

Remittance Coalition First Quarter Meeting Summary of Conference Call of February 20, 2014

Claudia Swendseid of the Federal Reserve Bank of Minneapolis opened the call and reviewed the agenda.

Remittance Coalition Accomplishments in 2013

Note: The three Remittance Coalition technical reports described below (Remittance Glossary, Core Adjustment Reasons Codes, and Remittance Standards Inventory technical reports) can be found free-of-charge at these web sites:

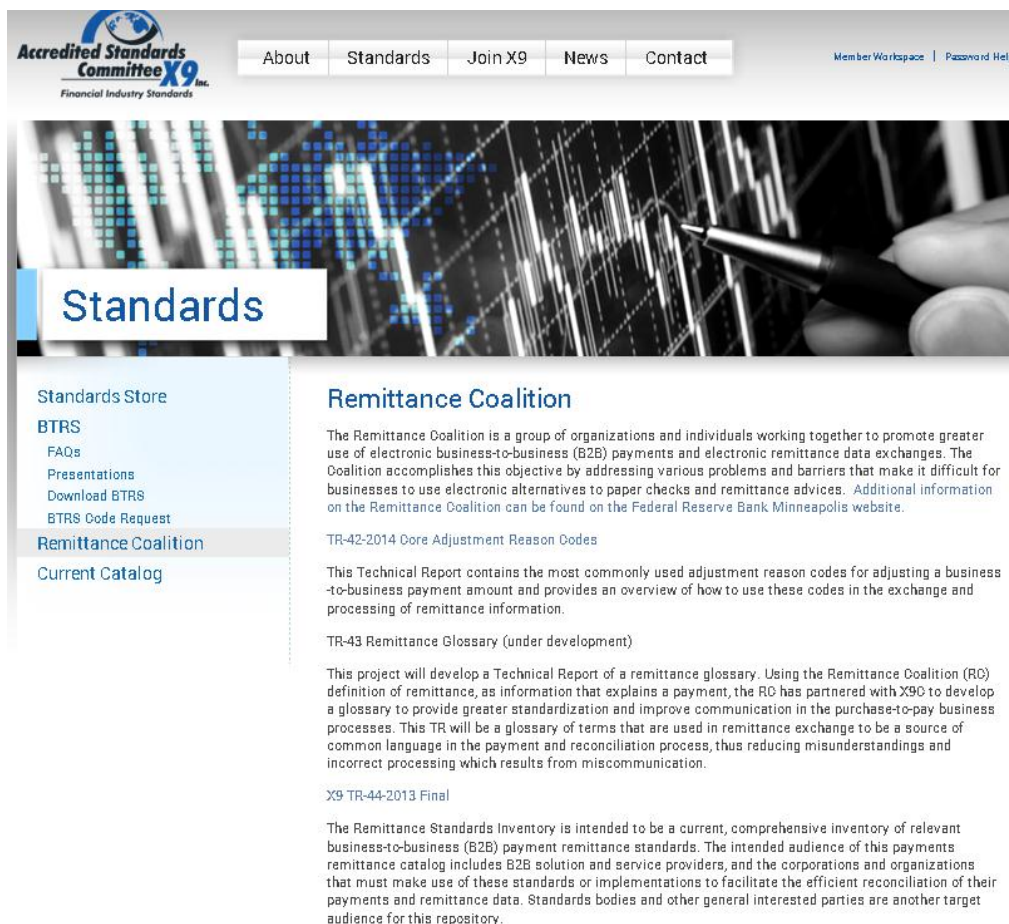
<http://www.minneapolisfed.org/about/whatwedo/remittancecoalition.cfm>

Under *Remittance Coalition Solutions and Activities*

In addition, the Remittance Coalition website contains all presentations and educational publication.

<http://webstore.ansi.org/>

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



The screenshot shows the website for Accredited Standards Committee X9, Inc. The header includes the logo and navigation links: About, Standards, Join X9, News, Contact, Member Workspace, and Password Help. The main content area features a large image of a hand pointing at a data visualization with the word "Standards" overlaid. Below this, there is a sidebar with links to Standards Store, BTRS, FAQs, Presentations, Download BTRS, BTRS Code Request, Remittance Coalition, and Current Catalog. The main content area is titled "Remittance Coalition" and contains the following text:

The Remittance Coalition is a group of organizations and individuals working together to promote greater use of electronic business-to-business (B2B) payments and electronic remittance data exchanges. The Coalition accomplishes this objective by addressing various problems and barriers that make it difficult for businesses to use electronic alternatives to paper checks and remittance advices. Additional information on the Remittance Coalition can be found on the Federal Reserve Bank Minneapolis website.

TR-42-2014 Core Adjustment Reason Codes

This Technical Report contains the most commonly used adjustment reason codes for adjusting a business-to-business payment amount and provides an overview of how to use these codes in the exchange and processing of remittance information.

TR-43 Remittance Glossary (under development)

This project will develop a Technical Report of a remittance glossary. Using the Remittance Coalition (RC) definition of remittance, as information that explains a payment, the RC has partnered with X9C to develop a glossary to provide greater standardization and improve communication in the purchase-to-pay business processes. This TR will be a glossary of terms that are used in remittance exchange to be a source of common language in the payment and reconciliation process, thus reducing misunderstandings and incorrect processing which results from miscommunication.

X9 TR-44-2013 Final

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.

Furthermore, if anyone reading this would like additional information on any of the topics discussed at this meeting or wishes to participate in any work efforts, please send an email to:

Remittance.coalition.smb@mpls.frb.org

Remittance Glossary: Mary Hughes of the Federal Reserve Bank of Minneapolis provided an update on the publication of the Remittance Glossary technical report project. A team of 12 Coalition team members, led by Paula Rowe of PNC Bank, identified about 170 key terms relevant to business-to-business (B2B) payment methods and payment remittances. Their glossary defines key terms commonly used in payables and receivables processing, B2B payments, and remittance exchanges. The glossary is intended to improve communications among trading partners by offering a vocabulary and terminology that is clear, precise, and accurate. It will help business practitioners in accounting, accounts payable, accounts receivable, procurement and other areas. It will also be a resource to corporate bankers, software and technology vendors, payment service providers, standards developers, and other payment system participants.

The Remittance Glossary was approved by the Accredited Standards Committee X9C Corporate Banking Subcommittee and was subsequently approved by X9's Board of Directors on February 21. It will be available shortly free-of-charge on the Remittance Coalition website, X9 website and on the ANSI.org web store. The document's name is *ANSI X9 TR-43-Remittance Glossary: A Publication of the Remittance Coalition*.

Core Adjustment Reason Codes: Lyle Wallis of the Credit Research Foundation shared that the Core Adjustment Reason Codes technical report was developed by a team of Remittance Coalition volunteers who wanted to provide a simpler set of adjustment and discount codes that could be used in place of or as complementary to the full list of EDI 426 codes (over 600). They produced a set of 70 "core" codes intended to meet the needs of businesses (especially small and medium sized) that don't need the level of detail in the full EDI 426 code list and are seeking a streamlined set of commonly used codes that most of their trading partners will understand. To aid users of various releases of EDI codes, the Remittance Coalition team mapped the 70 core codes to the 600+ codes on the 426 list.

Janet Busch of X9 explained that this technical report can be found free-of-charge on the X9 website, and that X9 has created a folder under the Standard's tab on X9's landing page as shown on page 1 above. This technical report was approved by the X9 Board of Directors on February 10.

The document's name is *ANSI X9 TR-42-Core Adjustment Reasons Codes: A Publication of the Remittance Coalition*.

Remittance Standards Inventory. Mary Hughes described how a Remittance Coalition team produced a technical report that is a current, comprehensive inventory of 16 B2B payment remittance standards. The intended audience of this catalog includes B2B solution and service providers, as well as corporations and organizations that use or are investigating the use of such standards. The document provides introductory information for each standard including a description, the types of payments it supports, how remittance may be sent, and information about the issuing organization. Readers who want detailed information and complete specifications of a standard are advised to reach out to the issuing organization. The inventory provides contact information and the website of the issuing organization. The inventory features a matrix showing for each standard the most common uses or industries served by the standard.

The technical report, *ANSI X9 TR-44-2013-Remittance Standards Inventory: A Publication of the Remittance Coalition*, is available free-of-charge on the Remittance Coalition website, X9 website and on the ANSI.org web store.

Educational Publications. Mary Hughes reported that 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.

Lyle Wallis asked if the National Automated Clearinghouse Association (NACHA) also offers publications designed to educate businesses about ACH usage. Rob Unger of NACHA provided this link where free information is available: www.electronicpayments.org. In addition, NACHA sells a trio of business training modules for a fee at www.nacha.org/SBTM.

Claudia Swendseid mentioned that all Remittance Coalition publications are published without a copyright, to make them readily available to anyone who wants to use them. She encouraged members to share them with others and to repurpose content as desired.

Outreach. Claudia Swendseid described the outreach activities completed by Remittance Coalition members last year. Nine presentations were made at various regional and national venues. She highlighted the Vendor Forum organized by the Remittance Coalition, which was held at the Credit Research Foundation Expo in Minneapolis in August. This Vendor Forum brought together software and technology service providers and educated them on remittance standards they could implement. Future dialogue with the vendor community is planned for this year. All presentations are posted on the Remittance Coalition website.

Claudia ended by asking members to send suggestions on new venues or conferences that the Coalition should target, because it is important to reach the right audiences with the right topics.

Remittance Coalition Priorities in 2014

2013 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, in addition to continuing the dialogue with software and technology vendors who serve this segment. He said the Leadership Group intends to target the Coalition message to organizations who will find value in it. He also explained that larger organizations may find the Core Adjustment Reason Code Technical Report to be of value if they are seeking a way to simplify and streamline their adjustment code lists. Also, the Coalition plans to work with larger organizations to encourage their smaller trading partners to use electronic payment options in lieu of checks. Finally, he said that financial institutions (FIs) are another important target audience for the Coalition's message. FIs should be encouraged to promote electronic payments to their small and medium sized customers. He also noted that there are opportunities to facilitate collaboration among FIs to further the Coalition's mission of more electronic payments and remittance exchanges.

In 2014, Coalition representatives plan to present at five venues so far, including in-person presentations at the National Association of Food Service Manufacturers Credit Management Group

meeting, NACHA 2014 Payments conference, Credit Research Foundation's conference, and America's Small Business Development Centers' annual conference; plus there will be 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.

Roy also said that the Coalition is seeking more volunteers to serve on the Small Business Publications Review Panel. The function of this group is to review proposed publications and comment on their applicability and usefulness to the intended audience, as well as to suggest ideas for new publications.

He ended by noting that even though the Coalition has identified priority outreach and education initiatives for 2014, it is a dynamic approach and we strive to be flexible and respond to new issues and audiences as the need arises. He urged members to serve as the Coalition's eyes and ears and share what they learn with the Leadership Group¹.

Trevor Dixon from BPay in Australia asked if the Remittance Coalition submitted a formal response to the Federal Reserve's Payment System's Improvement Public Consultation Paper. Individual Coalition members offered comments on behalf of themselves or their organization, but no official comment was offered by the Coalition. Claudia Swendseid noted that the Remittance Coalition's work received many mentions in the public comments. Remittance Coalition members also responded to an invitation from the Federal Reserve and participated in a structured discussion to provide input to the Payments Security Landscape Assessment research effort that the Fed is undertaking to complement the Public Consultation Paper. This, along with other efforts, will guide the Fed in determining next steps it will undertake to improve the payments system. This plan of next steps will be shared with the industry in September of 2014.

Roger Bass asked what plans the Coalition has for continuing outreach to the software and technology service provider community. Roy replied that this effort is a work-in-progress. The Coalition plans to hold conference calls and in-person meetings, and will invite those who attended the Vendor Forum and current Coalition members from that industry segment as a starting point. He said that members should forward names of additional organizations that should be included. Roger said he wanted to understand the context and framework of these discussions. Claudia suggested that Roger could help develop this by reaching out to her, Roy, Lyle, or Mary.

2014 Priority #2: B2B Directory Project

Brian Mantel of the Federal Reserve Bank of Chicago updated the group on the work of the B2B Directory core team on behalf of B.C. Krishna, the team leader who was unable to attend. Phase 1 of the project developed a list of pain points and barriers within the B2B payments ecosystem. Phase 2, which is underway, involves developing a work plan, with the group brainstorming a range of improvement options and evaluating various solutions that have been put forth by team members. In the final Phase 3, the team will write a white paper that summarizes its work and offers recommendations for how to move forward with implementing a secure B2B directory. This paper will be distributed and socialized: further steps and potential implementation will depend on industry reactions to the white paper. Brian

¹ Remittance Coalition Leadership Group members include: Claudia Swendseid (Claudia.swendseid@mpls.frb.org); Roy DeCicco (roy.c.decicco@jpmchase.com); Janet Busch (janet.bushc@x9.org); Magnus Carlsson (mcarlsson@afponline.org); B.C. Krishna (bc@mineraltree.com); Edward Regina (Edward.regina@usbank.com); Rob Unger (runger@nacha.org); Rich Urban (ifxpresident@comcast.net); Lyle Wallis (lylew@crfonline.org); and Jim Wills (james.wills@swift.com).

said the team plans to preview the outline and shell of this white paper at the in-person meeting of the Remittance Coalition planned on Sunday, April 6th at the NACHA 2014 Payments conference. (See bottom of page 7 below for details on this meeting.)

Claudia noted that this draft version of the B2B Directory white paper will be shared with the entire Remittance Coalition, as many members will not attend the in-person meeting at the NACHA conference.

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

Rich Urban of IFX reported that the ISO Stand-Alone Remittance Message has cleared all the approvals and should be published in about a month. The ISO Payments Standards Evaluation Group (PaySEG) recommended some minor modifications, which were made. The ISO 20022 Registration Authority is now incorporating the material into the repository, and the submitting organizations and the PaySEG will do one last quality review to complete the process.

Rich explained that the Stand-Along Remittance Message fills an important gap in the ISO 20022 standards, as current ISO 20022 payment messages do not support the level and amount of remittance details that many businesses would like to provide to their trading partners. The new message schema was developed by IFX and OAGi. IFX is piggy-backing its annual meeting with the NACHA 2014 Payments conference. They expect to share details about the Stand-Alone Remittance Message there.

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. At this time, the program has not seen any adoption. However, Rob urged corporate listeners to make their FIs aware of their interest in it. Over the next few years, NACHA may make rule changes to require the usage of this format.

A Coalition member from Germany asked if a directory of participants will be offered, so potential participants will know who has agreed to send or accept these types of messages. Rob indicated that NACHA plans to make a directory available to FIs that have opted-in.

Rob will keep Remittance Coalition members informed of the progress of NACHA's XML Remittance initiative.

Other Standards of Interest

Claudia briefly noted that one of the goals of the Coalition is to explore how adopting common business processes and practices can help businesses use standards in more common ways, which can improve efficiency and straight through processing. She gave the example of X12's EDI standards that, while excellent, are often implemented in customized ways between trading partners. As a result, some of the benefits of standardization are not attained.

The final page of the *2014 Priorities* document on the Remittance Coalition website lists standards and technical reports that the Remittance Coalition will focus on this year.

Claudia described a potential new work item that stemmed from a focus group organized by the Remittance Coalition at the Retail Value Chain Federation's fall 2013 conference. The focus group brought together major retailers and asked them to identify common business processes and practices that could create efficiencies and benefit how their industry handles B2B payments and remittance processing. An outcome of this discussion was a proposal that the retail industry develop best practice guidelines for the handling of debit balances between retailers and suppliers. This idea was proposed to the X9C Corporate Banking Subcommittee as a new work item at their January meeting. The project requires assembling a team of retail practitioners and having them work together to create a new technical report with the working title *Retail Industry Debit Balance Best Practices, Terminology, and Procedures*. Subject matter experts would conduct research to benchmark current practices and suggest ways to standardize handling of debit balances. Their deliverable would be an industry standard of best practices for debit balances, including defining standardized terms and procedures. Remittance Coalition members who are interested in working on this X9 effort should send an email to: Remittance.coalition.smb@mpls.frb.org

Highlights of the 2013 AFP Electronic Payments Survey

Magnus Carlsson of the Association for Financial Professionals presented the highlights of the 2013 AFP Electronic Payments Survey. This survey is conducted every three years and provides an important means of tracking payment choices of businesses. Please refer to Magnus' slide deck for detailed findings.

Some of the results Magnus shared include:

- Check use for B2B transactions is still high, but dropped from 81% in 2004 down to 50% in 2013.
- Checks are still the #1 way businesses pay their major suppliers, followed by ACH credits, wire transfers, and purchasing cards. This order has stayed the same since 2004, but the percentages of electronic methods has increased, which check payments have decreased.
- A recent polling question from an AFP webinar on this subject found that nearly half (47.8%) of the webinar participants think that U.S. businesses might be missing out on international trade due to the U.S.' relatively high use of checks.
- Survey participants displayed a generally positive attitude toward switching from checks to electronic payments, although the actual adoption rate was fairly low.
- Top benefits of transitioning to electronic payments are cost savings (57%), improved cash forecasting (46%), fraud control (39%), and more efficient reconciliation (37%).
- Major barriers to increased use of electronic payments are difficulty to convince customers to pay electronically, shortage of IT resources for implementation, lack of integration between electronic payment and accounting systems, no standard format for remittance information, and difficulty to convince suppliers to accept electronic payments.

Magnus noted that due to mandates, businesses in Europe are transitioning from checks to electronic payments more quickly than American companies. In addition, SEPA mandates that the International Bank Account Numbers (IBAN) appear on invoices. In the U.S., change is driven by the business cases of individual organizations. In terms of attitudes, the survey shows that U.S. companies embrace the benefits of electronic payments, but are slow to give up their checks. He noted that many companies find it is more difficult to switch from checks to electronic options than first anticipated.

In a poll question asked in a recent AFP webinar, over 85% said that would definitely (43.6%) or maybe (41.9%) consider moving from checks to electronic payments if they had access to an open directory containing basic payment information of their trading partners so they could more easily identify how to pay them.

Another finding of the 2013 Electronic Payment Study was that email is the dominant method used to send ACH remittance information, with nearly three-quarters of the respondents selecting that answer. About 37% send remittance details via EDI/CTX transmissions, and notably, 18% rely on paper mail. More than one response could be selected. Over nine in ten webinar participants indicated it would be “very beneficial” to them to have the ability to send all remittance information along with the payment.

One question asked if survey respondents were willing to make investments to support the ability to send/receive wire payments with extended remittance information (ERI). Over half said they were NOT willing to make investments to send wire payments with ERI (53%) or receive them (55%). About one-fifth indicated they are interested in making necessary investments, 19% to send and 22% to receive wire transfers with ERI.

A telling finding is that half of AFP survey respondents said they have no payments that could be considered straight-through-processing (STP) items. And one-fifth (21%) said only 1 to 20% of their payments are of the STP type. Not surprisingly, this finding is consistent with the high use of checks. Only one in ten (9%) respondents report they have achieved STP for more than 80% of their payments.

The AFP queried merchants about the steps they have taken as a result of the announced EMV implementation roadmap. Three-quarters have made no changes to date. About 14% said they are working with their acquirer to understand the potential impact. Just 6% have placed or are in the process of placing chip card-enabled terminals at the point-of-sale. A follow-up question asked of webinar participants identified fraud protection (72.8%) and global interoperability (17.7%) as the most important benefits of the chip card migration in the U.S.

One issue explored by the AFP Electronic Payments Survey was to find out what payment methods are used to transact cross-border payments. About two-thirds rely on wire transfers to send (65%) and receive (66%) these payments.

The full report and the highlights of the AFP 2013 Electronic Payments Study are available at this link to AFP members: <http://www.afponline.org/epayments/>

Building Momentum in 2014

Remittance Coalition members are encouraged to help grow membership by inviting colleagues to join the Coalition. The Coalition has a LinkedIn group as well, and members are invited to participate in it. Also, members who wish to mention the Remittance Coalition in their presentations can request “stock” slides to help explain what the Coalition is, its mission, accomplishments, and how to get involved. These slides can be requested from Mary Hughes at mary.hughes@mpls.frb.org. Finally, the next meeting of the full Remittance Coalition will be an in-person meeting held on Sunday, April 6, 2014 at the NACHA 2014 Payments Conference. The meeting will be held in the Grand Ballroom 9-10 of the Orlando World Center Marriott from 1:00 to 2:30 p.m. Eastern. Please RSVP if you plan to attend and send suggestions for agenda topics to: Remittance.coalition.smb@mpls.frb.org