



Business Payments Coalition

Business Payments Coalition Meeting Recap: In-person meeting at the Nacha conference May 1, 2022

An in-person BPC meeting was held May 1, 2022, at the Nacha Smarter Faster Payments conference location in Nashville. Thanks to Nacha for arranging meeting space and for the attendee participation in the meeting. The meeting provided an update on current BPC initiatives and participant perspectives and gave an opportunity for discussion.

Current BPC Initiative Roadmap

The BPC has been creating awareness of its e-invoicing exchange framework for several years. An exchange framework is a set of prescriptive standards, policies and guidelines enabling businesses to connect once and exchange documents with anyone on a virtual network. The BPC now has two exchange framework initiatives underway.

- **E-invoicing:** The e-invoicing exchange framework is currently in market pilot.
- **Remittance:** The BPC and Federal Reserve formed a work group to assess the feasibility of the exchange framework standards and infrastructure to deliver remittance information for B2B payments. The work group concluded that an exchange framework is feasible with some remittance-related adjustments and suggested moving quickly to a validation testing phase. Their report will be published soon.

Ideal State Vision for Invoice and Remittance Exchanges

The virtual exchange network operates similarly to e-mail exchange frameworks that deliver e-mails. E-mail users sign up with an email provider, like Gmail or a local internet provider, to send and receive email. The email providers serve as access points into email exchanges and deliver emails between users over the internet using prescribed exchange standards for interoperability. There is a process to look up, or discover, where to send an email.

In a virtual exchange network, service providers act as access points to deliver and receive data and information for their business clients. Instead of email, they deliver business data. This virtual network allows access points to find and connect business end points. Like emails, there are prescriptive standards and rules to assure exchange interoperability. The virtual network is independent of, and complementary to, payment systems.

The process is depicted on slide 6. First, a supplier engages with their e-invoicing provider, or access point. They issue the invoice and send it to the access point in a format their systems already support. The supplier's access point transforms the invoice into the exchange standard format and delivers the invoice to the buyer's access point, who then converts it to the buyer's required format and sends it to



the buyer. The buyer processes the invoice and pays through whatever payment type they prefer (instant payment, ACH, card payment).

The remittance information can be sent through a parallel set of access points in the same way as invoices, except the process is flipped: the buyer sends remittance information to the supplier. The discovery and delivery standards are the same; however, remittance information uses a different data standard.

This virtual exchange network minimizes the need for businesses to change their AP or AR systems because access points map and convert invoice and remittance data for them. The network is secure because access points are authenticated, and data is encrypted during delivery. The network is a delivery mechanism only and does not store data.

Benefits

Businesses

- Connection to one access point provides a single source of information for all other businesses on the network. It reduces manual processes from emails and portals.
- Structured data enables automation and straight-through processing and reduces exceptions.

Providers

- The framework allows enhanced services that work within provider's current operating model.
- Prescribed standards reduce development, operational and maintenance costs.

E-invoicing Market Pilot

The e-invoicing market pilot is underway, with 35 providers participating in 3 waves. The participants represent various stakeholder groups, including service providers, B2B networks, corporates, EDI providers, and banks. Pilot participants will represent all roles in the framework: sending and receiving businesses and access points.

Remittance Delivery Assessment

The remittance delivery assessment work group concluded that the discovery and delivery standards work for remittance information and there are no technology gaps. The work group identified some adjustments needed for remittance information. ISO 20022 is recommended for the remittance data model. The work group recommended next steps to follow the path set forward by the e-invoice exchange framework.

The work group is transitioning to a validation phase to demonstrate the operational feasibility of a remittance exchange framework and continue building industry momentum and confidence prior to a market pilot.

Work Group Member Perspectives and Participant Discussion

Zack Dikhtyar and Alisa Enotaeva of DocStudio, participants in the e-invoice market pilot, gave their perspectives.



Business Payments Coalition

- The overall goal is transferring data, and with one connection for businesses, the network effect enables greater reach.
- Security is very important and is enabled by the standards. Access points will use the highest security available because the information is commercially sensitive.
- The mapping that access points do to convert the format of an invoice in the sender's system into the exchange standard means that legacy formats are not a problem. The UBL data standard for invoicing provides the common language between access points.
- With the invoice automation, businesses can more easily control cash flow and take advantage of discounts.

Rob Hudicek of Jack Henry, a member of the remittance delivery assessment work group, gave his perspective on using the exchange framework for remittance information.

- Remittance can take advantage of what invoicing has already done.
- Pilots experience a condition called "empty field myopia" when they fly in clouds without a distant object to focus on, which causes them to not focus on anything. This is like what has been happening with remittance – there is nothing to focus on. The exchange framework is something to focus on and offers a path forward.
- Considering prior efforts in the market to address remittance information challenges, this is a more holistic effort that will address "the heat on the back of the neck." It is not just "another thing".
- Businesses need solutions for portal fatigue.
- APIs are touted as having the ability to fix many problems but by themselves do not solve for remittance challenges.
- Jack Henry's lockbox business handles many political contributions which have heavy tracking and audit requirements. The exchange framework security and message enveloping would help.

General Discussion

- In the B2B world, automation means different things to different people. Focusing on straight-through processing is meaningful.
- Request for pay has been a much-discussed function for TCH RTP and FedNow to enable payment initiation from an invoice. The request to pay serves well for that purpose, but it needs to be augmented with an invoice. The ability of the ISO 20022 pain.013 message used for the request to pay to serve as an invoice has been under discussion and needs to be worked out by the industry. To solve for the missing invoice information, TCH will use a document repository to store the invoice.
- For the exchange framework, the industry needs to consider business models and incentives to get wide adoption.

Thanks to attendees for great engagement during the meeting and offering perspectives.