

Perspective by CRF

1st Quarter, 2024

ALSO IN THIS ISSUE:

[Balancing the Impacts of Insolvencies: Why Visibility Over Payment Behaviours and Trends is Critical](#)

Page 20

[Is Trade Credit Reporting Ready for a Fintech Revolution?](#)

Page 24

[Establishing a Corporate Accounts Receivable Deduction Policy and Securing Management Buy-In](#)

Page 28

[2024 Platinum Partners](#)

Page 34

[2024 Friends of the Foundation](#)

Page 35

Is Your Process Working – or is it Outdated?

Written by: Keith Cowart, FIS

One of the biggest struggles for busy professionals is checking their ego when it comes to redefining processes. Each person has put in the research and leveraged their experience to develop a process that improves on what “has always been done that way”. Once the new process is operationalized...

[Read More...](#)

Unsecured Creditors Beware: The Bona Fide Dispute Requirement of Bankruptcy Code Section 303(b)(1) is Still Evolving

Written by: Eric Chafetz and Lindsay Sklar, Lowenstein Sandler LLP

When traditional out-of-court debt-collection efforts fail, the Bankruptcy Code provides unsecured creditors with a potentially powerful, albeit infrequently used, tool to try to obtain payment from a financially distressed counterparty: commencing an involuntary...

[Read More...](#)

Hopping on the Generative AI Train: A Strategic Blueprint for Finance

By: Chad Bruffey, Billtrust

The finance sector is on the brink of a major change, driven by the rise of Generative AI. In fact, according to a recent Billtrust report, 65% of CFOs are already integrating the technology into various aspects of their...

[Read More...](#)

Expand Safely with International Credit Reports

By: Kyle Matthies, Experian Business Information Services

In our increasingly interconnected world, understanding the nuances of international risk is vital for businesses looking to expand their horizons. In this 15-minute Sip and Solve talk, Kyle Matthies, Director of Product Management, shares his take on effective risk mitigation when...

[Read More...](#)



Is Your Process Working – or is it Outdated?

By: Keith Cowart, Global Market Owner for Receivables, FIS

One of the biggest struggles for busy professionals is checking their ego when it comes to redefining processes. Each person has put in the research and leveraged their experience to develop a process that improves on what “has always been done that way”. Once the new process is operationalized and becomes the standard, it provides a sense of accomplishment. It also provides a false sense of completion. Whatever changes were put in place may have been the best option at that time, but with the speed at which technology and the business world is changing, it also becomes obsolete just as quickly. In the world of credit and collections, this is a real challenge to overcome.

Collections in an ERP System

There is a constant power struggle between operations and IT departments in virtually every company. If IT has the ultimate decision-making authority over what technology will be used by credit and collections teams, the result is working with inferior ERP solution functionality. ERP systems are not designed to provide specialized functionality. They are generic by nature and focus on providing minimal capabilities across the full spectrum of business operations. The argument surrounding using an ERP system is based on sunk cost and IT resources that are in place to support the never-ending tickets and requests.

If you were to sit two collectors next to each other, one using the ERP system and one using a specialized collection solution, and ask them to perform a simple task of pulling up the customer with the most overdue invoices, which one would be faster? The collector using the ERP system will have to navigate multiple screens, wait for the data to be generated, and sort it to find the correct result. The collector with a specialized solution can simply look at their dashboard that is always available and up to date. Even if the collector using the ERP system has all the right transaction codes memorized, they still must navigate filters and screens to get to any data. The fact of the matter is that ERP systems have no intelligence built into them. Even if they were able to provide a quicker way to access data, they do not provide any analysis. Now, extrapolate the time spent on navigating the ERP system across all your customers and tell me if the investment in a better process/system is worth it. If you are working out of multiple ERP systems, trying to create a consolidated view of your entire portfolio becomes a painstaking task.

Contacting Customers

At what point do you begin contacting customers about their outstanding invoices? Some clients I have worked with are adamant they do not contact customers until their invoice is overdue. Their thought process stems from the belief that a customer will become upset if they are contacted before an invoice is due and customer relationships are the most important factor. A best practice is to establish contact early with customers. You can determine what “early” means for your business, but generally at least ten to fifteen days before an invoice is due is optimal. This allows you to find out if there is a problem with an invoice with enough time to correct the problem and still receive payment on time. It may not happen in all cases, but certainly is a better process than waiting until an invoice is overdue. The first contact with a customer can and should be automated with a very gentle tone. A simple courtesy email making sure they received the invoice, asking if there is any assistance needed to remit payment by the due date, and of course providing a summary of additional invoices coming due within X number of weeks (also known as collecting the whole account). If your process is to wait for invoices to be overdue and/or not collecting the whole account, perhaps your process needs a refresh.

Prioritizing Accounts

Prioritizing accounts is a necessary part of every collection process. Without it, your collectors are left to

GETPAID

RECEIVABLES AUTOMATION

FIS™ GETPAID automates your credit-to-cash cycle with Artificial Intelligence, workflows, and collaboration to improve cash flow.

FEATURES AT A GLANCE

CREDIT MANAGEMENT



- Online credit application
- Automated credit reviews
- Integrated credit bureau data
- Configurable scorecards

CASH APPLICATION



- Intelligent document & data recognition
- Accelerated machine learning w/ auto-clearing
- Straight-through processing for all payments

STRATEGIC COLLECTIONS



- AI-driven risk-based collections
- Integrated email w/ AI interpretation & responses
- Business defined templates
- Real-time AR w/ API interface

COLLABORATION TOOLS



- Customer Portal (EIPP)
- Sales & Service Portal
- AP Invoice Portal Integration
- Two-way API integrations for CRM systems

DEDUCTION & DISPUTE MANAGEMENT



- Automatic identification & routing
- Advance workflow with auto-approvals
- Root cause analysis & reporting

ADVANCED REPORTING



- User configurable dashboards
- Real-time daily operational metrics
- Ad hoc report & dashboard creation

PRIMARY BENEFITS



**IMPROVE DAYS SALES
OUTSTANDING (DSO) & CASH FLOW**



**IMPROVE OPERATIONAL
EFFICIENCY**



**IMPROVE DECISION MAKING &
COLLECTION PRIORITIZATION**



**IMPROVE CUSTOMER EXPERIENCE
& INTERNAL COLLABORATION**



www.fisglobal.com



twitter.com/fisglobal



linkedin.com/company/fis

apply their own interpretation of who they should contact first. Not to say they are not good at it, but valuable time is wasted just preparing for the day. Printing aged trial balance reports, handwriting notes on them, searching for phone numbers and email addresses can take up an entire morning. Why not update your processes to take advantage of technology that does the prioritization for you and assigns the work automatically for each collector, which makes them more efficient and effective at changing customer behavior? Using a risk-based approach to collections that leverages your own internal data to predict future delinquency is a very powerful tool in improving cash flow.

There are three main components of how artificial intelligence works in the collections process:

1. **Identification.** AI can accurately identify trends in your data that indicate if a customer is heading towards delinquency.
2. **Prioritization.** To truly be AI, action must be taken by the system based on identifying the risk. AI can automatically prioritize the accounts based on risk and can apply/adjust the appropriate collection strategy to reduce the risk of an account going delinquent.
3. **Coverage.** Utilizing AI to assign risk categories allows you to leverage automated contacts across more of your portfolio, allowing your collectors to focus on higher risk accounts. With this automation, you can effectively contact all your customers within a given month. If you are still printing reports, using excel, or working out of your ERP system, it might be time to review your processes because they may be outdated.

Embrace Change

If we can take a step back from our day-to-day work, which admittedly can be overwhelming and a complete time drain, we just might find a lot of wasted time and effort. Just because it was the best option available when we defined the process, it doesn't mean it continues to be the best option. As the world evolves around us, we too must champion change. If we can check our ego and let go of what "has been done", even if it was an accomplishment to be proud of, we can take advantage of some incredible capabilities and opportunities. Your team will thank you. Your boss will thank you. And your cash will thank you.

About the Author



Keith Cowart is the Global Market Owner for Receivables within FIS' B2B Division which features the award-winning Credit-to-Cash products, GETPAID and Integrated Receivables. He has over 22 years of professional experience in various accounting and finance leadership roles including Accounts Payable, G/L Accounting, as well as Credit and Collections in large global companies with shared service centers. Keith's focus has always been in continuous improvement and leveraging technology to automate processes which drive results.

Powering the largest credit teams in construction with lien management, waiver and payment technology.



Decrease DSO's

Handle helps large material suppliers get paid quicker on every project. Overall DSO reduction across all divisions.

- ✓ DECREASE YOUR DAYS SALES OUTSTANDING BY UP TO 20%



Time Savings

Eliminate repetitive tasks within the credit and finance department by using Handle. More volume = more time and cost savings.

- ✓ 47 HOURS PER MONTH PER EMPLOYEE ON AVERAGE



Customer Satisfaction

Handle customers report substantial increases in their client satisfaction. Make it easy for your customers to be delighted.

- ✓ BETTER, HAPPIER CUSTOMER INTERACTIONS ACROSS ALL JOBS



More Accurate Data

Handle helps optimize your current job sheet and project data workflows to get full project payment information quicker, without the manual steps.

- ✓ UP TO 30% MORE ACCURATE PROJECT DATA ON EVERY JOB

Trusted by the biggest names in construction



Friedman's
HOME IMPROVEMENT

"It's hard to even explain how much time Handle's software has given us back -- it's just that impactful."

Sarah Briant
Credit Manager
Friedman's Home Improvement

Unsecured Creditors Beware: The Bona Fide Dispute Requirement of Bankruptcy Code Section 303(b)(1) is Still Evolving

By: Eric Chafetz and Lindsay Sklar, Lowenstein Sandler LLP

Introduction

When traditional out-of-court debt-collection efforts fail, the Bankruptcy Code provides unsecured creditors with a potentially powerful, albeit infrequently used, tool to try to obtain payment from a financially distressed counterparty: commencing an involuntary bankruptcy proceeding. At least in theory, by forcing a putative debtor into an involuntary bankruptcy proceeding, creditors are able to apply additional pressure in an effort to secure more immediate payment of an outstanding debt.

The Bankruptcy Code's requirements for commencing an involuntary proceeding are included in Section 303(b)(1). This section provides that an involuntary petition may be filed if a debtor has 12 or more creditors, with at least 3 creditors holding unsecured claims that in the aggregate total at least \$18,600, which debts are not contingent as to liability or, as addressed in the *TV Azteca* case, the subject of a *bona fide* dispute as to liability or amount. Additionally, if a debtor contests an involuntary petition, Section 303(h)(1) of the Bankruptcy Code requires the petitioning creditors to prove that the debtor is generally not paying its debts that are not otherwise subject to a *bona fide* dispute as to liability or amount as they become due.

The petitioning creditors bear the initial burden of establishing a *prima facie* case that they meet the eligibility requirements set forth in Section 303 of the Bankruptcy Code. If these requirements are satisfied, the court will enter an order for relief on their involuntary bankruptcy petition. Under certain circumstances, the petitioning creditors can then assert an administrative priority claim for the fees they incurred prosecuting the petition, or alternatively, they can be subject to damages if the involuntary petition is determined to have been filed in bad faith.

As described in Section 303, the petitioning creditors must hold a "qualifying" debt, meaning the creditor must hold a distinct claim that is not contingent or the subject of a "bona fide dispute." Although the Bankruptcy Code does not define the phrase "bona fide dispute," courts utilize an objective standard, analyzing whether there is an objective basis for either a factual or a legal dispute as to the validity, and thus enforceability, of the underlying debt. Unsurprisingly, no matter how "objective" this standard may be, courts oftentimes differ on whether a dispute is truly "bona fide" for purposes of the section 303(b)(1) analysis.

As reflected in the November 20, 2023 holding by the Honorable Lisa G. Beckerman for the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in *In re TV Azteca, S.A.B. de C.V.*, which dismissed an involuntary Chapter 11 proceeding because of a partial dispute concerning whether a claim was subject to a "bona fide dispute" as to amount, filing an involuntary petition can be a very risky proposition for creditors and may not further their efforts to collect a debt.

Procedural Background and Facts

TV Azteca, S.A.B. de C.V. is a Mexican incorporated mass media and television company that produces and distributes Spanish-language television content ("TV Azteca"). Pursuant to an indenture dated August 9, 2017 (the "Indenture"), TV Azteca issued \$400 million (the "Notes Issuance") in unsecured notes (the "Notes") to various noteholders (the "Noteholders"). The Bank of New York Mellon served as the indenture trustee (the "Indenture Trustee") for the Notes Issuance. Of TV Azteca's 50 direct and indirect subsidiaries, 34 acted as contractual guarantors under the Indenture (collectively, the "Guarantors"). Three of the Guarantors were organized in the United States, while the remainder were organized in Mexico, Peru, Hondu-

ras, Guatemala, and Spain.

Pursuant to Section 11.7 of the Indenture, the Indenture and the Notes were governed by New York law and provided that any suit, action or proceeding arising out of or relating to the Indenture (including the Notes guarantees) or the Notes may be filed in any court sitting in the state of New York or any United States court sitting, in each case, in the borough of Manhattan, New York, and any appellate court with jurisdiction thereof.

The Default Under the Indenture and the Notes

The Notes were scheduled to mature in 2024 and required TV Azteca to make semi-annual interest payments on August 9th and February 9th of each year at the rate of 8.25% per annum on the principal sum of \$400 million. TV Azteca made all required interest payments prior to February 9, 2021, but failed to make the interest payments on February 9, 2021, August 9, 2021, and February 9, 2022 (the “Defaulted Interest Payments”), and also on August 9, 2022, and February 9, 2023, respectively.

Following this default, several Noteholders made a demand on the Indenture Trustee to serve notices of acceleration of the Notes on TV Azteca. Thereafter, on May 3, 2022, a notice of acceleration was sent by certain beneficial owners of principal amounts of the Notes to TV Azteca and the Indenture Trustee (the “Holders Acceleration Notice”). In the Holders Acceleration Notice, the Noteholders cited to sections 6.1(a) and 6.2 (a) of the Indenture, which governed “Events of Default” and “Acceleration,” respectively, to “declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes to be due and payable immediately.”

On August 5, 2022, the Indenture Trustee issued a separate notice of acceleration on behalf of the Noteholders to TV Azteca (the “Trustee Acceleration Notice” and, together with the Holders Acceleration Notice, the “Acceleration Notices”). In the Trustee Acceleration Notice, the Indenture Trustee also cited to sections 6.1(a) and 6.2 (a) of the Indenture, demanding immediate payment of the unpaid principal of \$400 million, and accrued and unpaid interest on the Notes. On August 8, 2022, the Indenture Trustee issued an amendment to the Acceleration Notice, adding on an additional \$16.5 million owed as a redemption premium (the “Redemption Premium”).¹

The District Court Action

On August 26, 2022, the Indenture Trustee filed a Notice of Motion for Summary Judgment in Lieu of a Complaint (the “Summary Judgment Motion”) seeking \$469,783,272 in compensatory damages against TV Azteca in New York County Supreme Court, which was later removed, pursuant to a court order, to the U.S. District Court for the Southern District of New York (the “District Court”). Through the Summary Judgment Motion, the Indenture Trustee sought the payment of the principal, Redemption Premium, and accrued and unpaid interest due on the Notes and under the Indenture. Specifically, the Indenture Trustee requested: (i) payment of compensatory damages totaling the aggregate amount of accrued unpaid interest based on TV Azteca’s failure to make the Defaulted Interest Payments, the full amount of interest up to the date of the acceleration of the Notes on August 5, 2022, and the full amount of principal due under the Indenture, collectively totaling \$469,783,272.00; (ii) the Redemption Premium at a rate of 104.125% of the principal due under the Notes as of August 5, 2022, the date of the acceleration; and (iii) the prejudgment interest from the date of acceleration of the Notes at a rate of 8.250%, as provided for in the Indenture, as well as post-judgment interest at the New York State statutory interest rate of 9%. The Summary Judgment Motion argued that the failure to make interest payments constituted an event of default under the Indenture, and that TV Azteca should be required to immediately pay the full amounts due and owing on the Notes.

¹ The Redemption Premium, which is an amount added to the principal loan amount (plus the interest) in the event of a default, and designed to penalize the defaulting party and make the lender whole, consists of 104.125% of the principal amount due under the Notes as of the date of the Trustee Acceleration Notice.

On September 30, 2023, TV Azteca and the Guarantors filed a motion to compel the Indenture Trustee to file a complaint, in lieu of the Summary Judgment Motion, in the District Court (the "Motion to Compel"). The parties engaged in motion practice for the next several months in connection with the Motion to Compel, eventually resulting in the District Court's denial of the Motion to Compel on December 13, 2023.

The Involuntary Petitions (as defined herein) were filed on March 20, 2023, commencing chapter 11 bankruptcy proceedings for TV Azteca and the Guarantors in the Bankruptcy Court. On March 21, 2023, a Suggestion of Bankruptcy was filed by the Indenture Trustee in the District Court action, which stayed the District Court action.

Mexican Court Action

In parallel with the District Court Action, on July 8, 2022, TV Azteca filed a complaint (the "July 2022 Complaint") against certain Noteholders in the Ninth Civil Court of the Court of Justice for Mexico City (the "Mexican Court"). In response, on July 12, 2022, the Mexican Court issued a preliminary injunction, suspending the effects and consequences that could arise from the Acceleration Notices, and prohibiting the parties from pursuing any proceeding for the collection and/or payment of any amounts due under the Notes. The injunction was later amended to also include the Indenture Trustee, and subsequently extended to August 17, 2022, August 23, 2022, and May 17, 2023, respectively.

On September 22, 2022, TV Azteca filed another complaint in the Mexican Court against certain Noteholders (the "Complaint"), seeking further injunctive relief to prevent the holders of the Notes from enforcing any alleged obligation of TV Azteca and the Guarantors to pay any amounts due under the Notes, citing, among other things, the COVID-19 pandemic as a *force majeure* act under the Notes that rendered performance impossible for TV Azteca and the Guarantors.² In response, the Mexican court issued an *ex parte* injunction on September 27, 2022 (the "September 2022 Injunction"), prohibiting the Noteholders from enforcing TV Azteca and the Guarantors' payment of outstanding amounts under the Notes. On February 21, 2023, the Indenture Trustee was served with the July 2022 Complaint and the September 2022 Injunction. Thereafter, on May 15, 2023, the Indenture Trustee filed a motion to vacate the September 2022 Injunction, and on August 30, 2023, TV Azteca filed its opposition to the motion to vacate. This issue is currently being litigated before the Mexican Court.

Commencement of the Involuntary Bankruptcy Proceeding

On March 20, 2023, certain holders of the Notes, Plenisfer Investments SICAV – Destination Value Total Return ("Plenisfer"), Cyrus Opportunities Master Fund II, Ltd. ("Cyrus"), and Sandpiper Limited ("Sandpiper," and collectively with Plenisfer and Cyrus, the "Petitioning Creditors") filed involuntary Chapter 11 petitions (the "Involuntary Petitions" or the "Chapter 11 Cases") in the Bankruptcy Court against TV Azteca and the Guarantors (collectively, the "Putative Debtors").³

The Petitioning Creditors' declarations in support of the Involuntary Petitions outlined the total amounts of their claims based on their respective holdings of the Notes, as follows: (a) Plenisfer stated that it held claims in the aggregate principal amount of \$11,600,000; (b) Cyrus stated that it held claims in the aggregate principal amount of \$27,477,000; and (c) Sandpiper indicated that it held claims in the aggregate principal amount of \$24,238,000.⁴ Accordingly, taken in the aggregate, the amounts of the Petitioning Creditors' claims easily satisfied the aggregate claim amount requirement of section 303(b)(1) of the Bankruptcy Code.

² The Petitioning Creditors (as defined herein) allege that they were neither served with a copy of the July 2022 Complaint, nor the Mexican Court's order granting the September 2022 Injunction (as defined herein).

³ Upon the commencement of the Chapter 11 Cases, the District Court litigation was stayed and remains unresolved.

⁴ Significantly, in support of the Involuntary Chapter 11 Cases, the Petitioning Creditors only relied upon their debts for principal and interest that was due and owing and did not include their claim to the Redemption Premium.

The Petitioning Creditors asserted that the Bankruptcy Court had jurisdiction over the Putative Debtors' assets, wherever located, as the Indenture was governed by United States law and that certain Noteholders were from the United States. They also argued that prevailing case law supported how a Mexican court would recognize the U.S. bankruptcy proceedings, to the extent necessary, under the Mexican analog to chapter 15 of the Bankruptcy Code.

On March 27, 2023, the Petitioning Creditors filed a statement in support of the Involuntary Petitions and a motion for joint administration of the Chapter 11 cases. On April 11, 2023, the Court entered an order directing the joint administration of the Chapter 11 cases.

On April 25, 2023, the Putative Debtors filed a motion to dismiss (the "Motion to Dismiss"), asserting that the liability owed to the Petitioning Creditors was subject to a *bona fide* dispute as to the amount allegedly owed. The Putative Debtors also argued that the Involuntary Petitions should be dismissed for cause pursuant to Section 1112(b) of the Bankruptcy Code because they were filed as a "tactical maneuver" in connection with the dispute pending before the District Court. Third, the Putative Debtors argued that the Involuntary Petitions should be dismissed at the pleadings stage pursuant to Section 305(a)(1) of the Bankruptcy Code, because proceeding with the Chapter 11 cases in the United States would harm the Putative Debtors and their creditors. Finally, the Putative Debtors argued that the Involuntary Petitions should be dismissed on *forum non conveniens* grounds because Mexico is a necessary, and in fact, the only forum in which an in-court reorganization could be accomplished.

The Petitioning Creditors filed their opposition to the Motion to Dismiss on June 16, 2023. Following a hearing on the Motion to Dismiss, and in an effort to avoid further litigation and consensually resolve all of the underlying issues, the Petitioning Creditors and Putative Debtors stipulated to engage in mediation. The mediation lasted a total of sixty-seven days, but concluded without a settlement being reached.

The Court's Decision

On November 20, 2023, the Court issued a decision on the Motion to Dismiss, ruling that the Chapter 11 Cases must be dismissed because the Petitioning Creditors' claims were, in fact, subject to a *bona fide* dispute. Although the Court found that the Petitioning Creditors, through the Involuntary Petitions and supporting declarations, met their initial burden of establishing a *prima facie* case, the Court nevertheless found that the Putative Debtors also met their burden of demonstrating a *bona fide* dispute as to the amount of the Petitioning Creditors' claims. The Court agreed with the Putative Debtors that the pendency of the District Court Action alone is evidence that the Petitioning Creditors' claims are subject to a *bona fide* dispute. In the District Court Action, the Putative Debtors did not dispute that the entire principal amount plus two and a half years of unpaid interest was due and owing under the Notes, but they argued that the Redemption Premium was not due and owing. Therefore, the Court reasoned that whether the Redemption Premium was due and owing was clearly in dispute in the District Court Action. The Court further observed that, even though the portion of the Petitioning Creditors' claims related to unpaid principal and interest was undisputed, the pending litigation in the District Court over the *total* amount – inclusive of the Redemption Premium – owed under the Notes and Indenture was sufficient to create a *bona fide* dispute (despite the exclusion of the Redemption Premium from the Petitioning Creditors' claims asserted in the Involuntary Petitions and supporting declarations).

The Bankruptcy Court further noted that, although the Second Circuit Court of Appeals (the "Second Circuit") has not ruled as to whether a dispute over part of a claim constitutes a "*bona fide* dispute," other circuit courts have held that a partial dispute falls within the "*bona fide* dispute" defense, and the "vast majority of decisions by courts within the Second Circuit have followed this approach." The Bankruptcy Court emphasized that relevant Second Circuit case law holds that while pending litigation itself is insufficient to establish the existence of a *bona fide* dispute, the existence of pending litigation over the amount of a claim strongly suggests the presence of a *bona fide* dispute.

Having found the existence of a *bona fide* dispute, the Bankruptcy Court dismissed the Chapter 11 Cases. However, in so doing, the Bankruptcy Court did not reach any of the other grounds that the Putative Debtors had argued as reasons for dismissal, including *forum non conveniens* in favor of Mexico, as it wanted to avoid hamstringing “another judge...in the future by ruling on the three remaining arguments as to why the involuntary petitions should be dismissed.”

Conclusion

The TV Azteca decision adds to an increasing line of cases across the country that broadly interprets the *bona fide* dispute as to amount provision of Bankruptcy Code section 303(b)(1). As there was no binding Second Circuit precedent, the Bankruptcy Court followed the First, Fifth, and Ninth Circuits (the only three circuit courts to have decided the issue) in concluding that a creditor whose claim is the subject of a *bona fide* dispute as to the liability or amount – arguably, no matter how small a component of the claim – lacks standing to be a petitioning creditor under section 303(b)(1), even if a portion of their claim is undisputed. Accordingly, while commencing an involuntary bankruptcy remains a potentially effective means for a creditor to recover on account of its claim, it can be a risky proposition because, if taken to the logical extreme, a creditor would not be eligible as a petitioning creditor under section 303(b) if only one dollar of a creditor’s claim is disputed. As a result, creditors considering filing an involuntary petition should make sure to do their diligence as this uncertainty could expose them to material damages if the involuntary proceeding is determined to have been filed in bad faith.

About the Authors



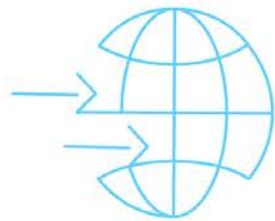
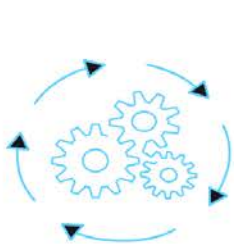
Eric Chafetz is a Partner, Bankruptcy & Restructuring Department at Lowenstein Sandler. He is a trusted advisor to creditors’ committees and individual trade creditors, debtors, and plan/liquidating trustees involved in complex Chapter 11 bankruptcies throughout the United States.

He advises clients across a wide range of industries on all aspects of the Chapter 11 process, from pre-filing negotiation and preparation of first day pleadings, including financing and sale documents; through the drafting and negotiation of plans of reorganization and all related ancillary documentation.



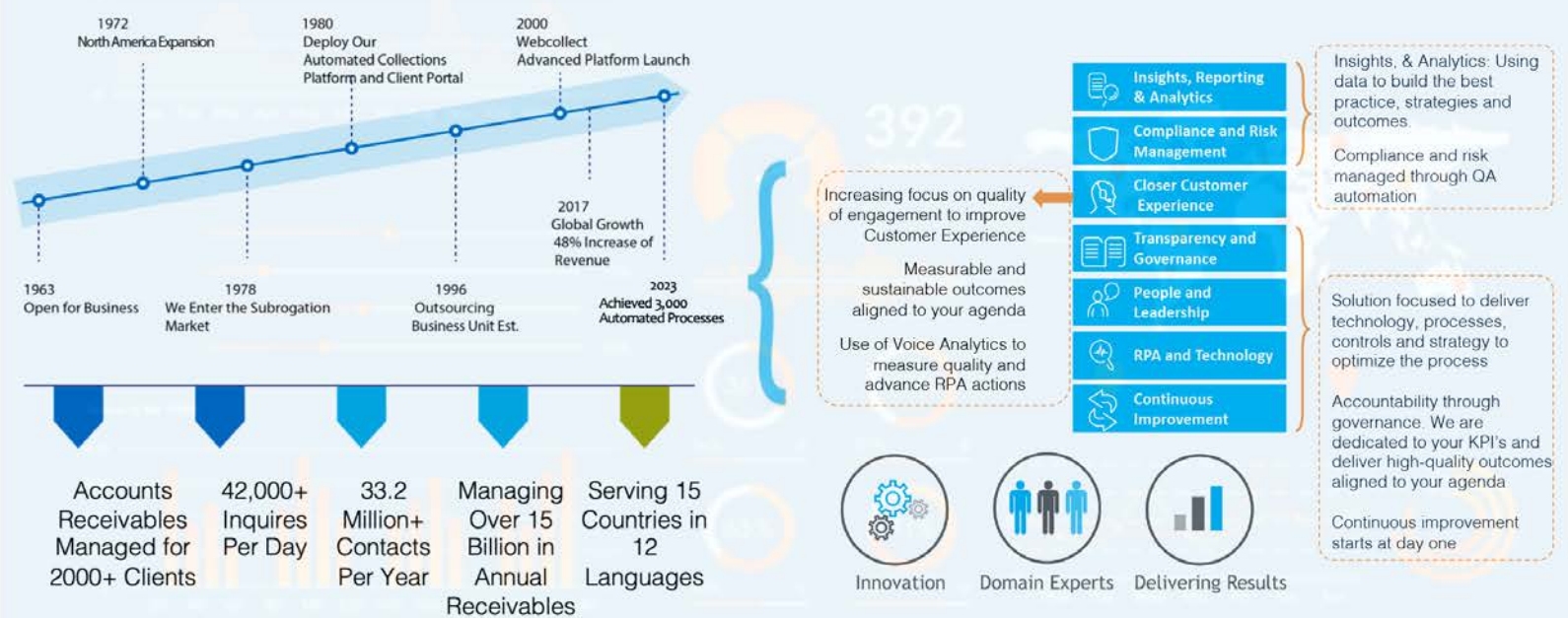
Lindsay Sklar, Counsel, Bankruptcy & Restructuring Department at Lowenstein Sandler, helps clients navigate financial restructurings with creative strategies designed for maximal recovery. She represents creditors’ committees, individual creditors, debtors, liquidating trustees, and other interested parties in complex Chapter 11 cases and related adversarial proceedings.

Lindsay’s Chapter 11 representations have included creditors’ committees for Proterra Inc, Vital Pharmaceuticals, Inc. (dba Bang Energy), Century 21, GNC, Maines Paper & Food Service, the Northwest Company, Fred’s Inc., and Murray Metallurgical Coal Holdings. She has also represented securities class action plaintiffs’ interests in several complex Chapter 11 cases such as Tricida, Inc., Athenex, Inc., Lannett Co., Inc., and Genesis Global Holdco, LLC.



Delivering the Power of Experts & Automation

Our Journey



Celebrating 60 Years of Credit to Cash Success

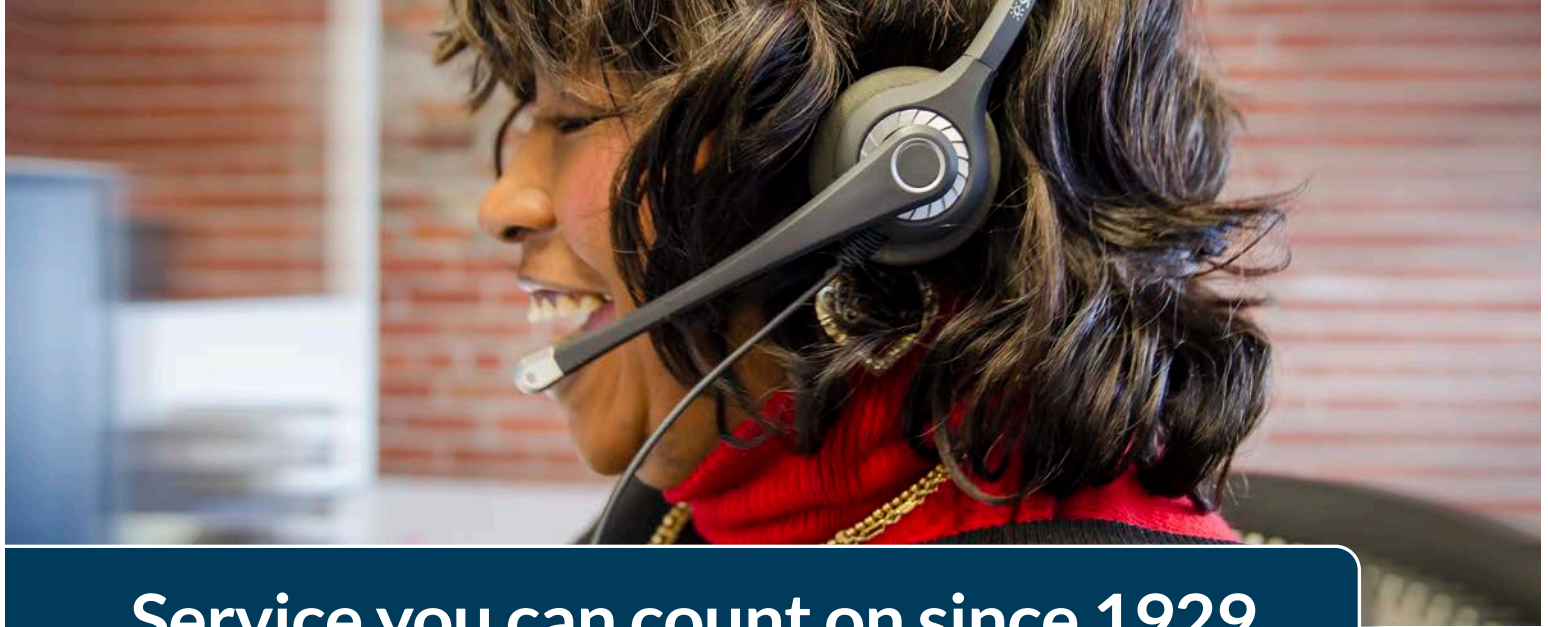
VWi delivers a highly effective set of Credit-to-Cash solutions through Managed Solutions. These solutions are designed to streamline financial processes while preserving existing business practices, which are elevated through technology enablement, expertise in transformation, and working capital optimization. VWi aims to transform companies through automated smart technologies and people enablement as a platform set of solutions from Credit to Cash.

Contact us today for an Expert Consultation for Credit to Cash, Deduction Management, Technology Enablement, 3rd Party Collections.

Outsourcing - Revenue Cycle Management - Healthcare Subrogation - 3rd Party Collections

www.vwinc.com

moreinfo@vwinc.com



Service you can count on since 1929.

When you work with ABC-Amega, you get highly-trained, certified debt collection experts who focus on maintaining your reputation and customer relationships. We'll work hard every day to earn your trust by making good on the promise of effective debt recovery.

THIRD-PARTY COMMERCIAL DEBT COLLECTION

- Cutting-edge Quality Management tools include Call Scoring & Speech Analytics
- Award-winning International Collections
- Accomplished Global Attorney Network

EDUCATIONAL RESOURCES

- Monthly E-newsletter
- Free & On-demand Webinars with Expert Presenters
- Content Library on all areas of Collections and Credit Risk Management

FIRST-PARTY ACCOUNTS RECEIVABLE MANAGEMENT

- Customized, White Label Account Treatment
- Short- and Long-term Projects Managed to Exceed SLA Requirements
- Data-driven Account Intelligence & Reporting

CREDIT SERVICES

- Credit Group Management since 1965
- Credit Interchange Portal
- Bankruptcy & Risk Assessment Services



800.732.0206 | INFO@ABC-AMEGA.COM | ABC-AMEGA.COM

ABC-Amega is proudly certified by the CLLA/IACC and the CCA of A and is a CRF Platinum Partner.

Hopping on the Generative AI Train: A Strategic Blueprint for Finance

By: Chad Bruffey, Senior Director, Enterprise Sales, Billtrust

The finance sector is on the brink of a major change, driven by the rise of Generative AI. In fact, according to a recent Billtrust report, 65% of CFOs are already integrating the technology into various aspects of their financial processes. As adoption accelerates and AI continues to advance, it becomes crucial for financial teams to not only embrace this technology, but to do so with a clear understanding of its potential impact and strategic value.

This involves a deep dive into its applications, recognizing the benefits it offers, and navigating the complexities it presents. By addressing these aspects, finance teams can harness Generative AI's power effectively, ensuring it serves as a catalyst for enhanced efficiency, innovation, and competitive advantage in the dynamic landscape of financial management.

The Current Landscape: Adoption vs. Understanding

The rapid adoption of Generative AI is part of a larger shift towards digitization in finance. And while the adoption of this technology is promising, it appears there's a noticeable disconnect at hand. Less than half of leaders report having a comprehensive understanding of Generative AI, underscoring a significant knowledge gap. To add to this, one third of finance leaders admit they believe that achieving Generative AI's full implementation may be a task for the next generation of finance leaders.

These findings underscore the need for educational initiatives that bridge this gap, ensuring that finance professionals are not only equipped with the latest tools, but also possess a comprehensive understanding of how to use these tools effectively within their financial operations. Addressing this need is essential for realizing the full strategic value of Generative AI in transforming finance operations. Just as the finance world navigated the complexities of EDI decades ago by eventually overcoming high initial costs, standardization issues, and security concerns through education and adaptation, the same path lies ahead for Generative AI.

The integration of AI into finance is not just a technical upgrade, but a strategic shift that requires a deep understanding of both the potential benefits and the complexities involved. Addressing this educational need is not only essential for harnessing the full capabilities of Generative AI, but also for paving the way for its future innovations and applications in finance. And with 77% of CFOs saying that their organization is likely to increase their investment in it for financial operations in the next 6-12 months, the time to formulate a deep understanding of the technology is now.

Unlocking Strategic Value: Efficiency and Beyond

So where along the spectrum of financial processes is Generative AI being used? A notable 76% of finance leaders report that they are using it for financial transaction processing, highlighting its pivotal role in the pursuit of faster payments.

Additionally 65% are harnessing Generative AI's predictive analytics to foresee and mitigate financial risks, something that continues to rise in importance as the threat landscape evolves. Furthermore, 59% of finance experts utilize Generative AI in financial reporting and analytics, providing more visibility into end-to-end processes and facilitating a deeper, more precise understanding of financial health, aiding in strategic decision-making.

The application of Generative AI extends to enhancing accounts receivable and collections for 44% of professionals and optimizing expense and deductions management for 39%, demonstrating its versatility

Join the leading gathering of AR professionals who are moving finance forward.

April 23-25, 2024

Arizona Grand Resort and Spa
Phoenix, Arizona

What you can expect from Billtrust Insight



Prominent connections

- Attend sessions by top speakers in the finance function
- Network with senior finance executives and professionals
- Engage in executive briefings



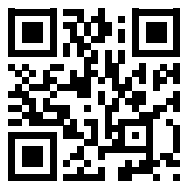
Up-close education

- Network with senior finance executives and professionals
- Attend expert-led product demos
- Gain insights into the Billtrust product roadmap



Solution discovery

- Discover AR best practices for your industry
- Connect with experts on payments
- Receive exclusive industry reports



Register now at insight.billtrust.com.

© 2024 BTRS Holdings Inc. dba Billtrust. All rights reserved. Billtrust and the Billtrust Logo are registered trademarks of Billtrust.

INS-2024-OP1-v1

and strategic value. By automating these areas, Generative AI not only accelerates cash flow and identifies cost-saving opportunities, but also contributes to a more streamlined, efficient financial operation. As the adoption of Generative AI continues to grow, its potential to transform the financial sector becomes increasingly apparent, promising a future of more insightful, efficient, and innovative financial management.

Navigating the AI Integration Maze

Integrating Generative AI into financial operations presents its own set of challenges. Top concerns include ensuring data privacy and security, smoothly integrating AI into existing systems, and bridging the knowledge gap among finance professionals. These obstacles underscore the need for a nuanced approach that not only prioritizes technological innovation, but also safeguards sensitive financial data against potential breaches.

To successfully navigate these challenges, a multi-faceted strategy is imperative. Education plays a critical role in demystifying Generative AI for finance teams, ensuring they understand both its potential benefits and its limitations. Alongside education, meticulous planning is essential to seamlessly incorporate AI technologies into current financial systems without disrupting existing workflows. Moreover, fostering a culture of innovation within financial teams can encourage adaptive thinking and creative problem-solving, key components for leveraging Generative AI's full capabilities.

The good news is that the finance space has a history of overcoming the hurdles accompanying new technologies. More than likely, this time won't be any different. As technological innovation meets organizational adaptation, the months ahead will provide a fascinating view into the new era of finance -- an era marked by greater efficiency, visibility, and precision.

About the Author



Chad Bruffey is Senior Director, Enterprise Sales at Billtrust. His focus is helping organizations drive value through automation, optimization and standardization. Before Billtrust, he had senior-level positions with C2FO, Tungsten Network (formerly OB10), Verian and Kofax.

**INTEGRITY PLUS EXPERIENCE**

GLOBAL COMMERCIAL DEBT COLLECTIONS

Since 1981 Jonathan Neil & Associates has been one of the most respected names in our industry with a proven record of performance exceeding industry standards. Our state-of-the-art technology coupled with a highly-tenured staff of Certified Collection Specialists and customized collection programs make JNA the logical choice for your collection needs.

- **3rd Party Collections**
- **Account Receivable Management**
- **Outsourcing**
- **Assets Searches**
- **Legal Services**
- **Custom Letter Writing**

Offices Nationwide to Service Your Needs

**Certified and Endorsed By:**

Expand Safely with International Credit Reports

By: Kyle Matthies, Director of Product Management, Experian Business Information Services

Enjoy this “Digital Article” powered by Experian!

In our increasingly interconnected world, understanding the nuances of international risk is vital for businesses looking to expand their horizons. In this 15-minute Sip and Solve talk, Kyle Matthies, Director of Product Management, shares his take on effective risk mitigation when expanding into foreign markets.

We talk about:

- **Defining International Data:** Unraveling what international data entails and its significance in global business.
- **Components of Business Credit Reports:** Understanding the elements that make up comprehensive business credit reports in an international context.
- **International Data Challenges:** Exploring the hurdles and complexities in gathering and interpreting global credit data.
- **Language Barriers:** Addressing the impact of linguistic diversity on data analysis and decision-making.
- **Assumptions Domestic Credit Managers Make:** Debunking common misconceptions held by domestic credit managers when dealing with international data.

To access the full presentation, [CLICK HERE](#)



AGA HELPS BUSINESSES RECOVER THE MAXIMUM AMOUNT OF MONEY IN THE MINIMUM AMOUNT OF TIME.

And we do it while protecting your customer relationships
and keeping you in the loop every step of the way.



WHAT DOES IT REALLY TAKE TO **BRING IT IN?** THREE THINGS:

1

SHARPER SKILLS

To get better results, you have to work with professionals who show greater levels of emotional intelligence, training, and experience than you normally see in this industry.

2

HIGHER STANDARDS

To protect your customer relationships, you've got to have a proven repeatable process for ensuring that every customer is treated with the utmost respect every time.

3

SMARTER SYSTEMS

To keep on top of all this, it takes a platform that provides real-time visibility into the status of every account, every action taken, and every payment received.

Everyone Needs a Credit Hero

*It's up to you to
answer the call.*



**The industry's only full-service provider,
from UCC filings and Mechanic's Liens to
Commercial Collections — all under one roof.**

Minimize credit risk. Maximize profitability.

We do what it takes to get you paid.

- ✓ **We have the know-how:** Knowledge, experience and expertise, coupled with the latest technology.
- ✓ **We develop tailored solutions:** Streamlining intricate processes from protection to collection.
- ✓ **We are your credit ally:** Real people who mentor and manage the process.

Get back to running your business. Let our credit experts take on the complexities.

Balancing the Impacts of Insolvencies: Why Visibility Over Payment Behaviours and Trends is Critical

By: Danny Wheeler, AR Solutions Marketing, BlackLine

US bankruptcy filings surged by 18% last year, according to [data from bankruptcy data provider Epiq AAC-ER](#). Higher interest rates, rising material costs and historically high levels of household debt contributed to a challenging year for many businesses. While some types of companies have fared better than others, the reality is that insolvencies can have a domino effect, impacting the flow of cash across sectors.

For instance, in the UK, recent statistics from the Insolvency Service paint a concerning picture for the [construction industry](#): in November of last year alone, construction firms accounted for 17% of all insolvencies in England and Wales. With 4,370 construction firms becoming insolvent, the field is facing significant challenges. Bad news for construction, but what does this mean for companies in interconnecting industries, or other parts of the sector?

Take [manufacturing](#) as an example. Manufacturers are integral parts of supply chains that span various industries, including construction. When an industry like construction experiences financial turmoil, the effects reverberate throughout the entire chain – from manufacturers to transport and logistics companies, all the way to retailers. Similarly, if a retailer fails, the logistics company may incur bad debt, affecting its ability to pay the manufacturer.

Any disruption along this chain can have cascading effects and these instances emphasize the need for enhanced financial resilience across the board.

Identifying Warning Signs

Proactive risk management and contingency planning are essential for businesses to navigate turbulent economic waters successfully. When facing the possibility of a customer – or even one of your customers' clients – heading for insolvency, businesses can take proactive steps to mitigate risks.

One of these is closely monitoring the customer's payment behaviors and other financial health indicators. Early detection of warning signs, such as delayed payments or erratic purchasing patterns, is critical and can prompt businesses to reassess credit terms or adjust inventory levels accordingly.

In the complex web of supply chains though, detecting warning signs or red flags manually is a daunting task. Customer payment behaviors may subtly change over time. An organization that used to pay on day 30, may start paying on day 32 and then day 33. They could then make an unexpected change to their payment method. These nuances can easily go unnoticed amidst a large volume of transactions – particularly if you have a small team that only has the capacity to look at whether an invoice has been paid or not.

This is why traditionally, businesses have been forced into a reactive approach, only addressing issues after they escalate. BlackLine's recent research revealed this as a common issue for finance and accounting professionals: manual processes consume excessive amounts of time, leaving no room for the bigger picture.

Almost two-thirds (64%) of respondents to our recent survey stressed that the overwhelming volume of manual day-to-day work leaves little or no time for proper planning and analysis. At the same time, more than two-thirds (68%) stated that manual work leaves their organization vulnerable to errors that could undermine business decision-making.

The Helping Hand of Technology

Fortunately, a digital platform can revolutionize this process by [automatically analysing payment behaviours and trends](#). Using software for the manual data crunching means people can focus on what they're good at: evaluating and understanding discrepancies and trends, and using these insights for strategic decision-making.

With today's machine learning capabilities, businesses can gain unparalleled visibility into their full invoice-to-cash process. This helps organizations to easily see gaps between their cash forecasts and actuals and, importantly, understand why these gaps exist. The more data you feed into your model, the more accurate your forecasts become, which not only enhances preparedness for economic downturns, but also fosters agility in responding to market fluctuations.

What's more, looking forward, technology and the capabilities it offers will only improve. In fact, the vast majority of C-suite and F&A leaders believe that advances in cloud computing (80%), generative AI (78%) and new kinds of AI (76%) will be essential for improving business resiliency in the face of future disruption.

Many people are optimistic about the potential for [AI-driven models to offer unparalleled analysis](#) of vast historical datasets and to generate forward-looking, predictive, and actionable insights. For example, better AI models could help organizations predict with near-complete accuracy when all their payments are going to come in. Accurate predictions around shortfall would help businesses understand when they genuinely need to borrow money, which of course comes at a cost.

Similarly, generative AI, while subject to a lot of hype, also has the potential to speed up analysis and decision-making. The beauty of generative AI is that you don't need to be an expert coder to use it - it gives users the ability to query data in natural language. Think how much faster it would be to feed an AI model a huge financial data set and ask it simple prompts to show you the trends you need.

Proactive Measures for Resilience

The volatility in industries like construction underscores the importance of financial resilience across supply chains. Manufacturers, as integral components of these chains, must prioritize visibility and preparedness to mitigate risks effectively.

By leveraging technology-driven solutions like digital platforms and AI-driven analytics, businesses can enhance their financial resilience and thrive in an ever-changing landscape. Now more than ever, proactive financial management is the key to navigating economic instability with confidence. [BlackLine's Consolidation & Financial Analytics](#) tool can elevate efficiency, control, and transparency across your F&A processes.

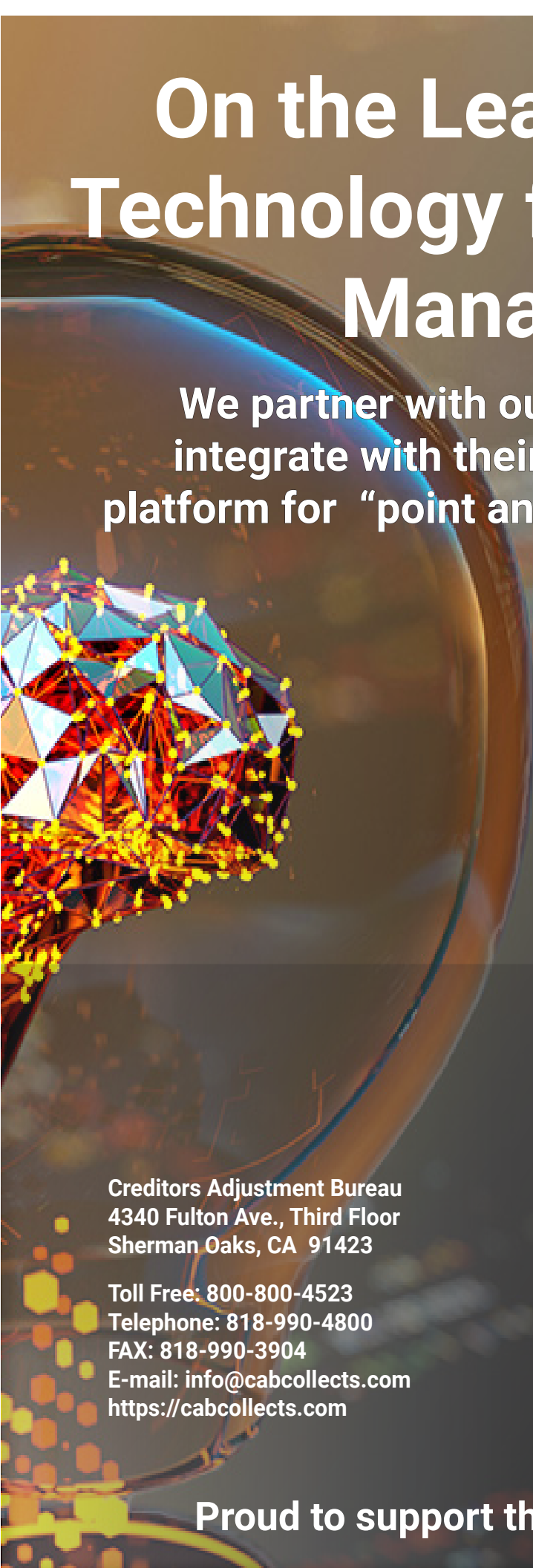
About the Author



Danny Wheeler is an accomplished technology professional with over 15 years of experience in product management, business analysis, and project management within the financial automation space. With a background in Accounts Receivable, he is currently the Solutions Strategy and Marketing Manager for Accounts Receivable Automation at BlackLine, a leading financial automation software company.

On the Leading Edge of Technology for Receivables Management

We partner with our clients to seamlessly integrate with their AI/AR collection cloud platform for “point and click” transfer at no cost.



CAB

Creditors Adjustment Bureau

YOUR FIRM OF CHOICE FOR:

- ***3rd Party Commercial Collections***
- ***In-house Attorney Representation***
- ***1st Party Receivables Management***
- ***Library of Education for Your Continued Success***

Creditors Adjustment Bureau
4340 Fulton Ave., Third Floor
Sherman Oaks, CA 91423

Toll Free: 800-800-4523
Telephone: 818-990-4800
FAX: 818-990-3904
E-mail: info@cabcollects.com
<https://cabcollects.com>

Proud to support the Credit Research Foundation!

Certification Counts!

That is why ALL of our members are certified for your protection.

Commercial Collection Agencies of America is the **ONLY** collection industry association in which ALL agency members are certified!

- Qualify for a **Certificate of Accreditation and Compliance** granted by an Independent Standards Board
- Practice professionally to **maximum dollar recovery**
- Adhere to a **strict Code of Ethics**
- Carry a minimum of **\$300,000 surety bond coverage**
- Operate in business for a minimum of **four (4) years**
- Maintain separate trust accounts for collected funds
- Fulfill **continuing education** annually
- Promptly remit funds
- Engage a vetted field of **creditors' rights attorneys** if necessary
- Submit to a **financial and procedural review** to ensure ongoing adherence to requirements
- Certify individual collectors through **Commercial Collection Training Institute**



For additional benefits and to learn more, please visit us at
www.commercialcollectionagenciesofamerica.com/member-directory/agency-members

Is Trade Credit Reporting Ready for a Fintech Revolution?

By: Rich Ferrera, CCE

I believe that Trade credit reporting is ready for a Fintech Revolution using new modern technology and new alternative data developed in the Fintech space. I also think this will be accelerated by AI/ML. In this article, I will explain why I think this is so and ask for your thoughts and reactions.

To explain my thinking, let us start with what Fintech means and then elaborate on some of the issues faced by the existing credit reporting data model. Although there is not a universal definition for the term "Fintech," I like how Forbes Advisor (<https://www.forbes.com/advisor/banking/what-is-fintech/>) describes it:

"Fintech is ... a catch-all term for technology used to augment, streamline, digitize or disrupt traditional financial services."

As we all know from our experiences as consumers, Fintech is revolutionizing the banking and financial services industries. After 45 years in the commercial trade credit reporting industry, I have been observing this Fintech revolution and evaluating the technology and data sources in terms of how they can be used to revolutionize commercial credit evaluation and management and disrupt the commercial credit reporting industry.

While at Dun & Bradstreet in the 80s and 90s, I led efforts to modernize the commercial credit reporting industry by collecting computerized data sets from both private and public sources. Prior to these modernization efforts, the primary source of data for a commercial credit report was collected directly from the subject of the report in that the agency needed to visit or call the business and ask for firmographic/foundational and financial data and credit and bank references that were then called to obtain 3rd party credit references. As the credit reporting agencies transitioned to collecting data sets from electronic computerized 3rd Party sources, they collected less data directly from the report subject business.

The industry now uses mostly 3rd party data. The data supply chain process involves collecting, matching, transforming, and validating the data. By the time it is available in a credit report, the data is already dated, and the agencies only include input reported by the subject company when a need arises to manually investigate a company, often because of a complaint or request to do so by a customer or the subject company itself.

These current big data curating efforts are not easy, but despite not being perfect, they still provide value. While most companies seeking commercial trade credit are legitimate businesses that are unlikely to fail anytime soon and willing to pay obligations within terms, identifying the risky companies is important, and the agencies need to collect and maintain huge amounts of data on hundreds of millions of commercial credit-seeking companies to identify the small percentage that are frauds, slow payers, and potential bad debt write-offs. Despite these strenuous efforts by the credit reporting services, their customers are often frustrated by a lack in record coverage and thin data for those records that do exist, especially on small businesses. As a result, customers must often find other ways to get data for credit decisions, such as looking at consumer data or simply searching the web.

No agency or business data provider can keep up with the Internet regarding data freshness or match the completeness of self-reported data. When agency data is out of sync with a subject's self-reported or public data on the Internet, customers doubt the veracity of non-open data (trade payments, scores) even if the competitive data is also wrong.

Traditional big data electronic collection methods often result in voluminous data on some credit-seeking companies and not enough on others. The credit reporting agencies' customers are often frustrated by record and data coverage and price increases and will become more so as data controls prevent the collection of data (e.g., EU GDPR and CA CCPA).

On the other side of the credit relationship, the credit-seeking companies get frustrated when they are denied credit for incorrect or missing information, and the agencies then try to sell products to the credit seeker to have them update or input additional data to their own reports. This is often unsuccessful because of data controls and restrictions on accessing data. In some circumstances, credit-seekers have been deceived when purchasing these products (www.ftc.gov/business-guidance/blog/2022/01/ftc-says-dun-bradstreet-deceived-small-businesses-about-services-and-pricing).

In 2016, while at D&B, I co-authored an article, published with CRF, titled "*Social Media & Credit Decisioning Analyses by a leading trade credit services provider*". Following the publication of this article, it became apparent that alternative data, such as social media sentiment data and influencer scores, did not live up to its expected value and were difficult to implement within existing credit reporting reports and scores.

While evaluating alternative data, I began to research new online lenders like Ondeck and learned about the alternative Fintech technology that these online vendors use to collect traditional credit data. I learned that this fintech technology, which includes using Application Programming Interfaces (APIs) and Robotic Process Automation (RPA), is enabling new industry players to fill many of the voids in the exiting big data curation process, especially in the small business space. These Fintech companies collect bank and payment data by asking credit seeking companies for permission to access account data to determine/review cashflow and creditworthiness.

This user-permissioned bank and payment data is derived from the same sources used by the credit reporting companies but is collected in real-time and has the potential to solve the thin record issue that all of the credit reporting companies face. Other Fintech-like companies are developing platforms that can be used to evaluate a company's overall health by using more detailed permissioned data. These alternative data providers have figured out and have addressed security issues with appropriate controls, are FCRA compliant, and are developing processing to deal with Multi Factor Authentication (MFA.)

A longtime colleague of mine, Dave Schmidt, the Managing Director of A2 Resources (a2resources.com), and I have compiled a list of over 100 companies that provide data and software to help their customers manage business information for use cases including extending trade credit, evaluating supplier risk, KYC/KYB and complying with regulatory requirements. This list includes the big data-reliant traditional data provider companies, including the commercial credit agencies, but also new companies that are using Fintech technology as an alternative way to collect traditional commercial credit data and new overall financial health data.

Here are just a few examples of the companies using new Fintech technology to collect traditional commercial credit data and overall financial health:

- Nectarine (www.nectarinecredit.com) is a new online credit application that uses new modern technology to capture data directly from the credit-seeking company and 3rd party sources and provides workflow and decision-making tools.
- Middesk (www.middesk.com) helps companies across the US verify their commercial customers, including direct access to public sources such as corporate charter details and UCC financing statements.
- DecisionLogic (www.decisionlogic.com) has access to 50,000 financial institutions worldwide and can provide bank data in almost real-time to lenders for verification and credit decision making.
- ecredable.com (ecredable.com) currently connects to over 2,000 utility companies and collects verified payment references on behalf of companies that want to improve the data in their commercial credit reports, which data is sent to the credit reporting companies. This capability could be duplicated to connect to grantors of commercial credit and create trade credit references.
- upSwot (upswot.com) has developed a platform that can be used by lenders to create a detailed overall picture of a business's performance by accessing data from 200+ business applications.

By combining the capabilities developed by companies like these and making additional enhancements to find open data with AI/ML, it appears feasible to create customized credit reports, structured in accordance with the needs of the credit grantor, that would rival, if not surpass, the quality of existing commercial credit reports and

at a lower cost with nearly real-time data.

As Dave Schmidt and I continue to monitor the development of these capabilities, we will be watching the industry for answers to the following questions:

1. Will the existing credit reporting companies see the need to supplement their existing data processes with self-reported data, or will they see the capabilities as an existential threat to the large investments they have in big data sets?
2. If the existing credit reporting companies see the need to supplement their existing data processes with self-reported data, will they make the necessary long-term financial investments needed or will they focus on short-term performance from the existing data models?
3. If the large credit reporting companies don't leverage this technology, will a VC address the opportunity investing in the emerging technology to address the issues and provide better quality data at a lesser cost?

As experienced credit professionals who use the services of the traditional credit reporting companies, I welcome any questions or comments that you may have.

About the Author



Rich Ferrera is CRF contributor and a lifetime NACM Certified Credit Executive and had a 40 plus year career with Dun & Bradstreet with leadership positions in data and product implementation. Rich is currently consulting with commercial credit information providers and helping investors, lenders and consultants better understand the commercial data management space. Rich can be reached at Ferreraconsultingllc@gmail.com or 610.417.4129.

Commercial Law League of America Certified Agencies



Final Notice
Just Ahead



CERTIFIED BY CLLA
ENDORSED BY IACC

When You Need Help With Commercial Debt Collection, CLLA Certified Agencies Deliver:

- Maximum dollar recovery
- Prompt remittance of funds
- Adherence to rigorous Code of Ethics
- Mandatory Surety Bond protection
- Separate trust accounts
- Reputable collection practices
- Agency stability
- Audited annually by an independent third-party CPA firm
- Mandatory continuing education for agency executives
- In business for a minimum of four years
- Endorsed by the International Association of Commercial Collectors (IACC)

The Original Commercial Collection Agency Certification Program

Since 1975, the Commercial Law League of America (CLLA) has been certifying commercial collection agencies who have earned the right to be recognized as industry experts. CLLA certification is a voluntary, in-depth examination process that requires agencies seeking certification to meet or exceed standard financial guidelines. Only agencies with the highest standards earn the CLLA certification.

Look for the CLLA Certification Seal.

To find a CLLA Certified Agency near you visit www.clla.org/list-of-certified-agencies/

Establishing a Corporate Accounts Receivable Deduction Policy and Securing Management Buy-In

Kristen Metzger, CEO Smyyth, co-founder Carixa

Introduction

Accounts receivable (AR) deductions can pose significant business challenges, impacting cash flow, profitability, and customer relationships. Establishing a robust corporate accounts receivable deduction policy is crucial to effectively managing and mitigating these challenges. However, implementing such a policy requires the buy-in and support of management across various departments. This article outlines the steps to create a comprehensive AR deduction policy and strategies to obtain management support.

A written corporate Accounts Receivable Deduction Policy is needed to avoid problems with customers who take deductions without providing proof of their validity and sinking your profits as a result. The policy must be clear, and consistent policy enforcement is important.

Depending on the type of deduction, customer error rates can exceed 10%. Consequently, they must be properly researched, charged back to the customer if invalid, and followed through to successfully recover the *monies rightfully owed to you*. Managing high volumes of deductions also requires [automated deduction software](#) that reconciles and identifies invalid A/R deductions. Timeliness of processing is key to solving them before they age out and end up as write-offs.

Step 1 – Assessing Current Processes and Challenges:

Before crafting a new policy, assessing the existing processes and identifying the challenges associated with accounts receivable deductions is essential. This assessment may involve analyzing historical data, conducting interviews with relevant stakeholders, and reviewing current policies and procedures. Common challenges may include inconsistent deduction handling, lack of documentation, and ineffective communication between departments.

Step 2 – Establishing Clear Guidelines and Procedures:

Develop clear guidelines and procedures for handling accounts receivable deductions based on the assessment. These guidelines should outline acceptable reasons for deductions, documentation requirements, escalation procedures, and resolution timelines. Additionally, key performance indicators (KPIs) to measure the effectiveness of the policy, such as deduction resolution time and reduction in write-offs, must be established.

Step 3 – Securing Management Buy-In:

Obtaining management buy-in is critical for successfully implementing the AR deduction policy. To secure buy-in, follow these strategies:

- A. Demonstrate the Impact:** Present data and metrics illustrating the financial impact of unresolved deductions on cash flow, profitability, and customer satisfaction. Highlighting the potential cost savings and revenue recovery opportunities can help management understand the importance of implementing a dedicated policy.

A big issue is that few companies have good visibility into the actual revenue and profit leakage resulting from excessive deductions. In larger companies, the losses will be in the millions of dollars, but because they are charged off in many expense categories, top management may not have a

clear view of the impact. Bringing these costs into the sunlight is necessary to get true commitment and buy-in from the top.

- B. Align with Organizational Goals:** Emphasize how an effective AR deduction policy aligns with the company's overall strategic objectives, such as improving operational efficiency, enhancing customer relationships, and optimizing financial performance. Showcasing the policy's alignment with broader organizational goals can garner support from senior management.
- C. Involve Key Stakeholders:** Engage key stakeholders from various departments, including finance, sales, customer service, and operations, in the policy development process. Solicit their input, address their concerns, and emphasize the collaborative nature of the initiative. Involving stakeholders early on increases the likelihood of gaining their support and cooperation.
- D. Provide Training and Resources:** Offer training sessions and educational materials to ensure that employees understand the importance of the AR deduction policy and know how to adhere to its guidelines. Providing access to resources such as templates, tools, and support channels can empower employees to implement the policy effectively in their day-to-day activities.
- E. Highlight Risks of Inaction:** Clearly articulate the risks associated with maintaining the status quo, such as increased bad debt exposure, regulatory non-compliance, and damage to the company's reputation. Illustrating the potential consequences of inaction can compel management to prioritize the implementation of the AR deduction policy.

Step 4 – Suggested General Policy Statements:

A. Documentation and Validation:

Policy Statement: All deductions must be supported by proper documentation and validated before acceptance. Documentation requirements include invoices, proof of delivery, credit memos, and any other relevant supporting documents. Validation procedures must ensure deductions comply with agreed-upon terms, contractual agreements, and company policies.

B. Timely Resolution and Dispute Management:

Policy Statement: Deduction resolution processes should be initiated promptly upon receipt, with the goal of timely resolution and dispute management. Disputed deductions must be escalated to the appropriate authority for review and resolution within [insert timeframe] days. Communication with customers regarding deduction status and resolution efforts should be consistent and transparent. Deductions not submitted within X days of the occasion will be rejected.

C. Authorization and Approval:

Policy Statement: All deductions require proper authorization and approval in accordance with established delegation of authority guidelines. Authorization procedures should include verifying supporting documentation, assessing validity, and confirming compliance with company policies and contractual agreements. Approval processes must be documented and auditable.

D. Monitoring and Reporting:

Policy Statement: Regular monitoring and reporting of deduction activity are essential to identify trends, patterns, and areas for improvement. Key performance indicators (KPIs) should be established to track deduction resolution time, write-off rates, dispute resolution outcomes, and customer satisfaction levels. Management reporting should be conducted periodically to provide visibility into deduction-related metrics and trends.

E. Continuous Review:

Policy Statement: The accounts receivable deduction policy will be regularly reviewed and evaluated to ensure its effectiveness and alignment with business objectives. Feedback from stakeholders, including customers, sales representatives, and internal departments, will be solicited to identify process improvement and policy enhancement opportunities. Continuous improvement initiatives will be implemented to address identified gaps and optimize deduction management practices.

By incorporating these types of deductions and suggested policy statements into the accounts receivable deduction policy, organizations can establish clear guidelines and procedures for effectively managing deductions and mitigating associated risks.

Step 5 – Deduction Policy Examples – How to Explain the Policy to Customers

Explain the Deduction Review Policy

- Deductions without backup documentation provided within 90 days will be considered invalid and billed back.
- Our investigation typically requires 90 days to complete.
- If a deduction is deemed invalid following our investigation, it will be billed back with an explanation.
- Repayment for invalid deductions is due within 30 days of our chargeback letter.
- Unpaid chargebacks will be considered in our credit and product allocation decisions.

- A. **Unearned Discounts:** Deductions taken by customers for discounts that were not agreed upon or earned based on terms of sale.

Policy Statement: Customers' claims of unearned discounts must be substantiated with documented evidence of agreement or qualification as per the terms of sale. All such deductions require approval from the appropriate authority before being accepted.

- B. **Short Payments:** Instances where customers remit less than the invoiced amount without explanation or authorization.

Policy Statement: Any customer short payments must be promptly investigated to determine the reason. Customers should be contacted for clarification or resolution. Short payments without valid explanation or authorization must be disputed within thirty days of receipt.

- C. **Returns Chargebacks:** Returns debit memos will be reconciled to our returns credit memo, and the customer will be charged back for any excessive deductions. Returns are subject to verification and chargeback based on the following criteria:

- Compliance with Returned Merchandise Authorizations (RMA).
- Correct SKU, NDC, Lot #s, Dates, etc.
- Correct pricing and quantities.
- Other vendors' products will be destroyed, not sent back, and not credited.

- D. **Compliance, Pricing, and Allowance Deductions:** Deductions related to purchase order compliance, pricing errors, allowances, etc., will be considered upon receiving backup documentation, including invoice and purchase order copies detailing the specific reasons for each deduction.

- E. **Process and Shipping Discrepancies:** Deductions related to discrepancies in shipping and handling, including late deliveries, incorrect freight charges, or unauthorized returns.

Policy Statement: All shipping and handling deductions must be accompanied by supporting documentation, such as shipping manifests, invoices, and proof of delivery. Any discrepancies should be promptly investigated, and corrective actions implemented to prevent recurrence. Authorization for returns and freight charges adjustments should be obtained per established procedures. We will consider deductions for quantity, quality, or transportation claims upon meeting the following requirements and providing appropriate proof:

- Delivery-window violations backed up with PO specifications and signed Proof of Delivery (POD).
- Invoice copies and documents detailing the specific reasons for each claim.
- For shortage or damage claims, provide a detailed itemization (SKUs) of the affected items.
- For shipping-related claims, a signed bill of lading (BOL) or POD noting the discrepancy on the bill of lading or freight bill while the delivery driver is still present.
- Time Limitations: All shipping claims must be submitted within sixty (60) days of delivery (or non-delivery) for investigation and carrier claims filing.

- F. **Promotional Allowances and Rebates:** Deductions taken by customers for promotional allowances, rebates, or marketing funds agreed upon as part of sales promotions or contractual agreements.

Policy Statement: Promotional allowances, rebates, and marketing funds must be documented and approved in accordance with established agreements or contracts. All deductions related to promotional allowances and rebates require validation against contractual terms and compliance with agreed-upon timelines for submission and processing.

We accept deductions for trade performance allowances under the following conditions:

- The deduction is for a previously approved promotion.
- Detailed backup documents outlining the reasons for each deduction must be provided for our review and approval.
- Before proceeding with a deduction, please ensure it complies with the terms outlined in the deal sheet.
- The backup should include a signed deal sheet and specific proof of performance, such as an ad copy, billback/scan back data, etc.

- G. **Deductions Not Allowed:** Certain deduction types are not permitted and will be charged back, including:

- Cash discounts on overdue invoices.
- Anticipated deductions for invoices paid before the due date.
- Promotional deductions outside specified deal parameters.
- Customer warehouse-related processing or expense fees.
- Returns without approved RMAs or exceeding approved amounts.
- Duplicate deductions.
- Nuisance charges include deduction processing fees, detention, bad pallets, etc.
- Coupon redemption charges outside our Coupon Redemption policies.
- OS&D Claims for FOB-Origin shipments.

Step 6 – Communicating the Policy:

Once management buy-in is secured, the AR deduction policy will be implemented. Roll out the policy gradually, ensuring proper communication with customers. Our suggestion is that, as with any customer

agreement, the customer must sign it to acknowledge receipt. The policy needs to be communicated to customers, which then serves as your notice of what proof you require to review deductions.

Your policy document should be signed by your President or CFO, clearly referenced on your website, and sent to your customers. Here is a link to a sample policy letter.

- Send a copy by email to the buyer(s), accounts payable controller, CFO, etc.
- Follow with an electronic copy for a digital signature as a confirmation of receipt of your policy and not as a legal agreement, which would probably never get signed.

Step 7 – Continuous Improvement and Evaluation:

Continuously evaluate the effectiveness of the AR deduction policy and adjust as needed. Solicit feedback from stakeholders, monitor KPIs, and identify opportunities for improvement. By fostering a culture of continuous improvement, you can optimize the policy over time and ensure its long-term success.

Conclusion

Establishing a corporate accounts receivable deduction policy is essential for effectively managing deductions and minimizing their impact on business operations. Securing management buy-in is crucial for the successful implementation of the policy. Companies can create a robust AR deduction policy that enhances cash flow, profitability, and customer satisfaction by assessing current processes, establishing clear guidelines, and leveraging strategies to gain management support. Continuous evaluation and improvement ensure the policy effectively addresses evolving business needs and challenges.

If you'd like more information on our deduction management services or the Carixa software designed to automate your accounts receivables, collection, and deduction management, you can reach me at kmetzger@smyyth.com.

About the Author



As CEO of Smyyth and co-founder of Carixa, Kristen has a deep understanding of enterprise accounts receivable and revenue cycle optimization through automation and is a Certified Six Sigma Black Belt. Before Smyyth, Kristen served as Sr. Vice President Operations for Creditek, the leading BPO firm in order-to-cash, where she managed operations for numerous Fortune 1000 companies, including CPG and Pharmaceutical, and earlier with Accenture Strategy and Business Architecture.

Kristen received a BA in Economics from The University of Vermont and has an MBA in Strategy and Finance from the University of Chicago Graduate School of Business.



Bring Your Voice to Nashville!

Join us for education, networking
AND a celebration of our 75th Anniversary!

Credit Research Foundation August Forum & EXPO

August 5 - 7, 2024

Renaissance Nashville - Nashville, TN

[Learn More & Register!](#)



2024 Platinum Partners



The Credit Research Foundation is very fortunate to receive support from our Platinum Partners. Their contributions and collaborative efforts help the Foundation maintain activities at the level at which our members have become accustomed.

While these firms and the services they provide are very familiar to our members, you can learn more about them by clicking [HERE](#).

2024 Friends of the Foundation



ArentFox
Schiff

FG FrankGecker

Kelley
Drye



Lowenstein
Sandler



This group of attorney firms, in addition to their intellectual contributions, has stepped forward to offer financial support to the Foundation, for which CRF and its members are very grateful.

Board of Trustees

Officers

Jackie Mulligan
Procter & Gamble Distributing LLC
Chairperson

S. Curtis Marshall
The Coca-Cola Company
Vice Chairman, Finance

Chris Arrington
SRS Distribution
Vice Chair, Membership

Trustees

Bob Anderson
Hubbell Incorporated

Shawna Arneson

Paul Catalano
ABC-Amega Inc

Dan Harvick
Ben E. Keith Company

Andrew Malueg
Amcor Flexibles North America

Toni-Marie McLean
Johnson & Johnson

Credit Research Foundation Staff

Matt Skudera
President & COO

Mike Bevilacqua
Chief Content & Education Officer

Cheryl Weaverling
Chief Financial Officer

Angela McDonald
Senior Director of Membership, Events & Marketing



Credit Research Foundation

1812 Baltimore Boulevard
Suite H
Westminster, MD 21157
443-821-3000

Copyright 2024 ©
[Credit Research Foundation](#)