

# Remittance Coalition Meeting

October 14, 2012

## Welcome & Update on Remittance Coalition

Roy DeCicco opened the meeting and welcomed participants; Claudia Swendseid then reviewed the agenda, noting that the topic on the Fedwire & CHIPS Fedwire extended remittance survey would not occur, but that the AFP conference presentation on the topic would be made available to Coalition members.

Meeting participants introduced themselves. During the go-around, a question was raised about whether the rules of the Consumer Financial Protection Board regarding remittance would affect business-to-business remittance. Claudia responded that she believed they did not, but would forward the question to the counsel for the Federal Reserve Banks' Retail Payment Office.

## Remittance Coalition Survey

Claudia Swendseid led the discussion on the Remittance Coalition survey. She said that corporate financial services experts (A/P, A/R, Treasury, Purchasing card, and accounting practitioners) completed the survey, which was distributed by the AFP, the Credit Research Foundation (CRF), Institute of Financial Operations (IFO), the National Association of Purchasing Card Professionals (NAPCP), and the Association of Small Business Development Centers (ASBDC). In addition, Mineral Tree conducted a phone survey and while these results are not included in the total, are being used to compare and validate the small business responses. A copy of the final report will be provided to Coalition members when it is complete.

In general, results indicate that respondents believe that their internal processes and the services of their banks and payment providers are satisfactory. This may reflect that payment processing is not a core business function as well as the lack of a "burning platform" issue. However, the survey identified many areas where payment and remittance processing is inefficient.

Most remittance data is sent separate from a payment, usually via e-mail in a format that must be rekeyed. Meeting participants discussed the advantages and disadvantages of remittance data traveling with a payment, separately, and stored in a repository. Corporate participants said that they do not like remittance portals that require that they download data and rekey it because they usually have multiple suppliers and this means that they must access multiple repositories storing remittance data in a variety of formats. However, if there was a standardized format with data automatically downloaded and processed, corporates would be more supportive of supplier portals.

Responses to the questions on the top five barriers to increased use of electronic payments and top five pain points with remittance processing identified a multitude of problems. The top three barriers to increased electronic payment are (1) Inability to convince customers to pay by and suppliers to accept electronic payments, (2) Back office systems that do not integrate with electronic payments, and (3) Insufficient IT resources. The top pain points with remittance processing are (1) Needed data elements missing, (2) Remittance files in different formats, and (3) Insufficient IT resources.

The solutions to promote greater use of electronic payments and remittance are ranked (1) Address common business practices, (2) Provide education, (3) Work with technology vendors, (4) Develop a reference (i.e., B2B) directory, and (4) Develop a universal remittance warehouse. Two common business practices that need greater standardization include the consistent usage of existing remittance formats and standardizing deduction codes. Focus groups to identify other areas for business process standardization are being considered.

The results of the survey will be used to inform Coalition actions going forward. For example, it is clear more education is needed directed to customers, education is needed on best practices for reconciling payments and remittance data, and work is needed to urge technology vendors to increase their support for electronic remittance and reconciliation.

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## **B2B Directory**

Claudia introduced the topic, noting that David Bellinger, who could not attend this meeting, provided high-level corporate requirements for a directory and members of the B2B Directory team provided their vision for a directory. Corporates want a secure service that provides a single access point to all trading partners, that ensures that they control electronic payment and remittance information processing, and supports segregation of payments for companies with multiple legal entities.

BC Krishna led the discussion about the B2B directory. He said that a directory basically allows payers to find payment information about the entity they are seeking to pay and enough information to make the payment so the payee can apply the payment appropriately. A B2B directory could be centralized or decentralized, that is, linking existing directories. Meeting participants discussed potential vendor resistance to linking proprietary directories which could reduce their grip on customers.

Claudia said that Roger Bass, a member of the B2B Directory team, encouraged development of a pilot and BC agreed that a pilot would be useful. The group discussed the necessary features of a pilot, such as multiple banks participating. More discussion is needed to define the goals of the pilot and further refine the business model of a directory. A follow-up call will be scheduled with the B2B Directory team – other Coalition members are invited to participate.

## **Update on Discount Code Standard**

Cindy Fuller and Deb Hjortland gave an update on the deduction code initiative. CRF had developed a list of about 60 deduction codes most useful from the 600-plus codes defined in the X12 standard “426 adjustment codes” and used in many X12 standards including the X12 820. Work is continuing to ensure that the subset list is fully compatible with the codes identified in X12 STP 820. A cross-reference will be developed to assist in using the new list. Cindy Fuller explained that X9 is collaborating with X12 and jointly the two standard organizations will co-publish the new list as a technical report (i.e., implementation guide).

## **Meeting Conclusion**

Due to time constraints, the update on the new ISO 20022 remittance standard and the glossary project were deferred to the next call, to be scheduled in November.