



The Remittance Coalition's Quest for Straight-through-Processing

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Who I Am



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- Serves on the Minneapolis Bank's senior management committee
- Provides executive oversight to operations, customer service, technology & payments functions at the Bank
- Conducts industry relations on behalf of the Federal Reserve System, serving as a liaison to selected national banking & business associations
- Vice Chair, Accredited Standards Committee X9, Financial Industry Standards

Federal Reserve Banks

Provide
financial
services to
depository
institutions &
U.S. government

Establish &
execute U.S.
monetary
policy

Supervise &
regulate
financial
institutions

Maintain a
stable financial
system &
contain
systemic risk



Agenda

Introduction to Remittance Coalition

Recent Accomplishments

2014 Priorities

How to Get Involved

*Disclaimer: Opinions expressed are those of the presenter,
& not those of the Federal Reserve System or any Federal Reserve Bank.*



Remittance Coalition

- **Participation** National group of associations, small & large businesses, financial institutions, technology & software vendors, standards development organizations & others
 - Formed in 2011
 - 335 members & growing
 - No dues or criteria for joining, other than a willingness to work together
- **Mission** Work together to solve problems related to processing remittance information associated with B2B payments in order to promote use of electronic payments & straight through processing (STP)





How It Operates

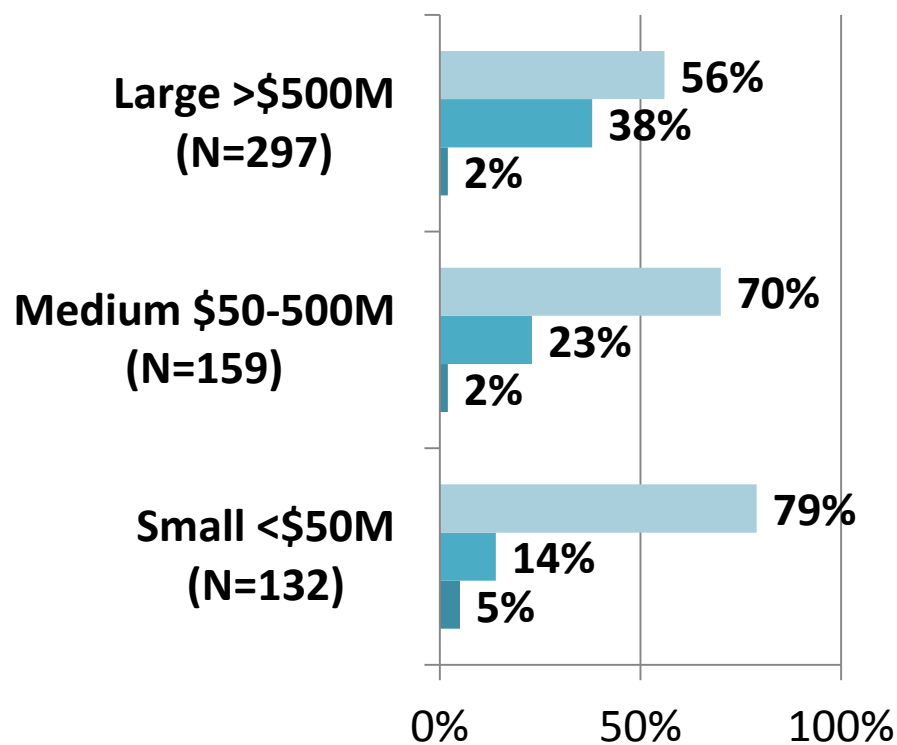
- Remittance Coalition meets 4 times a year
 - 2 conference calls & 2 in-person meetings (NACHA, AFP)
- Leadership Group calls held about monthly
- Members volunteer for work groups based on interests & expertise
- Members stay informed via meetings, calls, email & website



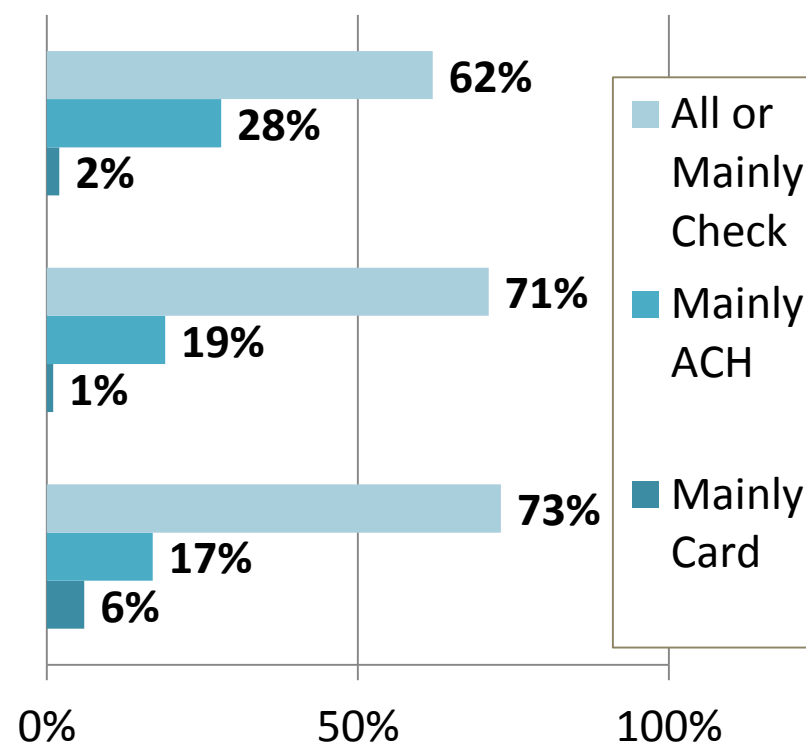
Problem: B2B Reliance on Checks



Primary Method for Making Payments



Primary Method for Receiving Payments

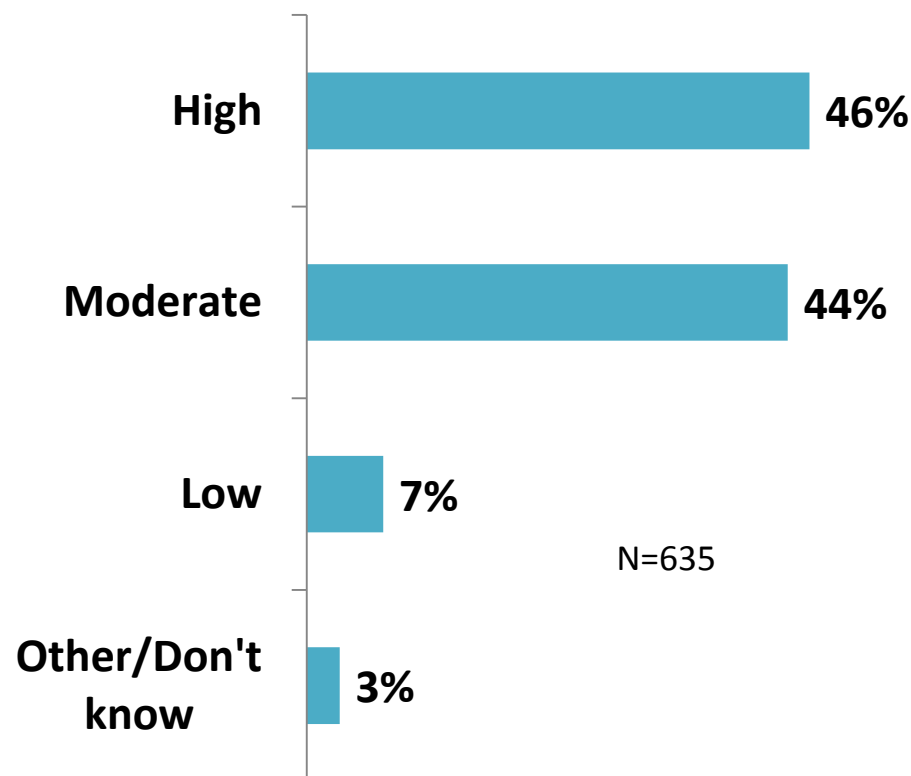


Source: 2012 Remittance Coalition Survey

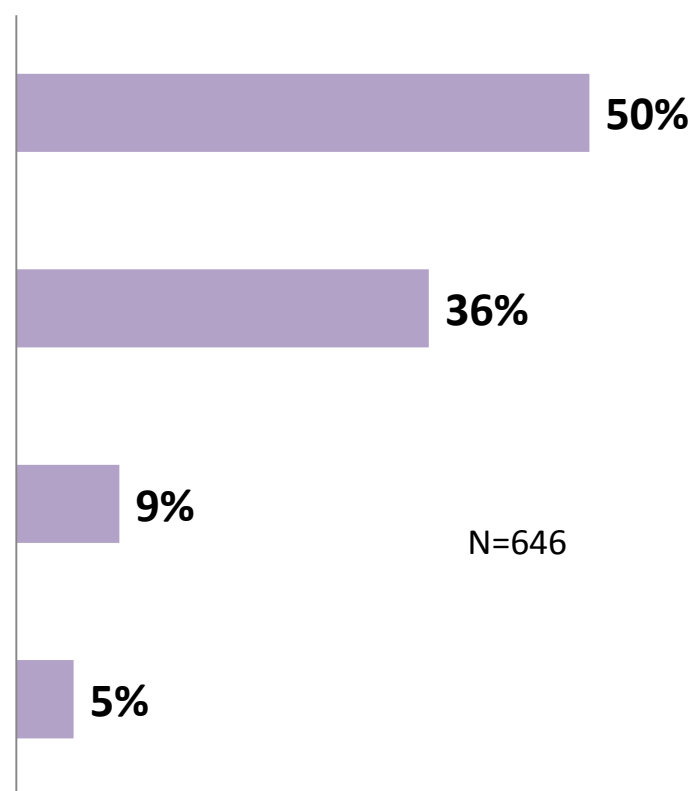
Businesses Want More E-Payments & E-Remittances



Interest in Making & Receiving More E-Payments



Interest in Automating Exchange & Reconciliation of More E-Remittance Data



Source: 2012 Remittance Coalition Survey

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Remittance Coalition Survey: What Corporate Practitioners Said



“Remitters cannot or will not send quality remittance data in the payment addenda. Separate email forces a completely manual process.”

“Missing data elements & lack of consistency in formatting cause us to post remittances to our customers late & often requires communication back & forth between us & the customer to determine what they are paying.”

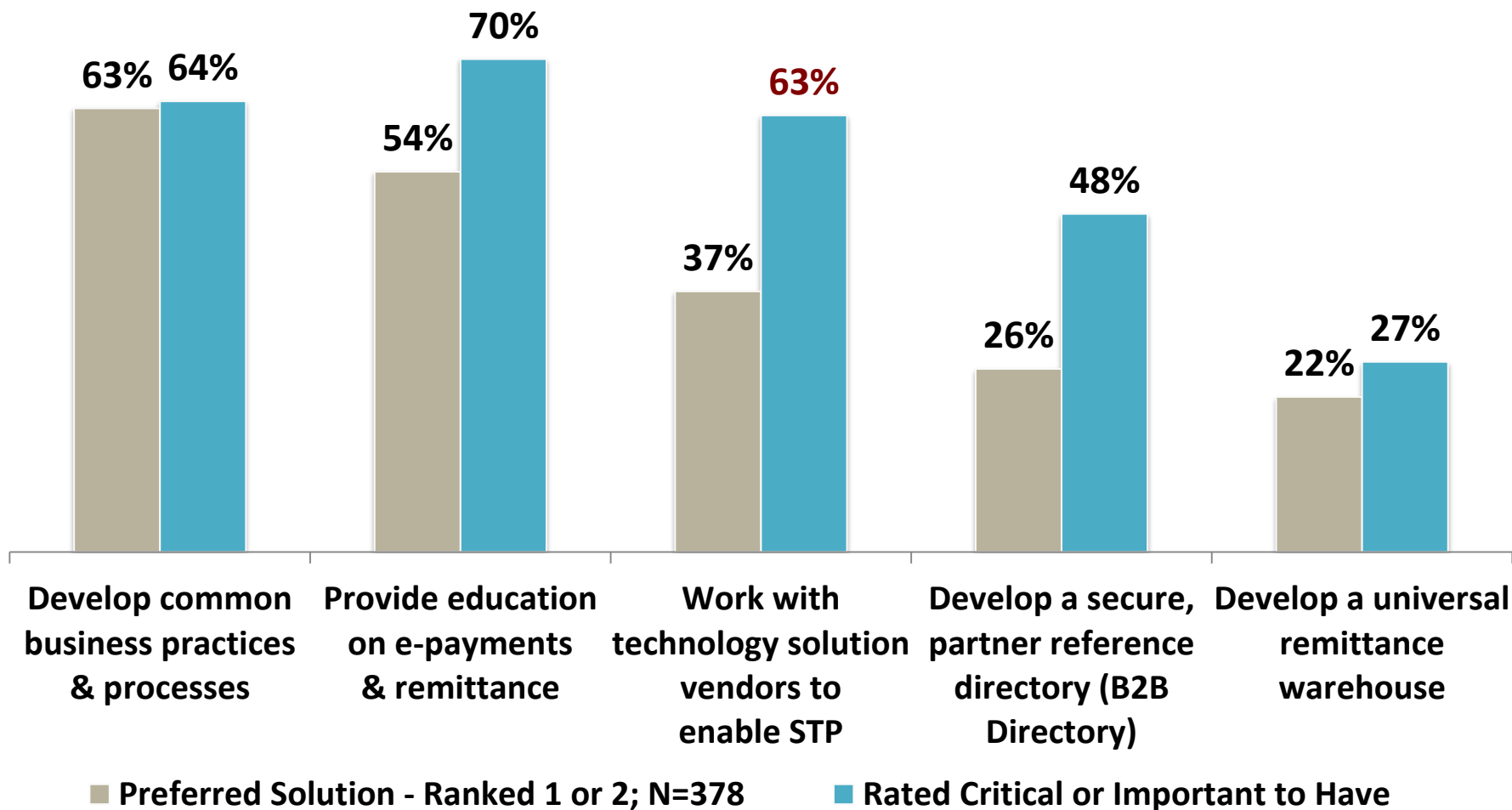
“Multiple formats for remittance information create a reconciliation nightmare – it is not easy to automate.”

“Many of our vendors are small &/or located in remote areas & do not accept or receive electronic remittance information.”



Source: 2012 Remittance Coalition Survey

Survey Results: Solutions Practitioners Want

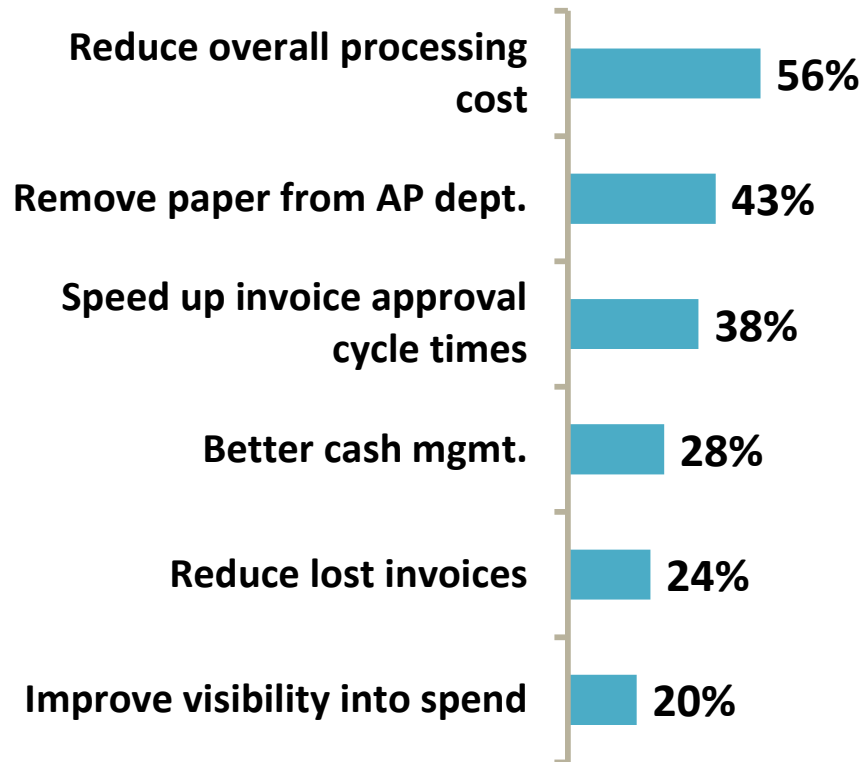


Source: 2012 Remittance Coalition Survey



Cost Savings from STP

eInvoicing Drivers



- Best-in-class accounts payable depts. with electronic enablement of AP transactions & remittance data have 80% lower invoice processing costs & 75% faster invoice processing cycle times than average

Source: PayStream Advisors "Global Electronic Invoicing: The State of AP Automation Worldwide, Q1 2013"

Source: ReadSoft "Accounts Payable Automation Benefits: Facts and best practices by leading analysts" Updated November 2012



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Accomplishments

1. Simplified Deduction Code Project
2. Remittance Standards Inventory
3. Remittance Glossary
4. Education
5. Outreach

Addressing Deduction Code Problems



- Over 600 codes defined in X12 standard “426 adjustment reason code”
 - Used in various EDI transactions (e.g., 820 Payment & Remittance Advice, 812 Credit/Debit Adjustment)
 - Used in other remittance exchanges (e.g., email remittance)
- Unclear definitions & descriptions lead to:
 - Inconsistent usage across business entities
 - Manually processing of remittance data or customizing software to ensure compatibility with trading partners



Case in Point: Advertising Deduction Codes



- Multiple codes with similar definitions are confusing & increase errors:
 - At least 6 codes concern advertising allowance – which one should be used? Are all 6 codes needed?

Current 426 Codes Related to Advertising	
56	Advertising Allowance Taken
71	Advertising Allowance
79	Cooperative Advertising
AV	Advertising Contribution
M1	Advertising Unidentified
MA	Marketing Allowance



**Can we
consolidate
these into one
advertising
code & simplify
the process?**

Simplified Deduction Code Project



Goal: Develop Common Standards

- Identified about 70 codes as essential for deduction processing
 - Developed a short list of “core” codes along with higher level categories for roll up
 - Includes the 12 codes allowed in X12 STP 820
- Mapped to “best fit” codes from 426 code list to minimize need to convert – *426 codes can still be used*
- Codes may be carried in X12 messages or other electronic formats OR may be included in other remittance information exchanges (*e.g., spreadsheet, e-mail*)



Simplified Deduction Code Project



Mapping from Core Codes to 426 Adjustment Codes

Category ▾	Proposed Short List Reasons ▾	Short List Code ▾	DEFINITION & EXPLANATION ▾	CODE ▾
<input type="checkbox"/> Allowance	<input type="checkbox"/> Advertising Allowance	<input type="checkbox"/> 71	<input type="checkbox"/> Advertising - Unidentified	M1
			<input type="checkbox"/> Advertising Allowance	71
			<input type="checkbox"/> Advertising Allowance Taken	56
			<input type="checkbox"/> Advertising Contribution	AV
			<input type="checkbox"/> Cooperative Advertising	79
			<input type="checkbox"/> Marketing Allowance	MA
	<input type="checkbox"/> Billback Allowance Deduction	<input type="checkbox"/> GH	<input type="checkbox"/> Billback Allowance Deduction	GH
			<input type="checkbox"/> Manufacturer to Distributor Billback Allowance	QF
			<input type="checkbox"/> Manufacturer to Retail Bill-Back Allowance	MR
	<input type="checkbox"/> Competitive Allowance	<input type="checkbox"/> 77	<input type="checkbox"/> Allowance Error	Q2
			<input type="checkbox"/> Allowance/Charge Error	2
			<input type="checkbox"/> Competitive Allowance	77

Simplified Deduction Code Project



Categories for “Core” Adjustment Codes

Allowance

Billing

Freight

Non-Compliance

Post Audit

Pricing

Rebates

Returns / Refused

Miscellaneous



Next Steps

1. Publish ***Core Deduction Reason Codes Technical Report*** on ASC X9 & ANSI websites - X9 is the ANSI accredited standards organization for financial services
2. Encourage software & technology vendors to support simplified “core” code list
3. Educate business practitioners about the core code list & encourage adoption

Customer Ledger Inquiry - Deduction Entry

Tools

Customer Number	3333		
Document Number	1025		
Document Type	RI		
Document Pay Item	001		
Document Company	00001		
Deduction Reason Code	DA	Disputed Amount	
Deduction Amount	2500.00	Invoice Open Amount	2500.00
Deduction Opened Date	06/30/2005	Currency	USD



Remittance Standards Inventory

- Reference guide describing 16 remittance standards
 - Defines each standard, types of payments that it supports, how remittance may be sent, & information about the issuing organization
- Published as TR-44-2013 by ASC X9; available on X9 & ANSI websites

X9 TR-44-2013

Remittance Standards Inventory
A Publication of the Remittance
Coalition



A Technical Report prepared by:
Accredited Standards Committee X9, Incorporated
Financial Industry Standards

Registered with American National Standards Institute
Date Registered: December 20, 2013

Version 1.0



Remittance Glossary

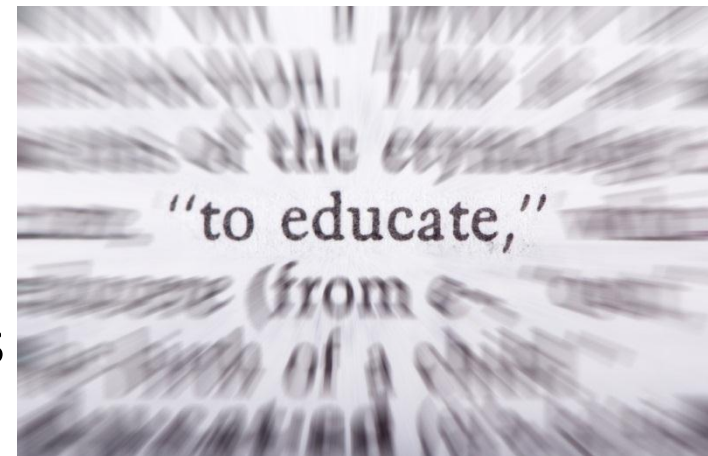
- Reference guide offering a vocabulary & terminology
 - Defines 169 terms related to payables & receivables processing, B2B payments, & remittances
- Will be published in Q1 as a Technical Report by ASC X9 & posted on X9 & ANSI websites

BIC - Business Identifier Code	An international standard for identification of institutions within the financial services industry used in automated processing to unambiguously identify a financial institution or a non-financial institution. The ISO 9362 standard specifies the elements and the structure of a BIC, which consists of an institution code, country code, location code, and branch code. The International Organization for Standardization (ISO) has designated SWIFT as the BIC registration authority, sometimes called a SWIFT BIC.
Bill of Lading	A document evidencing the receipt of goods for shipment, typically prepared by the party shipping the goods and signed by the party engaged in the business of transporting or forwarding the goods.
Bill of Sale	Written evidence that the title to property has been transferred from one entity to another.
Bill Summary	A summary of a customer's invoices to assist a customer to understand what is owed. Typical information may include amount owed, date due, biller, and biller's account number.
Billing Cycle	A period of time between one Statement of Account (statement) to the next, usually one month.
Billing Document	The portion of a billing statement provided to a customer. In an electronic billing platform, a seller may make the information available via a web portal or via e-mail. It is often returned with a check payment. It may be called a coupon, payment voucher, remit, remittance document, skirt, statement, stub, or invoice.
Cancelled Check	A check that has been paid by the buyer's bank, which has been marked physically, usually with "paid" to help prevent it from being presented again.



Education

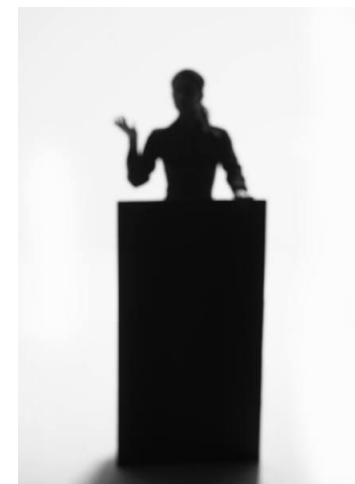
- Remittance Coalition publications
 - *Payment Types Explained*
 - *Extended Remittance Information Wire Transfer Format*
 - *Business Educational Tool on ACH Reconciliation Services*
 - *Case study: Small Business Experience with ACH Payments*
- Review Panel vets copy & suggests topics





Outreach

- RC representatives presented at 8 conferences & 4 webinars in 2013
 - Slide decks are posted on RC website
- Vendor Forum held at Credit Research Foundation Conference & Expo
 - Encouraged standards adoption among software & technology vendors
- Retail Value Chain Federation Focus Group on common biz processes & practices needed in retail sector
 - Potential new X9 work item to create standard on debit balances best practices
- Small biz outreach: America's Small Business Development Centers conference (workshop & focus group) & Small Business Administration webinar





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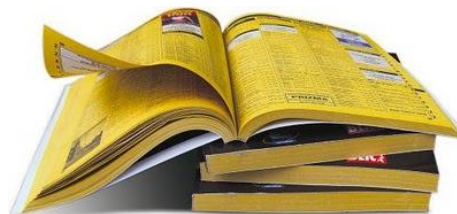
2014 Priorities

1. B2B Directory Project
2. Promote Adoption of Selected Standards that Facilitate e-Payments & e-Remittance Exchanges
3. Continue Targeted Outreach & Education



B2B Directory

- Work group is determining requirements of a B2B directory that meets needs of small to medium sized biz
 - Defining pain points
 - Developing use cases
 - Creating white paper that outlines specifications & proposes a framework for one or more secure directory models





Standards of Focus in 2014

Standards
ISO 20022 Payment Remittance Messaging in the Automated Clearing House (ACH) Network
Balance Transaction & Reporting Standard (BTRS)
Wire Format ERI: Fedwire Funds Service & CHIPS
ISO 20022 Stand-Alone Remittance Advice Message
Technical Reports
Simplified Deduction Codes /Core Adjustment Reason Codes Technical Report
Remittance Standards Inventory Technical Report
Remittance Glossary Technical Report

Detailed descriptions of each can be found in the appendix.



Tactics

- Work with software & technology vendors to promote standards adoption
 - Make business case for implementing standards in upcoming releases
 - Define “win-win” for both billers & payers
 - Identify ways to improve interoperability among existing services & systems
 - Continue dialogue started at Vendors Forum by holding quarterly meetings/calls in 2014



Education & Outreach

- Speak at regional & national conferences
- Create publications & publish articles that help promote greater usage of electronic payments & remittance exchanges, as well promote standards adoption

Education & Outreach, continued



- Work with partnering associations to distribute Coalition materials to members
 - Association for Financial Professionals
 - Institute of Financial Operations
 - Credit Research Foundation
 - American's Small Business Development Centers
 - U.S. Small Business Administration
 - National Association of Credit Management
 - National Automated Clearinghouse Association
 - Upper Midwest Automated Clearinghouse Association
 - Independent Community Bankers Association
 - The Clearing House
 - Accredited Standards Committee X9
 - Others



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Remittance Coalition Information

- The Federal Reserve Bank of Minneapolis posts information about the Remittance Coalition on its public website:

<http://www.minneapolisfed.org/about/whatwedo/paymentsinformation.cfm>



Visit the website to:

- Join the Remittance Coalition
- Volunteer on a project
- Learn about activities

**Interested in joining?
Give me your biz card today!**



Contact Information



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Appendix: Standards of Focus in 2014



Standards
<p>ISO 20022 Payment Remittance Messaging in the Automated Clearing House (ACH) Network NACHA's XML-ACH Remittance Opt-in (XML-ACH) program allows participants to safely and securely transmit payment remittance information for B2B transactions in a standardized XML format via the ACH Network. XML-ACH data is available for use with ACH Network CTX (Corporate Trade Exchange) credit transactions among organizations that specifically opt-in to participate in this NACHA program.</p>
<p>Balance Transaction & Reporting Standard (BTRS) Establishes a common format for exchanging cash management account data provided by financial institutions daily to their corporate customers. Previously known as BAI2.</p>
<p>Wire Format ERI: Fedwire Funds Service & CHIPS The Fedwire Funds Service Customer Transfer Plus (CTP) message and its CHIPS counterpart allow corporate originators of wire transfer payments to include about 9,000 characters of extended remittance information within a wire transfer payment order in either structured or unstructured formats.</p>
<p>ISO 20022 Stand-Alone Remittance Advice Message A new advice message that allows the originator to provide remittance details that can be associated with a payment. Once the ISO 20022 Payment Standard Evaluation Group (SEG) has completed its evaluation of this standard and approves it, the standard will be published in the ISO repository and available for use.</p>
Technical Reports
<p>Simplified Deduction Codes /Core Adjustment Reason Codes Technical Report The electronic data interchange (EDI) standards developed by X12 and included in the X12 820 standards define over 600 adjustment/discount codes (field "426" codes). The simplified deduction code project Identified about 70 of the 600+ EDI codes as essential or core for deduction processing. The Core Adjustment Reason Code list is a subset of the ASC X12 426 Adjustment Reason Code list and, thus, is fully compatible with ASC X12 EDI message transaction sets that use codes from the X12 426 Adjustment Reason Codes.</p>
<p>Remittance Standards Inventory Technical Report The Remittance Standards Inventory is intended to be a current, comprehensive inventory of relevant business-to-business (B2B) payment remittance standards. The intended audience of this payments remittance catalog includes B2B solution and service providers, and the corporations and organizations that must make use of these standards or implementations to facilitate the efficient reconciliation of their payments and remittance data. Standards bodies and other general interested parties are another target audience for this repository. This Remittance Standards Inventory provides introductory information on 16 remittance standards. It offers high-level attributes for each standard or implementation, including a description of each, the types of payments that it supports, how remittance may be sent, and information about the issuing organization.</p>
<p>Remittance Glossary Technical Report Glossary of terms related to remittance information exchanged on business-to-business (B2B) payments. It is intended to lead to improved communications among trading partners by offering a vocabulary and terminology that is clear, precise, and accurate. It is meant to benefit all parties involved in the exchange, processing, and reconciliation of electronic B2B payments and remittance information. This includes business practitioners (such as accounting, accounts payable, accounts receivable, procurement professionals, etc.), corporate bankers, software and technology vendors, payment service providers, standards developers, and other interested parties. The glossary focuses on terms related to payables and receivables processing, B2B payments, and remittance details. It has been prepared with the individuals who support small and medium businesses in mind, although the glossary will be helpful to individuals at companies of all sizes and industries.</p>