

Digital Disruption and the Future of Payments

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We will be conducting interactive polls during the discussion, if you wish to participate, please download the "SLI.DO" app from your app store onto your mobile.

For Apple devices - go to the **Apple Store** app and search for "Sli.do"

For Samsung devices - go to the **Play Store** app and search for "Sli.do"

The SLI.DO app is available at no charge.



Agenda

- Payments Modernization
- Current Trends and Best Practices in Payments
- Treasury Diagnostic Review

Payments Modernization

TJ Bahra

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Payments

is the new

BLACK

Audience Poll - Slido # AMO2018

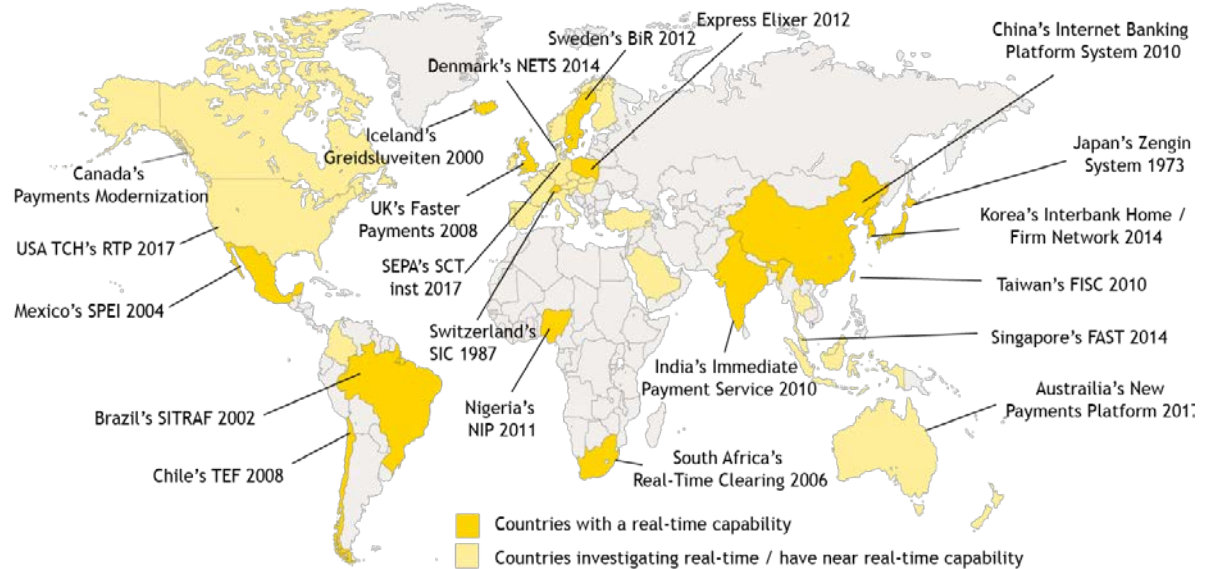
What is “Payments Modernization?”

Global Trends






Countries around the world are modernizing their payment infrastructures at a rapidly increasing pace

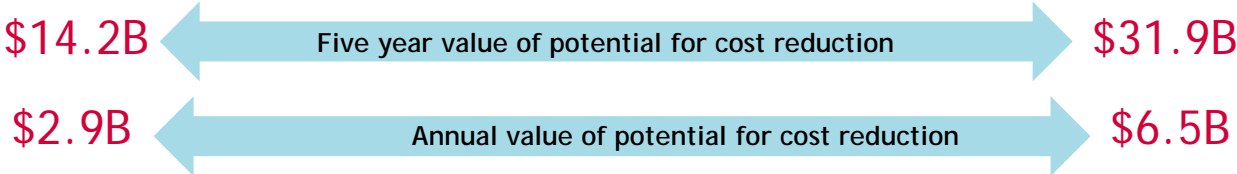


Canada is the only G7 member without a Real Time Payment System



Challenges for Canadian Organizations

	Business Issue	Improvement Opportunity	Potential Impact	
			Low	High
	Low auto-match of payments to invoice rates	Improve auto-match rates for matching and reconciling payments to invoices, tracking deduction and discounts	\$7.4B	\$13.6B
	Incomplete visibility into supply chain and collection	Increase visibility into payments along the supply chain and collection process	\$3.3B	\$7.7B
	Limited predictability of cash inflows and outflows	Improve the predictability of funds decreasing the cost of borrowing to accommodate obligation	\$0.9B	\$3.7B
	Minimal traceability of cross-boarder payments	Improved interoperability resulting in more transparency of processing times and reduction reliance on intermediaries	\$0.5B	\$3.5B
	Prevalence of mutual payments and legacy technology	Optimize technology and automation to streamline payment efforts	\$2.1B	\$3.4B



Source: EY /Payments Canada — How can payments modernization benefit Canadian businesses. — White Paper

Payments Modernization

Industry-wide initiative to modernize Canadian payments



**PAYMENTS
CANADA**



**BANK OF CANADA
BANQUE DU CANADA**



Department of Finance Canada



Fast Payment
Options



Data Rich
Payments



Transaction
Transparency



Easier
Payments



Activity Based
Oversight



Open & Risk
Based Access



Platform for
Innovation



Cross Border
Convenience

100 +

Audience Poll - Slido # AMO2018

Does your municipality have plans to digitize payments?

Realizing the Benefits of Modernization

Enhanced liquidity and cash flow management

- ✓ Ability to determine financial position sooner
- ✓ Better trending and analytics
- ✓ Process simplification, reduced investigations
- ✓ Opportunities to re-deploy resources



The time is now to start thinking about how your payment processes and treasury operations may change with the availability of faster payments and rich data.

Current Trends and Best Practices in Payments

Lisa Presley

Canadian Payments Landscape



2016 Population
36.2 Million



Who have Internet
90%



2008 - 2016
Cash Payments declined 22 %
Cheque Payments declined 41%



Mobile — CAGR of 23.2%
through 2020



Credit cards — 23% of total
payment 2017 volume



89% of Canadians have at least
one major credit card

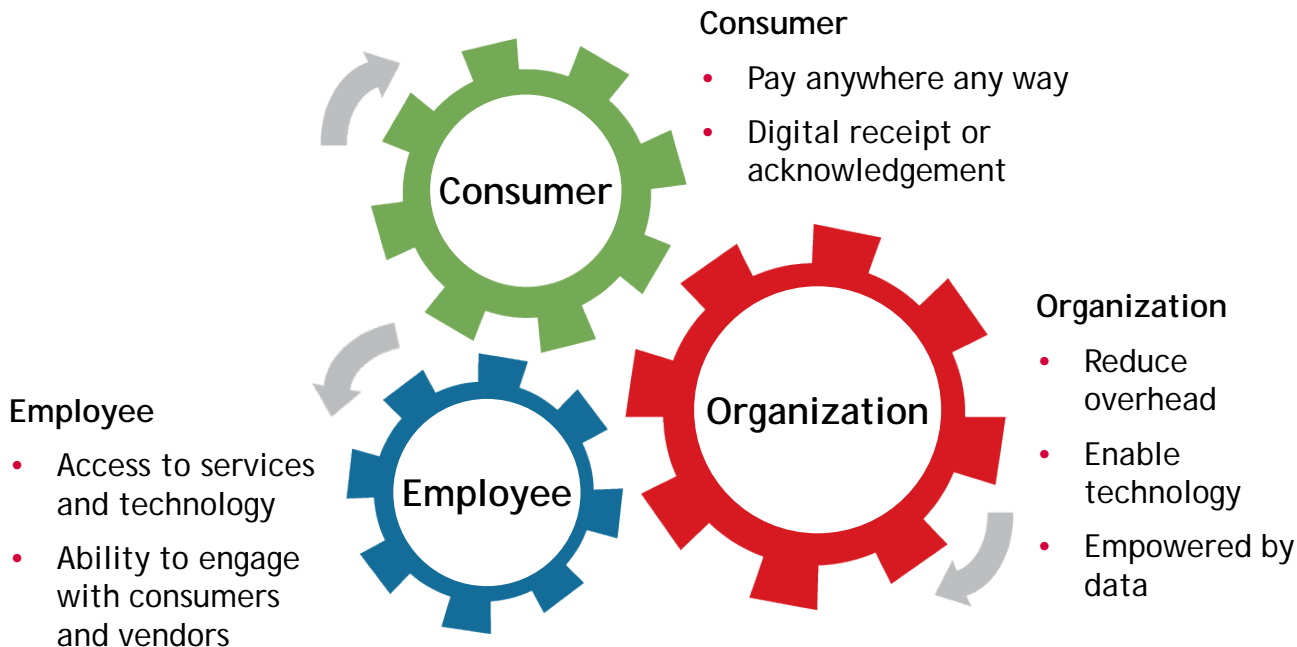
Cards preferred for online
payments

- Rewards
- Convenience - *Fast, Simple, Contactless*
- Perceived as highly secure



Balancing Forces


Challenges



Healthy Balance

Need to find a balance between external forces and internal processes to create a healthy treasury operation.

EFT vs Cheque

Hard and Soft Costs			
	Volume	Soft Cost Price	Monthly (incl. Hard costs)
Cheques	2600	\$ 15.40	\$ 40,040.00
EFT	2600	\$ 5.60	\$ 15,310.00
			
Cost Benefit			
monthly savings:			\$ 24,730.00

EFT - soft costs:		
Purchase Requisitions		\$ 3.00
Charges for Automated Rec		\$ 0.10
Responding to Payment Inquiries		\$ 0.20
Payment / file preparation		\$ 1.00
Payment approval		\$ 1.00
		\$ 5.30
Cost per EFT		\$ 5.60

EFT File Upload & Online Pay Hard Costs			
	Volume	Price	Monthly
Monthly	1	\$ -	\$ -
File	10	\$ 12.00	\$ 120.00
Items	2300	\$ 0.10	\$ 230.00
Bill pay online	100	\$ -	\$ -
Adhoc	200	\$ 2.00	\$ 400.00
			\$ 750.00

Soft & Hard Cost - Cheque Issuance			
	High	Low	Actual
Blank Cheque	\$ 0.50	\$ 0.20	\$ 0.30
Storage Of Blank Cheque	\$ 0.25	\$ 0.10	\$ 0.15
Handle of Blank Cheque	\$ 1.00	\$ 0.25	\$ 0.50
Purchase Envelopes	\$ 0.20	\$ 0.05	\$ 0.15
Write Cheque Requisitions	\$ 5.00	\$ 0.80	\$ 3.00
Authorize Cheque Requisitions	\$ 3.00	\$ 1.50	\$ 3.00
Print Cheques	\$ 1.00	\$ 0.30	\$ 0.30
Print Statements	\$ 0.30	\$ 0.10	\$ 0.20
Merge Cheque and Statements	\$ 1.00	\$ 0.25	\$ 0.25
Cheque Signing (1st Officer)	\$ 2.00	\$ 1.50	\$ 1.00
Cheque Signing (2nd Officer)	\$ 2.00	\$ 1.00	\$ 1.00
Stuff Envelopes	\$ 0.40	\$ 0.20	\$ 0.20
Postage	\$ 5.00	\$ 0.85	\$ 0.85
Deliver to Post Office	\$ 10.00	\$ 1.00	\$ 1.00
Bank Charge on Cheque Clearing	\$ 1.00	\$ 0.20	\$ 0.20
Allowance to courier Rush Cheques	\$ 0.50	\$ 0.10	\$ 0.20
Allowance for Late Penalties	\$ 0.50	\$ 0.10	\$ 0.20
File Second Copies of Cheques	\$ 0.80	\$ 0.20	\$ 0.20
Prepare Account Reconciliation	\$ 0.20	\$ 0.05	\$ 0.20
Charges for Automated Rec	\$ 0.35	\$ 0.05	\$ 0.10
Manual Cheque Reconciliation	\$ 1.20	\$ 0.50	\$ 0.50
Tracing Missing Cheques	\$ 2.00	\$ 0.10	\$ 0.50
Responding to Payment Inquiries	\$ 2.00	\$ 0.10	\$ 0.20
Store Cancelled Cheques	\$ 0.25	\$ 0.05	\$ 0.20
Allowance for Fraudulent Cheques	\$ 5.00	\$ 0.50	\$ 1.00
TOTAL	\$ 45.45	\$ 10.05	\$ 15.40

Source: CIBC Treasury Diagnostic Review

Opportunities to Digitize

TAP and PAY

Technologies for funding projects

Go Remote

- eDeposit for cheque
- eDeposit for cash/coin



Digitize remittances
to rate payers and vendors

Expand Reach

Options for payment collection

- Online Bill Payment through any FI;
- Online integration through website

Treasury Diagnostic Review

Jack Nunno

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Treasury Diagnostic

Objectives

- Develop / confirm an understanding of the current state of your banking and treasury operations as related to bank financial solutions
- Identify gaps where current processes could be improved to create efficiencies, reduce costs and payment risks
- Identify solutions to improve efficiency in your financial supply chain management and focus on:

Working Capital Management

- Improve cash flow
- Increase visibility into receivables and payables management
- Leverage consolidated balances

Liquidity Management

- Accelerate collection of receivables
- Optimize cash balance management
- Maximize yield on surplus balances

Risk Management

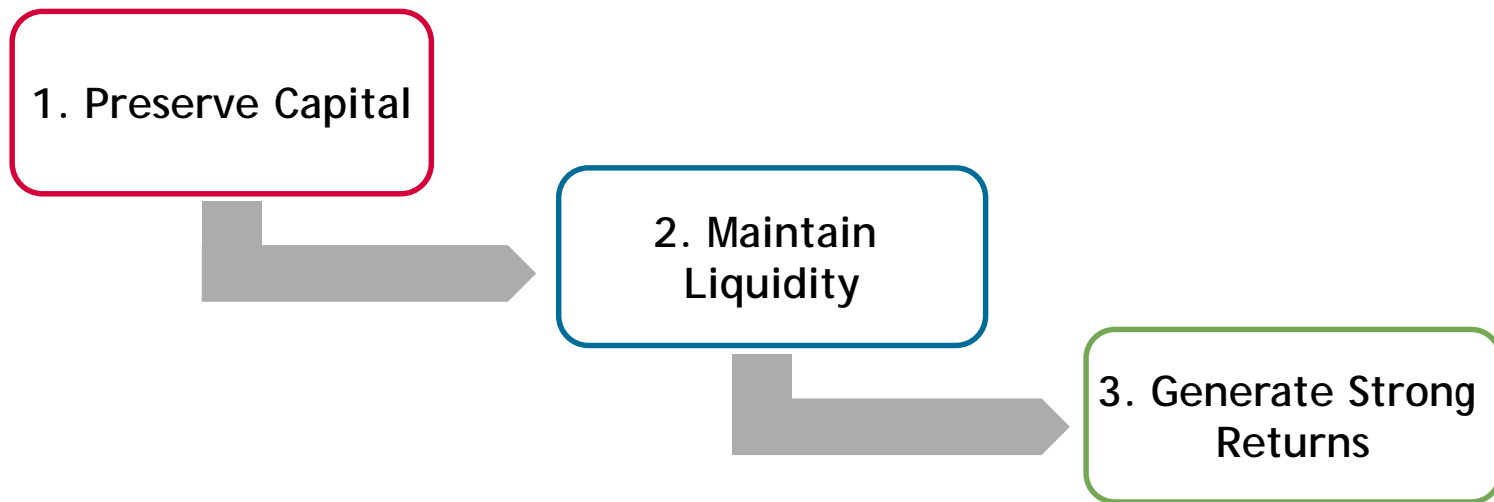
- Automate financial transactions
- Mitigate transaction and business risk
- Augment financial options

Cost Effectiveness

- Reduce interest expenses and transaction costs
- Improve operational efficiency
- Automate reconciliation processes
- Increase straight-through transaction processing

Liquidity Management

- Current municipal investment regulations present challenges to Treasurers in maximizing the value of their Treasury resources
- The liquid funds required should be invested in a way that provides sufficient access while maximizing interest earned to achieve key treasury goals:



Risk Management

Reduce Business Risk Best Practices

Transform controls from process-enforced to system-enforced

- Separation of duties — number of online approvers can be tailored
- Authenticators change from signature (poorly protected) to passwords (highly protected)

Ensure controls protect against:

- Lack of accountability / ownership (user-based audit trails, no shared passwords)
- Single trust points (self checking, un-segregated duties, single signing officer)

Transform detective controls into preventative controls

- System controls cannot be readily circumvented - system access permissioning based on authority level
- Reduce social engineering risks

Ensure controls are designed to consider:

- Vacations
- Urgent Emergencies & Exceptions
- Use “what-if” scenarios to test control efficacy