivalents, which gives countries more control over VAT paid by taxpayers.

In the past, enterprises were much ahead of tax authorities in terms of digitisation of processes and electronic exchange of documents. Over time, some countries have introduced the possibility of filing tax declarations online, while others have permitted their taxpayers to issue e-invoices. These decisions were usually motivated by the wish of simplifying procedures and making life easier for taxpayers. Since VAT is an important element of public sector revenue, we have been observing tendencies to promote the electronic exchange of

documents with tax administration authorities for several years now. Thanks to technology, they can gather and analyse more data from taxpayers than ever before.

Digitisation of invoices

There are two global approaches to electronic invoices: the clearance model and post-audit. In the clearance model, invoices cannot be issued directly between the buyer and the seller, but first, they have to be presented to a tax authority (like it's done in Brazil and Mexico) or sent to government servers (like it's done in Italy and Turkey). This approach allows tax authorities to control transactions in real-time, which in practice means stricter control over tax collection and the possibility to respond rapidly if non-compliance is discovered in terms of tax reporting.

In Europe, the post-audit model is prevalent: invoices are exchanged directly between the seller and the buyer, and tax authorities verify transactions after their completion. In many EU Member States, the obligation to report data to tax authorities using SAF-T or a similar, domestic format is very popular. This solution was first adopted in Portugal and then spread to other countries, such as Luxembourg, France, Poland and Hungary. The solution proved to be very efficient, often allowing tax authorities to obtain information about transactions almost in real-time, but was not as effective as the clearance model, which puts the tax authority at the centre of the transaction. →

Common standard for public trade in Europe

As previously mentioned, an important step towards e-invoicing took place on 18 April 2019 - the deadline for European tax administration authorities to be prepared to receive structured electronic invoices in accordance with Directive 2014/55/EU. Its purpose is to ensure a harmonised environment for e-invoicing across the EU. In response to these requirements, the OpenPEPPOL association came up with one of the largest initiatives in terms of e-invoicing in the world. Its purpose is to increase the competitiveness of suppliers, at the same time retaining a homogeneous environment across the EU that would not create barriers for implementing e-invoicing on the European market.

An impulse for deeper changes

As the solutions developed by OpenPEPPOL are being implemented, some countries are drawing on experiences in Latin America, a region that has been successfully using the clearance model for years. These are primarily countries that are facing similar problems: tax evasion and VAT fraud resulting in massive losses of revenue. Italy is the EU Member State with the largest VAT gap. According to the *Study and Reports on the VAT Gap in the EU – 28 Member States: 2018 Final Report* in 2016, the difference between the expected revenue on account of the VAT and the actual result amounted to EUR 35 billion. It is no surprise then that it became the first EU Member State to follow the example of Latin America. Once Italy has decided to switch to e-invoicing not only in contacts with government administration, but also across the entire economy, obligatory e-invoicing has become a hot topic in Europe.

It seems that the intention to implement real-time tax controls is a real change in the European market. One could expect other countries to follow suit (the first signals in this respect are already coming from Greece).

In the age of a revolution, a solid partner is a must

More and more organisations operate internationally. This strategy requires the implementation of new solutions in terms of company management and it may also mean taking into account various government regulations. Today, legal compliance is a requirement that cannot be ignored, especially given the staggering pace of changes in regulations. On the eve of this digital revolution, it is important to choose a reliable partner capable of assisting global companies in implementing solutions correctly, and keeping them informed about upcoming changes in advance.

About Comarch: Comarch E-Invoicing is one of the Comarch brand which provides cutting-edge technology, allowing the enterprises to automate the supply chain and invoicing processes. A comprehensive approach to both internal and external cloud-based collaboration with all partners including the exchange of product, merchandising, analytical, logistic and financial data, delivers the best results. Consequently, companies are provided with fast and secure access to reliable data, optimisation of processes with Robotic Process Automation, and lower document handling costs.

www.comarch.com

[Click here for the company profile](#)

Company description	<p>Comarch is a global provider of IT solutions. Comarch has:</p> <ul style="list-style-type: none"> - 25 years of industry experience; - thousands successfully completed projects in over 40 countries; - references from across the world; - own R&D department made up of high-end IT engineers; - high ranking IT analyst ratings: Gartner, Forrester, IDC, Truffle 100; - custom Data Centers in Poland, France and Germany.
Service provider type	E-invoicing service provider, software vendor
Business model/pricing	Subscription and transaction-based
Active since	1993
Head office	Cracow, Poland
Geographical coverage (operational area)	Global
Industries / target markets	Broad scope of industries including FMCG, retail, DIY, automotive, logistics, oil & gas, pharma, manufacturing, services and government.
Core services and solutions	Comarch provides solution for electronic exchange of all business documents including handling of entire invoice-related flows. Solution enables quick replacement of paper invoices with their electronic counterparts in accordance with regulatory requirements related to e-Invoicing in more than 60+ countries, legally compliant invoice archiving and cooperation with governmental platforms included.
How it works	Comarch e-Invoicing cloud-based solution provides full control over the entire invoice management processes: receipt and registration of invoices in various formats and with the use of multiple input sources, as well as converting outgoing documents into format required by client's partners, integration with internal company systems and distribution via various channels.
Market Share	N/A
Technology	MS SQL Server, MS BizTalk, Angular, .NET
Partners	Interoperability with providers worldwide (100+ connections, with the number of partners still growing); Cooperation with TrustWeaver
Customers / Case studies	Technicolor, Metro, BIC
Contact	Mr. Bartłomiej Wojtowicz, Product Manager bartlomiej.wojtowicz@comarch.com +48 12 684 8735
Website	https://www.comarch.com/ https://www.comarch.com/trade-and-services/data-management/e-invoicing/

Business Process Automation, E-Invoicing, and Procurement – the 2019 M&A Stories so Far

Alexandra Constantinovici ■ Content Editor ■ The Paypers

The digital transformation space, when it comes to business process automation, is known to be somewhat comparable to a sea with a couple of big fish surrounded by shoals of smaller ones minding their own automation business. But at a first glance over the last couple of months, we can safely draw two important conclusions: one, the small fish are starting to gulp each other up and become bigger and bigger, and two: most of them are US-based.

The US automation food chain – or how big tech is getting bigger

One of the US companies that saw an extensive line of M&A activity since 2019 debuted was Corcentric. The e-procurement company currently serves more than 6,000 customers representing industries including manufacturing, transportation, wholesale/distribution, retail, healthcare, and financial services.

After securing a USD 200 million credit facility revolver from Bank of America and JPMorgan Chase, Corcentric **announced** it was planning the acquisition of Determine, a US SaaS source-to-pay and enterprise contract lifecycle management solutions provider. In early April, as forecasted, Corcentric had purchased nearly all Determine assets for the originally agreed upon amount of USD 32 million.

The transaction is expected to close within the second quarter of 2019. The parties believe this transaction will bring significant value and opportunity to the combined business and its collective customers and prospects, as the key benefits include revenue growth opportunities through the creation of a one-stop shop providing access to the full spectrum of procure-to-pay, along with the opportunity to add robust incremental service offerings on to the Determine Cloud Platform. So the basis of the acquisition is the combining of both companies' infrastructure with technological growth in mind.

Almost subsequently and in the same spirit of tech advancement, but not discounting the geographical expansion agenda into the European space, in February 2019, Corcentric also **announced** the

acquisition of British e-billing provider Netsend. As Netsend offers electronic billing, invoicing, and document distribution services to the FTSE 100 and global blue-chip companies in over 50 different countries, the acquisition marked Corcentric's expansion into the global e-billing market as a SaaS provider.

We are still waiting to see what is on the agenda for Corcentric in Q2 of 2019 and as the year progresses, but with two fintechs such as Netsend and Determine under its belt, the company is definitely on the rise when it comes to SaaS document process automation, and not only in the US market. All aside from the simple arithmetic of not even putting a dent so far in the USD 200 million it secured for expansion in late 2018. To be continued.

Meanwhile, **in early March**, US-based commercial payments solution provider FLEETCOR has signed an agreement to acquire AP automation provider Nvoicepay. The addition of Nvoicepay to the FLEETCOR Corporate Payments portfolio enabled the company to manage full disbursement of accounts payables for businesses, and the platform's business-to-business payment platform allows FLEETCOR customers to pay 100% of their supplier invoices electronically, FLEETCOR representatives have stated. The M&A agenda developed after the company reported a **11% increase** in their 2018 revenue.

Mergers are also a thing of the present in the US spend management front, as cloud-based travel and expense management company Certify, and AI and machine learning-focused fintech Chrome River **announced** merging their invoice management technologies. Chrome River is initially said to operate separately, but will collaborate on investing in technology like artificial intelligence, machine learning, analytics and reporting. The merger also adds Chrome River to Certify's other brands, like Nexonia, Tallie, Abacus, and Captio. →

Banks didn't shy away from the M&A game either, as early in **January 2019**, MUFG Union Bank has announced the acquisition of supply chain finance platform Trade Payable Services from GE Capital. Although terms of the transaction were not disclosed, according to MUFG, the TPS platform supports relationships with GE suppliers worldwide. Upon closing of the transaction, GE suppliers will have the opportunity to transition to a new program with MUFG over the course of 18 to 24 months.

The anticlimactic ripple effect – Tradeshift vs Basware

One of the most talked about acquisitions as we dived into 2019 was definitely the rumour that cloud-based business network and platform for supply chain payments Tradeshift (that last year surpassed a USD 1 billion valuation after **raising USD 200 million**, with less than ten years of being active) would acquire Finnish household name in the e-invoicing sector Basware, for no less than USD 669 million. This stirred quite a bit of interest at the time, for if Tradeshift had managed to finance the deal it would have removed one of its major rivals from the e-invoicing and supply chain finance management market, and subsumed a blue chip Basware customer base that includes ABB, McDonalds, Heineken, Toshiba, and Toyota.

However, less than two months after the 'money talks', Basware had announced that it **had terminated all negotiations with Tradeshift** over its possible takeover offer. No conclusive reasoning was offered, leaving much to speculation, but Tradeshift had informed Basware that it will be unable to proceed given conditions in the capital markets. Arrowgrass Capital Partners (a significant Basware shareholder) also confirmed ceasing discussions, in a note saying that the irrevocable undertaking that it signed with Tradeshift to accept an offer for the approximately 25% of Basware shares that it owns, (were the offer to be made by 28th February 2019 at a price of at least EUR 46.5 per Basware share) had terminated. The whole affair resulted in Basware entering a 'standstill agreement' with Tradeshift until early November 2019.

While others mandate e-invoicing. Looking outside the US

Currently, e-invoicing in the US is characterised by multiple technical standards, formats, and networks, three-corner e-invoicing models and point-to-point connections. Nevertheless, a country-side unified mandatory standard has not been reached thus far.

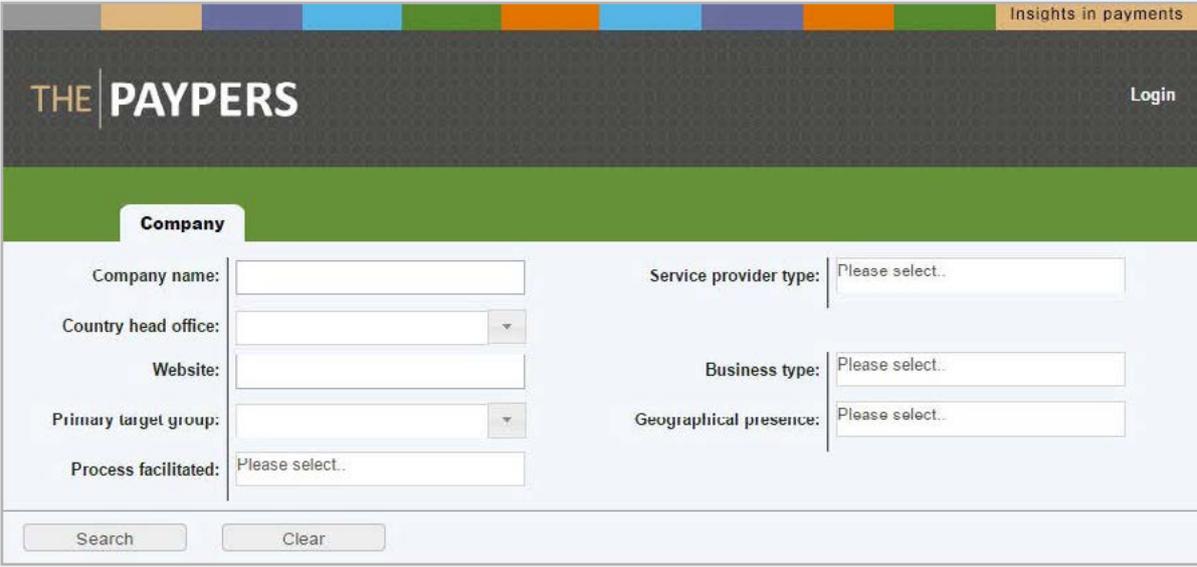
An e-invoicing memorandum was issued by the Office of Management and Budget in September 2015, where all government agencies were to transition to electronic invoicing for all federal procurements by the end of the 2018 fiscal year, yet nothing materialised itself so far. According to Basware, true change (in the US) **needs to be driven by the market**. Australia should constitute a good model in this regard, considering that, as in the US, in the land Down Under there is no government mandate for e-invoicing. A group of organisations who understand the benefits of e-invoicing have joined together with a common goal to create interoperability within their market.

As Europe is just beginning to mandate e-invoicing in countries such as Italy or Croatia, and several projects in this sense are being developed across Portugal, Poland, Sweden, or Norway, the mergers and acquisitions haven't boomed on the old continent. Meanwhile, emerging markets will always have a place on the M&A long lists, no matter the time of reference, as trade finance efforts are continuous and longstanding in this geography. To this effect, in mid-February, Nigeria-based Access Bank **has announced** merging with Diamond Bank for trade finance facilities. Access Bank officials have stated that, after the merger, the bank would attract more opportunities such as trade finance from international partners. The resulting entity, which will maintain the brand name Access Bank, but with Diamond Bank colours, will have 29 million customers, 13 million of which are mobile users.

What we should keep an eye out, though, is the North American market, that continues to announce acquisition plans in the business process automation landscape as Q2 progresses. Just at **the beginning of April**, Canada-based document automation specialist INTEGRIM has acquired AP automation solutions provider Logikia.

As the small fish get bigger and bigger, we should safely expect that there would be less fish in the sea altogether. But as nature has a way to regulate and balance itself out, the present world will never run out of small goldfish bursting with flair, a keen eye for disruptive technology, and a knack for good investments to balance out the reef.

Visit Our Enhanced Online Company Profiles Database



The screenshot shows the 'Company' search interface on the THE PAYPERS website. The header includes the logo 'THE | PAYPERS' and a 'Login' link. The search form is titled 'Company' and contains the following fields:

- Company name:
- Country head office:
- Website:
- Primary target group:
- Process facilitated:
- Service provider type:
- Business type:
- Geographical presence:

At the bottom of the form are two buttons: 'Search' and 'Clear'.

All company profiles in the B2B Payments and Fintech Guide 2019 are available online in an enhanced company profiles database, complete with keywords, company logo and advanced search functionality.

www.e-invoicing.thepayers.com



Glossary

Glossary

A

Access to Accounts (XS2A)

The term refers to access to payment accounts by third parties acting on behalf of the Payment Service User. The basic requirements are set by the European Banking Authority. They define how data from bank accounts is accessed for PSD2. It makes it mandatory for banks to set up access to bank account data via API, although there are multiple standards for APIs. This will enable consumers to log on to their bank accounts on a third-party provider's platform without exposing their bank login data to them.

Access to finance

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance and other risk management services.

Account Information Service Provider (AISP)

An authorised entity that provides aggregation services related to payment accounts such as bank accounts. PSD2 allows AISPs authorised access to bank account data through an API. AISP's can be existing banking providers or third parties.

Account Servicing Payment Service Provider (ASPSP)

The term means a Payment Service Provider (PSP) (bank or card issuer) that provides authorised access to bank account information. For PSD2 they are allowing API access to bank account data for AISPs and PISPs.

Accounts payable

Accounts payable refers to the money a business owes to others; current liabilities incurred in the normal course of business as an organisation purchases goods or services with the understanding that payment is due at a later date. Accounts payable is also the department within an organisation responsible for paying invoices on behalf of the organisation.

Accounts payable automation

Accounts payable automation represents the (semi-) automated management of accounts payable administration by automated processing of invoices. Accounts payable automation requires integration of the invoicing process with accounting software.

Accounts receivable

Accounts receivable refers to money which is owed to a company by a customer for products and services provided on credit. This is often treated as a current asset on a balance sheet. A specific sale is generally only treated as an account receivable after the customer is sent an invoice.

ACH

The paperless funds transfer system maintained by the Federal Reserve and other approved operators that utilises electronic networks to exchange funds transfer items. Also called automatic cheque handling.

ACH Network

The Automated Clearing House (ACH) Network facilitates ecommerce, by serving as an efficient, reliable and secure payments system. NACHA, led by member depository financial institutions and payments associations, fulfils this purpose by managing the development, administration, and governance of the ACH Network, and by providing superior services and value to its members as the industry association responsible for ACH payments. The ACH Network connects the originating depository financial institutions with the receiving depository financial institutions.

Advanced electronic signature (AES)

Advanced electronic signature (AES) means an electronic signature which meets the following requirements: a) it is uniquely linked to the signatory; b) it is capable of identifying the signatory; c) it is created using means that the signatory can maintain under its sole control; and d) it is linked to the data to which it relates in such a manner that any subsequent change of the data is detectable.

Alternative finance

Alternative financial services (AFS) is a term often used to describe the array of financial services offered by providers that operate outside of federally insured banks and thrifts (hereafter referred to as 'banks'). Check-cashing outlets, money transmitters, car title lenders, payday loan stores, pawn shops and rent-to-own stores are all considered AFS providers. However, many of the products and services they provide are not 'alternative'; rather, they are the same as or similar to those offered by banks. →

Glossary

AFS also sometimes refers to financial products delivered outside brick-and-mortar bank branches or storefronts through alternative channels, such as the internet, financial services kiosks and mobile phones. Online platform-based alternative financing activities include donation-, reward- and equity-based crowdfunding, peer-to-peer consumer and business lending, invoice trading, debt-based securities and others.

Anti-Money Laundering (AML)

A set of procedures, laws or regulations designed to stop the practice of generating income through illegal actions. In most cases, money launderers hide their actions through a series of steps that make it look like money coming from illegal or unethical sources was earned legitimately.

API (Application Program Interface)

A formalised set of software calls and routines that can be referenced by a software application program in order to access supporting network services.

Asset based lending (ABL)

Asset based lending (ABL) is a specialised form of secured lending whereby a company uses its current assets (accounts receivable and inventory) as collateral for a loan. The loan is structured so that the amount of credit is limited in relation to the value of the collateral. The product is differentiated from other types of lending secured by accounts receivable and inventory by the lender's use of controls over the borrower's cash receipts and disbursements and the quality of collateral rather than ownership of the receivables as in factoring.

Asset based loan

Asset based loan is a business loan in which the borrower pledges as loan collateral any assets used in the conduct of his or her business. Funds are used for business-related expenses. All asset-based loans are secured.

Automated clearing house (ACH)

Automated clearing house (ACH) is an electronic payments system (outside the card networks) for clearing and settling transactions. Funds are electronically exchanged directly to/ from participants' accounts. Frequently used by end-user organisations as the payment method by which to pay their issuer.

B

B2B ecommerce

B2B ecommerce short for business-to-business, electronic commerce, is selling products or services between businesses through the internet via an online sales portal. In general, it is used to improve efficiency for companies. Instead of processing orders manually – by telephone or e-mail – with ecommerce orders can be processed digitally.

Bank payment obligation (BPO)

Bank payment obligation (BPO) is a class of settlement solution in international supply chain finance. Bank payment obligation is an irrevocable undertaking given by an obligator bank (typically buyer's bank) to a recipient bank (usually seller's bank) to pay a specified amount on an agreed date under the condition of successful electronic matching of data according to an industry-wide set of rules adopted by International Chamber of Commerce (ICC) Banking Commission.

Blockchain

The blockchain is a public ledger of all transactions in the Bitcoin network made of all computers (nodes) participating and using the cryptocurrency protocol. A blockchain is a transaction database shared by all nodes participating in a system based on the Bitcoin protocol. A full copy of a currency's blockchain contains every transaction ever executed in the currency.

Business email compromise

Business email compromise (BEC) is a form of email fraud. Typically it involves targeting employees with access to company finances and using social engineering to trick them into making money transfers to the bank accounts of the fraudster. Often email spoofing is used to create an email pretending to be from the CEO or a trusted customer.

Business interoperability interfaces (BII)

Business interoperability interfaces on public procurement in Europe (BII) is CEN Workshop providing a basic framework for technical interoperability in pan-European electronic transactions, expressed as a set of technical specifications that in particular are compatible with UN/CEFACT. →

Glossary

Business Process Outsourcing (BPO)

Business process outsourcing (BPO) is the contracting of a specific business task, such as payroll, to a third-party service provider. Usually, BPO is implemented as a cost-saving measure for tasks that a company requires but does not depend upon to maintain its position in the marketplace.

Business-to-business (B2B)

Business-to-business is a type of commerce transaction that exists between businesses, such as those involving a manufacturer and wholesaler, or a wholesaler and a retailer. Business to business refers to a business that is conducted between companies, rather than between a company and individual consumers. This is in contrast to business to consumer (B2C) and business to government (B2G). A typical supply chain involves multiple business to business transactions, as companies purchase components and other raw materials for use in its manufacturing processes. The finished product can then be sold to individuals via business to consumer transactions.

Business-to-business payments

Business-to-business payments represent the payments that are made between businesses for various goods, services, and expenses.

Business-to-consumer (B2C)

Businesses or transactions conducted directly between a company and consumers who are the end-users of its products or services. Business-to-consumer as a business model differs significantly from the business-to-business model, which refers to commerce between two or more businesses.

Business networks

Many businesses use networking as a key factor in their marketing plan. It helps to develop a strong feeling of trust between those involved and play a big part in raising the profile and takings of a company. Suppliers and businesses can be seen as networked businesses, and will tend to source the business and their suppliers through their existing relationships and those of the companies they work closely with. Networked businesses tend to be open, random and supportive, whereas those relying on hierarchical, traditional managed approaches are closed, selective and controlling.

C

Card-not-present (CNP) transaction

Credit or debit card transactions in which the merchant does not see or touch the card. Usually conducted online or over the phone. They are considered less secure transactions, since the merchant cannot see the card. Card processors charge higher fees for card-not-present transactions to compensate for the higher fraud risk involved.

Card scheme

It is a payment network directly connected to a payment card. A payment card is a payment tool issued by the bank or the financial institution that is member of the payment network (VISA, MasterCard).

Cash flow

Cash flow represents the pattern of company income and expenditures and the resulting availability of cash.

CENBII

CENBII is an UBL-based XML format used for the OpenPEPPOL network, it currently exists in a version 1 and version 2. CENBII is meant to be used for international transfers on OpenPEPPOL, whereas domestic transfers will generally use a localised version of CENBII.

CFDI

Comprobante Fiscal Digital a través de Internet (CFDI), or Digital Tax Receipt through Internet, refers to the current mandated form of e-invoicing in Mexico. All e-invoices in Mexico are issued as CFDI as of 1 January 2014.

Clearing

The process of submitting transactions to the respective card company (Visa, Discover, AMEX or MasterCard) for interchange processing, the fourth in the seven stages of processing. This presentation of the transactions is also a request for payment in the settlement process. →

Glossary

Clearing house automated payment system (CHAPS)

The company has responsibility for the operation of an electronic transfer system for sending real-time gross settlement same-day payments for CHAPS Sterling and CHAPS Euro.

Commercial card

A commercial card is the generic, umbrella term for a variety of card types used for business-to-business (B2B) payments. Some of the cards listed as commercial are purchase cards, entertainment cards, corporate cards, travel cards and business cards.

Commercial finance

Commercial finance is a generic term for a range of asset based finance services which include factoring, invoice discounting, international factoring, reverse factoring and asset based lending facilities. There are many variations on each of these product sets (and the precise nomenclature varies from market to market) but all exist to provide working capital funding solutions to businesses.

Conversion

Conversion represents the act of automatically converting the format of an electronic invoice from the format of the sender to the format of the recipient (format conversion), or converting the encoding of content (eg different code list or units of measure), using agreed mapping processes that do not alter the information represented by the document (content conversion).

Corporate card

A corporate card is a type of commercial card used by organisations to pay for business travel and entertainment (T&E) expenses. It is also referred to as a travel card. The liability for abuse of the card typically rests with the company and not with the employee.

Corporate liability

The end-user organisation is liable for the commercial card charges; this is the case for purchasing card programs and, sometimes, corporate card programs.

Covenant

The covenant represents a promise in an indenture or any other formal debt agreement, that certain activities will or will not be carried out. Covenants in finance most often relate to terms in a financial contracting, such as loan documentation stating the limits at which the borrower can further lend or other such stipulations. Covenants are put in place by lenders to protect themselves from borrowers defaulting on their obligations due to financial actions detrimental to themselves or the business.

Cross-border payments

Cross-border payment is a term referring to transactions involving individuals, companies, banks or settlement institutions operating in at least two different countries. The countries involved do not necessarily need to share a border. For instance, a payment from the UK to Spain will be regarded as a cross-border payment, even though they are not neighbouring countries. Cross-border payments in the EU are subject to Regulation (EC) No 924/2009, which compels banks to apply the same charges to cross-border transactions as those applied to domestic (or national) transactions where these payments are in euros.

Cross-Border Inter-Bank Payments System

The Cross-Border Interbank Payment System (CIPS) is a payment system which offers clearing and settlement services for its participants in cross-border RMB payments and trade. It is a significant financial market infrastructure in China.

D

Days payable outstanding (DPO)

Days payable outstanding (DPO) is an efficiency ratio that measures the average number of days a company takes to pay its suppliers.

Days sales outstanding (DSO)

Days sales outstanding (DSO/ days receivables) is a calculation used by a company to estimate its average collection period. It is a financial ratio that illustrates how well a company's accounts receivables are being managed. →

Glossary

Debtor (buyer)

A debtor or buyer constitutes a business that has been supplied with goods or services by the client and is obliged to make payment for them. It is also referred to as the purchaser of goods or services supplied by a client whose debts have been assigned/sold to a factor.

Debtor finance

Debtor finance, also called cash flow finance, is an umbrella term used to describe a process to fund a business using its accounts receivable ledger as collateral. Generally, companies that have low working capital reserves can get into cash flow problems because invoices are paid on net 30 terms. Debtor finance solutions fund slow paying invoices, which improves the cash flow of the company. This puts it in a better position to pay operating expenses. Types of debtor financing solutions include invoice discounting, factoring, cash flow finance, asset finance, invoice finance and working capital finance.

Debt financing

Debt financing refers to when a company raises money for working capital or capital expenditures by selling bonds, bills or notes to individual and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise that the principal and interest on the debt will be repaid.

Directive of the European Commission

The Directive of the European Commission is a legal act of the European Union regarding defining a new legal framework for payments.

Distributed ledger

A distributed ledger is a consensus of data shared and synchronised geographically across multiple websites, countries, and institutions.

Dynamic discounting

Dynamic discounting represents the collection of methods in which payment terms can be established between a buyer and supplier to accelerate payment for goods or services in return for a reduced price or discount.

E

EBA Clearing

EBA Clearing is a provider of pan-European payment infrastructure wholly owned by shareholders that consist of major European banks. It owns and operates major payment infrastructure in Europe for Euro payments between banks. This includes EURO1 for high value payments system, STEP1, a payment system for single euro payments for small and medium-sized banks, and STEP2, a Pan-European Automated Clearing House (PE-ACH). It also operates the RT1 system for instant payments launched in November 2017. Both EURO1 and STEP2 have been identified as Systemically Important Payment Systems (SIPS) by the European Central Bank.

Electronic invoice (e-invoice)

An e-invoice is an electronic invoice that contains the information required by Council Directive 2010/45/EU and which has been issued and received in any electronic format. It contains more than just an image of an invoice. An e-invoice also contains data in a format that computers can understand. This means that an e-mail with a PDF file attached is not an e-invoice.

E-invoice address

E-invoice address is the ID used to send or receive an e-invoice. The type of ID used differs depending on the country and the format in use. Typical IDs include GLN, DUNS, VAT-ID, IBAN, and OVT. A sender must know a recipient's e-invoice address in order to send an e-invoice. The message is routed to the recipient by any operator along the way using the e-invoice address.

E-invoicing service provider

It is a provider that, on the basis of an agreement, performs certain e-invoicing processes on behalf of a trading partner, or that is active in the provision of support services necessary to realise such processes. To determine whether an IT vendor is a service provider, the following circumstances should be taken into account: a) That the contract with the trading partner(s) leads the latter to expect a VAT-compliant service. b) The nature of the service is such that VAT compliance is appropriate. c) The provider is insured against service related risks to his clients' tax compliance. →

Glossary

Trading partners can use multiple e-invoicing service providers; see 3-Corner Model and 4-Corner Model definitions. An e-invoicing service provider can subcontract all of parts of its services to other providers; such subcontractors can also be e-invoicing service providers if they meet the criteria set out in this definition.

Early payment discount

An early payment discount is offered by some companies to motivate credit customers to pay sooner. The early payment discount is also referred to as a prompt payment discount or cash discount. The seller often refers to the early payment discount as a sales discount, while the buyer may refer to the early payment discount as a purchases discount.

Electronic data interchange (EDI)

Electronic data interchange (EDI) constitutes the electronic communication of business transactions such as orders, confirmations, and invoices between organisations. Third-parties provide EDI services that enable organisations with different equipment to connect. Although interactive access may be a part of it, EDI implies direct computer-to-computer transactions into vendors' databases and ordering systems.

Electronic funds transfer (EFT)

Electronic funds transfer (EFT) represents the moving of funds between different accounts in the same or different banks, through the use of wire transfer, automatic teller machines (ATMs) or computers, but without the use of paper documents.

Electronic invoice life cycle

A process comprising: a) the issue of the electronic invoice by, or in name and on behalf of the supplier; b) receipt of the invoice by or on behalf of the buyer; and c) storage of the electronic invoice during the storage period by or on behalf the supplier and the buyer.

Electronic invoice presentment and payment (EIPP)

Electronic invoice presentment and payment has originated in the B2B world and describes the process through which companies present invoices and organise payments through the internet.

Electronic invoicing

Electronic invoicing is the exchange of the invoice document between a supplier and a buyer in an integrated electronic format. Traditionally, invoicing, like any heavily paper-based process, is manually intensive and is prone to human error resulting in increased costs and processing lifecycles for companies.

Electronic payables

A form of electronic payment, using the card infrastructure, managed centrally within an organisation, typically by accounts payable (AP). Also known as electronic accounts payable (EAP), automated payables, e-payables, push payments, straight through payments (STP), buyer initiated payments (BIP), single use accounts and electronic invoice presentment and payment (EIPP). Each provider has a proprietary name for its particular solution; functionality and processes vary for each.

Electronic procurement

Electronic procurement represents the use of the internet or a company's intranet to procure goods and services used in the conduct of business. An e-procurement system can streamline all aspects of the purchasing process while applying tighter controls over spending and product preferences.

Enterprise resource planning (ERP)

Enterprise resource planning (ERP) is an integrated information system that serves all departments within an enterprise. Evolving out of the manufacturing industry, ERP implies the use of packaged software rather than proprietary software written by or for one customer. ERP modules may be able to interface with an organisation's own software with varying degrees of effort, and, depending on the software, ERP modules may be alterable via the vendor's proprietary tools as well as proprietary or standard programming languages.

Escrow

Escrow is a financial instrument held by a third-party on behalf of the other two parties in a transaction. The funds are held by the escrow service until it receives the appropriate written or oral instructions or until obligations have been fulfilled. Securities, funds and other assets can be held in escrow. →

Glossary

European Banking Authority

It is a regulatory agency of the European Union headquartered in the UK. It concerns itself primarily with banking regulation, but has a mandate to develop technical standards for the security of internet payments.

F

Factor

The factor is a financial entity providing factoring facilities.

Factoring

Factoring is an agreement between a business (assignor) and a financial entity (factor) in which the assignor assigns/sells its receivables to the factor and the factor provides the assignor with a combination of one or more of the following services with regard to the receivables assigned: advance of a percentage of the amount of receivables assigned, receivables management, collection and credit protection. Usually, the factor administers the assignor's sales ledger and collects the receivables in its own name. The assignment can be disclosed to the debtor.

Faster Payments

A UK banking initiative to reduce payment times between different banks' customer accounts from three working days using the long-established BACS system, to typically a few hours. Many other countries are now adopting a similar model.

Fintech (Financial technology)

An economic branch where companies develop technologies in order to improve the financial system.

Fleet Card

A fleet card is a specialised commercial card used to capture fleet-related expenses (eg, fuel, vehicle maintenance, repair, and service).

Four-party payment system

The four-party payment system is a card payment system involving the end-user and issuer on one side, and the merchant and acquirer on the other — all of whom are linked by the network; includes the Visa and MasterCard models.

G

GDPR

The General Data Protection Regulation (GDPR) is a regulation that targets all individuals within the European Union. It addresses the export of personal data outside the EU. Focuses primarily to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business.

Global process owner (GPO)

A global process owner is a professional who has (or should have) complete ownership of an end-to-end process globally. This means that once the correct process has been established there should be no process deviation, unless approved by the global process owner. A global process owner has final approval of the adoption of any technology affecting the given process.

I

Instant payments

According to the European Retail Payments Board (ERPB), instant payments are 'electronic retail payment solutions available 24/7/365 and resulting in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee's account with confirmation to the payer (within seconds of payment initiation). This is irrespective of the underlying payment instrument used (credit transfer, direct debit or payment card) and of the underlying arrangements for clearing (whether bilateral interbank clearing or clearing via infrastructures) and settlement (eg with guarantees or in real time) that make this possible.'

Interchange fee

When a customer pays for a purchase in a store using a credit or debit card, the bank that serves the store (the 'acquiring bank') pays a fee to the bank that issued the payment card to the consumer (the 'issuing bank'). A so-called 'interchange fee' is then deducted from the final amount that the store merchant receives from the acquiring bank for the transaction. Today, only competition rules limit the fees set by banks and payment card schemes, which are hidden from the consumer and neither retailers nor consumers can influence. →

Glossary

Interchange Fee Regulation (IFR)

The IFR is European Union (EU) legislation that took effect on 8 June 2015 and brought major changes to the way UK card schemes (such as Visa and Mastercard) operate, most notably by introducing a cap on certain interchange fees applicable to payment cards.

Interoperability

A situation in which payment instruments belonging to a given scheme may be used in other countries and in systems installed by other schemes. Interoperability requires technical compatibility between systems, but can only take effect where commercial agreements have been concluded between the schemes concerned.

Invoice

An invoice is an itemised bill for goods sold or services provided, containing details such as individual prices, the total charge and payment terms.

Invoice discounting

Invoice discounting is a form of short-term borrowing often used to improve a company's working capital and cash flow position. Invoice discounting allows a business to draw money against its sales invoices before the customer has actually paid.

Invoice finance

See Debtor finance.

Invoice tracking

Invoice tracking represents the process of collecting and managing data and information about an Invoice Item and its various traits and/or states as it is followed or tracked throughout different phases of its life cycle (lifecycle).

ISO 20022

It is a single standardisation approach (methodology, process, repository) to be used by all financial standards initiatives.

K

Know Your Customer (KYC)

The term refers to due diligence activities that financial institutions and other regulated companies must perform to ascertain relevant information from their clients for the purpose of doing business with them. Know your customer policies are becoming increasingly important globally to prevent identity theft, financial fraud, money laundering and terrorist financing.

L

Level I data

It refers to standard transaction data including date, supplier and total purchase amount. Also written as 'level 1' data.

Level II data

It represents the enhanced transaction data including Level I data plus a customer-defined reference number, such as a purchase order number, and separate sales tax amount. Also written as 'level 2' data.

Level III data

It constitutes the detailed transaction data including Level II data plus line-item detail, such as the item purchased. Sometimes referred to as simply 'line-item detail.' Also written as 'level 3' data.

Line-item detail

It is a transaction data reflecting what was purchased. See also Level III data.

M

Money laundering

The process of concealing the source of money obtained by illicit means. The methods by which money may be laundered are varied and can range in sophistication. Many regulatory and governmental authorities estimate each year for the amount of money laundered, either worldwide or within their national economy. →

Glossary

Multi-factor authentication

Multi-factor authentication (MFA) is an authentication method in which a computer user is granted access only after successfully presenting two or more pieces of evidence (or factors) to an authentication mechanism: knowledge (something the user and only the user knows), possession (something the user and only the user has), and inherence (something the user and only the user is).

N

Network provider

A network provider is a service provider that connects directly to both the supplier and the buyer. The supplier or buyer is required to make only one connection to the network provider, enabling them to connect to multiple buyers and/or suppliers. With an e-invoicing network, there is no requirement to interoperate as the connection is independent of data format and a global network enables the flow of data cross-border.

O

Open API

An open API, sometimes referred to as a public API, is an application program interface that provides a developer with programmatic access to a proprietary software application.

Open banking

Is a new financial term seeking to use open source technologies to enable third-party developers to build financial applications and related services that could change the way people bank. Banking data will be available in real-time for use in third-party. In the UK, the Open Banking Working Group (OBWG) established in 2015 came up with the Open Banking Standard that provides a new set of models that act as a guide for how open banking data should be created, shared and used.

One card

One card is a type of hybrid card in which a single card is issued to an employee for more than one category of expenses (eg, goods/services and travel expenses), eliminating the need to carry two separate cards.

One card plus fleet

A single card used for purchasing, travel and fleet-related expenses (fuel, vehicle maintenance, others). It combines the functionality of a P Card, corporate card, and fleet card.

OpenPEPPOL

OpenPEPPOL is an open point-to-point network of sending/receiving web services to cover all of Europe, it is currently primarily in use in Finland, the Netherlands, Norway, and Sweden. CENBII v1 is the base format, but domestic transfers might use a localised version.

Order-to-cash

Order-to-cash, also known as OTC or O2C, is the end-to-end process by which companies receive an order from a customer, deliver the goods or services, raise the invoice for the transaction to send to the customer and receive the payment from the customer's bank account. Increasingly, the OTC process (which is part sales and part accounts receivable) is being managed as an end-to-end process. See also Accounts Receivable.

P

PAC

PAC stands for Authorised Provider of Certified Tax Receipts via Internet. Authorisation as a PAC is issued by SAT after an entity proves the technical and legal requirements to ensure the safety, capacity and infrastructure of the provider in delivering services to the taxpayer.

Peer-to-peer (P2P) lending

A method of debt financing that enables individuals to borrow and lend money – without the use of an official financial institution as an intermediary. Peer-to-peer lending removes the middleman from the process, but it also involves more time, effort and risk than the general brick-and-mortar lending scenarios. →

Glossary

PO flipping

Purchase order (PO) flipping happens when a supplier receives a purchase order from its customer through a supplier portal, and, at the time of raising an invoice, converts the data provided in the purchase order into the data on the invoice. The benefit of this process is that, by the time the invoice has been received by the customer, the matching of the invoice with the purchase order information will be perfect. PO flipping is however only appropriate for the type of supplier that uses a supplier portal to create invoices, typically a lower volume supplier. See also Supplier portals.

Procurement

Procurement is the process of obtaining or acquiring goods and services. It also represents the department within an organisation that is usually responsible for the development of requests for proposals (RFPs), proposal analysis, supplier market research, negotiations, buying activities, contract administration, inventory control, etc. Also referred to as purchasing, sourcing or similar term.

Procure-to-pay (P2P) process

The steps the employees of an end-user organisation follow to make a purchase and the associated payment. An organisation typically has different P2P processes for different types of purchases/payments; a P-Card P2P process is usually the most streamlined. Also referred to as purchase-to-pay or source-to-settle process.

PSD2

On 24th July 2013, the European Commission adopted a proposal for a revised Directive 2007/64/EC on Payment Services ('the PSD2'). The main high-level objectives of the revision are to promote better integration, more innovation and more competition in the market for payment services within the EU.

Purchase order (PO)

A purchase order is a written authorisation for a supplier to deliver products and/or services at a specified price according to specified terms and conditions, becoming a legally binding agreement upon supplier acceptance.

Purchase-to-pay process

See Procure-to-pay (P2P) process.

Purchasing card (P-Card)

A purchasing card is a type of commercial card used by organisations to pay for business-related goods and services; the end-user organisation must pay its issuer in full each month for the total of all P-Card transactions. Also called a procurement card (ProCard) and purchase card.

R

RTGS

Real-time gross settlement systems are specialist funds transfer systems where the transfer of money or securities takes place from one bank to another on a 'real time' and on a 'gross' basis.

Settlement in 'real time' means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed. 'Gross settlement' means the transaction is settled on an one-to-one basis without bundling or netting with any other transaction. 'Settlement' means that once processed, payments are final and irrevocable.

Rebate

It refers to money paid by an issuer to its customer (an end-user organisation) in conjunction with the end user's commercial card usage; the rebate amount is based on various criteria, as defined within the contract terms between issuer and end-user. Also sometimes called revenue share.

Receivables

Receivables represent an asset designation applicable to all debts, unsettled transactions or other monetary obligations owed to a company by its debtors or customers. Receivables are recorded by a company's accountants and reported on the balance sheet, and they include all debts owed to the company, even if the debts are not currently due.

Receivable finance

Receivable finance allows suppliers to finance their receivables relating to one or many buyers and to receive early payment, usually at a discount on the value. →

Glossary

Reconciliation

This is the matching of orders done by (internet) shoppers with incoming payments. Only after a successful reconciliation, the merchant will start the delivery process. The extent to which payment service providers carry out reconciliation and the way in which they do so (sending an e-mail, providing files) may vary.

Reverse factoring

Reverse factoring is an arrangement made between large buying organisations and banks with the intention to finance suppliers and provide a lower buying price to the buyer. Like 'factoring', there are three parties involved – the buyer, supplier and the factoring company (in this case, typically a bank). The bank takes on the responsibility to pay the supplier's invoice early for a discounted price. The buyer then settles with the bank, according to the terms of the original invoice. The supplier has offered or agreed to a discount based on early payment, and this discount is shared between the bank and the buyer.

S

Sales tax (VAT)

Referred to as value added tax in the UK or sales tax in the US, this form of indirect tax is applied to almost all business transactions. It is the company's responsibility to add the tax amount to its sales transactions and pay the tax on purchase transactions. At the end of each period (each quarter) it is the company's responsibility to net off the charged tax on the sales invoices and the paid tax on the purchase invoices, and, if there is a positive balance, to pay this to the government. Increasingly, the management of VAT is moving into the shared services organisation, as this is where purchase and sales invoices are processed.

SEPA

The Single Euro Payments Area (SEPA) is a payment-integration initiative of the European Union for simplification of bank transfers denominated in euro. As of 2018, SEPA consists of the 28 member states of the European Union, as well as the four member states of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland), and Andorra, Monaco, San Marino, and Vatican City.

SEPA Direct Debit

SEPA Direct Debit is a Europe-wide Direct Debit system that allows merchants to collect Euro-denominated payments from accounts in the 34 SEPA countries and associated territories.

Settlement

Settlement is the process by which merchant and cardholder banks exchange financial data and value resulting from sales transactions, cash disbursements, and merchandise credits.

Shared services

Shared services refer to a business model which is largely applied by mid-tier or enterprise-sized companies. It is larger companies who typically adopt shared services because scale is one key element of the model. The intention of shared services is to run operations more efficiently and more cost-effectively. Using the finance function as an example, shared services work in the following ways. Firstly, it is the centralisation of a finance activity, the consolidation of systems that activity runs off, the standardisation of the processes that support that activity, and the automation (and continuous improvement) of that activity's processes. Secondly, it is the running of this centralised, consolidated activity as a 'business within a business,' which means the shared services organisation will often have its own profit and loss account (P&L), will treat the rest of the business as its customer, will hire and develop service oriented staff, will possibly have service level agreements (SLAs) with its customers, and will charge for its services. When a company centralises a function, it is not quite accurate to call it shared services. Centralisation is just one aspect of shared services.

SOAP (Finvoice)

Transmission frame (SOAP) specifies the sender, recipient and service provider data. The service provider routes the message to its recipient on the basis of frame data. File may include several Finvoice messages. Each message must include a transmission frame (SOAP).

SOAP (generic)

Simple object access protocol (SOAP) is a web service protocol or message framework for transferring XML-based messages between web services. BT does not support UBL directly, but it is able to identify and handle an UBL message wrapped in a SOAPEnvelope. →

Glossary

Software-as-a-Service (SaaS)

SaaS is a cost-effective way for companies to 'rent' software without the burden of installation and maintenance, because it is supplied, hosted (via the internet) and maintained by an external vendor.

Source-to-settle process

See Procure-to-pay (P2P) process.

Small and medium-sized enterprises (SMEs)

SMEs are organisations which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Split liability

Liability for commercial card charges is split between the cardholder and end-user organisation, based on merchant category codes; for example, the cardholder might be liable for travel and entertainment (T&E) expenses, while the organisation is liable for the other transactions.

Straight-through payment (STP)

Straight-through payment (STP) is a specific version of electronic payables; an end-user organisation receives and approves a supplier invoice, then initiates payment to the supplier through its issuer. The supplier does not need to process a card transaction, as payment is made directly through its merchant account.

Supplier

The supplier represents a merchant/vendor with whom the organisation does business.

Supplier finance

Supplier finance is a set of solutions that optimises cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their large and SME suppliers to get paid early. See also Supply chain finance, Reverse factoring.

Supplier onboarding

This refers to getting a supplier set up on a particular program, such as purchase-cards, dynamic discounting or electronic invoicing. Supplier onboarding involves both the communications concerning the process change and the supplier's role within it and the technical set-up of the program.

Supplier portal

A supplier portal is the front end of the e-invoicing or e-procurement platform which enrolled suppliers connect to via the internet. Here, suppliers can accept purchase orders, change profile information such as bank details and addresses, flip purchase orders (see PO flipping) and raise invoices. Supplier portals are generally used by low volume suppliers, as the supplier will have to re-key the data into its own billing system. One significant benefit for a supplier using a supplier portal is that it gets full visibility of the invoice process, namely when the invoice will be paid.

Supply chain finance (SCF)

The use of financial instruments, practices, and technologies to optimise the management of the working capital and liquidity tied up in supply chain processes for collaborating business partners. SCF is largely 'event-driven.' Each intervention (finance, risk mitigation or payment) in the financial supply chain is driven by an event in the physical supply chain. The development of advanced technologies to track and control events in the physical supply chain creates opportunities to automate the initiation of SCF interventions.

Supply chain payments

Supply chain payments optimise cash flow by allowing businesses to lengthen their payment terms to their suppliers, while also providing an alternative option to their suppliers to get paid early.

T

TARGET Instant Payment Settlement (TIPS)

TIPS is a service for instant payment settlement across Europe in central bank money. →

Glossary

Trade finance

Trade finance signifies financing for trade, and it concerns both domestic and international trade transactions. Trade finance includes such activities as lending, issuing letters of credit, factoring, export credit and insurance. Companies involved with trade finance include importers and exporters, banks and financiers, insurers and export credit agencies, as well as other service providers.

Treasury

Treasury is defined as the funds of a group, institution or government, or to the department responsible for budgeting and spending. Another definition refers to treasury as being the department of a government in charge of the collection, management, and expenditure of the public revenue.

Three-party payment system

The three-party payment system is a card payment system involving the end-user on one side and the merchant on the other—linked by the network, which also fulfils the role of issuer and acquirer; includes the American Express and Discover models.

Two-factor/two-step authentication

Two-step verification or two-step authentication is a method of confirming a user's claimed identity by utilising something they know (password) and a second factor other than something they have or something they are. An example of a second step is the user repeating back something that was sent to them through an out-of-band mechanism. Or, the second step might be a six digit number generated by an app that is common to the user and the authentication system.

U

UBL

Universal Business Language (UBL), is an XML-based format with corresponding business processes created by OASIS, it amongst others contains scenarios for sourcing, ordering, and billing. Many newer formats (EHF, CENBII and OIOUBL) are localisations of UBL 2.0.

Underwriting

In B2B payments, underwriting represents the department within an acquirer/processor organisation that evaluates the financial stability and risk of a potential merchant customer.

V

Validation

E-invoice XML-data is validated usually against schema which means that the structure and content of the data is checked. Failed validation means that the invoice is going to be rejected by the receiving operator which then sends negative acknowledgement to sending operator which forwards the acknowledgement to sender.

Value added

The enhancement a company gives its product or service before offering the product to customers. Value added is used to describe instances where a firm takes a product that may be considered a homogeneous product, with few differences (if any) from that of a competitor and provides potential customers with a feature or add-on that gives it a greater sense of value.

Virtual IBAN

A virtual IBAN is an IBAN (International Bank Account Number) reference issued by a bank to allow incoming payments to be rerouted to a different, physical bank account. Virtual IBAN accounts can be used to send and receive payments worldwide, allowing businesses to extend their value chain to provide settlement services to its global customers. From the customer's point of view, a virtual IBAN works in exactly the same way as a regular IBAN account – once they make a payment, their funds will end up in the physical bank account linked to the virtual IBAN.

W

Working capital

Working capital represents the cash and other liquid assets needed to finance the everyday running of a business such as the payment of salaries and then purchase of raw materials.

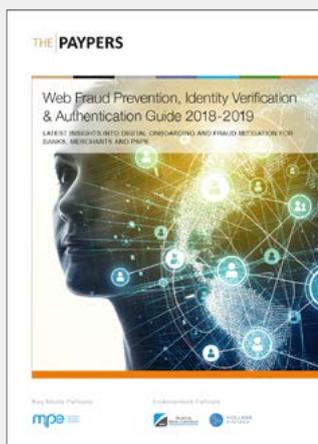
X

XML

The Extensible Markup Language (XML) is a flexible markup language for structured electronic documents. XML is based on SGML (standard generalised markup language), an international standard for electronic documents. XML is commonly used by data-exchange services to send information between otherwise incompatible systems.

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