

Summary of Remittance Coalition Vendor Form Conference Call

April 24, 2015

Attendees:

1. Roger Bass, Traxian
2. Larry Buettner, WAUSAU Financial Services
3. Jessica Butler, Attain Consulting
4. Tammie Calys, Transformation Management Consulting
5. Chris Carberry, Direct Insite
6. Charlie Clarke, Canadian Payments Association
7. Jim Cunha, Federal Reserve Bank of Boston
8. Mike Gilbert – High Radius
9. Mary Hughes, Federal Reserve Bank of Minneapolis
10. Katy Jacob, Federal Reserve Bank of Minneapolis
11. Jim McShea, Direct Insite
12. Ted Means, Sungard
13. Diane Merrigan, EVO Platinum Services
14. Don Mills, Credit Point Software
15. Rob Olsen, Commerce Bank
16. Siobhan O'Malley, Federal Reserve Bank of Chicago
17. Patti Ritter, Republic Services
18. Sandra Roth, Johnson & Johnson
19. Gina Russo, Federal Reserve Bank of New York
20. Claudia Swendseid, Federal Reserve Bank of Minneapolis
21. Barry Tooker, Clear2Pay
22. Rich Urban, IFX Forum
23. Ken Virgin, iPayables
24. Dan Volpendesta, C/LECT Consulting
25. Lyle Wallis, Credit Research Foundation
26. Kristie Weekley, Microsoft
27. Kevin Woods, AOC Solutions

Claudia Swendseid opened the call and reiterated the importance of solution providers in helping make straight through processing a reality for business to business payments. She thanked the co-moderators and support staff for their work on the Vendor Forum.

Tammie provided a brief overview of the Forum's purpose. She reminded attendees that the Forum was not to be used for marketing purposes or cross posting for sales. She then provided an overview of the agenda, which began with a variety of updates on topics of interest

ISO 20022 Strategy for U.S. Wire & ACH Systems

Gina Russo provided the presentation on this topic. She began with background information on the ISO 20022 Business Case Assessment. The Fed is part of an ISO stakeholder group in the U.S. that also includes The Clearinghouse, NACHA and X9. The Stakeholder Group hired KPMG as a consultant to evaluate whether there was a business case for adopting ISO 20022 in the U.S. While KPMG did not find a specific business case for adopting the standard, they found that there were strategic reasons for doing so. KPMG recommended a phased approach of adoption that began with education, moved to adopting ISO 20022 for cross border wire and then cross border ACH payments, and finally, adoption of domestic wire and ACH payments.

Continued involvement in the Stakeholder Group is important as part of the Fed's strategic plan for the payment system. The Fed and Clearinghouse brought together an advisory group of banks in September 2014 to discuss ISO adoption. The general consensus was that there is a reason to adopt ISO 20022. However, without a mandate, use cases needed to be developed and other companies that are not large banks needed to be engaged in the process.

Claudia then noted that she has suggested to the stakeholder group that they also see whether or not they can help to raise awareness of the extended remittance advice that was adopted as part of the ISO 20022 standard. NACHA is including information on that advice in their education efforts. Claudia has also talked to banks that are part of the Common Global Implementation group (CGI) about the best way to provide input to that group or others on remittance information. Tammie asked if KPMG included extended remittance advice in its assessment that there was no specific business case for ISO adoption. Gina said that while that wasn't included, one strategic reason to adopt ISO was to have a standard way to carry remittance information from end to end.

Following KPMG's recommendations, the Stakeholder Group decided not to separate cross border and domestic payments but rather to start with wire payments and then move to ACH. Adoption of the standard will be gradual and take place over a few years. The stakeholder group is finalizing the use cases. There will be a wire track (the wholesale product office at the Fed will work with CHIPS at TCH and X9) and an ACH track (the retail product office at the Fed will work with EPN at The Clearinghouse, NACHA and X9).

For the wire track, the Fed is hosting two education webinars in May. These will provide a deeper dive into the business case assessment. On May 27th, they are hosting a vendor meeting at the New York Fed: Gina noted that vendors on the call are welcome to attend. Attendance is

limited to two people per organization. The Stakeholder Group is thinking about putting together a high level implementation and timeline strategy. The hope is that this strategy would be announced at SIBOS 2015.

An Executive Summary of the KPMG Business Case assessment is available on the NACHA website (a username and password must be established to access the document):

<https://www.nacha.org/news/new-report-assesses-business-case-iso-20022>

X9C4 Retail Debit Balances Best Practices Project

Mary Hughes covered this part of the presentation. In 2013, this project was identified as a need during a focus group sponsored by the Remittance Coalition at the Retail Value Chain Federation conference. A retail debit balance occurs when a supplier owes a retailer money. A work group was formed as part of X9C; the group now has 27 members. Their task is to develop a standard for best practices related to the handling of retail debit balances. An online survey was conducted and 436 responses were received. The group is meeting twice a month and will develop a technical report for X9 by the end of 2015. Additional participation is welcome and those interested can contact Katy Jacob at remittance.coalition.smb@mpls.frb.org. Jessica Butler, who is co-chairing the work group, noted that both retailers and suppliers are active participants on the calls. This topic is difficult for members to talk about, but the group has been cooperative and thoughtful about solutions that may not be in their own best interest.

Core Adjustment Codes

Jessica Butler provided this update. In 2012, the Remittance Coalition did a survey of over 600 companies. About 90% of respondents said they had an interest in making epayments. They cited missing information, lack of standards, and other issues as barriers to epayments adoption. One solution proposed was the development of common business practices and processes. The Coalition developed a workgroup to simplify the EDI adjustment reason codes (there are over 600 codes with unclear descriptions and overlap). They created a mapping guide that helps companies cross-reference codes.

In 2014, The Technical Report was published by X9. It can be downloaded for free here:

<http://x9.org/wp-content/uploads/2014/02/TR-42-2014-Core-Adjustment-Reason-Codes1.pdf>

Due to the numerous benefits offered by the simplified codes, The Coalition is encouraging adoption and providing webinars on how to use the codes. Tammie mentioned that she is working with a client that wasn't using reason codes; the company is now looking at this technical report as the basis for what they will be using for deduction codes. Jessica has had two retailers reach out to her inquiring about how to implement the codes. She has also

worked with one software provider on implementation of the codes. Claudia noted that the Technical Report has been downloaded nearly 1,000 times from X9's website.

B2B Directory

Patti Ritter provided an update on this project. The Directory conceived by a work group of the Remittance Coalition is an open, non-proprietary, payment-type agnostic electronic directory of business payee information. It is not a payment system. Following the release of a white paper describing the concept in September 2014, the work group entered into Phase Two of the project in early 2015. This phase focuses on developing a Proof of Concept (PoC) for the Directory that will serve as a working demonstration model. Three Work Groups have been formed as part of the PoC focused on use cases, the business model, and governance structure. The team has recruited a diverse group of participants for the PoC, including the Fed, service providers, financial institutions, corporations, and NACHA. Patti noted that both payors and payees are needed to make this successful; service providers are key to making that happen. Proof of Concept participants will have their first face to face meeting in late May to begin to work through the details of the demonstration model and various work groups.

Small Business Payments Toolkit

Katy Jacob provided a very brief update due to time constraints. The first phase of the Toolkit was published in early May and was written by a workgroup of the Remittance Coalition. The main focus is to help small businesses and those that serve them to promote and adopt electronic payment solutions. The first part of the toolkit focused on ACH payments with information about general payment fraud as well. Coalition members are encouraged to use and share the Toolkit and its content with their partners, clients, and customers. Those who would like to work with the Fed to set up informational sessions on the Toolkit should contact Katy at remittance.coalition.smb@mpls.frb.org. The toolkit is available at <https://fedpaymentsimprovement.org/get-involved/payments-industry-groups/remittance-coalition/small-business-payments/>

Vendor Forum Subcommittee Overview

Tammie explained that much of the Vendor Forum's conversation prior to the development of an AR/ AP Subcommittee focused on the fact that restraints related to remittance information was an outcropping of which AP platforms that buyers were leveraging. Therefore, the Forum put together a subcommittee to explore this issue and get the perspective of the supplier community related to what they are hearing about remittance standards. This subcommittee was formed in early 2015 and was chaired by Larry Buettner. Larry gave an update on the subcommittee's work.

Larry said that the group was trying to assess awareness and usage of ISO 20022. The subcommittee developed a detailed questionnaire and conducted interviews with nine solution providers to determine their experience with standards including customer demand, barriers, and opportunities for the future. Larry said that during the interview process, we learned that remittance detail is being sent by ACH, buyer portals, CSV, and pdfs. The decision of how to send the data is a function of the buyer. There is also some ambivalence about standards within the solution provider community. This community lacks a single source of finding information about standards. Through the interview process, several providers joined the Remittance Coalition as new members. The subcommittee also learned that the absence of a mandate for standards leads to inertia in the U.S. In addition, some industry verticals have adopted their own standards. Banks are sometimes not capable of passing on remittance detail to their suppliers. The subcommittee plans to release a short report discussing its findings from the interviews during the second quarter of 2015.

Interactive Discussion and Next Steps

Tammie led the interactive discussion. She began by noting that remittance requirements have a lot of different facets that need to be considered in order to develop a comprehensive standard to accommodate everyone's needs. Further, depending on the industry, there is going to be a different requirement relative to the level of data that is necessary. This is related to the deduction code discussion that Jessica Butler led. Large corporations that are using EDI might not be encouraged to use ISO 20022. There is a different level of focus on small and medium sized businesses. However, this is counter to what standards should mean. Claudia has reached out to CGI to say that others need to be brought into the conversation.

This leads to the possibility of creating a subcommittee or specific work items related to focusing on specific market verticals, such as food manufacturing and distribution, healthcare, and education. Also, work items could focus on the needs of very large companies versus small nonprofits. In other words, from a high level, what are the nuances of remittance standards needs based on the company size, and what would need to be altered in current standards to address that?

Kevin Woods asked what aspect of health care the group might consider. Tammie said that claims is a key area. Kevin says they are involved in health care claims and there are a lot of different groups trying to work standards for payments and remittance information. On the education front, it is important to note that K-12 operates differently than higher education. Kevin isn't sure which area is a better opportunity.

Larry noted that healthcare is a very deep and complicated industry vertical. There's a lot of work already going on in that space and large providers drive that industry. From his

experience, it is a very difficult area to master. Kevin suggested focusing on the transportation industry (shipping, trucking, etc.) and Larry agreed. **Kevin and Chris Carberry agreed to work with Tammie and others on work items related to market verticals. Kevin Woods, Roger Bass, and Sandra Roth agreed to work on a committee or group looking into how company size impacts remittance standards needs.**

The group ran short on time before discussions relative to the impact on standards adoption that results from not having a clearly defined value proposition for conversion. Tammie suggested that she, and anyone that was interested in providing input into this topic, give this area some additional thought and then a deeper discussion could be held in the next session. Roger Bass agreed to provide some of his initial thoughts in this area. Others who have ideas/opinions should reach out to Tammie at tcalys@transformationmanagementconsulting.com.

Tammie concluded the call by telling the group that the larger Vendor Forum would next meet in person in conjunction with the CRF Forum in Seattle August 9-12. The Forum meeting will be held Tuesday, August 11, most likely in the late morning. For more information, those interested can contact Katy Jacob at remittance.coalition.smb@mpls.frb.org.

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