

# Remittance Coalition Workshop

**Boston Convention Center  
Room 156  
November 6, 2011**

## **Moderators**

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

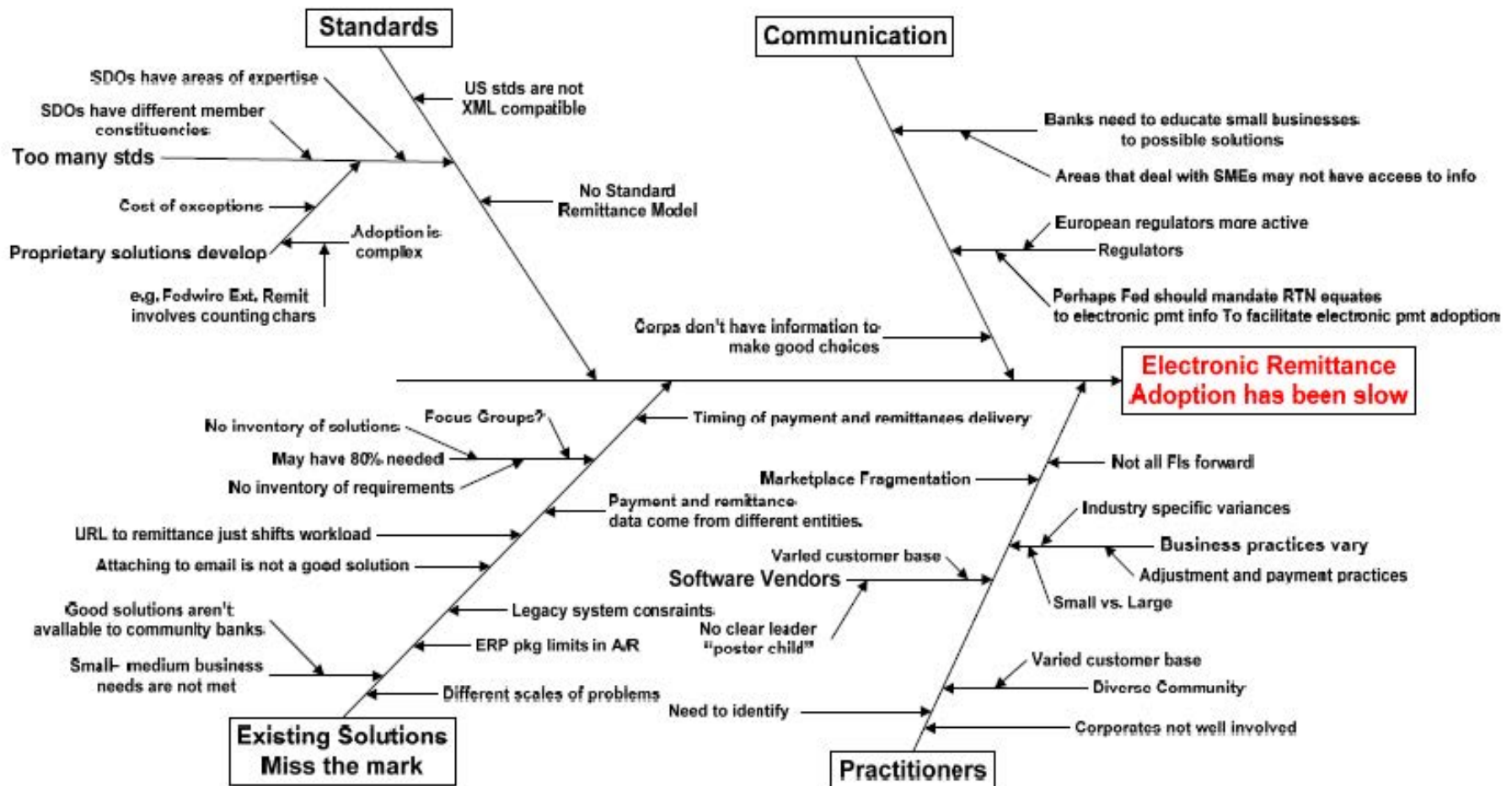
**David Bellinger  
Director of Payments  
Association for Financial Professionals**

# An Opening Thought.....



# We're Safe for Today: No Master Plan Yet

Problem: Electronic Remittance adoption has been slow.



# Workshop Agenda

- Meeting Format
- Remittance Coalition (RC) Background & Objectives
- Discuss Problem Faced by Corporates
- Discuss Potential Solutions & Use Cases
- Remittance Coalition Next Steps & Your Involvement



# Is the RC About Creating a New Standard?



- Many technical standards development groups are participating in the RC
- BUT, the RC is NOT a new standards body
- The RC recognizes standards are only a part of what is needed to make it easier for corporates to accelerate adoption of electronic payments & achieve 100% STP

# About the Remittance Coalition

## **Mission Statement:**

*Unified standards and processes and common automated tools are needed to support the origination & delivery of electronic remittance information that is easily associated with a payment, enabling STP for all B2B payments exchanged by all sizes of businesses.*

## **Objectives**

- Form a “Remittance Coalition” of interested parties to understand & address remittance problems
- Develop a list of specific action items to address issues identified
- Ensure ongoing input from corporate end users to understand problems & develop effective solutions

## **Participants**

- Over 40 organizations
- Participants represent:
  - Banks
  - Standards groups
  - Assn’s of corporate end users
  - Payments services providers (infrastructure providers, payment associations, payment consultants & others)

# What are Your Most Important Problems?

## External Issues:

1. Too many remittance related “solutions” in marketplace, complicating business decisions about what to adopt
2. Inadequate solutions available to address small business needs—difficult to get them on board — e.g., to send/receive electronic payments & remittance information
3. Software vendors (ERP, A/R, accounting) may not support new standards/solutions
4. Remittance formats vary by trading partner—creating uncertainty, complexity, & added costs
5. Existing standard formats too open to different “interpretations”, creating uncertainty, complexity, & extra costs
6. Parties in payment/remittance processing chain truncate or completely drop remittance data; recipient payee receives incomplete remittance detail
7. Recipient information received via mail/email or other methods requires re-keying data and introduces errors, delays & more costs
8. Payments sent separately from remittance detail adds complexity to matching & reconciliation
9. Inadequate input from businesses for use in enhancing/developing future solutions

# What are Your Most Important Problems?

## Internal Issues:

1. Matching receivables data & posting to A/R platforms is complex process & doesn't lend itself to easy solutions
2. Limited resources within corporations restricts ability to focus on addressing payments & remittance processing problems/support
3. Competing priorities at corporations make it difficult to make business case necessary to gain management support for investing in remittance related solutions
4. Limited resources available to sustain strategies & execute initiatives to promote trading partner adoption



# What is the Remittance Coalition Planning?

- Education & New Resources
  - Glossary of Terms
  - Catalog of Industry Initiatives
  - Inventory of Standards
- Outreach and Interaction
  - Corporate direction
  - Bank/Software Vendor requirements
- Solutions Coordination
  - NACHA B2B Directory
  - SWIFT
  - X9 Corporate Standards
  - ISO 20022 Standalone Remittance Standard



# Potential Solution #1 – NACHA B2B Directory

- Solution: Develop a directory to provide corporate bank account information needed for electronic payments processing
  - Provide buyers information about sellers bank account & electronic payment preferences (“as easy to find as a web site address on the internet”)
  - Provide buyers information about sellers remittance requirements, formats, & preferences (“what we require in order to accept electronic payments”)
- Potential Benefits to Corporates
  - Greater success in exchanging electronic payments
  - Increased ability to send ad hoc/low volume electronic payments
  - Sellers receive payment formats they prefer
  - Sellers receive remittance data they need to reconcile payments
- What Do You Think?

# Potential Solution #2 – SWIFT

- Solution: Cloud-based Payment Remittance Utility to search & download remittance information
  - Locator would be carried in standard payment instructions
  - No changes needed to existing payment formats
- Benefit to Corporates
  - Supports multiple payment initiation methods
  - Translates between multiple remittance formats
  - Reporting in variety of formats
- What Do You Think?

# Potential Solution #3 – ISO 20022 ERI

- Solution: Collaborate on development of an ISO 20022 standalone extended remittance standard
  - Could eventually be “THE” standard for payments with remittances
- Benefit to Corporates
  - Supports exchange of greater detail than that carried in the current ISO 20022 payment messages
  - A single standard reduces the need for proprietary & EDI remittance messages
- What Do You Think?

# Potential Solution #4 – X9C Initiatives

X9 develops new financial standards, including the new BTRS (replaces BAI2)

- Solutions:
  - Revise/extend existing remittance standards & formats
- Benefit to Corporates
  - Enables carrying extensive remittance information with a payment message rather than separate from a payment
  - Supports the definition of U.S. specific remittance data
  - Extension data layouts do not need international approval
- What Do You Think?

# Potential Solution #5 – X12 Initiatives

X12 develops electronic data interchange (EDI) standards, including the 820 transaction set used for exchange of payment & remittance information

- Solutions:
  - Redesign of the 820 (EDI) into an XML message
- Benefit to Corporates
  - Furthers XML use within corporate
  - Same remittance data carried in an EDI 820 message is carried in the XML version, reducing conversion effort
- What Do You Think?

# What's Missing???

- Do solutions such as electronic invoicing need to be considered as part of a more “end-to-end” set of solutions?
- How important is involvement of software vendors/ payment service providers in simplifying the remittance workflow? Are there other stakeholders that should be involved in the RC?
- What about small & medium sized corporations? Can they be reached through larger corporations or are the solutions/approaches mentioned today enough to enable SME's?
- Are initiatives needed to address the cost of conversion to new payment/remittance standards?
- Other ideas?

# Remittance Coalition Next Steps

1. RC leadership group formed, action items identified/assigned to work groups; work is getting underway
2. Monthly (leadership group) and quarterly (all) meetings scheduled
3. Today's session part of plan to gather input from corporate practitioners—also presented to CRF Forum in October, and a formal survey is under development
4. X9 & FRB Minneapolis have established website locations to post information for those interested in monitoring progress



# For More Information

- The Remittance Coalition:  
[www.minneapolisfed.org/about/whatwedo/payments/information.cfm](http://www.minneapolisfed.org/about/whatwedo/payments/information.cfm)
- Wire transfer extended remittance information (ERI) initiative  
[www.frbervices.org/campaigns/remittance](http://www.frbervices.org/campaigns/remittance)
- NACHA's Business Directory and other remittance initiatives:  
[cebp.nacha.org](http://cebp.nacha.org)

# Appendix

- Remittance Data Definition & Scope
- Remittance Exchange with Electronic Payment
- Remittance Problems Reduce Adoption of Electronic Payments
- RC Action Items in More Detail
- Some Solutions Slides

# Remittance Data Definition & Scope

**Remittance Data Definition:** Information shared between a seller & buyer providing a detailed accounting of purchased goods/services relative to a payment

- Remittance data is initiated by a buyer to notify seller of a payment
- Includes both large and small businesses as trading partners
- Seller uses data to:
  - Close an open A/R entry
  - Acknowledge that payment was received in G/L
  - Determine other liabilities (e.g., adjustments, rebates, promotional efforts, special pricing, etc.)
- Benefits of automating processing of payments & remittance information include:
  - Automatic reconciliation & STP is possible
  - Discrepancies can be identified & cleared more quickly
  - Cost savings can be achieved



# Remittance Exchange with Electronic Payment

**Back office:**

- ERP
- PO initiation
- Invoice matching
- A/P



Buyer

Step 1: Purchase Order



Step 2: Goods



Step 3: Invoice



Supplier

**Back office:**

- ERP
- PO Receipt
- A/R
- Payment matching

1. Buyer may send remittance with payment
2. Buyer may send remittance directly to supplier, separate from payment
  - Mail, e-mail, electronic, update supplier repository

Step 4: Initiate Payment



Buyer's Bank

Step 6: Notification of Payment



BOFD  
Supplier's Bank

Step 5: Settle Payment



Inter-Bank Clearing



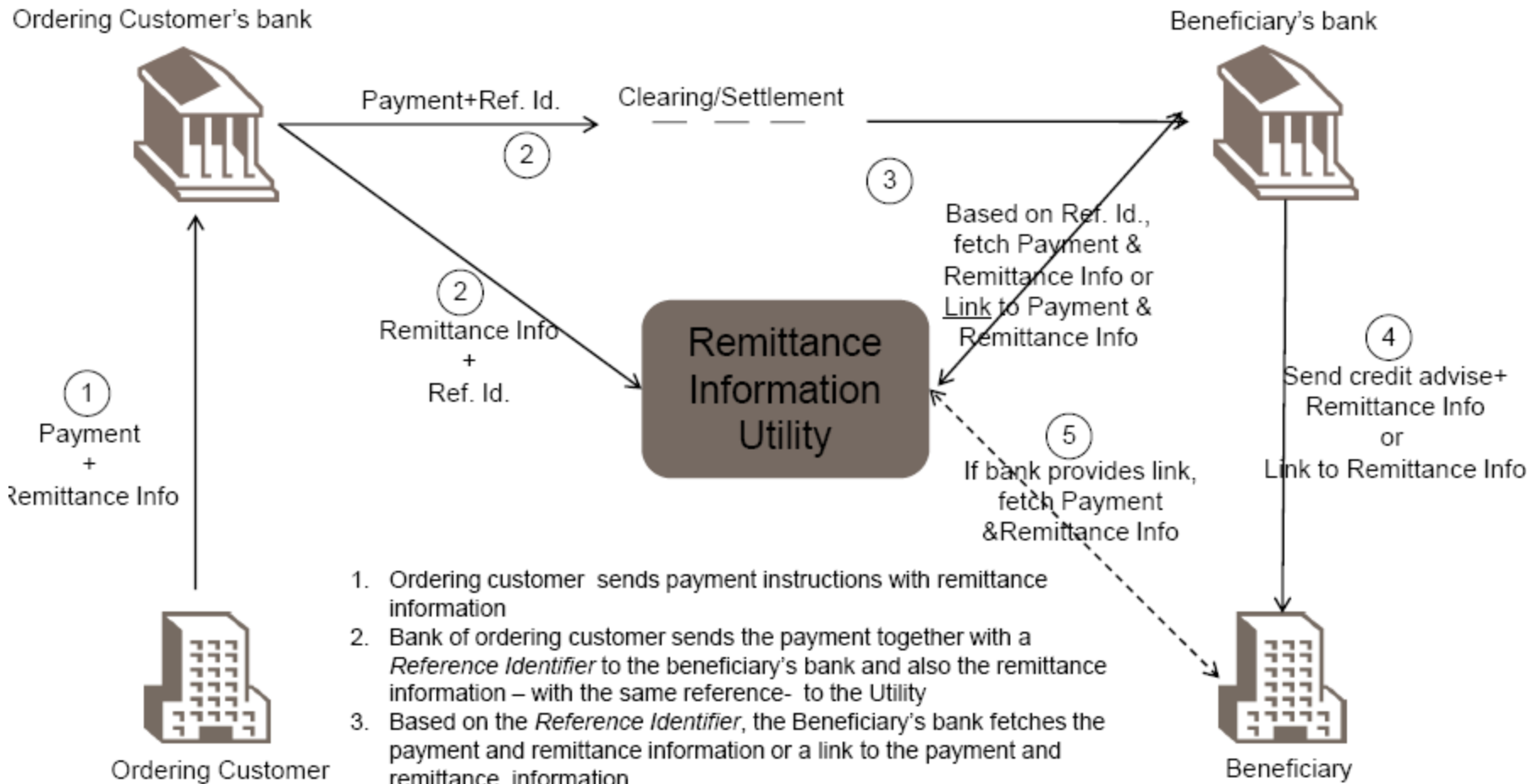
# Remittance Problems Reduce Adoption of Electronic Payments

Barrier Description	Major Barrier	Minor Barrier	Not a Barrier
Difficult to convince customers to pay electronically	32%	51%	17%
<b>Trading partners can't send or receive automated remittance information with electronic payments</b>	<b>28%</b>	<b>49%</b>	<b>23%</b>
Difficult to convince suppliers to accept electronic payments	23%	51%	26%
<b>No standard format for remittance information</b>	<b>28%</b>	<b>44%</b>	<b>28%</b>
Shortage of IT resources for implementation	33%	37%	30%
<b>Lack of integration between electronic payment &amp; accounting systems</b>	<b>34%</b>	<b>33%</b>	<b>33%</b>
Check systems work well	20%	37%	43%
Privacy/security of bank account information	11%	44%	45%
Loss of check float	10%	37%	53%
<b>Own organization cannot send or receive automated remittance information with electronic payments</b>	<b>12%</b>	<b>24%</b>	<b>63%</b>

# RC Action Items in More Detail

Action Item	Lead	Participating Organizations
Develop a glossary of remittance-related terminology to promote common understanding	X9C	Trust Company of America; FRB Minneapolis; CRSO; GS1; IFX; X9; PPL; Piracle; Wells Fargo
Develop a catalog of existing remittance-related industry initiatives	X9C	Wincor Nixdorf; FRB Minneapolis; X9; CRSO; GS1; IFX; PPL; US Bank; Piracle; Wells Fargo; SWIFT
Develop an inventory of existing remittance standards & their uses	X9C	Wincor Nixdorf; FRB Minneapolis; RPO; GS1; WPO; Piracle; Wells Fargo; IFX; SWIFT
Conduct a survey of business practitioners on remittance processing problems & solutions needed; ensure small businesses are included	FRB Minneapolis	FRB Minneapolis; X9; AFP (lead); CRSO; GS1; Citigroup; NACHA; IFX; CRF; SWIFT; IFO
Reach out to key stakeholders, including business practitioners, about the work of the Remittance Coalition & encourage participation	Leadership Steering Group	Wincor Nixdorf; AFP (lead); X9; CRSO; University Bank; GS1; NACHA; Wells Fargo (if time permits); IFX; CRF; SWIFT; IFO
Collaborate on development of an ISO 20022 standalone extended remittance standard	IFX; NACHA	Trust Company of America; FRB Minneapolis; X9; Wells Fargo; University Bank; GS1; WPO; Citigroup; Piracle; CRF; SWIFT
Leverage X9's Corporate Payments subcommittee to investigate revisions/extensions to existing remittance standards & formats	X9C	Trust Company of America; RPO; FRB Minneapolis; X9; University Bank; GS1; WPO; Citigroup; Piracle; NACHA; IFX; PPL; SWIFT
Follow-up with Routing & Transit Number Board on problems caused by using routing numbers to segregate payments delivery	FRB Minneapolis & X9C	AFP; FRB Minneapolis; X9; University Bank (lead); IFX; SWIFT
Investigate developing a directory to provide corporate bank information needed for electronic payments processing	NACHA	AFP; RPO; FRB Minneapolis; X9; CRSO; WPO; CRF; University Bank (lead); US Bank; Piracle; Wells Fargo;

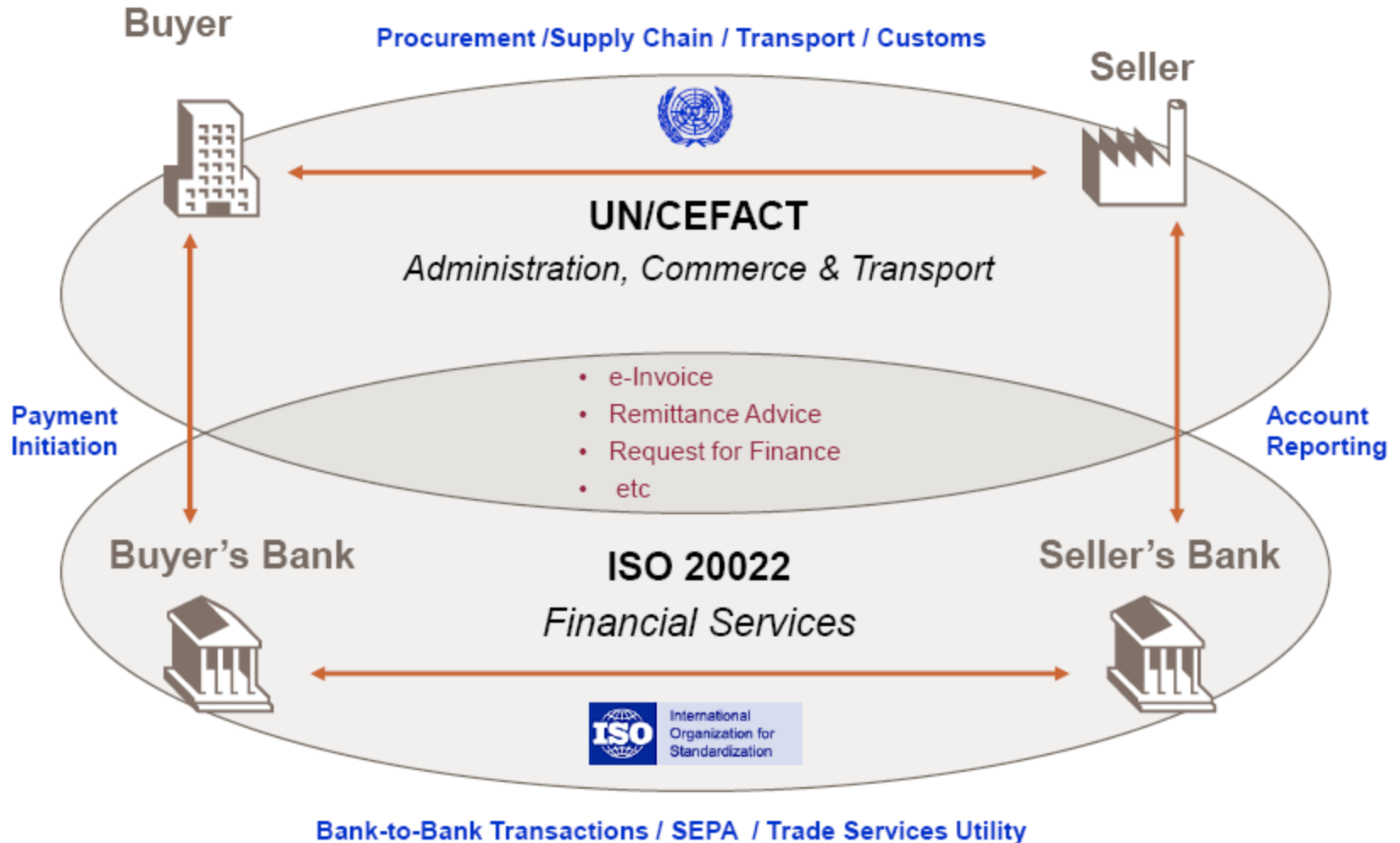
# Possible SWIFT Remittance Utility



1. Ordering customer sends payment instructions with remittance information
2. Bank of ordering customer sends the payment together with a *Reference Identifier* to the beneficiary's bank and also the remittance information – with the same reference- to the Utility
3. Based on the *Reference Identifier*, the Beneficiary's bank fetches the payment and remittance information or a link to the payment and remittance information
4. Beneficiary's bank sends credit advise together with remittance information or a link to the remittance info to the beneficiary
5. If a link is sent, then the beneficiary needs to retrieve the information him/herself



# Broader View of Commerce/Remittances





# The Clearing House STP 820



STP 820 via the ACH Network

STP820  
EDI820  
/STP820

EDI820  
STP820

Accounting Software

Payables

Receivables

Accounting Software



Datafile  
to Bank

CTX with STP 820

- Customer Account Number
- Customer Name
- Invoice Gross Amount
- Amount Paid
- Invoice Number
- Invoice Date
- PO Number
- Discount
- Adjustment Amount
- Adjustment Code

- Customer Account Number
- Customer Name
- Invoice Gross Amount
- Amount Paid
- Invoice Number
- Invoice Date
- PO Number
- Discount
- Adjustment Amount
- Adjustment Code

Bank's  
Portal/FTP

Bank's  
Web Cash Manager



ACH Operator

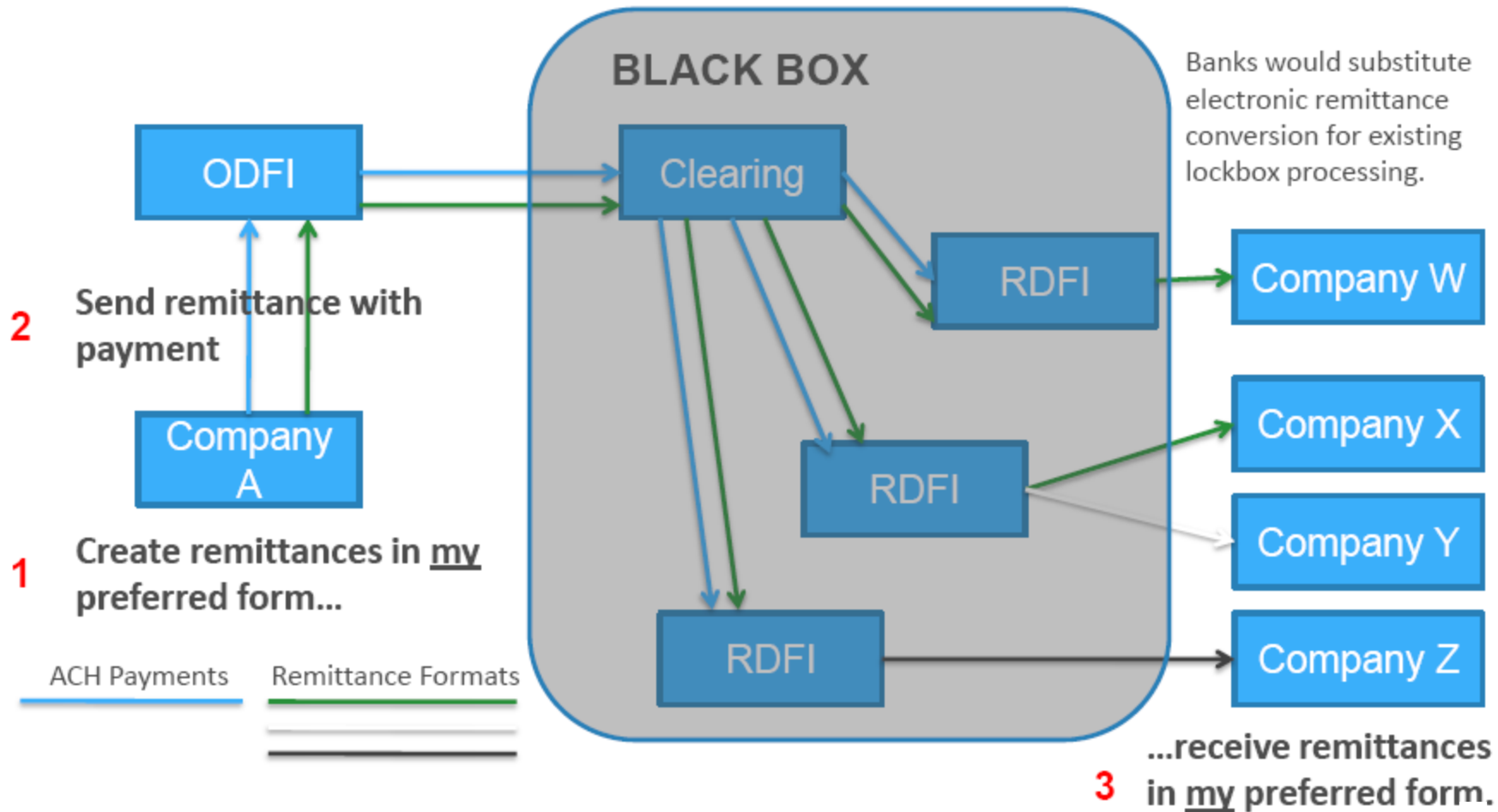


CTX with STP 820

CTX with STP 820

A Standard that can be delivered and translated by any bank<sub>25</sub>

# NACHA View of Ideal Solution



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# For More Information

<b>ANSI</b>	<a href="http://www.ansi.org"><u>www.ansi.org</u></a>
<b>X12</b>	<a href="http://www.x12.org"><u>www.x12.org</u></a>
<b>X9</b>	<a href="http://www.x9.org"><u>www.x9.org</u></a>
<b>ISO 20022</b>	<a href="http://www.iso20022.org"><u>www.iso20022.org</u></a>
<b>SWIFT</b>	<a href="http://www.swift.com"><u>www.swift.com</u></a>
<b>NACHA</b>	<a href="http://www.nacha.org"><u>www.nacha.org</u></a>
<b>RosettaNet</b>	<a href="http://www.rosettanet.org"><u>www.rosettanet.org</u></a>
<b>SWIFT</b>	<a href="http://www.swift.com"><u>www.swift.com</u></a>
<b>IFX</b>	<a href="http://www.ifxforum.org"><u>www.ifxforum.org</u></a>
<b>TWIST</b>	<a href="http://www.twiststandards.org"><u>www.twiststandards.org</u></a>
<b>UN/CEFACT</b>	<a href="http://www.unece.org/cefact"><u>www.unece.org/cefact</u></a>
<b>TBG5</b>	<a href="http://www.tb5-finance.org"><u>www.tb5-finance.org</u></a>
<b>GS1</b>	<a href="http://www.gs1.org"><u>www.gs1.org</u></a>
<b>OAGIS</b>	<a href="http://www.oagis.org"><u>www.oagis.org</u></a>