



**Created by the
Remittance Coalition**

Small Business Payments Toolkit Webinar

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How Small Businesses Can Leverage the Small Business Payments Toolkit

September 18, 2015

Logistics

Call-in number: 888-625-5230

Conference code: 57205594

<https://www.webcaster4.com/Webcast/Page/577/10114>

Webinar

You can choose to listen to the audio through your PC speakers or dial in through the phone option. **Please note:** If you experience problems with the PC audio at any time, you can dial in using the number and code above.

Materials button

How we'll take questions

We will be holding questions until the end of the session, please submit them at any time throughout the presentation via the **Ask Question** button in the webinar.

AGENDA

- 1) Small Business Payments Toolkit
- 2) Payment Types Explained
- 3) U.S. Payment Trends
- 4) Benefits of Electronic Payments
- 5) Fraud Prevention

The Small Business Payments Toolkit has been created by the Remittance Coalition & is intended to be used as a resource. Views expressed here are not necessarily those of, & should not be attributed to, any particular Remittance Coalition participant or organization. Views are not intended to provide business or legal advice, nor are they intended to promote or advocate a specific action, payment strategy, or product. Consult with your own business & legal advisors.

What is the Small Business Payments Toolkit?

- FREE resources to be leveraged by small business (& their bankers & advisors)
- Encourages adoption of electronic B2B payments plus payment/remittance information exchanges
 - <https://fedpaymentsimprovement.org/wp-content/uploads/small-business-toolkit.pdf>
 - Produced by Remittance Coalition in early 2015



**Link to
Toolkit**

Contents of Small Business Payments Toolkit

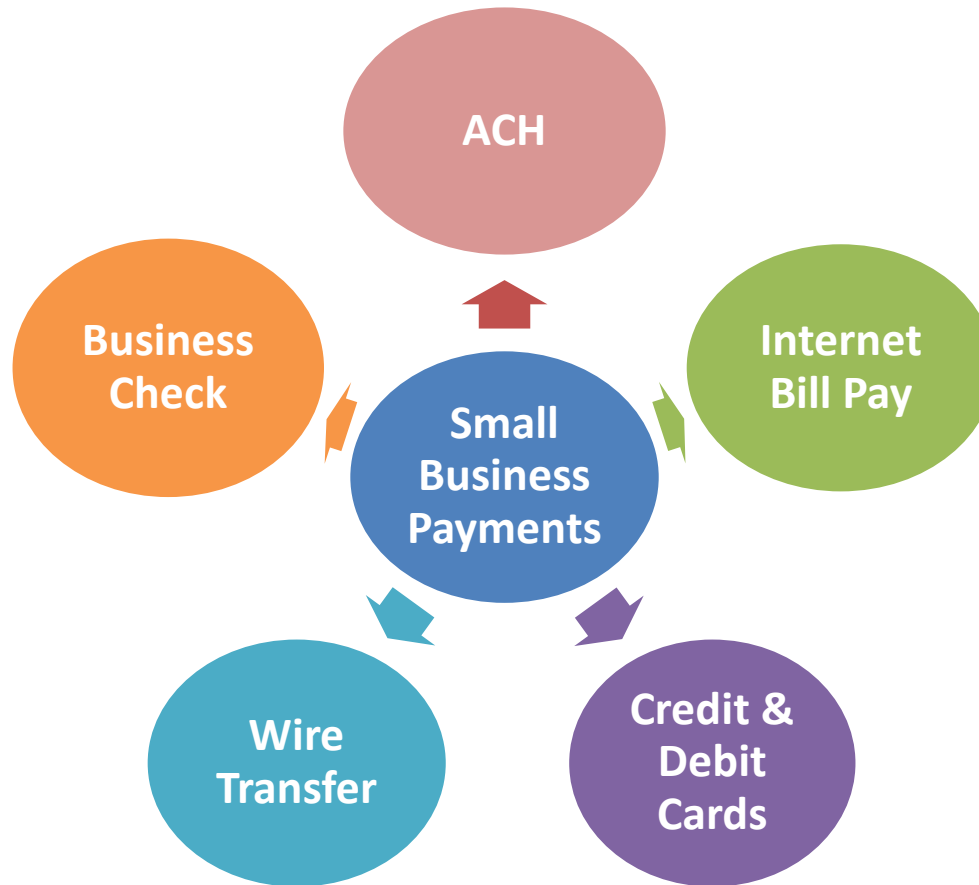
- Payment Types Explained
- What is ACH*? [*Electronic **A**utomated **C**learing **H**ouse payments]
- Working with Your Banker
- Fraud Prevention & Mitigation Tips
- Resources
 - Glossaries of Payment Terms
 - Credit & Debit Card Resources
 - ACH Resources
 - General Small Business Resources
 - Fraud & Data Security Resources



Payment Types Explained



Small Business Payment Types



Payment Type Pros/Cons

Business Check

Pros	Cons
<ul style="list-style-type: none"> • Legacy System • Widely accepted • Need only one bank account # 	<ul style="list-style-type: none"> • Higher costs • Greater fraud risk • Manual handling • Mail delivery

ACH

Pros	Cons
<ul style="list-style-type: none"> • Much lower fees • Higher automation • Lower handling • Reduced fraud risk 	<ul style="list-style-type: none"> • 1 to 2 day settlement • Need bank account #

Internet Bill Pay

Pros	Cons
<ul style="list-style-type: none"> • Save time • Convenient • Cost savings • Reduce paper 	<ul style="list-style-type: none"> • Some payments via check • Payee set-up

Pros	Cons
<ul style="list-style-type: none"> • Highly secure • Near real time • Certain delivery 	<ul style="list-style-type: none"> • Fees charged to both parties • Need routing & acct #

Wire Transfer

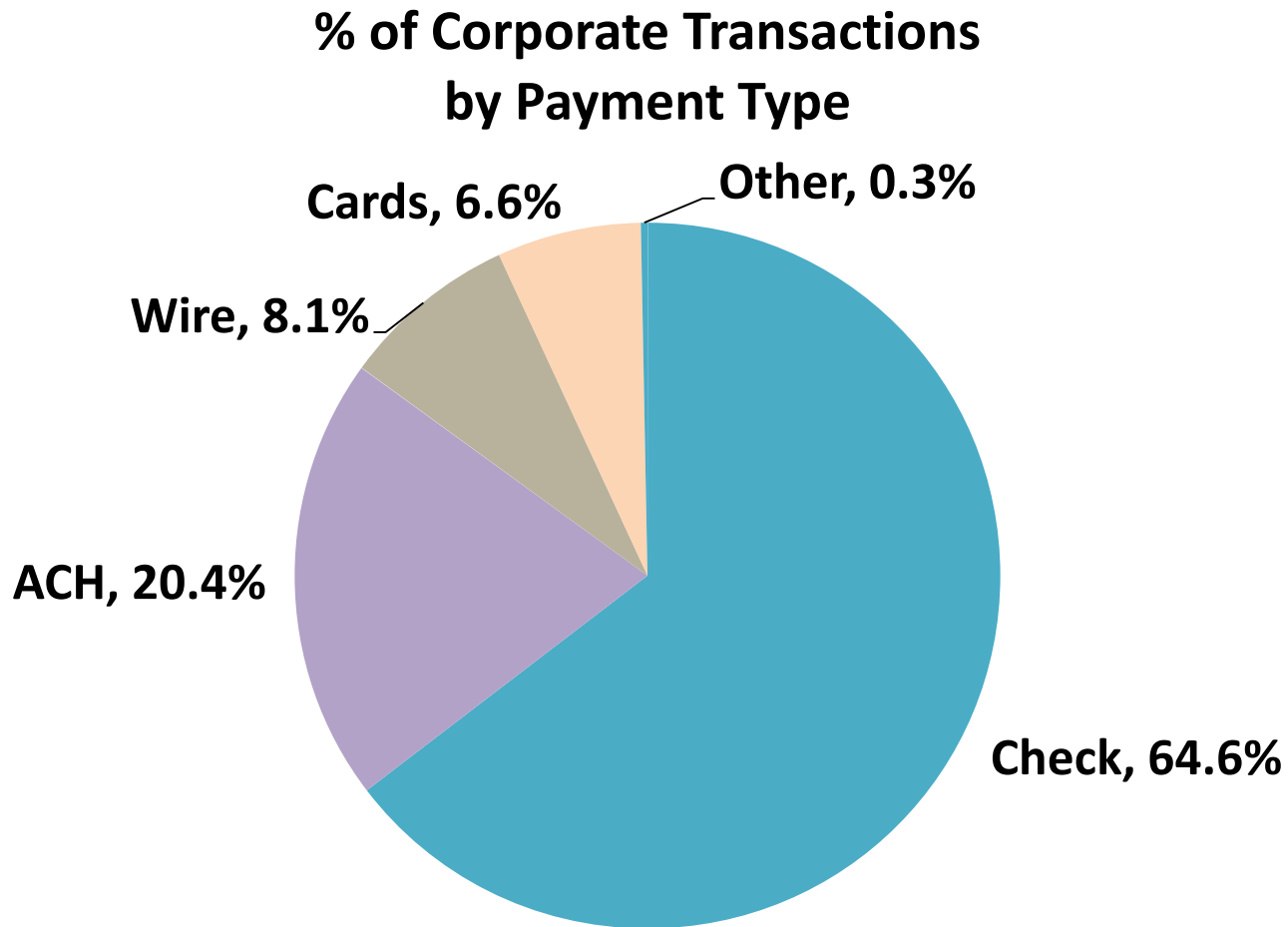
Credit & Debit Cards

Pros	Cons
<ul style="list-style-type: none"> • Easy to use, widely accepted • No need for routing & acct # 	<ul style="list-style-type: none"> • Higher fees/equipment • Fees incurred for reversal

U.S. Payments Trends

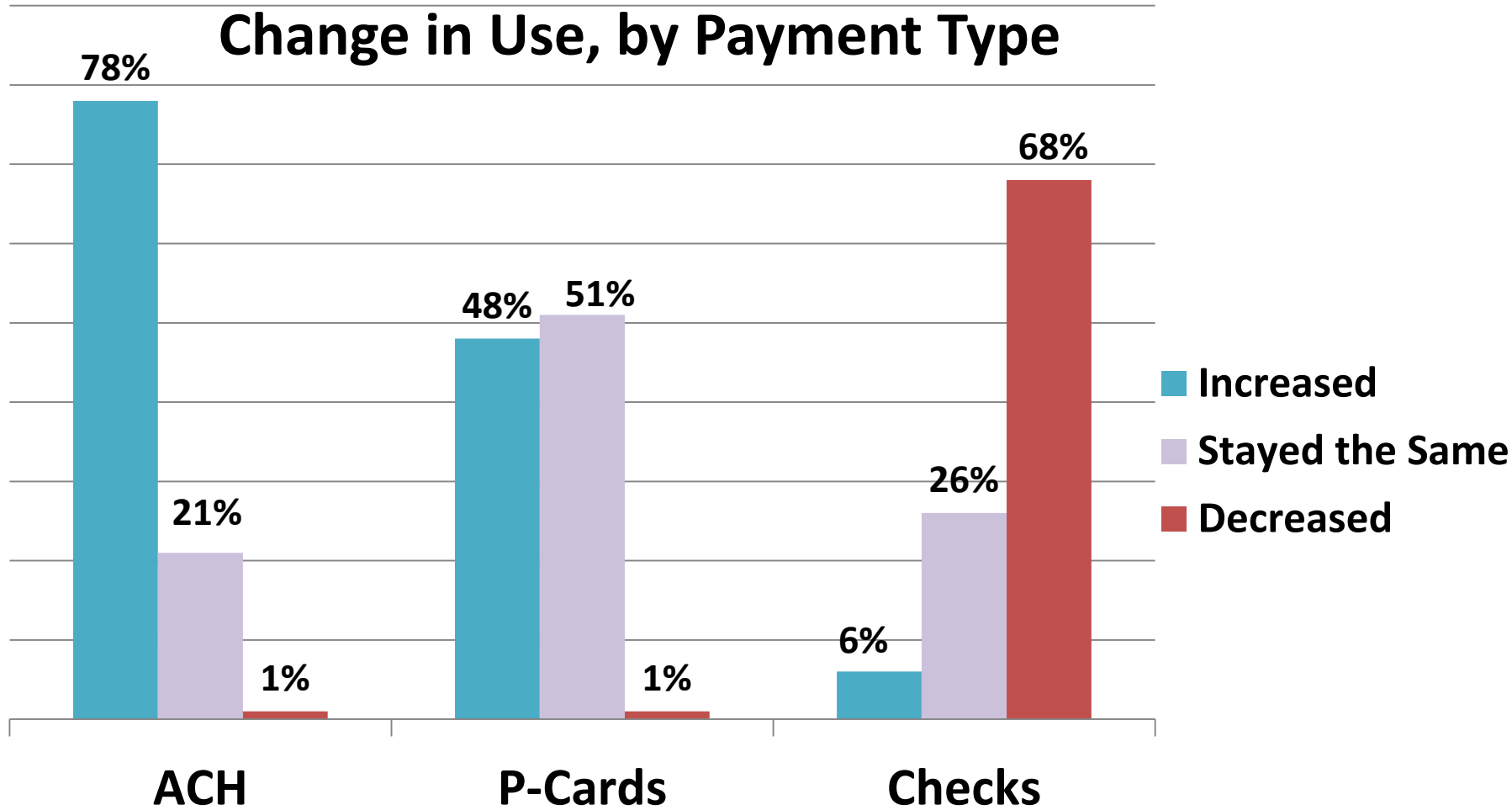


% of All B2B Transactions, by Payment Type



Source: 2013 Phoenix-Hecht Treasury Management Monitor

Trend: Increased Use of E-Payments for B2B Payments



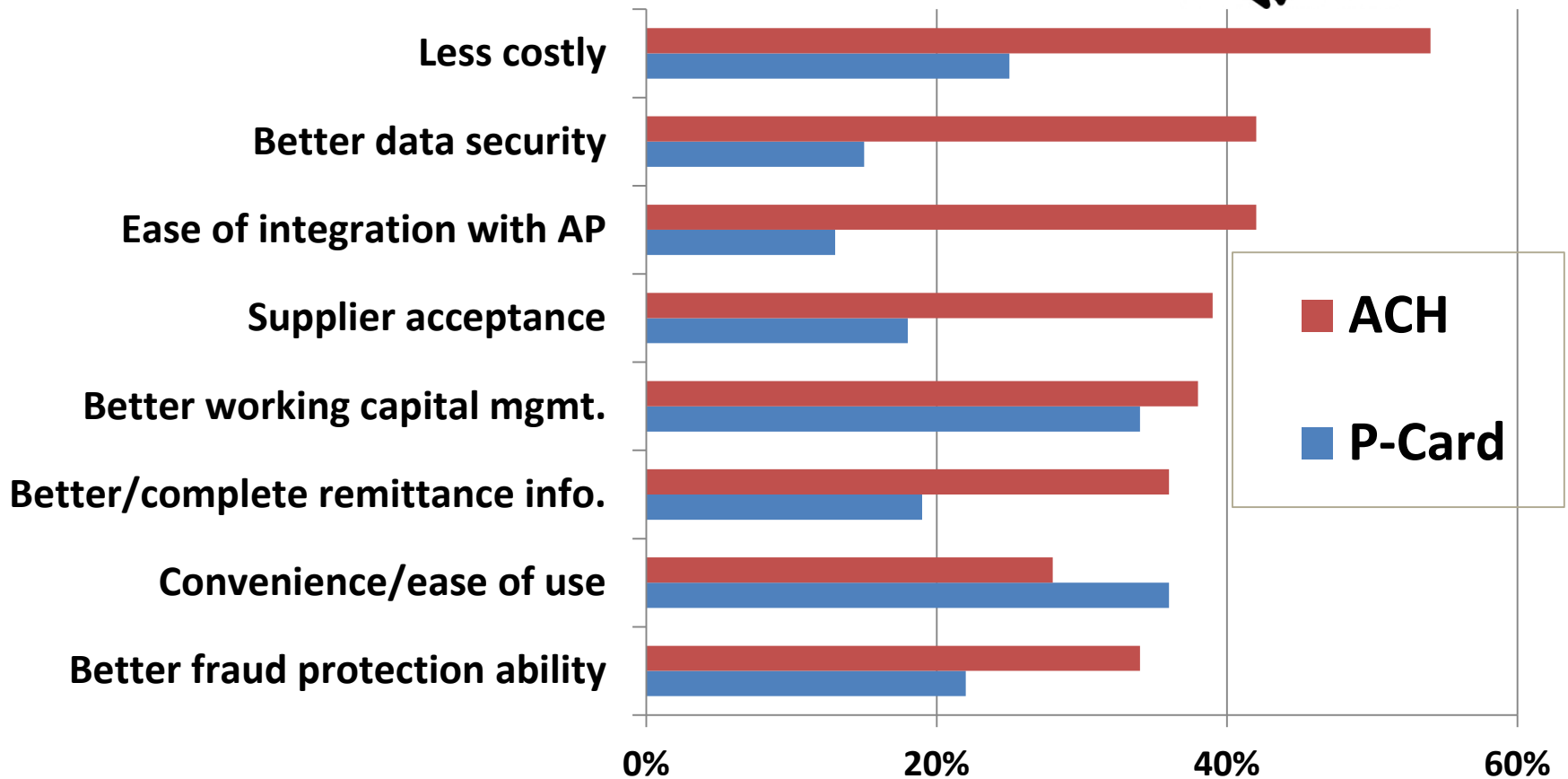
Source: 2012 PayStream Advisors *Electronic Supplier Payments – Pushing Forward with Buyer Initiated Payments*

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Benefits of Electronic Payments



Top Factors Driving Electronic Payments Usage by Biz



Source: 2012 PayStream Advisors *Electronic Supplier Payments – Pushing Forward with Buyer Initiated Payments*

Internet Bill Pay



- Both one-time & recurring payments
- Common for online banking service & non-bank providers
- Electronic invoicing options save time & costs
- Schedule arrival; high electronic penetration
- Set-up using current vendor payment information

ACH – Some Considerations

- Secure & reliable
- Especially useful for batched, scheduled payments
- Apart from set-up fees, lower ongoing activity fees
- Reduced Fraud risk
- ACH can include remittance, invoice, inventory, etc.
- Implementation issues
 - Requires bank underwriting (some banks pre-fund)
 - Workflow & control issues - still requires good procedures and controls

When Does it Make Sense to Use ACH?

- Making payments:
 - Payroll w/PR card & split account options)
 - Recurring payments – vendors, rent, lease
 - Paying taxes
 - Vendor payments
- Receiving payments:
 - Recurring monthly payments – service plans, trash hauling, property rental, tuition, health clubs, etc.
 - To conduct business with entities that pay by ACH
 - Balance consolidation – multiple bank accounts



Talking to Your Banker

- Find banks that offer services geared to small businesses:
 - Robust internet bill payment services
 - ACH origination & receiving set-up services
 - Remote deposit capture for checks
 - Credit & debit cards
- Request small business experts at your bank
- Share your payment needs or “pain points” (payroll, card, incoming/outgoing payments)
- Request risk management services & tools
- Ask about fees & fee options



Fraud Prevention



Payments Fraud

The Toolkit contains best practices & tips to help small businesses manage risks:

- Avoid purchasing card fraud – page 24
- Bank services to combat fraud – page 25
- Tips to avoid accepting fraudulent cards – pages 26-27
- Educating & training employees to avoid fraud – page 28
- Avoiding data breaches – page 29

....AND MUCH MORE!



Manage payment risk for all types

Check Fraud

- **Examples**

- Mail theft
- Counterfeit checks
- Duplicate deposits

- **Precautions**

- Maintain strong internal payment controls & procedures
- Leverage tool & processes from your bank/service providers; best practices (ex: positive pay)
- Still accepting checks?
- Reduce check payments - increase electronic



ACH Fraud

- **Examples**

- Unauthorized debits
- Insider fraudulent transactions
- Hacker attacks (phishing, account takeover, etc.)

- **Precautions**

- ACH Debit

- Limit debit activity to a few accounts
 - Address exceptions timely
 - Secure bank account info
 - Use ACH blocks, filters, positive pay, & debit alerts

- ACH Credit

- Use dual control
 - Require due diligence of 3rd party processors



Don't Be a Phishing Victim!

NEWS

Omaha's Scoular Co. loses \$17 million after spearphishing attack

Fraudsters convinced an Omaha company to send \$17.2 million to a bank in China



To avoid getting “hooked” by spearphishers, set up & follow effective controls

- Use “out-of-band” authentication to verify request is authentic
- One person should not be able to initiate & approve a wire or ACH transaction: use dual controls

What Should Small Businesses Be Doing To Avoid Fraud?

- Check accounts daily
- Fraud protection services (debit blocks/filters; positive pay)
- Make fraud prevention & detection an organizational objective
 - Set policies, establish procedures, monitor compliance, & take action on exceptions



What Should Small Businesses Be Doing to Avoid Fraud? continued

- Leverage cost-effective tools & processes to address vulnerabilities
- Educate & train employees on fraud prevention
- Monitor & measure fraud attempts & losses
- Update defenses; current best practices may not be tomorrow
- Secure bank account information, secure/eliminate paper, limit access to sensitive data
- Use strong passwords & change them often

Take Action

- The toolkit was developed as a FREE resource
 - USE IT AND SHARE IT
- Talk to your banker about improving your payments process
- Version 2 of the toolkit is currently being developed
 - Topics include:
 - EMV migration
 - Emerging/Alternative payments
 - Authorization forms
 - More on ACH returns
 - Case studies
 - Suggestions on content are welcomed!



Questions



Resources

- Get the Small Business Payments Toolkit at;
<https://fedpaymentsimprovement.org/wp-content/uploads/small-business-toolkit.pdf>
- Official USPS web link:
<https://about.usps.com/news/electronic-press-kits/our-future-network/ofn-phase-2-faqs.htm>
- Links that provide different point of view about these changes & how it could impact “first class” mail delivery:
<http://www.postal-reporter.com/blog/usps-explanation-network-rationalization-service-standard-impacts/>
<https://www.phoenixhecht.com/treasuryresources/PDF/USPSConsolImpactCorpRemitMail.pdf>

APPENDIX

Payment Type Descriptions

ACH

- Electronic payment network that can be used to push (credit) or pull (debit) funds. Transactions are processed in batches (instead of as single items as in the case of a wire transfer or a check) with a one- or two-day settlement timeframe. Used for Direct Deposit of payroll, direct debit of recurring bills, & various other use cases.
- An ACH credit is an ACH entry originated to make a payment to another account; for example, for a buyer to pay a supplier for a purchase. The buyer's account is debited by the buyer's bank & the buyer's bank sends the payment to the ACH network. The supplier's bank picks up the payment from the ACH network & posts the credit to the supplier's bank account.
- An ACH debit is an ACH entry that pulls a payment from another account; for example, used by a supplier to pull (debit) funds from the buyer's account for a purchase.

Payment Type Descriptions

Internet Bill Pay

- Electronic payment service that facilitates both one-time & recurring bill payments. Provided by either a financial institution or a non-bank provider. Provider sends an ACH payment or check on behalf of bill payor.
- Electronic bill payment is commonly offered through a bank's online banking service, allowing a depositor to send money from his checking account to a creditor or vendor (such as a public utility) to be credited against a specific account.
- Non-bank providers offer bill pay services for businesses. Electronic invoicing (e-invoicing) can be a very useful tool for the accounts payable department. It centralizes all transactional documents in one location on a web server so they can be easily found & processed. E-invoicing allows vendors to submit invoices over the internet & have those invoices automatically routed for processing.

Payment Type Descriptions

Business Check	<ul style="list-style-type: none">• A negotiable instrument (document) that instructs & authorizes the financial institution upon which it is drawn to pay a specific amount from the “drawer” (the signer or payor – the party making the payment) to the payee (the party receiving the check).
Wire Transfer	<ul style="list-style-type: none">• The electronic transmittal of funds intra-day from one financial institution to another involving an unconditional order to pay a certain amount to a beneficiary upon receipt, or on a day stated in the order. Funds are irrevocable. Each wire transfer is a single message sent individually.
Credit & Debit Cards	<ul style="list-style-type: none">• Credit cards allow cardholders to make purchases or obtain cash advances using a line of credit granted by the issuer of the card. Credit cards allow cardholders to have a continuing balance of debt, subject to interest being charged.• Debit cards allow cardholders to make purchases or withdraw available cash from their own checking accounts.

Small Business Fraud Prevention by Payment Type

Check

- Implement strong internal controls & procedures around AR/AP functions
- Leverage tool & processes from your bank & service providers; enact best practices (e.g., positive pay)
- Consider not accepting checks
- Limit number of checks issued

Wire

- Use dual control
- Require form for initiation, rather than fax or e-mail
- Require call-back/voice confirmation

ACH Debit

- Limit debit activity to a few accounts
- Address exceptions timely
- Restrict access to PC
- Use out of band authentication process

ACH Credit

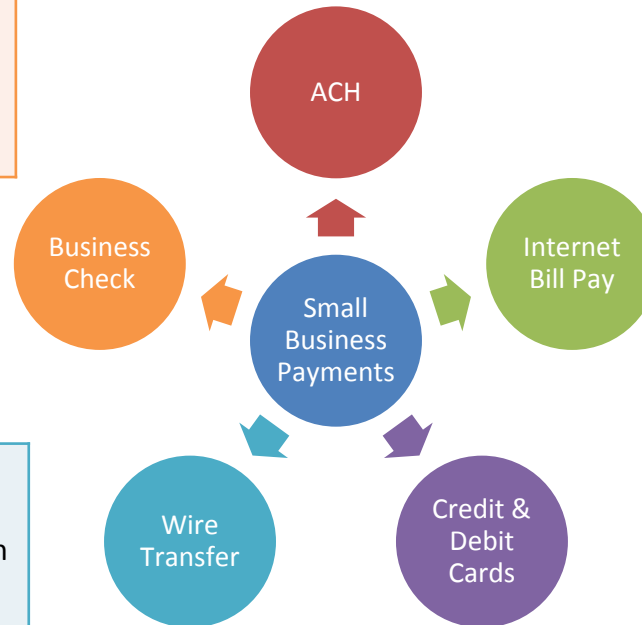
- Use dual control
- Require due diligence

Mobile Banking

- Encryption & strong passwords
- Disable wireless, Bluetooth, & NFC when not in use
- Apply patches timely
- Update software/hardware
- Limit access
- Develop & follow policies

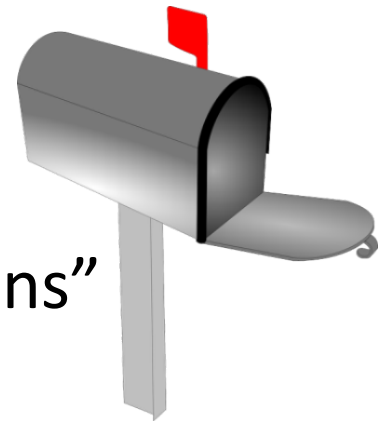
Purchasing Card

- Use p-card program & tools
 - Monitor transaction activity
- ### Acceptance of Credit Cards
- Toolkit contains tips to avoid accepting fraudulent cards



Post Office Delivery is Slowing Down

- Slightly lower “service standards” will virtually eliminate overnight delivery – including first-class mail from one address to another within the same city or town
 - All mail (letters, periodicals, packages) throughout the country could be delayed
- Beginning January 5, 2015, 82 Mail Processing & Distribution Centers are scheduled to close or “consolidate operations”



See more at: <http://www.apwu.org/news/web-news-article/stop-delaying-america%E2%80%99s-mail#sthash.oHW6M1Pv.dpuf>

Remittance Coalition Information

- Information about the Remittance Coalition:

<https://fedpaymentsimprovement.org/get-involved/remittance-coalition/>



Visit the website to:

- Learn about activities
- Join the Remittance Coalition
- Volunteer on a project