PaymentMatters
Payment Processing Quarterly

RP Solutions, Inc.
Your Experts In Payment Processing Solutions

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See us at These Upcoming Tradeshows:

IASA Midwest, April 28, Ankeny IA
IASA Annual Conference, June 12, San Antonio, TX

The Remittance Coalition reports that 54% of organizations rely on MS Excel spreadsheets to manage receivables.

Speed Up Your Revenue Cycle with ExpertRPS

While electronic payments are seen as more efficient and less costly than their paper based counterparts, the adoption of electronic payments and remittances has been slow. Research shows that 67% of businesses receive B2B payments mainly as checks.

According to Aite Group, 60% of senior receivables and treasury managers surveyed are less than fully satisfied with their companies' receivables and cash application processes. The culprit is the high percentage of paper checks and remittance documents organizations receive, resulting in expensive processes, posting delays, errors, customer disputes and a lack of cash flow visibility.

Automating the receivables process, using our ExpertRPS solution, is one way of solving these challenges.

- ExpertRPS uses multiple recognition engines to automatically identify incoming documents (even unstructured documents & forms) and electronically extract data from remittances and accompanying checks, thereby reducing labor costs and improving process efficiencies.
- ExpertRPS reduces errors and ensures data accuracy by verifying extracted data in real time against in-house customer/account databases and automatically balancing remittance totals to payments.

- As payments are processed, ExpertRPS updates back-end systems in real time ensuring employees across the organization interact with correct information.
- Our image archive solution indexes images of remittances and checks to make them instantly accessible for enhanced customer service and faster dispute resolution.
- ExpertRPS speeds cash application and deposit by creating ICL files for electronic deposit and automating posting of remittances to open invoices. This increases visibility into cash flow, customer balances and overall receivables.

Faster Payments Progress Report

One year after releasing *Strategies for Improving the U.S. Payment System* (a multi-faceted plan to enhance payment system speed, efficiency, and security) the Fed has released a detailed report on their progress. Perhaps the most significant milestone is the unprecedented collaboration amongst payments system stakeholders including financial institutions, businesses and consumers.

To date, the initiative has resulted in 2 task forces comprised of a diverse group of over 500 industry participants. One is focused on faster payments and the other is focused on payment security. The task forces developed the *Faster Payments Effectiveness Criteria* which defines 36 desired attributes of a faster payment system and provides guidance for developing and assessing the effectiveness of potential solutions. In 2016, faster payment solution proposals will be assessed against these criteria and the results will be published in early 2017, along with a report on strategic issues, opportunities and barriers.

Other accomplishments include important work on standards, directories, and B2B payment improvements as well as new plans to standardize US wire transfer messaging systems and to implement widespread same-day ACH settlement.

Federal Reserve videos discussing the effort to improve the payments system are available online.

Do Treasurers Want Faster Payments?

Faster payments are top of mind for many corporate treasurers as they consider NACHA's same-day ACH system coming in 2016, the Federal Reserve's Faster Payments Task Force, and the real-time system in development by The Clearing House. But that doesn't mean they want or need them. Here is a summary of ongoing discussions:

- It is hard to gain consensus on what "faster" really means. Whether you're sending or receiving, a consumer or a business, faster can mean many different things, all of which have vastly different implications to users of the system.
- Most treasurers feel that to have value, any faster payments system needs to accommodate high-value transactions. For some, this means that NACHA's plan for same-day ACH, which currently has a limit of $25,000, will not meet their needs.
- Same-day ACH transactions will be optional if you're initiating payments. But starting in September everyone must be prepared to receive them. Billers will need to recognize consumer payments on the settlement date and update downstream accounts in a timely manner.
- With remittance processing systems, most paper check payments can be reconciled immediately, but this is not the case with ACH payments. Treasurers do not see the value in getting money any faster, before funds be can applied to an account. Electronic payments, they declare, need to be "smarter", not just faster.
- Financial institutions may very well need to be available 24/7. Billers, at the very least, will need to update their internal systems to allow real-time customer payments to post immediately, or to retroactively post payments effective as of the time/date stamp on the payment.
- One challenge with faster payments is that due diligence will have to be real-time – not in an hour, or overnight, or the next day as many controls currently operate. With 62% of organizations already targets of payments fraud last year, there is general concern about how to overhaul our payments system while still effectively managing risk and mitigating fraud.

Statistical Look at Mobile Deposit Duplicates and Losses

Allowing customers to deposit checks by taking a photo with a smartphone or tablet (mobile deposit) opened a new avenue for fraud. Unlike depositing a check at the ATM or at the teller line, the consumer keeps the physical check after depositing it via a mobile device. The customer could try to negotiate the deposited check a second time, on purpose or by accident. To mitigate loss exposure from duplicates, financial institutions apply holds on checks and set limits on mobile deposit capture usage.

According to remotedepositcapture.com's Second Annual *mRDC Industry Study*, despite original fears to the contrary, Mobile Deposit is a "homerun". An overwhelming majority of FIs participating in this year's survey (76%) had not experienced any losses from mRDC. Of those FIs that reported losses, 47% said the amounts were so small that they did not require changes in policies or procedures.

However, while fraud losses have been low, financial institutions have higher costs in other areas due to duplicates caused by mobile deposit. These costs fall into the following areas:

- New technology to identify and prevent checks from paying against their customers' account more than once
- Additional operational resources to research and adjust duplicates
- Write off of non-fraud adjustments

Four months after the liability shift, only 20-40% of merchants are EMV-enabled.

EMV: Delays, Debates and Confusion

EMV is an important tool for combating card fraud in face-to-face (card-present) transactions. But it is not mandatory; it merely shifted fraud liability to whoever has the outdated technology – either the card issuer or the retailer. Analysts predict it will take 2-3 years before we reach a threshold of adoption here in the U.S. Here is a summary of the issues being faced with roll out of this new technology.

DELAYS…

- EMV deployment is a big expensive project; terminals need upgrading, software needs modification, clerks need training.

- Small merchants were not aware of the liability shift in time to meet the deadline and feel they are still not getting the support they need.
- Large retailers don't want the painful experience of educating consumers and would rather wait until they've learned what to do at other stores.
- There have been reports of terminal shortages. And software, even if it was ready, faced long waits for certification with each processor.
- For many, their perception of risks is not enough to justify the hassle of upgrading.

DEBATES...

Industry players are heavily debating the virtues of "Signature" vs." PIN". Most EMV cards are issued as signature cards because consumers are already familiar with signature credit card transactions and issuers are hoping this will encourage rapid adoption. Retail and consumer groups, on the other hand, argue that we should be implementing PIN cards (like many other countries have done) because it offers higher security.

CONFUSION…

Whether its signature or PIN, consumers are facing new ways to pay and find it confusing. Most consumers have received at least one new chip card and many merchants have EMV terminals installed. But few EMV terminals are actually enabled. Checkout delays are common as a result of consumers fumbling to determine if they should swipe, hover, wave or insert their card into the many different types of payment card devices.