



3 POINT ALLIANCE

Key Payments Processing Practices

21 KEY QUESTIONS ABOUT OPTIMIZING PAYMENTS

21 Key Questions about Optimizing Payments:

**How to Assess Your
Payments Challenges**

Why optimize payments processing?

Two major payments industry trends impacting processing decisions:

- ▣ Non-compliance risk and increased cost due to complex rules and regulations;

Why optimize payments processing?

Two major payments industry trends impacting processing decisions:

- ▣ Rapid growth of new enabling technologies has fragmented the payments landscape.

Get a Handle on Compliance Costs

Did you know?

- ▣ Multi-national corporations spend about \$3.5 million per year on compliance with privacy and data protection laws and regulations.

Get a Handle on Compliance Costs

Did you know?

- ▮ However, the cost of non-compliance is nearly triple that at \$9.4 million!

Get a Handle on Compliance Costs

Did you know?

Not understanding the costs and risks related to non-compliance can have a severe impact on our bottom line...

Know Your Incremental Risks

Risk varies greatly depending on what rules govern each payments domain.

Touch points that add risk and therefore cost:

- ▮ Technical standards
- ▮ Processing standards
- ▮ Payment acceptance requirements
- ▮ Exception processing & dispute resolution
- ▮ Fees
- ▮ Client rules

Rapid Industry Change Means More Regulation

The Federal Reserve Bank's 2013 Payments Study outlined ways to improve payments processing, standards, and capabilities.

- ▮ The Goal: Deliver secure, convenient services across multiple payment methods and platforms.
- ▮ Prediction: More rules and regulations in store.

Fragmented Landscape: A Tipping Point for Outsourcing?

- ▣ Today's payments landscape is a mix of cash, checks, and electronic payment types.
- ▣ Each payments type, system, network and platform contains inherent risks.
- ▣ Once ubiquitous, payments stakeholders are grappling with unprecedented innovation.

Fragmented Landscape: A Tipping Point for Outsourcing?

Risks come from one or more functional areas including:

- Fraud
- Credit
- Operations
- Liquidity
- Data security
- Legal
- Reputation risk

Top Reasons Billers Outsource Payments

Some risk categories are more easily managed by payments providers.

Top Reasons Billers Outsource Payments

The most common reasons for outsourcing payments are:

- ▮ Lack of biller compliance knowledge and the impact on processing costs
- ▮ Cannot achieve economies of scale with declining check volumes

Top Reasons Billers Outsource Payments

The most common reasons for outsourcing payments are:

- ▮ Cannot invest in infrastructure and make other capital improvements
- ▮ Inability to leverage BI to manage risks, costs, and decision-making

Can You Keep Pace?

Significant Fed regulations to watch:

Touch points that add risk and therefore cost:

- U.C.C.Article 3 – Negotiable Instruments
- U.C.C. Article 4 – Bank deposits and collections
- U.C.C. Article 4A – Funds transfers
- The Check Clearing Act of the 21st Century (Check 21)
- The Credit Card Accountability Responsibility and Disclosure Act of 2009
- Federal Reserve Bank Regulation E – related to the Electronic Funds Transfer Act
- Regulation CC – Availability of Funds and Collection of Checks
- Federal Reserve Bank Regulation Z, Truth in Lending
- Federal Reserve Bank Regulation J, Collection of Checks etc.
- Know Your Customer (KYC) – an anti-money laundering regulation
- Money Laundering Control Act of 1986
- The Bank Secrecy Act of 1970 (and amendments)
- USA Patriot Act (and Enhanced Due Diligence requirements)

Key Optimization Practices: How to Assess Your Payments

- ▣ Your 3-5 year payments strategies should embrace the reality that the pace of innovation in the payments industry will continue to accelerate.

Key Optimization Practices: How to Assess Your Payments

- ▣ Billers and companies who will be the most successful are the ones who can recognize when the tipping point for their payments operation has arrived.

Your Payments Strategy: Get Prepared with 21 Proactive Questions

- ▣ What is my true cost-per-item?
- ▣ What are my TCO component costs?
- ▣ Is my processing risk is low or high?
- ▣ Are we at risk from non-compliance due to poor exceptions processing?
- ▣ How do we define indirect costs?
- ▣ Does our payments strategy align with our customer's bill paying habits?
- ▣ What is the cost to maintain our legacy systems?
- ▣ Do we have adequate data storage, back-up, and redundancy?
- ▣ Is our legacy system interoperable?
- ▣ How do we integrate receivables?

Your Payments Strategy: Get Prepared with 21 Proactive Questions

- ▣ Are fully prepared for any disaster or service interruption?
- ▣ Should we be utilizing cloud computing to streamline processing?
- ▣ What does a 5-year plan for capital expenditures to upgrade aging systems look like?
- ▣ How do we calculate risk for processing multiple payment types?
- ▣ What are our unknown risks?
- ▣ Is our payments process flexible or scalable?

Your Payments Strategy: Get Prepared with 21 Proactive Questions

- ▢ Can we implement new software or otherwise enhance our payments process seamlessly?
- ▢ Can your facility accommodate increases or decreases in processing volume without sacrificing efficiency or impacting costs?
- ▢ Are we utilizing least-cost routing for remittance processing?
- ▢ Are our payments de-centralized? Or should we use hub-and-spoke?
- ▢ How can we access real-time intelligence regarding cost, risk, and compliance?

What to Look For In a Provider: Framing Your Review

Six critical areas to understand about outsourcing:

1. Inventory

- ▢ Quantify business process assets
- ▢ Know throughput rates, payments volume, and cost-per-item
- ▢ Do a staff head count?
- ▢ Do you have enough hardware, the right hardware?

What to Look For In a Provider: Framing Your Review

Six critical areas to understand about outsourcing:

2. Service levels

- ▮ How do internal service levels compare with external provider service levels?
- ▮ External providers often adhere to more rigorous SLAs.

What to Look For In a Provider: Framing Your Review

Six critical areas to understand about outsourcing:

3. Transition

- ▮ How will you transition to a new payments environment?
- ▮ Does your provider have well-defined best practices for transitioning payments?

What to Look For In a Provider: Framing Your Review

Six critical areas to understand about outsourcing:

4. Communication

- ▢ What stakeholders are involved in the transition?
- ▢ How will you engage staff about the new service agreement?

What to Look For In a Provider: Framing Your Review

Six critical areas to understand about outsourcing:

5. Attrition

- ▢ How will the implementation affect staff levels?
- ▢ How will you manage it?

What to Look For In a Provider: Framing Your Review

Six critical areas to understand about outsourcing:

6. Cost

- ▮ Does your provider deliver services at a lower cost than internally?
- ▮ What are the hidden costs and risks involved in transitioning payments to a third-party?
- ▮ Is your provider performing a similar service for many clients to achieve economies of scale?

Envisioning an Optimal Payments Environment

As payment volumes increase in size and competitiveness to meet consumer 'anywhere' 'anytime' demand, billers must still:

- ▮ Contain Costs
- ▮ Manage Risk
- ▮ Meet Compliance Requirements



3 POINT ALLIANCE

3 Point Alliance is a pioneer in the development and deployment of vertically integrated remittance processing software and hardware, business continuity services and financing for in-sourced and out-sourced payment applications.



3 POINT ALLIANCE

To learn more, visit: <http://www.3ptalliance.com>.

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