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2013 PAYMENTS SURVEY

Report of Survey Results

gtnews
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Introduction

Every year, *gtnews* and the Association for Financial Professionals (AFP) conduct a survey of *gtnews* readers regarding their organisations' experience with payments – structure, types of banking relationships, methods of payments and payments services. This third annual survey was conducted in October and November of 2012 and released in Q1 2013. Web-based questionnaires were emailed to all corporate level *gtnews* subscribers, and a total of 284 responses were received. This report summarises the results of those responses. Due to the limited sample sizes obtained, regional analysis is limited to North America and Western Europe.

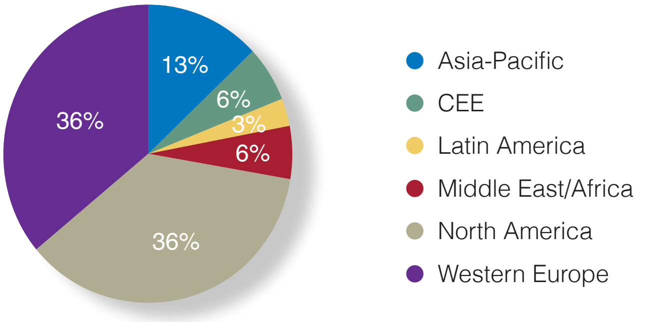
Respondent Profile

Geographic Spread

The *2013 gtnews Payments Survey* generated responses from a diverse group of financial professionals geographically, by size of company, and by respondent companies' international footprint. Readers from both Western Europe and North America accounted for 36 percent (each) of all survey respondents. Survey respondents from the Asia-Pacific region made up 13 percent of the responses, while Central and Eastern European (CEE), Latin American and Middle Eastern/African respondents accounted for the remaining 15 percent.

Respondent Profile by Region

(percentage distribution)

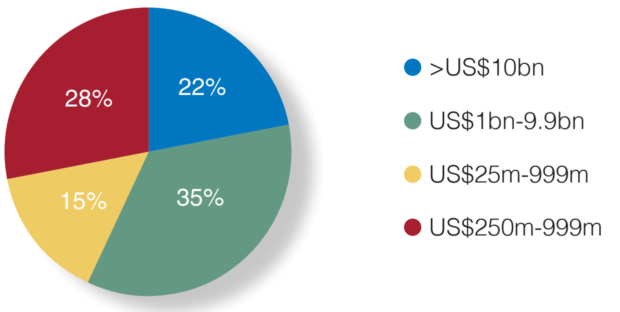


Company Size

Survey respondents came from companies of all sizes (as determined by annual revenue in US dollars), with 35 percent from companies with annual revenue between US$1 billion and US$9.9 billion. The second largest size category was companies with less than US$250 million in annual revenue, with 28 percent of respondents. Twenty-two percent of total respondents were from the largest companies, those with annual revenue greater than US$10 billion.

Respondent Profile by Company Size ($US Revenue)

(percentage distribution)



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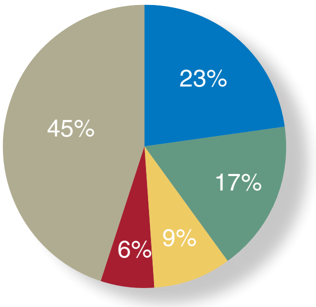
PAYMENTS STRUCTURE

International Operations

In how many countries does your organisation operate?

A sizable proportion of respondents indicate their organisations operate on a global basis. Forty-five percent report operations in more than 20 countries. However, the second largest share (23 percent) of organisations are primarily domestic players operating in three or fewer countries.

Number of Countries of Operation
(percentage distribution)



North American survey respondents are much more likely than those from other regions to indicate their organisation has ten or fewer foreign business relationships (52 percent versus 18 percent for respondents from Western Europe). By comparison, two-thirds of Western European organisations operate in more than 20 countries (versus 36 percent for North American companies).

Table 1: Number of Countries of Operation by Region*
(percentage distribution)

	North America	Western Europe
1 to 3	33%	9%
4 to 10	19%	9%
11 to 15	9%	9%
16 to 20	4%	6%
More than 20	36%	66%

Not surprisingly perhaps, those organisations with higher revenue are generally more geographically dispersed. The survey results also confirm higher-revenue companies typically have more complex payments processes.

Table 2: Number of Countries of Operation by Revenue
(percentage distribution)

	Under $1 billion	Over $1 billion
1 to 3	31%	14%
4 to 10	23%	12%
11 to 15	11%	8%
16 to 20	6%	5%
More than 20	30%	61%

**Numbers may not sum to 100% due to rounding*

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Banking Relationships

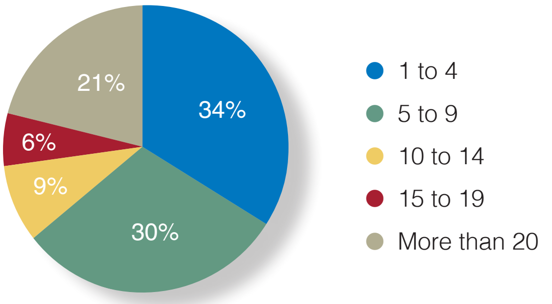
How many banking relationships does your organisation retain for payment services?

The highest proportion of respondents (34 percent) report that their organisations use between one and four banks for payment services. This result is down slightly from the 40 percent that reported this number of banking relationships in last year's survey. While some companies appear to maintain a select set of bank partners for payments, more organisations appear to diversify their banking relationships to some extent. Almost two-thirds of survey respondents indicate that their companies keep the number of partner banks below 10 (64 percent, down slightly from 69 percent in in last year's survey).

Since the 2007-2008 credit crisis, the perception of counterparty risk has led many organisations to continue to keep their banking options open. As financial conditions have improved, it is possible some businesses have been consolidating relationships. Still, the number of banking partners reported by survey respondents – typically in the range of 10 – appears quite high. This is the case even though the survey asked only for the number of banking partners retained for payments-related services.

Number of Banking Relationships

(percentage distribution)



An organisation's location helps explain the large number of banking relationships. Similar to results in last year's survey, roughly half of North American companies use only one to four banking partners for payments. Compare this to Western European organisations: one-third have more than 20 banking relationships. This result is likely due to the fact that Western European companies tend to have a wider geographic footprint with a need for accounts at local banks (in different countries) and so a greater number of banking relationships.

Table 3: Number of Banking Relationships by Region

(percentage distribution)

	North America	Western Europe
1 to 4	49%	18%
5 to 9	28%	31%
10 to 14	8%	10%
15 to 19	3%	8%
More than 20	13%	33%

Also not surprisingly, larger organisations tend to retain more banking relationships for payment services than do smaller companies. Fifty-three percent of organisations with revenue over $1 billion have fewer than ten bank relationships versus 76 percent of organisations with revenue under $1 billion. These larger companies are often comprised of subsidiaries and regional entities which require specialised local financial partners with knowledge and advice to run payments. In addition, many large multinational corporations remain concerned about overexposure to large financial institutions in the wake of recent financial crises.

Table 4: Number of Banking Relationships by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
1 to 4	43%	25%
5 to 9	33%	28%
10 to 14	8%	10%
15 to 19	5%	7%
More than 20	12%	29%

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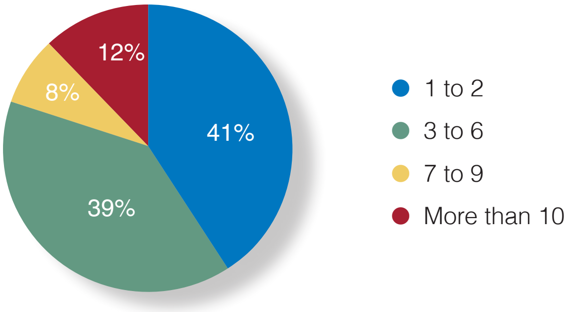
Payments Information Systems

How many systems in your organisation's treasury department access and use payments information?

The highest proportion of survey respondents (41 percent) report that their organisations' treasury only employs one or two technology systems to access and use payments information; another 39 percent indicate treasury uses between three and six payments systems. Only 12 percent report using 10 or more systems. These results are consistent with last year's survey findings, suggesting many payments-related activities may still be occurring through manual use of spreadsheets and online banking portals.

Number of Systems in Treasury Department to Access and Use Payments Information

(percentage distribution)



Organisations in both North America and Western Europe use a similar number of systems for their payments. The maturity of the payments markets in both regions helps to explain the similar profile of systems drawing on payments information.

Table 5: Number of Systems in Treasury Used for Payments by Region

(percentage distribution)

	North America	Western Europe
1 to 2	40%	41%
3 to 6	39%	37%
7 to 9	13%	6%
More than 10	9%	16%

Treasury departments at smaller-sized organisations tend to rely on fewer systems, with nearly half (48 percent) using one or two (versus 34 percent for larger organisations). Only 10 percent of small companies use 7 or more systems versus 28 percent of large companies. One reason for this is that organisational complexity at large corporations, and growth through acquisition, often results in more systems than at smaller companies.

Table 6: Number of Systems in Treasury Used for Payments by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
1 to 2	48%	34%
3 to 6	41%	37%
7 to 9	5%	10%
More than 10	5%	18%

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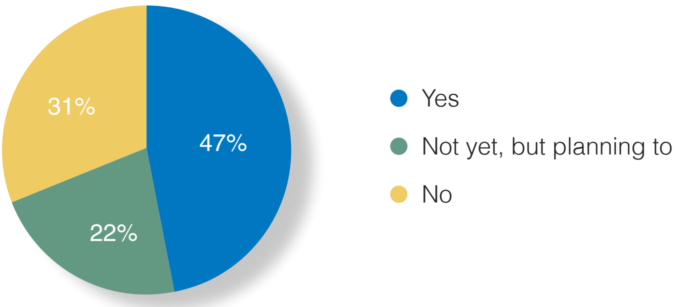
Payments Factory/Shared Service Centre

Has your organisation set up a payments factory/shared service centre (SSC)?

To contain costs and eliminate waste, payments processing is often handled by more expert processors that ensure efficiency and quality of service. Providers of such services can be either a unit of the company that concentrates payments execution on behalf of other business units or an externally contracted service provider. Nearly half of organisations (47 percent) use a payments factory/shared service centre (SCC) while another 22 percent plan to use one. Only about one in three organisations do not use one and have no intention of doing so.

Use of Payments Factory and Shared Service Centre (SSC)

(percentage distribution)



North American organisations are less inclined to use a payments factory or SSC than are those in Western Europe (41 percent versus 27 percent). One reason may be that North American companies rely more on cheque payments than do their Western European counterparts that are more inclined to use electronic payments. Electronic payments are accessible by more channels, but to realise efficiencies from eliminating cash/cheques payments, such payments processing often must be transferred to other, more capable (central) operators.

Table 7: Use of Payments Factory/Shared Service Centre by Region

(percentage distribution)

	North America	Western Europe
Yes	44%	52%
Not yet, but planning to	15%	21%
No	41%	27%

Similarly, larger organisations are more likely than their smaller counterparts to use, or to plan to use, a payments factory/SSC (78 percent of large companies versus 61 percent of smaller ones). More than half – 57 percent – of organisations with revenue over $1 billion are already using a payments factory/SSC. Larger and more complex companies, which by their very size and complexity can generate inefficiencies and waste, have a greater need to centralise operations under one roof. Also, treasury units at large companies tend to concentrate decision-making at the headquarters level where pure payments processing becomes a “commodity” activity which can be easily handed to a central operator.

Table 8: Use of Payments Factory/Shared Service Centre by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
Yes	37%	57%
Not yet, but planning to	24%	21%
No	40%	22%

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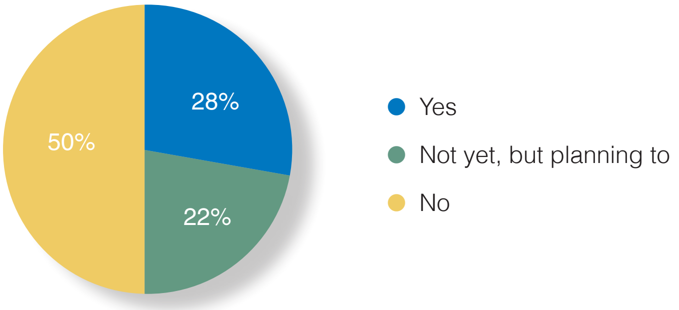
Payments On-Behalf-Of (POBO) Model

Does your organisation operate a payments-on-behalf-of (POBO) model?

POBO is one of several internal processes that corporates can deploy in order to discharge their payments and liabilities. POBO structures are designed and deployed with the legal and tax structure of an organisation being a key influencer of each organisation's structure. Also, a POBO structure follows the decision of an organisation to centralise its procurement functions. POBO often works best when there is close cooperation between treasury and the established shared service centre (SSC). Half of organisations are using a POBO model or plan to use one.

Payments-On-Behalf-Of Model
(percentage distribution)



While Western European organisations are somewhat more likely than those from North America to use a POBO model (52 percent versus 42 percent), there is a greater differential of such use between larger companies and smaller ones (62 percent versus 38 percent). One of the main benefits of a POBO structure is the way tax duties can be managed. Western European corporates face much more complex tax, legal and regulatory environments than do their North American peers which explains why Western European companies are much more active in establishing POBO structures.

Table 9: Use of POBO Model by Region
(percentage distribution)

	North America	Western Europe
Yes	23%	32%
Not yet, but planning to	19%	20%
No	58%	48%

Usually, the expertise to establish and run a POBO structure is found in larger organisations. Such organisations are also complex enough to face the need to efficiently deal with their supply base spread out across continents. Tax-efficient supply chains are becoming the paradigm for an effective and efficient supplier relationship and can be the justification for the costs to establish and run a POBO structure.

Table 10: Use of POBO Model by Revenue
(percentage distribution)

	Under $1 billion	Over $1 billion
Yes	18%	38%
Not yet, but planning to	20%	24%
No	63%	37%

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METHODS OF PAYMENTS

Current Payment Methods

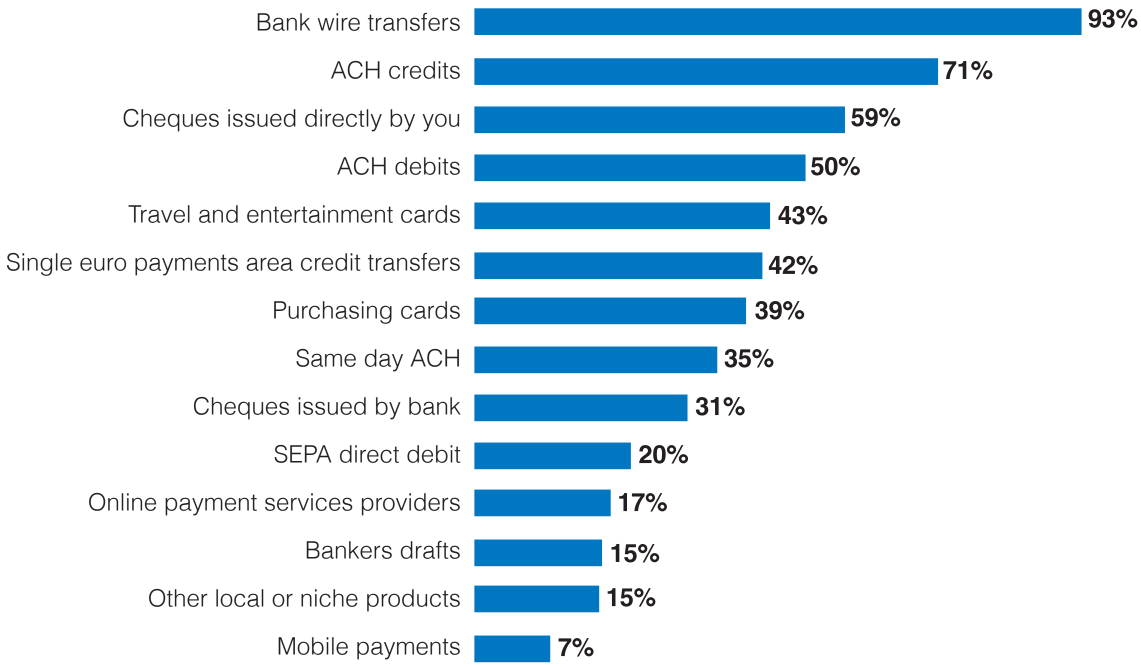
What payment methods does your organisation regularly use?

One takeaway from the latest research on current payments methods: cheques still hold a strong position (59 percent of organisations use them), while mobile payments, despite their hype, do not show high levels of adoption among corporations (7 percent). Electronic payments (e-payments) are the most common form of payments used on a regular basis, with at least 93 percent of respondents indicating their organisations use such a method (up slightly from 87 percent last year). Besides cheques, automated clearing house (ACH) credits and debits reinforce the popularity of electronic payment transactions, with 71 percent and 50 percent, respectively, of organisations citing their use.

This is the second year that gtnews has questioned survey respondents specifically about their organisations' usage of single euro payments area (SEPA) Credit Transfer (SCT) and Direct Debit (SDD) instruments. While SEPA-related payments are gaining traction, they are still used by a minority of companies, with 42 percent using SCTs (up from 34 percent previously) and 20 percent using SDDs (up from 14 percent).

Payment Methods in Regular Use

(percentage of organisations that use methods)



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While wire transfers remain the payment method of choice across the world, North American respondents continue to report a high reliance on cheques. Purchasing cards are another common method of payment for North American companies (67 percent) while SEPA credit transfers are more common in Western Europe (75 percent). There are still a significant number of "niche" payment products in Western Europe which represent the main obstacle to full deployment of SEPA payments.

Table 11: Payment Methods Currently Used by Region
(percent of organisations using such methods)

	North America	Western Europe
ACH credits	89%	70%
ACH debits	67%	49%
Bank wire transfers	97%	88%
Same day ACH	23%	55%
Cheques issued directly by you	81%	34%
Cheques issued by bank	24%	29%
Bankers drafts	16%	10%
Mobile payments	8%	4%
Online payment services providers	16%	12%
Purchasing cards	67%	27%
Travel and entertainment cards	63%	40%
Single euro payments area credit transfers	28%	75%
SEPA direct debit	19%	27%
Other local or niche products	11%	25%

Wire transfers are a preferred option for almost every company regardless of size, according to survey respondents. Smaller companies are less likely than their larger counterparts to use ACH credits and debits, while larger organisations tend to use cheques and cards more than are smaller ones.

It is worth noting the use of purchasing and travel and entertainment cards by smaller companies. These forms of payment were usually more popular among structured and complex large organisations. Apparently, the ease of use of these cards, together with the level of traceability and controls, appeals to companies whose size may require even greater attention to any source of inefficiency and waste.

Table 12: Payment Methods Currently Used by Revenue
(percent of organisations using such methods)

	Under $1 billion	Over $1 billion
ACH credits	58%	82%
ACH debits	43%	57%
Bank wire transfers	90%	97%
Same day ACH	30%	40%
Cheques issued directly by you	53%	65%
Cheques issued by bank	27%	35%
Bankers drafts	17%	13%
Mobile payments	6%	8%
Online payment services providers	18%	15%
Purchasing cards	32%	45%
Travel and entertainment cards	32%	55%
Single euro payments area credit transfers	34%	50%
SEPA direct debit	15%	24%
Other local or niche products	16%	13%

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Future Payment Method Usage

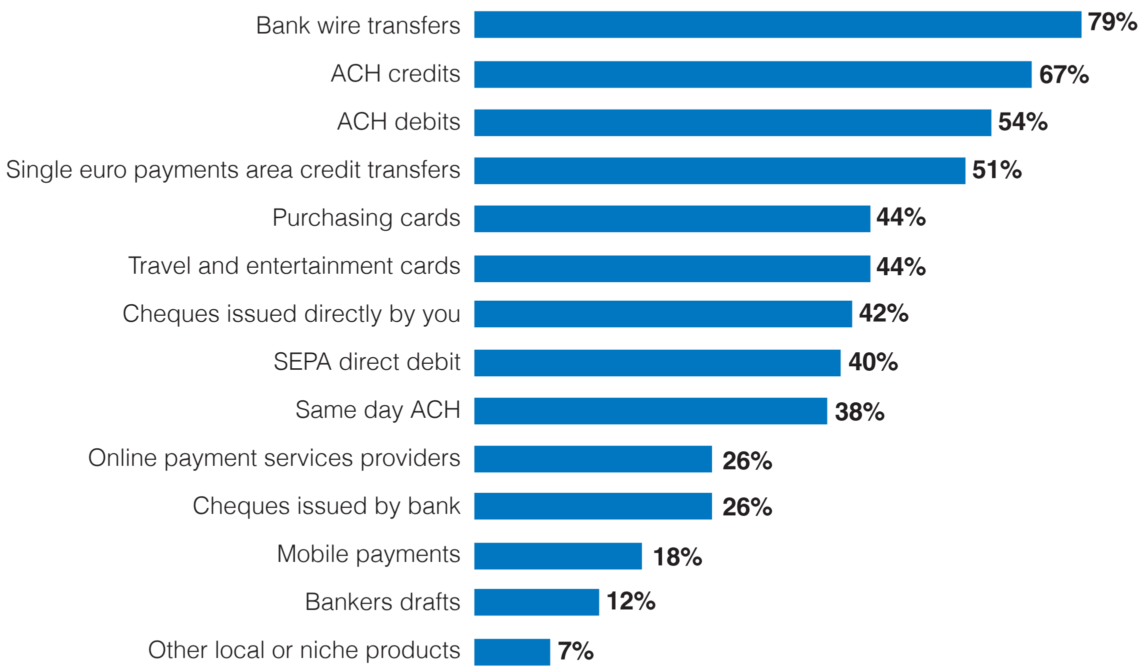
What payment methods does your organisation plan to use over the next three years?

While survey respondents indicate that wire transfers will remain at the top of the list, they expect use of ACH debits and SEPA to grow in importance over the next three years. Purchasing cards are also likely to remain as popular or even increase as a payment method, while the use of cheques (written by organisations) is expected to decline.

Despite its current slow adoption, the use of mobile payments is expected to more than double in the next three years. In addition, SEPA Direct Debits (SDDs) appear to be slowly overcoming initial resistance—a resistance mainly due to poorly managed introduction and communication by regulators—and will likely double their use as payments methods. Forty percent of respondents indicate their organisations will likely adopt SEPA Direct Debits, up from the current 20 percent.

Payment Methods Expected to be Used Over the Next Three Years

(percentage of organisations that use methods)



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Respondents from Western European companies indicate that their organisations will continue to adopt SEPA Credit Transfers (SCTs), with 80 percent predicting that such payment methods will be used regularly in the next three years (up from 71 percent currently predicting this). Meanwhile, North American companies will continue to rely heavily on ACH and cheques and continue their preference for purchasing cards to execute payments.

Purchasing and travel and entertainment cards will remain common payments practice in North America while less common in Western Europe. The use of mobile payments may increase in North America, with organisations there doubling the adoption of such payment method. Table 13 shows that North American companies more often consolidate payment methods with their banks; this is also confirmed by the significant adoption of bank drafts by North American organisations compared with those in Western Europe.

Table 13: Payment Methods Over the Next Three Years by Region
(percent of organisations expecting to use such methods)

	North America	Western Europe
ACH credits	81%	64%
ACH debits	72%	50%
Bank wire transfers	87%	77%
Same day ACH	35%	45%
Cheques issued directly by you	68%	15%
Cheques issued by bank	35%	14%
Bankers drafts	13%	8%
Mobile payments	22%	11%
Online payment services providers	26%	20%
Purchasing cards	71%	30%
Travel and entertainment cards	64%	41%
Single euro payments area credit transfers	48%	80%
SEPA direct debit	36%	62%
Other local or niche products	6%	8%

Larger organisations appear to have more appetite for a diverse menu of payment options. Companies with annual revenue over $1 billion have higher rates of adoption for ACH, cards, and SEPA credit transfers and direct deposits. Electronic-based payments are generally the domain of large companies. Yet usage of cheques is similar.

It is likely that smaller organisations frequently use cash-based payments. Cash-based payments were not among the options for respondents to choose for this particular survey question. Reliance on cash-based payments could explain why responses from those from smaller organisations reflect lower levels of adoption of almost all payments options.

Table 14: Payment Methods Over the Next Three Years by Revenue
(percent of organisations expecting to use such methods)

	Under $1 billion	Over $1 billion
ACH credits	56%	76%
ACH debits	48%	59%
Bank wire transfers	75%	83%
Same day ACH	36%	40%
Cheques issued directly by you	41%	43%
Cheques issued by bank	22%	29%
Bankers drafts	13%	11%
Mobile payments	17%	19%
Online payment services providers	26%	25%
Purchasing cards	36%	52%
Travel and entertainment cards	37%	51%
Single euro payments area credit transfers	36%	65%
SEPA direct debit	28%	53%
Other local or niche products	10%	5%

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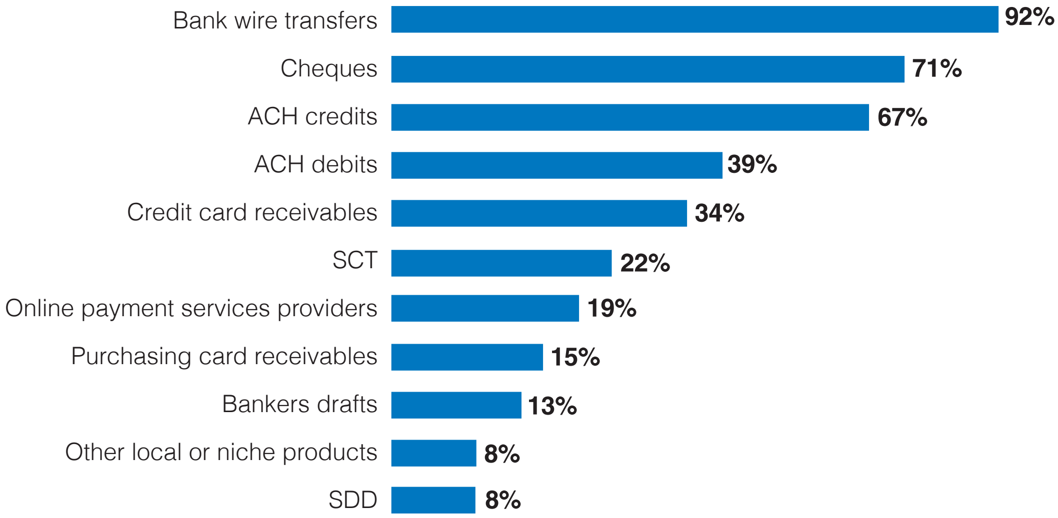
Payment Methods Accepted

What payment types does your organisation regularly receive?

Wire transfers, cheques and ACH credits account for the majority of the type of payments currently received by companies. Similar to last year's survey results, purchasing cards are the only form of payment that respondents prefer to use in making payments versus receiving them. Only 15 percent of respondents indicate their organisations regularly receive this form of payment in comparison with 39 percent who claim their organisations regularly use it to make payments.

A higher rate of ACH and SEPA debits acceptance might have been expected; the use of these forms of payments will increase over time. It will be interesting to see if and how the share of organisations that use cheques declines to 26 percent in the next three years (see "Future Payment Method Usage") if, today, 71 percent of them still receive (i.e., accept) cheques as a form of payment.

Regular Methods of Receiving Payments
(percentage of organisations that use methods)



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The use of credit cards for accepting payments differs significantly between North American and Western European organisations. North American companies are more likely than their Western European counterparts to receive payments via credit cards (53 percent versus 27 percent). Meanwhile, few North American organisations use SEPA Credit Transfers (SCT) compared to Western European companies, perhaps seeing it as a 'local' issue despite its global implications.

Table 15: Payment Methods Regularly Received by Region
(percent of organisations receiving payments via such methods)

	North America	Western Europe
ACH credits	84%	68%
ACH debits	49%	45%
Bank Wire Transfers	93%	92%
Cheques	85%	65%
Bankers drafts	12%	9%
Online payment services providers	20%	18%
Purchasing card receivables	21%	12%
Credit card receivables	53%	27%
SCT	12%	42%
SDD	7%	12%
Other local or niche products	5%	13%

Table 16: Payment Methods Regularly Received by Revenue
(percent of organisations receiving payments via such methods)

	Under $1 billion	Over $1 billion
ACH credits	55%	77%
ACH debits	36%	42%
Bank Wire Transfers	90%	93%
Cheques	70%	71%
Bankers drafts	13%	13%
Online payment services providers	18%	19%
Purchasing card receivables	13%	17%
Credit card receivables	25%	43%
SCT	17%	27%
SDD	6%	10%
Other local or niche products	8%	8%

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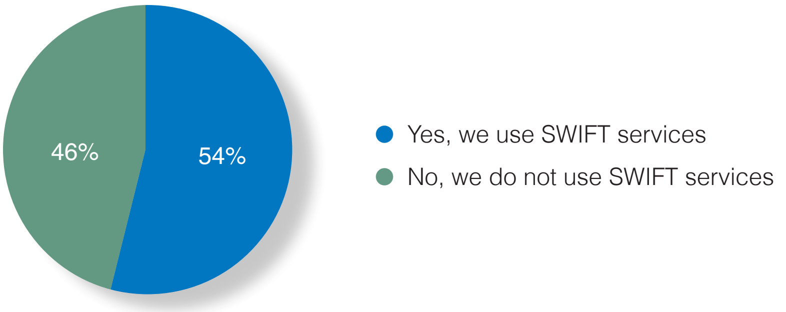
PAYMENT SERVICES

SWIFT Service Usage

Does your organisation use SWIFT services in any of its payments processes?

SWIFT services are a de facto industry standard. However, their cost is high compared to pure internet-based transaction process methods. In addition, the way in which corporations access the SWIFT network is still rather complex and perceived as a "closed" environment. Anecdotal evidence suggests that SWIFT accounts for roughly 20 percent of the entire spectrum of payments transactions, although more than half of organisations – 54 percent – use SWIFT services for payments processes, according to gtnews research. That share is not statistically different from the 52 percent of organisations that reported use of SWIFT services last year.

Swift Services Usage
(percentage distribution)



SWIFT is an international standard and one would not expect wide geographic differences, especially across mature markets. It is interesting, though, to see the level of adoption among North American organisations, given that SWIFT has not traditionally been adopted as quickly in that region. SWIFT services are used by about half of North America and Western European organisations alike. A larger share of respondents from North American companies report using SWIFT services now than did previously (45 percent versus 36 percent).

Table 17: Use of SWIFT Services by Region
(percentage distribution)

	North America	Western Europe
Yes	45%	49%
No	55%	51%

Table 18: Use of SWIFT Services by Revenue
(percentage distribution)

	Under $1 billion	Over $1 billion
Yes	52%	56%
No	48%	44%

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Investment in SEPA Services

Does your organisation plan to invest in SEPA services in the future?

SEPA is short for the single euro payments area (SEPA) and facilitates harmonised payments transactions between euro-currency countries and some non-euro countries (e.g., the United Kingdom, Sweden) at the same cost as a domestic transaction. Eurozone countries have to meet the SEPA migration deadline of 1 February 2014, while non-euro countries have until 2016 although in reality most will aim for the earlier date. There are no extra bank charges for cross-border payments. The directive applies to cashless payments only and credit card transactions. In brief, the benefits of adopting SEPA payments are:

- Avoid commissions when executing payments in the euro market
- Build efficient processing infrastructures for euro payments
- Introduce a common set of technical standards
- Harmonise processes and practices
- Provide transparency and standardisation
- Reduce bank transaction fees.

A significant share of survey respondents (27 percent) indicate their organisations have already invested in SEPA or will at some point (36 percent). More than one-third (37 percent) do not have SEPA services or plan to invest in SEPA services in the future.

Banks cannot expect from corporate representatives a single set of desired features. Each major constituent group (i.e., consumers, corporations, public sector, utilities) will have its own. The ability to identify and satisfy different expectations will become part of a bank's competitive advantage. One of the concerns of corporate users is that, with the decommissioning of domestic payment schemes in favour of a holistic and pan-European payment system, they will lose the benefits of well-tested and already proven processes. Greater centralisation and harmonisation could, however, lead to increased payments and treasury efficiencies when and if SEPA Credit Transfers (SCTs) and SEPA Direct Debits (SDDs) are fully adopted by the 1 February 2014 deadline, although the latter presents a serious mandate management challenge.

Investment in SEPA Services
(percentage distribution)

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Western European organisations are understandably more likely to use SEPA services (41 percent) than are North American organisations (24 percent). Only 17 percent of respondents from companies in Western Europe, perhaps unaware of the deadline, indicate their companies have no intention to use SEPA services versus 38 percent of respondents from North American organisations.

SEPA is strictly applicable to euro-denominated payments transactions; consequently its use is broader in Europe. Non euro-currency countries (e.g., the United States) that execute payments in euros are still subject to the SEPA standards. This likely explains why North American organisations have some level of adoption of SEPA payments, although lower relative to that of European ones.

Table 19: Investment in SEPA Services by Region

(percentage distribution)

	North America	Western Europe
No	38%	17%
My organisation already uses SEPA services	24%	41%
Yes, within three months	3%	8%
Yes, within three to six months	14%	13%
Yes, within six to 12 months	6%	13%
Yes, at some point after 12 months but in time to meet the SEPA end date (1 February 2014)	16%	8%

Organisations with more than $1 billion in revenue are more likely to use SEPA services or plan to use them (74 percent) than are smaller ones with less than $1 billion in annual revenue (52 percent). SEPA standards require significant overhaul and adaptation of technology infrastructure and software applications. Large organisations are more likely than smaller ones to have sufficient resources and scale to sustain such a change. Those that do not use SEPA may also choose not to do so because their business partners do not require payments in such format yet. Many corporations are only now becoming acquainted with SEPA so it will take some time before companies fully appreciate the benefits of SEPA to better plan for its adoption. The compliance deadline is nearing, however, so action will soon be required.

Table 20: Investment in SEPA Services by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
No	48%	26%
My organisation already uses SEPA services	23%	31%
Yes, within three months	4%	7%
Yes, within three to six months	6%	13%
Yes, within six to 12 months	8%	9%
Yes, at some point after 12 months but in time to meet the SEPA end date (1 February 2014)	11%	14%

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Reasons for Investment in SEPA Services

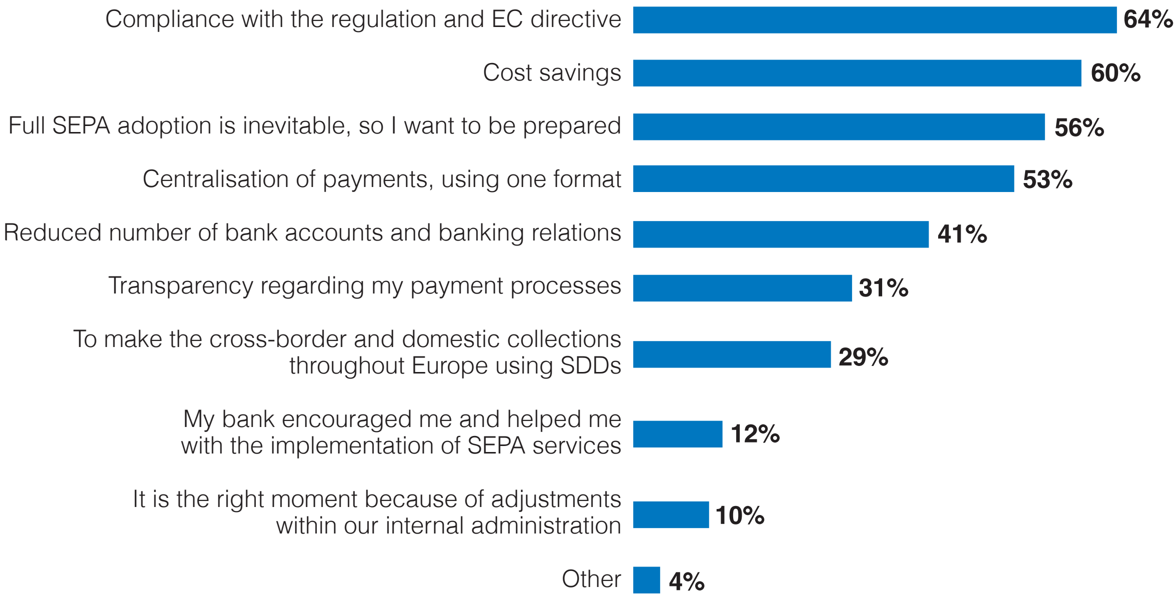
What are your reasons for already investing in or planning to invest in SEPA services?

Of the respondents who indicate their organisations have already decided to embark on SEPA, the most popular reason for doing so relates to compliance (64 percent), followed by cost savings (60 percent). Many survey respondents view full SEPA adoption as inevitable and see benefits to centralisation of payments (53 percent) and bank relationship reduction (41 percent).

Unfortunately SEPA is still perceived as an "obligation to fulfill" rather than a standard that improves transparency and cost reduction; hence, compliance is ranked first as a benefit. While cost savings (which ranked second) gives added merit to adopting SEPA, the third ranked reason —"Full SEPA adoption is inevitable"— also suggests SEPA is more a requirement than a benefit. Still, respondents want to be prepared despite the fact only 12 percent indicate they had been encouraged to do so by their bank(s), which is surprising as larger banks are offering white labeled services. Many companies initially viewed SEPA as a pure inter-bank matter until corporate users stepped in to claim attention and a right to participate in its implementation.

Reasons for SEPA Investment

(percentage of organisations)



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North American and Western European organisations are more similar than different in the reasons they cite for investment in SEPA. This is not surprising since SEPA relates to payments processing which is of course the same regardless of location. One significant difference is in "centralisation of payments, using one format" which motivates more Western European organisations since SEPA is explicitly dedicated to euro-denominated payments and, therefore, a centralised payment structure is a major benefit. Also, the inevitability of SEPA is felt more acutely in Europe given its euro-centric nature. North American corporations cite the cost-saving factor more than their European peers because they are subject to high transaction fees from banks when executing euro-denominated payments.

Table 21: Reasons for Investment in SEPA by Region

(percent of organisations)

	North America	Western Europe
Compliance with the regulation and EC directive	71%	71%
Cost savings	64%	53%
Transparency regarding my payment processes	38%	24%
Full SEPA adoption is inevitable, so I want to be prepared	55%	65%
My bank encouraged me and helped me with the implementation of SEPA services	10%	13%
It is the right moment because of adjustments within our internal administration	10%	11%
Centralisation of payments, using one format	40%	58%
Reduced number of bank accounts and banking relations	36%	40%
To make cross-border and domestic collections throughout Europe using SDDs	33%	26%
Other free text box	5%	5%

Centralisation of payments using one payment method is more of a rationale for larger organisations than it is for smaller ones (60 percent versus 41 percent). Smaller companies appear to be focused on cost-saving and compliance as SEPA motivations.

Table 22: Reasons for Investment in SEPA by Revenue

(percent of organisations)

	Under $1 billion	Over $1 billion
Compliance with the regulation and EC directive	59%	67%
Cost savings	63%	59%
Transparency regarding my payment processes	29%	32%
Full SEPA adoption is inevitable, so I want to be prepared	55%	56%
My bank encouraged me and helped me with the implementation of SEPA services	12%	12%
It is the right moment because of adjustments within our internal administration	14%	8%
Centralisation of payments, using one format	41%	60%
Reduced number of bank accounts and banking relations	35%	45%
To make cross-border and domestic collections throughout Europe using SDDs	25%	31%
Other	6%	2%

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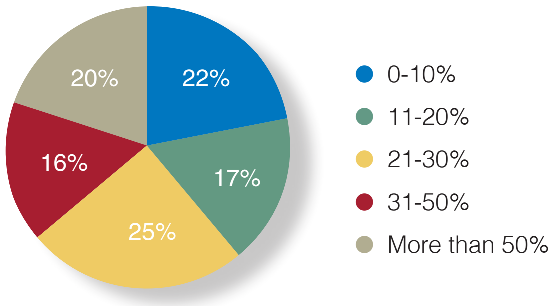
SEPA Coverage

What percentage of your organisation's total annual payment transactions do you expect SEPA will cover?

For euro-denominated cashless payments, SEPA is intended to be the only payment standard in the future. Today's percentage of SEPA coverage is expected to grow in the course of time as SEPA becomes a mainstream system. Twenty percent of respondents expect to use SEPA instruments to cover more than half of their payments transactions. Only less than a quarter (22 percent) expects SEPA involvement to be less than 10% of their payment transactions.

Expected SEPA Coverage of Total Annual Payments Transactions

(percentage distribution)



Geography explains the European-centric nature of SEPA and the inevitable higher levels of adoption among Western European organisations. The disparity between those companies and North American ones becomes particularly striking, but understandable, for likelihood of coverage above 30 percent. Western European companies continue to expect the highest impact of SEPA on their payments – 33 percent either currently use or expect to use SEPA instruments to cover more than 50 percent of their total annual payment transactions. Another 30 percent expect between 31 and 50 percent SEPA coverage.

Table 23: Expected SEPA Coverage of Total Annual Payment Transactions

(percentage distribution)

	North America	Western Europe
0-10%	24%	16%
11-20%	23%	6%
21-30%	37%	14%
31-50%	5%	30%
More than 50%	2%	33%

Company size does not appear to be a big factor for expected SEPA coverage.

Table 24: Expected SEPA Coverage of Total Annual Payment Transactions

(percentage distribution)

	Under $1 billion	Over $1 billion
0-10%	23%	21%
11-20%	21%	14%
21-30%	23%	27%
31-50%	13%	18%
More than 50%	21%	20%

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Use of Electronic Invoicing

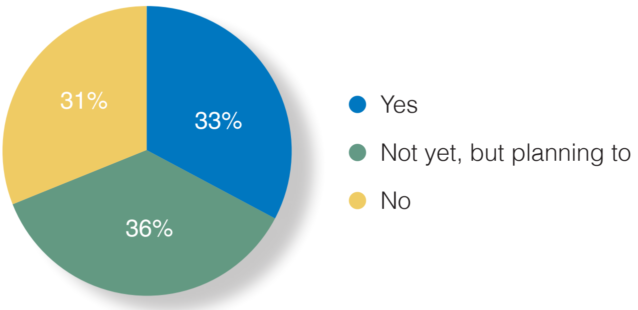
Has your organisation rolled out electronic invoicing (e-invoicing)?

E-invoicing makes earlier invoice approval by the buyer possible, increasing the “window of opportunity” for the provision of financing instruments. E-invoices are not well understood and doubts remain about their validity and legal compliance in all circumstances – a key factor in a financing programme requiring the highest standards of risk management. Still, survey respondents are generally split on the use of e-invoicing, with one-third having rolled it out, 36 percent planning to do so, and another 31 percent with no plans to do so.

The definition of electronic invoicing itself requires clarification. E-invoicing is the conduct of invoicing and related processes through electronic channels, and is perceived as the solution for eliminating the paper involved in the billing process. Efforts to “dematerialise” the invoice (make it non-paper) and to re-engineer the processing and exchange of invoices, have often focused on creating an electronic equivalent of the document, or supporting the process by electronic means. This has resulted in a wide variety of solutions with different definitions of an e-invoice itself. Although e-invoicing in its full sense entails the creation, exchange, management and storage of electronic documents carrying data and information related to a trade invoice, too often a scanned copy of a paper invoice sent via email is still considered to be an e-invoice.

E-Invoicing

(percentage distribution of organisations using e-invoicing)



Although North America has traditionally been a slow adopter of e-invoicing, survey results indicate two-thirds of organisations in the region now use or plan to use it. This result is similar to the share of Western European respondents.

Table 25: Use of E-invoicing by Region

(percentage distribution)

	North America	Western Europe
Yes	36%	28%
Not yet, but planning to	33%	40%
No	32%	32%

There are differences in the use of e-invoicing depending on company size. Many large buyers who have embraced e-invoicing compel their suppliers to send invoices electronically. Small company suppliers, however, may not enjoy as much of a benefit from sending invoices electronically if the only attainable result is reduced manual operations and less paperwork. The frequency with which a medium-sized company sends invoices to a large customer typically is not beyond a monthly issue. With such a low frequency of invoice exchange, less efficiency gain can be achieved by moving from manual to electronic. Moreover, small companies still have buyers that do not ask to receive invoices electronically.

Table 26: Use of E-invoicing by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
Yes	31%	35%
Not yet, but planning to	38%	34%
No	31%	31%

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Mobile Authorisation of Payments

Does your organisation use mobile technology to authorise payments/payment files remotely?

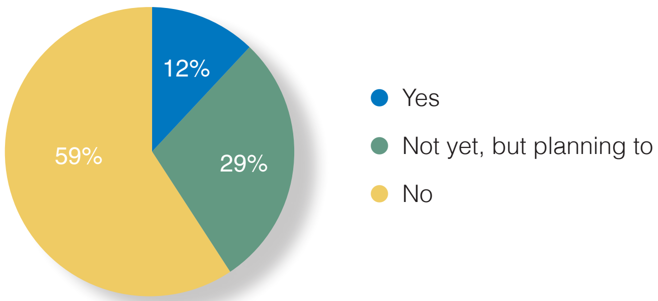
Mobile banking services perform basic transactions such as checking balances and transferring funds. Corporate users also express interest in their banks performing more advanced functions such as approving transactions (e.g., wire transfers and the release of payroll batches) and initiating payments. Businesses see the greatest benefit in the ability to approve transactions via their mobile devices. Payments processing through this channel also allows users to view images of potentially fraudulent cheques through their smart phones and instantaneously making pay or no-pay decisions on them.

A majority of survey respondents do not currently use mobile technology to authorise payments or payment files remotely. Only 12 percent do this while another 29 percent indicate their organisations are planning to do so.

End-user willingness to perform advanced transactions is especially significant because it is where the true mobile opportunity for banks exists. Customer interest in performing basic mobile banking capabilities is not enough to build a strong business case for investing in the mobile channel. Advanced payments-related mobile functions are "stickier" than basic balance inquiries, promising greater retention and more opportunities for cross-selling. They also offer greater value to customers and therefore a stronger justification for bank service fees to compensate for revenues lost due to new regulations and commoditised products.

Mobile Authorisation

(percentage distribution)



North American organisations appear to have embraced mobile authorisation technology more than have their Western European counterparts. Nearly a third (30 percent) of respondents from North American companies indicate their organisations are planning to add such an option versus just 17 percent of respondents from Western European organisations. This may challenge conventional wisdom given European consumers' own embrace of mobile technology.

Table 27: Mobile Authorisation of Payments by Region

(percentage distribution)

	North America	Western Europe
Yes	10%	11%
Not yet, but planning to	30%	17%
No	60%	72%

Larger organisations may be more reluctant than smaller ones to use mobile authorisation (63 percent versus 54 percent) because of security/compliance concerns given their larger transaction sizes and perceived risk. Security is a top concern for many treasury executives. While some businesses believe that the value of the service outweighs their concerns, such concerns are a key deterrent for those businesses less willing to consider using the mobile channel.

Table 28: Mobile Authorisation of Payments by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
Yes	12%	12%
Not yet, but planning to	33%	25%
No	54%	63%

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Payment Authorisation

How are payments/payment files authorised in your organisation?

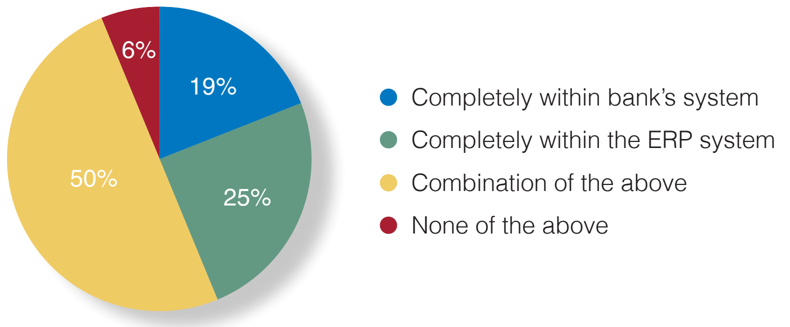
Businesses that trade internationally need to make and receive risk-controlled foreign payments. Controlling cross-border payments risk involves foreign exchange (FX), the use of local currency accounts, or both. Given budget and staffing constraints, many businesses are turning to their banks to provide assistance. Clients want straight-through processing (STP) where no manual intervention is required to complete their payments. Further, clients want their banks to use industry standards to the greatest degree possible, conform to laws and regulations, ensure data integrity and completeness, and process their payments efficiently and accurately.

Half of organisations use a combination of a bank's system and enterprise resource planning (ERP) system to authorise payments and payment files at their organisations. One in four relies completely on the ERP system while 19 percent rely completely on the bank's system.

Businesses use multiple banks, and they want to be able to connect with each of their banks in the same way and obtain consolidated account information across all banking relationships. In most cases, corporate users leverage internal ERP infrastructure, based heavily on middleware, combined with internally developed and/or third-party sourced software applications that manage the process and the participants.

Payment Authorisation

(percentage distribution)



Western European businesses have traditionally been more reliant on banks to support their daily operations. At the same time, banks have been very supportive with cash management portals that facilitate the operations of their corporate clients and maintain closer relationships. Even with the introduction of a common currency, European companies still have to answer to rules in their individual countries regulating payments, which are only now beginning to be replaced by SEPA. Corporate treasuries have therefore benefitted from the proximity of banks with expertise and knowledge on all payments processing nuances.

Table 29: Payment Authorisation Process by Region

(percentage distribution)

	North America	Western Europe
Completely within bank's system	10%	24%
Completely within the ERP system	27%	27%
Combination of the above	56%	45%
None of the above	7%	4%

Table 30: Payment Authorisation Process by Revenue

(percentage distribution)

	Under $1 billion	Over $1 billion
Completely within bank's system	21%	18%
Completely within the ERP system	20%	29%
Combination of the above	48%	52%
None of the above	11%	2%

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Conclusion

As the needs, structures and product mixes for organisations' payments continue to evolve, service providers are working to advance payments processing capabilities. Accustomed to efficiency imperatives, treasury professionals are balancing the costs of centralised and decentralised operations, with pure payments regularly designated as a commodity activity which can be handled by a central operator in a payments factory or shared service centre (SSC). Yet disparities in the use of service providers/processors continue to exist between large and small companies. Facing more complex tax, legal and regulatory environments, companies in Western Europe are also more apt to establish Payments-on-Behalf-of (POBO) models.

Survey respondents indicate that electronic methods (e-payments) lead as the most common form of payment, but it is a ranking in flux. Cheques retain a strong position, particularly in North America, while an oft-hyped mobile payments surge has not yet materialised to a strong level of adoption among respondents. It will be interesting to see how successful corporates are in their plans to reduce their use of cheques (to 26 percent adoption, as they anticipate in the next three years) when currently 71 percent still receive cheques as a form of payment. Meanwhile, niche payments in Western Europe continue to be an obstacle to deployment of SEPA payments. Use of purchasing and travel and entertainment cards by smaller companies has increased, with credit cards another critical receivable within North America.

Among service providers and clients, banks are key advisory partners for payments processes. As SWIFT services have become an international standard, corporations are only now becoming acquainted with SEPA, where banks have not led until recently. It will take time before companies fully adopt SEPA, including (and especially) in North America. E-invoicing is another force in the payments space but one with challenges for smaller companies. Security, meanwhile, remains the chief barrier to broader mobile payments authorisation although expectations are for this technology to continue to make inroads in 2013.

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