ISO 20022 Stand-alone Remittance NACHA XML-ACH Opt-in Program

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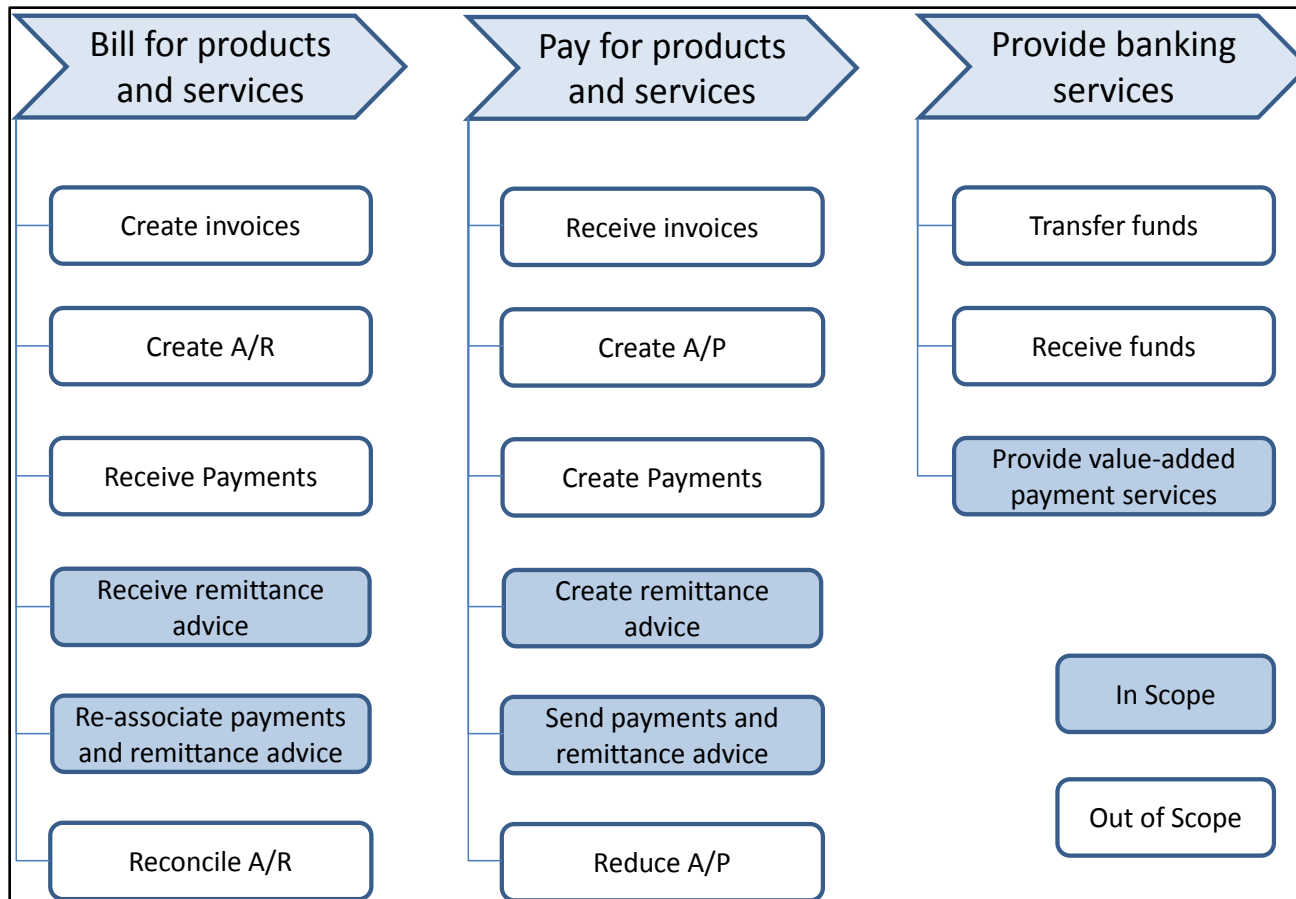
Agenda

- ISO 20022 Stand-alone Remittance Messages
  - Business Case
  - Concept
  - Scope, Business Processes, Use-Cases
  - Current ISO 20022 Submission Status
- NACHA plans
  - XML remittances in the ACH Channel
  - Role of ISO 20022 messages

Business Case

- The current 20022 payment messages do not support remittance-advice-only; they must include payment details.
    - This does not support many common business practices.
    - Most clearing systems contain strict limits on the amount of remittance information allowed across their systems, necessitating the use of alternative channels when there is a lot of detail.
- Remittance information can be provided in consistent formats whether sent with payment, through payment channels or any other means.
    - Standardized, but not dependent on FIs or clearing channels
    - FIs can choose to wait until adoption is evident, or seize the opportunity for value-added services
- Allows clearing systems to:
    - Expand their offerings to include the ability to handle remittance information in XML
    - Leverage ISO20022 without duplicating the payment elements.
- Generally encourage adoption of ISO 20022 messages in the overall purchase-pay-reconcile cycle

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Business Processes Affected

Each participant in the billing, payment and banking cycle can realize benefits of standardization

Bill for products and services	Pay for products and services	Provide banking services
Create invoices	Receive invoices	Transfer funds
Create A/R	Create A/P	Receive funds
Receive Payments	Create Payments	Provide value-added payment services
Receive remittance advice	Create remittance advice	
Re-associate payments and remittance advice	Send payments and remittance advice	In Scope
Reconcile A/R	Reduce A/P	Out of Scope

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What is being built

SCOPE SUMMARY:

The newly developed stand-alone remittance messages use existing elements from related ISO 20022 payment messages extended with specific, business-justified content from ISO 20022, EDI, STP820 and others to facilitate interoperability, delivery flexibility and straight-through processing.

KEY CONCEPTS

- Channel independent – deliver remittance information in-band with payment, direct to creditor through email, VPNs etc., via web portals, 3rd party service providers or any other means.

- Payment and Remittance messages cross-reference each other to facilitate re-association and reconciliation

- Send either the remittance details or the location where remittance details can be electronically retrieved

- Service providers have new business opportunities to support A/R processes.

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Common Use-Cases Supported

- Remittance Advice Message, with all pertinent details, is
  - Delivered directly to creditor by debtor -or-
  - Delivered through FIs along with payment
- Remittance information is separated from the payment and *stored*; then a Remittance Location Advice message is created and…
  - Delivered directly to creditor by debtor -or-
  - Delivered through FIs
  - Creditor then accesses remittance location to retrieve details
- Debtor Agent (FI) or Creditor Agent (FI) separates Remittance from Payment…
  - Sends Remittance Advice to creditor -or-
  - Stores information and sends Remittance Location Advice to creditor
- Direct Debit support
  - *Creditor* creates Remittance Advice or Remittance Advice Location and sends to Debtor – either directly or through FI channels
- Full bank-operated cash management
  - Creditor's FI links remittance data to the funds transfer and reports to creditor

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Current Submission Status

- ✓ Business Justification submission
- ✓ Review of BJ by the RMG
- ✓ Submission of message content to ISO 20022 RA
- ✓ Response from ISO RA for further action
- ✓ Adjustments made and re-submission pending (Aug)
- • Evaluation of content by SEGs (Sept)
- • Final Approval of content (before year end)
- • ISO 20022 repository update (by year end?)

NACHA Adoption

- NACHA research indicates significant interest in XML message standards for remittance information
- NACHA wants to support enhancements to payment capabilities
- NACHA participated in message development to ensure interoperability in the ACH network
- NACHA intends to support the ISO 20022 messages when they are formally adopted
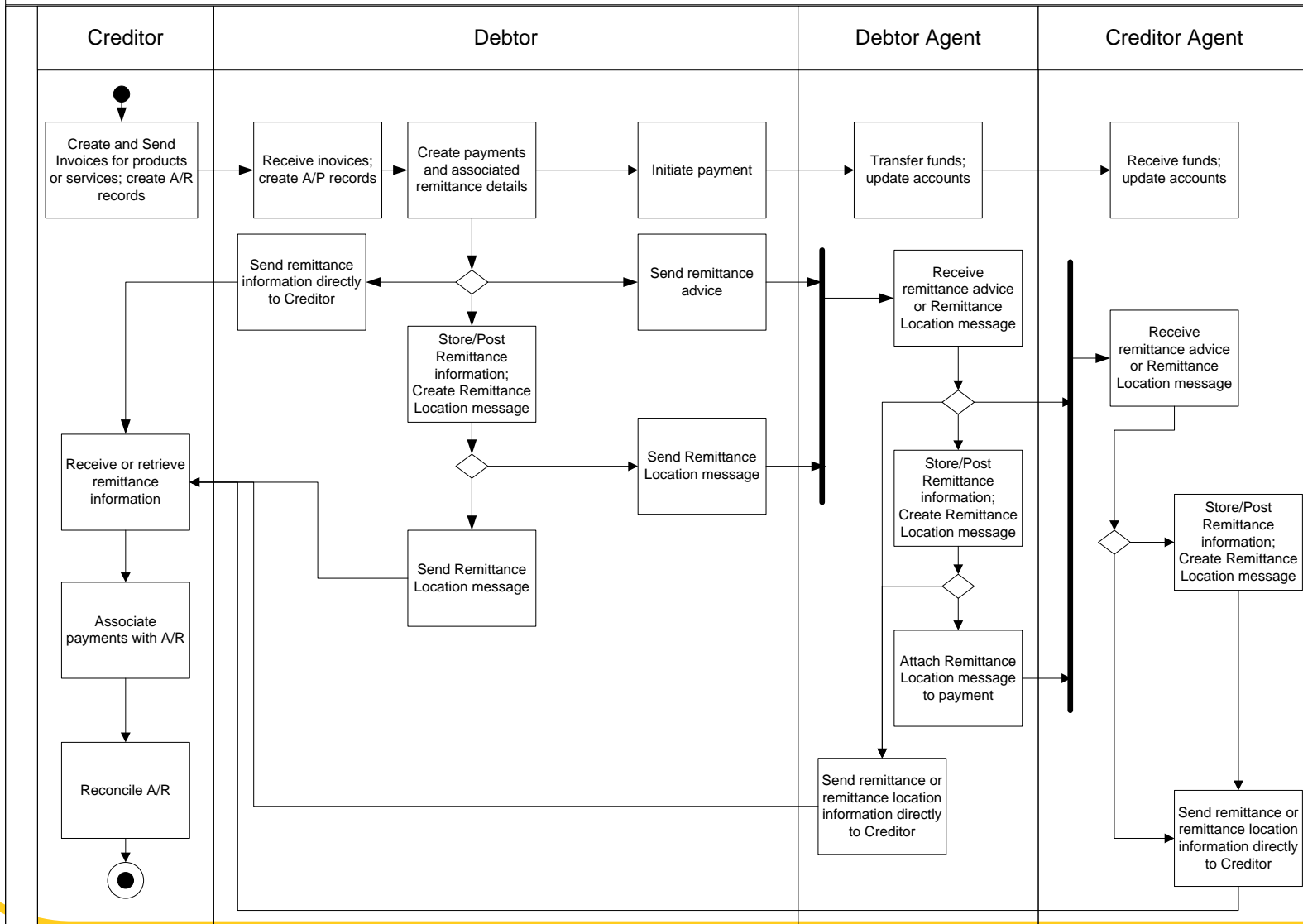
NEXT UP:

NACHA's XML-ACH
Opt-in Program Review

Appendix Material

- Remittance Message Flow Details
- How content gets into ISO 20022 repository

Remittance Message Flow Details

Pay invoices and provide remittance details

ISO 20022 Content

Various organizations submit content proposals which are evaluated by SEGs before being approved for the RA to include in the repository.