Attendees:

Todd Albers and Guy Berg, Federal Reserve Bank of Minneapolis
William Strauss and Marissa Parker, Federal Reserve Bank of Chicago
Nell Campbell – Drake, Federal Reserve Bank of Atlanta
Lyle Wallis, Federation of Credit and Financial Professionals
Tammie Calys, Transformation Management Consulting
Chris Bennett, Commerce Bank
Rob Unger, NACHA
Brad Boe, Performance Food Group
Matt Skudera, Credit Research Foundation
Scott Miller, ECCHO
Ken Green, IAB Solutions LLC
Nick Foley, Bectran
Adam Wiebe, Cashbook
Mislav Majic, Versapay

Matt Skudera kicked off the meeting, welcoming everyone to Chicago and the Credit Research Foundation conference. Participants in the room and introduced themselves.

After introductions, Guy Berg and Todd Albers provided an update on the Business Payments Coalition, including status of the B2B Directory project, background information on ISO 20022, how it relates to U.S. payments, corporate usage, and what the future holds for the standard. Next they transitioned to the ISO 20022 Education and Promotions Work Group and the resource guide that was developed for Financial Institutions, Corporations, and the Public.
At this time, Tammi Calys picked up the conversation, and started the facilitation part of the meeting by providing background information on the Vendor Forum and the relationship with ISO20022. The forum started several years ago, mostly with interested parties from the remittance side. However, the group quickly realized that it’s not just receivables; rather there was a need to pull in the payables side as well. Very little knowledge existed amongst industry participants on ISO 20022 – what they needed to know about the standard, what they can expect with the standard, and where can they go to get information. As a result of this, the group spent time and compiled a list of available resources for corporates and industry practitioners could go to get information on ISO 20022.

When compared to other regions of the world, the U.S. is behind in adoption of ISO 20022. Adoption of ISO 20022 is currently being led by U.S. multi-national corporations, where they are looking to meet local requirements. This can often times extend into the U.S. market, where they place pressure on their Financial Institution to meet their needs.

The business case often times is being made on simplicity. To simplify the integration points with their Financial Institution. Instead of having many different file formats, for example, to conform to local requirements, ISO 20022 is a global standard, which allows the corporate to leverage a single integration point with their Financial Institution. This reduces the complexity of the integrations to support, and turns over the decision process over to the Financial Institution on which way to route the transaction (payment) down the right payment rails.

There still seems to be a gap in information available. A comment made was there still is not a lot of information available, and if there is information available, is it the right information and does it cover all aspects of the needs from a corporate perspective. The other component is the value. What is the value to the corporation and the financial institutions to adopt the standard? Another is who is responsible for driving adoption. If my customer is not asking for it, why should I do it? Another one from a corporate perspective is if my ERP can’t handle the standard, then again, why should they do it. From a Bank and Payment Processor perspective, we have the standard implemented, in some cases, we know how to use it, but the question is how do I get people interested in the standard. How do I drive them to the standard and again, what is the value to do so. Tammi Calys asked the group, what would be the key drivers for your organization.

Rob Unger from NACHA stated they have interviewed a lot of banks on this topic. Trying to understand what they are doing with it. The challenge is proprietary nature of the files corporate and banks communicate with one another. A lot of the corporations, for example, wanted to know how to map iDocs into the pain 0.001 files. The variability in the file formats, with payment origination or payment instructions are a challenge. On the receivable side, you have payments coming in, in a variety of tools, e-lockbox, BIA files, BIA2 files, EDI, etc. all in the proprietary formats. Banks in a lot of ways treat this as part of array of services they provide to customers, supporting them on the origination side to receipts, requiring them to spend a lot of time and involvement. Tracking the payment through the system, the “bank brain” as messages go through their systems.
Nell Campbell-Drake talked about on the high value transaction side, in 2020 the U.S. will start using ISO 20022 standards for Bank to Bank wire payments. Rob Unger, followed up by stating it is important that we start chunking out the different areas of ISO 20022, origination, receipt, etc. for the low value payments. Tammi, agreed, there are many different areas and pieces of ISO 20022 that most people simply do not understand it. The question, is are we going to try stop eating the “elephant” in one bite, or are we going to focus on the areas that can have the greatest impact. What will provide the direction for the U.S. market, is it regulation, with a certain start date? Or will multi-nationals corporates, with cross border transaction, move the market in this direction. Solutions providers in the room, the question are will you incorporate into your platform the sending / receiving components for your customer to adopt the standard.

Mislav Majic offered up his perspective, stating their customers can select different formats through a portal. This problem typically doesn’t come up until they start talking to their banks, and the bank is asking the question during the cash application process.

Accounts payable solution provides are moving away from payment execution and remittance (generation), into developing ready to pay files, and then sending it back to the customers to have the payment file generation and execution out of their AP / ERP platform.

The ERP systems and providers seem to be at the vortex at the center of the process, trying to get their perspective on where they are, along with getting the perspective on the other AP system providers outside of the large ERP vendors.

The challenge is how do we get more information on adoption, how do we market this information, and how can this information be more broadly distribution. What are the promotional activities to drive awareness?

Lyle Wallis stated he attended a session Rob did at the last CRF meeting on ISO 20022, and we need a lot more of that. Then Lyle asked can the Federal Reserve drive the message through its member banks, and how can the Federal Reserve encourage more participation and adoption. Banks then telling their customers they need to get on board.

Matt Skudura mentioned using a push / pull strategy, creating the requirement through the banks. Lyle Wallis asked Rob Under what NACHA is doing to drive adoption with the banks. Rob Unger talked about for the standard to be adopted; it would need to be moved to a vote by its members. There has to be interest by members to head in that direction or a new format. NACHA offers a mapping tool, where a corporate can send in a pain 0.001 and pain 0.002 files to their originating bank, and the bank can work with the tool to map it into the right format. It really gets down to the business case. Rob Unger asked out loud, with the different stakeholder groups – NACHA, X9, and the Federal Reserve, how you can get the market to move forward, other than imposing a mandate. Rob Unger then brought up a case study that was recently done, where a multi-national corporate have a global systems with multiple AP processes being performed in multiple countries. Everything was being done at the local level. They wanted to understand what is occurring globally, really get a better feel of the day’s payable outstanding, and had over 400 different formats to handle payments. So, this corporation decided it
was time to fix their AP processes. They saw ISO 20022 as an enabler to improve it. Instead of 400 formats and files, they implemented a single payment file to their bank, and then let the bank figure out how to send the payment out. ACH and Wire formats are somewhat a limiting factor, whereas, they saw ISO 20022 as an enabler as their driver for improvements.

Guy Berg mentioned that the resource guide, in that context, is then missing the message. Lyle Wallis stated the message needs to be turned around, to talk about the benefits of the corporates, education to banks and corporates on the benefits of ISO 20022. Todd Albers commented that the pressure needs to be applied by the corporates, because banks will not necessarily change what they are doing with their customers out of fear of impacting them. Guy Berg followed up with that we do not need to solve the adoption issues today; rather, the resource guide is missing the business benefits. Mislav Majic talked about the pain points from both a corporate and bank perspective. The more pain the organization is feeling, the higher likelihood that adoption would occur. Matt Skudera interjected absence of a clear marketing strategy, how do we know what the market needs? Maybe a consulting firm could help identify it. We know that large, multi-national corporates have already identified the business benefits because they are receiving them today. Maybe we should talk to these organizations to fully understand the benefits. Mislav Majic raised the point that the corporates care about the information, how can the transfer electronic information (i.e. remittance) seamlessly. If this can be accomplished, then all would get onboard.

Tammi Calys asked the group if they saw any gaps in the resource guide. She mentioned these discussions in this area always turns into what’s in it for me. Where is the case study that can highlight the benefits and how to find information that addresses the benefits from all constituents? Will what is going on in the Wire payments be that springboard into other payment types and channels. The market as a whole, is still trying to adopt electronic payments. Whatever marketing and communication strategy needs to describe the tangible benefits for everyone who touches the transaction. It is only good to the one who has to touch it. For example, here is the situation, here are the actions, and this is what we found out. Adam Wiebe - what is in it for me, what would happen if I don’t do anything. What is the value calculator? Look at the benefits you gain, what do you know as the barriers if you don’t do x, y, and z, for example.

Nell Campbell-Drake mentioned that Federal Reserve has partnered with the Clearing House to talk about the benefits of adoption ISO 20022. The U.S. Stakeholder Group, which is a cross section of technology providers, corporates, and banks, focused on ISO 20022 adoption. They are looking into the drivers to adoption and developing case studies. Also, discussions on syntax and nomenclature, understanding these and communicating them needs to occur. From the high value payments timeline, a lot of it is being driven by the need from multi-national corporations. Note, not everyone is onboard, but a lot of collaboration is underway. Plans are underway that addresses a lot of the concerns being voiced in this room today. Tammi Calys said that having awareness on what the U.S. Stakeholder group is doing is very helpful. Nell Campbell-Drake then mentioned on the importance of being able to grab the attention of the reader, the information should read more like a newsletter format, there seems to be a marketing aspect missing to the document. Scott Miller asked isn’t ISO 20022 part of faster payments? Nell Campbell-Drake stated that as a desired outcome, yes.
Guy Berg mentioned on our last Business Payment Coalition call, ED Barrie from Tableau Software talked about what they did with their ISO20022 implementation. He talked from the perspective that wasn’t the technology that drove the change, but the benefits to their business. Mislav Majic mentioned as a service provider we will take in whatever format the customer wants and map it. It’s part of their business value. Guy Berg discussed the importance of transforming data and that being a core competency is extremely important. Mislav Majic mentioned what is the driver for adoption? Who benefits, the banks would by simplifying the integration, corporates secondarily. On the remittance side, corporates would be the primary beneficiary. Also, AP vendors may not want this. As a solution provider, this is how they can differentiate themselves from one another with these integrations. If you create a “vanilla” solution, then they would lose an important level of stickiness with their customers. For providers like Ariba, you could start wiping out their business. They would not want to just give away a competitive advantage. Secondly, how are you going to get this onto their roadmap.

Tammi Calys, pressure could be applied by corporates including the standard in proposals. This will get the vendor community to begin to respond by allowing them to check the box on the RFP, raises the standard to becoming table stakes to stay competitive. Other ways include, as most vendors conduct, are through voice of the customer sessions, part of their road map discussion. When certain number of customers begins voicing concern or the need, when enough have asked, critical mass will increase the probability that the standard would be included in the roadmap.

Summary:

1. Need to have a better understanding of what the U.S. Stake Holder group is done.
2. Continue to use this venue to educate. Try and generate awareness through speaking engagements, webinars, promotional activities, etc.
3. Gather information on the use cases and stories out there, what exists on implementations.

Brad Boe talked about this is somewhat of a chicken and egg – someone needs to be the driver of change. Banks need to tell corporates that they should change. Tammi Calys followed up with banks don’t hesitate to communicate regulatory requirements, the card industry does it with PCI-DSS, the group which has the most bosses that they are accountable to, i.e. Federal Reserve and NACHA to some extent, stipulate the rules of operations, for example, with ISO 20022, this is the standard and you are going to benefit x, y, and z. Banks need to drive the adoption. Corporates are looking to the banks to tell them what to they should leverage. Guy Berg stated from a regulatory perspective, the EMV migration didn’t occur because it became a regulatory requirement, rather, the payment networks got together, and through the liability shift, that threat, move the market. Now, one thing that they didn’t do well enough was engage the merchant community in those discussions and didn’t have them on board. Moral of the story, not having everyone involved in the discussion creates the biggest obstacle. Tammi Calys end the meeting by stating - change is something you involve people in, not do to them.