



Architecting Value Using an Intelligent Payments Platform

“Everything should be made as simple as possible, but no simpler.”

Albert Einstein

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Architecting Value Using an Intelligent Payments Platform

Introduction

It's simple, right? Money flows **in** from customers, contributors, partners, affiliates and others and **out** to suppliers, partners, organizations and the like. Keeping it simple, however, can prove to be anything but simple.

Inflows and outflows can be quite complex in order to align with myriad business models. And managing multiple ledgers by partner or affiliate, region, business unit or revenue model isn't the same as moving the funds where they are needed. Outbound payments are no less complex; usually the last step in a complicated process.

Isolating the payment process within the overall business process and workflow enables software developers and companies to outsource and optimize efficiency and often improve an end-user experience in the process.

Reducing costs requires an intelligent payments architecture that couples a payments platform, digital wallets and API tools for connecting global payments with your core business processes or applications. This approach can also ease cross-border payments by building in currency exchange to greatly reduce its cost when needed.

Eliminating complexity is achieved when the intelligent payments platform also manages those ancillary, yet mission-critical tasks that ensure payment security and user privacy, regulatory compliance and appropriate tax reporting is completely managed.

This white paper explores the lifecycle of intelligent payments, the key features of an intelligent payments architecture and potential benefits of developing and deploying intelligent payment solutions. Specific implementations, of course, are the domain of the reader. This paper then offers its readers with better practices to consider as they create intelligent payment solutions across a wide swath of use cases leveraging the intelligent payments architecture designed to Receive, Manage, Exchange and Transfer payments to and from the platform.



The Lifecycle of an Intelligent Payments Platform

An Intelligent Payments platform enables greater dexterity and flexibility to address a wide array of global payments use cases than traditional processes. Automation, improved workflows and better integration create opportunities to lower operating costs while improving user experiences and providing greater transparency.

To do so, an Intelligent Payments Platform provides a platform hosting multi-currency accounts using digital wallets for Remitters (payors) and Beneficiary (payees including Companies, Individuals, Non-profits, et al). On the platform, funded digital wallets can make payments to anyone, anywhere via multiple payment methods, exchange funds at far lower FX rates than available externally and execute wallet-to-wallet (W2W) transfers. These capabilities may require rethinking payments workflows to optimize the benefits.

Doing so, we believe, is best accomplished through Better Practices Not Just Best Practices—better practices made possible by an Intelligent Payments Platform. Better practices to operationalize payments more efficiently and effectively than many of the presumptively titled “best practices” as defined by incumbent financial institutions and payments networks. Better practices that meet the necessary security, privacy, tax and compliance requirements needed to manage global payments and which, whether sourcing incoming payments or transferring payments externally mesh well with stand industry practices from card processing to ACH/check payments and wire transfers.

Let’s look at the lifecycle of payments made using an intelligent payments platform from account set-up to post payment analytics:

Creating and Funding a Remitter Account

All accounts are managed via digital wallets. Funding may come into a digital wallet from external sources or from other digital wallets through wallet-to-wallet (W2W) exchanges.



New Clients

Setting up a new client account can be done directly or initiated by an authorized partner. Most client accounts are set-up easily by completing detailed profile information and arranging initial funding by requesting an online invoice for an agreed upon amount. Designers can create as many client accounts as needed to cover multiple programs or business use cases separately. Each account is provisioned with a separate, currency-specific digital wallet or wallets, one for each currency as needed

Payment Funding

Once set-up, additional funding can be added at any time to a Client account on a predetermined schedule or on an ad hoc basis. Incoming funds can be expedited if needed as no payments can be processed without funds available in any account's currency-specific digital wallet.

Incoming Fund Sources

Depositing funds into an account for future disbursements can be handled in many ways. Funding sources are continually expanded and feature all major forms of payment to accommodate various business needs:

- Online Invoice Payment – To pre-fund payment account for future disbursements.
- Card processing – Including Visa, MasterCard, American Express and Discover debit and credit
- Bank debit/EFT



New Customer Account Setup

Onboarding new customers, partners and suppliers has been made as simple and user friendly as possible. Adding a new Beneficiary 'Customer' dynamically for immediate payment can be as simple as submitting Remitter Account (payor wallet) along with:

- Beneficiary Name (Payee First/Last Name)
- Company Name (optional)
- Email address
- Amount e.g., \$100.00
- Currency: e.g, USD

Additional information may be submitted with the request and/or may be required for the recipient to complete prior to receipt to fulfill Know Your Customer (KYC), Anti-Money Laundering (AML) and tax reporting requirements.

Once "Customer" information is submitted (and validated), digital wallets can be provisioned for each Beneficiary. Depending on payment circumstances, a certain amount of information is mandatory, but it isn't mandatory to collect all of it at once. Prior to processing any currency exchanges or external transfers via ACH transfer, check, etc. or generating any tax reporting, all of the required account data must be obtained.



A Better Practice Not Just a Best Practice

Sometimes thinking more like a digital marketer than an accountant is useful. A digital marketer would tell you to keep it simple and don't ask for data you're not going to use immediately. A savvy marketer knows how to tease out a very robust set of prospect data iteratively while building trust over several interactions. Someone who's just landed on your website might provide a limited amount of contact info in exchange for keen insights (for example a white paper or proprietary study on a topic of interest or to attend a webinar, etc.) but they're far more likely to abandon any such request if it requires a lot of detailed information about their firm, their specific business needs, estimated budget and decision timeline. The savvy marketer knows that requires more trust than has been earned on a first click-through. They must gather all of that to help qualify leads for sales prioritization, but will do so over a series of interactions that are mapped for each persona as a series of steps in the buyer's journey.

Account set-up, arguably, is a far more linear process but the important takeaway is that you may not need everything all at once. For example, asking for taxpayer ID might be triggered by a qualifying transaction rather than demanded as a precedent for having an account. Similarly, physical address information, banking information (ACH transfer) and other personal or firmographic data can be added to account profile over time on an 'as needed' basis. An intelligent payments platform takes just such an 'as needed' approach to ensure compliance and transparency are assured. What's more, an Intelligent Payments Platform takes care of these processes for you, so your resources can be focused on processes more central to your business.



Aggregating Funds with Connected Accounts

Aggregating funds—receiving funds from multiple sources into and out of a single digital wallet—is one of the most exciting capabilities of an intelligent payments architecture.

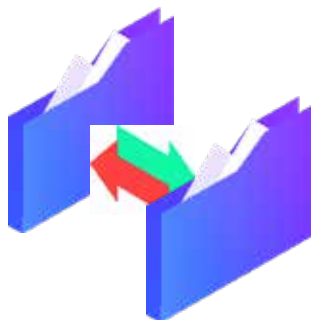
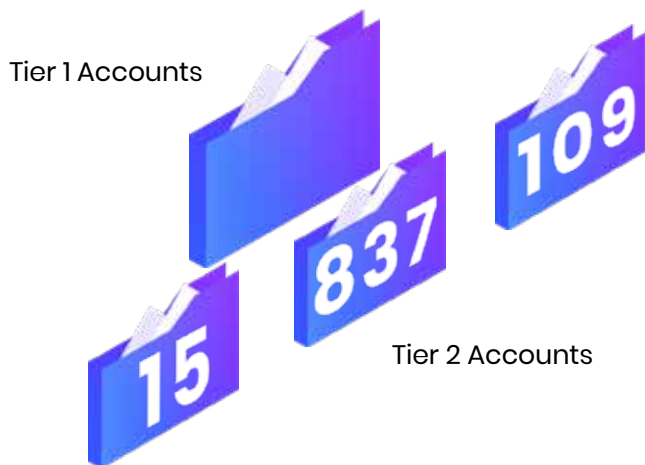
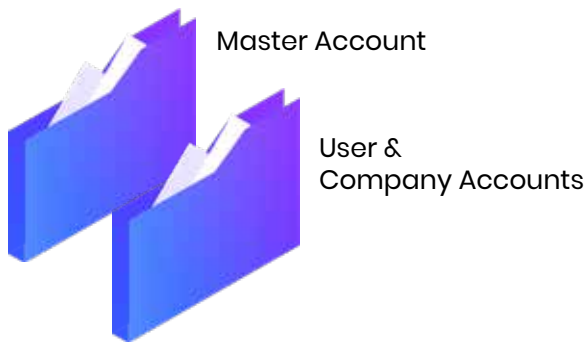
Aggregators and app developers can use intelligent payment APIs that allow them and their connected customers and partners to easily accept inbound payments in order to fund any personal or business wallets. They can design and track the flow of funds between connected companies or partners and take advantage of the visibility and instant nature of payments, creating customer or partner connected accounts and any number of multi-currency wallets, and create and track instant wallet transfer workflows with ease.

It can be used to address aggregated business models including payments on behalf of customers or affiliates powered by fast and flexible processing of mass inbound bank or card payments* into a web or mobile business application while making on-boarding and settlement easy.

The intelligent architecture simplifies mass inbound bank or card payments in multiple currencies (currently 33), facilitates currency exchange with over 140 currencies, while enabling payments to be passed through to your partners or end-customer payees in the manner they determine.

Aggregators may elect to send payments via a direct payment method or as permit recipients to choose the payment method they prefer.

Aggregation Functionality



Create

- Master Account
- Company/User Accounts



Connect

- Add Connected Accounts dynamically from transactional workflow
- Receive Multi-sourced payments



Exchange & Transfer

- FX exchange in Remitter or Beneficiary wallets
- Transfer externally via ACH, cash check, prepaid debit or digital git cards

AGGREGATION



Managing Payees Using Digital Wallets

To leverage key advantages in using an intelligent payments platform, payments on the platform flow from Remitter wallets to Beneficiary wallets. This enables for frictionless movement of funds to and from accounts without incurring fees incremental fees.

Clients can set-up Beneficiary (Payee) accounts by providing nominal Customer profile information in advance or, in a more likely scenario, ask the Customer to do it themselves using a self-serve form widget on the platform. There are three types of payee accounts and designers should be sure to select the appropriate type when configuring any set-up:

- Individual Payee: funds earned by and paid to individuals.
- Company Payee: funds earned by and paid to company or organization
- Employer Payee: funds that are attributable to individual employees but aggregated at the Company level for distribution to the employee

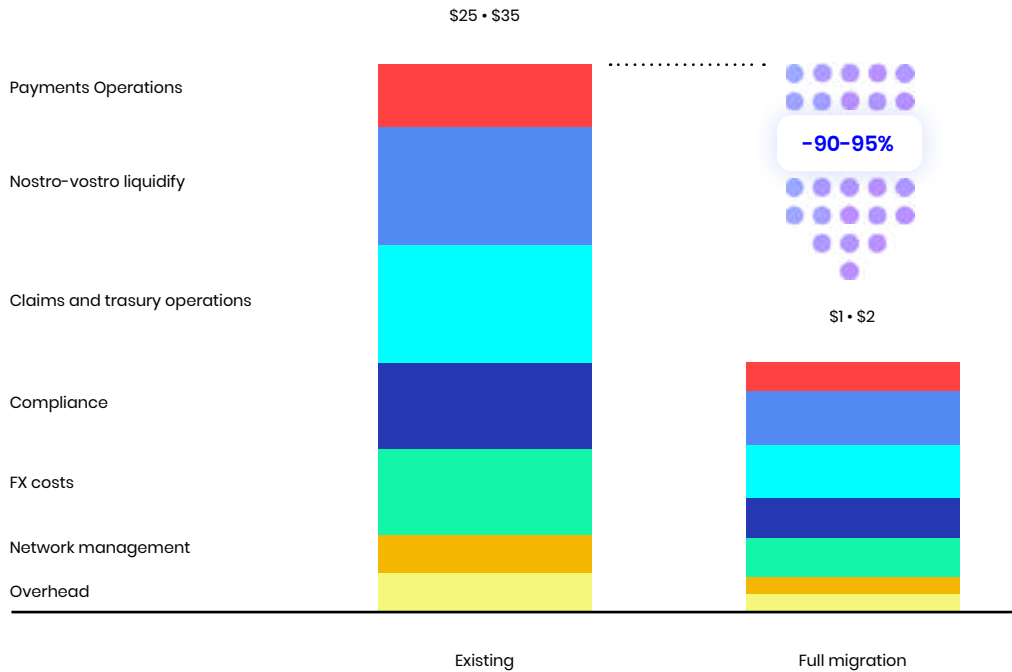
Master, Company and Personal User accounts provide flexibility to ensure that payment process designers can develop solutions for myriad use cases including the ability to Aggregate incoming funds from multiple sources—Companies, Consumers, Contributors—into a singular Master account. Further, these transactions can be tagged by Attribution to parties related to the transaction such as Referral, Affiliate or more traditional distribution channel partners.

Facilitating Cross-Border Payments

A recent study co-sponsored by McKinsey & Company and SWIFT, *A Vision for the Future of Cross-Border Payments*, found that the cost of providing international payments can be reduced to a level comparable with domestic payments. Doing so, the study found would “require new approaches to fraud, anti-money laundering, and straight-through processing (STP) requirements.” Cost per International transaction, it found, could be reduced by 90%-95%.



Cost Per International Payments Transactions



The study predicts the most accelerated growth for cross-border payments will occur in the following use cases:

- Consumer to Business - ecommerce, online marketplaces, billpay
- Business to Business - marketplace disbursements, SME trade

The ability to provide a straight-through payment process featuring currency exchange (FX) wholly within the payments platform rather than through traditional banking and financial institutions, provides significant transaction and FX cost savings. And it also provides the flexibility to shift the FX burden if desired.

An intelligent payments platform anticipates the need by provisioning every Beneficiary user with a digital wallet in their local currency as well as one using the funder's local currency.

Payments can be transacted so that the recipient absorbs any FX exchange fees, e.g., \$100 USD in a New York City Remitter wallet becomes €88.62 Euros in Paris Beneficiary wallet. Or payments can be configured to handle the FX within the Remitter's account to fund €100.00 Euros into the Beneficiary accounts using \$112.84 USD in the Remitter's USD digital wallet.



Withdrawing Funds – Transfers Out

Making it easy for Payee or Beneficiary to access their payments quickly and securely is essential. While the method of payment may seem a foregone conclusion in many payment processes, an intelligent payment platform provides the designer with multiple options.

In most cases, the Payee or Beneficiary may choose the method of payment they prefer, e.g. cash check, ACH transfer, virtual Visa debit or digital gift card. However, if there is a compelling reason to limit the payment method to a single option, e.g., ACH transfer, the designer can use APIs to direct payments specifically to that external transfer option.

Advanced Reporting

As an intelligent payments platform, the focus of the platform reporting is transactional transparency providing every user with all the details pertinent to their activity on the platform and easy to understand roll-ups by program, month, year, currency, etc. The details are easily accessible online or exported via CSV file for use upstream in more comprehensive analytics efforts as required by partners or clients.

Intelligent Payments Architecture

Digital Wallet

Digital wallets or e-wallets are at the core of an intelligent payments process and platform. Digital wallets enable frictionless payments to flow into and out of an individual or organizational accounts, both to and from multiple sources or payees. This enables securely capturing transactional details as needed both for the payee and payor business purposes.

In that sense, a digital wallet hosted on an intelligent payments platform is digitally analogous to a traditional bank account that can be either an Individual or Company account. The account holder can see all their debit and credit transactions with enough transaction level detail to enable the account holder to understand the sources and payees made for each. Unlike banks, however, there are no monthly account fees; nor are there any fees for wallet-to-wallet (W2W) transfers or transferring funds out of the platform.

Single Platform

A single platform provides security, privacy and transactional transparency while allowing multiple sources or payees, on-platform W2W and FX exchanges and a choice of external transfer options.



Xtrm Intelligent Payment Architecture



Simple Processes for Crawl > Walk > Run Implementations

Changing payment workflows and processes can be challenging. An intelligent payments platform offers multiple methods to begin using the platform. Depending on the specific use cases, partners or clients may elect to use more than one method to migrate a portfolio of payment use cases. Because it's a single platform, all of the augmented functionality to ensure compliance, tax reporting, security and privacy are assured. This also makes transitioning from one method to another seamless on the platform so that clients and partners can make such changeovers at their discretion based on their business requirements. Clients and partners can use manual uploads (crawl), automated widgets for white labeled web and mobile deployments (walk) or fully embed intelligent payments functions within their go-to-market solutions using APIs (run).

Manual Uploads

Making payments from funded account wallets can be as simple as providing an uploadable spreadsheet with relatively minimal data, i.e., payee name, payee email, amount, currency. The platform can collect information that's not available upon submission directly from the payee in order to complete data required for tax and compliance.



Widgets – White Label Web and Mobile Forms

Clients with more robust requirements but limited developer resources can rapidly deploy intelligent payment solutions using white-labeled web or mobile form to handle payment related tasks without the need for any development work. Using Widgets, they can quickly onboard new partners or customers, make payments, exchange currency and more with simple, self-serve forms directly within their web or mobile platform.

The list of available widgets to cover all aspects of an intelligent payments process continues to expand and the ability to create new ones quickly based on partner or client demand makes them ideal for any self-serve, form-driven function.

One popular widget use case is for using the Link Bank and Activate Individual Account widget to migrate a group of recipient beneficiaries from an existing payment process to the intelligent payments platform. Since recipients need to provide confidential and PII (Personally Identifiable Information) in order to receive payments, enabling them to do so via a self-serve tool directly into the payments platform eliminates the need for the client to collect, store or otherwise manage such data.

APIs

Capturing the full benefit of an intelligent payments platform is best accomplished by optimizing business processes and automating functionality across a specific solution stack. In other words, using APIs to fully embed intelligent payments processes within a business or software solution.

All services available on the platform are available via embedded APIs making it easy to use the intelligent payments platform and services for a complete end-to-end payment solution including Fund – Send – Exchange – Transfer – Fraud Check and more. And APIs should be easily accessible as should the creation of a sandbox Company account by requesting credentials. Once approved, a sandbox company account can be funded with multiple currencies so testing can be done using a complete replica of the intelligent platform production environment that support all of the same API endpoints. This allows for testing user acceptance prior to fully embedding its functionality into a business solution or platform.

Claims Processing

An Intelligent Payments platform and APIs enable automated claims processing workflows and simple configurations to capture key claims related details with each transaction. Developers can create their own claims process or extract claims data from other applications (e.g., Salesforce, etc.) to provide payment details for authorized transactions, thus streamlining payment from pre-funded accounts to partners, customers and others.



Mission Critical Sub-Functions

Beyond the platform, digital wallets and API tools, an intelligent payments platform provides automated services to ensure compliance with regulatory requirements.

KYC and AML

KYC and AML policies, procedures and internal controls on the platform are reviewed and updated on a regular basis to ensure procedures and controls are in place to account for changes in regulations. To comply, the platform collects certain minimum customer identification information from each customer who opens an account; utilizing risk-based measures to verify the identity of each customer opening an account; and compares customer identification information with government provided watchlists, blacklists and sanctioned entities lists once such lists have been issued by the government

Tax Reporting

An intelligent payments platform provides a breakdown of all transactions so that all parties can comply with the tax reporting requirements based on the nature of the transactions and their countries of operation.

In the US, 1099-Ks are provided to beneficiaries and reported to the IRS to comply with reporting requirements on behalf of clients and partners. Elsewhere detailed reporting is available to both remitters and beneficiaries to enable tax reporting as required based on their location in the world. While the payments platform offloads this burdensome requirement on behalf of its partners and customers, they do need to inform their customers and partners that it is the responsibility of the beneficiary of all payments, regardless of whether they are an individual or a company, to report any and all income to their local tax authority in the usual manner.

The Benefits of Intelligent Payments

Nothing happens until something moves.

Albert Einstein

Intelligent payment solutions, of course, require more than an intelligent payments platform and digital wallet architecture or the automation of related processes for tax, compliance and reporting to be successful. They are made intelligent through the integration with the business processes of the partners and client companies using that platform to simplify payment processes for existing business models or making new business models possible.

Why then deploy an intelligent payment solution? Lower cost? Improved user experience? Increased satisfaction and loyalty? All are possible, but consistently those that have deployed solutions using the platform cite the following benefits:



Scalability & Flexibility

From small programs with fewer than 50 payees to multi-currency, global payment initiatives with hundreds of thousands of partners, customers or other payees, an intelligent payment platform featuring digital wallet architecture and automated tax and compliance tools offers the most efficient means to provide payments in multiple methods and the ability to scale at the speed of any business.

Payments may be made to Personal (Individual) accounts, Company Accounts or Employer Accounts which are payments directed to employees but deposited into a Company level account for distribution at the Company's discretion.

Master, Company and Personal User accounts provide flexibility to ensure that payment process designers can develop solutions for myriad use cases including the ability to Aggregate incoming funds from multiple sources—Companies, Consumers, Contributors—into a singular Master account. Further, these transactions can be tagged by Attribution to parties related to the transaction such as Referral, Affiliate or more traditional distribution channel partners.

Simple & Secure

Ease of use is at the center of any User Experience; ever more so when embedding white-labeled payment experience within a software application, website or mobile app. Security must be ensured throughout every interaction and this includes both the branded experience embedded as well as any direct access interactions by Master and Connected account users. Two-step verification is built-in to ensure all user access is limited to their Personal or Company transactional and summary data based on their profile information.

Exchange: Cross Border Ease of Use

A recent study co-sponsored by McKinsey & Company and SWIFT, A Vision for the Future of Cross-Border Payments, reports that Bank Fees and FX account for some 83% of the external costs for international B2B transactions. An intelligent payments platform can eliminate many bank fees related to global payments and provide FX exchange at reduced rates.

Simplifying international payments solves one of the most vexing challenges for many SME and enterprise firms, particularly when applied to edge use cases in the context of AP/AR cash flows. An intelligent payments platform provisions every Beneficiary user with a digital wallet in their local currency as well as one using the funding Remitter's local currency.



AML & KYC Compliance

To prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities is central to the intelligent payments platform value proposition and essential to retaining the trust and confidence of all its customers and partners

Tax Reporting

An intelligent payments platform operates as a third party settlement organization (TPSO), meaning that it sits between the recipient and the sender. As such, the payments platform offloads this burdensome requirement on behalf of its partners and customers.

Payee Choice

Most payment processes pre-set the method of payment as a condition, i.e., payment is to be made via ACH (which requires recipient's banking information to execute) or wire transfer, a physical cash check mailed to the recipient or virtual prepaid card. An intelligent payments platform leaves that choice to the payee when appropriate and can extend to other alternatives such as digital gift cards and other payment medium.

Many studies have been conducted about how users prefer to receive benefits (payments) by incentive houses, payment networks and others. Nearly all such studies reach two conclusions: (A) that users prefer choice of how to receive their benefits; and (B) that the primary preference found is for whatever that study's underwriter is promoting.

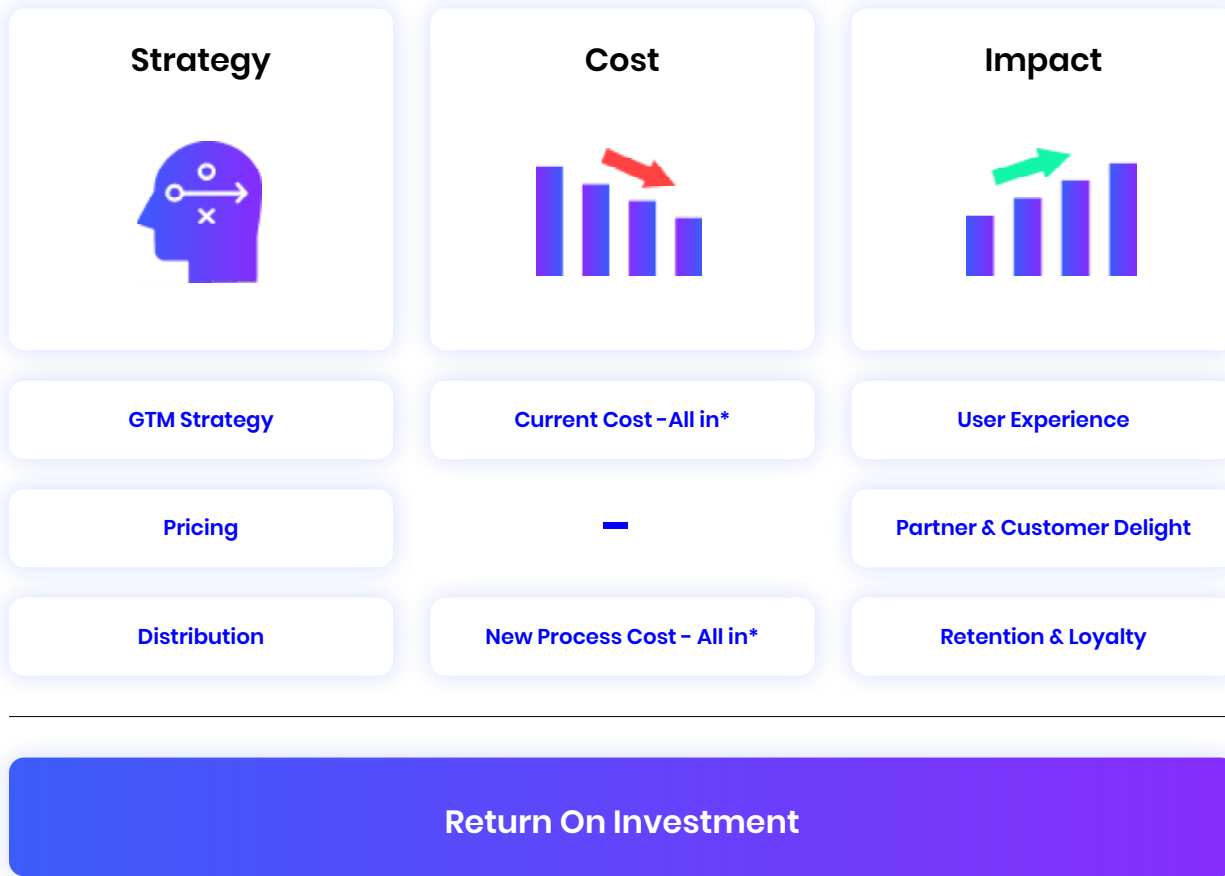
An intelligent payments platform fully endorses the first conclusion and enables choice whenever practical. It does not, however, seek to advantage one method over another or building a business case for the second conclusion. That is left to the partners and clients using the platform in the conduct of their business and the data extracted from the platform consists only of actual transactional data.

Actionable Insights

Payments may be the last step in a business process, but that doesn't mean there's not significant valuable data to be harvested. That said, while a payment process may be intelligent, it isn't clairvoyant, so developers need to design their analytics and BI strategy upfront to make sure the data needed is both captured and actionable. If, for example, as in the example above there are multiple Payee Choices for payment methods, they will definitely want to capture the relevant data to help their marketing team tailor messaging for the greatest impact based on how users are choosing to receive their benefits. One size doesn't fit all.



ROI: Better Alignment, Lower Costs, Higher Impact



*External Expenses include bank Fees, Transaction Processing, Program Management, FX Exchange Fees, Tax Reporting Cost

Internal Expenses include Admin hours, IT, etc. to manage processes and compliance

Lower Operating Costs = Better ROI

Intelligent payment solutions by definition are more efficient but impacts go beyond simple cost-reduction. These impacts may be difficult to quantify as payments are but one aspect of a larger business process. These impacts, in fact, are best measured in the context of the business solutions deployed by partners and client companies using the platform.

Although many of these benefits are often intangible and may prove challenging to attribute a specific value to 'just the payment process,' their total impact can be immense. Happier customers and partners are more loyal and loyal customers transact more.



Intelligent Payments Impacts

- Process Improvement
 - Self-serve Cost Savings
 - Automation Cost Savings
- UEX improvements
 - Impact on retention/loyalty
 - Impact on partner and customer satisfaction

Beyond these impacts there are considerable, quantifiable cost savings which can be directly attributed to using an intelligent payments platform:

Intelligent Payments Platform Cost Savings = Current Expenses (All-in) less New Process Expenses (All-in) Savings.

- External Expenses
 - Bank Fees, Transaction Processing, Program Management (if outsourced), FX Currency Exchange Fees, Tax Reporting Costs
- Internal Expenses
 - Admin Hours; IT Hours, etc.

