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PAYMENTS FOCUS: CASE STUDY – GLOBALEXPENSE

Expense account

The theory behind Envoy's 'think global, pay local' strapline sounds fine, but does the practice stand up to scrutiny? IBS asks one of its clients, GlobalExpense, to ponder the matter.

When processing fees for regular low-value international payments cost almost as much as the payments themselves, a re-think is required. This was the issue being faced in the US market by GlobalExpense, a business that provides client companies with an employee travel and entertainment expense management solution.

GlobalExpense is the largest provider of its kind in its UK homeland, having started operations in 1999. It now offers end-to-end proprietary technology to deliver tax compliance, receipt auditing and expense reimbursement services to companies of all sizes. Chief among its client base are a couple of telecoms companies, a major B2B publishing firm and the UK retail giant, Sainsbury, the latter announcing last year that it was extending its contract for a further five years.

Increasingly, GlobalExpense has found itself working with UK subsidiary offices in mainland Europe, Asia and North America. In total, it now covers 15 countries, with direct payments being made to any user-nominated accounts in eleven of those countries. Last year it processed in excess of £300 million (\$495 million) of clients' expenses.

Until last year, all of its payments activities had been processed through ABN Amro, a bank it has used since the start. It has created a proprietary interface from its own system into the Dutch bank's payments mechanism. GlobalExpense's operating model means that it holds a trust account for each client from which it disburses expenses. For each of these accounts it receives an overnight MT940 from the bank. This lets it know the available balance for each client.

All client expenses that have been approved and authorised are then drawn into a payments report by the GlobalExpense system. 'We then look at the total amount required for each customer, compare it with the available balances through the MT940 and if there's enough money we proceed to payment. It's all automatic,' explains the firm's managing director, David Vine.

Expense authorisations are controlled at the client end by definable parameters and rules. Any claim that steps outside of these allows manual intervention. All exceptions appear as an alert on the client's screen which it can deal with according to its own policy.

Typically the client will have two stages of oversight, offering one view for the autho-

rising manager and a further view for the finance function. In theory at least, the client company has the opportunity to pick up any irregularities: GlobalExpense also publishes an annual report on expense claims and this often shows – with noted humour – that authorisation is not as diligent as it should be.

The day after a claim is approved for payment an automated email is sent to the intended recipient confirming that the funds have arrived in their specified account. 'That's the theory,' says Vine. And indeed it was the practice for all payments in the UK and in the euro zone. 'But where we had real problems was in the US and plugging in to their domestic payments system,' he recalls.

When instructing US-based banks to process transactions on behalf of GlobalExpense's clients (all non-US), some insisted that manual payments were made to the individual employee because ABN Amro did not supply an automated interface. Few banks, Vine notes, are set up to handle low-value payments to overseas countries. 'They're happy if you want to send millions of dollars; they'll fight over that. But if you

want to send \$25 to cover a taxi fare or a meal to somebody a couple of times a month, the banks are not competitively priced.'

Reimbursement of a typical expense claim to a US-based employee of a non-US company had to be handled as an international payment. This attracted charges of around \$15 to \$20 a time.

But sums for ancillary expenses are often quite small. Such a bank charge could represent a disproportionate amount of an expense claim. Indeed, some claims, notes Vine, were even equal to or less than the bank fees. GlobalExpense's clients were then having to reimburse their staff this fee on top of the original expense, and thus it could go on.

'We tried lots of different workarounds and partner banks in the US but we came across a whole host of compliance issues,' says Vine 'The American banks did not want us spending other people's money in their country. They didn't like this whole trust account thing from a company outside the US paying money to US individuals remotely.' Although there was nothing technically wrong with this, the banks were suspicious. 'We were having to push back on our customers and say we can do it, but these are the limitations,' he explains.

In some cases, GlobalExpense just ended up producing files to send out to its clients' US operations so they could make the payments themselves, which rather defeated the object. As Vine states: 'We weren't offering the full service'.

About one year ago, he met Phillip McGriskin, the CEO of Envoy Services, at a banking industry event. McGriskin explained the Envoy concept (see pages 38-41). Vine recalled that he 'thought it all sounded too good to be true'. But, with 'nothing to lose', he says that Envoy was invited to make a presentation. No other vendors were considered: 'We did look, but we must have put the wrong search string into Google because we couldn't find what we were looking for.'

GlobalExpense quickly found a willing pilot customer that wanted to push into the US (the large UK-based B2B media firm, mentioned above). It had been the recipient of the DIY payment files for its US operations and, when approached about working with a third party vendor, confirmed that it would be happy to trial the technology.

GlobalExpense carried out its own internal investigation to the point of completing a requirements specification and then signed with Envoy in December 2008 to process all of its US payments.

The whole implementation process



David Vine,
GlobalExpense

was completed in around two to three weeks and was 'a very straightforward process'. The software was deployed in standard form.

It helped that both firms were familiar with the payments process, and Vine observes that 'there is a degree of commonality between some of the banks' file requirements'. As such, GlobalExpense was already producing many of these files. In some cases 'a slight tweak' was needed – 'just a couple of days work for us' – to get the report format completed. With 'fast feedback and direct communication' with Envoy when preparing these files, once the system was ready 'a few small payments' were made into a 'friendly

user's' account. 'When that all worked, we said, "let's go". Everything just worked, right off the bat,' confirms Vine.

With the live connection to Envoy for its US business established, instead of producing a separate payment file, GlobalExpense now deposits the relevant funds in its Envoy account. Envoy then processes the payments on GlobalExpense's behalf, 'at a fraction of the cost' (around 20 pence a time compared to \$15). Most importantly, Vine explains, the user receives the funds as a domestic payment via the ACH in the US without obstruction and incurring no international wiring fees.

The payment is always noted on the recipient's statement as a credit from GlobalExpense so they know what it is. Speed of payment via Envoy is entirely acceptable, notes Vine. With a worst case scenario of a one day delay, 'given that we'll make these payments everyday if required, one day is neither here nor there'.

Following the go-live with the test client was the Envoy system as expected? 'We put our faith in Envoy. Our experience of it from the word go was very positive so we were happy to go live,' comments Vine. 'The only knock-back we've had is where the user has put in incorrect bank details.'

With demonstrable fluidity of payments in the US, GlobalExpense has been able to start promoting its payment service to other customers with American subsidiaries. 'We're hoping to be able to grow the business with more of our existing clients,' says Vine.

Although payment volumes are 'not enormous' yet in this region ('maybe a couple of hundred users a month accessing their expenses'), the service is still important. Vine points out that with major clients in the UK, 'it is still crucial to get these payments right because you want to be seen to be supporting that business throughout the world'.


As the business expands in the US, the long term plan is for GlobalExpense

to be able to run all of its operations centrally from the UK with Envoy. This will not see ABN Amro cut out of the loop. 'We have extremely competitive rates from the bank for the UK,' says Vine. But more importantly than that, he adds, 'it works'. 'When you're dealing with something that was very painful to set up, is very sensitive, and is the most crucial element of our expenses offering – paying the user – we say: "if it ain't broke, don't fix it".'

Indeed, the savings and benefits of

using Envoy in GlobalExpense's home market are not 'so significant' that it would warrant a complete transfer of business unless there was some extreme operational driver behind it. However, as the firm goes into Eastern Europe and further afield into the Asian market, Vine confirms that if he can't get the right service straight away from ABN Amro, 'the first call is Envoy'. 'Where investment in our current system doesn't work, Envoy slots in brilliantly,' he states.

'It basically does everything it says on the tin.'

Having lived with the Envoy system for some while now, the best compliment he can pay it, he says, is that no one notices it. 'It went in, we all looked at each other wide-eyed and said "wow, that was easy", and then we just got on with our jobs.' As a mark of his faith in the system, Vine reports that he is now 'not frightened to offer our service into any country that's on the Envoy list'. 

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