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Experience the transformative powers of U.S. Bank Working Capital DNA

Our Working Capital DNA® engagement process is a time efficient, two-step approach to understand your current payables and receivables processes resulting in a tailored analysis and strategy to optimize your working capital.

At U.S. Bank, our award-winning consultative approach provides a platform to quickly identify opportunities for increasing process automation and efficiency, in addition to delivering a tangible ROI and productivity boost.

Our holistic perspective of your business connectivity results in recommendations that can optimize your working capital while supporting your organization's culture and desired end-state.

During the first engagement, we explore your current processes and goals. This interactive proprietary process is designed to identify your internal challenges at the right level and uncover potential optimization points to drive your costs down. Our follow up engagement delivers a full analysis from treasury management experts identifying best practices and a complete ROI, including customized recommendations.

Now is the time to experience the U.S. Bank Working Capital DNA transformation. For more information, contact your U.S. Bank Treasury Management Consultant. ■■■



Same-day ACH coming in 2016 — How can your business benefit?

Treasury managers will have a new payment option for time-sensitive or late-notice payments beginning next fall, with the implementation of a new same-day Automated Clearing House (ACH) rule.

The rule, which was approved by NACHA — the Electronic Payments Association — in May and by the Federal Reserve in September, requires that all Receiving Depository Financial Institutions (RDFIs) receive same-day transactions and provide faster availability to customers. Implementation of same-day ACH processing will occur in three phases:

- Phase 1 (Sept. 23, 2016): Originating depository financial institutions will be able to submit files of same-day ACH credit payments — such as late payroll items, person-to-person payments and same-day bill pay — through two new clearing windows. There will be a morning submission deadline and an early afternoon submission deadline should funds need to be made available to the recipient by the end of the RDFI's processing day.
- Phase 2 (Sept. 15, 2017): Support of same-day ACH debit items, allowing for last-minute bill payments such as utility and mortgage payments, will begin.
- Phase 3 (March 16, 2018): Member institutions must provide same-day credits no later than 5 p.m. local time. However, prior to this time, it will be at the bank's discretion to determine if they want to post same-day ACH credits prior to their end of day.

"Same-day ACH will build upon existing next-day ACH Network capabilities and establish a new option for same-day clearing and settlement," NACHA declared in a recent press release. Spreading implementation across

three phases will "allow the industry to acclimate to a faster processing environment more easily," the association says.

Transaction size limit

Transactions exceeding \$25,000 will not be eligible for same-day clearing. According to NACHA, "faster velocity of payments is expected to introduce risks that must be managed and mitigated. A per-transaction dollar limit is one way to mitigate risk."

NACHA also notes that financial institutions and businesses will need to adjust their end-of-day balance forecasting and funding, "and the dollar limit is a way to limit the impact." According to NACHA, less than 1 percent of ACH transactions exceed \$25,000, "so the overall impact of the same-day limit is expected to be modest."

Anticipated applications

Who will take advantage of same-day ACH? "Likely companies with time-sensitive payment needs, such as a late payroll," says Laura Listwan, senior vice president and group product manager with U.S. Bank.

Also, Listwan notes that some companies can't offer direct deposit to all their employees for various reasons, including occasional regulatory impediments at the state level. Same-day ACH will allow them to overcome that problem, she says.

Another scenario in which same-day ACH will likely be used is when shipment of urgently needed goods can only be made upon receipt of funds. Cutting a day out of the payment cycle could provide significant value for the



purchaser if, for example, the lack of the goods in question is holding up a production process.

Cost considerations

Although same-day ACH service is expected to be more economical than wire transfers, banks will still charge a premium for it. Therefore payers are likely to use it on a limited basis. "I don't think companies are going to take their existing volume and move it to same-day," Listwan says. "Cost will be a factor."

As the same-day implementation deadlines approach, treasury managers will want to consider if it makes sense to take advantage of same-day ACH processing. "As a payer, will it be cheaper than doing all the check reconciliation?" Listwan asks. "As a receiver, will there be enough of a difference between same-day and next-day?"

Conversations with customers and vendors will need to take place to prepare for possible changes, she advises. ■■■

eBAM winning over early adopters with efficiency and reduced risk

Opening, maintaining and closing bank accounts no longer has to involve scrambling to assemble account signatories for signing ceremonies, overnighting signature cards or rummaging through scattered paper files to determine the identities of signatories on particular accounts.

That's due to the advent of electronic bank account management (eBAM), which has been available to U.S. Bank clients for the past couple of years. Those that adopted early have been enjoying its benefits for some time now. "Clients that have converted to eBAM have told us they find it extremely convenient and wonder why they hadn't done so earlier," says Lisa Broom, vice president and senior product manager with U.S. Bank. "They enjoy the freedom of opening and closing accounts whenever they want to, no longer needing to fax or email documents to the bank, all while having the option to check the status of requests online."

If the required data is submitted by 3 p.m., a new account can be established by the end of the day. Otherwise, it will open the following day. "Usually, it only takes about 15 minutes," Broom says. "Clients appreciate that the service ensures control, dual approval and security."

Risk reduction

eBAM can eliminate certain risks inherent in traditional paper-based procedures. For example, if a signatory leaves the organization and it takes days, weeks or longer before that individual's signing authority is revoked, the organization could be vulnerable to fraud during that period.

Also, if a payment can only be deposited into a new account earmarked for that purpose and the account opening is delayed due to the inability to collect paper-based authorization signature cards promptly, cash flow can suffer.

The typically slow pace of paper-based account management systems can be worsened by lost or improperly completed forms that need to be returned and filled out again. Meanwhile, staff time is spent on these administrative tasks instead of more high-value activities.

Finally, when basic information about bank accounts must be reviewed during an audit, significant time is required to collect that information if it's dispersed across multiple locations, potentially adding to the cost of the audit.

The speed and centralization eBAM offers can reduce such risks.

eBAM via SinglePoint®

Currently U.S. Bank clients can take advantage of eBAM capabilities through SinglePoint, the U.S. Bank proprietary online business banking portal. eBAM can be used by individuals who don't need access to other SinglePoint treasury management functionality, since the financial executives opening and closing accounts are not necessarily the same ones involved in ongoing treasury operations.

The basic process assumes an existing relationship with U.S. Bank and that a certificate of authority is on file. If a new account is created that's associated with a different taxpayer ID number, additional steps are required.

Intuitive process

The series of steps involved in opening a new account using eBAM are intuitive and flexible. Users can begin inputting required data, save it, and resume the process later if needed. Activity involving signatories is easy to track. New accounts can be funded by existing U.S. Bank accounts and account authority can be customized according to the level of SinglePoint functionality required.

Standard new account settings can be established as a default, allowing multiple new accounts to be set up with a few keystrokes.

An essential underlying feature that makes it all possible is the use of secure electronic signatures for purposes of identifying (and also removing) account signatories.

Creating an e-signature file involves establishing, online, one's signature identity protected by a series of security questions. The system satisfies all legal requirements. Once the signature is established, it can be applied (i.e., the signatory can "sign") to authorize actions by various means, including click-to-sign.

"It's easy to find out who the signers are on each account," Broom says.

The e-signature software captures a detailed audit trail of the entire workflow, and can reveal how the process was executed.

In the future, U.S. Bank plans to enable large corporate clients to leverage eBAM using XML standard messages across multiple banking relationships. ■■■



Case Study: Extra Space Storage and U.S. Bank*

A partnership founded on developing tailored solutions to achieve long-term success, Extra Space Storage[®] Inc. is a real estate investment trust headquartered in Salt Lake City, Utah, and is the second largest owner/operator of self-storage in the United States. The organization is a national owner, developer, acquirer and operator of professionally managed self-storage properties. Extra Space owns and/or operates more than 1,100 stores in 35 states, Washington, D.C. and Puerto Rico.

The situation

The vision to grow Extra Space started when the company realized that in order to be scalable to support growth they would need to centralize their payables process rather than have an individual payables system for each store. Extra Space continued to evolve their payables processes by developing an online workflow portal, which shifted paper invoices to electronic, reducing delays in processing e-payments.

The next step was to address the payment mix. Extra Space was using a manual check payment process to pay for 90 percent of their invoices. Their check processing, Automated Clearing House (ACH) penetration and card program all needed to be improved. They were focused on ways to be more efficient and realized they needed expert advice to make this transition.

Extra Space started their search by issuing a request for proposal (RFP) from various bank partners. "Of all of the banks that responded, U.S. Bank was the only one that went beyond the standard responses to product and pricing questions and helped outline how Extra Space should define and implement a holistic payables strategy," said Grace Kunde, senior vice president of accounting and finance for Extra Space.

U.S. Bank was able to identify process improvements and create action plans to address opportunities within Extra Space's payables function that would

Built on Extra Space's best practices:

- Formalized the payment strategy and branded it "Express Pay"
- Used terms as the incentive for adoption
- Used an enrollment campaign
- Used a supplier enrollment site to share their payment menu and to capture ACH and contact information
- Promoted the benefits of the strategy within their organization
- Leveraged U.S. Bank expertise to validate and enhance strategy and approach

Statistics:

- More than \$1MM in annual savings due to reduced payment costs and increased rebate
- Replacing checks saves Extra Space more than \$6 per payment

produce long-term benefits; it wasn't just about selling a particular product. "The experience that U.S. Bank brought to the table and their recommendation for how we could implement their plan was what sold us," added Kunde. "We liked their focused thinking into the areas of our payables that could bring us the most efficiency and save us money over time."

Driving efficiency with the Express Pay program

Working with U.S. Bank, Extra Space identified their primary goals for the project. First, Extra Space wanted to create a payment strategy that was unique to their business. To generate excitement internally, Extra Space solicited input from their employees to help name the program. Their marketing group then developed a brand around the chosen name, "Express Pay," which they touted as the fastest way for their suppliers to be paid under their terms — in as few as 20 days.

Their next goal was to adopt best practices that would motivate suppliers to move away from checks and adopt more efficient payment methods. The Express Pay program uses payment terms as an incentive for their suppliers to adopt card or ACH payments over checks. By embracing this strategy, Extra Space created their supplier portal, brochures and targeted mailings to educate their suppliers on the more efficient payment option and approach to making payments.

A key success factor in Phase 1 was the volume of suppliers that embraced the Express Pay program. "The success of the portal and how the vendors have accepted it is attributed to the smooth rollout of the program," Kunde said. To date, 18 percent have moved to Express Pay and Extra Space is presenting the program from day one with new vendors.

With a brand in place and a formalized supplier communications approach, their final goal was to automate the entire payment process. Extra Space and U.S. Bank immediately began to implement this phase of their payables strategy. Extra Space decided to utilize the bank's check payables solution in addition to automated initiation of wire, ACH and Payment Plus card payments. Instead of trying to create and manage individual payment files, Extra Space took advantage of U.S. Bank's Consolidated Payables solution, allowing them to send one file that included all payment types. Once approved, all of these payments are automatically sent to the bank within their payables system. This completed the last leg of their project and allowed them to create the automation and process efficiencies they were seeking.

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— Grace Kunde,
Senior Vice President of Accounting and
Finance for Extra Space

Implementation wins

Extra Space had all of the right ingredients to make implementation a success. Their centralized payables approach was a major factor that helped the implementation run smoothly. This allowed them to quickly make process changes, policy changes and project decisions with a singular focus on their efficiency goals. In addition, they had full support across their organization from procurement to technology to senior management, to assemble resources and to prioritize activities to complement their project goals.

With more than 9,000 suppliers submitting invoices to be processed on a monthly basis, implementation could have proven to be a massive undertaking with the rollout of Express Pay. Understanding the magnitude of the change, Extra Space embraced and owned the commitment. "Implementation was much less painful than expected, with few challenges," said Kunde. "U.S. Bank teamed up with our IT department and both sides remained positive and flexible, which made for a great partnership."

Phase 2 underway

Extra Space and U.S. Bank are now implementing Phase 2 of the payables strategy, which focuses on migrating aspects of their existing card program from their previous platform to the U.S. Bank platform. This includes a typical purchasing card program along with some specialty card spend programs for advertising payments and site manager purchases. ■■■

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