TREASURER’S GUIDEBOOK

11 Global Payment Formats
The Treasurer's Guide to a Preferred Payment Mix

This ebook outlines the 11 most widely used payment formats that treasury teams across the world should be aware of and accept to constitute a healthy payment mix

highradius
Integrated Receivables

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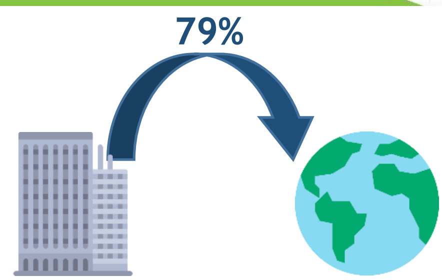
Executive Summary

Businesses are going global!

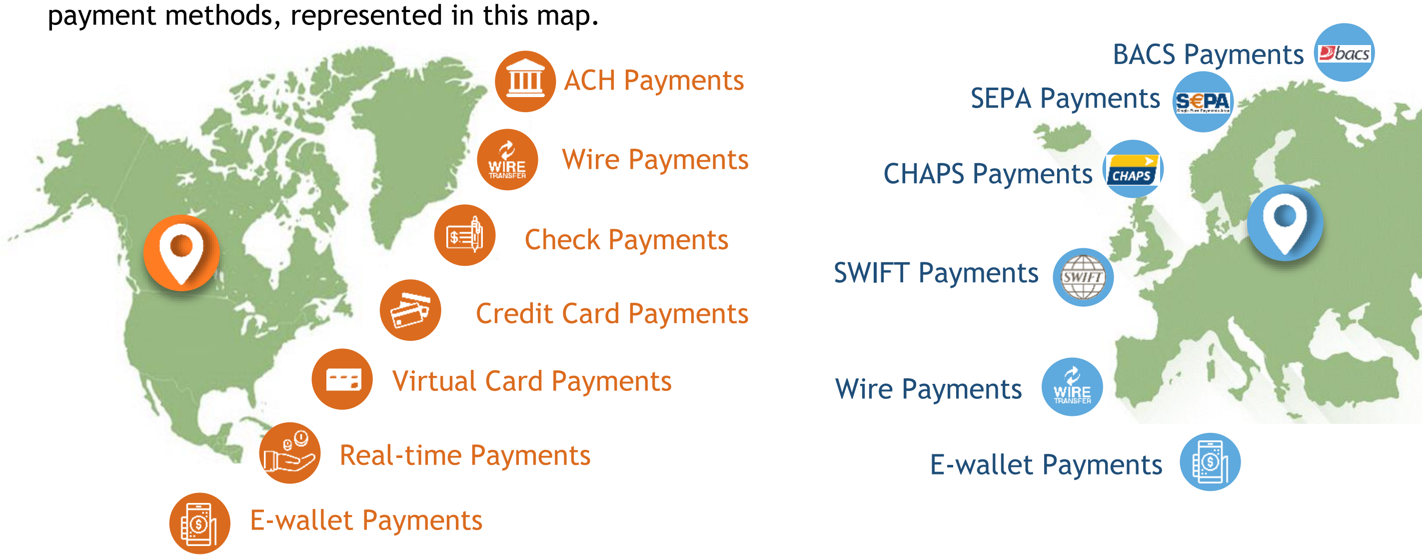
According to a joint survey by CRF-NACHA, *79% of the business organizations are shifting towards a global business model*.

The same survey states that *79% of the organizations anticipate the volume of international payments to increase by 2020.*



What does the global payments snapshot look like?

On analyzing various payment methods used across countries, specially in the Americas and EMEA regions, we have identified the top 11 most widely used payment methods, represented in this map.



Treasury teams of global enterprises should make it their topmost priority to not only accept these payment formats from customers, but accept them in an optimized environment for ensuring cost-effective acceptance, adherence to security policies, and scalable cash application.

Framework for evaluating payment types

The top parameters that treasury teams should evaluate different payment methods are:

Security

Deep-dive on the government-issued security measures, possible payment frauds and tips to prevent them.

Time for Processing

Analyze the settlement speed for national or cross-border transfers such that the payment hits your books on time

Cost of Transaction

Find out the cost of acceptance for arriving at a cost-effective payments mix

Remittance Mode

Identify various sources of remittances and form workflows to reconcile remittances in a standardized format

In the next chapter, we will discuss the 11 most widely-used payment formats which are prevalent in the B2B payments ecosystem

1 ACH Payments

Geography: Americas

Popularity: High

Security:

Medium

ACH transactions are regulated by Federal law and NACHA administers the security through:

- Encryption of account information
- Verification of routing number during origination
- $25,000 restriction per transaction
- Micro-deposit and secure vault payments are made into customer's account for account verification prior to payment transactions

Possible ACH frauds include:

- Phishing scam due to leakage of account information
- ACH kiting fraud due to time lag in transactions, leading to misplaced funds

Tips to prevent ACH frauds:

- Keeping account information confidential
- Not responding to unfamiliar payment requests

Cost of Transaction:

Median cost of sending and receiving payments varies between $0.27 to $0.29

Source: 2015 AFP Payments Cost Benchmarking Survey Report

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- EDI
- Web portal uploads
- Along with the payment

Time for Processing:

Time for processing ACH payments is approximately 3 business days.
In case of a Same-day ACH, payment is processed within 3 hours

ACH is gradually expanding across Europe with the International ACH initiative of NACHA

2 Wire Payments

Geography: Americas and Europe

Popularity: High

Security:

Medium

Wire payments are considered to be safe. Possible information breaches include:

- Phishing scams due to leaked account information
- Family emergency scams leading to authentication mishaps

These are the tips to prevent possible wire payment frauds:

- Proper verification of receiver credentials
- Restricted transactions to unknown beneficiaries
- Keeping account information confidential

Cost of Transaction:

Median cost of sending and receiving payments varies within $4.25 to $7.64

Source: 2015 AFP Payments Cost Benchmarking Survey Report

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- EDI
- Web portal uploads
- Along with the payment

Time for Processing:

Money is typically transferred within 1-2 days depending upon how early the request has been submitted. For international transfers, it might take more time.

Sometimes, the receiving banks also take time to reflect the amount in their accounts

Many banks are shifting towards multi-level authentication to prevent wire scams in future

3 Check Payments

Geography: Americas

Popularity: High

Security:

Low

Checks are vulnerable to frauds. Every information needed by the hacker is mentioned in the check (account number, name, bank routing number). Check forgery is the #1 reason for frauds.

Tips to prevent check frauds:

- No signing of random blank checks
- Proper communication with banks to inform misplaced checks
- Integration with a trusted vendor to mail the checks

Cost of Transaction:

The median cost of accepting a check is $1.57

Source: [2015 AFP Payments Cost Benchmarking Survey Report]

Time for Processing:

Banks take 5+ business days to process a check. The delay is mainly due to check float and bank's delay because of the volume of checks that need to be processed.

The amount is reflected in the supplier's account in absence of a fraud.
In case of a fraud or check bounce, sensitive customer data could be stolen and misused

Remittance Mode:

Remittances are sent in the format of check-stubs. The bank charges additional lockbox key-in fees for SKU-level key-in of the remittance advice to the supplier

Checks continue to remain 50% of the payment formats irrespective of electronic payment formats evolution

4 Credit Card Payments

Geography: Americas

Popularity: High

Security:

Low

Credit card payments have been exposed to multiple frauds such as:

- Application theft
- Credit card imprint theft
- Lost and stolen card fraud
- Fake cards fraud

PCI DSS compliance and processor tokenization ensure secure credit card processing

The following factors prevent security breach during a credit card payment:

- Non-disclosure of credit card data
- Prevention of transactions with suspicious merchants
- Formation of strong authentication details

Cost of Transaction:

Median cost of receiving credit card payments varies within 0.50%—1.99%

Source: [2015 AFP Payments Cost Benchmarking Survey Report]

Remittance Mode:

The remittances are sent through the following channels:
- Emails
- EDI
- Web portal uploads
- Bank statements

Time for Processing:

It could take 2hours to 3days to process a payment

Level III processing of transactions could cut credit card processing costs by up to 40%

5 Virtual Card Payments

Geography: Americas

Popularity: Low

Security: High

Virtual cards are one-time cards. These cards have a 16-digit card number and CVV format similar to credit cards. After its designated dollar limit is exhausted, the virtual card becomes invalid.

In case of a fraud, the intruder would not be able to trace the number for further information. This makes virtual cards more secure than credit cards.

Cost of Transaction:

Virtual card payments come with high interchange costs. The reported median cost range for outgoing card payments is $1.00—$1.99

Source: *2015 AFP Payments Cost Benchmarking Survey Report*

Time for Processing:

It takes approximately 3 days for the settlement of virtual card payments

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- EDI
- Web portal uploads

Since virtual cards are meant for one-time use, PCI DSS compliance and storing the card data in a secure environment is not a huge issue which was applicable in case of credit cards

6 Real Time Payments

Geography: Americas

Popularity: Low

Security: High

Following scams could be encountered in RTP:

- Account takeover fraud leading to sensitive information leakage
- Application fraud due to fraudulent creation of application

Real time payment does not allow direct access of any bank account information to the other party involved. To ensure a more secure environment, Tokenization should be enabled on payment accounts

Cost of Transaction:

TCH is authorized by the RTP participants to process TCH fee debits and RTP incentive debits

Source: [2015 AFP Payments Cost Benchmarking Survey Report]

Remittance Mode:

The remittances are sent through the following channels:

- Along with the payment
- Emails
- EDI
- Web portal uploads

Time for Processing:

Real time payments are processed in seconds

According to PNC, 25% of US companies have plans to implement Real Time Payments within a year

7 BACS Payments

Geography: Europe

Popularity: High

Security: High

BACS transfers are considered to be safe due to the following reasons:

- BACS uses SSL-encrypted Bacstel-IP which requires strong authentication before the payment is processed
- BACS ensures that only authorized organizations take part in Direct Debit scheme
- BACS ensures safety against fraudulent transactions with Direct Debit Guarantee

Cost of Transaction:

In case of BACS payments, the cost per transaction is 0.23 euros

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- Web portal uploads

Time for Processing:

BACS Direct Credit and Direct Debit payments are processed within 3 working days

According to a NPSO report on May 1, 2018, the operational responsibility for BACS has been transferred to New Payment System Operator(NPSO)

8 SEPA Payments

Geography: Europe

Popularity: High

Security:

High

SEPA provides convenience and standardization against national and cross-border payments. The common reasons for SEPA scams include:

- Minimal authentication in SEPA Direct Debit leading to fraudulent transactions
- Multiple touchpoints in IBAN/BIC migration leading to data manipulation

SEPA payments are regulated by European Union. International Bank Account Number(IBAN) and Business Identifier Code(BIC) are used as standards for payment authentication

Tips to prevent SEPA scams:

- Proper tracking of IBAN migration
- Implementing more security checks during a direct debit scheme

Cost of Transaction:

The cost per transaction is approximately 4 euros

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- Web portal uploads

Time for Processing:

SEPA takes around 3 days to process the payments. However, SEPA Credit Transfer takes maximum 1 day and SEPA Instant Credit processes the amount instantly

SEPA is expanding its partnerships in various banks in different countries such as Nordea in Finland, BPCE in France

9 CHAPS Payments

Geography: Europe

Popularity: High

Security:

High

CHAPS payments are widely used in UK and other parts of Europe. Frauds are usually rare in a CHAPS payment, however, some common instances include:

Unauthorized fund transfer due to account takeover

CHAPS payments require account holder's authorization such as sorting number, account number before payment processing.

Tips to prevent CHAPS frauds:

No sharing of account information

Immediate reporting on facing a fraudulent transfer for refund from the bank

Cost of Transaction:

Per transaction, CHAPS charges 25 pounds. It is expensive due to its same-day payment processing. However, for a platinum banking partners, there is no charge.

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- Web portal uploads

Time for Processing:

CHAPS payments are processed the same day, provided that the payments are submitted and received by CHAPS by 2pm on a working day

According to a report, CHAPS is planning to hit 43.5 million transactions in 2026

10 SWIFT Payments

Geography: Europe

Popularity: High

Security:

Medium

SWIFT transfers involve payment orders instead of involving funds directly. Although they are considered to be safe but some common frauds could be due to:

- Wrong recipient information leading to funds getting misplaced
- Multiple bank layovers facilitating hackers to intrude

After multiple security breaches, SWIFT has tightened its bank policies with strong authentication and encryption. The tips to prevent SWIFT transfer frauds:

- Double-checking the recipient information
- Not getting involved into any suspicious transfer

Cost of Transaction:

In case of SWIFT payments, the cost per transaction is approximately 25 pound sterling

Remittance Mode:

The remittances are sent through the following channels:

- Emails
- Web portal uploads

Time for Processing:

If the payment request has been made on a business day before the bank's cut off time, it would be processed on the same day or else, the next day

SWIFT has announced the integration of Payment Controls, an intelligent solution to ensure additional security to SWIFT payments

11 E-wallet Payments

Geography: Americas and Europe

Popularity: Low / Medium

Security:

In e-wallets, every transaction is processed with encryption. So, customer's account details are not directly provided to the merchant.

The common frauds include:

- Theft of customer identity
- Account takeover using loyalty programs as a tool

Tips to prevent e-wallet frauds:

- Implementation of multi-factor authentication such as PIN, biometric for additional security
- Implementation of AI to identify customer payment patterns, in order to reject fraudulent transactions

Cost of Transaction:

E-wallet processing depends upon the vender involved. For example, for Paypal, there is a fee for cross-border transactions. For Apple Pay, while making the payment, if credit card is linked, then 3% of the transaction amount is charged

Remittance Mode:

The remittances are sent through emails

Time for Processing:

The amount is processed in seconds

Local e-wallets such as Payconiq, Payback, Paylib, Pingit, Vipps, Mobile Pay are gradually paving the path towards a healthy e-wallet landscape in Europe

Arriving at a Preferred Payment Mix

Payment Acceptance : Factors to Consider

Bank Markup Fees

During payment transfers, banks usually charge a markup fee. The markup price varies according to bank policies, credit rating.

Comparison of bank markup fees is crucial to analyze the bank partnerships

Cross Border Fees

For international transfers, a cross border convenience fee is charged. Eg, 1.20% for Visa and 1.00% for MasterCard. Thus a payment method with low or zero cross-border fees should be adopted. Eg, SEPA payments

Visibility

Treasury teams are responsible for reporting the cash on hand figures to the finance leadership. Consolidating the cash balances across accounts is could be one reason why treasury teams are hesitant to support too many payment formats

Buyer Credit Score and Dollar Amount

Depending on the buyer credit score and dollar amount, a preferred payment method could be recommended. Eg, a low-risk customer having a low invoice dollar value could be convinced to pay using a low-security payment method but a high-risk customer having a high invoice dollar value should not be approached that way

Payment Processing: Best Practices

Auto-Remittance Aggregation

A system should exist to ensure auto-aggregation of remittance advices from the following sources:

- Emails: remittances are present in the body of the email or in the form of an attachment
- EDI: remittances are sent in various EDI formats such as EDI 820, EDI 823
- Web portal uploads: remittances are uploaded in customer or third party portals

AI-based Remittance Matching

The system should ensure seamless matching of remittance advice with the payment file received. Any change in the format of remittance or the data that is sent in the remittance should not affect the straight through processing rate of the cash application process.

Standardized Cash Application Process

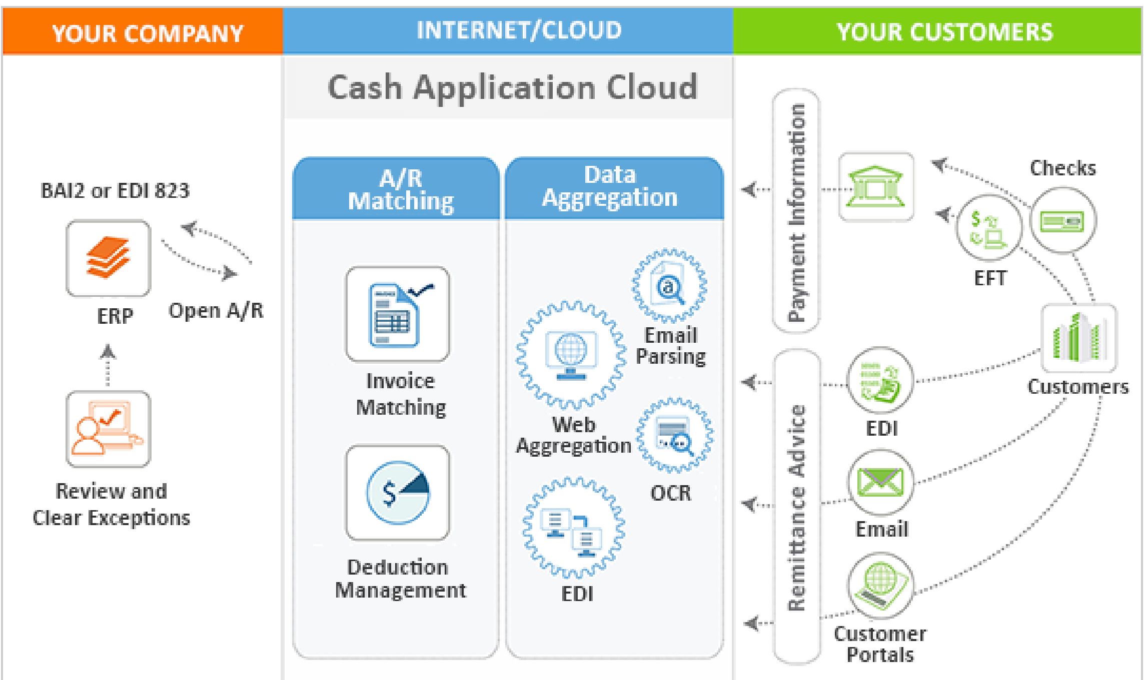
95%

Zero-touch Cash Posting For Checks, ACH, Cards

100%

Elimination Of Lockbox Key-in Fees

Artificial Intelligence-enabled Data Capture



Check Remittance Capture

Email Remittance Capture

Web Remittance Capture

Invoice Matching

Discounts And Deductions Handling

Remote Deposits And Mobile Payments

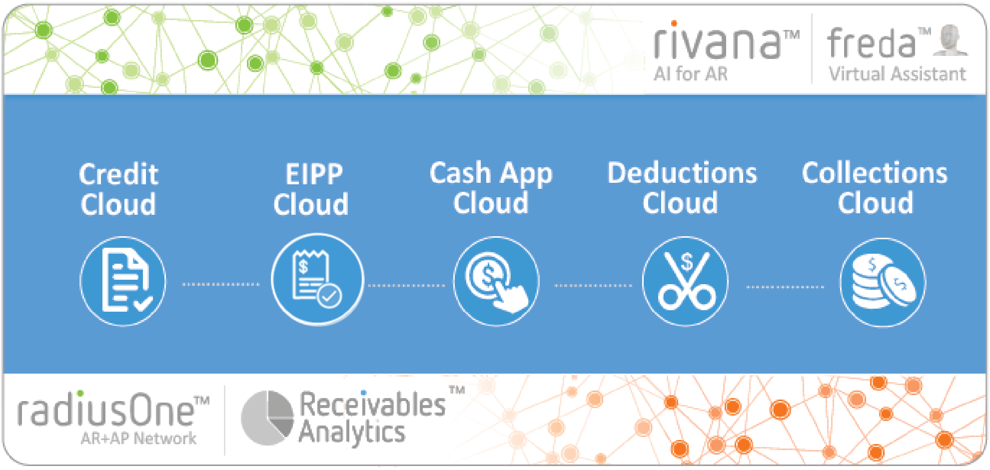
About HighRadius

HighRadius is a Fintech enterprise Software-as-a-Service (SaaS) company. The HighRadius™ Integrated Receivables platform reduces cycle times in the order-to-cash process through automation of receivables and payments across credit, electronic billing and payment processing, cash application, deductions and collections.

Powered by the Rivana™ Artificial Intelligence Engine and Freda™ Virtual Assistant for order-to-cash teams, HighRadius enables organizations to leverage machine learning to predict future outcomes and automate routine labor-intensive tasks. The radiusOne™ B2B payment network allows suppliers to digitally connect with buyers, closing the loop from supplier receivable processes to buyer payable processes.

HighRadius solutions have a proven track record of optimizing cash flow, reducing days sales outstanding (DSO) and bad debt, and increasing operational efficiency so companies may achieve strong ROI in just a few months

HighRadius' Integrated Receivables Platform



Integrated Receivables optimizes accounts receivable operations by combining all receivable and payment modules into a unified business process. The Integrated Receivables platform provides solutions for credit, collections, deductions, cash application, electronic billing, and payment processing – covering the entire gamut from credit-to-cash.

The HighRadius™ Integrated Receivables platform stands out by enabling every credit and A/R operation to execute real-time from a unified platform with an end goal of lower DSO, reduced bad-debt, and faster dispute resolution while improving efficiency and accuracy for cash application, billing, and payment processing.

HighRadius™ Integrated Receivables leverages Rivana™ Artificial Intelligence for Accounts Receivable to convert receivables faster and more effectively by using machine learning for accurate decision making across both credit and receivable processes. The Integrated Receivables platform also enables suppliers to digitally connect with buyers via the radiusOne™ network, closing the loop from the supplier Accounts Receivable process to the buyer Accounts Payable process.

Integrated Receivables

Corporate Headquarters
Westlake 4 Building (BP Campus)
200 Westlake Park Blvd.
8th floor, Houston, TX 77079
(281) 968-4473

www.highradius.com