

Disbursement Processing Tools for Success

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Agenda



Payment methods – benefits / disadvantages



Solutions to address payment fraud



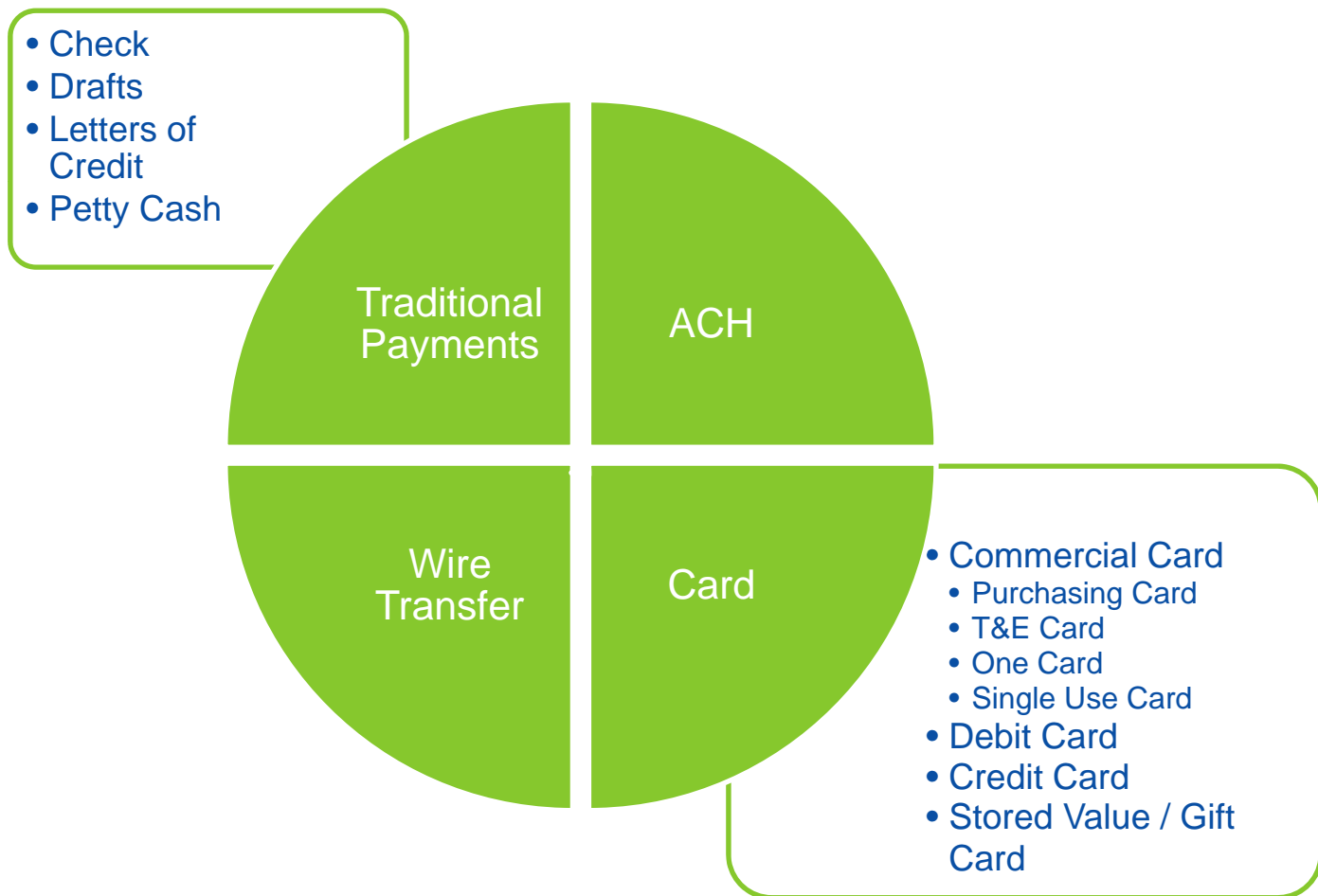
When to consider payment outsourcing



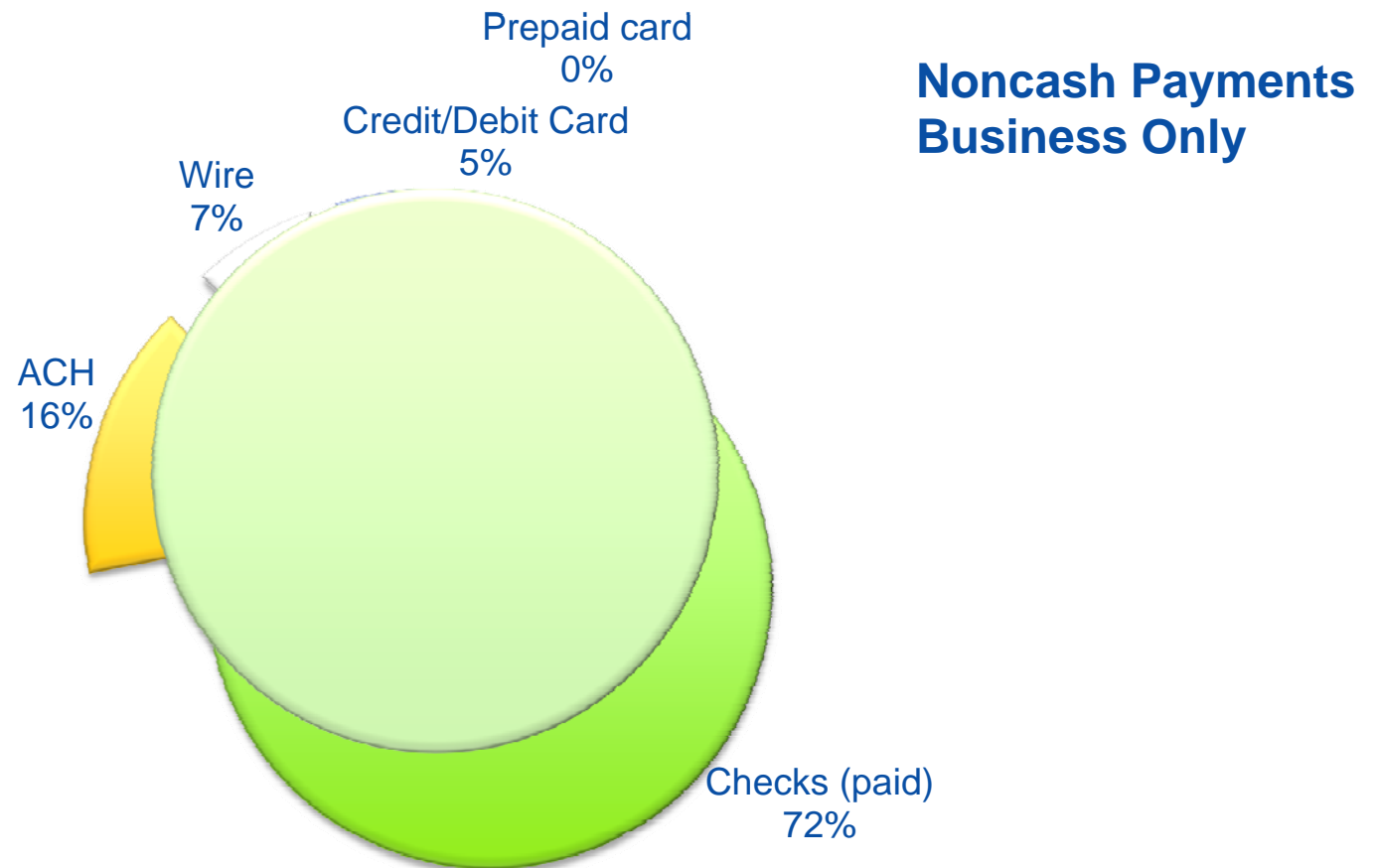
Best practices to resolve payment processing issues



Payment Methods



72 % of Non-Cash Business Payments Made by Check





Payment Method Check

Pros

- Easiest to use
- Conforms to existing processes
- Offers mail float component
- Provides a paper trail

Cons

- Incurs higher costs
- Creates an unpredictable cashflow
- Exposes company to higher incidences of fraud
- Requires abandoned property tracking and reporting



Payment Method

ACH

Pros

- Lowers processing costs compared to checks and wires
- Controls timing of payment
- Allows negotiation of better discounts
- Offers reversals up to 5 business days after settlement date
- Minimizes risks compared to checks

Cons

- Involves a more complicated setup
- Requires maintenance of payee financial information
- Excludes remittance details for some payments
- Has shorter return deadlines compared to checks
- Limits processing of international payments



Payment Method

Wire

Pros

- Offers fastest method to send payment
- Uses proven process for foreign currency transaction initiation
- Follows established method for large dollar transfers
- Meets preferences for drawdown (reverse) wires required by a few third-party payroll processors

Cons

- Levies the highest bank fees
- Requires knowledge of payee's banking information
- Impedes recovery in the event of fraud
- Excludes banks that are unable to process drawdown (reverse) wires



Payment Method

Commercial Card

Pros

- Potential revenue share
- Lowest risk
- 1099 filing burden transferred to Supplier's Card Processor
- Detailed reporting
- Enhanced controls

Cons

- Lower acceptance than other payment types
- Faster than check but slower than ACH



Payment Method

Commercial Card

(Purchasing Card, One Card, T&E Card)

Special purpose cards are used to purchase equipment and supplies, services, and T&E

- Cardholder may receive rebate from card issuer
- Organizations often use cards for small and medium-size and/or recurring transactions aimed at reducing internal costs of purchasing
- Merchants offer up to three levels of transaction detail

Controls may be established by individual cards

- Amount per transaction and per day, number of transactions per day, week, month
- Total amount of spend in a billing cycle
- Types of expenditures – MCC – Merchant Category Codes

Single Use Account for Automated Payments

Works just like an ACH payment or check

- Web-based interface facilitates batch processing of bulk and on-demand payments
- Single use virtual card numbers replace checks and eliminate the need for printing and mailing payments and advices (vendors receive remittance advices by e-mail or fax)

Expiration Date

Unique Payee

Unique Card Number

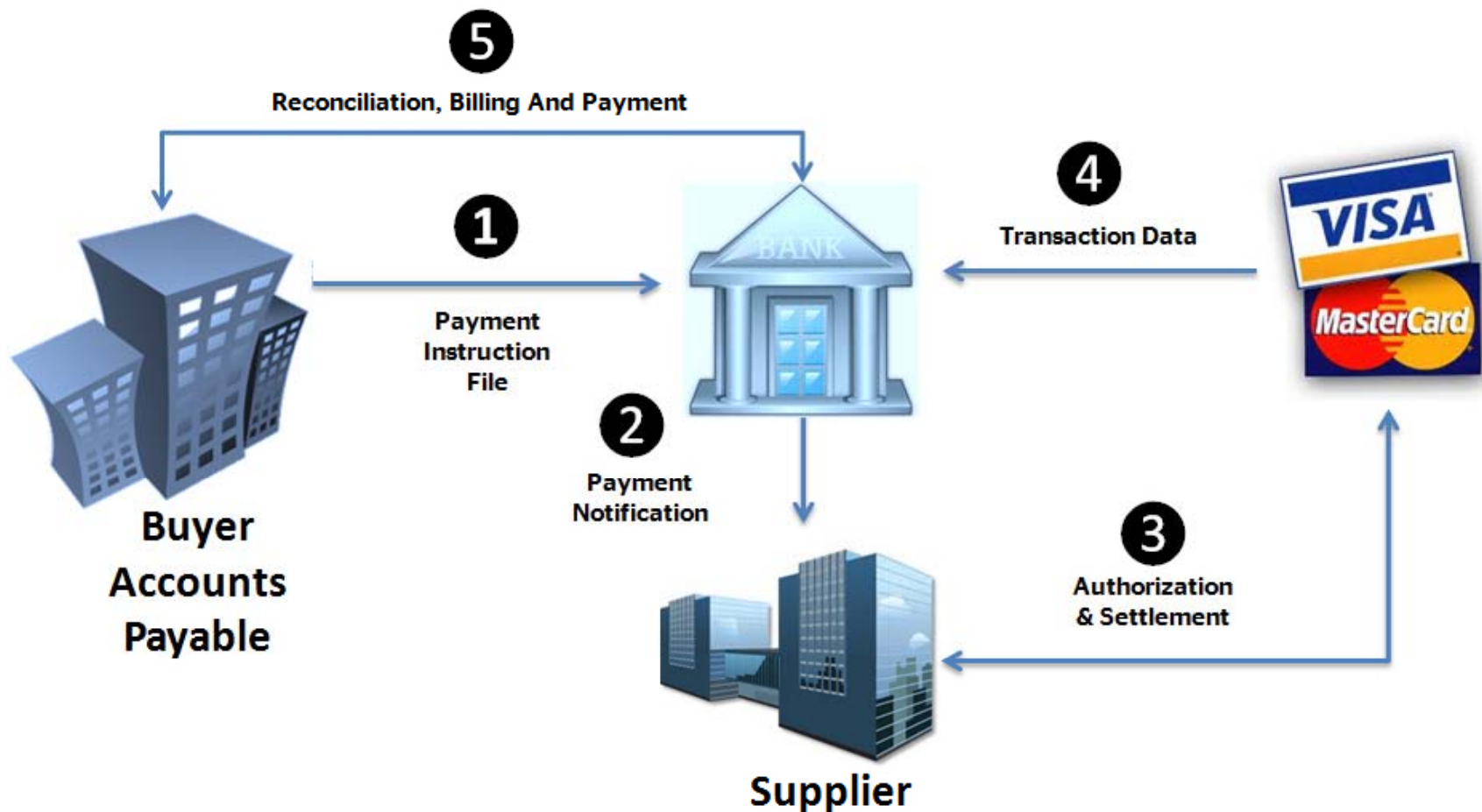
Security Features



Just Like an ACH Payment or Check

Single Use Account for Automated Payments: How It Works

Single Use Account Payment Process Flow (Supplier Initiated Payment)



Benefits of Single Use Accounts

Organization Benefits



- Greater control
- Cost reduction
- Improved reporting and reconciliation
- New revenue streams

Supplier Benefits



- Faster payment
- Cash flow visibility
- Processing saves time
- Reduce administrative costs



Stored Value/Gift Card/ Payroll Card/Debit Card

May be called “pre-paid card” because card issuer paid in advance

- Cards distributed as appropriate
- Cards may or may not have individual restrictions

Typically used with consumers and promotions but may be used for business-to-business transactions

Facilitates payroll payments to employees without bank accounts

Debit card – immediate withdrawal from bank account of card owner



International Payment

Foreign Exchange (FX) transactions complex

Intermediaries often required to do currency conversions

International ACH (IAT) transactions evolving

Additional information required to effect transaction

All banks can receive, few can originate

IAT via Federal Reserve limited to 35 countries

Argentina	Cyprus	Greece	Mexico	Slovakia
Austria	Czech Republic	Guatemala	Netherlands	Slovenia
Belgium	Denmark	Honduras	Nicaragua	Spain
Brazil	El Salvador	Ireland	Panama	Sweden
Canada	Finland	Italy	Peru	Switzerland
Colombia	France	Luxembourg	Poland	United Kingdom
Costa Rica	Germany	Malta	Portugal	Uruguay



Payment Method

Other

Draft

- Used mainly by specific industries due to industry practices and/or state regulations (e.g., insurance, auto dealer, energy)
- Often must be accepted by issuer before payment is made

Letter of Credit

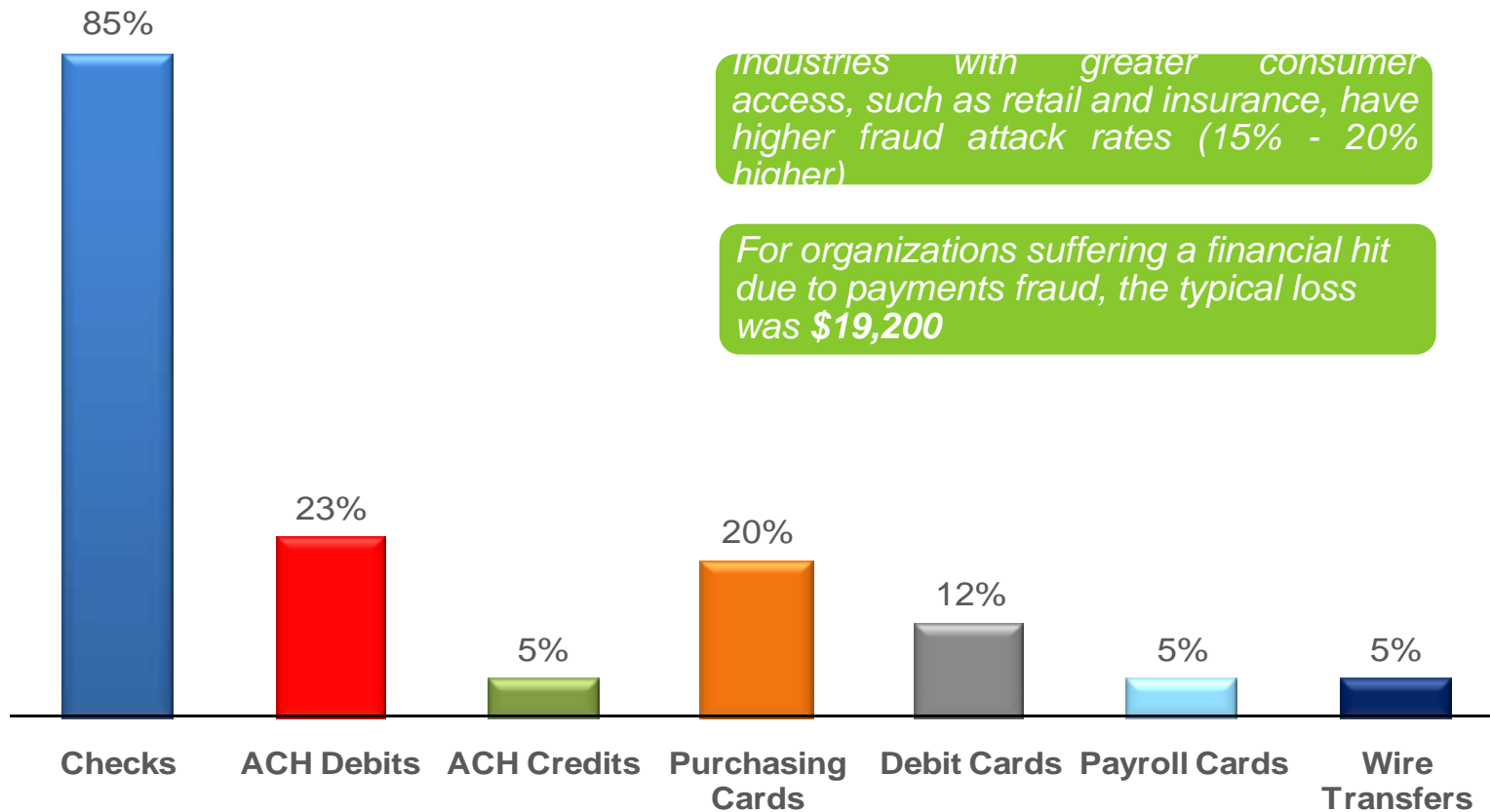
- Used in international transactions by exporters of goods concerned about credit worthiness of buyer
- Document issued by bank that guarantees payment of customer's draft

Petty Cash

- Used to cover small expenditures requiring cash payment

Solutions to Address Payments Fraud

Prevalence of Payments Fraud



Source: 2012 Association of Financial Professionals (AFP) Payments Fraud & Control Survey



Impact of Payments Fraud

Hard Dollar Costs

- Dollar value of fraudulent item(s)
- Legal fees
- Insufficient funds (NSF) fees
- New check stock or computer equipment

Soft Dollar Costs

- Damage to company's reputation
- Lost productivity due to hours spent researching fraud and resolving issues, making restitutions, filing forms
- Lower employee morale and other emotional impacts
- Difficulty correcting negative credit reports
- Unexpected secondary effects – higher interest rates, credit issues, etc.



Solutions to Address Check Fraud

Check Positive Pay

Positive pay services match issue files to checks presented for payment and notify issuing company of exceptions

Bank compares company's electronic copy of check register with checks presented for payment and report all exceptions.

Should an item presented not match the issue data, the bank will report the exception to you by a pre-defined time. At this point, you will instruct the bank to pay or return the item.

The bank processes the item per your instructions. Some banks have a default decision, if they do not hear back from you by a pre-defined time.




Solutions to Address ACH Fraud

ACH

ACH Authorization services allow you to block or filter ACH activity

Determine the type of service appropriate for your company and choose the transaction types (debits or credits) and/or originators to be allowed/rejected.



As ACH transactions are presented for payment to/from your account, we verify that the transaction is authorized. If it is not, the ACH item is automatically returned.

Solutions to Address Card Fraud





Solutions to Address Payments Fraud

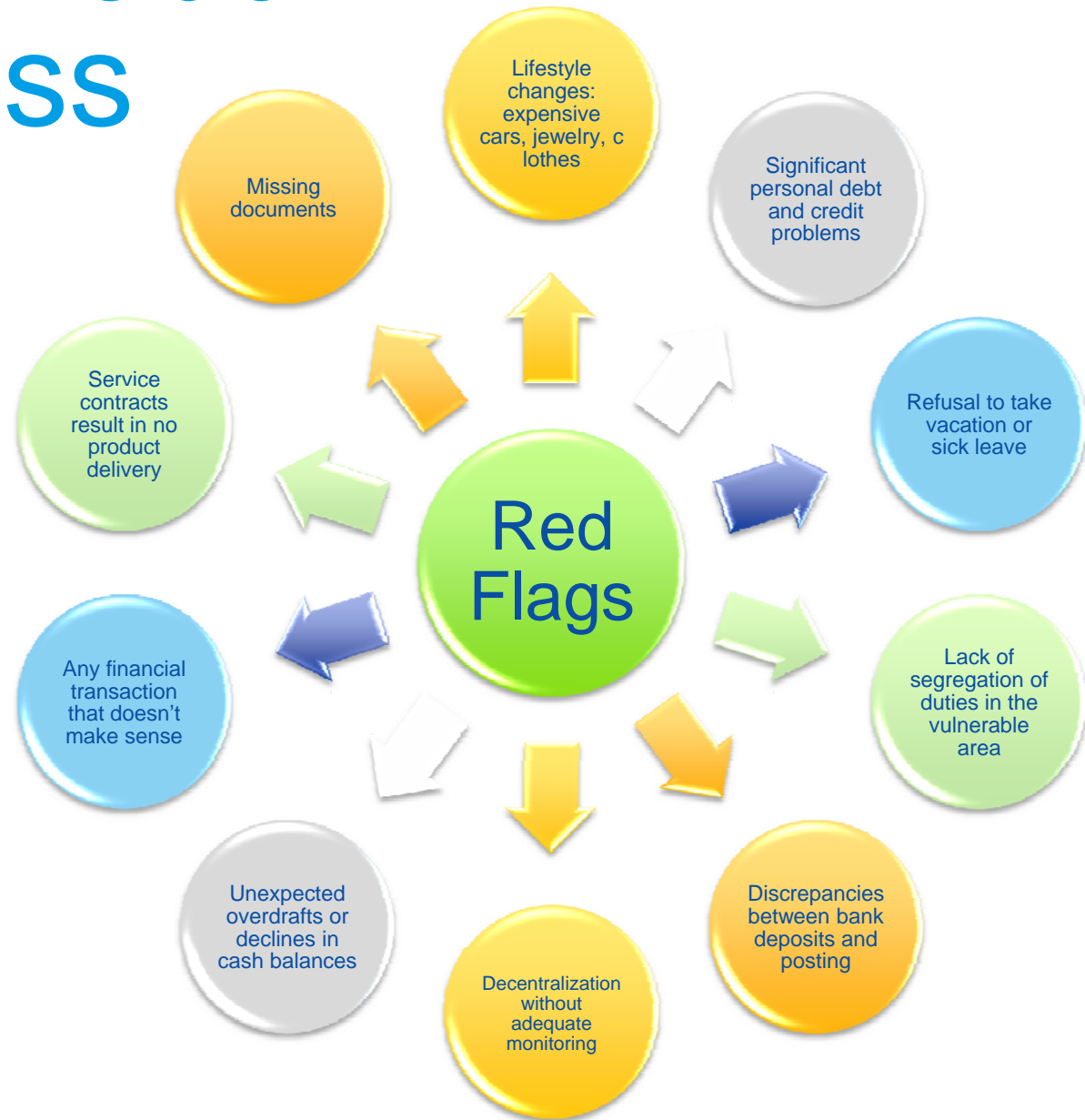
Implement Trusteer Rapport software

- Protects the “session” between you and your bank
- Detects malwares/trojans missed by most virus protection software
- Works by examining APIs to see if any other process is trying to intercept sensitive data and blocking those that do
- Provides peace-of-mind at a low cost (free from many banks)

Other tools for mitigating payment fraud

- Applications that facilitate segregation of duties through entitlements
- Multi-factor Authentication through One-Time Passcodes
- Employee education

Internal Fraud Awareness



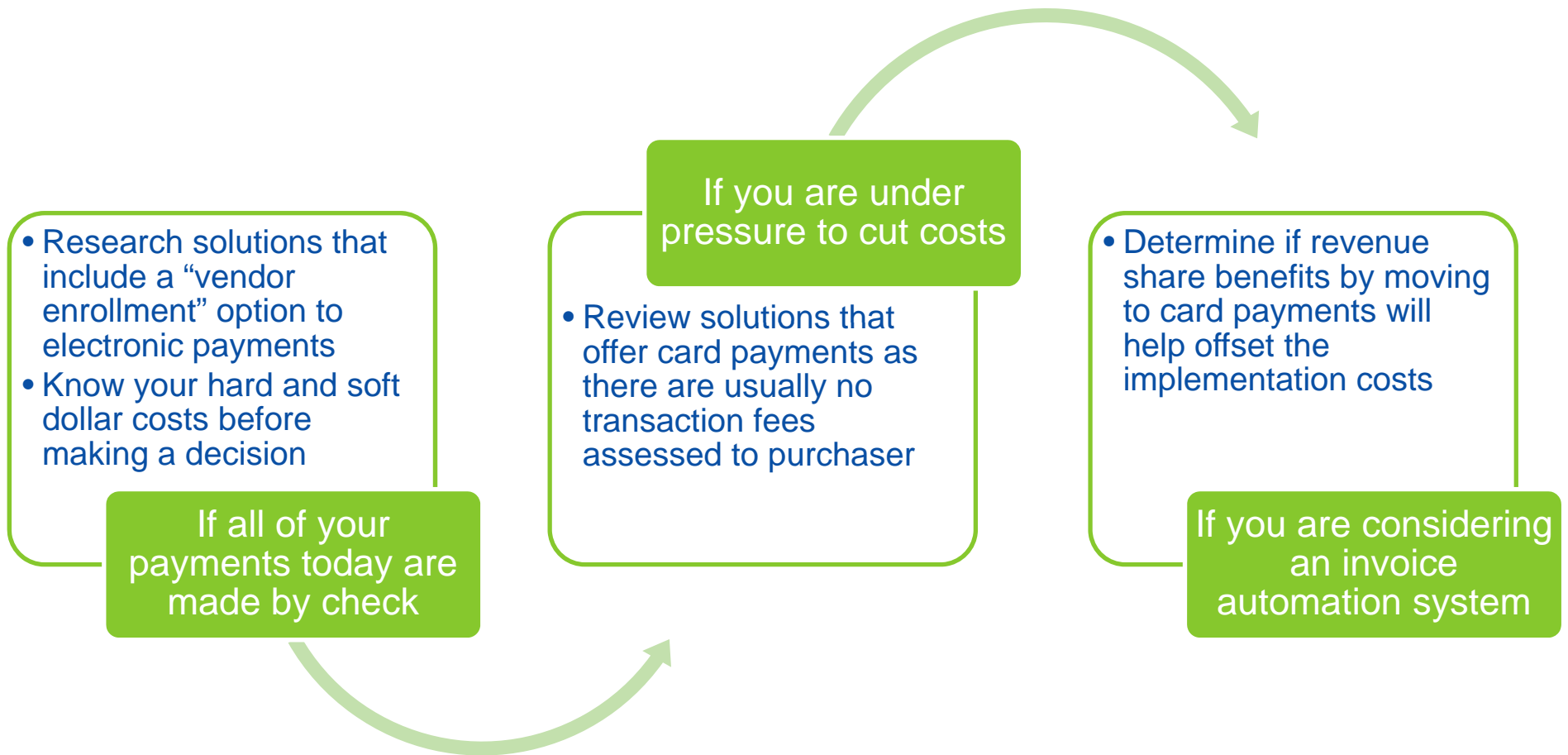


If You Are a Victim of Payment Fraud

Take immediate steps

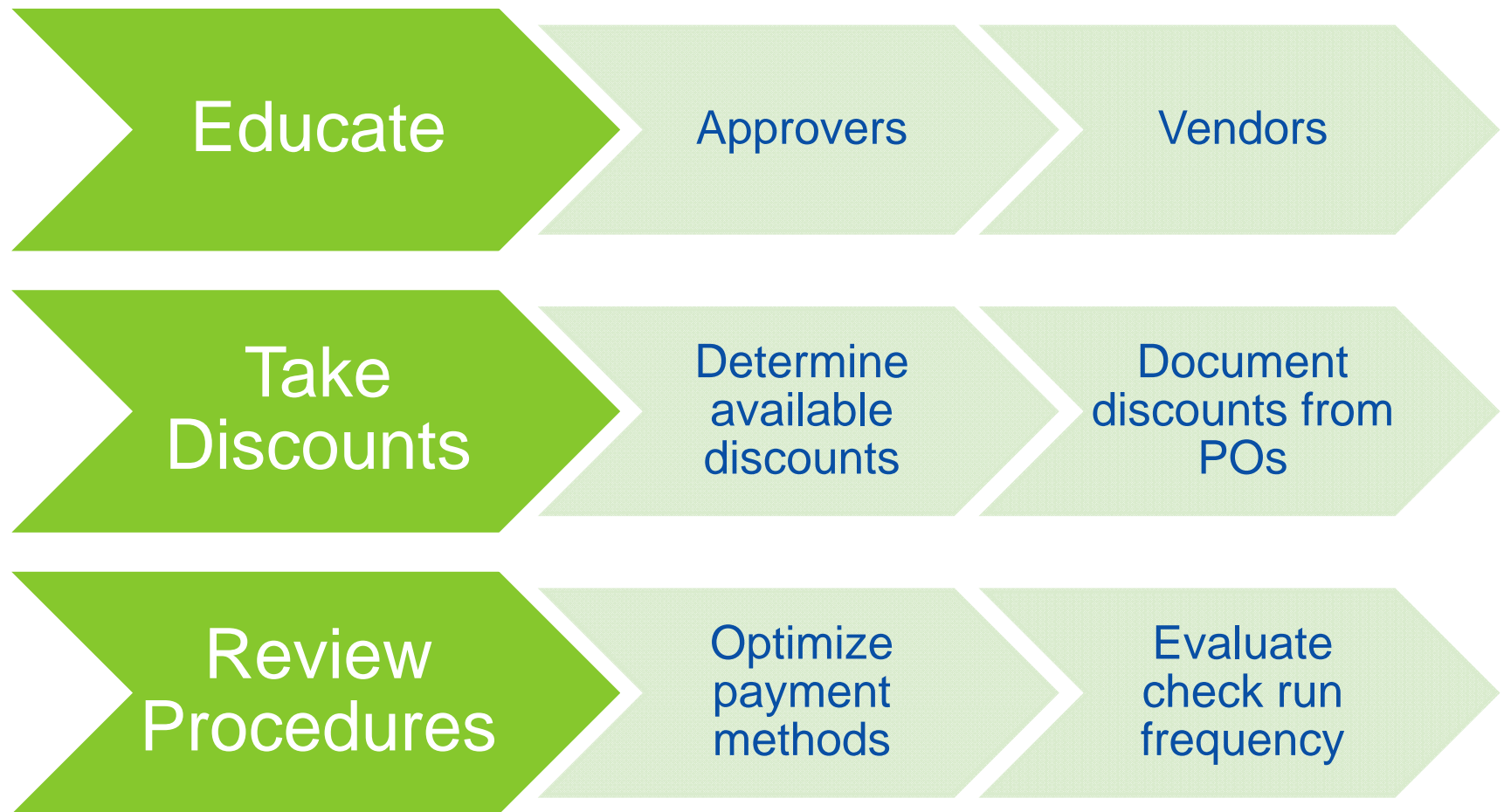
- Contact your bank(s), so that they can take actions to contain the incident
- Cease all activity from computer systems that may be compromised
- File a police report and provide the facts and circumstances surrounding the loss

When to Consider Payment Outsourcing





Best Practices





Session Leader

Alex Keene, BBVA Compass, Group Product Manager

Manages the marketing, profitability and development aspects of the following Accounts Payables products:

- Account Reconciliation
- Controlled Disbursement
- Drafts
- Integrated Payables
- Payment Fraud Prevention including Positive Pay
- File Transmissions

17 years of banking experience on treasury management and accounts payables products.

Education

- BA in economics from Southwestern University
- Masters in project management from George Washington University
- Certified Project Management Professional (PMP)



Session Leader

Jim Jezowski, BBVA Compass, Product Sales Specialist

Manages the sales process for Commercial Card Services in Western Region

- Commercial Card Services
- Purchasing Card
- Single Use Accounts
- T&E Cards
- Integrated Payables
- Buyer Initiated Payments

10 years of banking experience in Commercial Card Services

Education

- BA from Chapman University
- MBA from Chapman University
- Member; National Association of Purchasing Card Professionals (NAPCP)



Questions