Bottomline

2024 Business Payments Outlook

2024 Business Payments Outlook

Contents:

"The pace of change in the payments industry is impressive, and there's nothing to suggest that it will slow down in 2024." That quote from Swift's **Francois Maigre** sets up the 2024 Business Payments Outlook nicely. To prepare this year's Outlook, we asked Francois, Visa's **Alan Koenigsberg,** Corporate Treasury 101's **Guillaume Jovencel,** Zander's **Mark Sutton**, Lipis Advisors' **Leo Lipis**, ACT's **Naresh Aggarwal**, AFP's **Tom Hunt**, and IOFM's **Mark Brousseau** to share their expectations of the year ahead.

The resulting collection of observations covers everything from the future of accounts payable, to the direction of cross-border and real-time payments and the role of financial messaging therein. And, as corporate treasury functions reach new levels of sophistication, our colleagues from across the ecosystem look at the ongoing role of automation and digitization and the increasing roles of artificial intelligence (AI) and embedded finance to support working capital optimization.

To the collection, we've added the observations of our own business payments experts through a series of interviews on **The Payments Podcast**. **Kevin Pettet** thinks beyond the basics in business digital banking to banks' quest to achieve primacy across multibank relationships. **Colin Swain** and **Jeff Feuerstein** discuss the importance of cash flow management and the AI factor across global corporate payments. **Frederic Viard** and **Edward Ireland** talk about the regulatory landscape that will shape how the world's banks talk with each other and their customers. **Ruud Grotens** warns us to be vigilant about the reality of mitigating insider threats as the business payments landscape evolves. **Kellie White** observes the ever-present role of user experience across the universe of business payments, as our expectations as businesspeople align with our sensibilities as consumers.

We hope you enjoy the collection, add your own insights and discover what challenges and opportunities exist for us all this year in the one big world of global business payments.

Visa’s Koenigsberg sees five emerging B2B payment trends defining 2024

The Senior Vice President and Global Head of Large, Middle Market, Treasury and Working Capital Solutions at Visa, took note of the rapid pace of acceleration in digital payments across the commercial industry

Alan Koenigsberg
Visa

Alan Koenigsberg focuses on developing leading edge solutions/ventures for Enterprise and Mid-Market clients. Previously, Alan led all aspects of the commercialization of Visa B2B Connect, a unique multilateral cross-border B2B payments network, as well as opening new payment business opportunities for corporate treasury services in the business-to-business space worldwide.

For Visa, our issuers and their corporate clients, tracking the future of payments and laying the groundwork comes down to just a few areas of focus. I call them the “big five,” and with these as a roadmap, companies can seek to proactively change their business models and meet customers where they want to be met.

We believe that innovation can serve all types of businesses, whether small, mid-market or enterprise-class operations, and Visa, alongside its network of partners/providers, are creating a level playing field for customers.

The commercial payments space sometimes becomes an occasion for spirited debate, and in many ways the controls and processes can be more complicated than consumer payments. But debate aside, it’s all about paying and getting paid. Next year will be a time to be proactive and find a way to simplify complex processes. What we want to do at Visa is help financial institutions deliver solutions that provide value for their customers.

Automation and digitization:

Automation and digitization are getting a tailwind from cloud computing and fostering a “quantum” leap that makes innovation cycles move faster and faster, but I don’t think rapid acceleration can boiled down to speed and speed alone. Automation and digitization often mean the redesigning of a company’s payment processes, and there’s plenty of that to go around because there are several friction points in the basics of AP and AR that can be made smoother by automated processes. For example, AP automation allows you to control spending, optimize cash flow and pay suppliers. That goes beyond speed and efficiency.

Cutting down on manual tasks and paper-based processes also helps cement a bridge for executives to cross as they move from the ways in which things always were done to the ways in which they might be done, taking full advantage of new opportunities. The most significant challenge to automation when it comes to B2B is the fact that there are so many solutions providers out there, while there remains a lack of standards across the industry.

Artificial intelligence:

At Visa, we’ve been utilizing AI in some form for over 30 years now, even back when only science magazines were covering it. Now, you can’t pick up the Financial Times without reading about some kind of government intervention or new commercial use. We’ve long been predicting behaviors and running risk models, and we’re proud to have taken those very early steps.

In early November, we launched a new AI Advisory Practice offered by **Visa Consulting & Analytics** (VCA), our payments consulting arm, which focuses on providing actionable insights and recommendations to unlock the potential of AI. For example, accounts payable managers with generative AI running in the background, reading emails and invoices, can help automate payments flows. That level of automation can wind up bringing mass efficiencies to supply chains, rendering them healthier than ever.

Embedded finance:

Embedded finance has been out there in the consumer realm for quite some time. For example, just having the primary account number being integrated into e-commerce payments is a form of embedded finance validating an account number via an algorithm. Now it’s getting more sophisticated, and the acceleration is taking financial products and putting them into non-financial platforms, which banks should like because it gives them another touchpoint with their customers. The advancements in APIs and open banking provide amazing opportunities to meet the customer wherever they are.

Embedded finance is no longer solely about payments; it’s about

Continue

> **“Sometimes we forget the human element to the payments business. We innovate, we change. The most important thing in cross-border payments is that we meet our clients and our client’s customers where they are on their journey. ”**

loans and a range of banking choices that create opportunities to digitize B2B payment flows and allow financial institutions to be able to distribute more of their solutions to their own enterprise customers.

Demand for working capital:

To me, the demand for working capital is arguably the most important trend to follow in the commercial banking space next year. In fact, back in September, we launched Visa’s industry-first **Working Capital Index**, where global money movement appeared in the working capital dialogue as an important, opaque pain point for companies of all sizes.

We have a whole generation of bankers and treasurers and other financial leaders who don’t know a world with high interest rates. In the current environment, executives are now grappling with these higher interest rates, where the cost of capital is also more expensive — and managing working capital is a critical, day-to-day endeavor. The economics between buyer and supplier must be balanced.

When we line up an ACH and a wire and a card transaction, or a digital transaction for a payment, there’s a bit of a false narrative between which is a working capital tool and what’s simply a blunt instrument to move something from one ledger to another.

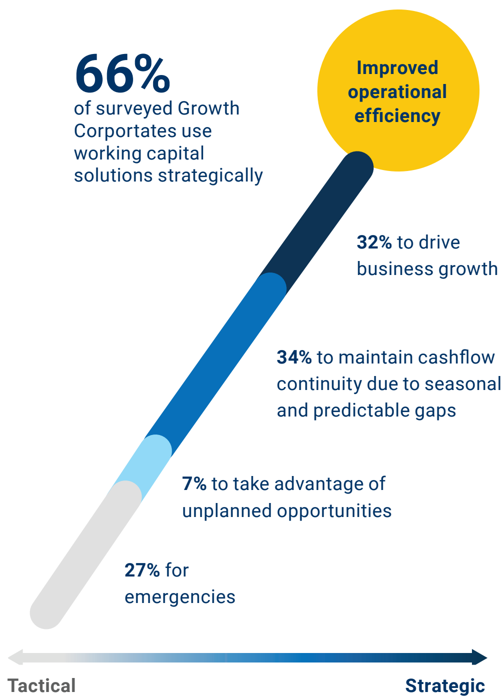
Virtual cards operate as a way to leverage several weeks to satisfy the payables outstanding. For the supplier, the benefit of card acceptance lies in being paid faster, and the benefit to all parties involved in the transaction lies in balanced economics. Acceptance is not a product; acceptance is an enabler.

Global money movement:

Businesses need fast, transparent and internationally available fund flows to increase supply chain resilience. I think we will realize that we’ve created artificial silos around cross-border payments. It’s part of the evolution of this business. Look at SWIFT – it started as a telecommunications platform and now it has grown into something much more sophisticated. They do a great job, but it’s still a unilateral platform that incorporates correspondent banking.

What we created with **Visa B2B Connect,** which continues to innovate and grow, is a platform based on multilateralism. It’s designed to enable businesses to make cross-border payments directly from their bank to the beneficiary’s bank, for what we think is a more streamlined, transparent, and secure way to make high-value international B2B payments.

Sometimes we forget the human element to the payments business. We innovate, we change. The most important thing in cross-border payments is that we meet our clients and our client’s customers where they are on their journey. It’s our job to make that journey as efficient, timely and secure as possible. ■



Source: Visa

Corporate treasury reaches new levels of sophistication

AI takes unpredictable route to treasury for 2024

Billed as a "go to" source for treasury knowledge, **Corporate Treasury 101,** was conceived and brought to life by Guillaume Jouvencel and Hussam Ali. This piece was authored by Jouvencel, whose journey into the world of corporate treasury began at Société Générale Corporate and Investment Banking, where he served as a Cash Management Analyst. His stint at Societe Generale laid the groundwork for his subsequent tenure at PwC as a Senior Treasury Consultant and led to his current role at CT 101.

Guillaume Jouvence
CT 101

Now that the ChatGPT hype has largely subsided, will AI actually prove suitable for treasury operations? We don't believe that treasury departments are going to be the first in companies to adopt AI chatbots and build futuristic virtual assistants.

Treasurers are just simply too risk averse, as they should be. We do believe that AI will still penetrate the treasury department but it will embed into existing tools in treasury departments. Multiple companies and third-party providers are utilizing AI to enhance treasury functions and improve their services. We already see this in areas such as cash flow forecasting where AI models are outperforming rule-based ones. We expect AI to assume a more significant role in 2024, with major banks and system vendors incorporating AI into their offerings, either by developing in-house solutions or through acquisitions.

Fintech enables sophisticated treasury operations in SMBs

As we look into the future of Treasury Management in 2024, one trend seems particularly promising: the democratization of advanced treasury functions for small and medium-sized businesses through fintech innovation. Traditionally, the integration of sophisticated Treasury Management Systems (TMS) has been a complex, costly endeavor, dominated by cumbersome implementations and a one-size-fits-all approach. This often left SMEs grappling with systems that were either too broad in scope or too rigid for their specific needs. By consequence, Excel spreadsheets rule their treasury management.

The fintech revolution is turning this old paradigm on its head. With the rise of agile fintech startups and innovative financial services companies, the treasury system landscape is experiencing an influx of highly specialized solutions. These solutions are tailored to address specific solutions, meaning you don't need to implement a full TMS to get cash flow management automation. Fintechs are developing streamlined tools which cut the bloat and complexity of traditional TMS's. Instead, they offer lightweight, modular applications that can be easily integrated and customized.

For a small to medium sized businesses, this means the ability to selectively adopt tools that align with their business processes and scale with their growth. Be it cash flow forecasting, liquidity management, or digital payments, there is now a specialized fintech solution available that can be deployed rapidly and without the need for extensive IT resources. This empowers SMBs to leverage cutting-edge treasury functions that were once the exclusive domain of larger corporations, thus elevating their financial strategy and operational efficiency.

Where is the cash? The rise of money market funds

In the evolving landscape of treasury management for 2024, our third prediction centers on the ever-critical question: "Where is the cash?" In an environment where interest rates are anticipated to remain elevated, the focus on cash allocation and return on investment (ROI) intensifies. Treasurers are challenged with the dual mandate of maximizing returns while simultaneously ensuring capital safety and liquidity. This delicate balance is where Money Market Funds (MMFs) shine as the quintessential tool for treasurers.

MMFs are designed to offer a secure place for short-term investments, typically delivering returns that outpace those of traditional savings accounts, especially in a high-interest-rate environment. As rates continue to hold steady or even rise, the appeal of MMFs grows. They offer the ideal solution for treasurers looking to optimize their cash reserves; MMFs not only provide competitive yields but also maintain the high level of liquidity that businesses require for operational and strategic flexibility.

In 2024, we foresee a significant uptick in the adoption of MMFs as treasurers increasingly recognize their value in protecting capital while still earning a return that can keep pace with or exceed inflation.

The utilization of these funds is set to accelerate, as treasurers seek to navigate the complexities of a high-rate economy. This will enable organizations to maintain liquid, safe, and productive cash positions, ensuring that their liquidity reserves are working as efficiently as possible within the confines of their risk tolerance and investment policies. ■

The new global language of payments is ISO 20022

Real-time payments and cross-border efficiency are making the messaging format mission critical for banking and treasury functions

As senior manager at global consultancy Zanders, Mark Sutton is on the front line of treasury management and corporate finance in the UK and EU. He's had that perspective for more than a decade, notching a previous 10-year stint at Citi's EMEA and then Singapore offices. He has seen treasury and other senior finance functions undergo intense change during that time, most of it driven by digital transformation and advances in data analytics.

Mark Sutton
Zanders

We are now witnessing an increasing momentum around the digital transformation within the payments ecosystem and there are a number of contributing factors. Firstly, driven by the increasing convergence and integration between e-commerce and mobile technology, consumer expectation is now around payment choice, frictionless, fast and secure buying experiences. The regulators are also increasing the pressure on market infrastructures to strengthen the current platforms, improving the use of structured data to help with both compliance and the requirement to fight financial crime. Governments have an increasing focus on financial inclusion, increasing competition to drive further innovation and reduce the use of cash.

Whilst other factors exist, we are now seeing the acceleration of digital payments across its various forms, which is at the centre of this broader development of the digital economy.

Current payment trends highlight continued growth around the use of digital wallets. The increasing focus on real time feeds into the greater adoption of instant payments, complemented by the rise of open banking schemes around the world. However, the key payment trend this article will focus on is the growing payments ecosystem foundation which is based on the adoption of ISO 20022 – the global financial messaging standard and the new language of payments.

Why is this an important trend in 2024?

At the industry level, there has been a much greater focus on cross-border payments since G20 leaders endorsed the Roadmap for Enhancing Cross-border Payments in 2020. The G20 made enhancing cross-border payments a priority – specifically making cross-border payments, including remittances, faster, cheaper, more transparent and inclusive, while maintaining their safety and security. The Swift migration to the ISO 20022 XML (MT-MX) standard, initially in the cash management space, aims to deliver on one of the key building blocks identified by the Committee on Payments and Market Infrastructures (CPMI) in July 20202. Better quality data will improve the overall efficiency, speed and compliance of payments. But this goes beyond the Swift industry migration. Swift currently estimates that by 2025, 80% of the Real-time Gross Settlement (RTGS) volumes will be ISO 20022-based with all reserve currencies either live or having declared a live date, which further reinforces the view, ISO 20022 is becoming the global language of payments.

What are the benefits to the corporate community that will provide the motivation for engagement?

This is all about the opportunity that this global financial industry initiative presents to redefine the best-in-class cash management operating model. At a high level, the benefits of ISO 20022 XML financial messaging can be boiled down to the richness of data that can be supported through the ISO 20022 XML messages. You have a very rich data structure, so each data point should have its own unique XML field. This covers not only more information around the actual payment remittance details, but also improved compliance through the ability to support more structured and standardised regulatory information. It also provides a more elegant way of providing information around on-behalf-of transactions in addition to supporting local language requirements.

This rich and structured data has the potential to help all stakeholders in terms of compliance, automation, reconciliation and overall improved visibility. From a treasury lens perspective, receiving more structured data around receivables flows, primarily around invoice information, provides the opportunity to accelerate the cash application process, which then reduces the Days Sales Outstanding (DSO) – a key treasury working capital metric. So more structured and overall richer data will help remove the current friction in the account receivables process, enabling greater operational and financial efficiencies.

Another important benefit to corporate treasury is greater straight through processing (STP). Regulators are now demanding increased transparency, compliance and security, so better quality structured data in payments will deliver significant benefits to all stakeholders in the payments ecosystem. As the payment message will be structured and standardised, it will reduce the risk of payment delays due to false positives in addition to reducing costly manual repairs from the banking community.

In summary

Whilst large parts of the global payments ecosystem continue the migration to an ISO 20022 operating model throughout 2024 and beyond, we also anticipate the corporate community will start to increase the dialogue around the adoption of ISO 20022. The corporate community needs to have this financial industry migration on its radar as it's a case of 'when' as opposed to 'if' they ultimately adopt this global language of payments. ■

Lipis sees cross-border evolution among defining events for 2024

Instant payments, a new partnership and more mobile traction will highlight the global trends to follow next year

Leo Lipis
Lipis Advisors

As the founder of global payments consultancy Lipis Advisors, Leo has over 25 years of experience in payment systems consulting and research on all six continents. Prior to founding Lipis Advisors in 2007, he held positions in payments strategy and analysis with commercial banks, clearing houses, and central banks. Leo works chiefly in transaction banking, payment system strategy & design, and treasury management.

EU instant payments evolution: I expect the EU regulations around instant payments to have an impact, but that impact will differ regionally within the union, particularly in countries where there is a pricing differential or with a low adoption rate. We've done regression analyses based on historical data in many countries and have found a direct correlation between reachability and instant payments adoption. Once you reach about 93% or 94% accessibility in a country, usage takes off. The other key here is pricing. Near universal acceptance is absolutely critical. We've also seen time and time again across many countries, that if the price of a payment service to the consumer decreases, demand will increase and vice versa. So, this is exactly what the commission has taken aim at with this regulation. It aims to increase usage while managing the pricing for the service. That will have a collective impact, especially in countries where instant payments have low adoption rates, like Germany and Austria.

We've also seen time and time again across many countries, that if the price of a payment service to the consumer decreases, demand will increase and vice versa.

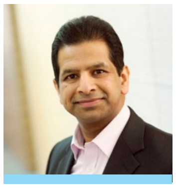
Swift gets wise: The recent announcement with the Wise cross-border platform is a real watershed moment for the industry. If you missed it, financial institutions will be able to route Swift payment messages directly to the Wise Platform through its latest Correspondent Services solution. This routing will enable their customers to benefit from the speed and convenience of Wise and the breadth of Swift without needing to implement any major changes to their systems. We have the leading cross-border payments infrastructure announcing an alliance with a leading fintech to help banks innovate on cross-border payments, which they often can't do directly. There are other initiatives like that with other national market infrastructures, like the announcement a couple of years ago between the EBA Clearing and The Clearing House for the US. It's all about the regionalization of cross-border payments and creating next-generation payment infrastructures that will support the flow of payments across highly important trade corridors.

Fraud detection becomes centralized: I think the best hope at this point is integrating fraud prevention functionality into market infrastructures. So far, we've been trying to stop fraud at the point of initiation, and that's important because it's a whole lot easier to keep the horse in the barn than to catch it and put it back in after it's bolted. I get that. However, there are certain flows and specific patterns that can be recognized by market infrastructures but can't be recognized by initiating or originating financial institutions. So, for example, if there's been a lot of small transactions going into one account, and then a short time later, one large transaction going out of that same account, okay. No individual bank is going to have visibility of those transactions. But a wider lens of the market infrastructure will see patterns of behavior and patterns of origination across multiple financial institutions. Perhaps a community of banks can do what an individual bank cannot.

Mobile migration: I expect to see more use cases around mobile for business payments next year. If I look at my own patterns of usage in running my business, I find I'm doing a lot more with my phone than my laptop. I use the same tools to manage my small business's finances that I use to manage my personal finances. And I know my needs are not that complicated, but the point is that certain tools make using the phone a more attractive tool than a laptop or PC. Because I can use the camera, I can do things like scan an invoice, use AI to recognize the payee and the account number and don't have to enter all that data manually. We've talked about mobile for the past two or three years, but this is the year it starts to get real traction. The additional uses are becoming more and more compelling. ■

ACT's Aggarwal sees rising opportunities for treasury in 2024

The director of policy at the UK's leading treasury association uses three lenses to view the new discussions that will shape changes in business payments



Naresh Aggarwal
Association of Corporate Treasurers

Naresh Aggarwal is the Associate Director Policy & Technical at the Association of Corporate Treasurers where he helps the profession follow and influence key areas of change with a focus on ESG, Brexit, cash management and payments. He has over 30 years in the financial services business including his post at PwC where he was the UK lead for cash management and payments.

This time last year, we were gripped by the cost-of-living crisis and higher fuel bills. In the UK, we welcomed the third prime minister of the year and the first COP summit in the MENA region. So, what is the link with payments? Some of the developments in 2023 have been well-trailed and others are new. What do I think 2024 will offer? I have decided to look at the next year through three different lenses.

New discussions

Opening hours: During the year, the Bank of England opened consultations over an extension to the opening hours of the sterling CHAPS system. We've all seen the benefits at a retail level of 24/7 payments, but how does this translate to the business ecosystem? So, I predict we will see more discussions and socialising of the concept, but I don't think we will see anything change in 2024. It's a great opportunity for treasurers to consider the risks and rewards of extending opening hours to support domestic and cross-regional activities.

Sustainability: The increased focus on identifying opportunities to reduce carbon footprints is relentless. Whilst payments themselves (especially the electronic ones) may have a limited footprint (accepting the importance of using renewable energy), the goods and services that sit behind a payment may have significant greenhouse gas emissions. One opportunity may be able to help consumers and businesses understand the carbon footprint at the point of sale. So, I predict that we may start to see payment providers and sellers working together to provide more information to buyers of goods and services, and treasurers can play a role in defining what would be useful for them.

Changes underway

ISO 20022: After 19 years, 2023 heralded some important changes in the deployment of the ISO 20022 payment standard. The European Central Bank and the Bank of England both switched over to the new standard in 2023, without a hitch. We are now in a period of parallel run with Swift still planning to withdraw the old MT protocols in 2025. Treasurers should be aware of the new standard, and banks, payment providers and the Association of Corporate Treasurers (ACT) have all created significant resources to help the payments community understand the competitive opportunities that will be available. So, I predict that we will start to see some practical use cases and would encourage treasurers to make sure their company is taking advantage of the changes underway.

Faster payments: Whether it's called faster, immediate or real-time payments, more countries are deploying solutions to enable payments to move quickly. In the US, FedNow went live in the summer of 2023. Treasurers now have more choices when it comes to selecting payment options and this choice will only increase. 2024 will see more countries coming on-line (such as the UAE) and others going through a material upgrade (such as Switzerland). So, I predict that as the number of countries and transactions increase, progressive treasurers will see the

Continue

ACT's Aggarwal sees rising opportunities for treasury in 2024 (cont.)

benefit of developing a comprehensive payments strategy for their business.

Open banking: Many of us will have experienced the benefits of open banking at a retail level, such as being able to view balances across multiple banks. However, the spread into the B2B space has been slow. Technology developments and deployments (such as APIs and ISO 20022) are creating a more accommodating infrastructure for technology companies and banks to devise customised / sector focused solutions for corporates. An example of which is Variable Recurring Payments – a variation on the direct debit. More efficient working capital management and improved cash forecasting should be of specific interest to the treasurer.

So, I predict we will see more solutions being developed which, whilst not transformational, will help a number of businesses and their treasury teams to reduce costs, improve the efficiency of key processes and enhance the customer experience.

Crypto payments / digital assets: As the regulatory framework in various jurisdictions becomes clearer, confidence in their application and use is growing (albeit slowly). A number of traditional businesses are exploring areas such as the metaverse and non-fungible tokens (NFT) and looking at the role that digital assets can play to either supplement or replace the use of fiat currencies. So, I predict that we will see a slow increase in the use of digital assets as benefits such as transparency and speed, and their connectedness to the virtual world become more important and treasurers should be aware of any corporate plans to enter the digital world.

Fraud: The encryption and tokenisation of identity and credentials are a cornerstone of the security supporting our payments processes. Quantum computing has the potential to compromise cryptographic algorithms, disrupting existing security protocols. The scale of the investment into this area is significant, and the possibility of a breach of security remains a real possibility. So, I predict that whilst it may not happen in 2024, treasurers, payment professionals, technology specialists and boards should be made aware of the potential risks that could lie ahead.

Still talking about it

Central Bank Digital Currencies (CBDC): CBDCs are not new and, in fact, have been in discussion since 1993. During 2023 we saw several new countries run pilots (such as Japan and Ukraine). In addition, both the Bank of England and the European Central Bank (ECB) started detailed work on the design specifications of a retail CBDC even though they haven't yet decided if they will go ahead and launch a CBDC. In 2024 I think we will continue to read about further developments, domestic and cross-border pilot studies. For most treasurers, it would be prudent to keep abreast of general developments and the **ACT's quarterly blog** on CBDCs should be a useful resource. So, I predict more talk and more developments but nothing that requires the treasurer to take immediate action.

Embedded payments: This term has become more widespread, and the opportunities can be significant. However, there remains a lack of clarity about what this means in practical terms. The need to join up different parts of a corporate technology landscape (customer information, payment channels, accounting ledgers, etc) coupled with the need to have sufficient market appeal makes this still a way off. So, I predict more use cases and lots of investment into this space but limited tangible deliverables, particularly for the treasurer.

Summary

Overall, I think I can say with confidence that the payments ecosystem will continue to change in 2024. As projects like ISO 20022 mature, new features and opportunities will arise. Depending on the nature of the business, anyone dealing with payments – and that includes payables, receivables, refunds and treasury teams - may identify opportunities to reduce risks, improve efficiencies and enhance the customer experience. Some initiatives may take longer than expected to come to market or achieve critical mass.

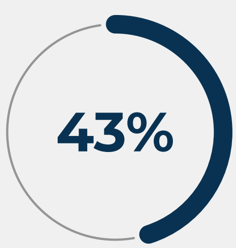
In addition, although the scale of investment in the Fintech payments space has dropped, changes will continue to come, and treasurers can play a key role in shaping some of these and ensuring their business benefits from the opportunities. ■

AFP's Tom Hunt says treasury functions need to manage uncertainty in 2024

The person with his finger on the pulse of corporate treasury says forecasting amid economic uncertainty will define 2024... and the AFP members are up to the task

Tom Hunt
Association for Financial Professionals

Tom Hunt, CTP, Director, Treasury Services and Payments, Association for Financial Professionals. As the subject matter expert on bank relationship management, cash management, and treasury technology, he oversees AFP's Treasury Advisory Group and AFP's member committee dedicated to meeting the needs of the profession and keeping members current on developing topics.



Forty-three percent of treasury professionals consider macroeconomic risk (pace of GDP growth, inflation and interest rates) to be one of the most challenging risks to manage, according to the 2023 AFP Risk Survey, supported by Marsh McLennan. This figure is up 24 percentage points from 2021 when only 19% cited macroeconomic risk, as the most challenging risk to manage.

Managing Uncertainty; Forecasting Liquidity:

Economic uncertainty leads to what you could call Cash Forecasting 2.0. Treasurers need to balance several things. They have a potential recession, and interest rates remain high. They have forecasting for the short term and managing liquidity for the long term. It's a complex formula that comes into play for a lot of companies. It raises a lot of questions that will be important next year. Do we have the dry powder to do this acquisition? Do we have enough capital? What will our interest income look like?

Making the Most Out of Treasury Investments:

Treasury professionals are continually asked to do more with less. A lot of times, when automated systems get implemented, budgets run short and sometimes they don't fully implement everything they intended. Companies are focused on cost and cutting back on discretionary spending, especially in the short term, waiting to see how this recession unfolds. I expect treasurers to focus on the nuts and bolts.

Real-Time Payments Seek B2B Use Cases:

I think the evolution of the business case will continue. Will there be more demand from corporates for real-time payments? The biggest factor in that answer is cooperation. There are almost 5,000 banks in the US. But whether a business uses their bank for real-time payments is less important than understanding who their customers and vendors bank with, because the entire payments ecosystem needs to be aligned to get all the benefits inherent in this platform. Real-time payments have the advantage of giving the customer the ability to determine how and when to get paid. But cost is another factor here. I see a lot of companies weighing the cost of real-time payments vs. batch ACH, Premium ACH and wires.

We did a survey recently that shows that the vast majority of corporate financial professionals are using or will use real-time payments within the next five years, and they are looking forward to having real-time payments enable new bill pay and request for payment capabilities, streamline payment processes, improve liquidity management and the efficiency of working capital, transmit additional payment information (such as invoices), and provide immediate confirmation of payment.

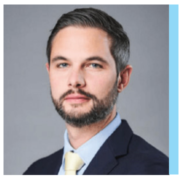
They need to identify the use cases that work best for real-time payments and balance them with how they pay for high-value, time-sensitive, critical payments that can be received and processed by all banks in the equation.

Reckoning with AI:

Our recent conference showed a ton of interest around AI and machine learning. At the enterprise level, I think you'll see more use of AI after it's properly vetted. The situation reminds me of when robotic process automation was new and when we could finally move between spreadsheets and mainframes. I heard someone say the other day that treasurers are a conservative bunch. I agree with that. Corporate treasury and payments professionals are very risk averse, and they're paid to balance risk and return. In that context, there's still a lot to learn. We need to figure out where the treasury professional is most comfortable. ■

Swift's Maigre focuses on cross-border instant payment acceleration for 2024

It was an active year, to say the least, on the cross-border front, and Swift's head of payments go-to-market for Europe expects even more change in 2024



Francois Maigre
Swift

Francois Maigre is Head of Payments Go-To-Market for Europe at Swift. Based in Belgium, he is mainly responsible for supporting global business product programmes including Swift gpi, ISO 20022, transaction management, Swift Go and Swift's instant & frictionless strategy for the European market. Prior to his current role, Francois was involved in a number of large payment initiatives in the European market: Swift transaction manager roll-out and global adoption of ISO 20022 for CBPR+, the renewal project of T2/ESMIG (the pan-European RTGS) and instant payment solutions.

The continuing adoption of instant payment systems:

We believe this has the potential to change the lives of consumers as well as businesses as it makes funds available immediately to the beneficiary. Of course, we have the recent news from the European Union that lays out four new pillars for the adoption and accelerated use of instant payments as well as suggested pricing thresholds. It is indicative of a trend shifting the focus from domestic use of instant payments to cross-border payments. This ambitious regulation has the potential to strengthen Europe's position at the forefront of modern payment infrastructures.

This will represent a massive project for European banks and Payment Service Providers (PSPs) with far-reaching operational impacts that should not be underestimated. However, it is also fair to say that pan-European instant payments rails already exist as well as pan-European reachability thanks to the so-called reachability measures from TARGET Instant Payment Settlement (TIPS).

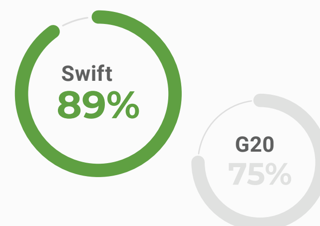
Focus on interoperability:

As much as we would like to see one standard for all cross-border payments, the reality is that there are several. If you want to connect all those instant payment systems, the challenge is not the technology itself; the technology is already there. Reflecting this, stats we shared in 2023 on in-flight speed on our network show that 89% of transactions are reaching the recipient bank within an hour and about 50% are getting to the beneficiary within five minutes. That's great progress against the G20's end-to-end target of 75% settling with the end account within an hour by 2027.

The real challenge when it comes to interoperability is overcoming the differences in market practices and standards. It's here that ISO 20022 adoption can have an impact. If organisations adopt ISO 20022, they will then be able to carry rich, structured information across jurisdictions, allowing them to meet the different regulatory requirements. Another element is the ability to track end-to-end transactions across different jurisdictions. So, we do have challenges to overcome next year when it comes to interoperability, but less on the technology side and more in terms of standardising market practices and the usage of standardised data.

Focus on pre-validation:

End-to-end visibility is critical with pre-validation being a big part of that, and one of the most important trends for 2024. In 2022, we found that 65% of payment exceptions on the Swift network result from formatting errors, account issues and invalid data. Many of these errors could be avoided – all that's required is that payments are checked or 'pre-validated' beforehand. When you increase the velocity of those payments, this becomes more and more relevant because instead of fixing an issue in flight, why not fix it before the payment initiates?



89% of payments over Swift reach recipient banks within an hour, ahead of the G20's end-to-end target of 75% by 2027.

So, we think there will be more and more focus on pre-validation. Progress is being made with integrating it into how the industry operates. We've been working hard on a new feature to ensure that users can fully benefit from payment pre-validation from the moment they sign up. This feature is called 'Central Beneficiary Account Verification'. It harnesses pseudonymised and aggregated Swift transaction data to verify that account information is correct.

In conclusion:

The pace of change in the payments industry is impressive, and there's nothing to suggest that it will slow down in 2024. With the new regulation now on the table, there's a great focus on further improvement. As a result, we're looking at a very full plate for the coming year. ■

Goodbye to accounts payable — as you know it

Up next in our 2024 Business Payments Outlook, Mark Brousseau, analyst for the IOFM, says AI is already a factor in AP automation and will continue to gain momentum. His advice: Embrace change and use technology to decrease manual tasks

Mark Brousseau,
IOFM

Mark Brousseau is a noted marketer, analyst, speaker, and writer, with more than 20 years of experience advising leading providers of payments and document automation solutions including his current capacity for the IOFM where he speaks frequently on the topic of payments automation.

Artificial intelligence (AI) is transforming accounts payable (AP) as you know it. But there is no reason to mourn the loss.IOFM research shows that 27% of AP departments have deployed AI technology. Seventy-seven percent of departments have researched the technology.

AP is doing things it never could before, thanks to AI. From nearly flawless invoice data capture and autonomous exceptions resolution to payments optimization and fraud detection, cognitive tools are eliminating the manual tasks that have held the AP function back. The result? The AP function is evolving from a tactical, back-office function into an information hub that drives business value. This is a welcome relief for AP leaders who point to “automating manual processes” and “improving processes” as their greatest department concerns today, according to IOFM 2023 benchmarking data.

Today’s AP function is a radical departure from the status quo. Here’s a few ways it will change the world of accounts payable.

Autonomous processing

Few finance and administration functions are as time-consuming and labor-intensive as AP. AI is helping AP departments move away from manual tasks. Seventy-two percent of AP departments have already automated their invoice-to-pay cycle or are currently in the process of doing so. Digital technologies such as AI have already become the predominant way that AP departments approve invoices, match invoices to purchase orders, receive invoices, capture invoice data, and pay suppliers. This shift means that AP staff can spend more time on higher-order activities such as analyzing invoice data for new opportunities to capture early payment discounts, collaborating with procurement, treasury and other enterprise stakeholders, and fortifying relationships with suppliers.

Predictive analytics

When it comes to managing AP information, most organizations are flying blind. Key data is not captured. Information is not timely. Data is poorly organized and systems are fragmented. By aggregating and analyzing vast amounts of invoice data, AI is empowering AP departments to predict the future instead of just reporting the past. This is a sea change from AP’s traditional reliance on Excel spreadsheets and rigid reports from an enterprise resource planning (ERP) application or accounting software package.

As a result, AP is becoming the go-to source for timely insights into cash flows, corporate spending and fraud and compliance risks. Dynamic dashboards and mobile access enable AP to provide stakeholders with actionable information, how, when and where they need it. Empowered by smart insights into invoice data, tomorrow’s AP organization can provide predictive insights into how decisions and market conditions will impact the business. Imagine if AP could identify potential cash shortfalls based on historical data. AI is making it possible.

Payment optimization

Poor working capital management can starve a company to death. The risks are even higher in an uncertain economy. With digital technologies such as AI, AP can help generate cash flow and optimize an organization's working capital. Accelerated invoice approvals create more opportunities to capture early payment discounts. The timing of payments to suppliers can be carefully controlled. AI-powered tools rationalize payment terms to suppliers. Supply chain financing speeds payments to suppliers without impacting the cash on a buyer's balance sheet. And cash-back rebates on qualifying card transactions and network payments to suppliers can transform AP into a profit center. These are some of the ways that tomorrow's AP department will help the organization navigate instability.

Risk mitigation

The threat of cyber-attacks and data breaches has never been higher. Forty-four percent of AP departments experienced an attempted or actual fraud attack in the past year, IOFM finds. More than two-thirds of detected fraud attacks involved phishing. Next generation digital technologies such as AI are enabling AP departments to mitigate their risk by comparing invoices-ready-to-pay to historical payment data to identify anomalies that may indicate fraud. Variances such as an unusually high dollar payment to a particular supplier, or payment to a supplier that recently changed their bank account details could be automatically flagged. No more relying on seasoned staff to uncover suspicious transactions.

As this new model for AP takes hold, the role of AP leaders will change. Already in recent years, AP leaders have become more influential within their organization. Digital technologies such as AI will also speed the evolution of frontline AP professionals from data-entry clerks to data analysts. Many AP departments have started to think differently about their AP hires, prioritizing finance acumen.

The reinvention of AP as we know it is a good thing. In 2024, accounts payable will continue to emerge as a key value driver in the digital enterprise of tomorrow. ■

The Payments Podcast

The Payments Podcast showcases experts on their 2024 business payments outlook

The Payments Podcast brought several of Bottomline's subject matter experts together – including an industry special guest Chris Skinner – to discuss the topics they believe will define the year ahead. Episodes are available on **Apple**, **Spotify** and **Soundcloud** and here's a quick sample of what you'll hear:

- **Special guest Chris Skinner on the future of "intelligent money"**

  Voted a foremost fintech observer by the Telegraph, and one of the most influential people in financial technology by the Wall Street Journal and Thompson Reuters, Skinner's opinion counts when it comes to what's next for banks and the future of money... or rather a future where we don't think about money.

- **Cross-border regulations drives change for financial institutions**

  There are more than 5,000 banks in the world, and they all need to communicate with each other as well as their customers. They do that through financial messaging. Bottomline's Frederic Viard and Edward Ireland tell us to expect significant regulatory changes in this area for 2024.

- **Insider threats dominate financial crime landscape**

  There's no shortage of reasons for the continued rise in insider threats from hybrid work arrangements to economic pressures that could turn a star employee into a suspicious actor. As Ruud Grotens tells us in this podcast a mix of technology and executive awareness will be the key to mitigating insider threats.

- **User experience gets a good look into the year ahead**

  We live in an era of high expectations for every element of our business lives, including payments. Bottomline's head of user experience Kellie White connects the dots between those expectations and the user experience's role in customer satisfaction.

- **Corporate payments automation takes center stage**

  Inflation. High interest rates. Focusing on liquidity. 2024 has several issues competing for attention and underpinning all of them is the need to automate business payments. In this podcast, two of Bottomline's senior executives in the corporate payments space – Jeff Feuerstein and Colin Swain – provide insights on how cash flow management will be the most important digital transformation driver in 2024.

- **The importance of primary banking relationships in North America**

  While other pundits have focused on macroeconomic issues that are largely outside of their control, Bottomline's digital banking CRO Kevin Pettet focuses on a more strategic topic: Multibank relationships. In this podcast, he discusses the implications of these relationships and ways to achieve primary status.