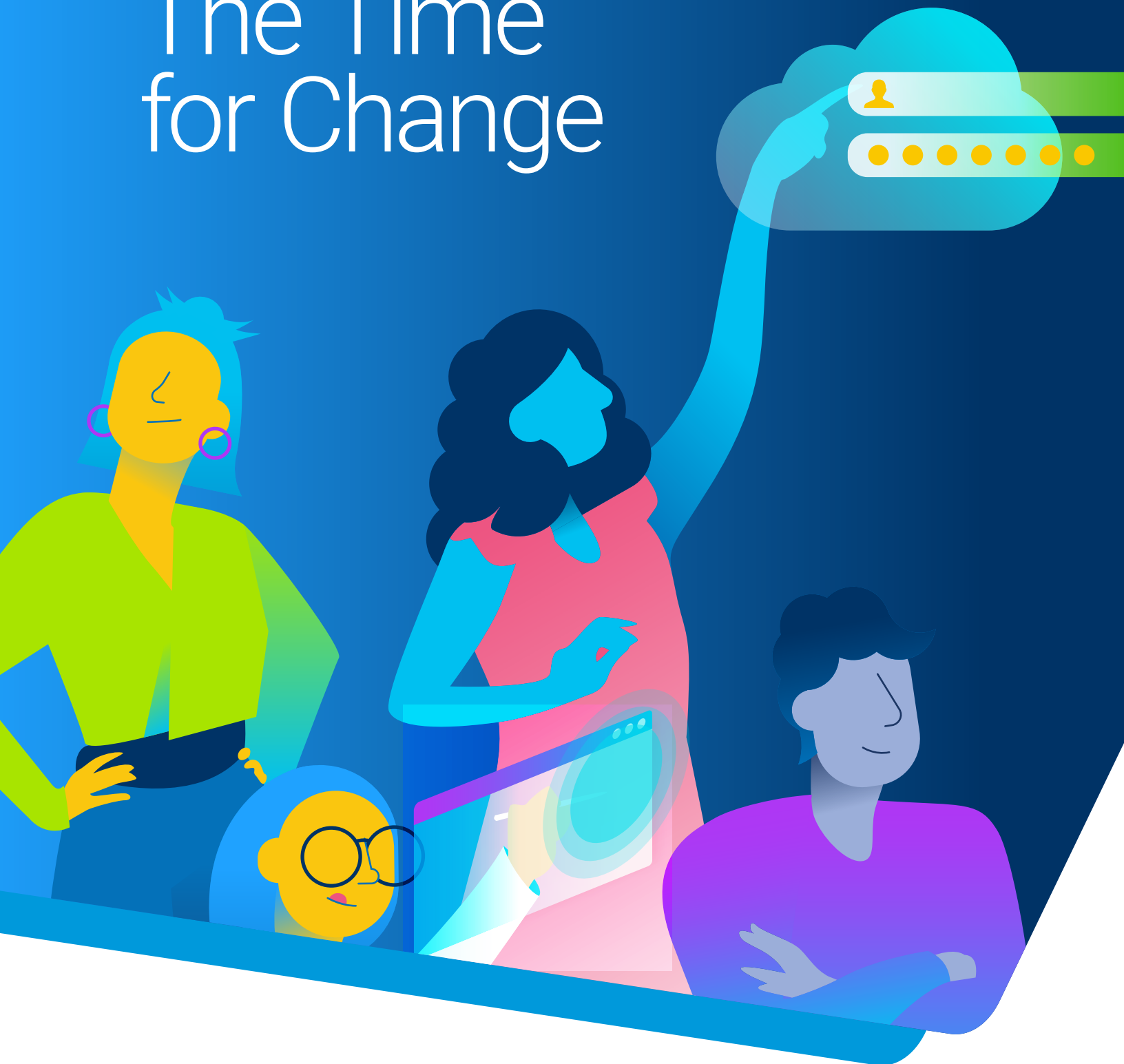


Payments Automation:

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# The Time for Change





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**How payments automation can increase business efficiency**

**To pay and get paid. Two essential financial processes that define core activities of virtually every business. While payment processes have evolved enormously in the last decade, many organisations are still missing out on many cost and efficiency benefits available today.**

01

## Efficiency

Managing payments and financial operations can represent a significant challenge to many businesses. Despite the wide payment technology innovations in recent years, common business financial processes often remain as inefficient laggards – but can your organisation afford to ignore the benefits available through payments automation?

The way we make payments in our daily lives has certainly changed dramatically over the past 10 years. Banking is no longer a place we visit, but a friction-free transaction from a device in our pocket, or on our wrists. Payment is a gesture, a swipe, a thumbprint. Businesses of all sizes have been quick to embrace technologies that increase productivity, cash yield and improve accountability. Yet despite this transformation, the way many businesses manage their payments processes has changed relatively little – often limited to the adoption of internet banking to accompany a separate accounting or payroll system, extensive manual processes that persist, inadequate cash collection processes and, 70% of businesses, a paper-based invoicing process.<sup>1</sup>

Let's consider each of these inefficiencies in more detail.

### Internet Banking Limitations

A sizable majority of businesses rely on some form of internet banking to check balances and access statements. For consumers and businesses alike, internet banking has seemed a logical improvement upon paper-based process to also make payments. And in this regard, it has obvious benefits and attractions.

The ability to check balances, transfer funds between accounts and make immediate payments has obvious appeal. For such ad hoc payments, internet banking is convenient and accessible. Its limitations and hidden costs can however quickly become apparent for any business making more than 200 transactions per month.

As any organisation utilising internet banking for anything more than one-off payments has discovered, it can be extremely time consuming and less efficient.

The ability to schedule payments in advance can be extremely limited, with no option to group payments into batches.



# 01

## Efficiency (Continued)

Few facilities exist to integrate with incumbent payroll or accounting systems – requiring the re-keying of data and introducing the potential for errors or fraud. With limited ability to modify access levels, most businesses are also forced to restrict internet banking access to only the most senior financial staff – resulting in senior managers being reduced to perform all manual data-input tasks for each payment.

Additionally, businesses are often restricted to accessing a single bank provider, and are required to use multiple proprietary applications for different banking partners or payment-types.

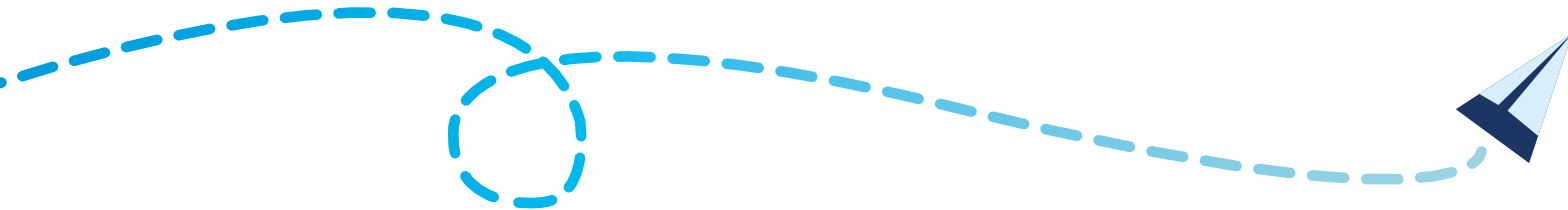
### Payment Automation Benefits

In comparison, payments automation platforms provide significant user-benefits over and above internet banking, with a streamlined payment solution providing:

- Full integration with payroll, accounting and CRM systems, to avoid re-keying of data
- Secure user-differentiated access for employees
- Customisable levels of approval for full workflow audit and authorisation
- Ability to group ‘bulk’ payments and multiple payment scheduling options
- Options to select most appropriate payment type – Faster Payment, Bacs, CHAPS, PayM, PayPal, etc.
- Fully automated bank account validation and authorisation, thereby reducing payment errors, saving time and money on rejections and corrections

An automated payments system approach can also extend beyond a single bank provider, to provide a fully consolidated platform to access all accounts, regardless of bank provider.

This provides additional reliance against system failures at a banking -group level and can also scale with your business. New users, departments, or payment types can be incorporated as required.



# 01

## Efficiency (Continued)

Such a bank-agnostic solution additionally provides you with the freedom and flexibility to manage all payments securely in one place.

### Cash Collection

Cash is the lifeblood of any organisation and businesses of all sizes rely on generating positive cashflow, therefore effective cash collection is a key component of overall efficient business practice. An automated approach can provide significant benefits here, and can be key to maintaining cash flow, developing strong business relationships, avoiding unnecessary errors and minimising administrative overheads and disputes.

A popular option is to offer Direct Debit and you'll benefit from knowing exactly when funds are due to arrive, moving payment control from the customer to the supplier. Credit control efficiency is improved, with costs minimised and debtor days / days sales outstanding reduced.

Recent research shows that Covid-19 has accelerated a change in payments, and the pressure is on for businesses to offer a digital experience for their customers<sup>2</sup>. Whilst Direct Debit remains a popular method of paying bills, 28% of respondents admit to cancelling them due to the pandemic. It is crucial to consider offering multiple payment options such as cards, PayPal or bank transfer as a back-up for cancelled or failed Direct Debits. Multiple payment options are also crucial if a payer has insufficient funds and requires an extension or a part-payment option.

### If you take online payments, then the checkout experience is mission-critical for your business.

In today's world of eCommerce, bricks and mortar stores, social media, and contact centres, there is no single 'entry' point for your customers. They can engage with different areas of your business and a variety of people within your organisation at any time, day or night. This is where customer service turns to customer experience. A customer's experience is the impression your buyers have of your brand, as a whole, throughout every step of the buying journey.

Thanks to the Open Banking regulatory change in the UK, new solutions on the market allow you to accept payments directly from your customers' bank accounts.



# 01

## Efficiency (Continued)

You can offer this additional payment option simply by integrating a new payment button into your existing website or app payment page and provide an experience that your customers will love. This open banking payment service can enable your business to receive online payments via Faster Payments directly from the payer's bank account in just a few steps. This method is not only faster than other payment methods, but up to 50% cheaper too. Expanding your payment options isn't just about creating fantastic customer experiences, it's beneficial to your business too – delivering more revenue and fewer costs.

### Efficiency Review Conclusions

A comprehensive efficiency review for businesses should encompass all elements of financial management and payments – including the processing of payroll, supplier payments and collections. A review should extend to the payment channels and solutions deployed, utilisation of existing IT infrastructure investments, including ERP and ECM platforms, to support a lower total cost of ownership.

Looking at each of these in turn, the often hidden high costs of current processes also become apparent.

### Efficiency #1: Productivity Boost

Staff costs are often the largest single component of a business' payment infrastructure. Whether through re-keying of data or manual invoice and collections workflow processes, employee time is today needlessly dominated by data entry, scanning and other cumbersome tasks.

### Efficiency #2: Error Reductions

A market study by Experian revealed that manual-based payment processes result in systemic patterns of duplicate payments being made by UK organisations – often undetected and costing hundreds of millions of pounds each year. One single internal audit revealed that 30% of an organisation's top suppliers were paid twice, and over 6% were paid three times! Data-matching through automation enabled the London Borough of Ealing to spot incorrect payment deductions, saving £1.5 million in a single year. Even ignoring the avoidable overheads of manual data-entry, by definition such a duplication process layer is prone to error and fraud. Optical character recognition (OCR) technology can also be deployed to self-scan paper-based invoices, with data automatically extracted and validated.

# 01

## Efficiency (Continued)

### **Efficiency #3: Consolidated Payments Platform**

Significantly reduce payment costs and overall total cost of ownership with consolidated payment infrastructure.

The consolidation of your payment platforms – often through the deployment of integrated cloud solutions – can deliver significant cost-benefits. You'll also future proof your business with a platform enabled to grow with your business, incorporating new accounts, users and departments as required. A consolidated overview provides vastly improved financial visibility and control – with improved tracking of all transactions and a full audit trail.

### **Efficiency #4: Payment Channel Savings**

Access a full range of payment solutions through a single aggregated platform. Integrated payment platforms provide the ability to select the most efficient and cost-effective payment option. It can be a compelling lower-cost solution for a range of higher-cost transaction types, such as urgent but low-value payments, 'just-in-time' supplier payments, direct remittances, refunds (thus replacing costly cheques), cash management payments, weekly payroll runs and staff expenses.

The evidence is clear. Automation along the payments chain can increase staff productivity; it can reduce errors and costs through automated validation; it can provide greater insight, flexibility and lower cost of ownership through the consolidation of platforms and systems; and deliver a better customer experience with cost-efficient and flexible payment choices.



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# 01

## Efficiency (Continued)

### Efficiency Summary

Automated account validation, integration with existing accounting solutions, multi-bank integration, flexible payment type choice and customisable user-access roles - these essential financial management tools should be available to all businesses today.

There are clear benefits in adopting an automated and proven methodology for volume payments that can be scheduled in advance, while minimising processing and administrative overheads. Improved visibility should extend along the payments chain, incorporating the full invoice processing lifecycle.

### Actions:

- Review existing payment platforms and identify opportunities for consolidation
- Assess cost-saving benefits deploying automated hosted payment platform solutions
- Examine new payment types and potential for cost-reductions
- Get measured – assess current invoice processing workflow costs and develop an automation business case that delivers quantifiable savings



### Identifying vulnerabilities and protecting your business

Hackers from the dark web are targeting your business. While the mysterious shadowy archetype is a popular media villain, is this really the primary threat to your business? The greater fraud risk is more prosaic - and much closer to home.



**Hardly a week goes by without news of yet another cyber hack and the misappropriation of funds or the loss of sensitive company and consumer data – often resulting in severe reputational damage and financial exposure.**

# 02

## Tackling fraud

Despite the concerted efforts of security experts and law enforcement, financial fraud is on a rapid increase. Fraud prevention is no longer considered to be purely an IT issue.

U.K. businesses have lost over to cyber scams over the past year – with a 31% increase in cases during the height of the pandemic (May-June)<sup>4</sup>. Now, more than ever, vigilance across the business is called for when it comes to protecting against external and, more surprisingly, internal threats.

### Vulnerabilities

Whatever the size or type of your business, it is likely that you share the most common potential vulnerabilities:

Internal fraud – also known as occupational fraud or asset misappropriation – is recognised as illegal activity that occurs from within the business, resulting in a payment. Some common examples of payment fraud include:

- Payment Diversion
- Fake Vendor Fraud
- Fraudulent Refunds
- Ghost Payroll

External payment fraud is recognised as an illegal activity that involves a party unaffiliated with the business. Common payment fraud examples include:

- CEO Fraud
- Bank Mandate Fraud
- Invoice Fraud
- Malware

While your entire business payments chain represents several potential links of vulnerability for these threats – all of which require effective counter-fraud measures – it is essential to fully assess the most significant risk areas you face.



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# 02

## Tackling fraud (Continued)

### The Real Danger

While the unrelenting scam attempts by external fraudsters continue to generate much media attention (and should of course be guarded against), the more significant security vulnerability in the payments chain is often overlooked.

NatWest revealed that UK businesses are hit by fraud at a cost of £190 million a year, with 40% being caused by internal employees.<sup>5</sup>

Much of the fraud being perpetrated against corporates is also low-tech and not very sophisticated (like invoice fraud for example). Not too long ago a former BMW-Mini worker was jailed in the UK having been convicted of siphoning of almost £6m from the car manufacturer simply by altering supplier payment details on invoices in his favour.

Given this reality, the most impactful measures to prevent financial fraud are to ensure the opportunities for manual intervention and tampering are removed entirely from the supply chain and payments process. The evidence strongly demonstrates that it is the continuing reliance upon manual data input and payment processing that is the largest area of vulnerability for payments today, providing multiple opportunities for data tampering.

### Illustrations of Manual Danger

One specific area targeted by fraudsters is the Accounts Payable department, where manual processes remain in the ascendency and opportunities for invoice and payments tampering are widespread. With invoice volumes increasing an average of 10% year-on-year, inefficient and tamper-prone manual-based processes are singularly ill-equipped to tackle this growth.

Another vulnerable area is the opportunity for payroll managers to create ghost employees. This is when a fictitious member of staff placed on the payroll but doesn't actually work for the company. Through the falsification of payroll, personnel and bank account records a fraudster causes payments to be generated to the ghost.

# 02

## Tackling fraud (Continued)

Aside from the cost-efficiency benefits already discussed, removing manual intervention is the single most impactful way to prevent data tampering throughout the internal approval and payment workflow process. This eliminates the main opportunities for fraud, leaving companies feeling more confident about the integrity of their data and that illegitimate invoices are more likely to be caught before entering the payment process in the first place.

So what practical prevention measures can your business take to tackle this danger? Three proven prevention measures that dramatically reduce or eliminate fraud are robust data automation along with best practice processing methodology – in short ‘hands-off’ processes and duty ‘segregation’ along your payments chain, as well as software to monitor and alert anomalies and unusual behaviour.

### Hands Off

Given the inherent risks in manual payment processes, including human error, the answer lies in automation and innovative technology. By implementing tools that can digitally manage the flow of data from trusted suppliers to internal systems, you can create a completely ‘hands-off’ backend process and provide your business with a secure and easily validated payments process.

For example, the automated matching of Purchase Orders with supplier invoices and scheduled payments creates a secure end-to-end workflow that can also dramatically improve productivity and operational efficiency. Optical character recognition (OCR) technology can also be deployed to self-scan paper-based invoices, with data automatically extracted and validated.

Unmatched items are treated as exceptions and flagged for management review and authorisation. The integration of payment data from other internal systems, the segregation of duties for payment preparation, approvals, and submissions, as well as automated file polling, are all hands-off measures that can be used to help eliminate the need for unnecessary manual intervention and file tampering.



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# 02

## Tackling fraud (Continued)

The obvious benefit to this technology is the reduced risk levels and the sidestepping of hazardous scenarios; however, it's worth noting that the improved efficiency and decreased use of resources are also highly valuable. Your employees only need to intervene when a payment is flagged and can spend the rest of their time on more business-critical tasks.

### Prevention

Stopping fraud at the source rather than detecting symptoms of illicit activity should always be your number-one objective.

Companies with a dedicated fraud programme reportedly spent 42% less on response and 17% less on remediation costs than those companies with no programme in place.<sup>5</sup> With this in mind, prevention is key.

Preventing the loss of funds, the costs of recovery, legal action and potential reputational damage, can be significantly strengthened by implementing automation tools along the payments chain. The ability for integrated payments systems to automatically validate account and sort code details (often matching this information with recipient details), provides further security against manual payment tampering and the introduction of false bank details to legitimate vendor accounts.

For example, a direct Bacs solution can reduce exposure to manual tampering or errors and prevent rejected payments before they happen. By validating recipient bank account details prior to submission, such a system ensures any inconsistencies are rectified before they become a problem.

Solutions that use machine learning to understand typical behaviour patterns deliver significantly more accurate fraud and error alerts and prevent suspect transactions or files from being sent to Bacs and Faster Payments. This innovative payment technology can highlight activities out of the ordinary (such as unusual payment amounts, odd payment schedules, or a first payment to a new account).

# 02

## Tackling fraud (Continued)

Rapid validations can then be made - thus minimising the impact of false positives and catching genuine fraud or errors before any payment is sent. The ability to operate custom white/ blacklists should also be part of such a fraud-prevention toolkit. The message here is simple, the more you can do to stop fraud before the payment is made, the fewer costs you'll incur and the smaller the mountain of damage to your company reputation.

### Additional Automation Security

While using automation throughout your payments process removes the main opportunities for financial fraud in the first place, there are also solutions available on the market today that provide extremely powerful monitoring and detection capabilities.

With the ability to non-invasively monitor, replay, and analyse user behaviour across multiple channels, suspicious activity is automatically detected and flagged – and suspected payments are blocked.

With all data readily accessible and available rather than hidden within impenetrable paper mountains, investigations can be timely and effective, further minimising the cost impacts of fraud on businesses.

Additionally, the availability of data and information means these types of investigations no longer need to be a strain on your highly valuable human resources. With 37% of fraud stemming from inside a business<sup>5</sup>, the benefits of end-to-end automation along the payments chain are both well proven and highly effective in providing the financial security your business requires:

- It removes the main opportunities for fraud taking place
- Greatly enhances detection and investigation processes
- Provides timely alerts for abnormal payment activities



# 02

## Tackling fraud (Continued)

### Fraud Summary

A continued reliance upon manual payments processes, dependent upon individual knowledge to validate, authenticate, and initiate, is a costly and unsecure methodology for organisations to persist with. The increasing incidences of fraud, and a recognition that the majority of cases stem from internal deception, should provide a clear focus on the payments automation steps businesses need to take to counter and prevent financial loss and reputational damage.

### Actions:

- Adopt best practice processing methodology along your payments chain
- Investigate end-to-end automation solutions, thereby removing potential opportunities for internal fraud
- Review document automation solutions and payment systems integration to provide a robust tamper-proof end-to-end solution



**With limited resources, many businesses can find the management of cash to be a monumental challenge. A more efficient automated payments solution can provide valuable financial visibility that enables companies to concentrate on business expansion rather than balancing cash flow.**

# 03

## Financial Visibility

Automating payment processes can provide valuable financial visibility for Small and Medium-sized Enterprises, enabling a more efficient management of cash flow, optimisation of working capital and risk management. These benefits can include:

- Cash management abilities across bank providers
- Consolidated overview of cash positions
- Timely insights enabling effective management oversight and control
- Reduced risk exposure
- Avoid late-payment penalties – or obtain early-payment discounts
- Comprehensive reports for audit trails

The integration of previously fragmented processes can provide powerful consolidated views of business activity and as a result, significantly enhance staff productivity and performance. The ability to create, in real time, a dashboard that highlights all pending incoming payments and scheduled outgoings across all accounts can deliver valuable insight into potential cash-flow stresses or under-utilised working capital.

### Fragmentation

Larger organisations with multiple divisions and complex payments processes are typically challenged by data silos and fragmentation. Despite seemingly much simpler financial processes, businesses can face similar 'fragmentation' challenges – and often lack the visibility to assess and make decisions based upon a true financial position. Valuable staff resources can be wasted assessing outdated statements and compiling reports. The results being, inefficient employees and a lack of financial insight – two things business can least afford.

Payment automation solutions can provide companies with visibility to all accounts, regardless of bank provider or location. A single consolidated window – replacing disparate and proprietary bank channels – can provide valuable insight and control. Cash flow forecasting capabilities can be of particular benefit.



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# 03

## Financial Visibility (Continued)

### Payment Platform

While on-premise payment solutions are available, cloud solutions in particular are well suited to provide such consolidated payment services, enabling users to initiate and monitor all inbound and outbound payments from a single browser-based platform, often with mobile integration to provide anytime, anywhere control.

A continued reliance upon internet banking processes still predominates how many companies make payments and even manage cash flow. Such browser-based payment processing is of course financial management in the 'cloud', though using limited and siloed proprietary bank-based systems – often with no integration to offline accounting or payroll systems.

As we have already noted, internet banking can be great for making ad hoc payments, though its limitations and hidden costs rapidly become apparent for the vast majority of businesses that make more than 200 transactions per month.

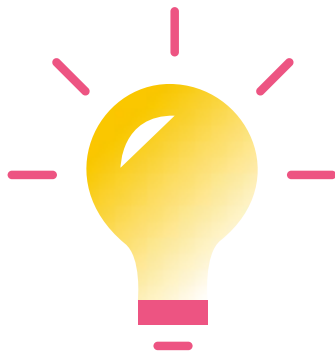
The time-consuming re-keying of data and very limited ability to schedule or group payments makes internet Banking a less efficient payment platform – and one that provides only retrospective insight into cash positions or balance forecasting.

Businesses need better insight, better control, better efficiency. Modern cloud-based payments platforms can provide cash management insight that is not restricted to a single bank, and deliver a range of additional and valuable insights into your financial operations and performance.

### Flexibility

The flexibility of cloud payment solutions enables organisations to move away from imposed workflows that do not reflect today's working environment, embracing far more effective working practices, such as mobile alerts and approvals. With a modern flexible payments platform, business managers can be immediately alerted to missed or delayed payments – and take the required remedial action wherever they are, rather than receiving statement information days later.





# 03

## Financial Visibility (Continued)

### Benefits

Insight benefits span a range of additional advantages, such as the ability to foresee and exploit early payment discounts. A standard 2% discount for 10-day settlement can translate into a risk-free return on cash of up to 36% - a rate that should be of interest to all businesses

Cloud based solutions provide real time track and trace status updates for all types of mission critical documents such as invoices, purchase orders and cheques. This ensures full visibility on how recipients interact with transactional documents. Documents can be easily accessible in the cloud which increases the speed with which transactional disputes can be settled.

Modern payments systems can provide Direct Corporate Access to Faster Payments, which can help businesses avoid the higher costs associated with more expensive CHAPS payments. With real-time multi-account visibility, businesses are better placed to ensure the most appropriate payment type is selected (whether Faster Payment, Bacs, Direct Debit, Chaps, PayM, PayPal, etc) – this can extend payments processing windows to near real-time and further benefit cash flow management and flexibility. Direct Bacs solutions should also be considered as a valuable competent of your overall financial management system.

Taken collectively, the highly efficient payments systems available today can provide businesses with the cash management insight, sophisticated forecasting capabilities and financial management tools to improve efficiency, reduce costs, and fully optimise decision making.

# 03

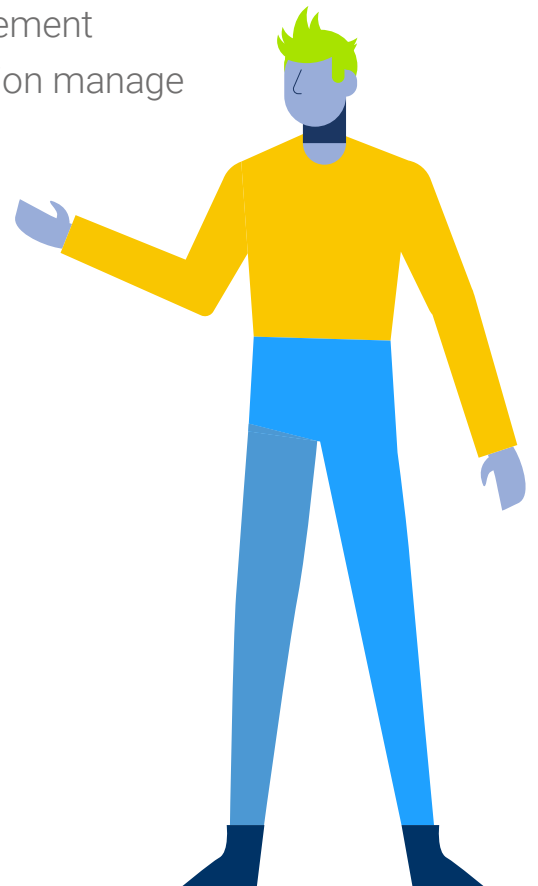
## Financial Visibility (Continued)

### Financial Visibility Summary

Companies of all sizes can benefit from the increased insight and control that payments automation provides – multi-account cash management, cash-flow forecasting and flexible payments optimisation. Cloud payment solutions can provide powerful commercial advantages, enabling organisations to maximise opportunities for growth and expansion.

### Actions:

- Review existing dependency on internet banking and assess cost-savings through consolidation
- Is your business making full use of available payment options? Consider how Faster Payments or Direct Debit collection could benefit cash flow management
- How does your organisation manage working capital today?



**The renewed political impetus to improve the resilience of financial markets, along with the ever increasing pace of technology advances and the need to combat the growing threat of financial crime, has resulted in a range of new compliance and regulatory obligations facing businesses and the financial supply chain.**

# 04

## Regulation & Compliance

While some of these mandates are aimed specifically at the banking sector, the resultant changes to structures and processes impact corporates also. These can range from tighter anti-fraud obligations, structural changes to the banking sector, electronic invoicing mandates and new payment system and messaging standards and protocols.

The corporate sector is relatively used to documenting and implementing internal controls to comply with a range of compliance obligations, covering data protection and document management, along with duty segregation and controls, such as Sarbanes-Oxley and other national equivalent obligations. As a wide range of new mandatory obligations will impact the payment systems of business of all sizes, organisations need to plan ahead to address these challenges and assess the changes required to ensure compliance and avoid penalties.

The New Payments Architecture (NPA) ran by Pay.UK is a vision for the future development of the UK's shared retail payment infrastructure. The NPA will look to unlock new opportunities in innovation and competition and address persisting detriments. Incorporating ISO 20022 messaging standards fields as defined by the industry there will be clearly defined rules and service level agreements enabling many more to utilise it and ensure that it remains interoperable with payment services across the globe. Growth within the retail payments industry will benefit the wider UK economy. Those who send and receive payments will also continue to see improvements and increased choice of payment services like confirmation of payee and request to pay.<sup>6</sup>

### Wider Financial Regulation

Recent years have seen more change in payment systems globally than ever before. The introduction, and maturation, of real-time payment systems, growing adoption of ISO 20022, the development of cryptocurrencies and blockchain-based platforms, and the rise of open banking regulations and business models are major efforts that not confined to a single country or region. While the development of payment systems and use of payment instruments differs in each market, these trends point to obvious conclusions regarding end-user expectations and digital innovations that payment service providers will be dealing with for years to come.



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# 04

## Regulation & Compliance (Continued)

### These conclusions include:

The need for a seamless experience and new channels

Consumer apps such as Uber or Amazon are leading the way in providing a service where there is no need to enter card details or where customers can pay with the click of a button by saving payment details to their account. This is crucial as more and more consumers use their mobile phones to pay – a trend that this here to stay and one that businesses should be prepared for.

### New players are here to stay

With new regulations such as Open Banking and PSD2, the gates are open for nimble challenger banks and FinTech's to access interbank payment systems and can even directly access a customers' bank account. Whilst they may not offer a full suite of services like traditional banks, they can offer digital services in niche areas that focus on improving the customer experience and deriving value from data.

### Regulatory driven industry-wide collaboration to move forward

The scale and scope of change in the payments industry is often driven and overseen by regulatory and industry-wide initiatives that seek to bring all relevant players together to tackle common issues and chart the way forward for digital payment services. The emergence of real-time payments has been one of the most crucial developments in payments over the past decade. Real-time payment systems are at the core of many efforts to modernize payments and financial services – with the real-time payment systems live in almost 50 markets.

### Late Payments

One payments regulation that already has traction and enforcement is the EU Directive on Combating Late Payment in Commercial Transactions. This specifies that 'member states should promote systems that give legal certainty as regards the exact date of receipt of invoices by the debtors'.

In the UK, The Late Payment of Commercial Debt Regulations 2013 specify maximum commercial payment terms as 30 days from receipt of invoice for public sector payers and 60 days from receipt of invoice for private sector payers. If the terms are not respected, creditors are in theory able to charge penalty interest of base rate+8%.

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# 04

## Regulation & Compliance (Continued)

Whether in practice they would risk a valued business relationship by charging such punitive rates is open to debate but in theory this regulation gives business considerably more power in the financial supply chain, and the UK government is certainly promoting adherence to the regulation through initiatives such as the Prompt Payment Code. There are clear advantages in streamlining invoicing processes, both to meet regulatory demands already in place, and to be ready to align with e-invoicing initiatives as they become more uniform and widespread.

### Anti-Fraud Obligations

With companies increasingly doing business across borders, specific Know-Your-Customer (KYC) compliance obligations can extend across multiple jurisdictions. While the banking sector is primarily the compliance focus, companies should also be aware of the regulations covering all their trading territories and customers. This can require specific customer verification and ultimate-beneficiary checks to be made.

Companies may need to implement increased formal customer on-boarding controls, not only to remain compliant but also to be able to provide audit trail information about suspicious beneficiaries, payments and transactions managed by their banks.

The ability of a business to screen a transaction against a relevant sanctions list before submitting it to a bank, can provide a company with enhanced compliance assurance and further avoids the reputational risk of being identified by its bank as having proposed payments to black-listed organisations or individuals. In addition, similar screening solutions can be deployed to identify inappropriate payments being directed to employees, thus helping to prevent internal fraud issues.

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# 04

## Regulation & Compliance (Continued)

### From Obligation to Opportunity

The convergence of greater political oversight, tighter financial controls, a high velocity of technology innovation and increased cyber threats, creates an unprecedented regulatory matrix for corporates.

This landscape also remains a fluid one, with businesses facing ongoing obligations to monitor and update all relevant impacted processes.

The need for compliance across a wide range of business activities and processes can present many challenges for resource-restricted businesses. Companies need to focus on what matters to them – pleasing their customers and growing the business. The more nuanced and complicated compliance landscape further reinforces the many commercial benefits from partnering with proven payment solution providers.

Such a partnership can, and should, help transform regulatory obligation to commercial opportunity – one that maximises the efficiency benefits of new technology and systems, providing the training, expertise and compliance assurance businesses should demand. A holistic payments systems partnership should be able to handle all the complexities of regulatory adherence and ongoing updates. Such a partnership allows business to concentrate on core competences, leaving ongoing technical changes and mandates to be managed by trusted third-parties.

# 04

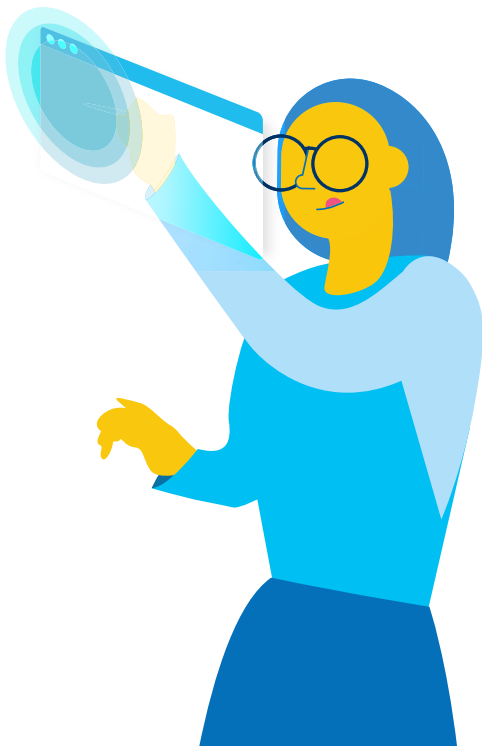
## Regulation & Compliance (Continued)

### Regulation & Compliance Summary

As a wide range of new regulatory obligations threaten to impact the payment systems and reporting obligations of businesses, they should plan ahead to address these challenges and assess the changes required to ensure compliance and avoid penalties. These will cover technical and procedural compliance, payments system-level security, invoicing processes, and potentially customer screening and validation.

### Actions:

- Ensure payment scheme compliance and control obligations are met
- Beyond ensuring late-payment penalties are avoided, does your Accounts Payable process make use of early-payment discount opportunities?
- Are you aware of any KYC obligations for any territories you trade in? Do you have systems in place to handle these?
- Review potential benefits from partnering with a trusted payments solutions provider, one that can provide ongoing compliance assurance



**The way we make payments is changing. In the pre-decimal Britain of the 1960s, payments meant cash. Barclays issued the first credit card in 1966 - a decade that also saw the launch of 3-day Bacs payments and the cheque guarantee scheme. It took twenty years before the appearance of debit cards and networked ATMs, with near real-time 'Faster Payments' only arriving in 2008.**

# 05

## The Digital Economy



If pre-2008 progress appeared glacial, the velocity of innovation since has been phenomenal. The challenges of the 'digital economy' extend beyond headline-grabbing new technology, to encompass the wider customer and employee expectations of simplicity, speed and security. Meeting these challenges will improve the efficiency of your business and help you retain customers and reach new markets.

### Paradigm Shift

The rapid and irreversible paradigm shift in consumer payment habits is certainly reshaping banking and the retail world. The implications of the digital economy for the world of corporate and business payments are in many ways more extensive.

It's no secret that payments modernization is accelerating, and this has been fueled by COVID-related lifestyle changes. There has been a huge reduction in cash payments and an increased reliance on electronic accounts and instant payments. There are 3 key trends you can't ignore:

#### Everyone's going digital

And it's happening fast. Online self-service, uptake of the digital economy, and the Open Data revolution are accelerating at a blinding pace. And COVID-19 added rocket fuel to this growth.

#### Paying is getting easier

There are more ways to pay, and your competitors are letting consumers pay the way they want, all while providing a winning customer experience.

#### Cloud changed the game

You can't keep up with this rapid rate of change if your systems and software aren't built for it. But in the world of finance, cloud systems pose a risk so staying compliant is mission-critical.

Is your existing payment process able to adapt to these changes and maximise on these opportunities?



# 05

## The Digital Economy (Continued)



### High Expectations

As mobile and wearable devices become a standard way to make payments, expectations of customers and employees alike can stretch existing operational systems that often originate from a pre-mobile era. Today's 'digitally native' employees are often increasingly frustrated by a working environment onstrained by processes or applications that bear no relation to the intuitive experience delivered in the consumer marketplace.

Application simplicity and usability has a direct connection to overall staff productivity and business performance - in both service levels and profitability – and are equally important as the IT cost model when it comes to considering the role of new finance or payments applications. Employee time should not be needlessly dominated by cumbersome application interfaces, complex navigation and system incompatibilities.

### Payment Innovations

The flexibility of cloud-based solutions designed from the ground up to exploit these payments innovations enables organisations to move away from imposed workflows that do not reflect today's working environment or efficiency ideal. This model should be highly flexible, enabling organisations to embrace far more effective working practices – from mobile approvals to full lights out processing – that deliver measurable improvements in productivity and cost reduction.

The online checkout experience is also mission-critical for your business, and you want to do everything you can to ensure customers do not abandon their purchases.

But a good customer experience is wasted if it's costing you time and money in the backend. The checkout needs to efficiently reduce complex admin headaches, speed up settlement and lower transaction cost. Otherwise you're losing the upside of a winning customer experience. You need a solution that delivers a better payment experience and improves how you receive funds in a fast-changing environment.

# 05

## The Digital Economy (Continued)

### Digital Economy Roadmap

Looking across a range of seemingly disparate trends, we can identify four common elements that should form part of your digital economy payments roadmap:

#### Security

Payment security and system stability are non-negotiable.

#### Simplicity

Easy, anywhere and convenient access to financial data and processes.

#### Speed

Instant payment delivery and confirmation will be the expectation and norm.

#### Scalability

A consolidated payment process that accommodates individual low-value transactions together with multi-currency, high-value, high-volume payments.

Innovations in consumer payments will continue to migrate into corporate payment services, offering significant improvement to established payment tools and providing businesses with more choice. Whilst three-day payment processing cycles may be satisfactory for regular, bulk payment processing, in the digital economy the demand for instant payments and collections is ever increasing – your customers and business partners will expect nothing less. Anywhere, anytime and any-device control over core payments processes will be seen as the norm.

The digital economy is an enormous challenge to existing legacy payment processes. It is also an enormous opportunity that will see a clear divide between the winners and losers.

# 05

## The Digital Economy (Continued)

### The Digital Economy Summary

The challenges of the digital economy are less about biometric tech, and more centrally focused on market and employee expectations of simplicity, speed, and security. For business, choosing a scalable payments solution provider possessing both proven expertise and strong innovation can be seen as a strategic partnership, enabling you to meet opportunities for growth and business development.

### Actions:

- Review how Faster Payments can benefit your customer service levels and reduce payments costs
- Does your organisation make use of multiple payment options to save abandonment at checkout?
- Are your existing payments processes or systems cumbersome and outdated? Do they offer the flexibility you really need to grow?
- Have you considered how hosted cloud-payments services can help insulate against security, technology and compliance changes, and expand the payments options available for your business?



**Whether addressing efficiency challenges, tackling fraud, improving financial visibility, ensuring regulatory compliance, or facing up to the new opportunities of the digital economy, introducing automation along the business payments chain can provide tangible competitive advantages to your organisation.**

# 06

## Conclusions

Manual or fragmented payments processing carries a heavy burden in staff inefficiency and it is the single largest vulnerability when it comes to addressing the risk of financial fraud. It also prevents treasury and finance departments from having clear financial visibility and cash control. In addition, the increasing regulatory pressures can be a further challenge for such inefficient systems, and the heightened expectations for immediate payments and transactions are simply impossible without a modern flexible payments infrastructure in place.

### Holistic Benefits

While the specific needs of businesses can vary considerably, payment automation solutions can provide a range of holistic benefits regardless of size or sector. In particular, cloud-based payment solutions are very well suited to address the many challenges companies face today.

Despite the huge technology advances in recent years, the significant changes in consumer purchase patterns and expectations, and the revolutionary transformation of many business sectors, the way many companies pay and get paid has changed relatively little over the past ten years.

Such manual, fragmented and inefficient practises expose organisations to avoidable fraud risks and carry significant, though often hidden, costs in wasted resources and duplicated effort.

The ability to capitalise on growth opportunities is weakened and the increased service expectations of customers is virtually impossible to fulfil without a highly efficient and scalable payments infrastructure.



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# 06

## Conclusions (Continued)

### Next Steps

With almost daily announcements unveiling the very latest disruptive technology and new entrants to the payments market adding greater choice for businesses, finding the right solution partner from within this market noise can be difficult.

Innovation may be fast paced, but the requirements for secure and dependable payment processes remain a fixed constant.

Consideration of solution partners should of course include standardised technical and security resilience assessments. It is also important that this is extended to encompass full vendor-chain due-diligence and stability - this will extend along the technical architecture from the software provider to the company hosting any cloud-based solution.

It is essential to accurately assess the scalability of any payments solution. Flexibility is certainly one of the key benefits of the cloud model - a modular design that allows an organisation to scale up and down its usage to reflect operational and business requirements. This scalability and flexibility can encompass services portfolios, payment types, transaction volumes and operational geographies.



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# 06

## Conclusions (Continued)

### The Business Case for Change

This paper has highlighted several ways that businesses can gain a significant efficiency boost through streamlining and automating current payments processes.

Major benefits include:

- Boost staff productivity, freeing up resources for more effect and profitable deployment
- Reduced errors and increased anti-fraud protection
- Access to a full range of payment options – improving service levels and lowering payment charges
- Consolidated account visibility – greater ability to manage cash flow
- Compliance assurance – whether Open Banking, PSD2, KYC screening, late payment compliance or audit and reporting obligations
- Ability to meet evolving demands of a modern digital economy, with expectations of 24/7 availability and payments confirmation

Some of the above may be more relevant than others to your organisation. Taken individually, each provides a powerful argument for reviewing existing practices and developing a robust return-on-investment business case for renewing and replacing inefficient payment processes.

Even from a purely protection perspective, payments automation effectively tackles the single largest fraud vulnerability organisations face.

Collectively, the benefits provide an overwhelming case for payments automation – delivering a wide range of fully quantifiable business benefits.

It is time for change!

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When you partner with Bottomline Technologies, you can rest assured that you made the right choice. With over 30 years' experience and operations spread across 92 countries, we process billions of invoices every year. We're not only the UK's most popular Bacs software provider, we're also one of largest SWIFT bureau providers globally. Our security and compliance measures are updated regularly, as are our technical capabilities – all of which ensure your business operates as safely and efficiently as possible – both now and for the future. We are experts in payment technology – enabling you to reach the dizzying heights of industry-leaders. Businesses and banks rely on Bottomline Technologies for domestic and international payments, effective cash management tools, automated workflows for payment processing and bill review and state-of-the-art fraud detection, behavioural analytics and regulatory compliance. More than 10,000 corporations, financial institutions, and banks benefit from Bottomline solutions, so you can too.

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