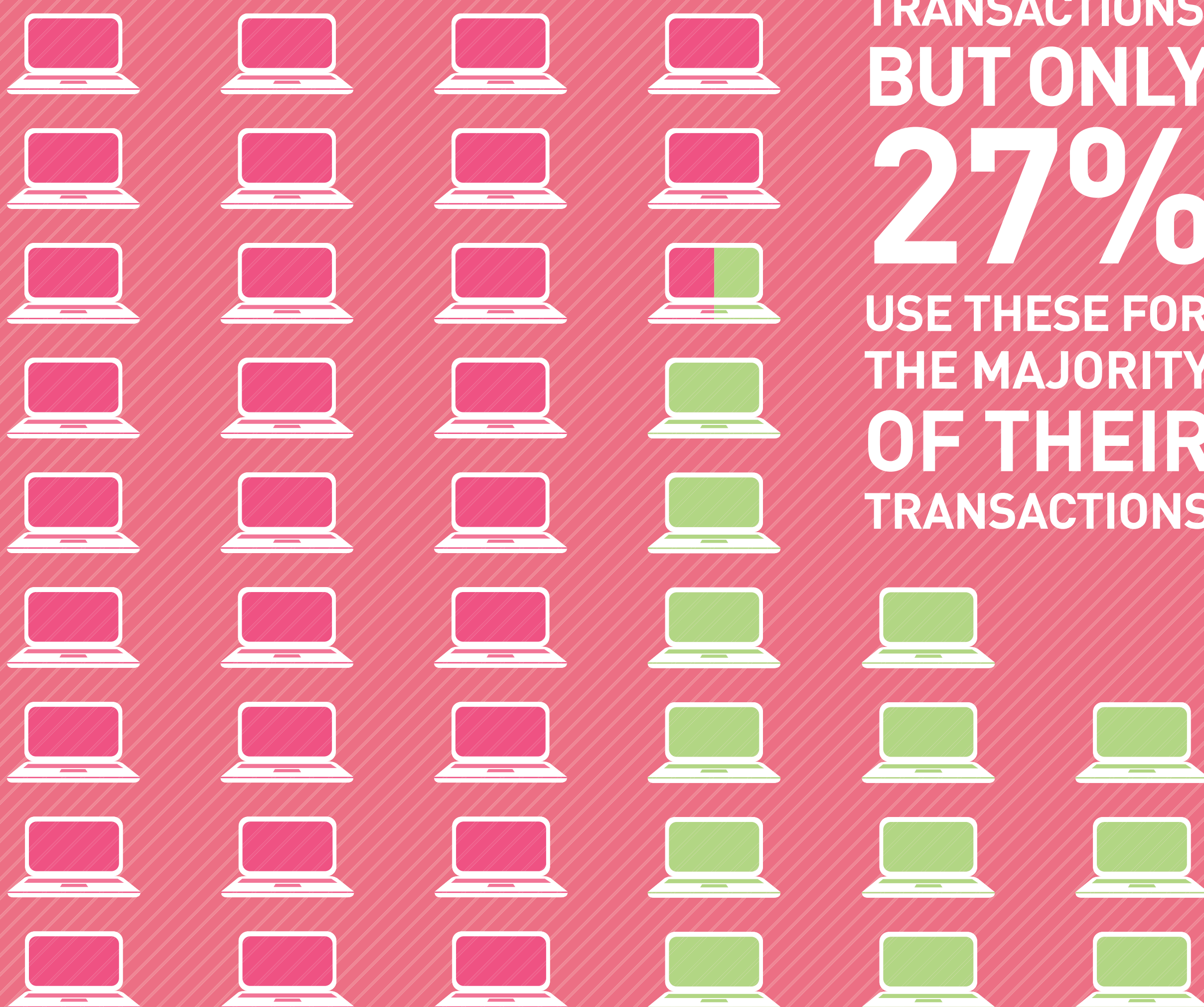
ELECTRONIC PAYMENTS IN CANADA: WHAT'S THE HOLD UP?



86% SURVEYED WOULD CHOOSE ELECTRONIC TRANSACTIONS, BUT ONLY **27%** USE THESE FOR THE MAJORITY OF THEIR TRANSACTIONS

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ACKNOWLEDGEMENTS

We gratefully acknowledge the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. We are particularly grateful to our research partner, Central 1, without whom this study would not have been possible.

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First published 2011 by CFERF.

1201-170 University Ave.
Toronto, ON
M5H 3B3

ISBN# 978-0-9866833-4-3

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EXECUTIVE SUMMARY

Managing cash flow is essential for any business. In a world that is rapidly undergoing a digital evolution, where cheques are no longer king and are being squeezed out of the system, the ability to pay invoices and receive payments electronically from customers will be critical to a company's future success no matter its size.

Financial executives continue to see the benefit of adopting electronic payment methods and some are actively doing so, both for accounts payable and receivable. They are also looking for ways to improve the current electronic payment system through standardization and integration with existing accounting/ERP systems. But it won't be easy.

Electronic payments in Canada: What's the hold up? was prepared by the Canadian Financial Executives Research Foundation (CFERF), in partnership with Central 1, to highlight the perspectives of senior financial executives responsible for making decisions regarding electronic payments in their organizations.

The findings point to growth opportunities for this sector in the future but also highlight serious barriers that can make a full-scale adoption of electronic payments in Canada challenging.

The study highlights where companies currently stand in terms of adopting electronic payments, lists the benefits of doing so, and points out some of the barriers. It looks to the future and indicates what financial executives plan to do to pave the way for driving more electronic payments. It also highlights the shortcomings of the current system and discloses the need for more encompassing standards as technologies quickly evolve.

About 27% of respondents surveyed report that more than half their transactions are electronic. Yet 86% of respondents say they would prefer using electronic transactions in the payment process.

BY THE NUMBERS

When respondents were asked to cite the three payment methods they use most often on a yearly basis, wire transfers were cited by the highest number of respondents (73%), followed by electronic bill payment remittances (e.g. online banking, phone banking, over-the-counter in-branch, ATMs) (49%) with credit cards (48%) and preauthorized debit (47%) following closely behind.

Why the continued interest in electronic transactions? Financial executives say it's because electronic payments provide many benefits, including:

- Convenience for the business (60%)
- Improved cash flow (43%)
- Reduced transactional costs (39%)

However, they also revealed serious headwinds that are impeding increased full-scale adoption. The obstacles include:

- Modifying customer behavior to adopt electronic payments (39%)
- Difficulty motivating suppliers to accept electronic payments (34%)
- Organizational constraints and priorities (31%)
- Lack of integration between electronic payment systems and accounting systems (29%)

The study concludes with recommendations on best practices to address privacy and security issues, and suggests that modifying customer and vendor behavior is key to achieving a greater adoption of electronic payments in Canada.

RESEARCH METHODOLOGY

Electronic payments in Canada: What's the hold up? was prepared by CFERF and was sponsored by Central 1. The intent of the research was to provide a detailed analysis on how financial executives viewed the functionality and efficiency of their current payment processes, their thoughts on the benefits of adopting electronic payments and the barriers to adoption.

It comprises the results from CFERF's online survey of 190 senior financial executives across Canada conducted from May 3, 2011 until May 17, 2011 combined with insights gathered from an Executive Research Forum held simultaneously in Toronto and Vancouver via teleconference on May 19th, 2011.

ELECTRONIC PAYMENTS HITTING CRITICAL MASS

Fast food chain McDonald's announced in May 2011 that it plans to stop accepting cash in approximately 6,000 European restaurants, highlighting the fast-changing world of electronic payments.

Add that to the high-profile lawsuit over Google Wallet — in which online payment giant PayPal Inc. claimed that Google stole its mobile payment technology — and you quickly grasp the importance of the electronic payment business and how it is already changing the business landscape.

However, listen to a room full of executives responsible for their companies' cash flows and you quickly see that all is not rosy in the world of electronic payments.

What emerges is a story about the need and desire of corporate Canada to adopt a wide range of available electronic payments — from wire transfers to credit card payments, direct deposits, *INTERAC*, e-mail payments and even "tap-and-go" mobile payments on smart phones. But efforts to adopt these processes are often hard to sell to customers and suppliers, who are mired in bureaucracy or stymied by barriers such as high cost, complexity and an inability to reconcile the payments with their accounting systems.

"I pay vendors where I can electronically. So I use electronic fund transfers quite extensively in the business," notes Nancy Lala, CFO at About Communications, a Canadian telecommunications company. She is not alone in her efforts to adopt electronic payments. More and more companies are adopting electronic payments as the standard for collecting their receivables or paying their suppliers.

According to Kathy Newton, Director, Corporate Services at Kinark Child and Family Services, a Markham, Ontario, children's mental health organization, about 99% of their payroll and withholding taxes are done electronically and about 75% of their payables are electronic.

"We do electronic payments for our day care centers, and we pull the payment," says Newton, referring to the practice of using a pre-authorized debit to automatically withdraw funds from customer accounts every month. "We are a not-for-profit so we find the transaction costs are a little high, but it's cheaper than bad debts. It's that fine balance."

However, despite the best intentions of executives like Lala and Newton, obstacles remain. In fact, financial executives express concern over the complexity of the electronic payment systems they are dealing with and how they integrate into business processes, as well as the safety and security of electronic payments and the various costs they face when resorting to electronic payments over traditional methods such as cash or cheques.

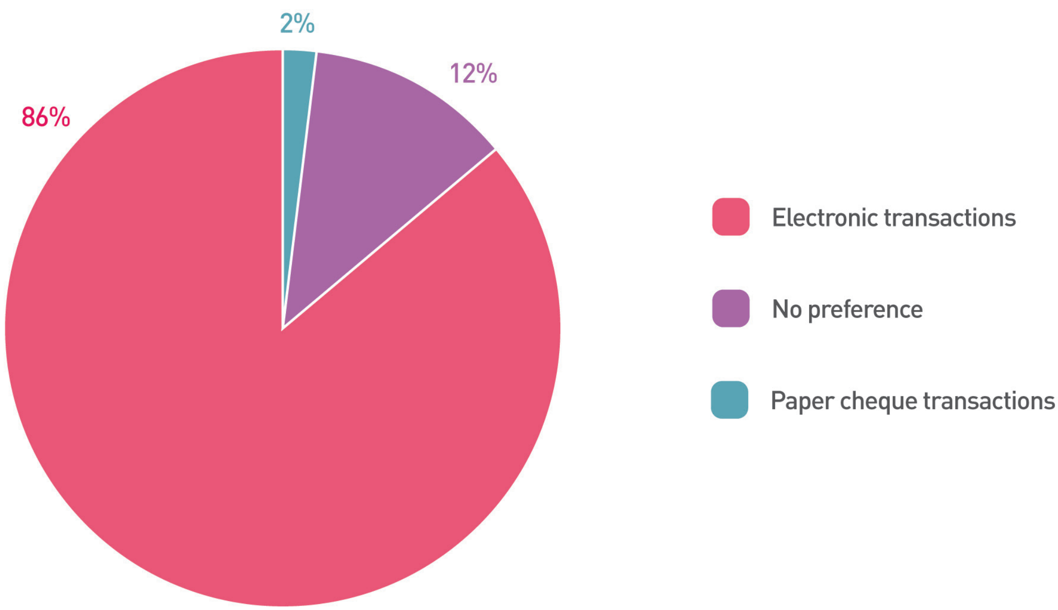
Laird Miller, CFO of London Drugs Ltd., which has more than 75 retail outlets in Western Canada, says the company's goal is to eventually become "paperless" in terms of how they pay their vendors. "Our pushback is — and this is a general comment — the products that are out there to assist us or enable us are not that great. They are very cumbersome and we've got concern around security and process. We also want something at a low cost."

> "We want security of payment. We want low cost and we want to know the payment is going to stick."
> **Laird Miller — CFO, London Drugs Ltd.**

Those sentiments are echoed in the opinions of financial executives who completed an online survey on the adoption of electronic payments in Canada. A total of 156 executives answered questions about their use of electronic payments within their organizations.

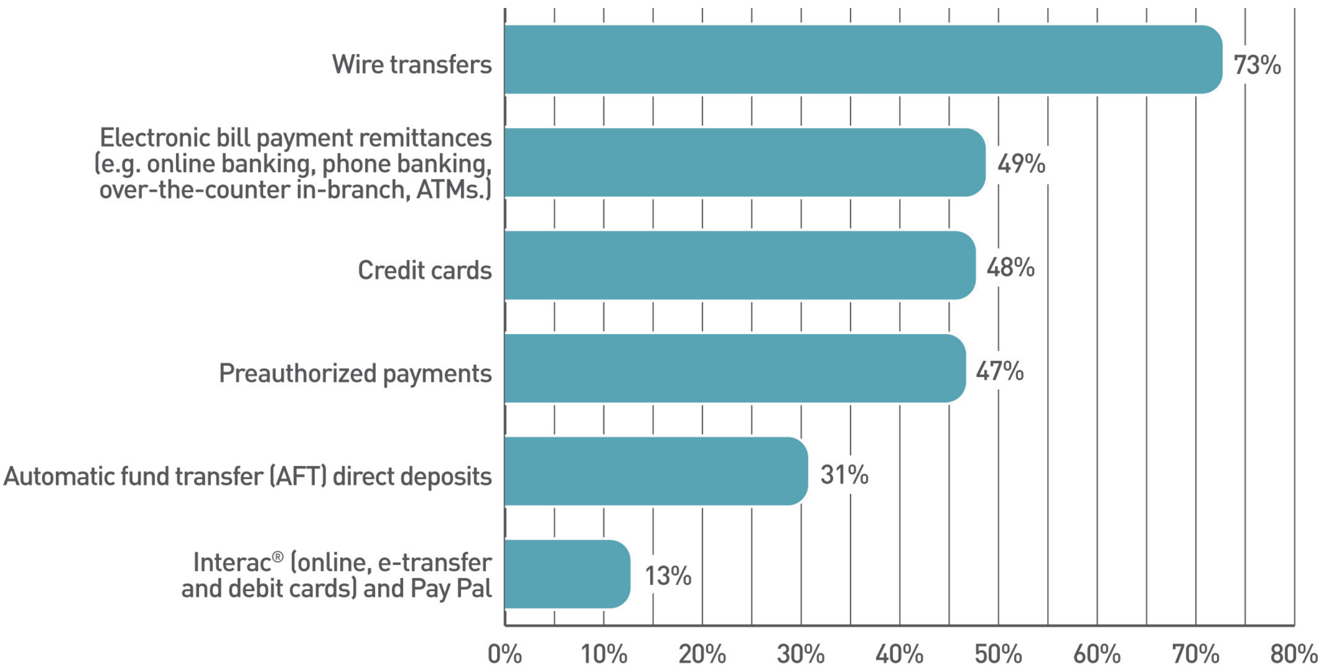
The results show that Canadian companies are continuing to adopt electronic transactions, with 154 of 190 respondents reporting that their company used electronic payments in some form within their organizations: 73% say that less than half of the transactions were electronic, while 27% say that more than half their transactions are electronic. If they were able to choose their payment method, the vast majority of respondents said they would prefer using electronic transactions in the payment process (Chart 1).

CHART 1 - GIVEN THE CHOICE, WOULD YOUR COMPANY PREFER PAPER OR ELECTRONIC PAYMENTS?



When asked about the use of electronic payments, wire transfers were among the most frequently mentioned forms of payment, cited by 73%, of respondents, followed by electronic bill payments conducted through online banking, ATMs and so on (Chart 2).

CHART 2 - MOST FREQUENTLY USED TYPES OF ELECTRONIC TRANSACTIONS



The growing array of electronic payment options presents challenges for organizations. David Purewal, director, risk management and accounting at FundSERV Inc., which facilitates investment fund trades for the industry, said "all of a sudden there are several ways to collect your customer billings, which may tilt the cost/benefit of automation to the cost side a little too much." By the same token, wire-based payments provide certainty and finality, which is important for an industry such as his — where the payments can amount to hundreds of millions of dollars. "We use wire payments because of their irrevocability and that's a requirement given the urgency of some of these large payments."

BENEFITS OF ELECTRONIC PAYMENTS

For some organizations, the move to electronic payments can't come fast enough, especially those that rely on donations. John Andrew, General Manager, Finance at the British Columbia SPCA, says that the ability to tap donors electronically reduces risk in his business.

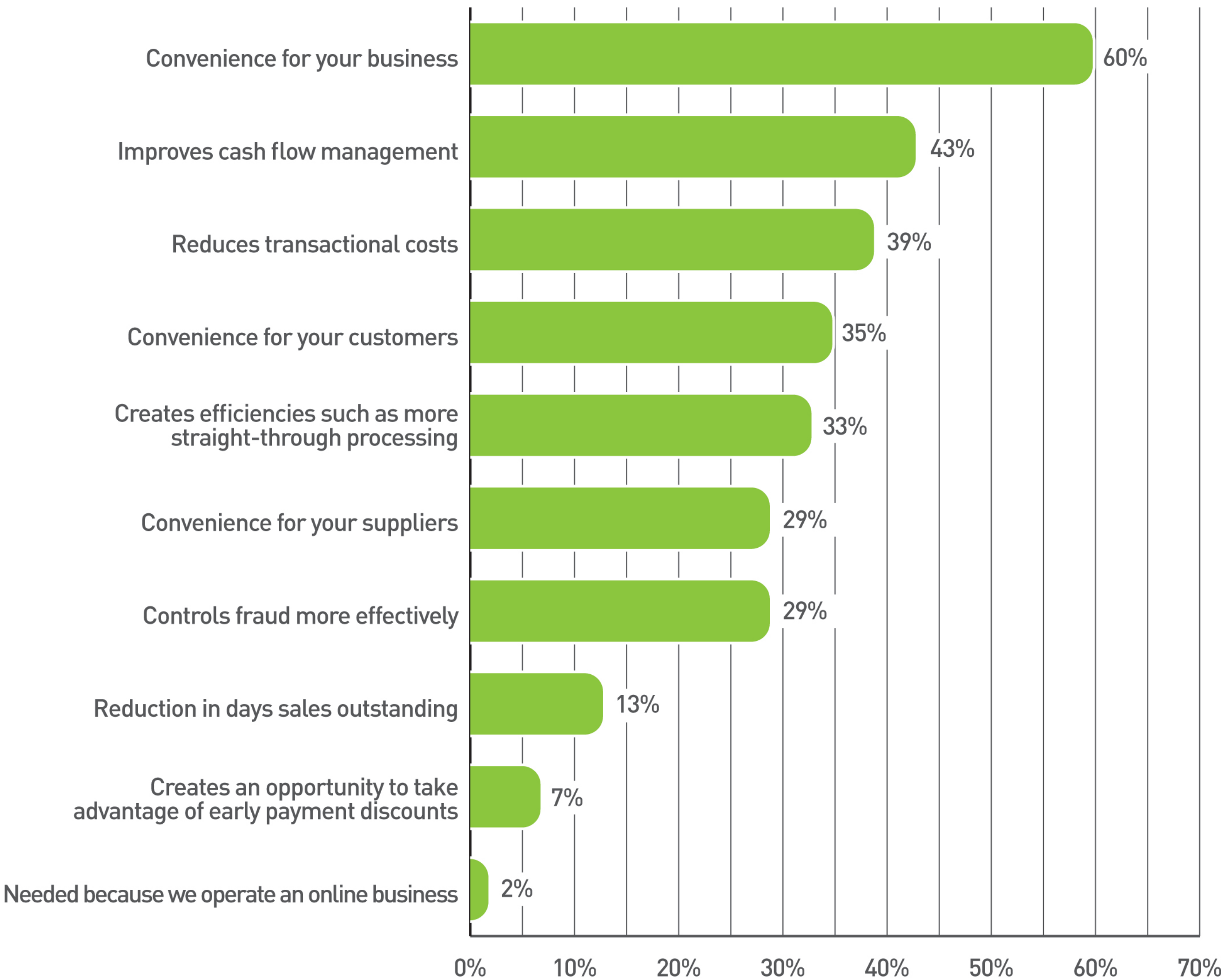
"We're continually getting donations by MasterCard, AmEx, Visa, *INTERAC*, or pre-authorized withdrawal, where donors can pay $20 a month and that comes in on a monthly basis. Obviously, it's always great to get money when you don't have to do any work for it." He estimates between 40% and 50% of their donations and other fund raising revenues are by credit or debit card. "From the online standpoint, there's a massive move towards donations being made electronically online, as opposed to cash or cheques. Many individuals, especially younger people, don't want to see direct mail now. They want to be able to pay online," Andrew says.

"If we do a large fundraiser, it used to be that most of that money arrived on the day and there was always a huge risk of a bad weather day, but now 70% of the money is received online before the event. So from the business standpoint, for the whole success of the fundraiser, the risk is minimized, and if you have a bad weather day on the event you don't lose everything. It's always a bit ominous when you have an armoured truck arrive at the end of your event to pick up the cash, and that's no longer necessary."

John Andrew — General Manager, Finance, BC SPCA

Why the continued interest in electronic transactions? Executives say it's because electronic payments provide many benefits (Chart 3).

CHART 3 - MAIN BENEFITS OF USING ELECTRONIC PAYMENTS



Electronic payments are simply an extension of the digital economy and reflect the growing move to an online world. According to The Canadian Payments Association, since 1990 there has been almost a reversal in the use of paper versus electronic payments. In 1990, paper counted for 87% of all transactions worth 99% of the total value, while electronic transactions accounted for 13% of the volume and a mere 1% of the value.

Fast forward to 2010. Paper transactions now account for only 15% of the volume and 56% of the value, while electronic transactions account for 85% of the volume and 44% of the value.

One of the driving factors for this shift is an increased Internet presence. According to Statistics Canada, 80% of Canadians now have access to the Internet. About 67% use it to bank online or pay bills. Another 13% use it to sell goods or services online.

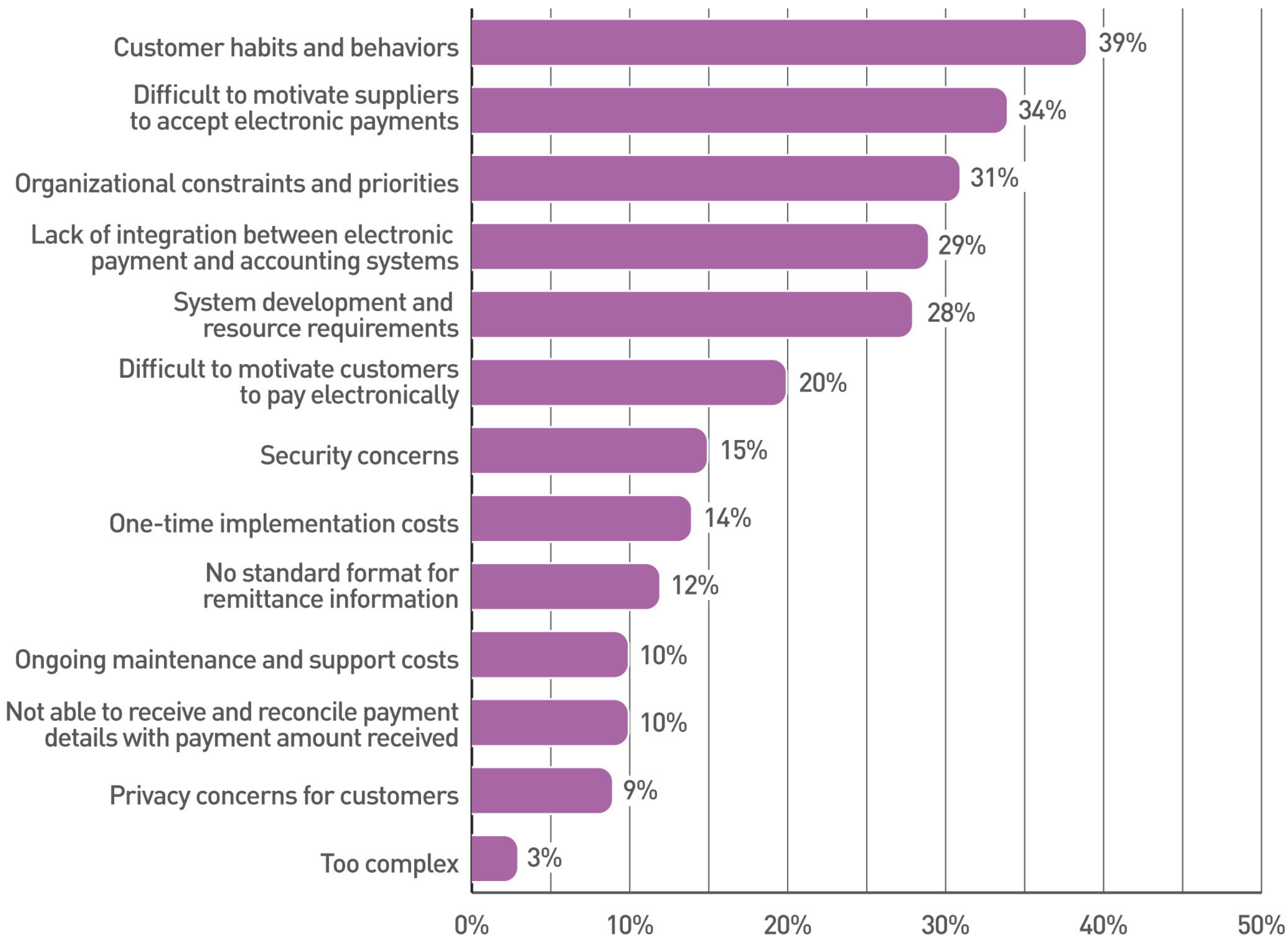
Not only has Internet penetration soared, but smart phone technology is drawing attention for its potential to take over from computers as the device of choice for surfing the Internet and even conducting online transactions.

According to polling firm Ipsos-Reid, three in 10 Canadians now own a smart phone, up more than 50% since 2010. Usage levels now compete with television viewing and desktop Internet browsing. It is no wonder that electronic payments are continuing to grow.

BARRIERS TO ELECTRONIC PAYMENTS

Executives surveyed by CFERF say, however, that there are still a number of barriers preventing them from adopting electronic payments. The biggest obstacle cited is customer behavior, mentioned by 39% of respondents, as the leading drawback to increasing the use of electronic payments (Chart 4).

CHART 4 - BARRIERS TO INCREASING THE ADOPTION OF ELECTRONIC PAYMENTS



Cathy Tutani, Accounting Supervisor at CMA Ontario (Certified Management Accountants), says there needs to be better industry standards governing electronic fund transfers. “That'll help, if it's standardized by some form of legislation, the transition will be easier and faster as opposed to having individual organizations trying to force the switch to electronic fund transfer (EFT) on their customers. If legislation is put in place, it will become the norm and therefore there will be little or no resistance to the EFT transition; and even the global transition will be inevitable.”

INCREASING THE USE OF ELECTRONIC PAYMENTS

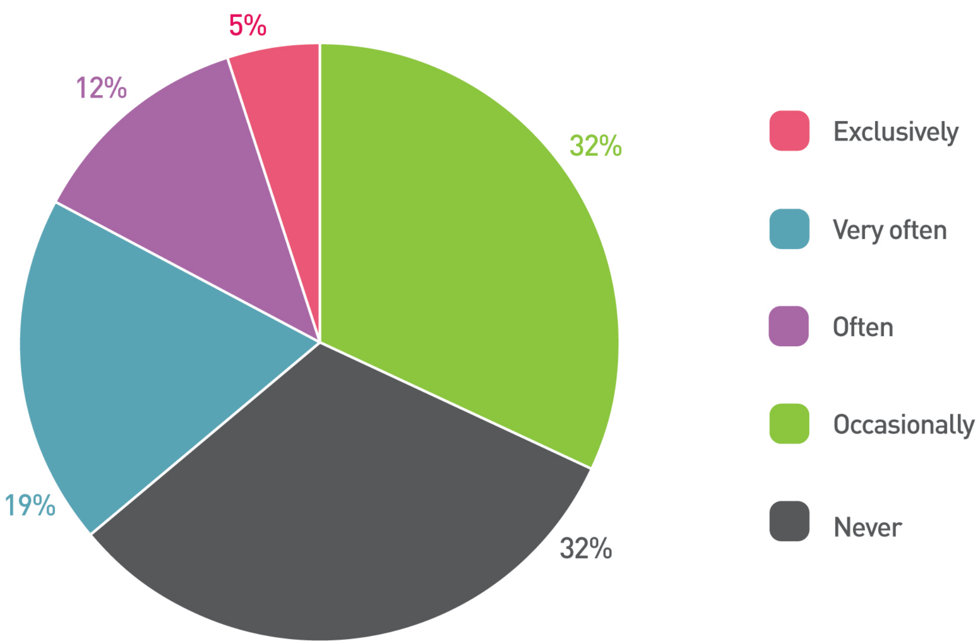
The study asked executives what would increase the use of electronic payments for procurement-type transactions. The answer most frequently cited was creating an electronic payment system that would automatically reconcile with the company's current accounting software.

The second most frequently cited answer was the ability to link invoice and payments electronically, while the ability to pay multiple invoices with one payment was also attractive. Executives also would like to be able to make electronic payments without having to provide bank account information to the other party. The least cited reason was reviewing and paying invoices on a supplier's website, as most executives said that this was not likely to encourage them to play bills electronically.

LOCAL VERSUS INTERNATIONAL PAYMENTS

Borders present special challenges when it comes to payments. In the case of international transactions, almost one-third of executives (32%) surveyed say they had never used electronic payments (Chart 5).

CHART 5 - FREQUENCY OF ELECTRONIC PAYMENTS FOR INTERNATIONAL TRANSACTIONS



Forum participants say that electronic payments from Canada to the U.S. are particularly problematic, especially since the events of 9/11 and the adoption of new security measures and money laundering laws in the U.S.

Hervé Seguin, former CFO of software provider WellPoint Systems Inc., agrees that foreign payments are a challenge. "The biggest issue we had was getting payments in from off-shore companies," says Seguin, noting payments from the Middle East take a week or more to clear compared with one day for payment from the U.S.

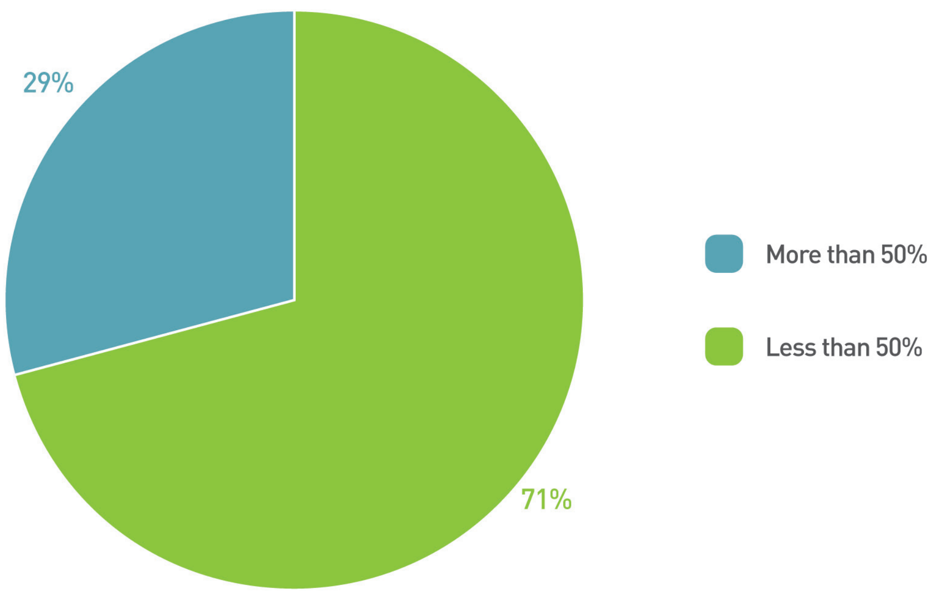
"Paying suppliers into the U.S., we found some issues. The way we got around that was to establish an account with a U.S. bank. We transfer money into that account, from which we make the electronic transfer."

Hervé Seguin— Former CFO, Wellpoint Systems Inc.

COLLECTING RECEIVBLES

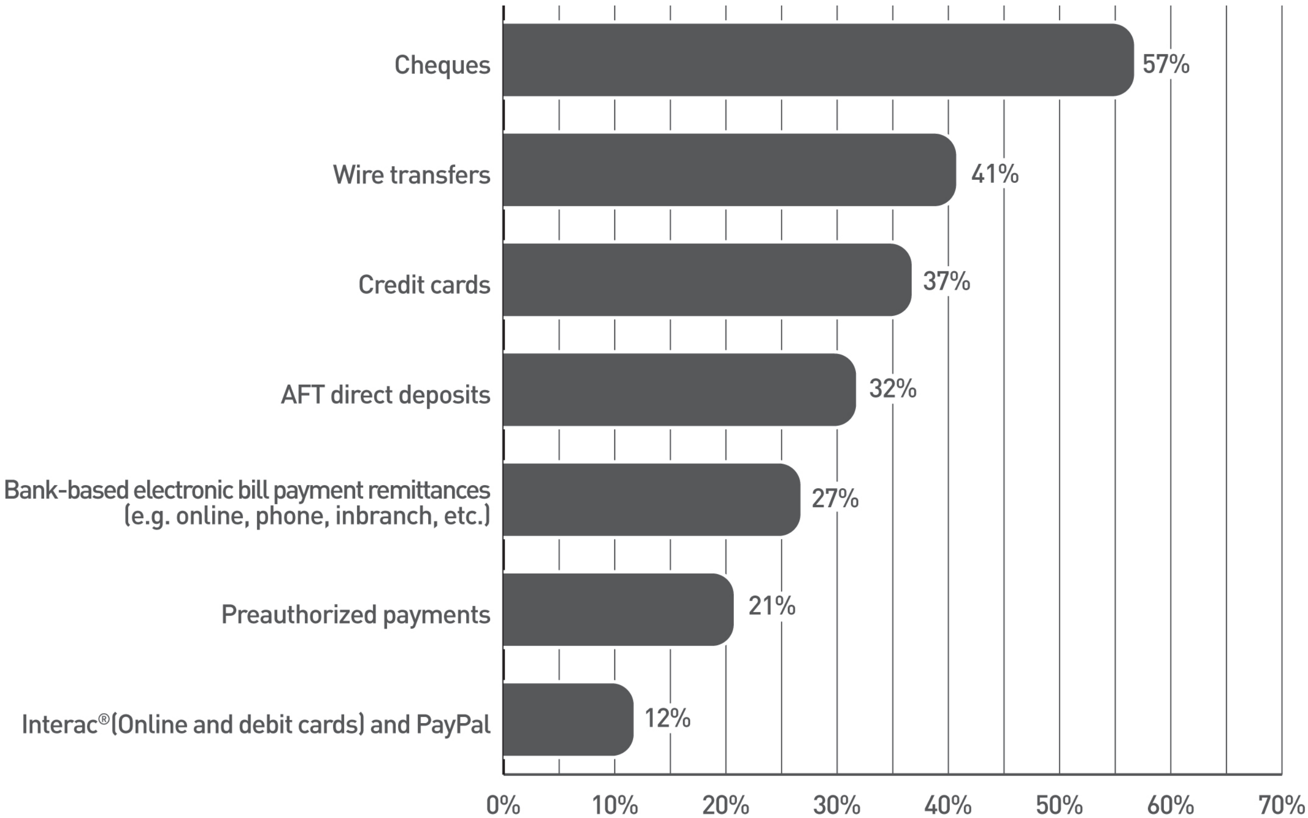
When it comes to receivables, 29% of respondents indicate that more than half of their receivables were collected through an electronic transaction (Chart 6). The top method of payment for receivables remains a cheque, with 57% of respondents giving the nod to paper. Although low value, high volume consumer transactions are more likely to be electronic. Business-to-business transactions are often handled through a cheque.

CHART 6 - PERCENTAGE OF YOUR RECEIVABLES THAT ARE ELECTRONIC TRANSACTIONS, ON A YEARLY BASIS



Wire transfers were the favoured method of payment for amounts larger than $50,000, typically business-to-business transactions, followed by automatic fund transfer (AFT) direct deposits and then cheques.

CHART 7 - TYPES OF TRANSACTIONS USED TO PROCESS RECEIVABLES



Executives at companies that sold goods or services were also asked what would encourage them to increase their use of the electronic payments as a seller. They indicate that they want a system that would allow them to receive remittance information that they send out in the invoice and be able to post receipt of the corresponding payment to their accounting software.

They are also looking for the ability to automate, update and integrate the receipt of an electronic payment to their accounting system. Survey respondents did not opt for providing the ability to accept pre-authorized online payments on a company website.

Executives were also canvassed on their technology supply chain and asked if their service provider, such as their bank, was helpful in setting up electronic-based payments. More than 80% indicate their supplier was helpful, while 20% indicate their outside vendor was not helpful.

The reasons offered by executives who found outside vendors unhelpful varied widely from: no guidance or direction provided by the vendor, outdated systems, lengthy procedures, lack of interest, uncompetitive pricing, lack of support infrastructure, no investment on the part of the vendor and long and complex processes.

One survey participant sums it up thusly, "they don't understand our needs or their own system design very well."

Others were more charitable, noting that vendors responded to queries quickly and provided training and assistance setting up the electronic payment system. One respondent notes the firm's vendor has been "willing to spend time on the phone and walk us through the pros and cons." However, the person adds "It is often difficult to locate the correct individual at the bank with which to have these discussions."

Executives say the key challenges in adopting more electronic transactions for their receivables include changing customer behavior, improving the reconciliation process and addressing customer concerns toward security and privacy. Eliminating errors and reducing complexity involving customer information, customer identification and bank account information were also factors that impede adoption of electronic payments.

DEALING WITH THE RECONCILIATION QUESTION

It's clear that one of the most challenging areas both in receivables and payables is reconciling payments made or received with the corresponding invoices and purchase orders. "The problem," says Danielle Parent, VP, Finance and Administration at Fujitsu Canada, Inc., is that "we don't have a say in the way the files are created. It doesn't allow us to identify the invoice. We have to email it separately."

By the same token, when payments arrive, companies have to match those to invoices sent out. Kinark's Kathy Newton says "we save all the manpower doing the actual cash transfer piece, but then we put a lot of manpower into making sure that the payment gets credited against the right account. And that is probably the biggest piece of the reconciliation that you're hearing about in this survey feedback. I know that would be the biggest problem for us."

One of the most common issues raised by customers regarding electronic payment services were security concerns, cited by 35% of executives and confidentiality concerns (29%).

> "There's a real challenge in processing EFTs. When we get a paper bill stub in, it fits CPA standards and goes through a high-speed process and doesn't cost much to process. When we get an EFT in, we have to take that EFT and match it up to some data, and that data may come to us by paper, by fax, by an email or by some other process. But it's not a standard thing, it's coming in all over the place in a manual process, so it really increases the cost of handling EFTs."
>
> **Douglas Aird — Director, Finance operations, TELUS Finance**

Ray McCormick, SVP and CFO, I.M.P. Group International Inc. says security is important both from a payable and receivable standpoint. In terms of payables, he says, the company has a "good segregation of duties" between two staff people who divide the responsibilities. "When we set up the accounts with the bank information on it, we have to make sure that all that information is approved by a second senior individual in the organization because that's very critical that we have that security knowing that the information is appropriate and that somebody else double checks it. It may be a little bit of an overkill but we feel that the segregation of duties just gives us a bit more confidence on our end of it that the payments are made appropriately."

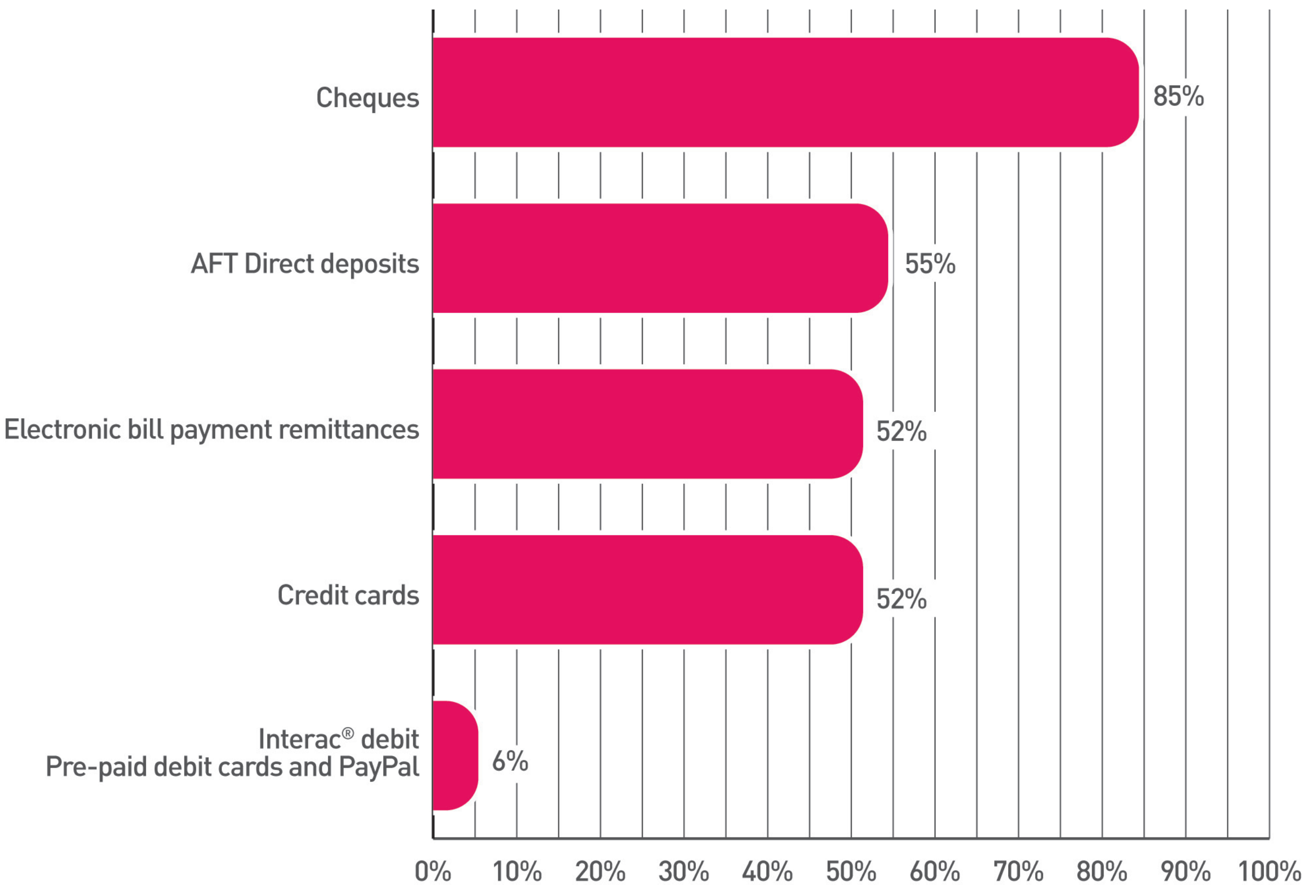
Kathy Newton says they also have an additional layer of security. "We have one person who keys the payment request, a second person who reviews the actual report that is prepared to go against the invoices that we're paying, and then two other people who have no access to the payables system, and who are the only ones who can authorize the sign off. And then I myself sign the audit report after and review all the payments."

Nancy Lala adds that another concern with electronic payments is having someone's bank account information available and the liability that could occur if it were ever hacked. "We don't store any of our customer banking information electronically; it's only on the banking system, not on our systems."

PAYABLES AND ELECTRONIC TRANSACTIONS

Companies are making similar headway when it comes to paying their bills electronically. About 32% of companies use electronic transactions for less than 10% of their payables, versus 35% for receivables. Nonetheless, cheques remain the primary method of payment with 85% of executives indicating they use paper (Chart 8).

CHART 8 - TYPES OF PAYABLES PROCESSED ON A YEARLY BASIS



Again, for payments larger than $50,000, cheques were the most popular means of payment, followed by AFT direct deposits, electronic bill payment remittances, wire transfers and credit cards.

Executives indicate a different set of challenges when processing electronic payables. The leading challenge is obtaining vendor or supplier information – this was cited by 62% of respondents as the key challenge. That was followed again by reconciliation, internal controls, security and privacy concerns, and tracking payments to suppliers.

“All of our invoices are scanned into the system electronically and we have approval levels and dollar limits within the document management system. Then it’s transferred to our payment system, which goes through the EFT or direct deposit. The vendor gets a statement showing invoice numbers and amounts paid at the time the electronic transfer goes through. That’s right out of our system, so they know exactly which invoice numbers and amounts have been paid.”

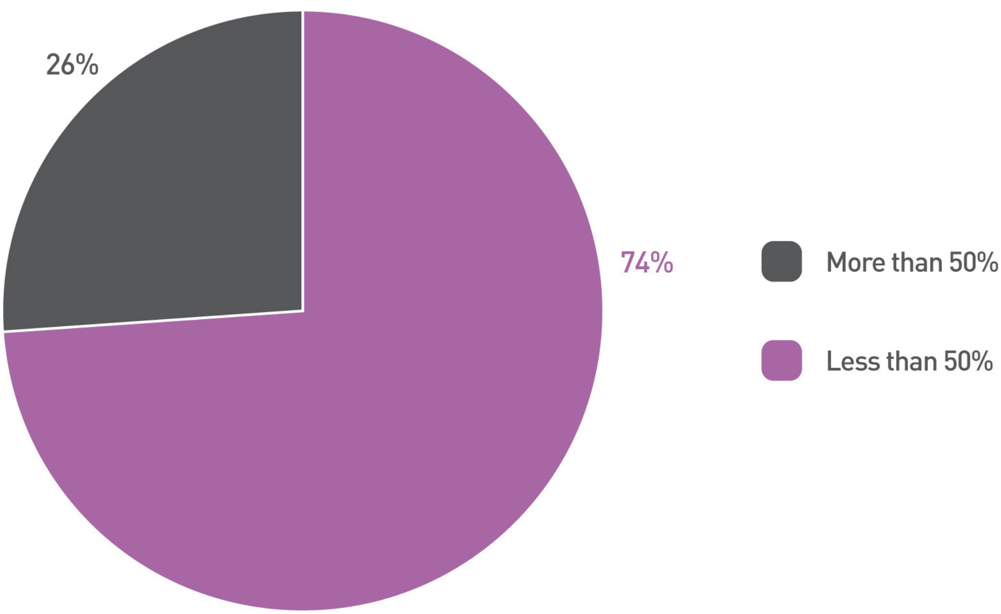
Ray McCormick — SVP and CFO, I.M.P. Group International Inc.

Douglas Aird points out that each company has different processes when it comes to EFT data reconciliation, which is part of the problem with the system. “One company is sending out an email, another company is sending a fax, another guy is sending a paper remittance or whatever, and the contents of each of those things vary. When we get a payment by a paper stub and a cheque, we have high speed equipment in a process with standards, so it’s pretty cheap and economical. When we get a payment from these other processes, in high volumes, it creates manual work and costs a lot of money to process them. That’s kind of the issue, that there’s no standardization there.”

Another issue Aird has when it comes to payables are refunds. A company like his has millions of clients, many of whom move or change service providers, which requires them to issue a refund. He can process as many as 20,000 refund cheques a month for small amounts, which is costly. "We don't have customers' bank info on file for this. So we're not sure how we would ever be able to convert... those 20,000 cheques a month into something else."

So what else is holding back companies from transacting electronically with their suppliers? Executives say the biggest problem is that suppliers don't see the benefit to electronic payments (See Chart 4 — Barriers in increasing the adoption of electronic payments). Others dislike providing their bank account information to buyers, which may seem odd, since the same information is provided on cheques. The cost of such transactions and security concerns were also noted as sticking points for suppliers.

CHART 9 - PERCENTAGE OF PAYABLES THAT ARE ELECTRONIC TRANSACTIONS, ON A YEARLY BASIS



In some cases, suppliers are simply too small and their systems can't accommodate such payments. In other instances, there were too many vendors owed small sums of money to justify making such payments.

Payables also present other challenges. Many companies use their payables as a means to manage their cash flow and will string out payments or prefer to put them on a credit card to buy extra time or even loyalty points.

Cathy Tutani says some individuals may look at their payables and say, "With *INTERAC*, it will be an immediate withdrawal from my account, but if I were to pay through a credit card, I know that I have a bill to pay and have time, usually a month, to save up for the payment. So, even though there are fees and interest assessed on the balance due, it's still a much preferred form of payment than *INTERAC* because of the "perceived" control of the transaction. The question then remains: How can companies encourage their customers to move away from using credit cards and to start using *INTERAC*? Another challenge faced in encouraging the use of *INTERAC* is that credit cards issue loyalty points and other incentives whereas there are no similar incentives with *INTERAC*."

LOOKING FORWARD

Despite the challenges, the majority of executives surveyed (58%) indicate that it is at least somewhat critical to offer customers alternative payment options such as online or mobile payments.

As well, many expect new innovations in electronic payment services will have an impact on their business. Innovations include: the chip card, mobile payments, reward tools, improved privacy tools, and access to a directory that provides trading partners with electronic payment requirements.

David Purewal says he expects mobile payments to blossom. "I think it's just the logical adoption for tweens and young adults who are constantly on mobile computing devices. And there's going to be a whole generation who have probably never come across cheques. They'll eventually ask: 'What is a cheque? I've never seen them.' Something akin to the 8 track."

According to Laird Miller, CFO of London Drugs Ltd., mobile payments are in very early days:

"One issue you're going to see is: Who owns the customer? Is it the phone company? Is it the phone manufacturer? Is it the acquirer? Is it the bank? Who actually has that relationship with the customer? The concern I would have is around the cost of the transaction, and with more players involved everybody takes a fee. So our big concern as a retailer would be cost."

CHANGING ATTITUDES AND BEHAVIOURS

As the saying goes, it's hard to teach an old dog new tricks. However, companies are finding there are different ways to encourage customers to modify their behavior in order to adopt electronic payments. One of the most popular is to develop a sign-up process for new customers. Others rely on direct marketing mailings or contact through a call center. Statement stuffers also work, and some have built an online portal. Advertising is another option.

Executives also report success with financial incentives or, in some cases, disincentives. For example, one executive indicated that his company will not ship products until payment is received. Another noted that if the funds are wired or certified, they are held for 10 days for clearing and deals do not close until payment is resolved. Using a carrot and stick approach is one way to modify behavior. For example, in a previous job, Nancy Lala recalls encouraging suppliers to provide their banking info and accept electronic payments. "We basically said we wouldn't pay them as fast if they take a cheque, so you can get paid in five days if we do it electronically, or it's going to be a month."

Douglas Aird, Director, Finance Operations for TELUS Finance, says TELUS has used incentives like small cash gifts or donations to encourage adoption of electronic payments.

"We've done a variety of different things to encourage people to move away from paper bills."

Tacking on fees is another way to modify customer behavior, such as passing on the merchant fees for VISA charges, for example (although the practice of visibly billing a customer for a credit card fee goes against credit card company policy), or charging to send a paper bill.

BEST PRACTICES

When it comes to building best practices, there is still much to be done within the industry. The challenge lies in the different types of electronic payments, ranging from email to credit card, wire and debit, each of which involve a plethora of different technologies. As well, reconciling payments with the multitude of internal accounting systems in use by corporations remains challenging.

According to the forum respondents, there are three primary areas on which to focus:

- Increasing the uptake of electronic payments among suppliers or clients.
- Improving the methods used to reconcile and track payments that are electronically sent or received.
- Protecting your organization against security threats.

INCREASING UPTAKE

- Firms can use incentives or disincentives to encourage clients and suppliers to adopt electronic payments.
- Offer faster payment processing for those who move to the electronic channel and are willing to provide banking information.
- Offer discounts to those who pay electronically.
- Agree to a consistent payment schedule in exchange for customers agreeing to bill you electronically.
- Charge an administrative fee to those who pay by cheque.
- Set up U.S. bank accounts in order to facilitate payments to customers or suppliers who reside in that country. Money from a Canadian account can simply be sent to the U.S. account and payments processed from there.
- Start by adopting electronic payments internally for things like payroll and expense reports.

RECONCILIATION

- Advise suppliers by e-mail when a payment is made and include a copy of the invoice that you paid so they can ensure it is properly credited.
- Establish validation systems internally to ensure that payments received come from the appropriate source and are attributed to the correct source.
- Engage in dialogue between service providers such as banks and technology vendors, as well as industry, to advocate for developing systems and standards for improved reconciliation.

SECURITY

- Adopt a truly paperless system and to eliminate the possibility of cheque fraud.
- Segregate duties so that the same person is not processing invoices and paying them.
- Do not leave cheques in the mail pickup. Deliver them directly to the postal station once they are processed.
- Use credit card validation services to help manage credit card payments.
- When keying in customer banking information into the computing system, verify the accuracy of the information you are inputting by having two people check it. One person to enter the data, another to verify the bank account number matches the payee.
- Use account validation services to help manage EFT enrolment.
- If you are hosting a customer or supplier's banking information from a counterparty, ensure you maintain privacy. Consider using an outsource provider who can offer secure servers for storing sensitive information.
- Reconcile payment information every day to help spot fraud early and avoid financial loss.
- Encourage executives to make their expense payments using their corporate data card to avoid having to do additional payments to suppliers and managing expense claims.

- If using point-of-sale devices in your operation, ensure there is alarm system in place to prevent a fraudster from switching out a device or tampering with it and adding a skimmer that can be used to steal information.

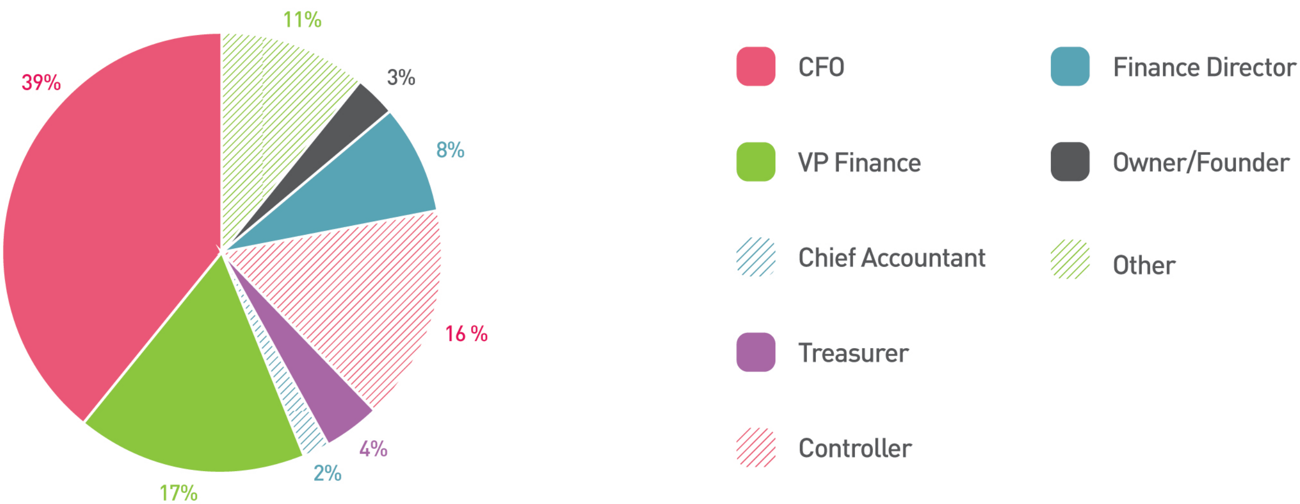
CONCLUSION

Executives says they will continue to advance the adoption of electronic payments in the coming year. Leading the charge will be automating the reconciliation process, which 30% of executives say they plan to do. Another 27% say they will implement electronic invoicing, while 21% will accept bill payments or remittances received from banks.

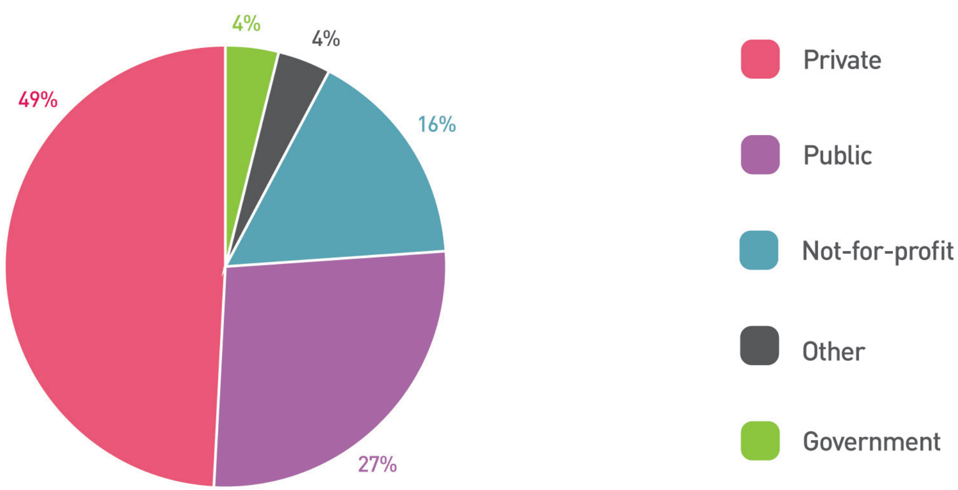
Hervé Seguin, former CFO of WellPoint Systems Inc., says the most effective thing a company can do is set a payment policy and live by it so that it's like clockwork. That way consistency is provided in payment and vendors will know that they will get paid within a specific time frame. "Create a set of rules and live by that set of rules."

APPENDIX A - SURVEY DEMOGRAPHICS

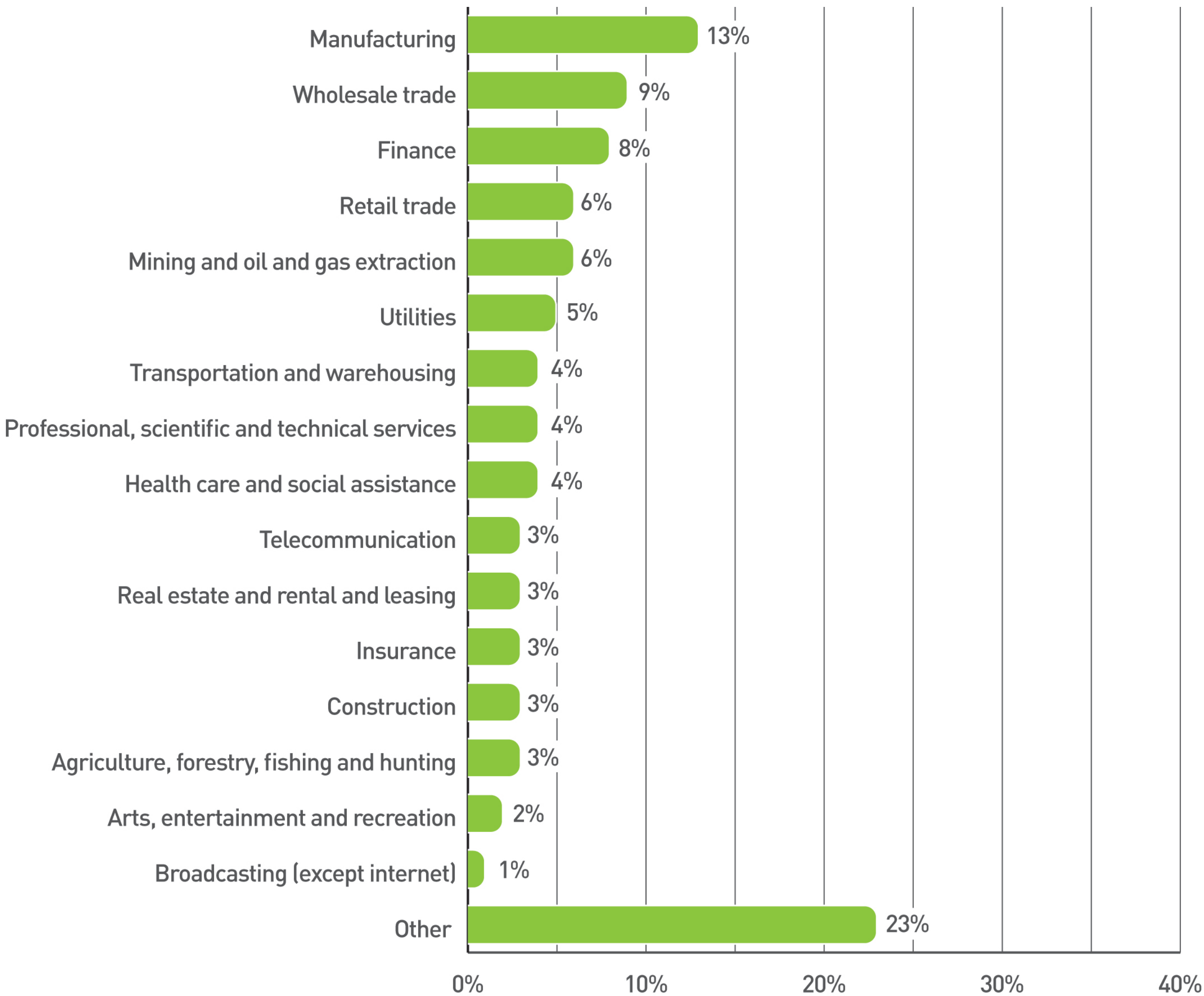
POSITION TITLE



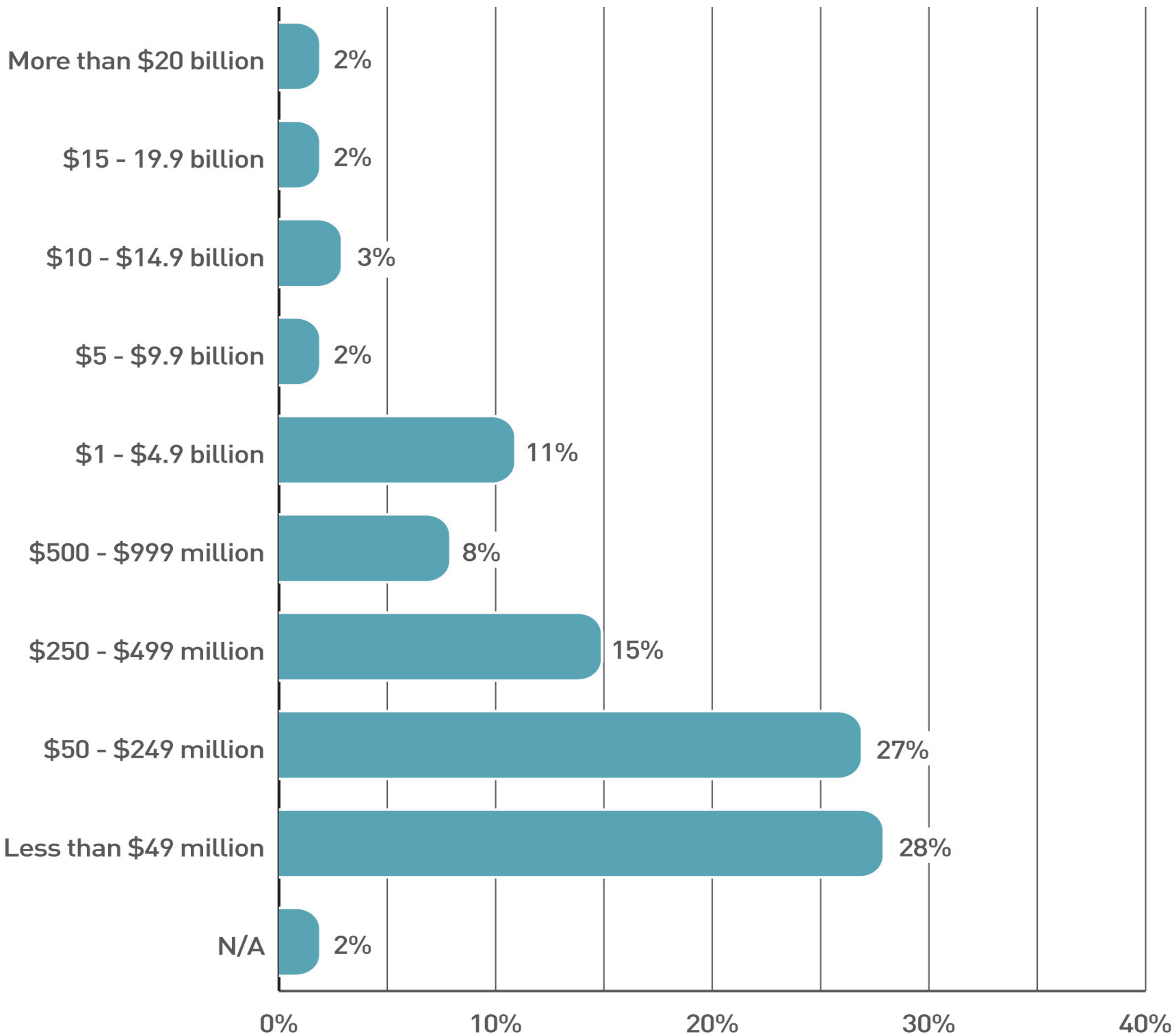
CORPORATE STRUCTURE



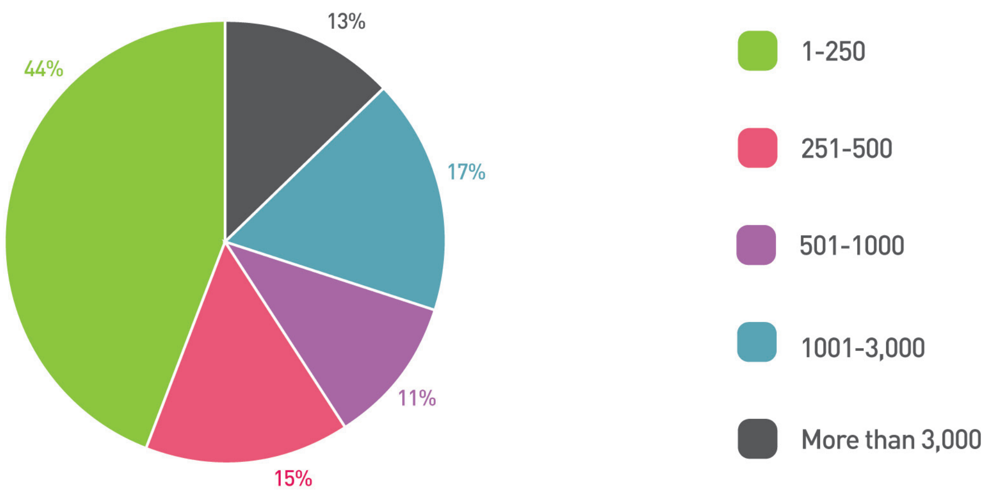
INDUSTRY CLASSIFICATION



ANNUAL REVENUE



NUMBER OF EMPLOYEES



APPENDIX B – FORUM PARTICIPANTS

May 19th, 2011 Executive Research Forum

Forum Chair

Michael Conway — Chief Executive & National President, FEI Canada

Moderators

Christian Bellavance — VP, Research & Communications, FEI Canada
Ron Cann — Director, Product Marketing & Sales, Central 1

Toronto

Nancy Lala — CFO, About Communications
Kathy Newton — Director, Corporate Services, Kinark Child and Family Services
Danielle Parent — VP, Finance and Administration, Fujitsu Canada, Inc.
David Purewal — Director, Risk Management and Accounting, FundSERV Inc.
Hervé Seguin — Former CFO, WellPoint Systems Inc.
Cathy Tutani — Accounting Supervisor, CMA

Vancouver

Douglas Aird — Director, Finance Operations, TELUS Finance
John Andrew — General Manager, Finance, BC SPCA
Laird Miller — CFO, London Drugs Ltd.

Halifax

Raymond McCormick — SVP and CFO, I.M.P. Group International Inc.

Observers

Denis Casavant — AVP, Payment Services, Central 1
Chris Dickin — AVP, Business Development & Delivery, Central 1
Drew Geldart — Product Marketing Manager, Central 1
Melissa Gibson — Communications & Research Manager, FEI Canada
Paul Hollas — Major Accounts Executive, Central 1
Julie McPhee — Director, Payment Services Operations, Central 1
Scott Robertson — Product Manager, Payment Applications, Central 1
Rachel Walton — Communications & Research Intern, FEI Canada

THE CANADIAN FINANCIAL EXECUTIVES RESEARCH FOUNDATION (CFERF) is the non-profit research institute of FEI Canada. The Foundation's mandate is to advance the profession and practices of financial management through research. CFERF undertakes objective research projects relevant to the needs of FEI Canada's 2,000 members in working toward the advancement of corporate efficiency in Canada. Further information can be found at www.feicanada.org.

FINANCIAL EXECUTIVES INTERNATIONAL CANADA (FEI CANADA) is the all industry professional membership association for senior financial executives. With eleven chapters across Canada and 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations. Further information can be found at www.feicanada.org.

CENTRAL 1 is a wholesale financial services company that provides financial trade association, technology, and payment services. Central 1 is the central financial facility and trade association for the B.C. and Ontario to credit unions, banks and large corporate clients. It's an "umbrella organization," representing member-owned retail financial institutions that serve 2.9 million members and hold $70 billion in assets. The company, which operates coast-to-coast has more than 600 employees in Vancouver and Toronto, manages more than $10 billion in assets. Owned by credit unions in British Columbia and Ontario, each year it processes more than 120 million paper items and 320 million electronic items worth $290 billion.

We would like to thanks Jim Middleness for writing this report.
We would like to thank Megan Gibson for designing this report.

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