

The Transforming Global Payments and Trade Finance Landscape:

Trends, Challenges, and Opportunities



Greg BLOH

CEO, Transcard

Opening Letter

We are all witnessing an amazing transformation across global payments and trade finance. The impact has been felt by every stakeholder. There are new ways to pay and to be paid, technology is shifting, regulations are more complex, fraud threats are increasingly sophisticated, and our global economy changes daily. Organizations are challenged more than ever to understand their environment so they can choose the best paths and partners to drive success.

Transcard is proud to work with over 500 diverse organizations and financial institutions. To give you better insight into the trends and forecasts in global payments and trade finance, we reached out to our customers and partners by survey and personal interviews. I hope their perspectives give you a deeper understanding of how to better navigate this landscape.

I hope you enjoy the read. Please reach out to us if you have any questions or need more information.

REPORT CREATION

This insights report was compiled by Transcard using information gathered from surveys and personal interviews with finance, payments and treasury executives from small to medium-sized companies as well as large enterprise businesses, banks, technology providers and payments companies. Industries represented included healthcare, insurance, manufacturing, utilities, financial services, real estate, transportation, technology, and others.

Introduction

As consumers and businesses increasingly demand more rapid, secure, and seamless payment transactions from anyone to anywhere, our global economy is becoming more interconnected as border, time, and currency challenges gradually diminish.

Digital technologies are gaining wide acceptance, and artificial intelligence and further advances in APIs (Application Programming Interface) promise to further transform speed, accuracy, and opportunities for every stakeholder in the payments ecosystem. As digitization takes hold across the payments market, the global B2B payments industry is forecasted to grow at 12% CAGR from 2022 to 2030 and reach over \$3.09 trillion.



Even in the past two or three years, it's just wildly different. There are so many more options to pay and many more ways to integrate those payments into existing systems and add in new value-added services.

Brooke DiNatale
Mastercard

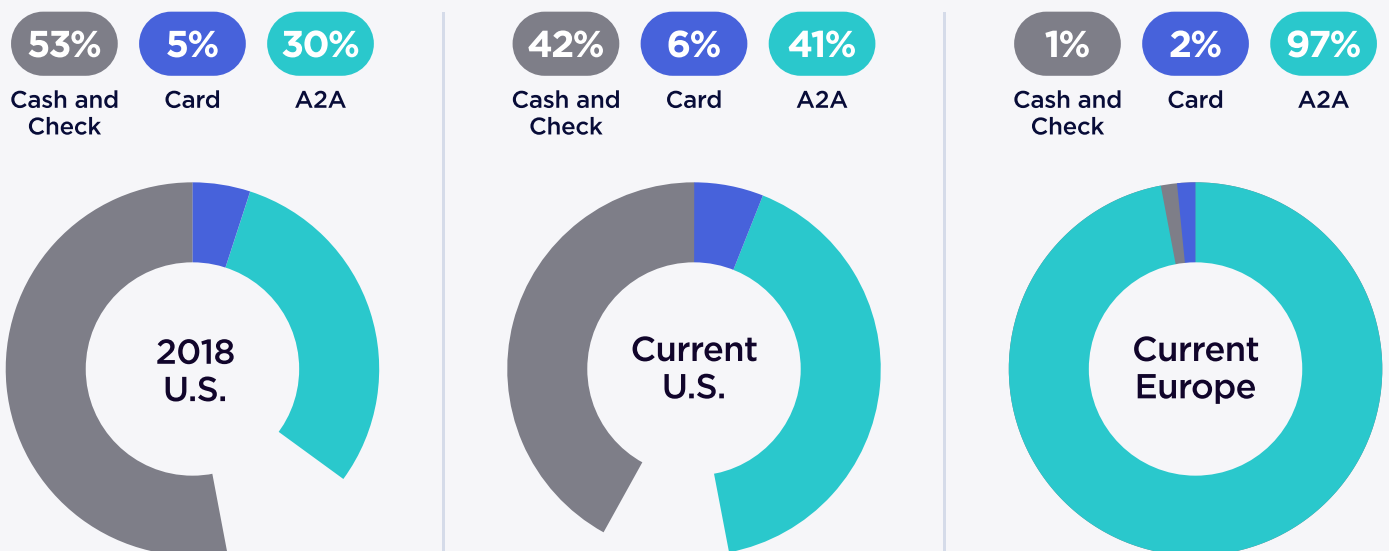


Shift to Digitalization



Sources: Statista (Credit Suisse); Mastercard 2022 Business Payments Whitepaper

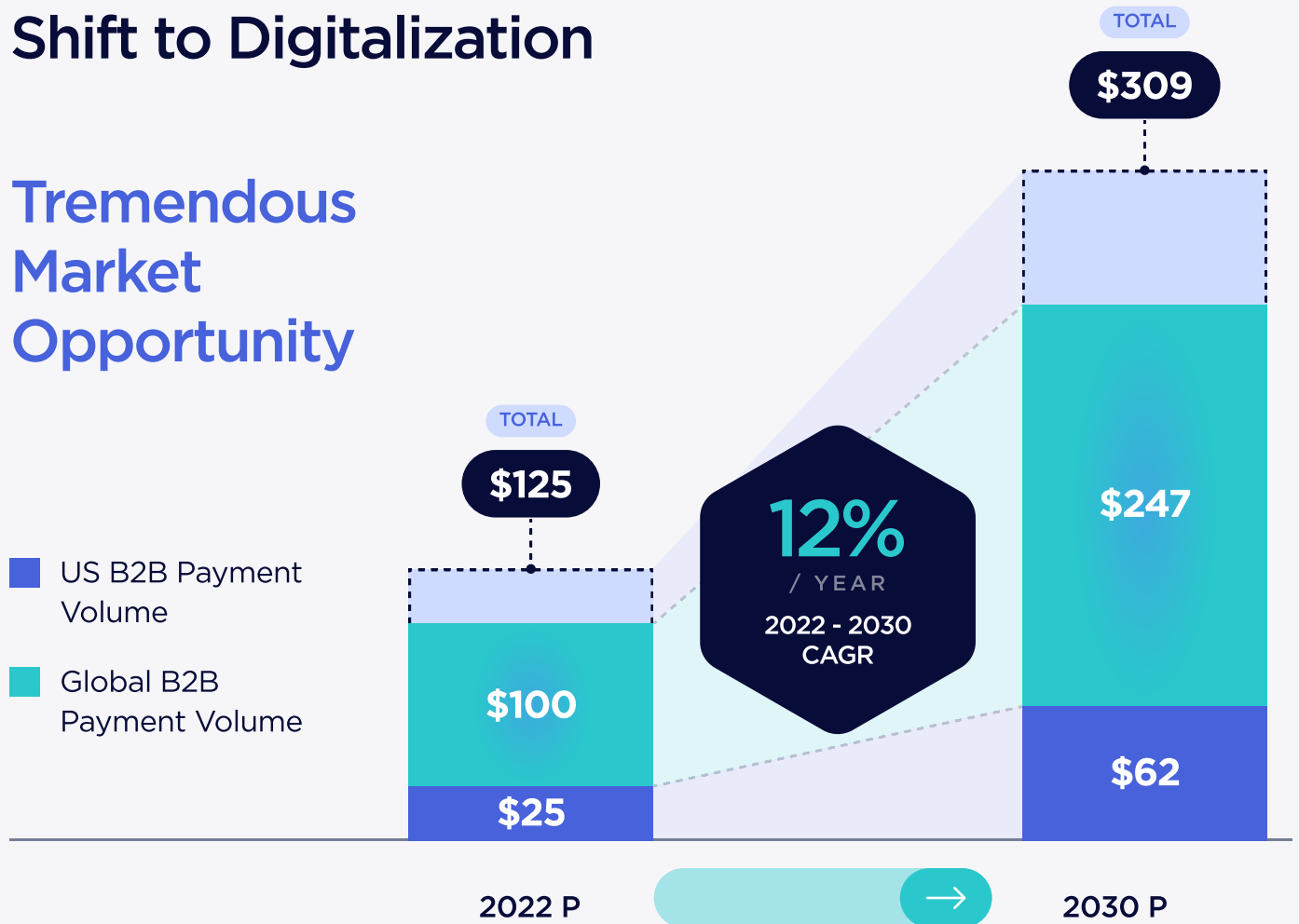
Importance of A2A Payments



Sources: eMarketer; Flagship Advisory Partners / Goldman Sachs; Kenneth Research

Shift to Digitalization

Tremendous Market Opportunity



How to address this rapid change?

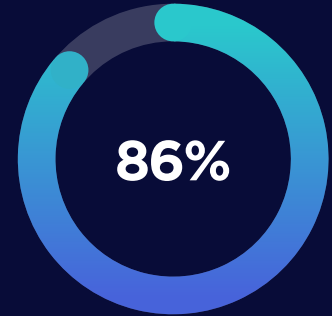
Every stakeholder, from established financial institutions, multi-national corporations, fintech startups, and organizations of every size must recognize the dynamic shifts in payments and trade finance and stay ahead while facing complex regulatory environments and evolving fraud threats.

It may require introducing innovative digital technologies and new solutions as well as artificial intelligence and machine learning applications to enable and improve every stage within global payments and trade finance ecosystem. In addition to the interviews conducted, Transcard gathered data about the evolving industry from its diverse customers, stakeholders, and partners.

HERE'S WHAT WE LEARNED FROM THE SURVEYS AND INTERVIEWS.

How important is effectively managing payments?

Over 86% of respondents ranked managing payments as very important.



Almost all respondents explained that payments processing is a crucial element in running their business. *“Payments are recognized as a mission critical activity at a company,”* explains **Peter Hazou**, Microsoft. *“It’s their liquidity, their working capital. It’s not just an operational function of paying and receiving, but payments have a more important scope to the health and well-being of the company.”*

Managing payments, for many respondents, is a competitive differentiator when they can deliver payments faster and more reliably.

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How we handle payments is the most important part of our business and the reason our clients work with us.

John Doyle
Monex

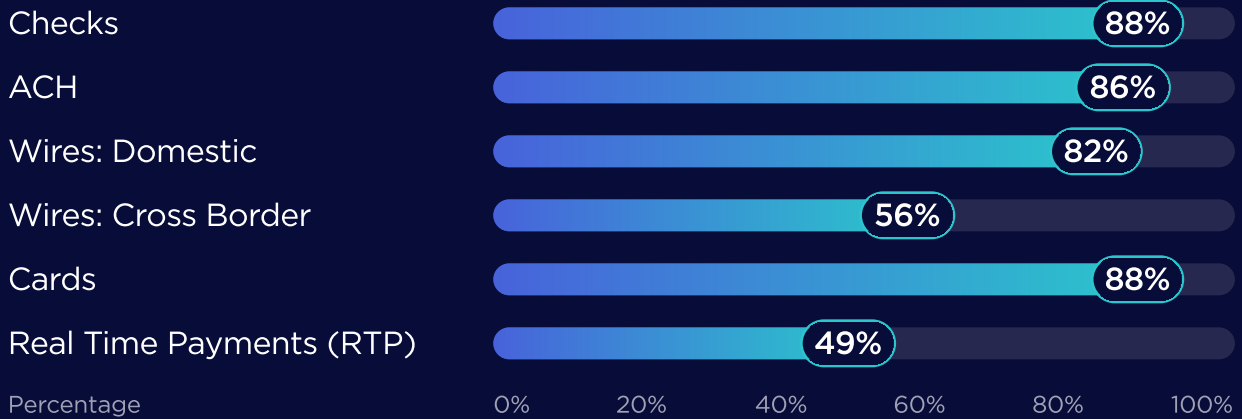
MONEX

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Managing payments is extremely important for our operations.

Global Healthcare Leader in Patient Support Services

What payment types does your organization support today?



! Survey respondents primarily in the US currently support a range of payment types including ACH, wires, cards, real time payments (RTP), and checks.



The landscape of payment options has significantly changed. ACH is efficient and cost effective. We're working with millions of payments, so if we can shave off a couple pennies, it's real savings to us.

Tier 1 P&C Insurance Carrier



We support all payment types - from checks, ACH, domestic wires and cross border cards.

Scott Lambert
Cigna

How important is it to move check payments to electronic / digital payments?

Over 80% responded that moving check payments to electronic or digital payments is **very important** or **important**.



Checks have traditionally played a significant role in B2B payments, particularly in markets such as the United States. The respondents explained their key reasons for moving away from checks are the risks of fraud, as well as the time, expense and inherent errors of manual processes. Many felt that corporate concern over costs and operating costs which include heavy support from IT to administer payment cycles are driving them to adopt digital payments.

Many of the survey respondents were based in the United States but in other parts of the world, the shift to digitalization has been happening for several years, in some markets checks aren't used at all.



The primary argument for digitized payments goes beyond the notion of just manual processing. Its more expensive and error prone.

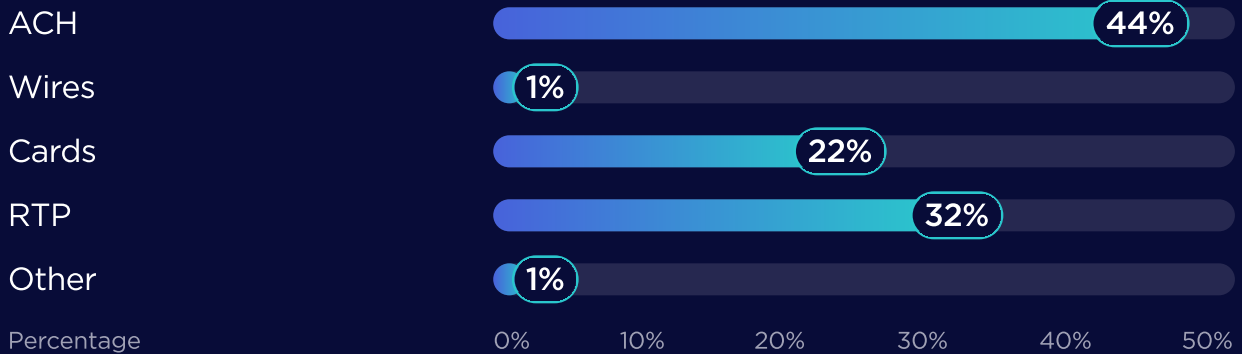
Peter Hazou
Microsoft



There is a strong push to minimize checks due to the risks and inefficiencies, with a preference for more secure and streamlined payment methods.

Tier 1 P&C Insurance Carrier

When moving from checks, what payment type do you believe will be the most efficient and/or effective?



! When moving from check to electronic or digital, ACH, cards and RTP were the top payment types named.



It's ACH primarily and then cards as number two.

Scott Lambert
Cigna



Global real time payments are in our plans because faster payments would be a greater competitive advantage for our clients to accelerate their speed of business.

John Doyle
Monex



Real time payments will be the most efficient in transitioning from checks.

David Rivelis
Xodus



What factors are the most critical to your organization with respect to payments?

Respondents ranked Security and Compliance as most important when sending and receiving payments (90% named Security as most important).



! The most critical factors cited from respondents with respect to payments included security, compliance, data accuracy, and ease of reconciliation.



Security and data accuracy outweigh everything, and then compliance is a no brainer.

Tier 1 P&C Insurance Carrier



Compliance is always going to be number one here.

Global Healthcare Leader in Patient Support Services



Data accuracy obviously is important. From a customer convenience perspective, security for sure.

Scott Lambert
Cigna



Ease of initiation or receipt, security, compliance, data accuracy, easy reconciliation, and transparency are critical factors.

David Rivelis
Xodus



When asked about payments reconciling automatically to Treasury Work Station, Enterprise Planning Platform or General Ledger **92%** indicated it is **very important** or **important** to their financial operations.



When a payment transaction is initiated, new platforms are available to help organizations reconcile the transactions in real or close to real time. Automatic reconciliation platforms are being increasingly adopted across corporations. Automating the reconciliation of payment transactions to TWS (Treasury Work Station), ERP (Enterprise Planning Platform) or GL (General Ledger), helps these organizations save time, improve accuracy, and reduce errors.



As payment processing speeds increase, automation will improve overall cash management as well as enhance customer and vendor experiences.



Properly validating payment instructions when paying vendors is critical and should be a key area of focus for companies and organizations of all sizes.

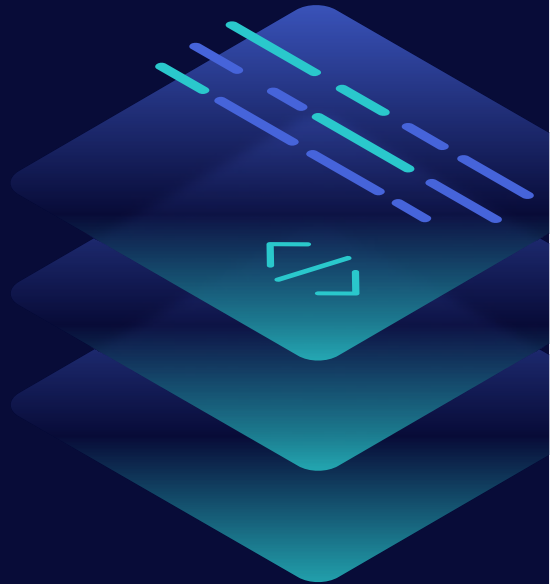
Frank D'Amadeo
Consolidated Edison



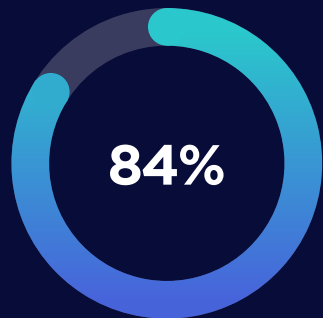
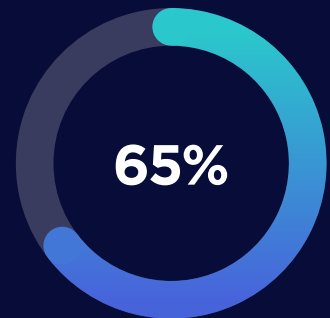
Are you currently using APIs* for payments?

*What is an API?

APIs (Application Programming Interfaces) enable different software applications to seamlessly communicate and exchange data using defined rules and protocols that dictate how one application can request information or services from another.



Over 65% of respondents are currently using APIs for payments.



84% of those using APIs ranked them as very important or important.

How are you using APIs for payments?



“

In some situations, APIs make sense, while for others, batch processing still makes sense for us.

Tier 1 P&C Insurance Carrier

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APIs are used throughout the organization, not only for banking interactions but also for internal systems related to vendor contracts and terms.

Global Healthcare Leader in Patient Support Services

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We have other APIs that optimize exchange rates where we have our system and the banks ping back and forth trying to get best execution, best rates for ourselves so we can pass on that savings to our clients.

John Doyle
Monex

MONEX

How important is the use of APIs when either sending payments or information on payments received in real time?



80% said APIs were very important or important.



For Mastercard, it's incredibly important to have API connections to enable the execution of payments and financing in near real-time, directly from 3rd party ecosystems; these integrations help us deliver the fast, automated, consumer-grade experiences that business customers increasingly expect.

Brooke DiNatale
Mastercard



Speed is very important. Also, the reduction in human error because it's digital with transparency. The reduction in required headcount for managing payment processing allows us to reallocate our human resources into maintaining an industry-leading level of service for our clients.

John Doyle
Monex

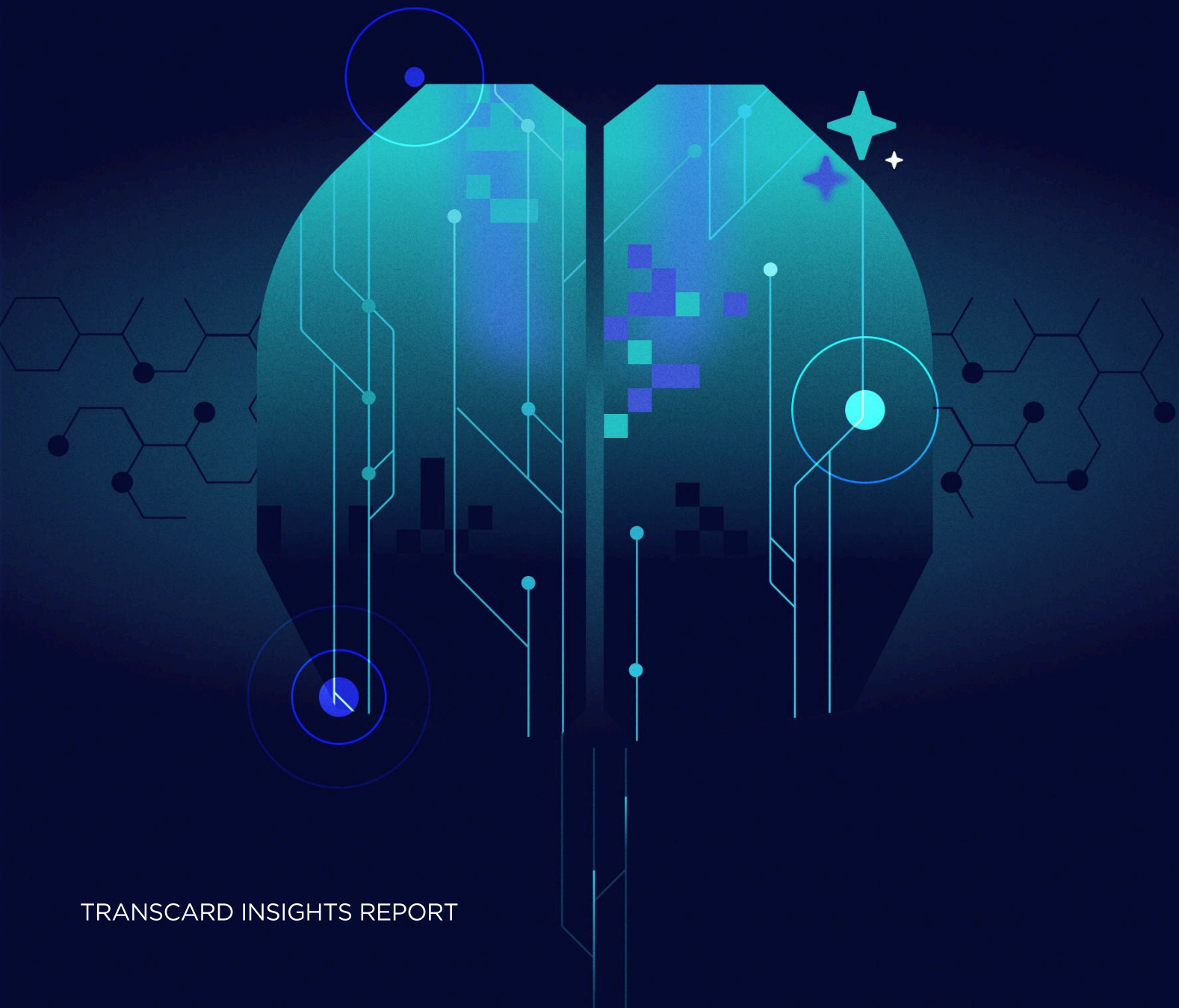


We're using API calls to validate bank account information through multiple sources, aiming to enhance security.

Scott Lambert
Cigna

HOT TOPICS:

Artificial Intelligence and Trade Finance Innovations



1

Artificial Intelligence (AI)

The worldwide payments ecosystem is currently undergoing seismic shifts as Artificial Intelligence (AI) gains momentum across a range of applications. With enterprise spending on AI solutions expected to grow to \$423 billion at a compound annual growth rate (CAGR) of 26.9% for 2022-2027, AI promises to increase productivity, optimize processes, and drive growth across various scenarios and verticals.

Microsoft's **Peter Hazou** explains, *"Advances in AI have increased adoption in the workplace and driven industry verticalization. It is effectively providing enterprises with prebuilt business-specific logic that saves time, money, and resources. The ability to go from concept to production is significantly compressed, and implementation of AI in the workplace now takes weeks instead of months or years."*

Payments by their nature are inherently rich in data - but data alone doesn't bring value. AI distinguishes subtle patterns and derives maximum value of an organization's payment data.

CAGR
2022-2027

43%



\$423B

Source: Microsoft

"AI brings the role of payments to a completely different level in terms of its value at the heart of business transactions," continues **Hazou**. *"AI uncovers patterns contained in the data and the interrelationships with other business processes which is where the true value of the insights within a payment become material."*

For fraud detection, AI algorithms analyze massive transaction data to identify potentially fraudulent activities in real-time. It's an effective tool in automating identity verification and providing personalized customer payment experiences. Importantly, AI's predictive analytics are proving to be multi-layered tools for optimizing risk assessment.

The future brings us the prospect of AI-powered payment ecosystems. We will see more advanced predictive analytics, more sophisticated fraud detection, seamless biometric authentication, and intelligent payment routing based on complex customer data analysis.

70% of respondents said their organizations were currently using or interested in **leveraging AI**.



Today, financial forecasting tends to look backward - showing what happened, and then we make assumptions and run a report. Now with AI, just press a button and get a report. Interest rates change. Press a button. You can make those dynamic decisions.

Brooke DiNatale
Mastercard



AI's application in risk modeling and claims scenarios will be valuable to us in identifying targeted risks and predicting claim percentages.

Tier 1 P&C Insurance Carrier



Every part of our organization is tapped into AI. We use AI in examining the data and making it more actionable.

Global Healthcare Leader in Patient Support Services



Forecasting is an area that AI is ripe for - we are interested in seeing where AI use cases can be advantageous.

Frank D'Amadeo
Consolidated Edison



How important will Leveraging the advancements in AI for receivable and / or payable forecasting?

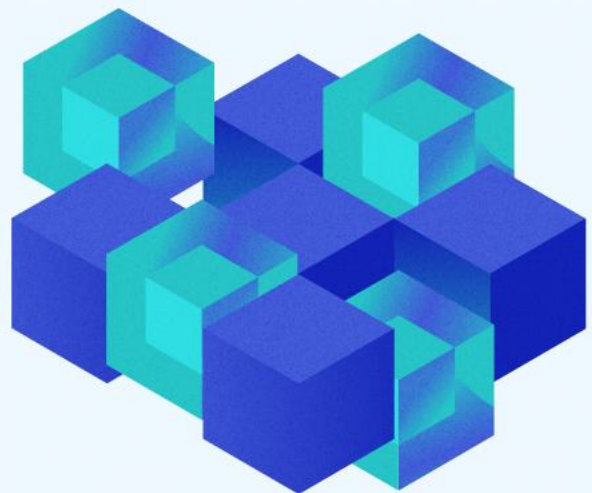
90% of respondents said over the next 3-5 years it will be **very important** or **important**.



Key advances in receivables and payables

AI-driven solutions are being developed to automate accounts receivable processes and increase speed to payment. These API-delivered solutions will enable Treasure managers and corporate AR teams to access actionable AI insights, prediction models and recommendations to reduce risk and improve outcomes across the payments ecosystem.

New AI-driven models, such as Mastercard's ARI, utilize over 2 years of historical payment data as well as outside bureau data to help organizations better project when receivables are likely to be paid. Organizations can utilize this data to optimize their collections process and more accurately forecast their cash flow.



2

Trade Finance Trends

The Global Trade/ Finance market is projected to grow to \$79.4 billion by 2026 with 80-90% of global trade relying on Trade Finance.

GROWTH BY
2026

80-90%

\$79.4B



Source: Microsoft

THERE ARE THREE KEY TRENDS WE ARE SEEING IN TRADE FINANCE:

TREND 1

In the post-Covid, high-interest rate environment, access to lower cost trade finance is critical. While it is not uncommon for online small business lending firms to charge APRs of more than 50%, trade finance firms can offer short-term working capital in the range of just 1.5% to 3% per month.

Access to trade finance offerings such as Supply Chain Finance (SCF) and Accounts Receivable Finance are now increasingly available via partnerships with API providers to enable direct connections to working capital finance.

TREND 2

More organizations are partnering with domain leaders providing flexible Trade Finance programs embedded directly in payment platforms. The programs are structured so that as buyers schedule and approve payments for their suppliers, their suppliers have the flexibility to choose whether to accelerate payment and get paid up to 60 days early.

Suppliers can pre-configure parameters such as which payments they would like to accelerate for early payment as well as how they would like to get paid (ACH, RTP, virtual card or push to debit). Also, suppliers now have access to self-service portals to gain full visibility of the status of all payments and to set their preferred payment configurations.

TREND 3

More buyers are creating innovative Supply Chain Finance (SCF) programs to augment their treasury management function. With SCF, large buyers can offer their suppliers lower cost access to working capital. Suppliers enjoy accelerated access to working capital at lower rates than with conventional or online loans. The credit quality of the larger buyers acts as a credit quality enhancement for small and medium-sized suppliers, and in return, suppliers enjoy lower rates. Buyers enjoy peace of mind that they are helping to stabilize their supply chain.

By enhancing liquidity for their supply chain, buyers can be confident their suppliers can take on new and larger orders. In an emerging trend, buyers are creating new SCF programs to optimize their treasury management functions. For example, when a buyer has large, unused cash balances, they can choose to self-fund the SCF program. However, at other times, the buyer might prefer the flexibility to have a bank or investor fund the SCF transaction.



In the past, banks have had a traditional paper-based model, by regulation, for supply chain finance programs. But it is swiftly going through change. It must go from the paper environment to the digital environment and then the value that comes from a global business of interconnected data and data insights in terms of risk is at the end of the day, financing.

Peter Hazou
Microsoft



With the proliferation of API strategies, you allow other third parties to connect and enable things like data-driven receivables. Receivables financing allows smaller suppliers to survive, and even thrive, by better controlling their own cash flow.

Brooke DiNatale
Mastercard





I think corporate treasurers would like to improve how their suppliers and buyers interact with them, reduce their risk, and get cheaper financing.

Peter Hazou
Microsoft



Supply chain finance is a natural extension of what we do with card. A card is a bit like 30-60 days of working capital. For supply chain financing, there's so much opportunity and flexibility here.

Brooke DiNatale
Mastercard

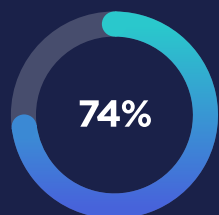


With respect to incoming payments from customers, how important will receivable financing to your organization over the next 3-5 years?

82% responded it was very important or important.



With respect to outgoing payments to vendors / suppliers, how important will supply chain financing be to your organization over the next 3-5 years?



74% indicated very important or important.

TOP TRENDS

Future Outlook

Looking ahead to trends in payments and trade over the next three to five years, these three topics are top of mind for executives.



Real Time Payments

01

A Having real time information with details on all payments

98%

98% indicated very important or important over the next 3-5 years.

Our surveyed executives agree that real time payments (RTP) will become increasingly important as more companies realize the advantages. *“They may look at it as a way to get more days of working capital,”* explains **Brook DiNatale**, Mastercard. *“And then determine what it’s worth to them.”* Real time payments will become more relevant as technology enables companies to take advantage of it.

B Being able to send and / or receive payments in real time (domestic or cross border)

94%

94% indicated very important or important over the next 3-5 years.


Cross border financial systems are still fragmented and how to connect those in the way that creates the least risk remains a challenge. *“It’s quite easy to get the information and the appearance of money arriving,”* states **Peter Hazou**, Microsoft. *“But there’s still risk because the underlying financial movements and settlement still has to happen.”*

Centralizing Payments

02

PLATFORM AND LOCATION

A Centralizing payments via one primary platform over the next 3-5 years



98% indicated very important or important.

What is a payments hub?

A payments hub centralizes external communications and streamlines payment processing across various business units with different ERP systems. It serves as the single point of contact for external payment communications, reducing the complexity and cost associated with maintaining multiple connections.

Almost every respondent in the study sees the value in bringing together systems to create ideally, an end-to-end payable solution. *“The insurance industry has been moving towards a hub concept,”* adds Treasury executive from a **Tier 1 P&C Insurance Carrier**. *“Maybe because there’s been so much consolidation in our industry.”*



Our market is moving towards more integrated systems where insurers, payers, PBMs, and pharmacies are more closely connected.

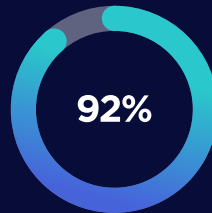
Global Healthcare Leader in Patient Support Services

Centralizing Payments

02

PLATFORM AND LOCATION

B Centralizing payments via one location (globally or per country/currency) over the next 3-5 years



92% indicated very important or important.



We're using our payments hub for some global payments, not all, but we're getting there.

Scott Lambert
Cigna



We are actually centralized already, so the only groups that have their own treasury are some of our foreign locations.

Tier 1 P&C Insurance Carrier

Open Banking

03



Open Banking is the new model for embedding processes like payments at the source close to the customer with the goal of reducing friction and improving customer experience. Open Banking is becoming more relevant for large, multi-national corporates with more than a few banks that support them. Europe’s Open Banking is more structured and regulated, while in the U.S., Open Banking primarily focuses on data aggregation (account information) rather than payment initiation. Although, FinTechs are incorporating more Open Banking to provide enhanced flexibility to large corporations.

What is Open Banking

Open Banking allows banks and financial institutions to securely share customer data with third-party providers through APIs (Application Programming Interfaces) for activities such as payments and trade.

“

Open Banking is about embedding payments to where they are needed – right into the flow of other activities.

Peter Hazou
Microsoft



“

Open Banking is starting to harmonize APIs, making it easier for corporates to integrate with banks. However, there is still a need for improvement in the real time transfer of data between banks.

Other Future Trends

When asked about what factors will impact the way payments are sent or received in the next 3-5 years, the respondents highlighted the growing influence of global activities and 24/7 operations, as well as the expanding role of AI within their organizations. They also expect the speed of money movement to accelerate, with real-time visibility into transactions, across any platform, becoming the norm.

Microsoft's Peter Hazou sees one of the key evolutions in the industry is the recognition that companies can't do everything themselves and therefore are moving to rely more on building partnerships with competent domain leaders for platform services. This enables companies to ensure better outcomes while allowing the Treasury function to better focus more on their core issues.



While currency volatility is going to continue, I think the speed of delivery will be faster. Even prefunding has been a trend where clients expect the funds there before they even pay us.

John Doyle
Monex



There are so many real time payments and we're pushing payments all the time. But Treasury has been typically a Monday through Friday event. So now that we're able to move payments 24/7, will that need to change as well?

Tier 1 P&C Insurance Carrier



Digitization and the interconnectedness of systems will absolutely lead to a consumerization of B2B payments. Using any platform to decide whether to pay by ACH, supply chain finance, or virtual card and then having those options embedded into one place is our future.

Brooke DiNatale
Mastercard



Anonymous Survey Responses:

WHEN ASKED:

What factors do you believe will impact the way payments are sent or received within your organization over the next 3-5 years?

“

Speed of money movement and ability to see activity in real time on any platform.

“

AI will likely have a big impact, companies are at beginning of leveraging and understand the possibilities. Moving away from legacy platforms and processes and adopting more modernized solutions.

“

I believe AI and cross platform analytics will greatly improve the AR / AP cycles to allow cash flow management with reduced resources only needed to provide oversight (checks and balances). Data will provide insights and trends which can be acted on to manage A/P with minimal human intervention, outside of an "approval" payment run. A/R is pretty much already for general use cases and solutions for industry specific opportunities will continue to surface.



Chris FULLER

President, Transcard

Closing Letter

Transcard is proud to work with stakeholders in the payments and trade financing ecosystem. We hope this paper provided key insights into the payments and along with trends and forecasts.

I'd like to thank all the respondents to our global survey, as well as those that took time to be interviewed. We hope that their perspectives gave you valuable perspectives of how to better navigate this dynamic landscape.

Please reach out to me, or my colleagues at Transcard for further information, and for guidance on how to help your financial optimization goals.

Participating Senior Treasury and Finance Executives

We would like to thank our clients, business partners, and stakeholders for their insights and observations. We have included key quotes based on these interviews from the following senior treasury and finance executives:

Peter Hazou

Director Business Development
Microsoft

Brooke DiNatale

SVP, Global Trade and Treasury Solutions
Mastercard

John Doyle

CEO
Monex

David Rivelis

CEO
Xodus

Frank D'Amadeo

Director, Treasury Operations
Consolidated Edison

Scott Lambert

Treasury Managing Director
Cigna

Director Cash and Banking Operations

Tier 1 P&C Insurance Carrier

Senior Director of Finance

Global Healthcare Leader in Patient Support Services

About Transcard

Transcard offers comprehensive global payment orchestration solutions for banks, fintechs, and businesses. Our embedded payment solutions enable seamless transactions, collaboration, and data sharing with customers and suppliers worldwide. Features include disbursements, receivables, account-to-account payments, cross-border payments, AI insights, and supply chain financing.

Transcard's solutions combine multi-rail capabilities, embedded workflows, system of record integration, effortless reconciliation, and bank-grade security to support B2B and B2C payments for businesses of all sizes. Streamline financial operations with digital payments, monitor real-time activity, reduce fraud risk, and improve customer and vendor experience with an all-in-one payment portal.

For more information please contact:

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