



WELCOME AFP MEMBERS & GUEST 2020 - 2021



A Friendly Reminder

- *Please mute your line during the presentation
- *Use the chat box to ask the speakers questions at any time
- *We will offer time for Q&A at the conclusion of today's presentation



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GREATEST CONCERN

IN YOUR OWN WORDS



finding **JOY**
in the journey

NEWS & UPDATES

- We are committed to providing feature rich content for our members and guest on timely and relevant topics
- Encourage you to invite a guest to one of our upcoming sessions
- All presentations are available on the AFP Nashville website
- Exploring opportunities to get together in person soon
- We want your thoughts, ideas and opinions



UPCOMING EVENTS

- **December 10th**

The Payables Landscape

Presented by:



- **December 25th**

Christmas 2020

- **January 1st**

New Years Celebration



- **January 14th**

Managing Liquidity in the COVID Era

Presented by:

BLACKROCK[®]



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The Payables Landscape

Presenter: Adam Keck

Presented by:



Payables

Today's agenda

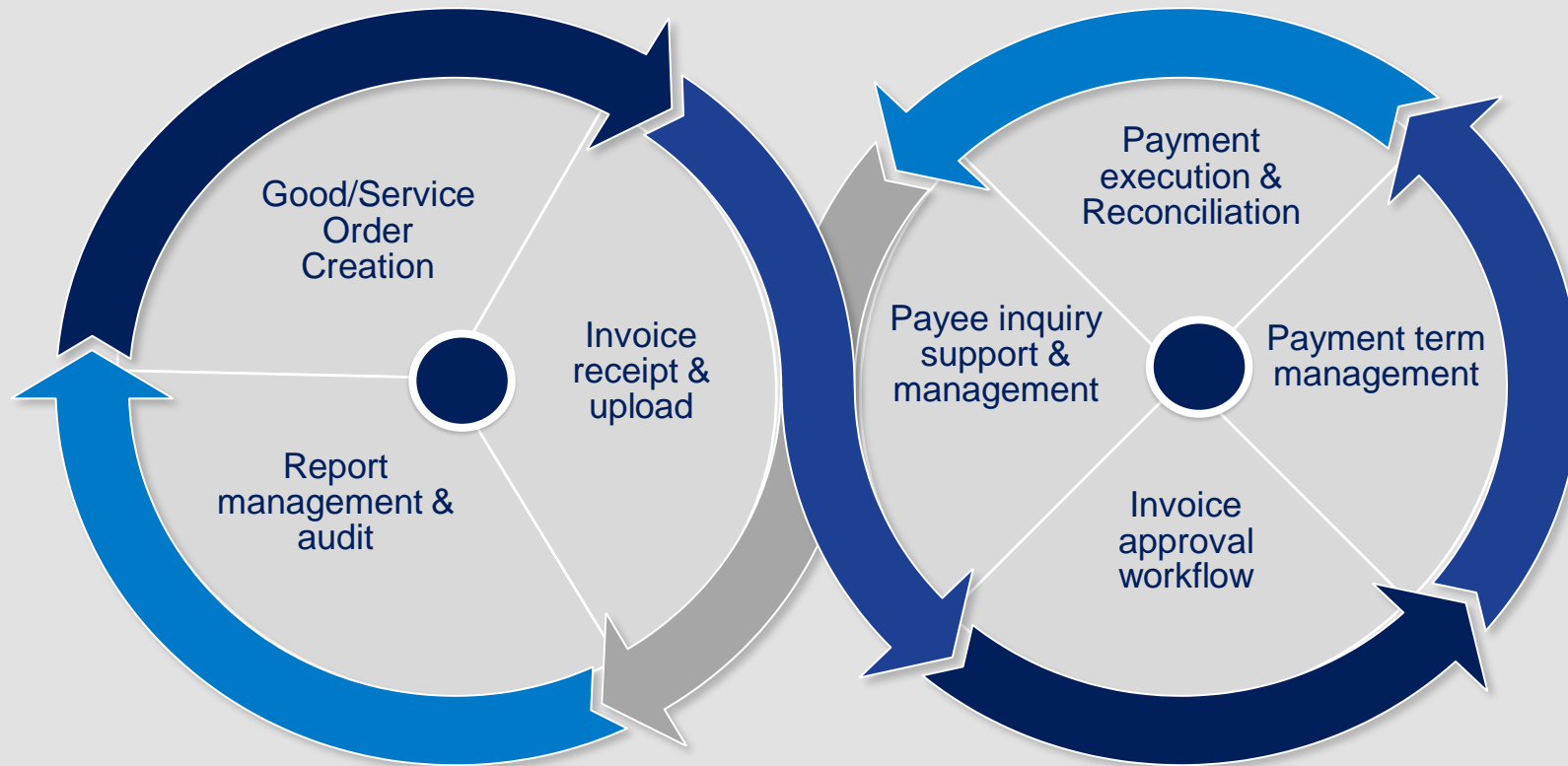
- Payables in market today
- Impact of COVID-19
- Shifting the payment mix
- Solution evaluation cheat sheet
- Overview of RTP
- Questions

Payables in market today

Payables in market today

Business environment

The core payable functions are consistent across industry; However, an organization's payables strategy and activities taken to execute that strategy create a unique process.



Payables in market today

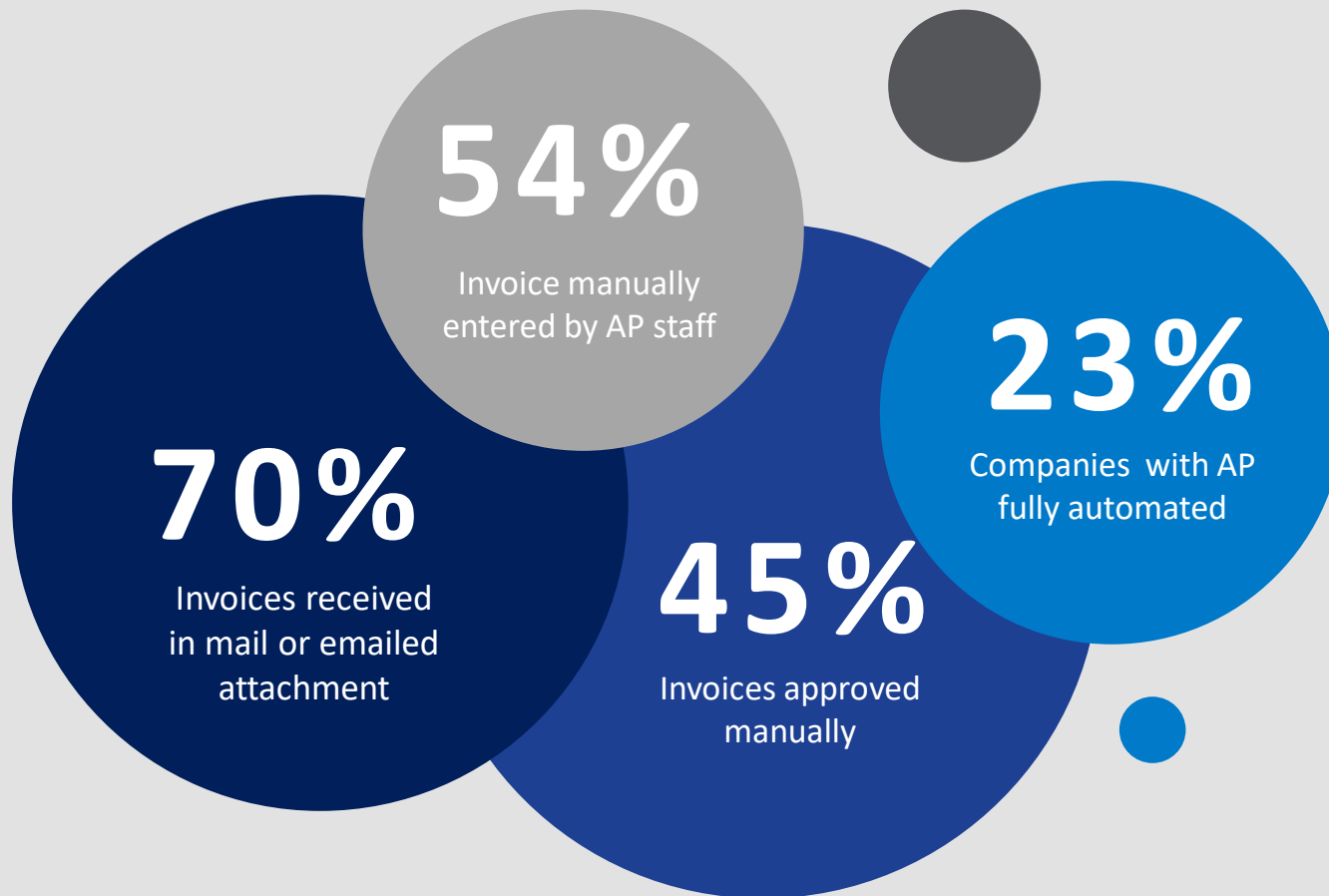
Key considerations | Challenges

- Changing market landscape
- Regulatory requirements
- Working capital impact
- Costs and efficiencies
- Eliminating paper
- Your industry and competitors
- Fraud/Risk management
- Your internal experience
- Your payees' experience



Payables in market today

Market trends | Invoice receipt and management



Impact on Automation ¹

16.6 Days to get an invoice approved in an average AP process (manual)

3.6 Days to get an invoice approved in an automated AP process

5x Improvement of invoice approval time when using an automated AP process

Payables in market today

Market trends | Payment trends

\$127
Trillion

In global B2B
payment spend

42%

B2B payments
made via check

\$7.78

Average all in cost
per check

72%

Supplier prefer electronic
payments

All Inclusive Check Cost

- Check Volume
- Labor Costs
- Checks & Envelopes
- Printing/Mailing Prep
- Lockbox Service Fees
- Postage Fees
- Bank Processing Fees
- Check Reconciliation
- Lost Check Handling
- Vendor Questions

Payables in market today

Market trends | Fraud

61%

Of companies
experience attempted
fraud through BEC

81%

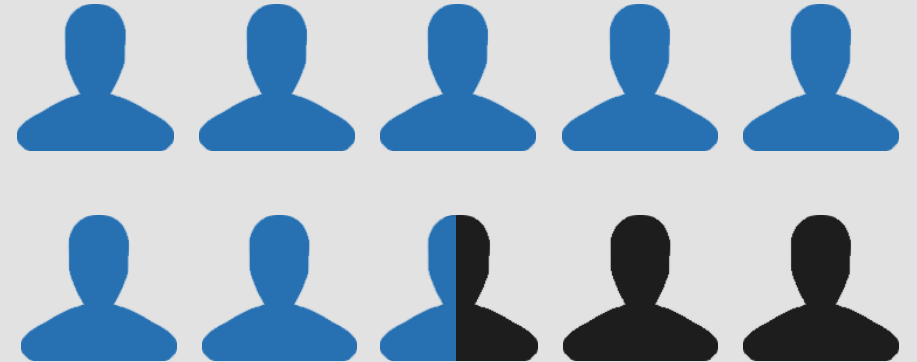
Companies experience
attempted fraud

34%

Companies reported an
increase in fraud incidents
from prior year

80%

Companies focused
on stronger controls
& employee training



*74% of companies experience
attempted check fraud*



FIFTH THIRD BANK

Payables in market today

Market trends | Fraud Deeper Look

Business Email Compromise

Most common email impersonations: from a vendor, from third party entity (IRS), and from a company's senior executive

Wire transfers, ACH credits, and ACH debits are the most common payment types targeted

The Accounts Payable, Treasury, and Procurement are the most common targets of fraudsters

Electronic Payment Controls

70% of companies have policies regarding verification for any invoice or bank account changes

65% of companies require a call back from an authorized contact to transfer funds

59% of companies have adopted two-factor authentication for payments

Source:
2020 AFP Payments Fraud and Control Survey Report

COVID-19 Impact

COVID-19 Impact

Market trends | How it is impacting business

How prepared were Organizations

38% of companies did not have a documented business continuity plan

53.4% of companies surveyed stated working remotely would significantly impact their ability to process invoices

Only 46% of US employees feel their company successfully responded to the pandemic

Source:

1) AFP COVID-19 Survey 2020

2) AvidXchange Business Continuity Survey 2020

3) Hinge: Marketing in an age of uncertainty, April 2020

How Organizations are Reacting

Over 60% of companies implemented or plan to implement hiring freezes or delay new hiring

70% of companies delayed or plan to delay capital expenditures

43% of companies have or plan to draw down a significant portion of their line of credit

COVID-19 Impact

Market trends | How it is impacting business

What is happening with payments

65% of companies have or are planning to focus on converting payments to electronic formats

74% of companies have or plan to implement stricter compliance on controls and payment verification

45% of companies have or plan to delay vendor payments

73% of banking US adults will use digital payment options through the crisis

Source:

1) AFP COVID-19 Survey 2020

2) Aite: COVID-19 impact on payments, April 2020

Impact on Fraud

“Fast tracking new suppliers, focus on operational measures rather than compliance, and job cuts are providing fertile ground for fraudsters.”

Deloitte, April 10, 2020

“Pressure from an economic crisis also affects employees and can make the company itself a [fraud] target.”

Bruce Dorris, President and CEO, Association of Certified Fraud Examiners (ACFE), March 31, 2020

“FBI reported increases in BEC fraud related to PPE and other supplies.”

FBI National Press Office, April 6, 2020

Shifting the Payment Mix

Shifting the Payment Mix

Why Now is the Time to Shift the Mix

Printing checks in house is costly and challenging in a remote environment

Managing a remote business requires different controls to ensure appropriate oversight

Electronic payments provide reduced fraud risk compared to paper check

Due to health crisis many looking to minimize physical handling of paper

Many new payment automation solutions and products produced in last 5 years

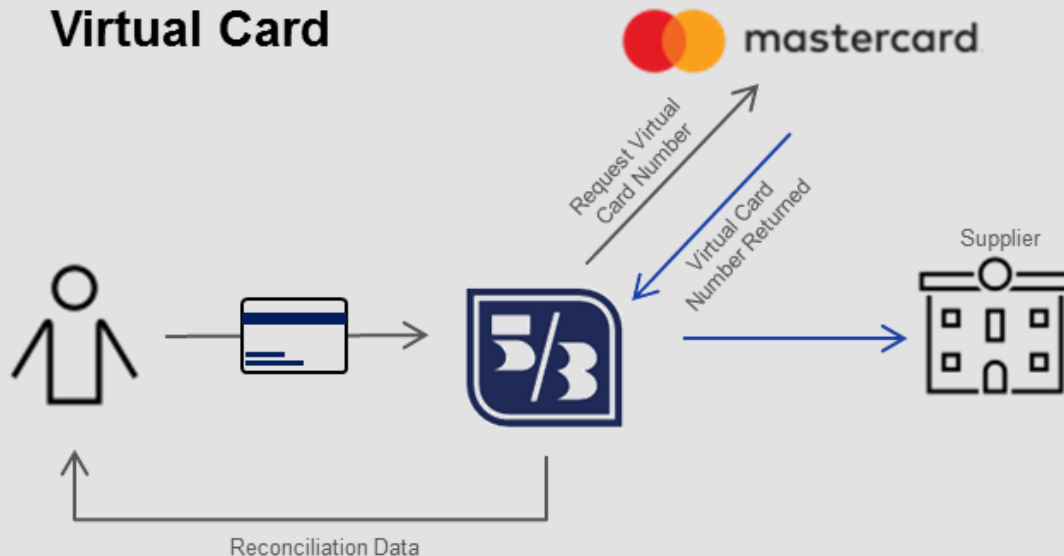
Shifting the Payment Mix

Virtual Credit Card

Traditional P-Card



Virtual Card



Benefits of a Virtual Card

Greatly reduced fraud risk: only 3% of organizations experience attempted fraud via virtual card (traditional card 34%)

Control over amounts and timing of payments

Visibility into all card activity via online portal

Generate financial incentive like traditional P-Card

Source:
2020 AFP Payments Fraud and Control Survey Report

Shifting the Payment Mix

RPMG Commercial Card Survey Responding to the Crisis

67% of respondents expect a decrease on commercial card spend due to decrease in business activity (all reporting stoppage of typical travel expenses)

60% of respondents report a change in spending patterns and are purchasing more:

- “Pandemic” related goods and services (e.g., PPE, home office equipment, cleaning, etc.)
- Unusual “one-off” emergency purchases
- Goods of higher dollar value

40% of virtual card users plan to increase VCN spend during pandemic

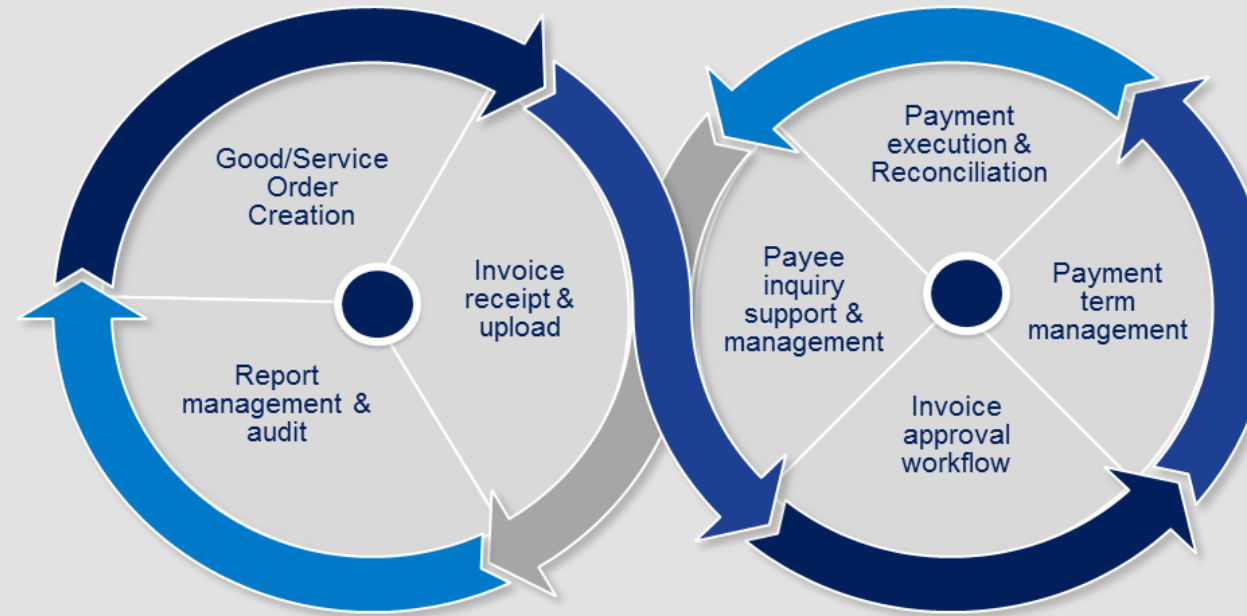
21% of respondents are increasing spending pre-approval requirements to mitigate misuse

Solution Evaluation Cheat Sheet

Solution Evaluation Cheat Sheet

Questions to ask about the product:

- What percent of check payments will be converted to electronic?
- Does the solution integrate with your accounting system?
- What controls are available with the solution (Approval workflow, Positive Pay, ability to cancel payments)?
- Is there a limit on the number of users that can access the solution (Are their per-user license fees)?
- How will the solution be supported and any impact due to COVID-19?



Solution Evaluation Cheat Sheet

Questions to ask about the ROI:

- What assumptions were made in the ROI (cost per invoice, cost per check, number of payment converted)?
- What is the assumed ramp time to reach the estimated payment conversion levels?
- What are the post-implementation or annual costs?
- Can my Bank relationship offset costs?

Real Time Payments

Faster Payments

Several “Faster Payments” Initiatives underway in the US

Send to a RT# + Account #



FedNowSM
Service

Send to an Alias



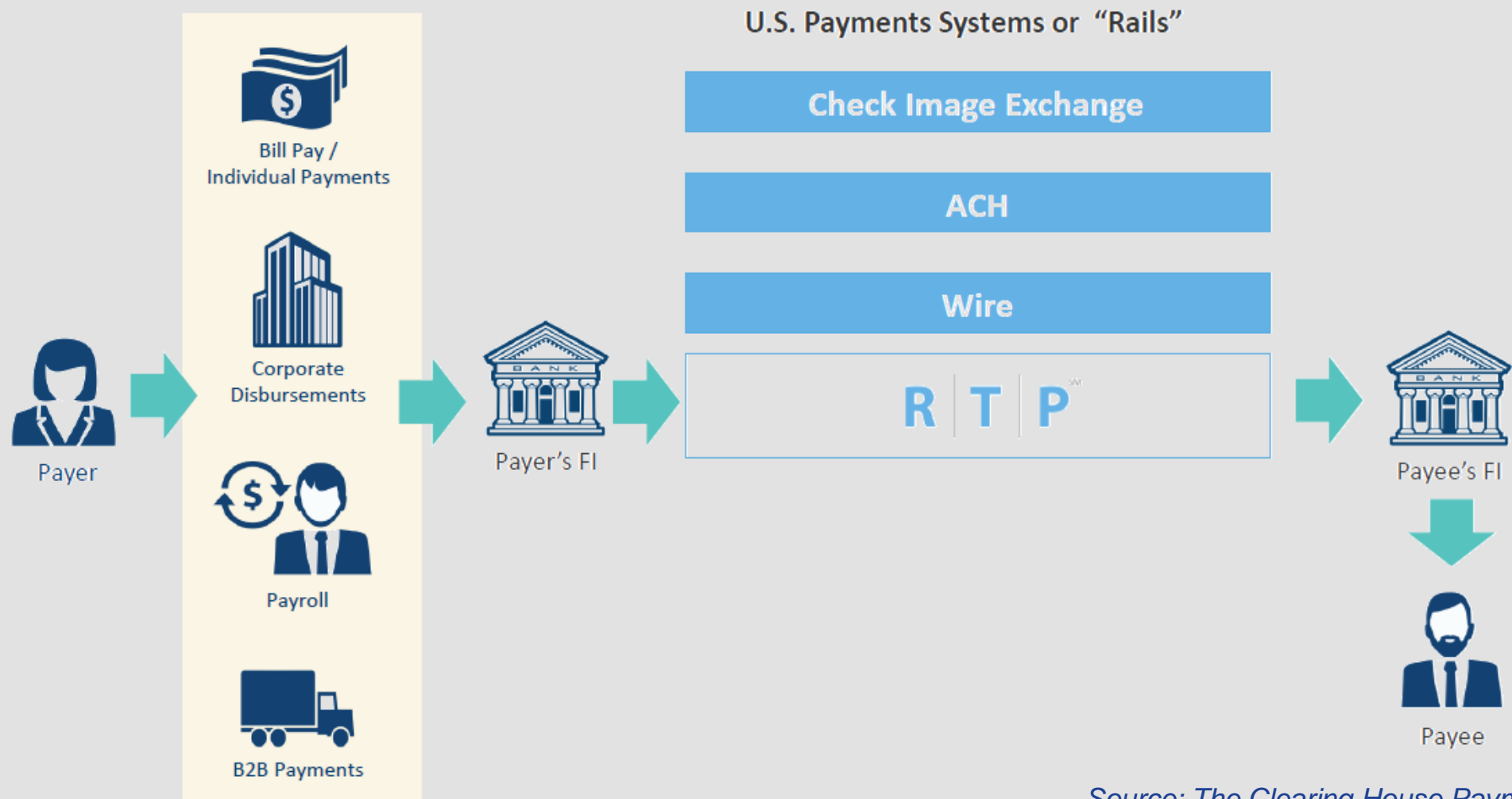
Send to a Debit Card #

VISA Direct



Faster Payments

RTP: A New Payment Rail



Source: The Clearing House Payments Company

Faster Payments

RTP: Features

**Credit Push
Only**

**24 X 7
Processing**

**Immediate
Availability of
Funds**

**Payment
Certainty**

Global Ready

**Immediate
Confirmation**

Thank You

Questions

The background is a dark blue gradient with glowing, interconnected lines and several padlock icons, suggesting a theme of digital security or network connectivity. The lines and icons are more prominent on the left side and fade towards the right.

Questions



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January 14th

Managing Liquidity in the COVID Era
Presented by: **BLACKROCK®**

Thank you for your participation !



HAPPY
Holidays

AFP Nashville | Have a Safe and Memorable Celebration

