

Summary of Remittance Coalition Quarterly Meeting

Held at NACHA 2016 Payments Conference

Phoenix, AZ

April 17, 2016, 1:00 p.m. – 3:00 p.m.

Attendees included Dorothy Anderson, Mike Bilski, Larry Buettner, Jessica Cheney, Roy DeCicco, Matthew Dragiff, Alan Dupree, Cassandra Gordon, Mary Hughes, Chris Huppert, Sharon Jablon, BC Krishna, Stephanie Licht, Malene McMahon, Patti Ritter, Missy Rose, Richard Smith, Claudia Swendseid, George Throckmorton, Rob Unger, Rich Urban, Robert Williams, Nancy Atkinson, Stacy Rosenthal, Jeffrey Li, Fred Laing, Ron Ferguson, Ed Regina, Tom Womble, and Glenn Frommer.

Welcome and Agenda Review

Claudia Swendseid, Federal Reserve Bank of Minneapolis welcomed attendees and thanked the NACHA organization and Rob Unger for providing meeting space. She noted that the Remittance Coalition is celebrating its fifth anniversary this year. Then, in recognition of her service and outstanding contributions (in particular on the B2B directory project) Patti Ritter of Republic Services was presented with the 2015 Remittance Coalition Volunteer of the Year award. Everyone gave Patti a warm round of applause.

Overview of Remittance Coalition Priorities for 2016

The first part of the meeting was devoted to updates on 2016 priorities.

B2B Directory Project

Patti Ritter said the Proof of Concept (PoC) on the B2B directory has been completed successfully and they are wrapping up the final details. Financial institution and corporate participants were pleased with the results of the PoC test, which demonstrated that existing technology can be used. She summarized findings from recent interviews of accounts receivable (A/R) and accounts payable (A/P) practitioners, all of whom were receptive to the

proposed B2B directory, saw value in it, and found it unique. No one who participated in the A/R and A/P interviews is using a competing service. The key principles and foundation were perceived to be effective from both the payee and payor standpoints. Both stakeholder groups said they supported the basic business model but would have to conduct a business case to justify the investment. They want to be able to do individual (manual interface) and mass queries (automated method). They confirmed the importance of trust and security. Willingness to pay for the B2B directory depends on the total number of payees and a payment model that only charges for a successful search (i.e., when payee data is returned). The results of these interviews will be published and shared with Coalition members.

Claudia Swendseid described next steps underway on the organization side. In the Q & A that followed, there was a discussion about how the B2B directory should be positioned relative to the various proprietary solutions in the market. The group concurred that it should be portrayed as the outcome of a cooperative approach by the industry with its non-profit nature emphasized.

The Coalition is seeking additional organizations to be involved on the ground floor. An organization is being formed to begin production. A B2B directory steering committee has been formed; all participants need to be willing to sign an agreement. The plan is to set up as a legal entity a directory payments association. A federated node will be hired and will set rules for operating nodes to participate in this distributed environment. Some of the steering committee member organizations have made financial contributions to fund an intellectual property search to make sure there are no big issues. They have begun the process of getting a tax ID, are taking the first steps to incorporate, have talked to an attorney about incorporation, and are forming work groups who will simultaneously address various tasks. They are seeking participants who will develop an expense and revenue model. Now that the PoC has been completed, API specifications can be developed. Coalition members are welcome to join these efforts to keep the B2B directory on path and make it real. Financial commitments from steering committee members will be required to move the directory into production. The

group feels there is some urgency to bringing the directory effort to closure, and then letting the industry respond to it.

Roy DeCicco, JP Morgan Chase, said it would be useful to have a “pitch book” to explain the goals and importance of the B2B directory to target audiences.

Patti, Mike Bilski, BC Krishna and Claudia Swendseid presented a session on the B2B directory at the NACHA 2016 Payments conference. Their slide deck is posted on the Remittance Coalition web site at: <https://fedpaymentsimprovement.org/payments-efficiency/remittance-coalition/>

Small Business Payments Toolkit

Mary Hughes, Federal Reserve Bank of Minneapolis, said that the Small Business Payments Toolkit, a document that provides basic education on payments intended for small businesses and their advisors, has been downloaded over 13,000 times since it was posted at <https://fedpaymentsimprovement.org/payments-efficiency/remittance-coalition/small-business-payments/> She described the new content that will be included in the phase two Toolkit, which should be posted soon. In the discussion, the group questioned how to assess the utility of the Toolkit. They urged that attempts should be made to follow up with individuals who downloaded the Toolkit. [Later, individuals in the breakout session on Communication and Outreach to Highlight Coalition Successes and Build Engagement suggested following up with webinar attendees and asking them for feedback.]

ISO 20022 Education and Promotion Work Group

Rob Unger of NACHA explained that the mission of the Vendor Forum’s ISO 20022 Education and Promotion Work Group is to build awareness of the ISO 20022 standard among businesses so they recognize the opportunities it affords them. The work group recently published an annotated bibliography “Understanding ISO 20022 Resource Guide” which is available for free download at this link: <https://fedpaymentsimprovement.org/payments-efficiency/remittance-coalition/standards-resources/>

Malene McMahon of SWIFT observed that SWIFT, in its role as the ISO 20022 registration authority, has seen the standard go from isolated pickets of adoption to broader acceptance in many locations throughout the world. In the global environment, where previously much of the adoption was due to government mandates, she views ISO 20022 as being at a tipping point. They are seeing demand from corporate users who see real benefit from implementing the standard.

Roy DeCicco reminded the group of the 2014 study underwritten by NACHA, the Federal Reserve Bank of New York, The Clearing House, and Accredited Standards Committee X9 which explored the business case assessment of adopting ISO 20022 in the U.S. He noted that the standard has value in the high value space especially. Sharon Jablon of The Clearing House noted that ACH applications are also viewed as tipping points that will contribute to ISO 20022 adoption here.

New E-invoicing Work Group

On behalf of Todd Albers, Federal Reserve Bank of Minneapolis, Mary Hughes described the intent to form a new E-invoicing Work Group. Interested Remittance Coalition members can volunteer by sending an email to Remittance.coalition.smb@mpls.frb.org Remittance Coalition members are being asked to serve in an advisory capacity to help guide research and analysis relating to next steps outlined in the paper. For example, work group members may be asked to help ensure the right people are being asked the right questions in a market research survey, or provide feedback on a proposed consulting project to evaluate third party translation software tools. They may also develop an inventory of current standards related to e-invoicing. The work group will begin meeting via teleconference later in 2016.

In the discussion, Claudia shared that greater adoption of e-invoicing in the U.S. has the potential to produce significant savings to society. Coalition members sought and received confirmation that certain standards (e.g., PEPPOL, UN/CEFACT) are referenced in the paper.

Remittance Coalition members will be notified when the Federal Reserve's e-invoicing paper is published at the www.fedpaymentsimprovement.org website.

Breakout Group Discussions

Communication and Outreach to Highlight Coalition Successes and Build Engagement.

Roy DeCicco, who led the discussion, recapped highlights of the breakout group on communications and outreach. A lot of good work has been done in the past five years by Coalition members. Our collaborative approach to solving problems in the B2B payments space has been successful. The Coalition's work is aligned with the Federal Reserve's "Strategies for Improving the U.S. Payments System" (SIPS) effort, which gives it strong credentials. To help communicate our mission, the group suggested developing a tagline along the lines of "collaborating to improve B2B payments efficiency." It was also suggested that the name "Remittance Coalition" could be changed to name that is broader in focus (i.e., beyond the remittance aspect of payments). The group expressed concern that the Coalition pushes out a lot of information but doesn't get enough feedback to evaluate the effectiveness of its work. They see a need to foster two-way communication between the Coalition and its external audiences. One action item that emerged was the suggestion that we reach out to attendees of the webinars on the Small Business Payments Toolkit to find out if and how the Toolkit helped them improve their understanding of electronic payments and whether they adopted any electronic payments as a result. The group also urged the development and communication of case studies, use cases, and testimonials from actual users who have benefited from Remittance Coalition work. One idea was to hold a contest and offer a prize to small businesses who have implemented electronic payments successfully. Someone suggested holding brief webinars to communicate key accomplishments and success stories succinctly.

ISO 20022 Educational Resources. Rob Unger of NACHA, who led this breakout session, explained that the Remittance Coalition's Vendor Forum formed a sub-group (ISO 20022 Education and Promotion Work Group) that produced a resource guide (an annotated bibliography) for financial institutions, corporations and the public about ISO 20022, with the intent of building awareness and promoting dialogue among potential users of ISO 20022. Download it at: <https://fedpaymentsimprovement.org/wp-content/uploads/understanding-iso-20022.pdf>

In the group discussion, the group asked how greater integration of all transactions can be supported. They questioned what drivers and triggers will ultimately cause traditional formats like ACH and wires to be replaced with ISO 20022 formats.

B2B Directory. Patti Ritter, who led this breakout group, reported that discussants recommended that when the Remittance Coalition talks to node operators, payors, and payees, communications should be very clear to make sure that the messaging doesn't get misinterpreted. There is a large appetite for additional details on the directory; potential users want to understand exactly how it will work. It was emphasized that assuring security is a critical aspect of success going forward. Entities will want to understand how they can be a node and what their potential roles may be. General education about nodes should address topics like who are the nodes, what do they do, how do they keep my information secure, and so on.

Standards of Interest

Rich Urban, IFX Forum, gave an update on ISO 20022 remittance messages. He noted that there is opportunity for financial institutions to provide a translation service and add value to their corporate clients. He explained that it is important to understand which version of the remittance message is supported by the payment initiation message that you are using. For example, version 6 is the most robust. However, SEPA uses version 3.

Rob Unger of NACHA said that at the present time, no one is using the remt messages (version 3) in ACH but they could if they chose to. He said corporate ACH trade transactions (CTX) support remt 001 and 002. NACHA has developed an ISO 20022 mapping guide and tool that can be downloaded in order to translate corporate to bank pain.01 transactions. The mapping guide is now being expanded to support other transactions.

Mary Hughes reported that Accredited Standards Committee X9's TR-45 Retail Debit Balances Best Practices and Procedures is now available as a free download at www.x9.org; select the Standards tab, then Remittance Coalition and click on the title to download it. This

standard is of interest to members of the retailer community and the suppliers who provide goods to retailers.

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