



the payments association



Exploring Corporate Payments Cards

In conversation with...



Jorgen Christian Juul
Founder & CEO
Cardlay



The Payments Association's guide to 'The Payments Association's Guide to Corporate Payment Cards' [here](#)



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Can you tell me about your professional background and your current role at Cardlay?

I'm the founder and CEO of Cardlay, and I set up the business in 2016, having always been interested in the internet, how it can be used in relation to business and integrating payments. Cardlay is a visionary company due to the fact that banks have challenges in making strong digital services for their clients. Banks are so focused on compliance, money laundering and related issues, so there's a big opportunity for companies like Cardlay and FIS to address some of the digital needs that the clients of the banks have. That's Cardlay's purpose in life.

How are corporate payments typically used right now across public entities and in the private sector in relation to commercial card programmes?

What we see now is a big impact from the Covid-19 pandemic. While some countries are still in it, Denmark is 100% liberated and 100% back to normal.

There are three things happening in the commercial payment space. One is structural in that we see much more payments going to commercial payments instead of private payments and cash payments. There's a higher demand from companies to have a much better structured overview of payments. That means that they want to direct their employees to

payment instruments that they can control.

Second, the normal penetration of plastic commercial cards is in between 10% to 20% of employees in a company, in the form of a commercial card managed and funded by the company. Now we're seeing much better fintech-driven distribution models with much better controls, with better penetration among employees with a card that is easily controlled 100%.

Or, third, it can be the virtual card. The commercial virtual card has an extreme growth opportunity in Europe and globally, by taking a lot of payments today done by personal private cards or by cash payments.

Companies that use commercial cards find that payments can be more easily structured and processed, and they make for easier handling by employees. We've seen very big global analysis where on average, around 30% of all payments are going on cash and card, meaning that there's an opportunity on the 70%, or nearly 50% growth in commercial payments, just by better distribution and easier handling for employees.

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We see a lot of account payables going into the card programmes

instead of being paid as bank wire transfers. The AP card structure is much easier to handle. Let's say you pay €2 more to do the transaction, but if you save 20 minutes of an employee that costs €30 per hour, then of course there's uptake in that perspective.

There are a lot of businesses looking into their processes and integrating virtual cards.

What do you see as the big improvements for things like reporting and fund settlements particularly for cross-border trade?

If you pay with card, you don't need the same supplier assessment because it runs in another system, so it's much easier to pay not fully approved vendors through the card.

It's much easier to check and process payments. The big change is control and management being done at the front end. That is where we come in. If you own the company, control is much easier using our system.

You can open up €100,000 in one hour and use it to fund one employee to make a one-time purchase. You can have a virtual card that is just sleeping in your wallet, and when you want to use it, you can add money or allocate funds to it. It's the ease of use that's so beneficial. The card is the same but the structure is disruptive. Putting that in the hand of the users makes control and use much easier, and distribution models much easier.

We supply a big integrated structure which we can adapt to the company's budgeting, meaning that if you are allowed to go to Munich for an exhibition and your budget is €5,000, then when you are funded with €5,000 and you are approved, you can access immediately that €5,000 in your card.

We read it and translate it directly from the specific budget to the specific payment instrument. Then when you pay, we tag the data, because we know which budget it came from. We tag the transactional data back to that budget, meaning that you don't even need to approve it because it's already approved. These are some of the things that we're really proud of doing because it makes a big difference.

Do you see an increasing need for commercial card usage to help things like cashflow management over the next few years as companies look to save costs much as possible?

Yes, but also actually the main benefits are the ease and help for employees, and making it easier to use money on behalf of the company.

During the pandemic a lot of our employees were suddenly working from home. We allowed them to buy certain items to enable them to work from home, like chairs, screens and so on. All that to be paid for and distributed. We made a rule that employees could ask the company to order items and send on to the employee, or they could do it themselves out of our budget. Many of them opted to do it themselves and expense it out of our budget and pay with our commercial card.

T&E fell around 80%, but spend only fell 20%. What was the 60% used for? It was used for other company expenditures like equipment or other items which would not normally be charged to the company. That change in structure has seen an uptake and become more important. For accounting teams, that's a big assignment.

What role do challenger banks and non-banks play in the corporate payment space right now in terms of how they are disrupting things?

They're doing a fantastic job and I'm so happy for them because they're showcasing that even without having a portfolio, they can actually create a portfolio just by having better tech. They're bringing enormous change to the financial world that is turning things upside down.

Everyone is asking how these new banks make money, because they're taking all the bank customers and they're not giving loans or other traditional bank products. I say that people are viewing them wrongly - they're techfins, not fintechs. What they do is they actually use the financial opportunities the banks set up to get customers on their tech stack, and then earn money on the tech stack.

If they can't get the earnings on the banking business or the payment business, then they'll earn the money on the tech stack instead. Companies don't want to pay for tech that's doing something for them, and then get low interest and low barriers on financial services. That is changing the market dramatically and it will have a big impact in over the next few years.

The banks will need to accelerate their offerings, because they won't earn money and they'll lose their customers.

How will open banking affect corporate payments across Europe?

Actually this is a big discussion but I think it will be extremely high on private banking, but very low in commercial banking. For example, take large corporates. All large corporates have a close hold of their data, because they don't want any third-party non-compliant business

to handle the business's data, in case there is a leak that they can't control.

For example, I'll not let my employees use tools for handling transaction data or payment data that I'm not in control of, I simply won't let employees do it. That's an example of closing that gap. Then, how we as a company can get data, I see the direct integration that is being offered as relevant. We can use some of the developed APIs from the Open Banking as actually closed banking so that's good.

I don't see the big uptake for commercial banking with the new Open Banking and PSD2 structure.

What about the impact of Brexit on corporate card usage and corporate payments how do you think that will affect trade going forward?

We're a Danish company and the UK is one of our five open markets now, so we are working with issuers that are both inside the UK, and outside. There's been no change for us.

The impact will be felt more for the companies and the banks handling UK businesses and outside UK businesses. For UK companies, they may have to run two compliance set-ups to operate in the EU, which could cost a lot of money, but we hope it won't hurt!

So what are the main regulations impacting corporate payments at an EU and UK level in terms of things like competition rules and security regulations?

We see that AML will be a big consideration, the handling of data and continuously changing rules and optimisation of the SCA being a big task. It's not unified throughout Europe. For example in the Nordics we have one way of doing this, and in Germany there is another way.

What we have in the Nordics is very standardised and unifying and easy to adapt to. But on a wider scale, everything is getting more rigid day to day, compliance is a big assignment where we have to put in a lot of money just to keep compliance up and keep security levels up.

How do corporate payment solutions such as yours help companies and entities to meet these mandated requirements?

We live under the certifications that are needed to handle, structure and use data. We apply to the issuers or the banks' SCA processes and build that into our structure. We act as a middleman programme manager. How the rules are interpreted vary from country to country but we live under the full FSA structure.

How does the European corporate payment landscape look compared to regions like the US in the uptake of corporate payment solutions?

I think the European market is on the right track. You see much more account payables in the US than you see in Europe. In the Nordics you see very high commercial payment penetration. You see less in the UK and even much less in France and Germany.

In the US it's very differentiated, with 40% of the companies there still using cheques, but it varies widely from state to state.

Compared to the best in the US, I think that we are a year ahead on average. However, there are regions such as "the valley", who got very strong fintechs in which some are ahead and some are on path compared to EU.

I think that we're seeing a fast uptake in Europe. For example, we're seeing demand in Germany

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now that was nowhere near the same level two to three years ago. That has changed dramatically. In France, similarly it was only executives using commercial payment cards, but now having these new set-ups, and the opportunity to control and manage much better, you see a much faster take-up. With technology we will see strong take-up in Europe. I don't see us being behind the US, but actually in front in others.

In terms of technology trends and new channels, are there any other digital innovations or developments that you're keeping an eye on?

You'll see more virtual cards, more account payables, and a lot of integrated payment structures. There will be more connections between existing systems with budgets and also projects being very strongly connected to the payment structure. Entities will know what they're paying for with the data running back and forth through the infrastructure.

We call that integrated payments and we'll see a big uptick in that because that will save a so many hours.

What used to be called walking plastic cards, used to pay for everything, will give way to walking wallets. A lot of the spending on plastic cards and on private cards will go into the wallet of a virtual commercial card. That makes distribution to more employees much easier, and you can add a lot of new payments that had been in other cards and payment methods.

Do you think that there will be more partnerships between different companies and corporate payments in terms of vendors processors and so on. Do you see that becoming the main business model going forward?

Yes, and FIS is deeply involved in these partnerships as well. If FIS wanted to develop this, that would take a long time to make it and so this is kind of where they can use existing infrastructure, and add totally new products by having a partner. They're doing it to leverage their own transaction value in their infrastructure.

How commercial cards can support companies in terms of optimising their financial management? What the main cost and operational benefits are for companies?

If you take the average business traveller, you can see by having a direct integrated payment where you can easily control data on the go in real time, there's a three-hour per employee optimisation opportunity. Add that up and that creates a very good business model for middle size and larger companies.

Second is the opportunity to cut fraud. If you control and manage both the payment and the expense handling, you have a very strong opportunity to avoid the main fraud types affecting cards.

Third is the deep overview that businesses will get in real time over how their money is spent and for what. They will be able to address and calculate and budget in real time. That's a strong advantage to have.

So what do you think of the main steps that companies need to take to set up a successful corporate payment programme within their company?

I think very important to get a very strong front end that's easily adaptable. If you're a small or micro business, you can download an app, start using it more or less instantly and use it very easily with no training.

Larger companies need to leverage interaction between their existing systems, so that you have something that functions very well with what you have already with the minimum change in structure to use the products. In that way you can get an immediate opportunity for optimisation, instead of having big implementation projects.

For large companies of over 1,000 employees, it's very much about securing short implementation periods, so that employees can use it more or less instantly without training.

What is Cardlay doing right now and what your ambitions in terms of growing your business in corporate payments?

We have a vision and strategy for the 90% of all portfolios in the world that can be optimised for handling and servicing commercial payments much better for their employees.

We can do that in partnership with some of our big infrastructure partners, and we've chosen FIS as one of the top providers in the world for their expertise and access with big banks. On the other side, we have chosen the world's biggest tech partner within financial systems, SAP, and build a payment card around them. We are actively connected in-between the largest companies, from banks to corporates and everything in-between.