

Remittance Coalition Summary

Meeting at NACHA 2012 Payments Conference, Sunday, April 29, 2012

Paca Room, Hilton Baltimore, Baltimore, Maryland

Welcome and introductions.

The 32 participants introduced themselves. New to the Remittance Coalition (RC) were BC Krishna with MineralTree Inc., Diane McGuire with the National Association of Purchasing Card Professionals, and Viveca Ware with the Independent Bankers of America.

Update on Remittance Coalition.

Roy DeCicco said the purpose of today's meeting is to review work the RC has taken or has underway and to determine if these actions are still on target and/or need to be modified or changed all together. The RC's overriding goal is to find practical ways to reduce the 7 billion (or so) B2B checks written annually in the U.S.

Claudia Swendseid shared that interest in the RC continues to grow with over 80 members now. She pointed out three new members at the meeting today, including BC Krishna, CEO of MineralTree Inc., Diane McGuire, CEO of the National Association of Purchasing Card Professionals, and Viveca Ware, SVP of the Independent Community Bankers of America. She mentioned the RC has established a LinkedIn site as a means to promote its work.

Call for Volunteers.

Claudia encouraged meeting attendees to consider leading and/or participating on RC work efforts. A document showing RC work by key categories was passed out to attendees (and is now posted on the RC website). Attendees were encouraged to review this information and indicate their interest in working on specific solutions. Claudia Swendseid gave examples of RC tasks that would benefit from new participants including: 1) developing new technical standards, 2) promoting adoption of existing standards and tools (e.g., wire ERI), 3) developing new services such as a B2B directory, 4) identifying and promoting standard practices (e.g., the CRF-led effort to winnow adjustments and discount codes) and so on. BC Krishna agreed to lead/participate on those work efforts specific to small businesses. He also offered to share with the RC results of research his company has conducted among small businesses. *FRB Minneapolis will work with BC to schedule this at a future RC call.*

X9C Standards Work.

Jim Wills described the work of X9C, which looks at corporate payments standards, and identified education as their biggest challenge. He highlighted the completion of the balance and transaction report (BTRS) standard effort and said that promoting BTRS adoption is now a focus. Webinars, which were well-attended, were held through the AFP. Another webinar will be held for RC members. Jim

thanked the excellent people who have contributed valuable time and talent so far. Given the workload, he is also seeking new members to get involved, particularly on the development of a remittance focused glossary/dictionary. [Since the meeting, four RC members have offered to co-lead the X9C remittance glossary effort -- i.e., Sandra Roth, Johnson and Johnson; David Bonneau, C/Lect; David Repking, J.P. Morgan Chase; and Paula Rowe, PNC.]

NACHA Remittance Survey.

Rob Unger and Nancy Atkinson provided a preview of survey results, which will be shared in more detail during the conference session *Show Me the Remittance* on May 1 at 1:30 PM. The sample included about 240 U.S. business organizations of varying sizes and 280 international firms. Both accounts receivable and accounts payable practitioners were interviewed by telephone. A webinar will be offered in the future to share more detailed results with RC members. *FRB Minneapolis and X9 will work with NACHA to schedule this.*

A few key findings were shared:

- 1) solving the issue of straight-through processing is key to greater electronic payments acceptance,
- 2) more businesses accept debit payments than was expected (perhaps because debit payments are sometimes required by larger trading partners or the government for taxes),
- 3) email delivery of remittance data is common practice,
- 4) speedy receipt of remittance data is more important than straight-through processing to some businesses, and
- 5) many practitioners value human-readable remittance information – they want to be able to read it and identify exceptions.
- 6) In some cases, remittance information accompanied the payment, and in other cases it was sent out-of-band. However, businesses generally preferred the information with the payment.

There was some discussion about the need to identify labor costs associated with entering/processing remittance data, and compare it to the labor costs saved when straight-through processing is implemented.

Remittance Coalition Survey.

Brian Mantel described how the questionnaire was developed and the key topics it covers. Unlike the NACHA research, this survey focuses on 1) determining key pain points for practitioners seeking to reconcile payments and remittance information and 2) to identify their preferred “solutions” among six possible solutions presented to them in the survey. Target respondents will include corporate treasurers, accounts payable, and accounts receivable experts from all sizes of organizations. Respondents will be solicited via the participating RC members – e.g., AFP, CRF, IFO, NAPCP, ASBDC -- to complete an online survey. The survey will be launched in early June and results will be shared with everybody in the RC sometime this fall. [Since the meeting, Tom Frale offered to field the online survey to the subscribers of his electronic newsletter the *Transaction Directory*.]

Questions were asked about whether the survey will assess willingness to pay for various solutions. Brian explained that the survey questions do get at the respondents assessment of value and willingness to pay to some degree.

New ISO 20022 Message Format.

Rich Urban and Rob Unger provided an update on the status of development efforts to create a new standalone ISO 20022 Extended Remittance Information message. There were delays in getting the work item approved due to submitting the item for approval on incorrect templates. They are now waiting for feedback from several groups. They mentioned there is a difference of opinion between accounts payable and accounts receivable practitioners regarding the amount of detail that should be included in a remittance advice, with accounts receivable folks preferring more detail. They mentioned that this message format would be phased in slowly, rather than using a “big bang” approach for adoption.

In the ensuing discussion, it was mentioned that electronic payments adoption is eroding lockbox profits. Financial institutions should be looking at how to get involved in the electronic payments/remittance arena to replace the waning lockbox revenue stream. Also, it was noted that interest in the U.S. adoption of ISO 20022 payment messages seems to be growing, particularly among large international companies and the financial institutions that support them. These organizations want global standards that they can use for all of their payment transactions and remittance information.

Best Practice/Standard Practice Activities.

Lyle Wallis shared results of work the CRF has done to reduce the 400 codes in the EDI 820 standard down to a more manageable number of 55. The next step is to reach out and validate this work with a greater variety of corporations (since preliminary work was done primarily with consumer-focused businesses) such as pharmaceuticals and others, as well as with treasury management experts via the AFP. RC members expressed their appreciation to Lyle and the CRF for the work completed to date, noting that the effort to reduce the number of discount and adjustment codes down to 55 was a big step forward.

From the A/R perspective, Lyle has had a team of experts review the X12 list of adjustment codes and develop a subset of codes that will have a common usage for business practice.

[Deb Hjortland has set up a call on May 18 with Lyle, David Bellinger, Claudia and Tom Frale to discuss (1) next steps for finalizing the adjustment code list; for example, engaging A/P & treasury experts, and (2) developing plans for making sure that the final list is communicated to the right people. This later step may involve publishing it on various websites, distribution through RC connections, writing articles, leading webinars, etc.]

Claudia suggested that the RC should look for other opportunities to make existing standards more usable and understandable, similar to the CRF’s work on codes.

Other Activities.

The RC can't lose sight of the importance of reaching out to small businesses, as they are the business segment writing the greatest number of B2B checks. B.C. Krishna suggested that one possible solution for these organizations is an industry utility to convey remittance and other information associated with an electronic payment in a simpler way. Claudia suggested that education to small businesses was also important, as was involving more vendors in the RC that support small businesses, notably Intuit and Quickbooks representatives. Several RC members stressed the importance of pushing out RC work to banks, and providing educational materials to banks that they can readily use with their business customers, large and small who are seeking electronic payment solutions. The RC should seek to partner with bank associations to accomplish this—e.g., the ICBA, who has recently joined.

David Bellinger noted that moving from paper to electronic payments is a behavioral issue, and that it is important to understand the diverse set of needs represented in the business arena. The results of the survey should help with this.

Claudia Swendseid ended the meeting by reminding attendees of the need for more involvement and urged RC members to sign up for tasks listed on the handout.