



Business Payments Coalition

Business Payments Coalition Meeting Recap: In-person meeting at the AFP Conference October 23, 2022

The BPC held an in-person meeting October 23, 2022, at the Association for Financial Professionals Conference in Philadelphia. Thanks to AFP for arranging meeting space and to the attendees for their participation in the meeting. The meeting provided an update on current BPC initiatives and gave an opportunity for discussion.

Current BPC Initiatives

The BPC has been working on an e-invoicing exchange framework for several years. What began as a concept is now becoming reality with e-invoicing preparing for production launch in 2023 and e-remittance currently in validation testing.

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. It addresses difficulties that all stakeholders have with invoices and remittance information sent through emails and portals. By delivering electronic information, it allows automation of many invoice and remittance processes that are currently handled manually. The video [From Point A to Point B](#) explains the concept.

Ideal State Vision for the Exchange Framework

In the U.S. over 75% of delivery and processing of invoices and remittance information is manual. These manual processes are costly and time consuming, resulting in delayed payments. Additionally, manual processing creates electronic payment adoption friction – nearly one-third of all B2B payments are still made via check.

The Exchange Framework is an open virtual network that can support multiple electronic payment and supply chain documents without requiring changes to current accounts payable (AP) and accounts receivable (AR) systems. It does not require costly development, implementation, or maintenance of automation tools. Additionally, it can help eliminate manual processes. The framework can be used by businesses of all sizes and is payment type agnostic. Information for all payment types – from B2B ACH to new instant payments – can be exchanged with anyone on the network, with the goal of automation and straight-through processing.

In a virtual exchange network, service providers act as access points to deliver and receive data and information for their business clients. This virtual network allows access points to find and connect business end points. 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 10. 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).



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The remittance information is sent through access points in the same way as invoices, except the process is flipped: the buyer sends remittance information through access points 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 for Providers

- Complements existing provider services for invoices, remittance information, and cash application. Providers can send and receive both invoices and remittance information on behalf of their clients.
- Expands the reach of current networks without onboarding individual companies or achieves network effects without setting up a new one.
- Reduces development, operational and maintenance costs.

Benefits for Businesses

- Requires minimal or no changes to current accounting systems.
- Allows for automation of business processes resulting in less time and money spent on paper-based payment processes and manual interventions.
- Reduces exceptions, increases on-time payments, and enables straight-through processing.

Status

The BPC has two exchange framework initiatives underway:

- **E-invoicing:** The e-invoicing exchange framework is currently in pilot, with production planned for 2023. Participants, including service providers, B2B networks, corporates, EDI providers, and banks, are connecting and exchanging e-invoices.

Anna Tujunen of Dooap Inc. is a participant in the e-invoicing pilot and talked about the benefits of the simpler, more accurate process for her company and customers.

- **Remittance:** Earlier this year, a BPC and Federal Reserve work group concluded that an exchange framework is feasible to deliver remittance information and is now in a validation testing phase to demonstrate operational feasibility with plans to move to pilot in 2023.

Importantly, the remittance validation phase is leveraging the e invoice pilot infrastructure to “hit the ground running.” Sharing the infrastructure may create synergies that increase adoption potential for both e-invoicing and e-remittance.

Businesses need to receive the right remittance data to apply cash to their accounts receivable system. The key elements needed for automation of remittance information are now coming together: electronic delivery of complete and correct structured remittance information. The exchange framework can deliver structured remittance information. The standards group ASC X9 recently published the [ISO](#)



[20022 Remittance Content Market Guide](#) that provides guidance to the industry about what remittance content to provide with B2B payments to facilitate straight-through processing.

Attendee Discussion

General Observations

- Currently, electronic payments are very expensive both from an actual cost perspective and a resource allocation perspective to apply cash. That is the reason many clients have not implemented some sort of electronic payment over paper checks.
- Virtual cards are very expensive per transaction, still require some manual intervention and do not solve for the issue of exception payments.

The Exchange Framework

- This isn't it cure all, but it enables electronic delivery and takes extra steps out of the process.
- The e-invoicing pilot is underway. The access points that are already involved will start asking their existing customers to get involved. This is a lower cost solution for businesses no matter their size. Start talking to your trading partners, vendors, customers, and your AP/AR solution providers about getting involved.
- Early adopters that are already using some electronic delivery, such as EDI, will be able to exchange with additional electronic delivery partners to expand reach.
- Linkage of remittance information to the payment and automation of cash application are critical challenges that are being addressed in the e-remittance work. Linkage removes the need to manually search through payments to match to remittance detail.
- The BPC is developing the governance rules that will maintain this framework and eventually an organization will be stood up to oversee the exchange framework and the e-delivery component. That organization will then take over governance.
- Education and awareness for the big banks is crucial. Banks tend to be largely focused on consumer world, however, they can underscore the importance of this solution for B2B payments.
- Reach out to the BPC if you have questions about what it would take to get on the network. The BPC can connect you with someone who can provide real life insight into what is required.

Remittance Data

Rich Dooley of Regions Bank, a member of the ASC X9 work group that produced the [ISO 20022 Remittance Content Market Guide](#), discussed the guide.

- X9 produced a Market Guide for the use of ISO 20022 data standard for remittance information. Globally, electronic payment systems are using or moving toward using ISO 20022.
- Corporates, providers, ERPs, and other industry stakeholder participated in writing the Market Guide. The work was largely focused on ensuring payees receive complete and correct remittance data information needed to apply cash.



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- One of the key features of the guide is a tier-based system for remittance information. Tiers are based on complexity of data needed. The tiers in the market guide will help implement remittance data in new ISO 20022-based payment systems such as RTP, SWIFT, and FedNow.
- The Exchange Framework is going to use ISO 20022 for the remittance data model, leveraging the Guide.

U.S. Payment System Challenges

Attendees offered perspectives on B2B issues and challenges they see for the US payment systems in the next 10 years.

- Acceptance and adoption of the Exchange Framework, including for other document types.
- Potential for block chain, crypto currency, stable coins, smart contracts, and other digital assets.
- Ending use of paper checks.
- The need to create an automated receivables process for virtual cards.
- For initiatives that will lead the industry down the path of efficiency at volume and scale, there is a need to move beyond awareness into gaining critical mass.

* * *

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



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BPC meeting at the AFP 2022 Conference

October 23, 2022



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Agenda

1. Welcome and Introductions (15 min)
2. Problems the BPC is Addressing (15 min)
3. Exchange Framework (60 min)
4. Remittance Data (10 min)
5. Open Discussion (15 min)
6. Closing (5 min)

Introductions

Name

Company

Title

Is this the first BPC meeting you have attended?

The BPC

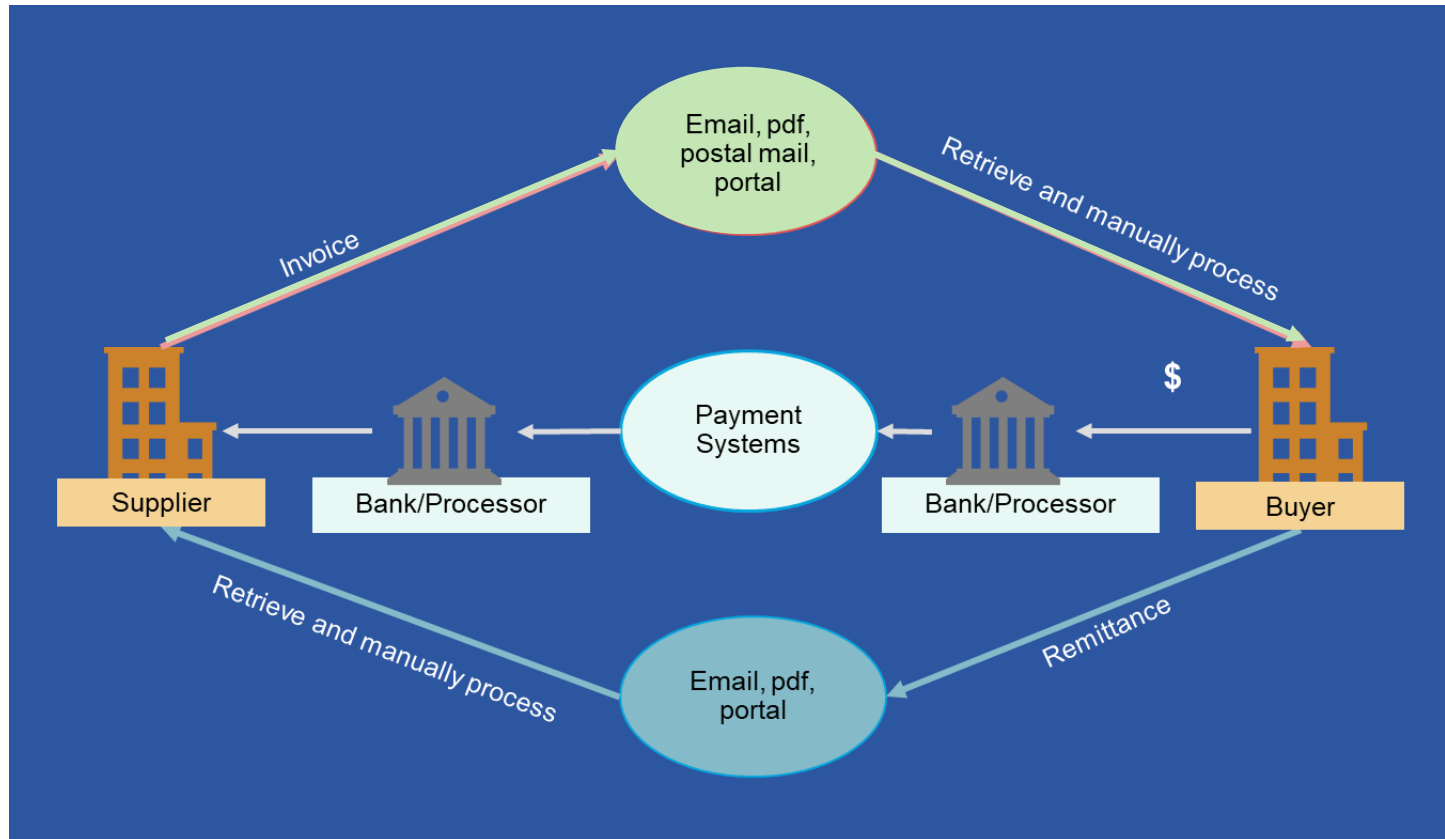
- Volunteer group working to promote greater adoption of electronic B2B payments, remittance data, and invoices
- Goal: to make B2B electronic payments more efficient across the end-to-end process
- Addresses problems and barriers that make it difficult for businesses to use electronic alternatives to paper checks, remittance data and invoices



Problems the BPC is Addressing

75% of invoices and remittances require manual processing

The situation: In the U.S., over 75% of delivery and processing of invoices and remittance information is manual, costly and creates electronic payment adoption friction



- Receiver retrieves the document and manually inputs into AP (invoices) and AR (remittance information)
- An estimated 45% of B2B payments are delayed when manual intervention is required
- Leads to manual, paper payments. Estimated 33% of B2B payments are still check payments

An exchange framework can help eliminate manual processing

What problems are addressed?

- Difficulties that all stakeholders have with invoices and remittance information sent through emails and portals
- Manual processes
- Costly development, implementation and maintenance of automation tools

How does an exchange framework help?

- Virtual open network to deliver electronic invoices and remittance information to enable automation and STP
- Information for all payment types – from bread-and-butter B2B ACH payments to new instant payments
- Can be used for businesses of all sizes and addresses the "long tail" of non-strategic counterparties

What doesn't it do?

- Replace current EDI solutions
- Replace remittance information sent within a payment
- Deliver payments

Where are we today?

- E-invoice market pilot 2022 (80+ participants), production in 2023
- Remittance is being validated to demonstrate suitability



What's the promise?

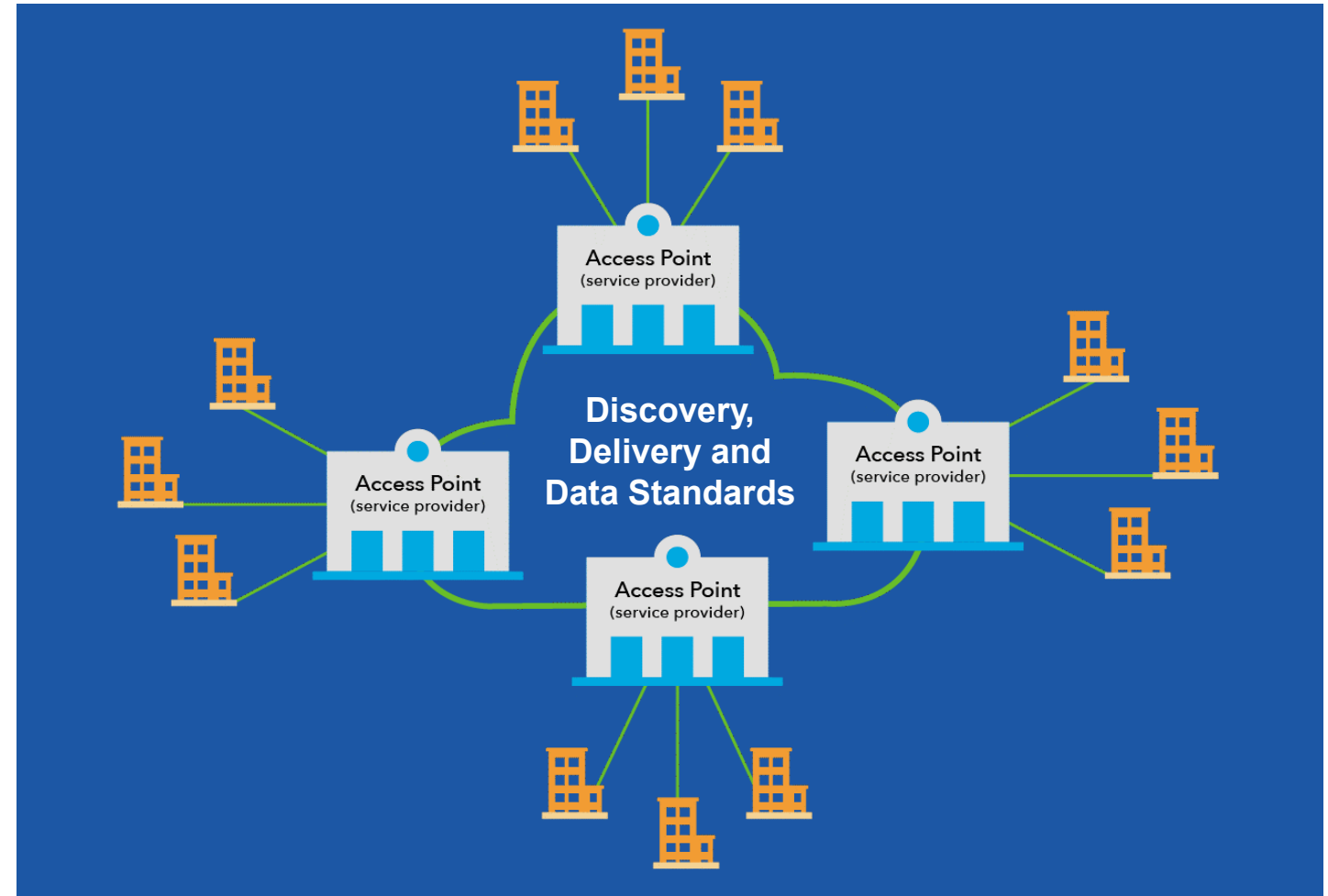
Modernized R2R Payments in Action:
E-Invoice Exchange Framework

<https://fedpaymentsimprovement.org/news/blog/from-point-a-to-point-b-how-an-e-invoice-travels-through-an-exchange-framework/>

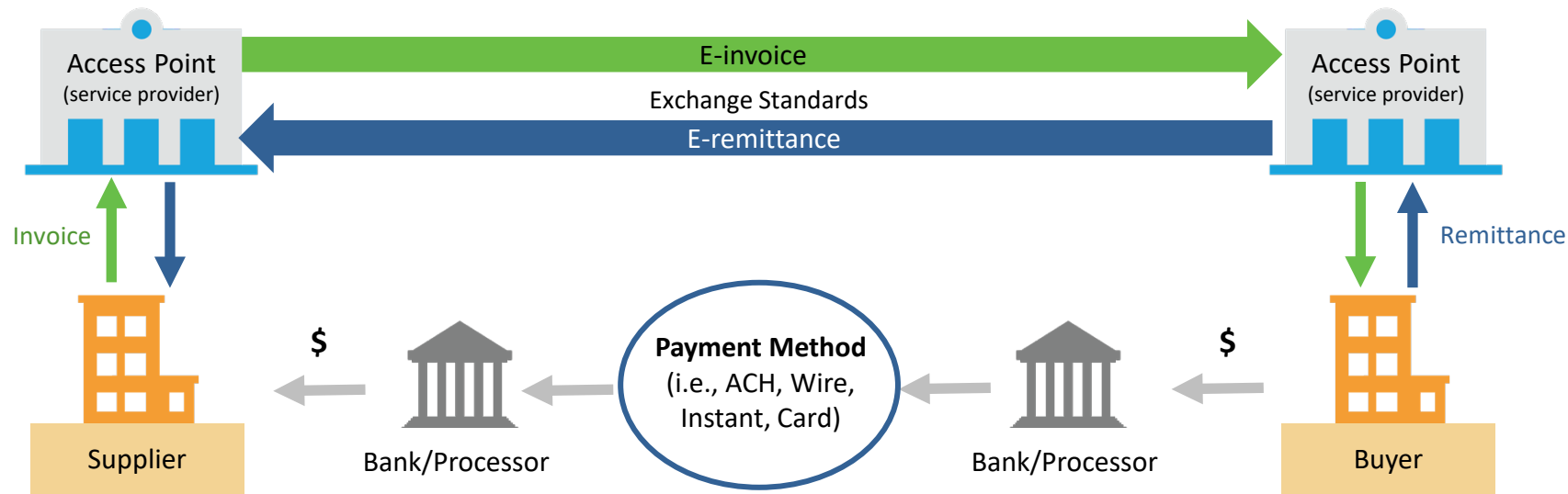
Exchange Framework

What is an exchange framework?

- An exchange framework is a set of standards, policies and guidelines that enables document exchange
- Network effect: all businesses are senders and receivers. They connect once to exchange with many
- Open network that extends the reach and opportunities for all participants, including EDI providers and B2B networks, while also reducing costs



Simplifies automation of remittance information and invoice processing



System and payment method agnostic

- Supports all billing, A/R, and A/P systems
- Supports all payment types

Non-disruptive

- Minimal or no change to corporate systems
- Does not displace current processes and service providers
- Complements what is working today

Oversight

- No central operator or service provider controls the network

Benefits for providers

- ✓ Complements existing services for invoices, remittance information, and cash application
 - Allows enhanced services, creating new revenue opportunities across the value chain
 - Automate invoice ingestion and cash application
- ✓ Expands the reach of current networks without onboarding individual companies, or achieves network effects without setting up a new one
- ✓ Reduces development cost and risk
 - Prescribed standards vs. many bilateral delivery arrangements
- ✓ Reduces operational and maintenance costs

Double benefit for many providers

- On the AP side, receive invoices and send remittance
- On the AR side, receive remittance and send invoices



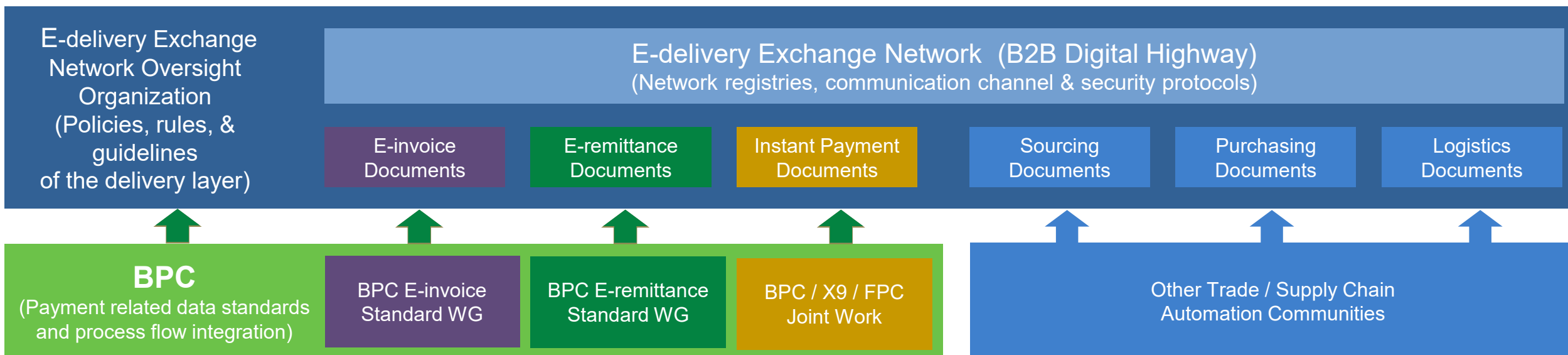
Benefits for businesses

- ✓ Enables straight-through processing
- ✓ Less time and money spent on paper-based payment processes
- ✓ Increases on-time payments
- ✓ Reduces exceptions
- ✓ Automates business processes and frees up staff to do higher-value work
- ✓ Works within current operating model and accounting systems, without having to make system changes



Direction of the exchange framework

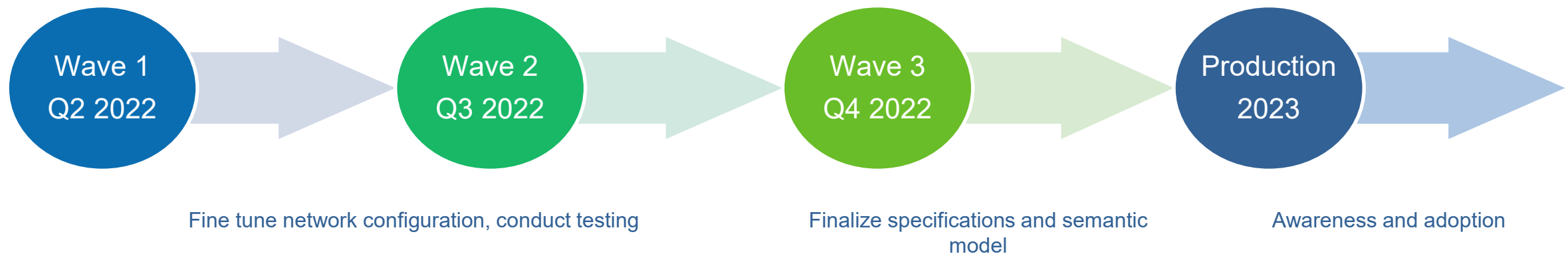
One exchange network supporting multiple payment and supply chain documents



E-invoicing production launch in 2023

Major milestone achieved!
Participants are successfully connecting and exchanging e-invoices

- Pilot through 2022 – 80 organizations participating
- Oversight and market awareness efforts underway
- Production in early 2023

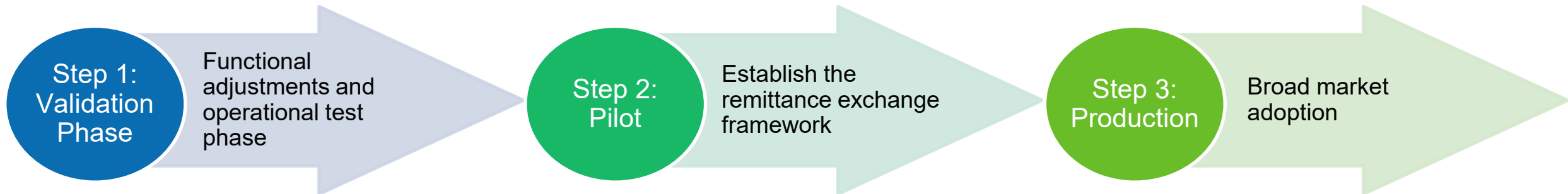


Remittance validation phase in 2022, pilot in 2023

Assessment determined the exchange framework is feasible for remittance information

Validation Phase: Demonstrate operational feasibility to continue building industry momentum, confidence and support to move to a market pilot

- Validation phase testing through the end of 2022, pilot in 2023
- Leveraging the e-invoice pilot infrastructure
 - Keeps the momentum by “hitting the ground running” with an existing infrastructure
 - May create synergies that increase adoption potential for both e-invoicing and e-remittance



Remittance Data

Why do we care about remittance information content?



Missing or incorrect remittance information creates exceptions, delaying cash application and reconciliation



The *ISO 20022 Remittance Content Market Guide* focuses on how to use ISO 20022 remittance data to help automate cash application

New X9 guide has remittance content recommendations

Focus: Information a payee needs to apply cash

What problems are addressed?

- Businesses need complete and correct remittance data
- Recommendations for remittance content apply to all payment types – ACH, card, wire and instant payments

How does the guide help?

- The guide uses ISO 20022 remittance data elements to promote correct and complete remittance content
- Data elements are native to AP and AR systems

Why use ISO 20022 remittance data?

- Robust data model
- Payment systems are moving to ISO 20022
- Education to prepare for the future

How can providers use the guide?

- Providers can help clients get good data by implementing consistent data and the tiers in the guide



INFORMATIVE REPORT

ASC X9 IR 01-2022

ISO 20022 Remittance Content Market Guide

By the ASC X9 ISO 20022 Market Practices Forum Remittance Content Group

An Informative Report approved and released by:
Accredited Standards Committee X9, Incorporated

Date Released: February 14, 2022
First edition

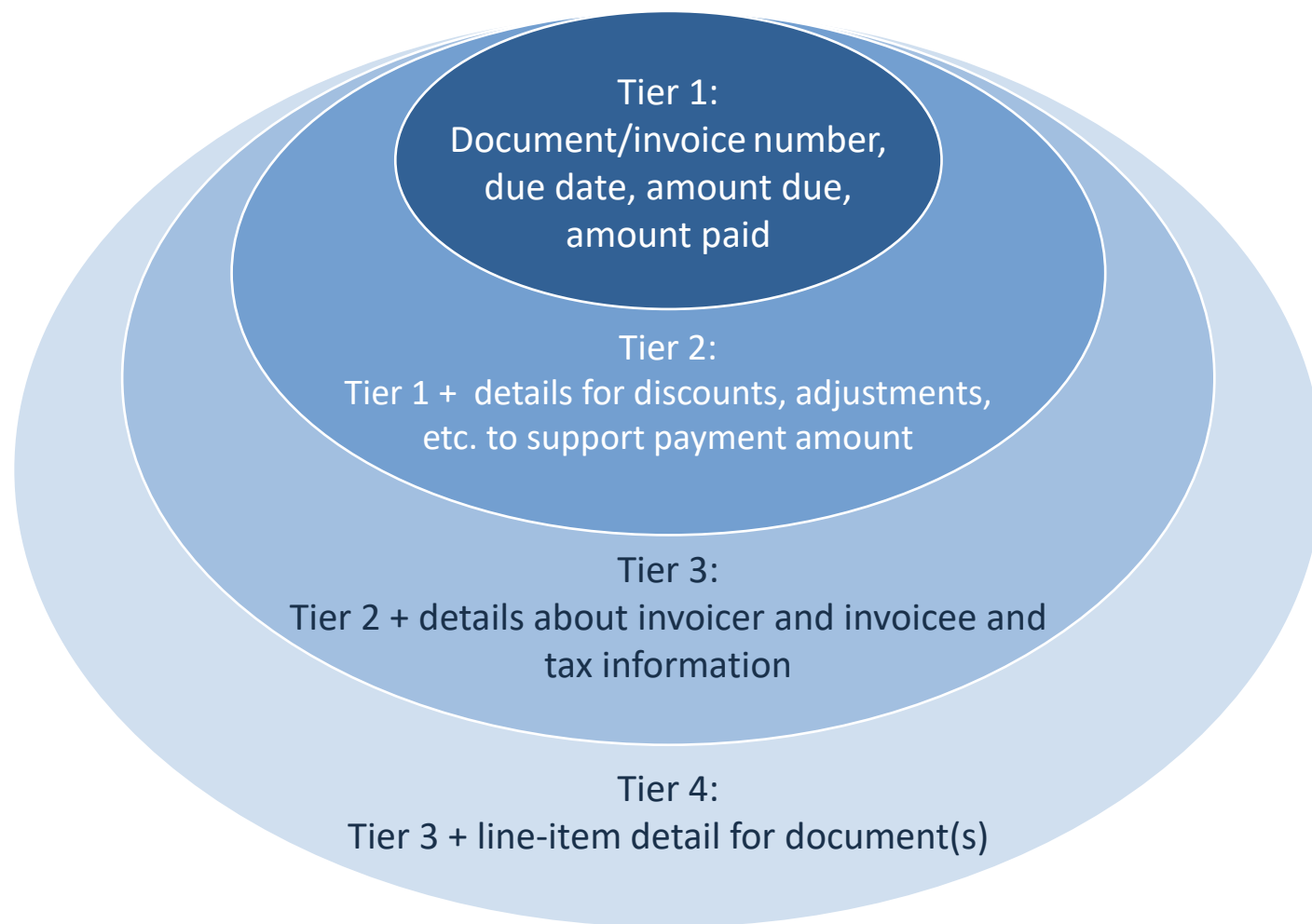
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<https://x9.org/iso-20022-remittance-market-practices-guide/>



Predefined tiers of data for consistency



- Tiers based on complexity of data
- Consistent usage of common data elements
- Payees communicate their needs to payers

Open Discussion

Looking forward

What are the most pressing B2B issues/challenges in the U.S. payments system over the next 10 years?



Get involved with the E-invoice Exchange Market Pilot

Email: business.payments.smb@mpls.frb.org

Join the Business Payments Coalition and FedPayments Improvement Community



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BusinessPaymentsCoalition.org



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