



## Business Payments Coalition May 5, 2019 Meeting Recap

The second quarter 2019 BPC meeting was held May 5, 2019 in Orlando at the NACHA Payments conference location.

### Current BPC work: e-Invoicing

The primary work of the BPC in the last year and a half has been the e-Invoicing project, whose objective is to explore the feasibility of developing and implementing a standard, ubiquitous B2B electronic invoice exchange network similar to ones that have been developed in other countries. There is a high level of engagement with the work, including 5 in-person workshops in the last year.

- The current technical and semantic work groups are expected to publish results of their assessments in the third quarter.
- The e-Invoicing interoperability framework opens up opportunities for a variety of stakeholders. Service providers can deliver solutions that minimize work required by corporates. Financial institutions aren't usually in the e-Invoicing business, but they can deliver invoice data through the interoperability network as a service to their clients.
- Are APIs expected to be used? The effort isn't focused on APIs; it's about a network that delivers documents.

The BPC is hoping to kick off industry action as it did with the earlier B2B Directory project. The B2B Directory work was continued by the Business Payments Directory Association (BPDA), which developed requirements and governance guidelines. NACHA acquired the BPDA in 2018 and built a proof of concept for the directory; they gave updates at a session during the NACHA conference.

### Conversational RTP Payments

BPC member Jessica Cheney of Bottomline gave a presentation, "Recognizing the Intrinsic Value of Conversational RTP Payments." When Bottomline was building a business case for supporting RTP, they realized that the ability of RTP to facilitate "conversations," or informational messages back and forth, about payments was a value proposition. RTP enables conversations more than other current payment systems. Jessica's presentation is at pages 7 – 20.

Attendee discussion:

- *Use cases:* One of the current use cases for RTP is account-to-account payments. PayPal is generating revenue by using RTP to move money to client bank accounts immediately. Another RTP use case is for the settlement of merchant card payments.

It has been a challenge to get the story out to community institutions about the use cases. When ACH first came to market, end users did not have a business case. Once the rails were there, the customers came. Similarly, companies are unclear about the use cases for RTP. Consumer use cases are easier than B2B because banks and service providers build the interfaces for consumers. B2B is a heavier lift because businesses need to integrate RTP into their accounts payable and accounts receivable systems.

- *Bank involvement:* With conversational messages, banks are very involved. Banks build applications on top of the payment rails and are in the middle of messages back and forth. Since messages are electronic, service providers and companies can take advantage of automated matching of messages and remittance data. This is a big opportunity for all stakeholders.
- One benefit of RTP is that it doesn't require ACH underwriting, a huge paradigm change.
- The needs of the market for services around payments are changing. Some bank services, such as positive pay, won't be needed with RTP. However, corporates are asking for more data.
- Security and fraud must be addressed; this rail will be attacked. Irrevocability can be an issue with fraud.

## Remittance Information and Transaction Identifiers

Refer to the diagram on page 22, which illustrates some potential points of breakdown with remittance information delivered with a payment or as structured data separate from a payment. The diagram uses RTP payments as an example. Corporate systems (the beginning and ending points) have the same issues no matter the payment type.

Attendee discussion:

- Remittance should be sent as structured data whether with or separate from the payment. AR cash app systems are getting more sophisticated and many can use structured data.
- NACHA has a solution called the Remittance Validator that was announced at the conference. The first version is basic and can validate whether a message is compliant with the EDI 4010 message format. Future versions will validate additional message formats.
- Can we use a transaction identifier that is generated from the AP system to re-associate detached remittance with a payment? The identifier would need to travel with both the payment and remittance.
  - It's easier to send structured data outside of the payment system, and that helps keep the payment pipes narrow.
  - Some banks have used individual IDs with ACH payments to identify the sender.
- The ID on the payment must be unique, why not just use the invoice number?
- Having options for sending structured data is the key, as one way does not fit all.

Guy Berg of the Federal Reserve Bank of Minneapolis thanked Jessica Cheney and attendees for their engagement and offering perspectives and opinions.



**Business Payments Coalition**



# Business Payments Coalition meeting

May 5, 2019

At NACHA Payments, Orlando FL



Business Payments Coalition

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# Agenda

Welcome	Guy Berg
Presentation: Recognizing The Intrinsic Value of Conversational RTP Payments	Jessica Cheney, Bottomline Technologies
Discussion: Delivering remittance messages and transaction identifiers	All
Wrap Up	Guy Berg

# Current Work

Level of engagement on e-Invoicing work is very high

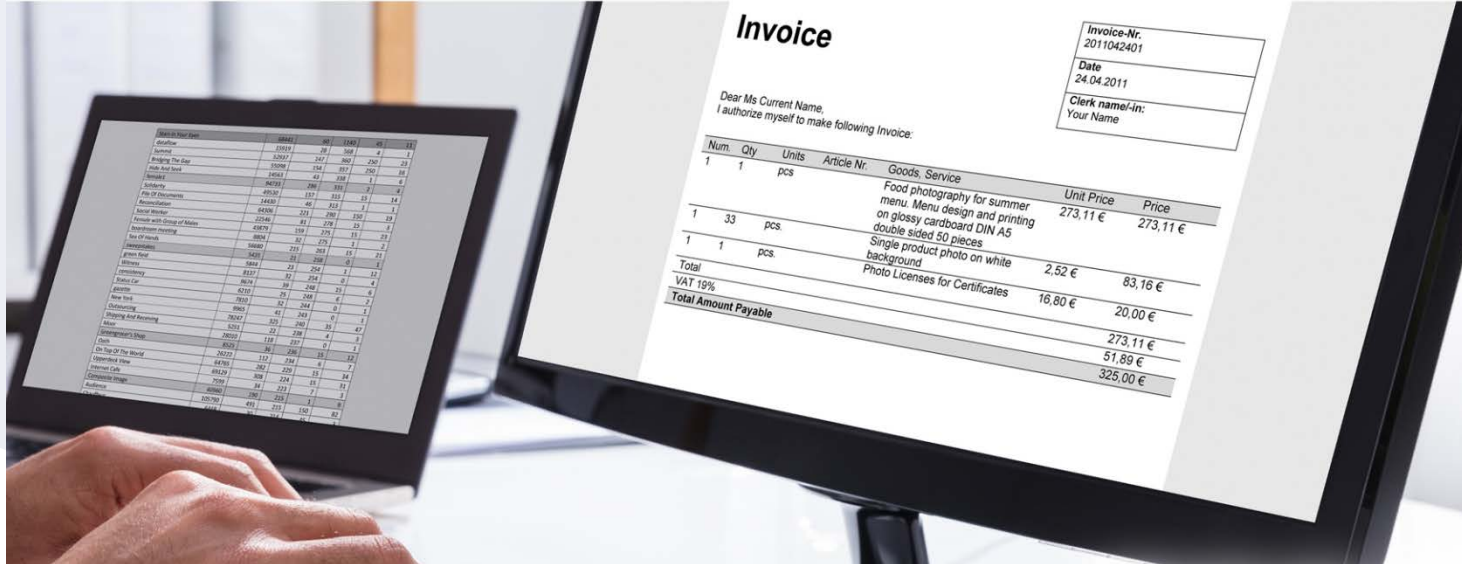
- E-Invoicing
  - Two current e-Invoicing work groups, Technical and Semantic
  - 37 companies from 10 countries in North America and Europe participating (50+ total)
  - Five in-person workshops within the last year
    - Minneapolis, Charlotte, X12 conference, Exchange Summit Americas conference (2018 and 2019)
- Historically, high levels of BPC member engagement for impactful initiatives
  - Examples: B2B Directory, Small Business Toolkit, X9 Technical Reports



# E-Invoicing Opportunities

## E-Invoicing can deliver significant opportunities for multiple stakeholders

- Banks, service providers, corporates
- Encourage more electronic payments and structured data
- Opportunity to deliver data for straight through processing



# Recognizing The Intrinsic Value of Conversational RTP Payments

Business Payments Coalition Face to Face Meeting

MAY 5, 2019

**JESSICA CHENEY**

VP - Product Management & Strategic Solutions, Banking Solutions

**EMAIL:** [jcheney@bottomline.com](mailto:jcheney@bottomline.com)

# Has too much emphasis been given to the speed of RTP?














**The business case for RTP goes beyond enhanced speed - other valuable unique benefits include:**

- Immediate and automated payment status updates
- Integrated remittance and payment information
- Instant request for payment functionality
- Incorporated communication channel between parties with its conversational capabilities

***Let's talk about why these really deserve to have equal press.***



# The Need for Speed – All Use Cases Show a Benefit

<b>Business to Business (B2B)</b>	
 A <b>small business</b> paying an urgent invoice in order to receive <b>goods</b> or services	 A <b>restaurant</b> who pays for farm-fresh produce from the local farmer to serve that evening's <b>dinner</b> specials
<b>Business to Consumer (B2C)</b>	
 A <b>utility company</b> requesting payment for services from a business or consumer	 A <b>small businessman</b> who is paying temporary employee salaries or tips on an ad hoc basis
 A <b>retail bank</b> distributing personal loan proceeds to a dealership on behalf of a customer who is at the showroom buying a new car	 A <b>large corporation</b> paying employees for travel expenses in time for payment of corporate credit cards
 An <b>insurance company</b> adjuster reviewing a claim, determining a settlement amount, and immediately providing funds to the policy holder	
<b>Person to Person (P2P)</b>	
 <b>College roommates</b> splitting monthly rent and utility payments	 A <b>head of household</b> sending emergency funds to a family member on vacation
<b>Consumer to Business (C2B)</b>	
 A <b>busy working individual</b> paying for general services around the house such as the gardener, cleaning services, or child care provider	 A <b>day trader</b> sending real-time money transfers to his or her investment account to take advantage of the most recent market swing
<b>Government to Consumer / Consumer to Government (G2C/C2G)</b>	
 A <b>government agency</b> paying out emergency disaster relief funds to citizens impacted by a natural disaster	 A <b>tax payer</b> making his or her tax payment in time for the April 15 deadline

## Supports all Segments

- Business-to-business
- Business-to-consumer
- Peer-to-peer
- Consumer-to-business
- Government-to-consumer
- Consumer-to-government

## Benefits for Consumers

- Increased payment speed & emergency payments
- Immediate completion of a payment transaction
- Immediate access to funds
- Mobile payments
- Quicker delivery after IP

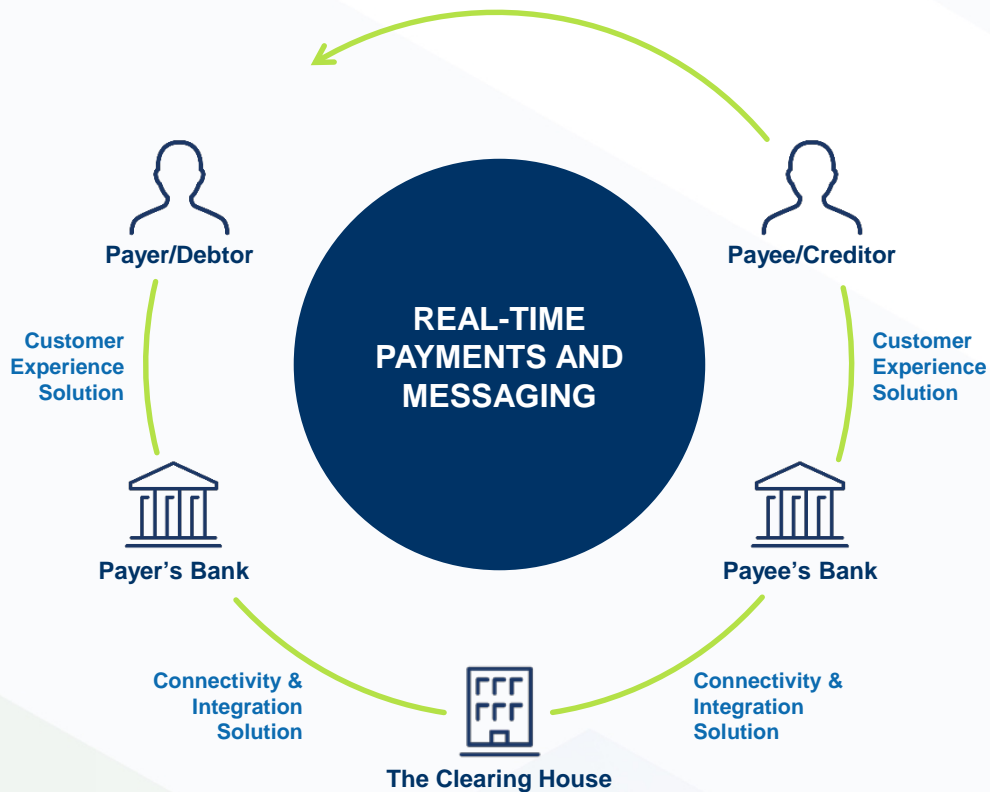
## Benefits for Businesses

- Expedited access to sales proceeds for inventory purposes
- Liquidity forecasting
- Cash concentration
- Substituting ubiquity and convenience of checks with reduced risk and float time
- Quicker delivery

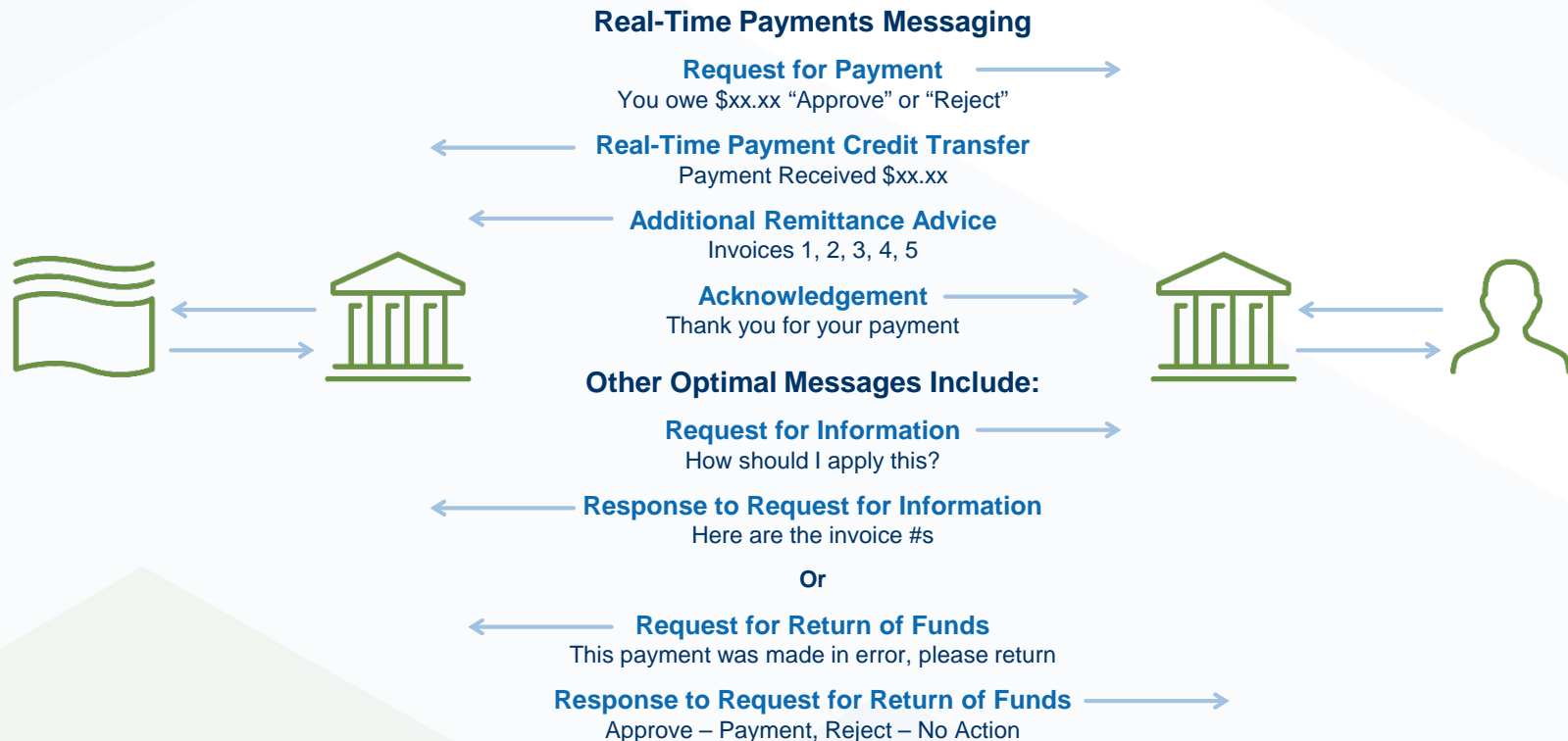
Source: Capgemini Financial Services Analysis 2015; The Clearing House playbook

Let's all agree - the increased speed of an Real Time Payment does make a difference. But there is so much more...

# Let's start of with the RTP Ecosystem



# Real Time Payments is not just a new payment type – it's a new customer interaction model for banks



# RTP Supports a Broad Set of B2B Interactions in a New Communication Model

## REAL TIME PAYMENT ACKNOWLEDGMENT

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**Business Owner** sends an RTP Payment via the bank channel to a **Supplier**.



**Business Owner** sees his payment acknowledged in the bank channel.



**Supplier** sees full remittance details in the bank channel.

**Supplier** sends RTP Acknowledgement & thanks **Business Owner** for the prompt payment via bank channel.

# RTP Supports a Broad Set of B2B Interactions in a New Communication Model

## REQUEST FOR INFORMATION

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# Customer interactions are central to real value

- ✓ **Supports a secure real-time “conversation” between parties.**
  - ✓ Improves business processes, allowing business clients’ payments to catch up with the way they do business.
- ✓ **Enable corporates to reconceptualize their businesses and how they engage their trading partners, customers, and employees.**
  - ✓ Detailed, instant-messaging-type conversations about each payment.
  - ✓ Standardized message types - designed to handle common scenarios in the life cycle of a transaction.
  - ✓ Facilitate communication when a transaction completes successfully and when there are exceptions.
  - ✓ *Interaction directly within the payment system, communications don’t require counterparties to switch to an email system to compose a free-form email or interrupt their workflow with a phone call or fax.*
- ✓ **Corporate treasury departments are provided with a rare chance to interact with customers, wholesalers, suppliers, vendors, service providers, and other trading partners, 24/7.**
- ✓ **Traceability – all conversations in relation to a payment are in one place providing a cohesive view for both parties**
- ✓ **Added benefit to the Bank – these conversations are occurring through YOUR online channel or Mobile Application so the Bank is squarely in the center of this communication!**

# Linked Payment, Remittance and Conversational Information are also critical to extended value

- ✓ **RTP's larger benefit can be found in the information that accompanies each payment.**
  - ✓ Unstructured follow-up is taken out of the equation.
  - ✓ Instant communications among corporate counterparties around requests for payment, approvals, or rejections, and payment confirmations
  - ✓ Accelerate resolution of exceptions
- ✓ **Remittance and Conversational payment messages simplify account reconciliation**
- ✓ **Remittance information can come with or follow the payment in the Remittance message but is always linked to the payment itself**
  - ✓ Automated matching opportunities based on data in the message set
- ✓ **Instant communication helps companies develop accurate cash flow forecasts.**
- ✓ **Companies trade the short-term advantages of float for the increased visibility and enable business to be conducted with far more certainty.**

# Interesting quote from BPC's April 17 meeting on Smart Receivables

***"We prefer making payments electronically to automate AP, but when our customers ask to send us ACH payments, we think: "No thanks, please send a check."***

**-AR Clerk**

**RTP should materially address this issue!**



# RTP Supports a Broad Set of B2B Interactions in a New Communication Model

## REQUEST TO PAY

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**Delivery driver** sends a **Request to Pay** so that he can deliver / release goods to **Company**.



**Company A/P manager** uses the **"Pay Now"** option on Request to Pay message in the bank channel.

**Delivery driver** receives real-time **payment notification** in the bank channel and delivers the goods.



# Value of Request for Payment

- ✓ **Become a critical part of the order to cash process**
- ✓ **Finally an efficient way to implement “EBPP” across corporates in a standards-based manner**
- ✓ **Pay Now – tied to Request for Payment insures easier / faster reconciliation**

According to PNC’s 2017 Client Satisfaction Survey:

- ***65% of respondents ranked improving cash flow as a priority. With RTP, billers can predict with greater certainty when they will receive their payment. RTP invoices can be presented and paid within seconds, and RTPs can replace cash and checks, adding security and reducing fraud.***
- ***50% identified accelerating receivables. RTP enables a complete contextual conversation about the full payment life cycle. RTP extended messaging can drive greater internal organizational efficiency by helping to eliminate manual reconciliation and accelerating communication between biller and payer. RTP transactions can be received 24/7/365.***

Source: <https://www.pnc.com/content/dam/pnc-ideas/.../Real-Time-Payment-Product-Sheet.pdf>

# Other Value Considerations ?

- **What other value considerations have you identified ?**
- **What are you hearing from your customers in terms of where they are expecting value ?**



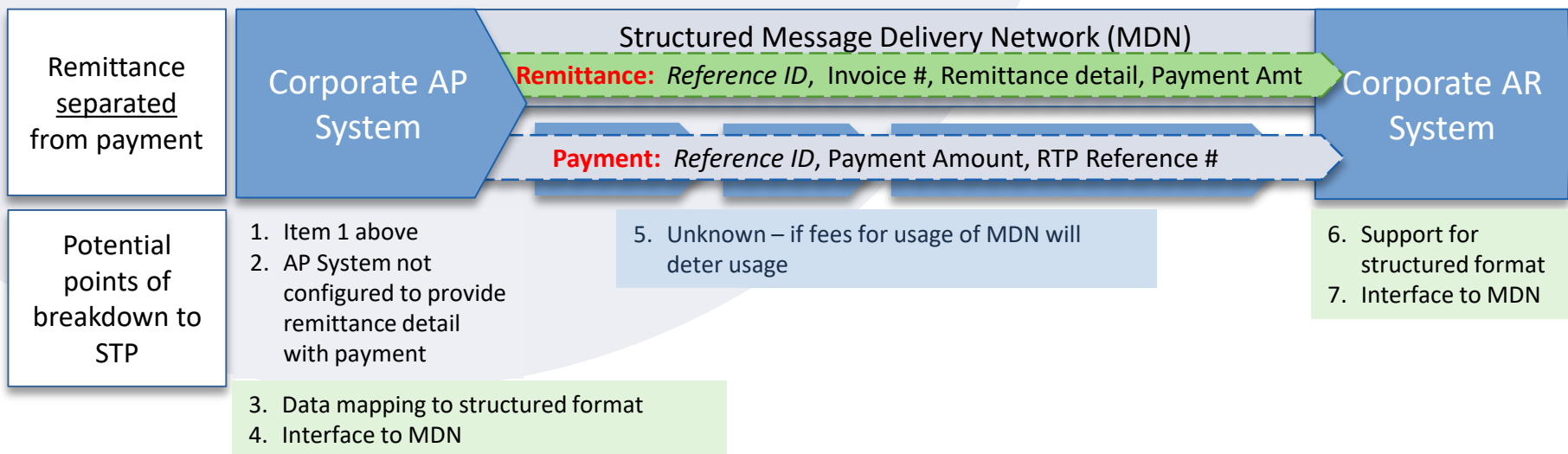
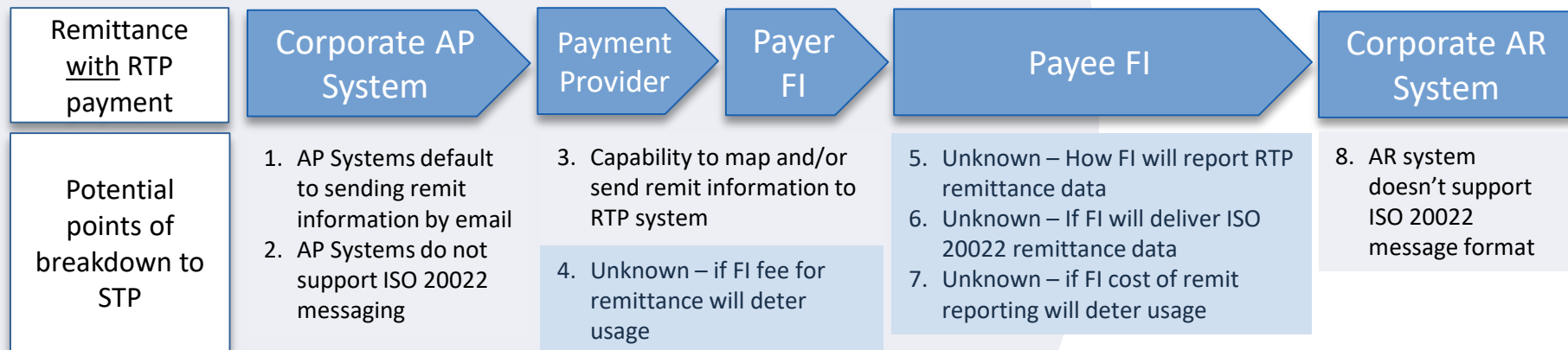
**THANK YOU**

# Remittance Information and Transaction Identifiers



# Payment Remittance Path to Straight-Through-Processing

## TCH Real Time Payments (RTP) illustration



# Transaction/Reference/Payment Identifiers

RTP has end-to-end covered: no manual re-association!

Non-payment messages carry an identifier that ties all messages to the payment

- Today, most remittance data is delivered outside the payment (email), without an easy way to re-associate the information to the payment
- There will be ongoing need to deliver remittance information separate from the payment to support voluminous data and specific use cases
- AP systems create unique transaction identifiers (examples: check number, electronic payment number)

How can AP system transaction IDs travel with the payment for re-association of detached remittance information for different payment types?

- ACH (assuming no addenda)
- Virtual cards



# Transaction/Reference/Payment Identifiers

- What will it take for accounting systems to send a transaction ID with a payment?
- Is there any prior experience with software company willingness to do this?
- Who should we engage with on this?





## Upcoming Meetings

BPC in-person workshop at the  
Exchange Summit Americas conference in Miami, FL  
Monday, May 13, 2019, 1:30 – 5:00 p.m. ET

BPC Vendor Forum call with an in-depth topic of  
How Community Banks Partner with Fintechs  
Tuesday, May 21, 2019, 11:00 a.m. – 12:30 p.m. CT

Details at <https://businesspaymentscoalition.org/events/>

<https://businesspaymentscoalition.org/>

Contact us: [business.payments.smb@mpls.frb.org](mailto:business.payments.smb@mpls.frb.org)

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