

Payments modernization

Corporate payments end-user needs report

An independent study by Deloitte commissioned by the Canadian Bankers Association (CBA)



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Introduction

Approach

A holistic and iterative approach was developed to gather and assess the payment needs of corporations and government agencies across Canada

Payments Canada has embarked on a journey to modernize Canada's national payments infrastructure. The banking industry through the Canadian Bankers Association (CBA), has commissioned Deloitte to complete an independent study on identifying the needs

of corporations to enable a future set of capabilities that can drive value for corporations, governments, and end-users alike. This report summarizes the key findings from this process, which included participation from the financial institutions and Payments Canada.

Corporate and government payments needs across the three common payments functions were explored:



Our approach

To complete a holistic assessment of corporate end-user payments needs, a three step process was used:

Global research scan

We completed a global research scan of corporate payments to understand leading best practices



Corporate & government interviews

We conducted 30 interviews focused on identifying payment processing and reconciliation pain points and market appetite for adopting new payment methods



Interview outcomes synthesis

We synthesized interview outcomes to formulate and prioritize key insights addressing corporate payments needs

Report coverage

- Key findings of corporate and government payment needs as identified via interviews

Observations and interview coverage

Over three months, we conducted a total of 30 corporate and government interviews across 10 industries and nine cities

Interviews focused on understanding end-user needs and pain points as they relate to corporate payments across payables, receivables, and treasury.

This process included governments from municipal to federal, and corporations with annual revenues ranging from \$20 million to \$5 billion across Canada.

Sample industries interviewed

30

interviews
completed

...across...

10

different
industries

...throughout...

09

major
cities

**Financial Services • Retail and Wholesale • Energy and Mining • Agriculture • Manufacturing
Government • Telecommunications • Insurance • Transportation • Real Estate**

Corporate payments – background and context

Corporations and governments use a wide range of payment mechanisms, both paper based and electronic, to meet their business needs and interactions. Corporations and government agencies have widely adapted established payment mechanisms by developing payment processes and automation tools to gain operational efficiencies and enhance client experiences.

Furthermore, there was low awareness of new and emerging payment solutions (e.g., SWIFT gpi, Interac e-Transfer) that may further drive improvements for the corporations' payment functions. Corporations continue to focus on the following themes as drivers of greater value and efficiency from payments.



**Reduce reliance on
cheques and paper**



**Seek cost effective and
innovative payment options**



**Improve payment
reconciliation automation**



**Better
standardization**



**Improving citizen experience
for governments**

Key attributes explored

We explored key payment attributes to identify end-user needs for corporations and government agencies across Canada

In addition to the discoveries centered around understanding corporate payments, the 10 thematic payment attributes below guided the interviews and discussions:



Real-time funds availability

Processing and delivering payments with instant or near-instant availability of funds



Transparency

Payment tracking to improve visibility into the status of transactions through notifications and confirmation to the participants upon receipt



Irrevocability and finality

Finality of funds transfers providing surety of payment and reducing risk to the recipient



Cross-border payments

Sending and receiving cross-border payments efficiently and in a cost-effective manner to promote global trade finance



Enriched data

Data accompanying payments using ISO 20022 standards to streamline payments processing (e.g., reconciliation, deposit)



Recurring and forward dated payments

Ability to schedule payments on future dates and in recurring intervals to capture use cases such as payroll, utility payments, etc.



Higher limits

Transaction limits set to enable various corporate payment use cases and gauging interest in gradual increase of limits by corporation type



Real-time bulk payments

Initiation of bulk real-time credits and debits commonly involving a batch transfer process



Payments routing

Initiating payments routing based on recipients' bank account number or a unique alias identifier such as email address, mobile number, Corporate Creditor Identification Number (CCIN), or QR codes



Direct integration to payment systems

Integration with common Enterprise Resource Planning (ERP) systems for easier payment initiation and straight through processing

A hand holding a white smartphone, angled diagonally across the frame. The screen shows a colorful, abstract graphic with blue, green, and yellow elements. The background is a soft-focus bokeh of city lights in various colors (blue, white, green, orange) against a dark night sky.

Key findings

Rich remittance data

Rich remittance data with payments will streamline reconciliation, and allow accurate automated application of funds

Current corporate payment methods have limitations in the remittance information that travels with the payment. Corporations receive remittance information separately through other mechanisms (e.g., email, fax, paper) and use manual reconciliation processes to match the remittance information to the payment. This leads to increased processing costs since large teams dedicated to such processes are required. Specifically, government agencies have a clear need for remittance information on inbound revenues (e.g., licensing, fees for parks & transport, etc.) to accurately apply the funds to the specific agencies and/or government programs.

Suppliers and vendors servicing corporations continue to prefer cheques over electronic methods due to the remittance advice made available. Furthermore, lack of data standardization and usage guidelines hinder the ability to transmit information within existing payment methods. This results in confusion and additional servicing requests associated with payment inquiries. A common data dictionary with usage guidelines will provide greater standardization and consistency in the use and application of rich remittance data.

Lastly, traditional use of data for improved forecasting and analytics persist. Rich remittance data can prove valuable for organizations interested in better understanding customer habits and their own payables and receivable patterns.

TAKEAWAY

At minimum, unstructured remittance information with a larger payload than current payment types, would drive incremental value. For corporations to benefit from structured ISO fields, there must be agreed upon data dictionaries and templates with usage guidelines to ensure standardization and consistency in the flow and availability of enriched data between payors and payees. Such data dictionaries, coupled with guidelines, must be defined for specific industry verticals, collaboratively with corporations (buyers and suppliers), ERP vendors, and their payment providers.



Global comparison

Globally, the ISO 20022 messaging standard has been adopted by several jurisdictions on their payments infrastructures, with more countries also establishing plans for its adoption.

The European Union – Single Euro Payments Area (SEPA) zone adopted the ISO 20022 standard for its payments schemes, and has seen corporations reap the benefits of better reconciliation, improved cross-border traffic, and data-rich transfers.

Australia's New Payments Platform (NPP) has adopted ISO 20022, and is planning to leverage the structured remittance fields for future overlays on its roadmap.



Commonly desired data elements

- Name
- Customer ID or number
- Invoice number
- Payment amount
- Payment date
- CCIN or corporate identifier

Payments transparency

Improved payments transparency is paramount – payment status and confirmation of receipt are vital for all payments

Existing payment methods (such as electronic funds transfers (EFT) and wires) used by corporations for cross-border and domestic payments provide limited visibility into payment statuses such as the confirmation of receipt.

In particular, for cross-border transactions, tracking the status of payments involves lengthy and manual processes for both senders and recipients. This is due to differing time zones, reliance on multiple intermediaries, and limitations in consistent tracking information.

For domestic payments, transparency is highly desirable for corporations who have time-sensitive payments attached to the delivery of goods and services (e.g., cargo companies who require payment confirmation prior to releasing shipments).

Corporations have identified the need to validate the beneficiary information, prior to sending a payment to avoid misdirected payments due to human errors in capturing beneficiary information. This need is emphasized for payments where there are no or limited face-to-face interactions with the end beneficiary (e.g., claim payouts, investment redemptions).

For government agencies, improved payments transparency would significantly improve the citizen experience, enabling citizens to know that payments were both sent and received with greater certainty. For example, Pre-Authorized Debits (PADs) are a well enshrined payments instrument for corporations because they provide payment certainty.

TAKEAWAY

Payment transparency is important for domestic payments, but critical for enhancing cross-border payments. There are several use cases across corporate payments that would significantly benefit from improved payments transparency and these characteristics are highly tied to industries where finality of payment is critical for delivery of services and goods. Tracking payment status, validation of beneficiary information, confirmation of receipt, and recipient funds availability are key features desired by corporations.



Global comparison

The United Kingdom's Faster Payment Service (FPS) sends both sending and receiving banks a confirmation message once a payment has been completed.

Similarly, the United States' The Clearing House (TCH) Real-time Payments (RTP) system and Australia's NPP systems send a confirmation message to sending banks. Banks then have the flexibility to determine how notifications are sent to their customers.



Downstream impacts of payments transparency

Consumer to business (C2B):

Increased call centre volumes and cost for corporations addressing consumer questions related to bill payments

Consumer to business (C2B):

Negative user experience associated with misdirected or mis-documented receivables

Business to business (B2B):

Increased costs for manual reconciliation of receivables

Cross-border payments

Inefficiencies and delays in cross-border payments was a highly noted pain point; given Canada's reliance on global sourcing, a better solution to address international payments is warranted

Corporations have identified friction associated with cross-border payments as a major pain point. Payment delays, limited choices to send cross-border payments, lack of transparency, and high or unknown costs are examples of such friction. As a result, payments often fail or are misdirected and require extensive manual intervention to be credited or debited on both the sender's and receiver's end.

Corporations reliant on global sourcing and trade face significant delays in current payments flows, requiring additional processes between the buyer and suppliers, and their respective banks to manually track and locate payments. This is especially complex, as there are no common identifiers or multiple intermediaries. There is also a lack of consistent and timely cross-border payments.

Various corporations interviewed expressed concerns around the lack of transparency associated with fee deductions when sending international wires. Recipients often do not receive the agreed upon amount due to intermediary fee deductions that are taken from the payment without notice. As a result, additional payments are required with the senders often on the hook for the fees and late charges.

Furthermore, data limitations on cross-border payments, along with the truncation of the data as it flows through intermediaries globally, is a common pain point. As a means to match the remittance information back to the cross-border payments, corporations are using a combination of disjointed solutions (e.g., email and fax).

TAKEAWAY

A data-rich, transparent payment flow for key corridors would significantly benefit Canadian corporations that are sourcing and trading globally. Furthermore, data standardization between common trade jurisdictions, ability to track payments and fees, and common identifiers are key attributes that would drive improvements and reduce friction in the cross-border payment experience.



Cross-border payment spotlight: SWIFT gpi

SWIFT gpi enables corporations to send near real-time cross-border payments to 450+ banks across 220 countries. Key features include:

- Credits over 50 percent of beneficiaries in less than 30 minutes
- Track end-to-end payments in real-time
- Returns remittance data unchanged from original form
- Offers visibility into fees and foreign exchange rates



Popular cross-border trade and payment corridors

Below are common geographies where Canadian corporations transact frequently and where payment efficiencies as part of cross-border payment solutions may pay dividends.



United States



Mexico



Europe



China

Payments routing

Routing through account numbers is the prevalent norm for corporate payments; greater flexibility, security, and use of business aliases for the purposes of routing payments would drive more simplicity for corporations

The majority of corporations rely on the storing account numbers for of counterparties, suppliers, and customers for payments purposes. While there are no substantive issues with account number routing, managing account numbers requires additional security and risk controls to be established and maintained by the corporations.

Corporations and government agencies have expressed issues with the existing biller directory. Lack of a central directory and associated standardization has resulted in the inconsistent use and presentment of biller information leading to increased end-user confusion and misdirected payments. Corporations expect consistent application and standardization of such business directories.

Government agencies have multiple programs that end users remit towards, and believe that unique aliases used to distinguish between them will allow payments to be applied to the correct accounts to avoid manual reconciliation. Additionally use of corporate aliases would simplify C2B use cases, alleviating the need to provide corporate account information to the end users.

Corporate aliases need to be designed to allow for hierarchical and complex sub-accounting structures, to enable account aggregation by the corporation. Potential aliases include use of the government issued business numbers and CCIN.

Registration, maintenance, and security parameters of corporate aliases must be considered and addressed to ensure sufficient assurance, prior to adoption.

TAKEAWAY

Common business directories with consistent usage guidelines to drive standardization are required to simplify payments routing. Use of business directories and aliases tailored for corporations and governments for the purposes of routing payments will provide greater flexibility, security, and simplicity in managing accounts payable and accounts receivable functions. Sufficient assurance and risk controls around common business directories would be critical towards driving adoption and ubiquity among corporations.



Global comparison

Australia's NPP real-time payments system launched with both retail and corporate aliases under the PayID brand.

Corporations can be paid by their customers using their Australian Business Number (ABN) in addition to email addresses and phone numbers.

PayID offers complex and hierarchical alias structures for corporations to send incoming payments straight through to a sub-account of a company.

The United States' TCH has a Secure Token Exchange solution in place, a service managing token issuance for mobile and ecommerce transactions. Merchants, digital wallets, and mobile apps store tokens in place of account numbers, allowing the protection of customer account data.



Potential corporate aliases

- Government issued business numbers and corporate IDs
- CCIN

Limits

Higher limits (greater than \$25,000) are a necessary precondition but may not be the sole factor to drive adoption of real-time payments

Determining the right set of limits for the adoption of a new payment is an important consideration to drive corporations and governments towards electronic methods and away from legacy paper based payments. Higher limits would promote the development of new use cases for electronic payment methods and cover a larger set of corporations that can use the new payment types.

Limits are both industry and corporation specific largely driven by the types of payments (e.g., B2B, C2B, government to consumer (G2C)) and the size of the corporation. Large corporations and inter-government payments require significantly higher limits (minimum of \$100,000) while smaller corporations operating with business to consumer (B2C) or C2B business models require much lower limits (between \$25,000-\$50,000).

Tedious internal procedures attached with processing higher limits within corporations and governments add to the delays in sending payments; these delays are mainly attributed to approval and sign-offs required by senior management which could take days to obtain. Complex organizations are seeking faster internal procedures to enhance payables.

While an attractive set of limits will accelerate adoption, they need to be above a material threshold to drive value and further need to be coupled with richer data, greater transparency, and security features to drive traction. Corporations and governments have expressed the need for a robust fraud and security framework for new payments mechanisms as an important attribute that will drive confidence and adoption.



Global comparison

The United Kingdom (FPS) experienced an exponential uptick in adoption of real-time payments by corporations upon increasing their limits from £100,000 to £250,000. Furthermore, the corporate adoption of faster payments and other digital payment solutions in the United Kingdom surpassed the use of cheques for the first time in 2016.

Australia (NPP) presently has no defined per transaction limit although there are limits imposed by most participating banks based on internal risk management protocols. This has resulted in corporate adoption primarily within small business segments.

TAKEAWAY

To drive adoption of corporate payments onto a new payments method, it is recommended that limits should be greater than \$25,000 for a single credit transfer at the onset. However, to substantially increase adoption amongst corporations, the limits would have to be substantially increased to cover the larger set of payments initiated and received. Furthermore, an on-going process to review and continuously graduate limits must be established to address evolving market needs.

Speed

The level of interest in instant payments delivery for payables was less than other characteristics, but deemed important for specific use cases

Compared with other payment characteristics, corporations and governments have expressed less interest in the increased speed of payments. Generally, corporations pre-schedule outgoing payments in advance (e.g., supplier payments, monthly rent, etc.), limiting the need for increased speed in the availability of funds to the recipient.

The need for faster payments stems from specific use cases such as emergency disbursements and ad-hoc payroll, which although limited in nature, need to be addressed by corporations and government agencies. Additionally, corporations identified benefits from releasing funds at the last possible moment that could drive improvements in cash flow management.

Receivables and treasury functions who process high volumes of C2B or consumer to government (C2G) payments have expressed interest in increased payments speed in comparison to payables.






A common complaint mentioned by corporations and governments is receiving late payments from consumers or citizens. In many cases, late payments added further delays to the reconciliation process. In addition, interviewees highlighted interest in exploring use cases such as early pay discounts, which could be enabled as a result of speedier payment mechanisms.

TAKEAWAY

The need for increased payments speed was more pronounced in the receivables and treasury functions in comparison to payables. However, there are unique use cases where increased speed of funds delivery was an important characteristic.



Global comparison

System Name	Speed of Funds (Crediting)
 FPS	Generally two hours, and immediate between participants
 Betalningar i Realtid (BIR)	One to two seconds
 NETS Real-Time 24X7	Under 10 seconds
 Fast and Secure Transfers (FAST)	Under 15 seconds
 NPP	Under 60 seconds (Osco overlay rules)

Source: Payments Canada Global Best Practice for RT Systems

Finality

Finality is considered highly beneficial in C2B receivables for greater certainty and better risk management

Presently, corporations rely on domestic wires for payment finality and guaranteed funds. This results in higher processing costs given the price points associated with wires.

Corporations with a higher volume of C2B payments face uncertainty associated with charge backs and disputes, once the goods and services have been delivered. For corporations that rely on guaranteed funds either from suppliers or end consumers, finality emerged as a significant priority.

Government agencies expressed the need to maintain flexibility in recalling mistaken or misdirected citizen payments, hence payment finality was not an important need for government agencies.

TAKEAWAY

Finality was considered more beneficial in the C2B space, which could reduce uncertainties arising from reversals and recalls, and provide guaranteed funds critical for the delivery of goods and services.



Conclusion



Corporate payments are ripe for change and present a unique opportunity to deliver productivity and efficiency gains to the Canadian economy

Corporate payments presents a tremendous opportunity for change, given the continued reliance on cheques, manual and time intensive operational processes, and limited awareness of emerging payments capabilities. The needs and expectations of corporate and governments as it relates to payments is distinct to consumer expectations. Furthermore, the adoption of new payment capabilities and tools among corporates requires market ubiquity, standardization, and demonstrated business value.

Enabling rich remittance information (with the payment), better standardization, improved transparency, efficient cross-border solutions, and flexibility in payments routing, delivered through convenient and effective payment capabilities are highly desired. This allows corporations to integrate payments into their digital business processes, enabling them to grow their operations and better serve their clients. Similarly, governments will be able to simplify payment processing and provide transparency to citizens. Ultimately, this will result in productivity and efficiency gains to the Canadian economy.

Contacts

Rob Galaski

Global Managing Partner
Banking & Capital Markets
416-601-4594
rgalaski@deloitte.ca

Raman Rai

Partner, Canadian Financial Services
Consulting Leader
416-813-2446
ramanrai@deloitte.ca

Todd Roberts

Partner, Canadian Payments Leader
416-202-2602
toddroberts@deloitte.ca

Vivek Ramasubramanian

Payments Modernization Leader
416-775-7238
vramasubramanian@deloitte.ca

Soumak Chatterjee

Partner, Payments Modernization Leader
416-601-4495
schatterjee@deloitte.ca

**We would like to acknowledge
contribution to this report from:**

Ali Zia
Shreya Mathur
Lisa Tran



www.deloitte.ca

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