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STRATEGIC INSIGHTS INTO  
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**PAYMENTS 2013**  
April 21-24 | San Diego, CA

# 2012 Remittance Coalition Survey: Is STP an Impossible Dream?

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Claudia Swendseid, Federal Reserve Bank of Minneapolis

Carole Hunt, Ameren Corporation

Roy DeCicco, JPMorgan Chase

April 23, 2012

# Agenda

- Introductions
- About the Remittance Coalition
- Barriers to Straight Through Processing (STP)
- Coalition Initiatives Addressing Barriers to STP
- Getting Involved

# Who We Are



**Claudia Swendseid**  
Senior Vice President  
Federal Reserve Bank of  
Minneapolis

- Serves on Bank's Management Committee.
- Oversees FedACH Support Services, IT, Customer Contact Center, & Payments Information & Outreach Office.
- Acts as Federal Reserve liaison to several industry associations & corporate end-user organizations.

## Federal Reserve System

- Establishes & executes U.S. monetary policy.
- Promotes a stable financial system.
- Supervises & regulates financial institutions (FIs).
- Provides financial services to FIs & U.S. government.

**Mission in payments: *To foster the integrity, efficiency & accessibility of U.S. payments & settlement systems in support of financial stability & economic growth***



# Who We Are



## **Carole Hunt, CTP**

Assistant Treasurer & Director  
Ameren Services Center  
Ameren Corporation

- Leads Ameren's shared services group consisting of Payroll, Accounts Payable, Accounts Receivable, Bank Reconciliations, Corporate Records Management, Mail & Print Services, & Personnel & Policy Administration.
- Member of AFP, NACHA Affiliates Group, & St. Louis Treasury Management Association.

## **Ameren Corporation**

- Fortune 500 company with assets of \$23 billion.
- Serves 2.4 million electric customers & over 900,000 natural gas customers across Illinois & Missouri.
- Employs more than 9,000 people.

# Who We Are

# J.P.Morgan



**Roy DeCicco**  
Managing Director  
J.P. Morgan Chase

- Managing Director for the Corporate & Investment Bank/Global Market Infrastructure team.
- Responsible for managing staff engagements with industry associations, public policy authorities, market infrastructures, & other global financial institutions that impact the payments industry.

## J.P. Morgan Chase

- Global financial services firm in investment banking, financial services for consumers, small business & commercial banking, financial transactions processing, asset management & private equity.
- Assets of \$2.4 trillion.

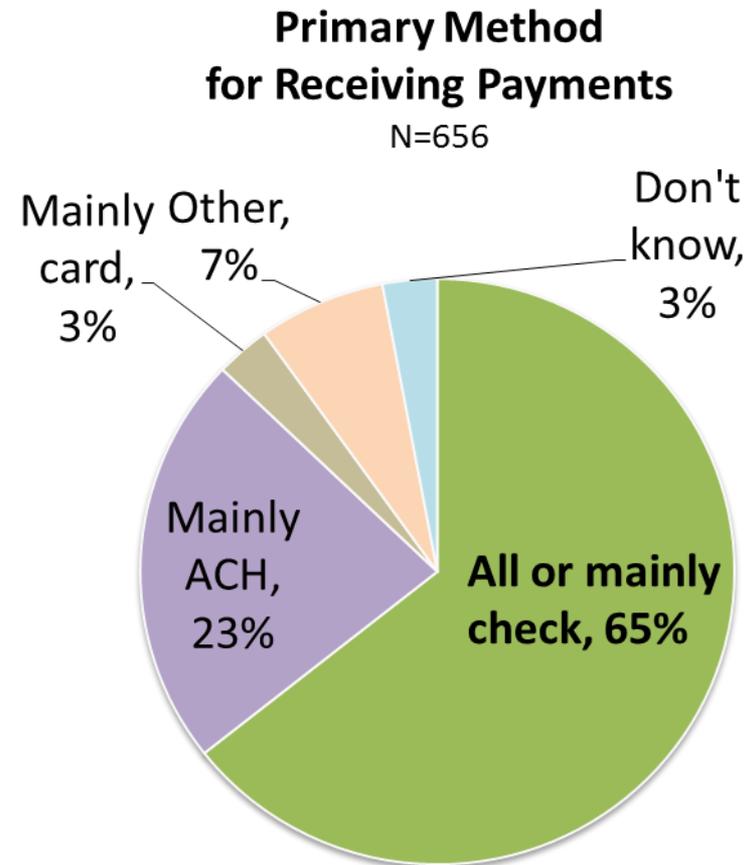
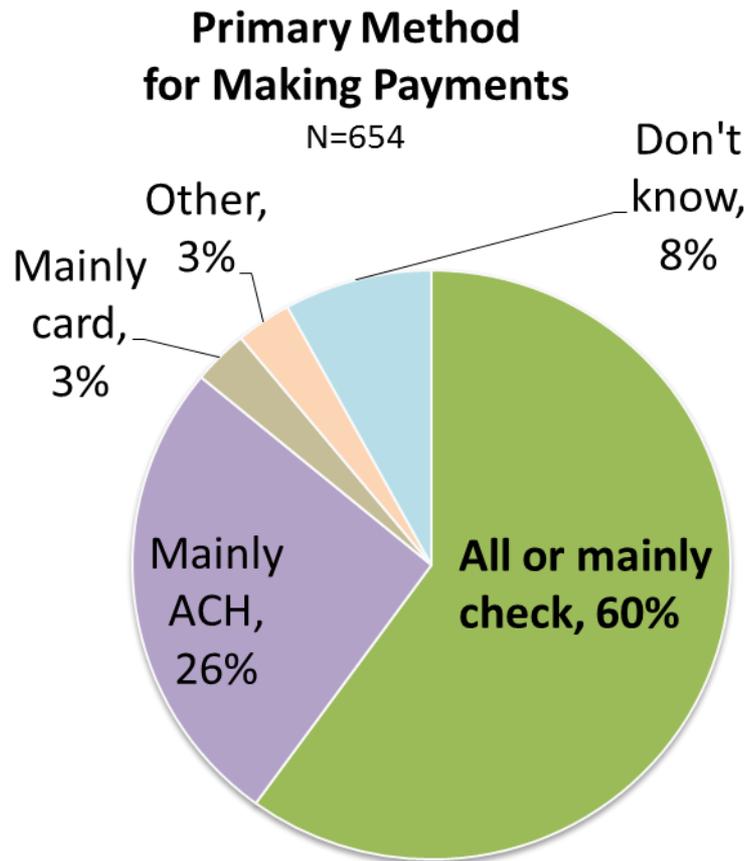
# About the Remittance Coalition

# Remittance Coalition

- **What it is:** National group of associations, small & large businesses, vendors, FIs, standards development organizations & others
  - Formed in 2011
  - 200+ members & growing
  - No fees
- **Mission:** Work together to make it easier to adopt & process electronic B2B payments & electronic remittance data in a “straight through” automated way



# B2B Payments Are Still Mainly Check

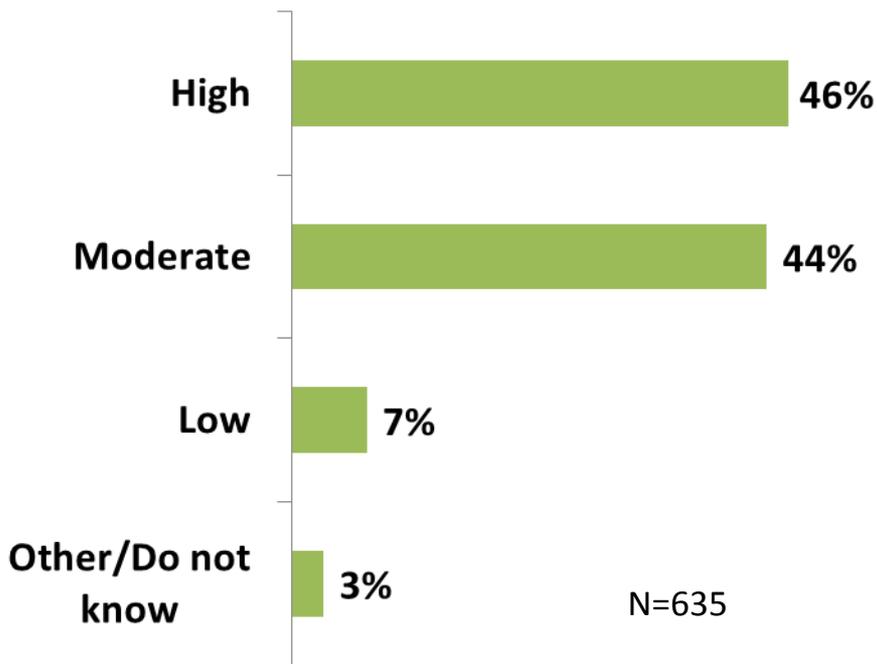


Source: 2012 Remittance Coalition Survey

# Businesses Want More E-Payments & E-Remittances

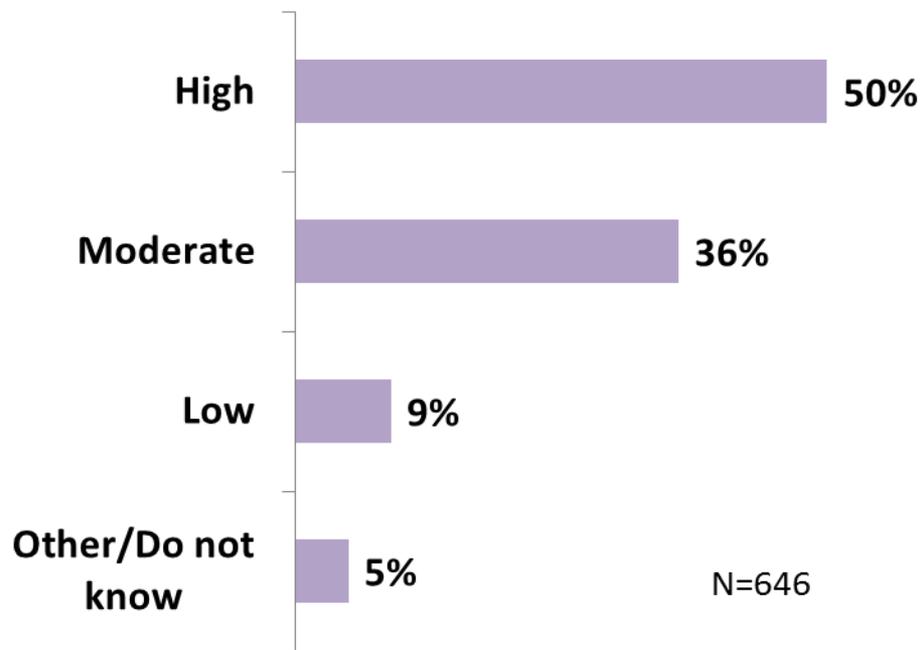
### Interest in Making & Receiving More E-Payments

N=635



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

N=646



Source: 2012 Remittance Coalition Survey

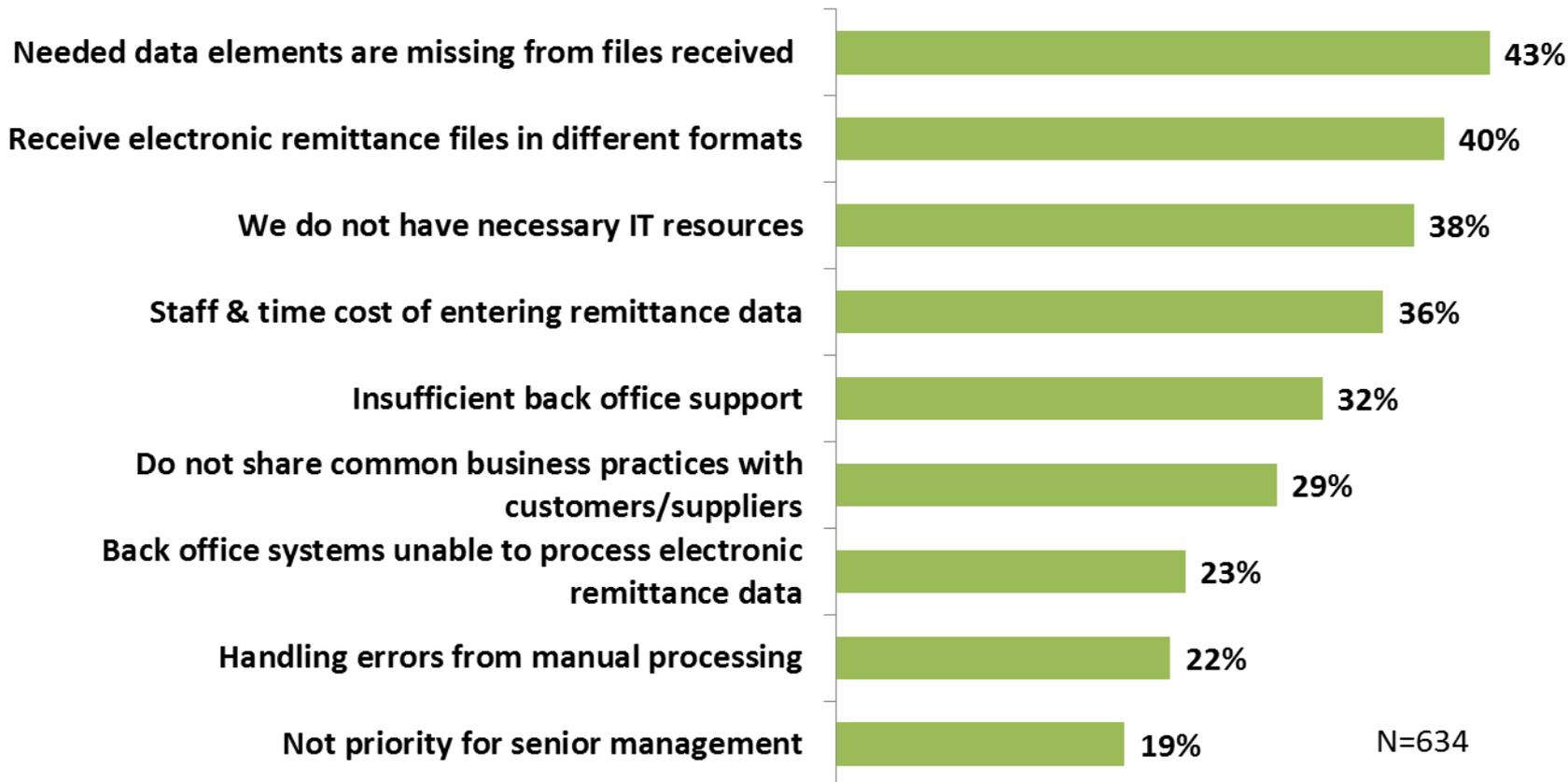
# Barriers to Straight Through Processing

# Main Barriers to Using More B2B E-Payments



Source: 2012 Remittance Coalition Survey

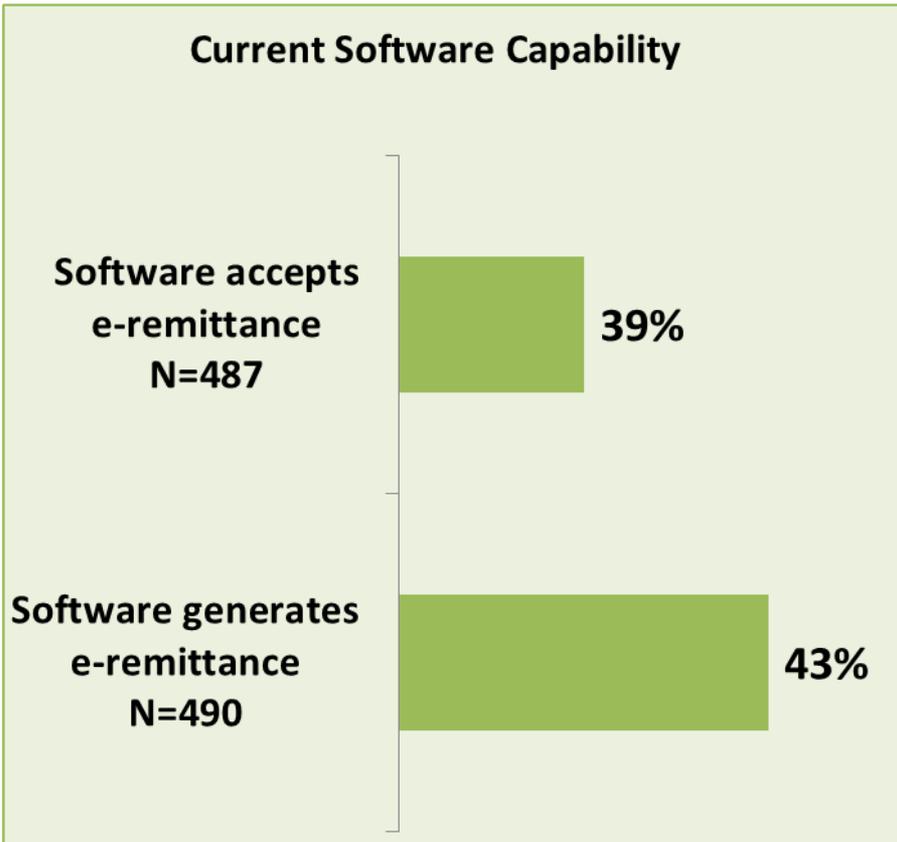
# Common Problems with Processing Remittance Data



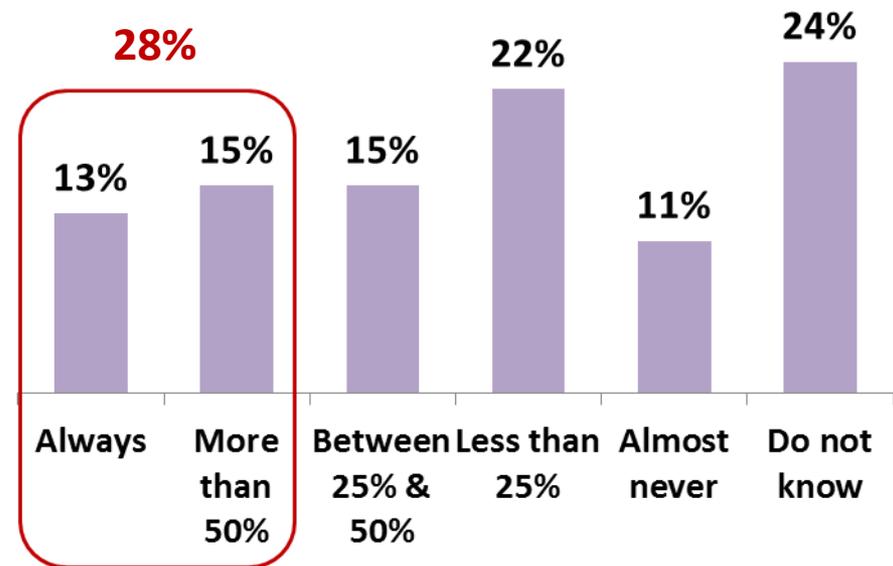
Source: 2012 Remittance Coalition Survey

# Technology Doesn't Meet Business Needs

## Current Software Capability



## How Often Is Manual Intervention Required to Correct E-Remittance Data Received? N=486

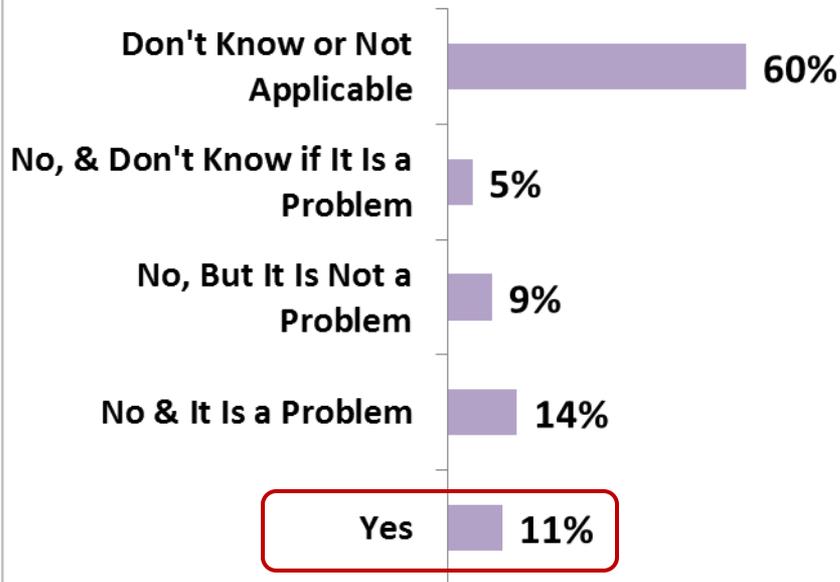


Source: 2012 Remittance Coalition Survey

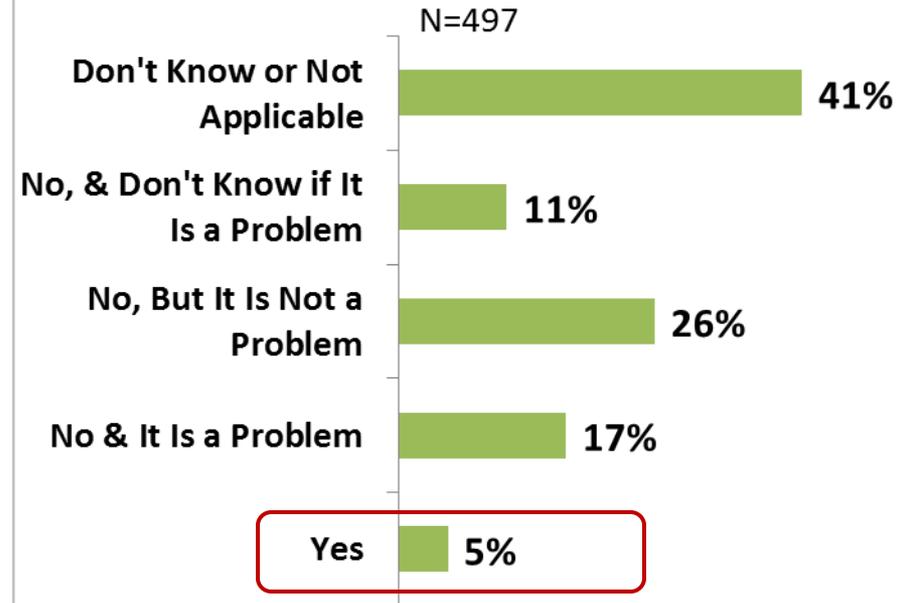
# Common Practices & Processes Are Lacking

- Only 1 in 20 say suppliers & customers use the same deduction codes
- Just 1 in 10 say suppliers & customers use EDI 820/STP 820 remittance formats in standard way

## Is There Standard Use of EDI 820/STP 820 Remittance Format?

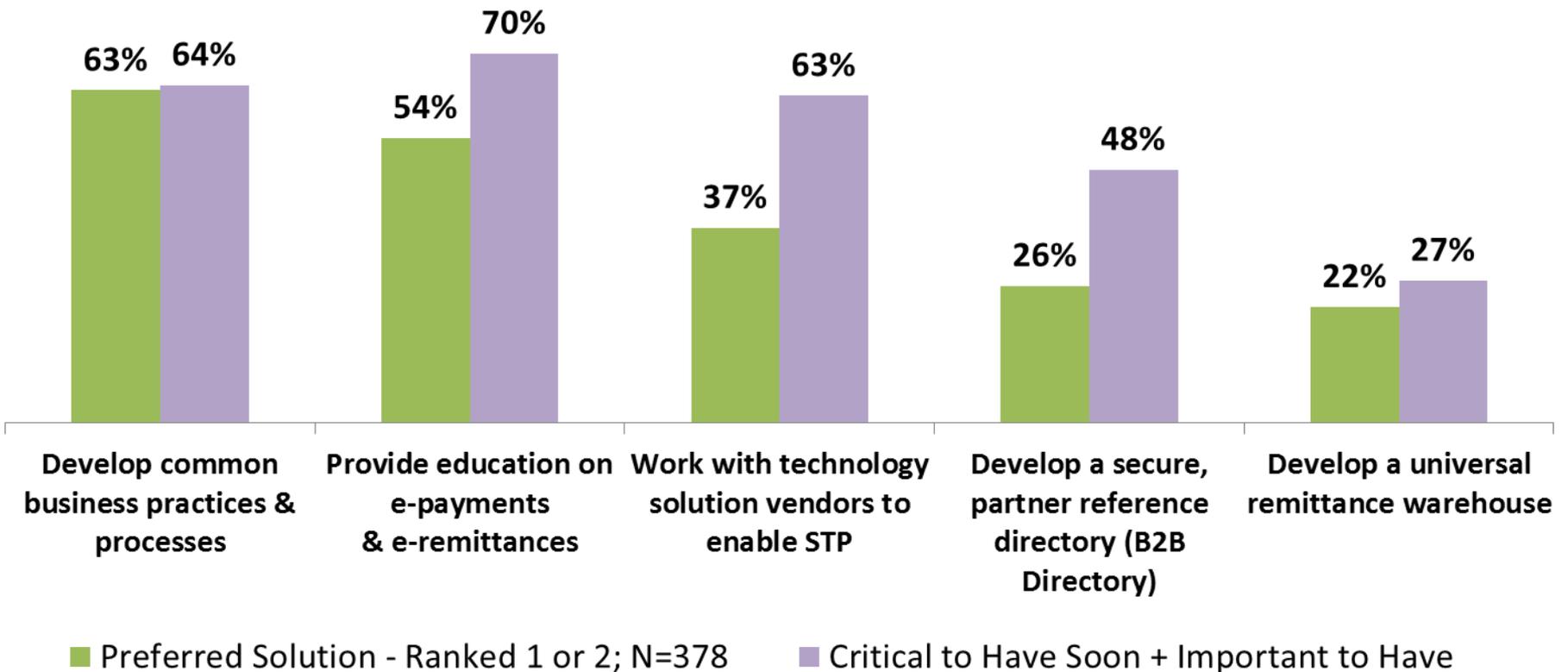


## Do Your Customers & Suppliers Use Same Set of Deduction Codes?



Source: 2012 Remittance Coalition Survey

# Solutions Business Practitioners Want



Source: 2012 Remittance Coalition Survey

# Panel & Audience Discussion

1. What works to motivate your customers/ suppliers to accept e-payments?
2. How do you motivate your customers/suppliers to send or receive e-remittance data?

# RC Initiative #1: Establishing Standard Business Practices

# Simplifying & Standardizing Deduction Codes

- Over 600 codes defined in X12 EDI standard “426 adjustment reason code”
  - Used with several EDI transaction types (e.g., 820 Payment & Remittance Advice, 812 Credit/Debit Adjustment)
  - Used in other remittance exchange (e.g., e-mail remittance)
- Unclear definitions & descriptions lead to:
  - Inconsistent usage
  - Penalty fees for noncompliance
  - Manual processing to ensure compatibility



# Case in Point: Advertising Deduction Codes

Multiple codes for similar definitions create confusion, more errors & noncompliance fees

## Six 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 the process be simplified by use of a single advertising code?**

# Developing Common Standards

- RC workgroup developed subset of X12 EDI 426 deduction codes to meet “most” business needs
  - Identified about 70 essential codes for deduction processing
  - Developed definitions for 70 codes & mapping with complete 426 list
- Codes may be carried in X12 messages, other formats & in other remittance information exchanges
- X12 & X9 have agreed to publish simplified standard
- RC will work with software vendors to adapt systems to support simplified code list

# Standardizing Other Remittance Exchange Processes

- RC is reviewing survey responses for other opportunities to develop & promote simpler, standard practices for remittance exchange
- Plan to hold two focus groups with practitioners in 2013 to identify other business process improvements to address



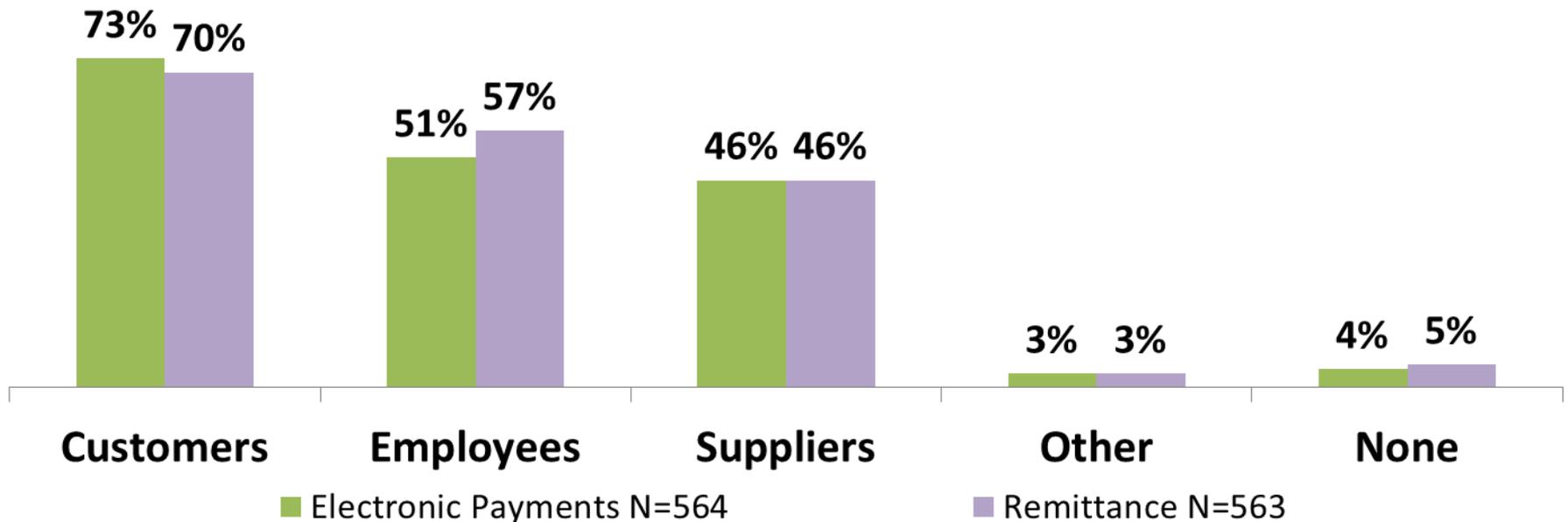
# Panel & Audience Discussion

1. Can fewer & more standard deduction codes improve e-remittance processing?
2. What other opportunities exist to create standard business practices & processes?

# RC Initiative #2: Education & Outreach Efforts

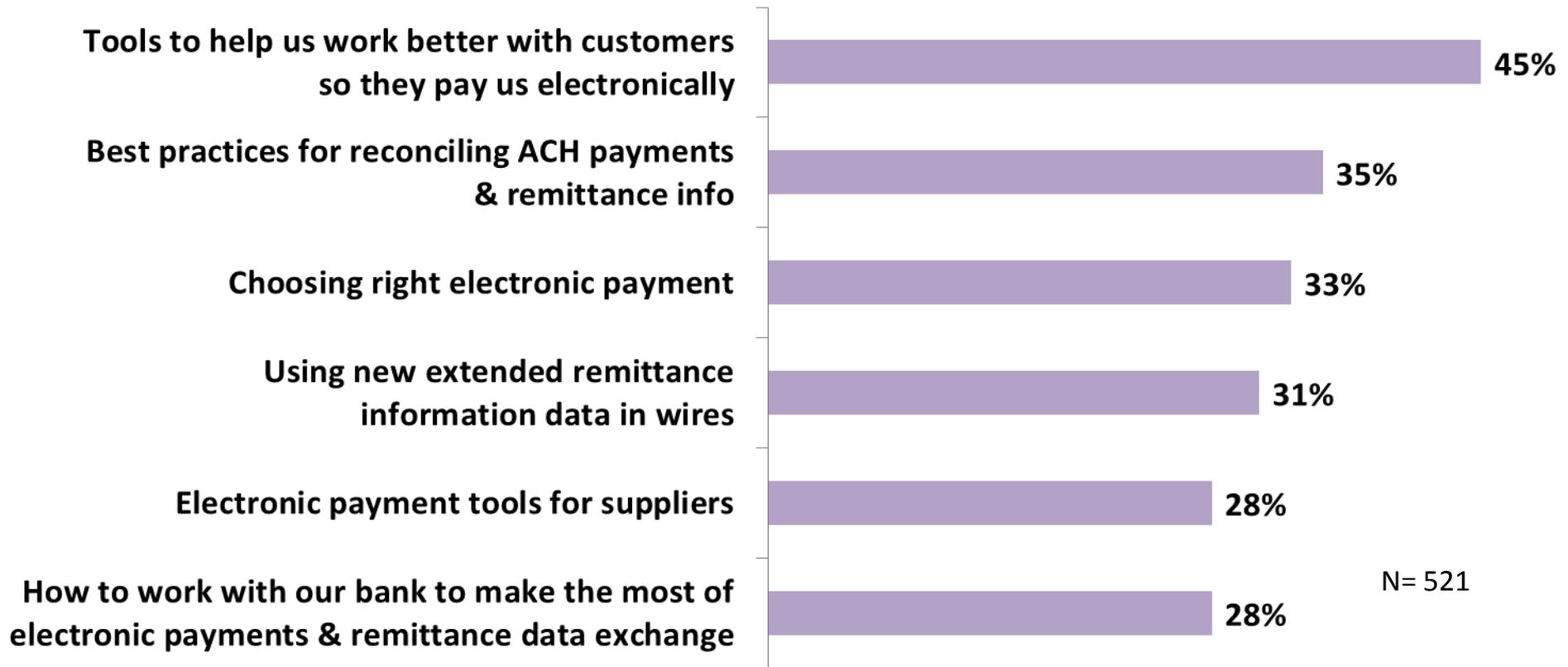
# Education & Outreach is Needed to Promote E-Payments & E-Remittance

- Survey respondents say more education needed to increase adoption of electronic payments & automated processing of remittance data
- Customer education is highest priority



Source: 2012 Remittance Coalition Survey

# Educational Topics Needed



Source: 2012 Remittance Coalition Survey

# RC Support for Education & Outreach

- Present at industry conferences & publish articles in industry press to promote RC mission & actions
- Share information, discuss issues & solutions among RC members
- Promote adoption of new solutions – e.g., extended remittance information in wire transfers, Balance & Transaction Reporting Standard
- Target education to small businesses & small FIs
- Reach out to software vendors to support new solutions

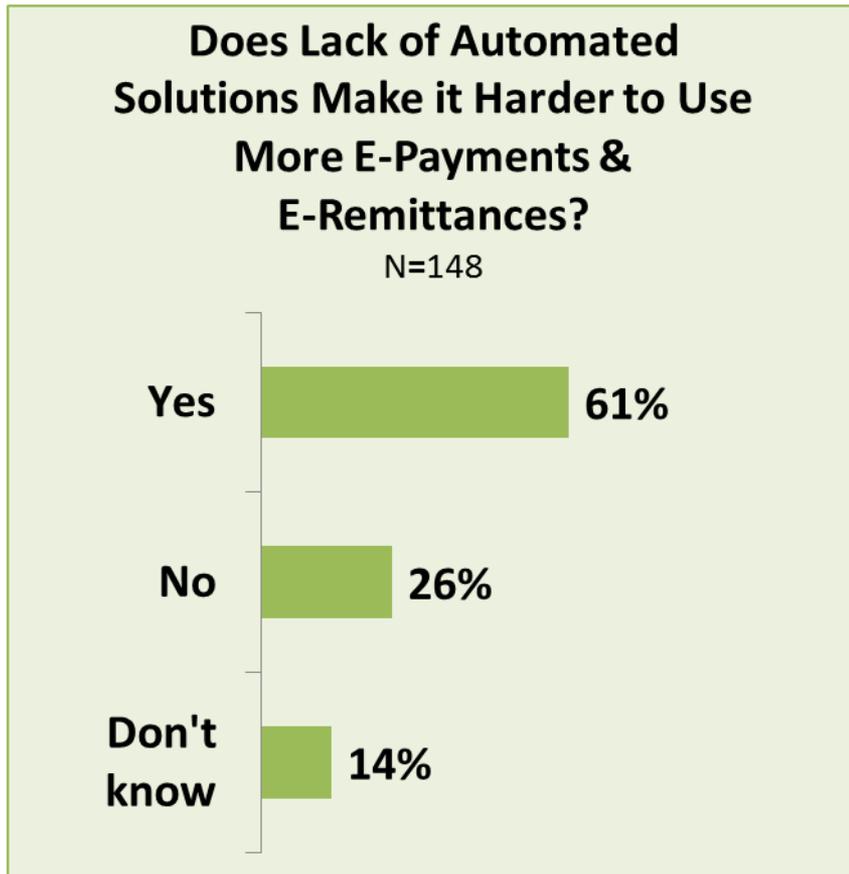


# Panel & Audience Discussion

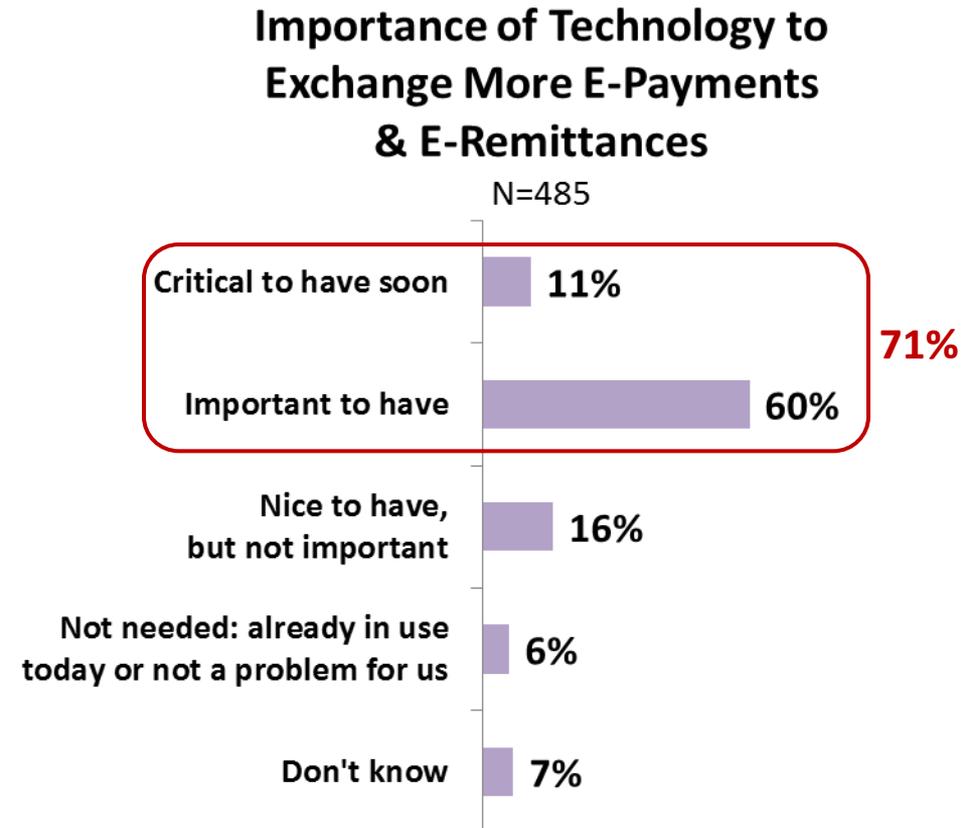
1. Do you agree that customers need education most?
2. What education topics & venues will be most helpful for your customers?

# RC Initiative #3: Enhance Technology & Standards

# RC Survey : Technology Solutions Needed



Source: 2012 Remittance Coalition Survey



# RC Working to Boost Technology, Standards

- Develop glossary of remittance terms to promote education & common understanding (led by X9)
- Develop inventory of existing e-remittance standards & best uses (led by X9)
- Develop ISO 20022 extended remittance standard in XML for compatibility with ISO 20022 payment messages (led by IFX, NACHA)



# Technology Vendor Outreach

- Discuss limits of existing services
  - Bank core software that doesn't process/translate remittance information in ACH addenda
- Promote adoption of new solutions:
  - Wire format with extended remittance information
  - Balance & Transaction Reporting Standard
  - Simplified deduction codes



# Panel & Audience Discussion

1. What technology solutions are most needed to address remittance difficulties?
2. What role do your vendors play in improving remittance processing?

# Getting Involved

# How RC Members Stay in Touch

- Participate in work groups
- View progress on Federal Reserve Bank of Minneapolis website:
  - <http://www.minneapolisfed.org/about/whatwedo/paymentsinformation.cfm>
  - Regular telephone conference calls
  - Occasional in-person meetings during conferences
  - LinkedIn group
  - E-mail



# Join the Remittance Coalition!



To join the Remittance Coalition, e-mail:  
[remittance.coalition.smb@mpls.frb.org](mailto:remittance.coalition.smb@mpls.frb.org)

You will receive a new  
member welcoming packet  
by e-mail



# Contact Information

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