Exploring Corporate Payments Cards

In conversation with...

Nadia Manzari
Partner
Schiltz & Schiltz S.A.

The Payments Association's guide to ' The Payments Association's Guide to Corporate Payment Cards' **here**

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

Could you please tell me about your professional background and your current role, and your expertise and perspective of corporate payments?

I am a passionate pioneer in the FinTech space. In finance for more than 20 years, I contributed and assisted to the development of the payment and FinTech ecosystem in Luxembourg.

Before joining Schiltz & Schiltz S.A. in 2018, I was the Head of the Innovation, Payments, Markets Infrastructures and Governance Department at the Commission de Surveillance du Secteur Financier (CSSF - Luxembourg national regulator), where I started my career in 2001.

I regularly speak at national and international conferences covering payment services, financial technologies, Crypto assets, AML/CTF, corporate governance and remuneration policies topics.

I am also a lecturer for Fintech and Digital Finance law and regulation in the Master in Finance and Economics and Tech law (MScFE) and in the Master in Space, Communication and Media Law at the University of Luxembourg.

My areas of practice at Schiltz & Schiltz S.A. include Financial services, FinTech, AML/CTF, Regulatory & Compliance, Innovation.

How are corporate payments typically used across public entities and private sector entities?

Public services usually have dedicated systems. For corporates or merchants, with Luxembourg being a very small country and relying on cross-border payments, it is important to find the providers allowing them to do their payments in a very smooth manner.

How would you describe the evolution of corporate payments automation in how it impacts things like reporting fund settlements and facilitating cross-border trade?

Since 2009, automation is really the driver of corporate bank payments. Automation is also very important, not only from a payment side but also from a regulatory side or reporting side, because it allows to save costs and to shorten processing times.

Can you explain the background and main impetus regarding the move from physical cards plastic cards to virtual and digital corporate payments?

A lot of the shift has been driven by regulation. Specifically in the last 15 years, with the Payment Services Directive ("PSD") clarifying that a payment instrument is not limited to cards, and PSD2 confirming this. During the last two years, the pandemic has driven evolution even faster.

With the pandemic, we have seen that the digital transformation processes have been significantly pushed. Projects initially planned to be implemented over a longer timeline have been put in place during the pandemic in order to allow corporates to remain competitive.

What role do challenger banks play in the corporate payment space and how are they disrupting the corporate payment market at the moment?

Challenger banks may have more impact in the UK than in Luxembourg. What we do see is that they are helping payment services providers or merchants to implement corporate payment services. Some of those actors are relying on challenger banks to build up their systems.

Payment service providers are partnering with challenger banks because the latter have the technology and the systems adapted to their needs, which traditional banks do not always have.

They are disrupting the corporate payment market by setting up different processes and ways to provide payment services. What I see from specific corporate payment firms is that they are relying on intermediaries and service providers, but these are different intermediaries to what banks would rely on for processing payments.

How has the Open Banking directive impacted corporate payments in Europe and the UK? Open Banking is more geared towards consumer banking at the moment, but do you see it impacting corporate payments in the same way?

It's not exactly the same, but corporates are relying on Open Banking in relation to API integration into their systems. Open Banking implemented by PSD2 allows faster processing of - and easier access to payments. This allows merchants to conduct business on a global scale. It facilitates payments for corporates and provides the capability to be more efficient, faster, and less expensive.

What about the impact of Brexit in terms of impacting corporate card usage or trade in Europe?

From a Luxembourg perspective, Brexit has allowed us to further develop our payments landscape. But for UK financial firms in general, Brexit requires them to set up an entity in the EU if they wish to continue to provide services within the EU. It is an additional hurdle for the provision of payments on an international level.

What are the main regulations impacting corporate payments at an EU and UK level?

The main regulation impacting corporate payments in the EU is the PSD2 which has been very helpful because it has specifically allowed the ability to take the pain out of a heavily regulated banking industry. However, other regulations such as the GDPR also need to be considered because every payment operation involving a natural person involves the processing of personal data. For the UK, the payment framework and data protection rules have been built on the basis of the PSD2 and the GDPR as well so these regulations impact also UK companies on a daily basis.

How do corporate payment programmes help companies and public entities to meet mandated author authentication data security requirements?

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Regulation and Law have allowed for the market to develop opportunities in the corporate payment space, particularly in creating tailored payment products.

For payments in general, security, fast and smooth processing and oversight are of upmost priority. Corporate payment programmes facilitate the transaction monitoring, to have competitive pricing and save costs. Integrated tools and platforms can help companies to do that but it really depends on how the business model is structured, what the accounts are used for, etc.

How different is the European region to the rest of the world in terms of corporate payment usage?

Customers do tell me sometimes that in some non-EU jurisdictions, corporate payments and payments in general are less regulated and thus that market is more easily accessible. This is not always true.

When you have a new business model or product, it may be easier to launch it in a jurisdiction where regulation is less binding but once you really want to scale up, then it is often easier to do that in a regulated space. The EU can then be a go to market because you only need a licence in one EU country and then you can passport the activity throughout the EU. Passporting and collaboration between regulators is a great advantage in the EU. Customers are quite positively surprised when they come to Europe and see that they can provide the services with one licence all over the Union.

Are you seeing many more partnerships between corporates, vendors, and processors?

Yes, that is where API integration has helped. Many new payment service providers are specialising on corporate payments and also creating partnerships with the processors and other intermediaries they are relying on. It is important to have proper partnerships on that level in order to learn how to support efficient processes for corporates.

What are the essential components of an optimal e-payment strategy for corporates?

You need to have safe and secure platforms. You also need proper due diligence on what technologies you are using, what firms you are partnering with, etc. I would want to rely on a provider who is able to provide the whole suite of products. I would need to properly and efficiently operate my corporate transactions, including pay-outs, bill payments and data.

Having a fully integrated end-to-end platform is optimal, since otherwise you need to rely on different technologies which complicates risk mitigation and oversight and results often in more expensive and time-consuming practices. I would really give preference to a wholly integrated platform.

Regulation and Law have allowed for the market to develop opportunities in the corporate payment space, particularly in creating tailored payment products. This is the biggest takeaway. Over the last few years, the corporate payment market has really progressed and developed.

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