

Priority Merchant Acquiring and B2B Processing

Priority Technology Holdings facilitated over \$86 billion in payments in 2019. The company started in 2005 as an independent sales organization processing card payments for small businesses. Today, its Priority Payment Systems division ranks as the 12th largest merchant acquirer in the U.S. and is 5th largest among nonbanks based on over \$51 billion in card payment volume from 210,000 merchants. Priority owns companies that specialize in hospitality, healthcare, property management, and consumer lending.

Priority Technology Holdings operates a commercial division that provides a business-to-business (B2B) accounts payable payment service (CPX) supporting 38 financial institutions and 6 marketplace partners that offer their business customers an integrated accounts payable service, including virtual cards, ACH, check, and instant payouts to card accounts as well as prepaid and commercial cards. Those combined products and services amounted to nearly \$35 billion in payment volume last year. Priority uses Sutton Bank as its bank sponsor into Visa when it issues cards and Atlantic Capital Bank and Fifth Third for ACH processing.

The CPX platform is bank, brand, and processor agnostic. It provides payment services to companies including MineralTree, Nexus Systems, Kontrol Payables, Restaurant365, and Paymerang. Partners include American Express, Mastercard, and Billtrust. The platform provides access to a full suite of card and cash management services through the CPX Gateway that integrates with ERP systems. Priority says that in five minutes it can map an entire accounts payable file from the ERP system

through a single payment file integration. This process allows a business to route payments to their suppliers in the preferred method.

CPX provides an interactive portal that connects participating buyers and suppliers for the exchange of data and payment information. Priority Commercial Payments also handles targeted outreach programs to suppliers to expand card acceptance. Mastercard uses Priority to handle its supplier enablement program for 14 U.S. banks and marketplaces to expand acceptance of virtual commercial card payments. Priority can provide special interchange rates when leveraging its acquiring infrastructure assets. It recently announced Citibank will use its service to support a network of B2B suppliers. It can pivot from offering dynamic discounts via its ACH platform to promotion of virtual card acceptance by offering a discount on early payment.

Priority can deliver front-end capabilities on a white-label basis to financial institutions and integrate with their processors to generate one-time virtual card numbers in addition to other cash management payments. Integrations are in place with Tsys, Galileo, and DXC.

Priority went public in 2018 on the Nasdaq stock exchange, although the majority of the company's equity is still owned by its founder and CEO Tom Priore. Having completed its integrated accounts payable platform, Priority is doing the same on the accounts receivable side to offer an end-to-end B2B payment service. CPX competes with companies including AvidXchange, Comdata, Wex, CSI, and Paymode-X.

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