Remittance Coalition First Quarter Meeting
Summary of In-Person Meeting on April 6, 2014

Claudia Swendseid of the Federal Reserve Bank of Minneapolis opened the call and reviewed the agenda. Notably, attendance for this meeting was a record high for an in-person Coalition meeting, with over 40 participants.

Remittance Coalition Accomplishments in 2013

The meeting began with a quick recap of 2013 accomplishments.

Technical Reports
The three Remittance Coalition technical reports (Remittance Glossary, Core Adjustment Reasons Codes, and Remittance Standards Inventory technical reports) have been published and can be found free-of-charge at these web sites:

http://www.minneapolisfed.org/about/whatwedo/remittancecoalition.cfm
   Under *Remittance Coalition Solutions and Activities*

http://x9.org/ Select Standards tab, then Remittance Coalition

The technical reports are not copyrighted, and can be shared with colleagues or posted on websites.

Outreach
Via presentations at industry conferences and webinars, Remittance Coalition representatives continued their outreach, particularly to the small business community. A workshop on electronic payment basics helped educate small business consultants at America's Small Business Development conference. And, a webinar on electronic payments hosted by the Small Business Administration reached several hundred small businesses. A Vendor Forum was held to strengthen outreach to software and other technology vendors, since encouraging standards adoption among solutions offered by vendors is key to replacing paper checks and remittances with lower cost electronic alternatives. Many businesses have limited in-house IT resources and rely on turnkey solutions purchased from vendors.

Education Publications
The Remittance Coalition produced four publications in 2013 including *Payment Types Explained, ACH Payments and Remittance Information Solutions for Businesses, Wire Transfer Extended Remittance Information Solutions for Businesses,* and a case study on *Small Business Experience with ACH Payments.* All are available on the Remittance Coalition website in the Educational Publications section:
http://www.minneapolisfed.org/about/whatwedo/remittancecoalition.cfm

Remittance Coalition Priorities in 2014

This part of the in-person meeting started with presentations on the three major priorities the Remittance Coalition will be focused on in 2014. Following this segment, attendees broke up into small groups to explore how to fully engage Coalition members to achieve these priorities. People were

encouraged to volunteer if they are interested in participating on certain work efforts. After the small group discussions, the whole group re-convened and shared their ideas. The ideas and suggestions voiced in small group discussions are summarized by topic below.

2014 Priority #1: Continue Targeted Education & Outreach

Roy DeCicco of JP Morgan Chase emphasized that the Remittance Coalition will continue its focus on outreach and education to businesses, especially small businesses. Outreach to software and technology vendors will also be a priority.

In 2014, Coalition representatives have presented or plan to present at six venues so far, including in-person presentations at the National Association of Food Service Manufacturers Credit Management Group meeting, the Twin Cities chapter of the National Association of Credit Management, NACHA 2014 Payments conference, Credit Research Foundation's conference, America's Small Business Development Centers' (ASBDC) annual conference, and the Association for Financial Professionals annual conference. Also planned is a series of webinars to Small Business Association members on specific payment types. Other events will be added to the schedule as the year progresses.

Development of publications that educate small business about how to adopt electronic payment and remittance methods is another priority this year. Part of this outreach will include supporting larger corporations and financial institutions that wish to sign up small businesses to receive electronic payments via p-cards and/or ACH with a "how-to" tool-kit.

Finally, the Coalition plans to interact with software and technology vendors to continue the dialogue started at the Remittance Coalition Vendor Forum last August. Roy concluded by noting that a focus on the end-to-end process is essential to successful migration to more efficient electronics payments and remittance exchange methods. Third party vendors can help smaller organizations interface with the payments infrastructure and help them achieve straight-through-processing.

Outcomes of the small group discussion on Priority #1 - Continue Targeted Education and Outreach. In the small group breakout session which followed, the following suggestions were made:
1) Develop and promote the use of easy, plain-language "toolkits" that provide step-by-step information to help small business adopt more electronic payments and remittance information. Most likely, these toolkits would be intended for two audiences. One toolkit geared to bankers would help them see the value of promoting ACH or other electronic alternatives to their small business clients, including what banks should consider in terms of pricing, packaging, customer support, etc. to be successful in moving small businesses away from checks to electronic alternatives. A second toolkit could be designed to serve small businesses directly as well as their financial advisors, such as ASBDC counselors, accountants, and other financial service providers. Several Coalition members volunteered to participate on the work group developing these toolkits. This effort will get underway in May.

    Components of each toolkit would likely include:
    a. A one page form or checklist would help assure a small business that best practices are being followed. It would address the typical objections often heard about ACH and purchasing card acceptance.

b. Sample "form" letters and illustrative terms and conditions would be included. Many large organizations already have similar toolkits and form letters they use to onboard small trading partners to arrange payment terms and procedures; such materials will be leveraged in the Remittance Coalition's version. [If any Coalition member is willing to share materials that can be leveraged for this toolkit, please send them via email to remittance.coalition.smb@mpls.frb.org.]

c. Existing materials such as the Remittance Coalition technical reports (Remittance Glossary, Remittance Standards Inventory, Core Adjustment Reason Codes), and educational publications (*ACH Payments and Remittance Information Solutions for Businesses, Wire Transfer Extended Remittance Information Solutions for Businesses, Payment Types Explained*) could be included as resource documents. In addition, educational publications should be solicited from the Coalition's partnering associations.

2) The Remittance Coalition should form a vendor sub-group in order to reach this important community more effectively and to continue the dialogue started in the Vendors Forum held during the Credit Research Foundation's Forum & Expo in Minneapolis in August, 2013. [Note that plans have been made to hold a vendor conference call on May 20 and an in-person meeting during the Credit Research Foundation's Forum and Expo August 18 - 20, 2014 in Denver, CO.] For further information on 2014 Vendor Forum events, please send an email to remittance.coalition.smb@mpls.frb.org.] In the small group discussion, Coalition members observed that getting standards and best practice electronic payment and remittance solutions adopted by software and other technology vendors is critical to long-term success of the Remittance Coalition's mission. Many business and their financial institutions rely on software and technology vendors to support B2B transaction processing (e.g., payments, invoicing, remittance reconciliation, etc.). Because of this, engagement of these vendors is essential to promote electronic B2B payments, interoperability, and straight-through-processing from end-to-end. In addition, to the extent that others are engaged in similar efforts with vendors, we should pool our resources to the extent it makes sense.

2014 Priority #2: B2B Directory Project

Brian Mantel of the Federal Reserve Bank of Chicago began by noting that businesses rely on paper processes, and don't view stepping away from paper-based payments as an easy undertaking. He shared a one-page document outlining the B2B directory progress to date and discussed the timeline. The work group has been meeting regularly and has developed a list of pain points focused around the difficulty of obtaining identity and account information of trading partners. He defined the B2B Directory as a secure industry utility that provides payee identify information, including what payment methods they accept and what remittance information they want. They are now focused on defining the requirements. They have formed a solutions sub-group that is ironing out details such as assuring data quality, determining how data is updated, how the directory will be maintained, and how industry users will interact with the directory. They will complete and publish a "white" paper that summarizes the directory concept recommended and next steps.

BC Krishna of MineralTree added that the white paper the work group is writing is a significant document that will describe the decisions that were made to develop the model. He emphasized that the work group has focused on openness. The directory must support different payment types and

different payment initiation methods. The paper will also address how to handle the remittance data associated with payments. Once the paper is published this summer, the next step is to move forward with a pilot or proof of concept.

Outcomes of the small group discussion on Priority #2 B2B Directory Project. In the small group breakout session which followed, group members asked a lot of questions. Will the directory allow for the initiation of payments? It was clarified that the B2B directory is not a payment system. How will remittance data be handled? The current thinking of the work group is that the B2B directory will promote the adoption of a simple, standard form of remittance, recognizing that some users may not be able to create this recommended structured form. Another issue raised was security, with some expressing concerns about how data security would be protected. The work group recognizes that the directory must be open, but not so restricted that its usefulness is negated or so hard to log-in/access that people don't use it. They plan to issue guidance to users surrounding potential security issues, e.g., that use of ACH debit blocks can help safeguard an account, etc. They also discussed the need for the B2B directory design to address account masking in a systematic way. The group indicated they are eager to read the white paper and would like to see some forward progress on the B2B directory this year.

2014 Priority #3: Promote Adoption of Selected Standards and Technical Reports

Rich Urban of the IFX Forum noted that NACHA and many other organizations participated to develop the new international standard for stand-alone remittance messages. He explained that the ISO 20022 Stand-Alone Remittance Message improves upon the original ISO 20022 standard by allowing the addition of detailed remittance data. Essentially, it supports all the content that is supported by STP 820. Thus, any user of STP 820 should be able to use the ISO 20022 Stand-Alone Remittance Message format.

The newly-approved standard was just published and is available at [ISO20022.org](ISO20022.org)

Rob Unger of NACHA acknowledged that the NACHA XML Remittance format has a lot in common with the ISO 20022 Stand-Alone Remittance Message. Both follow ISO 20022 formats. He noted that XML technology has been implemented in the U.S. wire transfer extended remittance format and is popular among businesses in the European Union. NACHA has introduced an opt-in model for their XML Remittance format; financial institutions may decide whether to send and receive XML Remittance messages on behalf of their customers. He observed that both standards are a response to users complaining about the inefficiencies of emailing remittance data; they would prefer that payments and remittance data flow together.

Roy DeCicco shared work of a SWIFT group which he co-chairs, explaining that the group is comprised of subject matter experts from all the major global markets. Solving the remittance problem is a high priority to this group's members. They have decided to develop a global white paper and a global standard. Later, they expect to work on remittance messaging specifically.

Outcomes of the small group discussion on Priority #3 Promoting Standards Adoption. In the small group breakout session which followed, the following observations were made:
  1) Determine what the roadblocks and pain points are that prevent users from adopting standards. It was observed that the adoption of ISO 20022 messages has fallen short of expectations. It would be informative to learn what ISO did and didn't do to learn from this.

2) In a discussion on the NACHA opt-in approach to the XML Remittance format, it was noted that banks are unlikely to vote for it, or if they do vote for it, they may not offer it.

3) It was also noted that the sometimes standards, like the ISO 20022 Stand-Alone Remittance standard, can be ahead of the curve, and more education will be needed to encourage adoption. Targets of this education include vendors and service providers like ERP providers and Intuit.
    a. The Federal government could make it a mandate, or at least get behind it and adopt it.

4) Sometimes large corporates are among the early adopters, so they should be targeted.

5) Similarly, it is necessary to involve vendors in order to get standards adopted.

6) To encourage standards adoption, it is necessary to lay out the cost and the benefits received. Illustrative case studies that demonstrate the return on investment and quantitative business case justifying standards adoption would be helpful. Any Coalition member who has a case study that illustrates the benefits of standards adoption is asked to email it to remittance.coalition.smb@mpls.frb.org.]