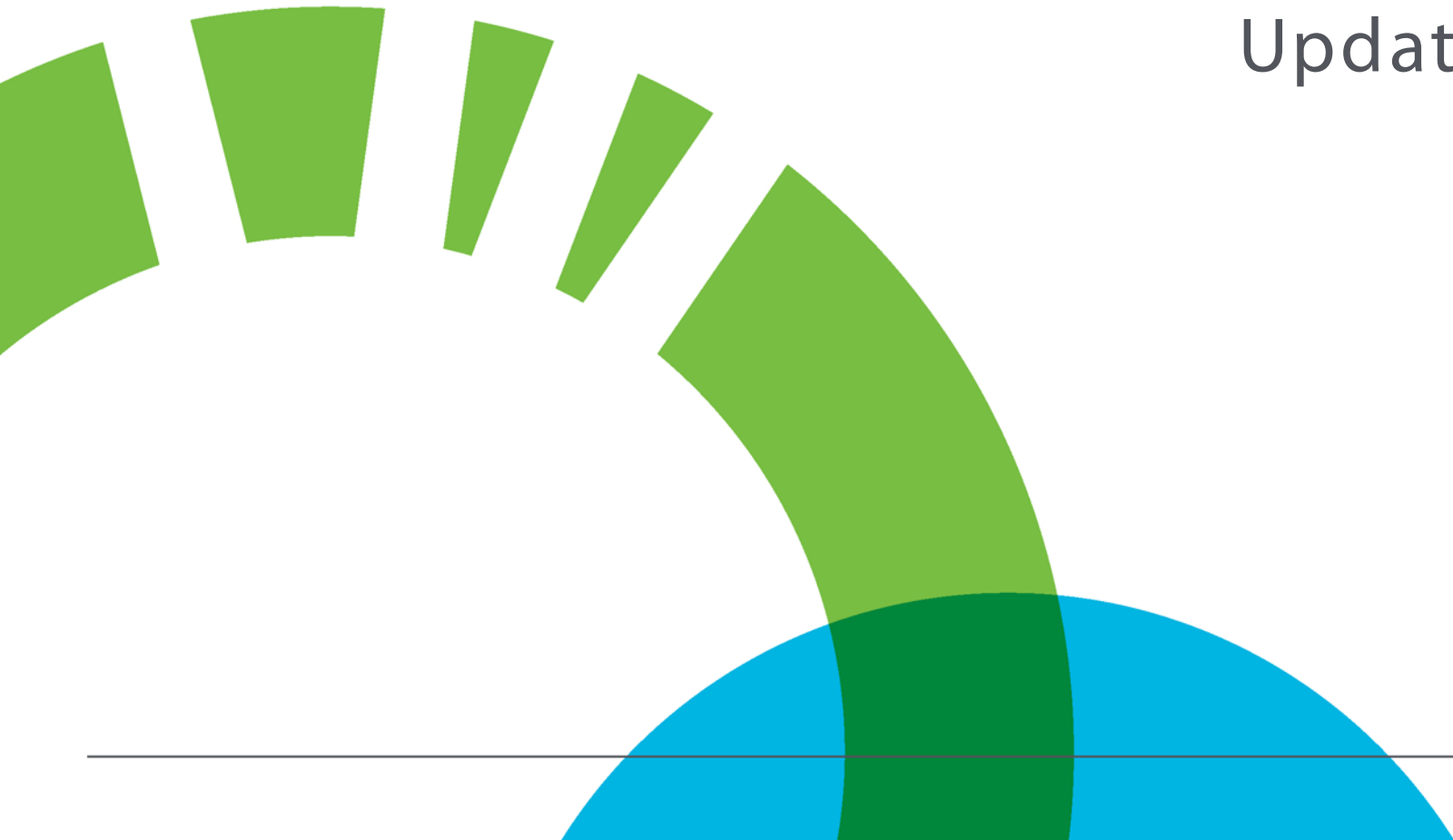




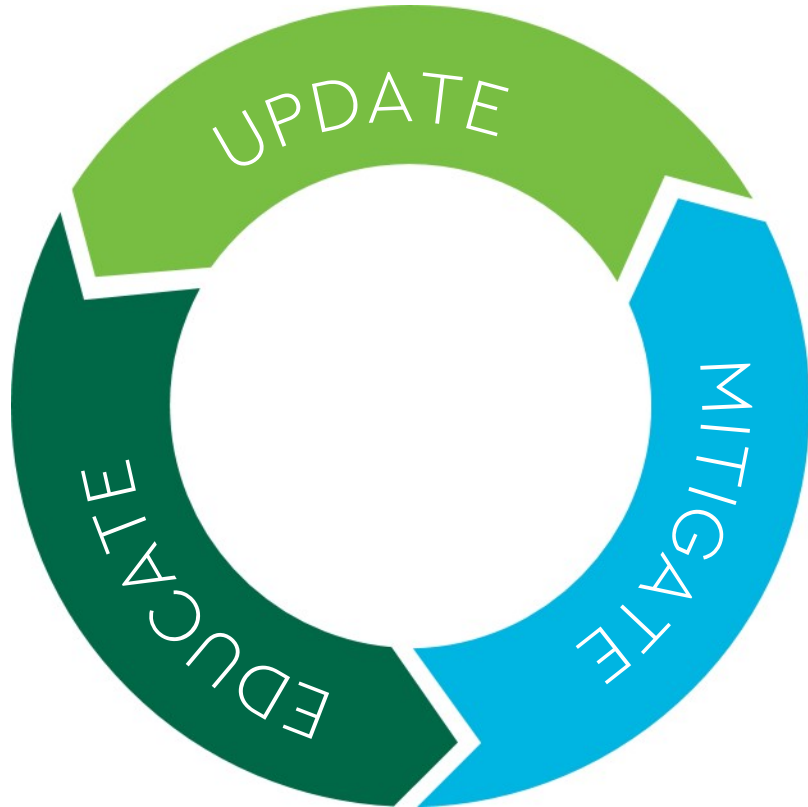
Cash Management Strategies: Update, Educate & Mitigate

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Commerce Bank

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What We Will Cover



UPDATE

- Economic Update
- Payment Innovations

EDUCATE

- Back Office Automation & Efficiencies
- Bank Relationship Reviews

MITIGATE

- Fraud & Risk Mitigation Solutions
- Case Studies & Best Practices

UPDATE

In a decreasing rate environment what can you control?

Outside Your Control

Recession or New Normal?

- The Fed cut its benchmark rate by 25bps on 9/ 18/ 19 and Chances of an October 30 rate cut are now at 83%, according to FedWatch.
- The Fed announced on 10/ 11/ 19 it will launch a new program will purchase \$60 billion of Treasury bills per month, further boosting the size of its already-massive \$4 trillion balance sheet.
- US Treasury Bond yields curve inversion persists, as the yield curve has been distorted by more than \$15 to \$17 trillion worth of foreign bonds that pay negative interest rates. (These negative global interest rates are driving investors worldwide to buy U.S. Treasury bonds, pushing yields down.
- As societies age and the birth rates slow , interest rates have historically come down as investors rotate from consumption to saving.

Within Your Control



Technology

- Awareness of Tomorrow's capabilities
- Today's Technology
 - Your understanding
 - Is it worth embracing
 - ROI



Efficiency

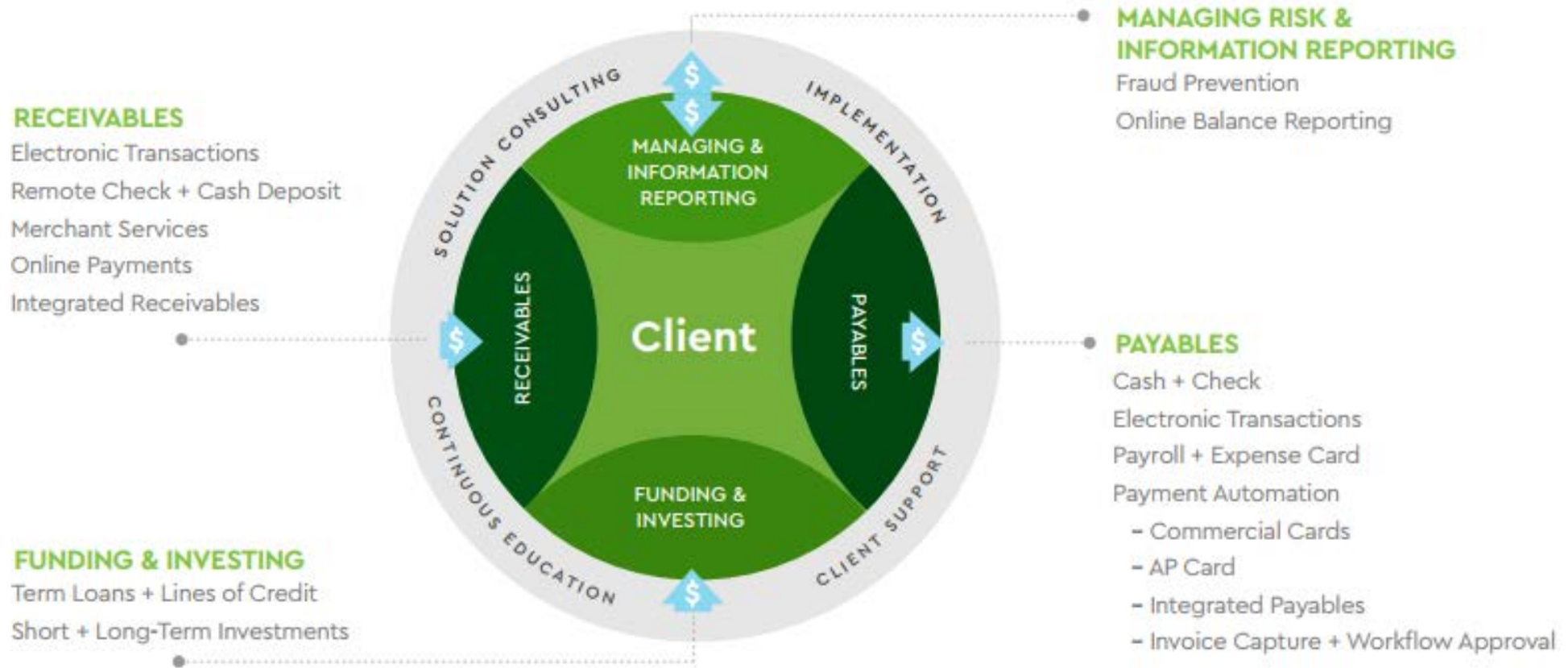
- Current Process
 - From your perspective
 - From an outside perspective
- Business Objectives
 - Your Objectives
 - Staff Objectives
- Analysis & Prioritization



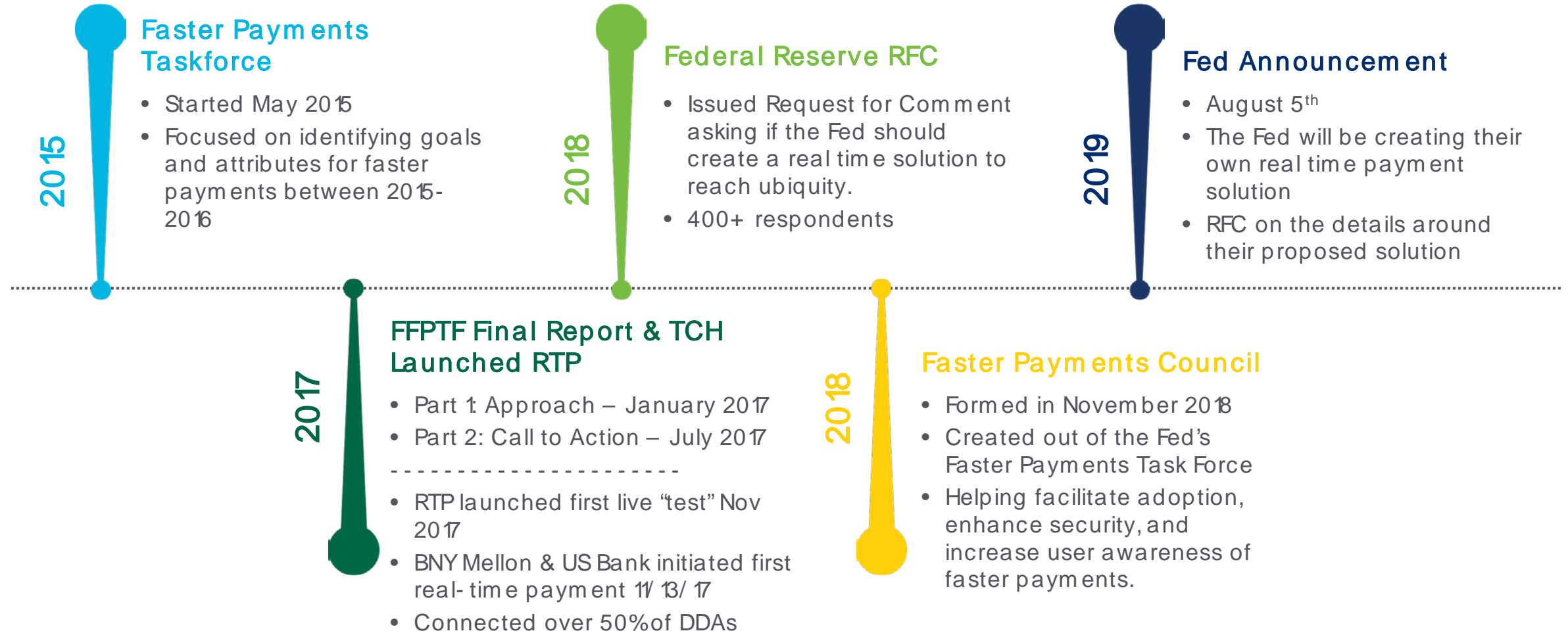
Safekeeping

- Allocation of Assets
- Time Horizon
- Fraud Management
 - Awareness
 - Mitigation

Cash Cycle Evolution



The Evolution of Real Time Payments



Sample RTP Payment

Request for Payment of Bill



Step 1

- John goes to the website of the college that sent him a bill



Step 3

- John selects to pay in real-time



Step 5

- John receives notification on his mobile phone from his bank



Step 2

- John sees the option to pay with a credit card, ACH or real-time



Step 4

- John selects the checking account to pay from



Step 6

- John uses his fingerprint to authenticate and complete the payment from his bank's mobile app

EDUCATE

Cash Flow Optimization - A Hybrid Approach

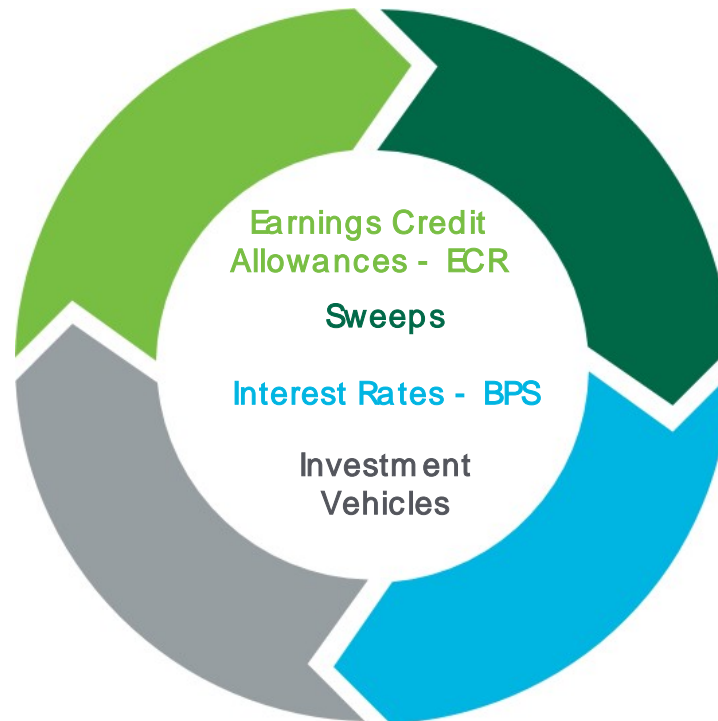
Earning Capacity

Daily Operations

General operating funds

Armageddon Funds

Long term reserves which have not been historically utilized and aren't projected to be used



Interim Funds

Use of budgeting to ladder short term investments to maximize return

Project Funds

Cash reserves & bond proceeds invested to meet construction draws

Efficiency Review



New Approaches

“ We used to have to request a check for a cash advance a week ahead of time. Now there’s no cash to handle. We can drop money onto a card, and an athlete can use it five minutes later. ”



Challenge Accepted

Current clients provide feedback on how the Card has impacted their expense process. Answers are provided by actual client administrators.

Do you use the Card for team or staff travel?

Yes, we provide Cards to our team operations directors. They like the flexibility of using the card to make purchases or to access cash, without the hassle of cashing advance checks and securing cash while traveling. We also like that we can set different functionality and Card limits for different user groups.

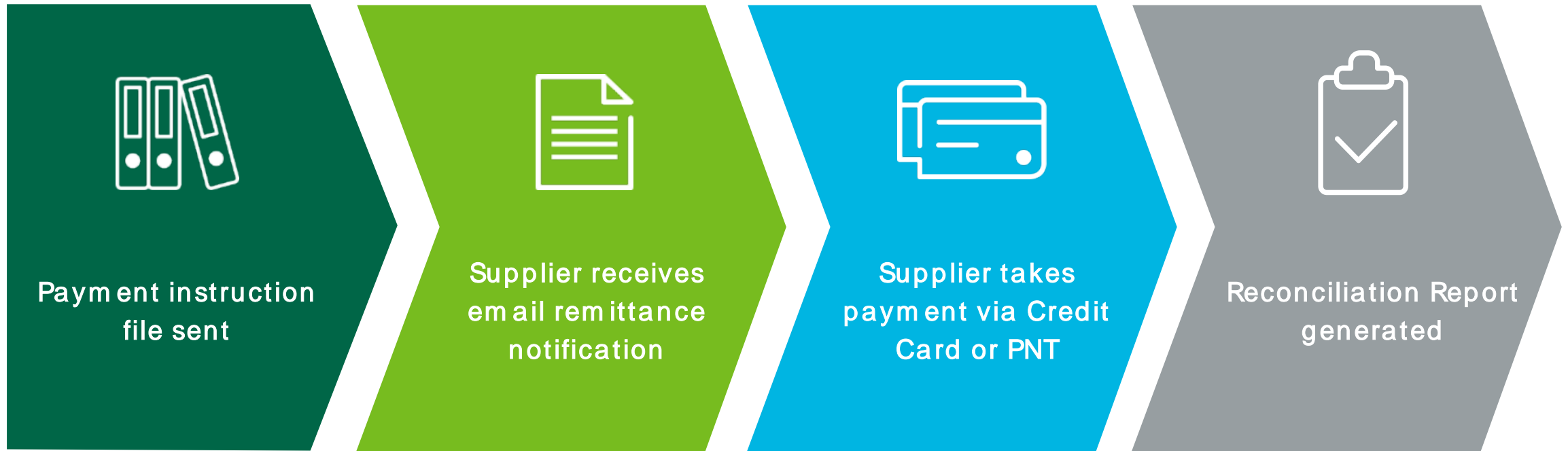
Were you able to incorporate the PEC into your existing approval and business processes?

Implementing the PEC program didn't really impact our existing approval and tracking processes for per diem and operations expenses. It just gave us a better and more secure disbursement option that allows us to more efficiently manage expense funds.

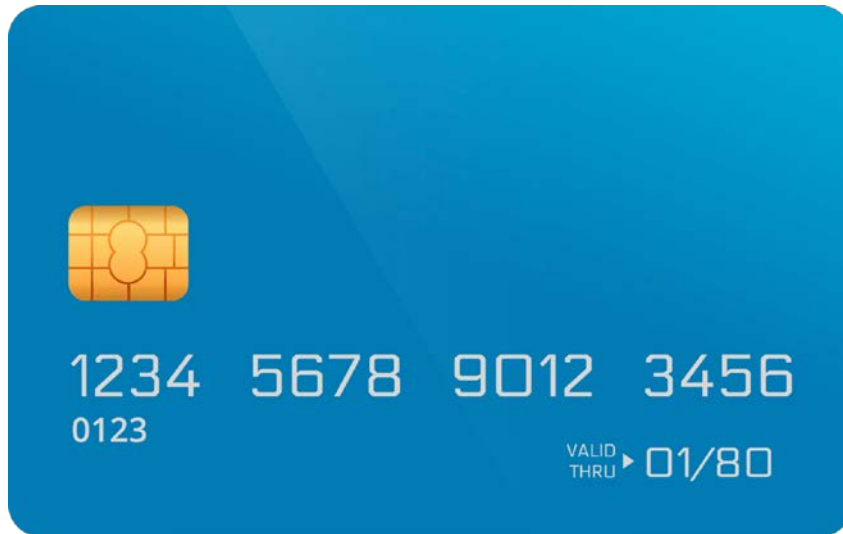
Can we manage the PEC program independent of other banking relationships on campus?

Yes, the PEC program can be used by any department on any campus, no matter what bank your school uses as your primary bank. You can issue and fund cards using more than one funding method, and you can manage the Card program without any impact to existing university systems.

AP Solution – How It Works



Card Program Considerations



Monthly Rebate



Spending Control



Reporting & Management Tools



Customer Support



Fraud Prevention

MITIGATE

Q & A

What percentage of businesses experienced fraud last year?

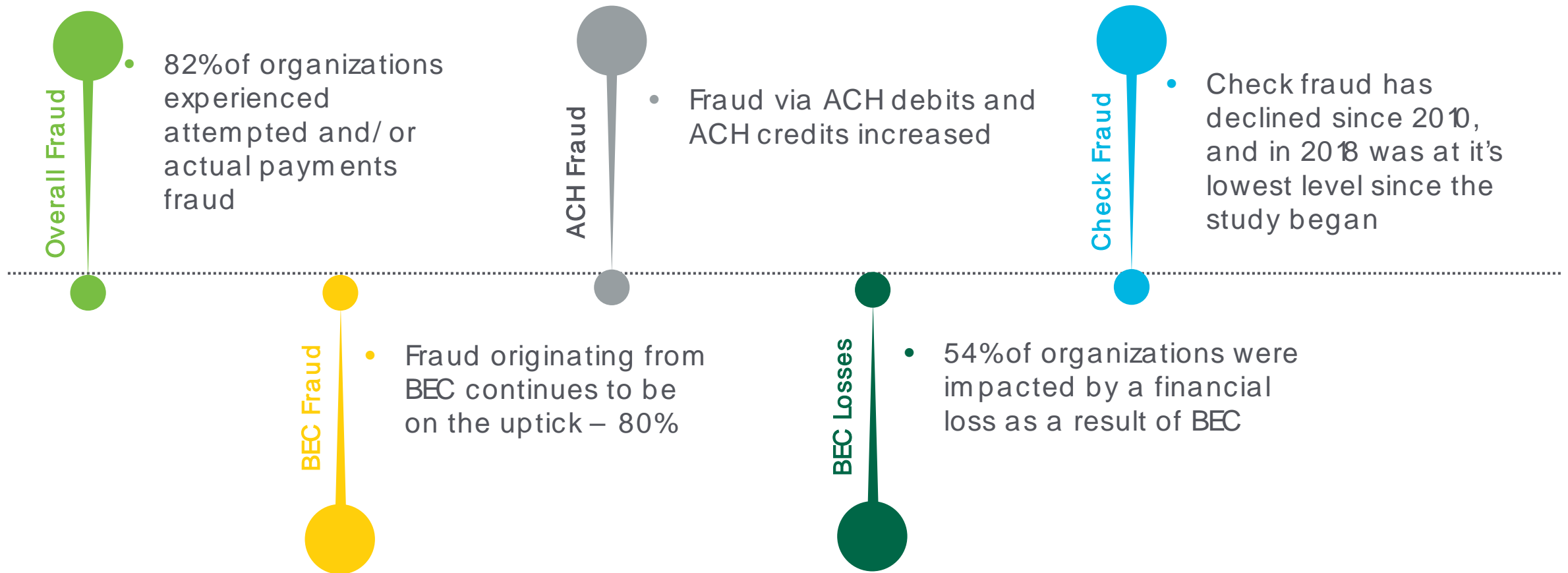
a. 20%

b. 53%

c. 82%

d. 95%

Key Highlights From 2019 AFP Fraud Study



What is the Cost?



In 2018, **33%**
of organizations
were exposed to
ACH Debit Fraud.



64%
of payment fraud
initiates from an
external source such
as stolen card info
and check fraud.



Of companies that
incurred fraud,



Behind The Scenes

Types of Fraud

Email Account Compromise Scams

78,617

incidents reported
globally*



\$12.5 B

lost to email
compromise*

What is it?

Business Email Compromise (BEC) targets businesses of all sizes, and Email Account Compromise (EAC) targets individuals by hacking a legitimate email account and fooling recipients into sending funds to fraudulent accounts

Email Account Compromise Scams

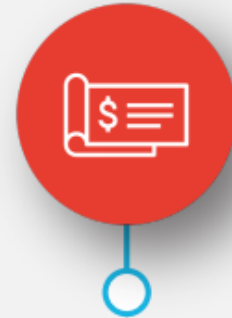
How does it work?



Scammer unlawfully gains access to the email account.



Email is sent containing fraudulent payment instructions, invoices, etc.



Customer initiates payment, unaware they're communicating with the scammer.



Scammer receives funds and withdraws it before they're discovered.

What Is Vendor Impersonation Fraud?

Occurs when a business receives an unsolicited request, purportedly from a valid vendor, to update the payment information for that vendor, when in fact it is a fraudster impersonating the vendor.

- Fraudster monitors a business for publicly available vendor information using the same tactics as BEC.
- Fraudster contacts the business by posing as the legitimate vendor to request updates or changes to the payment information
- Using fraudulent instructions, funds are transferred to an account controlled by the fraudster.

What To Do If You Are A Victim

How To Protect Yourself From Email Compromise

- 1 Be mindful of your social media and online presence
- 2 Be suspicious of unsolicited emails and phone calls
- 3 Verbally confirm payment instructions with the individual using verified contact information
- 4 Be cautious of requests for secrecy or pressure to act quickly
- 5 Look for red flags in emails (spoofed email address, grammar errors, and sentence structure)
- 6 Ensure you follow best practices related to anti-virus software, firewalls, etc.

What To Do If You Are A Victim



Notify your financial institution



Businesses should notify their IT Department



Contact your local FBI Field Office



File a complaint with [ic3.gov](https://www.ic3.gov)

Best Practices & Banking Tools to Reduce Risk

Banking Tools & Solutions

Online Reporting

- Review activity daily
- Out of Band Authentication Processes
- Dual Control when initiating ACH or Wires

Positive Pay

- Company submits a check-issued file to bank
- Bank verifies data points when check is presented
- Exception items are reviewed prior to payment

ACH/ Paper Blocks or Filters

- Capability to block all ACH/ Paper Transactions
- Set limits for dollar or frequency of approved ACH
- Receive notifications for exception items coming through

What Can You Do?

- If you print checks on preprinted stock, switch to plain paper with a MICR printer.
- Use a reputable shredding company or a cross-cut or Micro-cut shredder.
- If you use preprinted check stock, keep it in a locked, secure place with proper checks and balances to prevent theft.
- If you use a digital signature on checks, keep it in a locked location.
- Consider outsourcing your check writing or moving to electronic payments.

Let us know how we can help.

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The Strategies referred to in today's presentation assume that your organization has a commercially-reasonable base security infrastructure in place. Furthermore, these Strategies should not be your organization's sole means of protection against fraud losses, but rather they should be included as part of a more comprehensive program implemented by your organization to identify, mitigate, and insure against potential risk from fraud losses. Even if complied with in its entirety, these Strategies do not guarantee against becoming a victim of fraud. This is only an attempt to provide some commonly-accepted practices that may help reduce the likelihood that you become the victim of fraud. Commerce Bank, which is not holding itself out as a security consultant or expert, makes no guarantee, warranty, or representation of any kind as to the results that you may achieve by following The Strategies and disclaims any liability related thereto. The term Strategies does not mean or imply that these practices are a definitive or uniformly-accepted compilation of optimal security practices.