



Business Payments Coalition

Business Payments Coalition September 25, 2018 Call Recap

The third quarter 2018 BPC call was held September 25, 2018. Guy Berg of the Federal Reserve Bank of Minneapolis opened the meeting and thanked those who have been participating in work groups. Large and small scope initiatives for B2B payment efficiency are in progress.

The BPC has a new logo! The logo can be used for BPC-related content. Contact us for more information at business.payments.smb@mpls.frb.org.

B2B Directory Update

Refer to the BPDA slides in this document.

The B2B Directory was a flagship project of the BPC. The concept is a product of the BPC and a model for how the BPC would like to operate. That is, the BPC identifies B2B payment efficiencies that need to be addressed and identifies approaches to resolving those needs. The difficulty with obtaining quality electronic payment information is one of the top three barriers to achieving straight-through-processing (STP). In this case, BPC members advocated for creating an industry directory and a number of the members proceeded to pursue that objective. Larry Buettner, Chair of the Business Payments Directory Association (BPDA) and Rob Unger, Senior Director Product Manager & Strategic Initiatives at NACHA, gave a presentation on the status of the B2B Directory. Larry and others took leadership to make it happen.

The BPDA completed a lot of conceptual work on the Directory and has been socializing the concept within the industry. Many industry people contributed and the vision is solidly grounded. In a big step forward to a tangible product, on September 24 the BPDA announced a merger with NACHA. NACHA has name recognition, is a catalyst, and will provide funding for the proof of concept. The BPDA, a subsidiary of NACHA, will remain a legal entity with a NACHA executive chair and independent board of directors. There will be an industry advisory panel and industry participants on work groups.

Discover Financial Services was selected to develop the directory. They were able to demonstrate a creative approach to address the requirements.

The B2B Directory will use a distributed model. Distributed trusted nodes are entities that enroll payees and are responsible for verifying data so that it can be trusted. Nodes provide access and house directory information. The service will be provided to end users through a web portal and API calls.

For security and trust, blockchain technology will hash the information and route it between nodes. Payee information is not on the blockchain. Standardized APIs will be developed by NACHA's API Standardization Industry Group (ASiG) for search calls and retrieval responses. There will be tight integration of the blockchain and distributed nodes.



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Market drivers: Digital payments are hindered by the time consuming, costly, and risky process of gathering payment account information. With the growth of payment types, businesses are looking to improve processes and their payment channels. The Directory is enabling technology that connects payees and payers to exchange information and improve the accounts payable process.

Building blocks: The directory is payment method agnostic and has more information than routing addresses.

- Extensive payee information is key to being the one source of trusted information.
- It facilitates compliance because the counterparty is vetted.
- It is an industry utility operating under a cost recovery model. There is more work to do on the cost structure and revenue model

Directory in a box: To get credentialed service providers (node operators) up and running quickly, the BPDA will license software as a “directory in a box”. There will be more information later.

NACHA will further develop the governance model that was outlined last year. It will lay out roles, responsibilities and rules. The governance needs to work from both technology and business perspectives.

There were a number of questions from the audience.

- How do you mitigate the risk that the data is stale? Payees will be periodically contacted to verify the information so that it is up to date. In the rules, nodes and the payee entity warrant the information is correct.
- Who will have access to these nodes? Who has to code to the APIs? This is an industry utility. APIs and portal access will be defined.
- How would a company know who sent a payment? What about remittance information? This is not a payment system and does not process payment transactions. It is a directory that contains information on how to send payments to help to onboard a supplier to a vendor master file.
- How do companies get listed? Payees submit company information plus payment and remittance preferences to the Directory. Once validated, the payee is issued a directory identifier and is included.
- Is the Clearing House Real Time Payment a payment method in the directory? The Directory supports all payment types and is envisioned to be real time also. The directory can also be used for tokenization and resolving payment information from a token address.
- Can service providers connect to retrieve bank account balance information? No, as this is not a banking service, it is B2B “yellow pages.”
- Will it support international? Yes, for example Swift will be supported.
- Do payees have control over their information? Yes, payees control what goes in. There are two classes of information, public and private. Company information would be public, while payment account information could be private. Payees decide who to release private information to.
- How are participants identified? Through the search function.



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- Do banks have to agree for information to be put in? No. The directory supports information for multiple banks. The payee is in control over who sees what.

Overall, the directory is designed to help small businesses participate in a cost effective way. Guy Berg wants to shine a light on the work of Larry and the other BPC members that contributed. The BPC will continue to provide support. Larry noted that many people provided feedback and participated on workgroups. This is a good model for BPC efforts.

e-Invoicing

Refer to the e-Invoicing slides in this document.

Todd Albers of the Federal Reserve Bank of Minneapolis presented an update on the BPC e-Invoicing initiative. The e-Invoicing interoperability framework standardizes interconnections between trading partners in a four corner model to deliver invoices. It also connects two and three corner models into an ecosystem. It is document agnostic and delivers documents through the internet. It doesn't store documents and doesn't disrupt existing relationships of buyers/suppliers and partners.

This year, the BPC is assessing international interoperability models. The work groups, which include key industry stakeholders, are conducting assessments of other systems for potential gaps in requirements. Other phases will follow. There were several themes from the preliminary assessment: see e-Invoicing slide 8.

The semantics group completed the first pass through a semantic model based on the European model. The biggest gap is in taxes. The group will create a "strawman" semantic model for subject matter experts and practitioners to review.

The technical group completed a review of the e-delivery requirements of European and Australian frameworks, and did not find any technical gaps. The next step is to create a "strawman" network to test the set up and configuration.

The BPC is looking for subject matter experts and industry participants. The more reviewers, the more diverse the feedback. There will be continued discussion at the in-person BPC meeting Sunday November 4, 10 – 12 a.m. at the AFP Annual Conference location in Chicago. Attend if you're going to the conference!

Guy Berg thanked attendees for their time today. There is great progress on a number of the BPC projects and it was great to receive an update from the B2B Directory. Given the B2B Directory is the brainchild of the BPC we encourage continued support of Larry Buettner and NACHA in this effort.



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Third Quarter Call

September 25, 2018

Business Payments Coalition Q3 Call Agenda



Welcome and agenda review

- New BPC logo

B2B Directory

- Presentation by Larry Buettner, BPDA

e-Invoicing Work Group Update

Updates on BPC Initiatives



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B2B Directory

Larry Buettner, BPDA



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DIRECTORY ASSOCIATION

The B2B Directory Comes to Market

Agenda

- Introductions
- Organizational Change
- Partnership
- B2B Directory Basics
- Initial Product Offering
- Next Steps

Panelists

- Lawrence Buettner
 - Business Payments Directory Association
 - Chair
- Rob Unger
 - NACHA
 - Senior Director Product Manager & Strategic Initiatives

Organizational Change



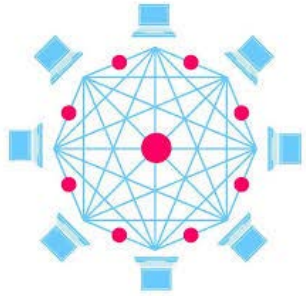
Partnership



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Immediate Synergy



Blockchain

$$+ \text{ASiG} = \text{POC}$$

API SiG

Market Drivers



- Business need for continued improvement in the Procure to Pay processes
- Growing pain in the Order to Cash cycle, especially payment posting
- Critical component of next generation solutions envisioned by Faster Payments Task Force
- Interoperability between faster platforms

Directory spans the gap between payers and payees

B2B Directory Basics



**Scalable,
trustworthy, &
secure**

- Enables payees to register their Electronic Payment Identity (EPI)
- Allows payees to specify their preferred method of payment
- Enables payers to retrieve EPIs to facilitate electronic payments
- Allows multiple payment types to be listed in the directory
- Supports related business information
- Supports retrieval of payment routing instructions

B2B Directory Benefits



- “The One Truth” for payment addresses
- Registry for payee multiple payment preferences
- Compliance validation source
- Reduced payer costs for acquiring payee data
- Market prices for services
- Industry utility cost model

Initial Product Offering



Initial Product Offering Directory in a Box



- Turn-key technology
- Provides
 - Payee enrollment portal
 - CSP selection by payee
 - CSP validation portal
 - Payer access portal
- ERP Integration through API
- Licensed from BPDA
- Governance model
- more to come

Governance Model



- Roles and Responsibilities for Payees, Payers, and Credentialed Service Providers
- Basic rules and liabilities for all participants
- BPDA board will have overall responsibility for the governance and the operation of the directory services

Next Steps



What's next?



Next Steps

- Engage Stakeholders
 - Credentialed Service Provider
 - Financial institution
 - Third party processor
 - Corporate payer
 - Corporate payee
- Finalize governance model
- Set 2019 launch date



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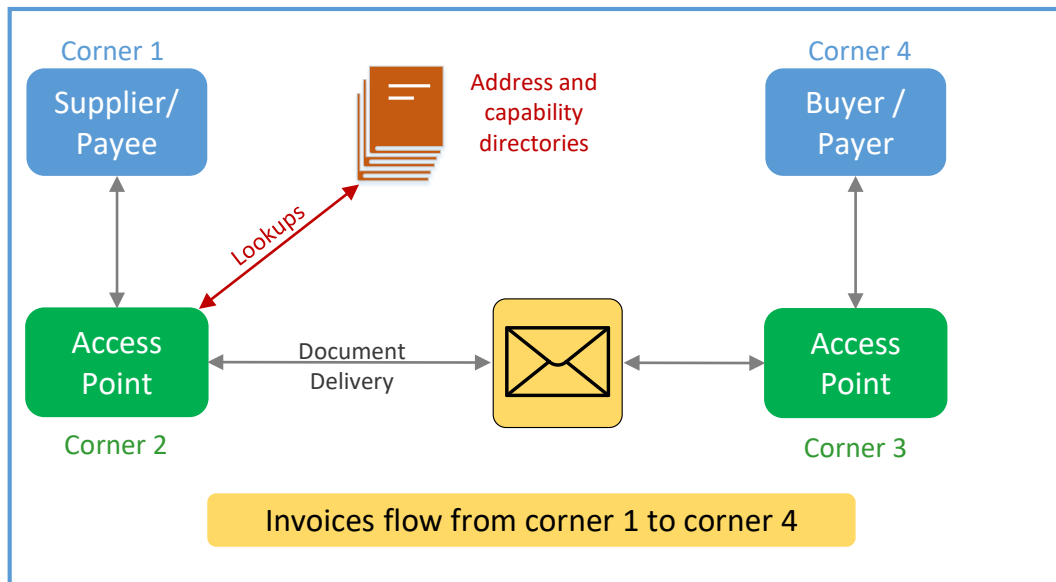
e-Invoicing Work Group Update

Todd Albers, FRB Minneapolis

E-Invoicing Work Group Update

What is an Interoperability Framework?

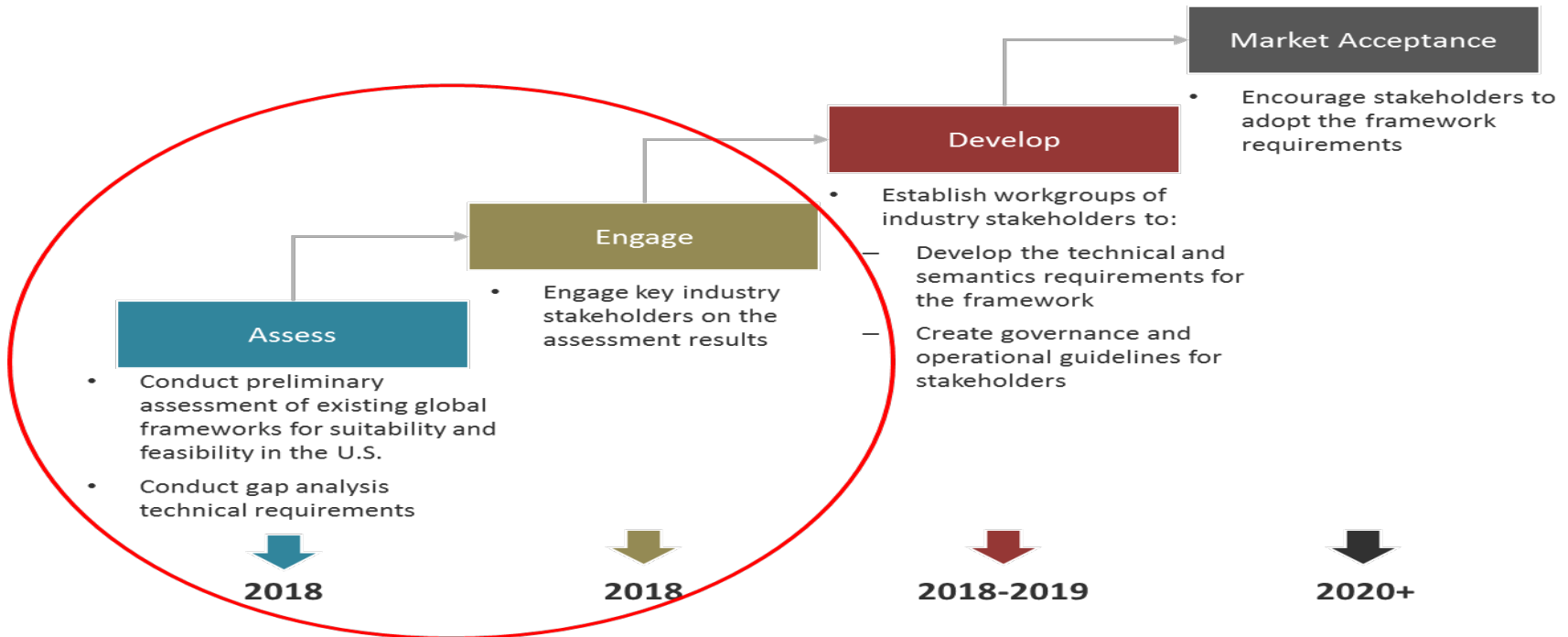
The Interoperability Framework standardizes the interconnections between trading partners by using a “four corner model”



- Standardized interconnections deliver documents and messages through an open network over the internet
- Allows multiple types of documents and messages
- A delivery mechanism only; no documents or messages are stored
- Does not disrupt existing relationships between supplier/buyer and providers

E-Invoicing Work Group Update

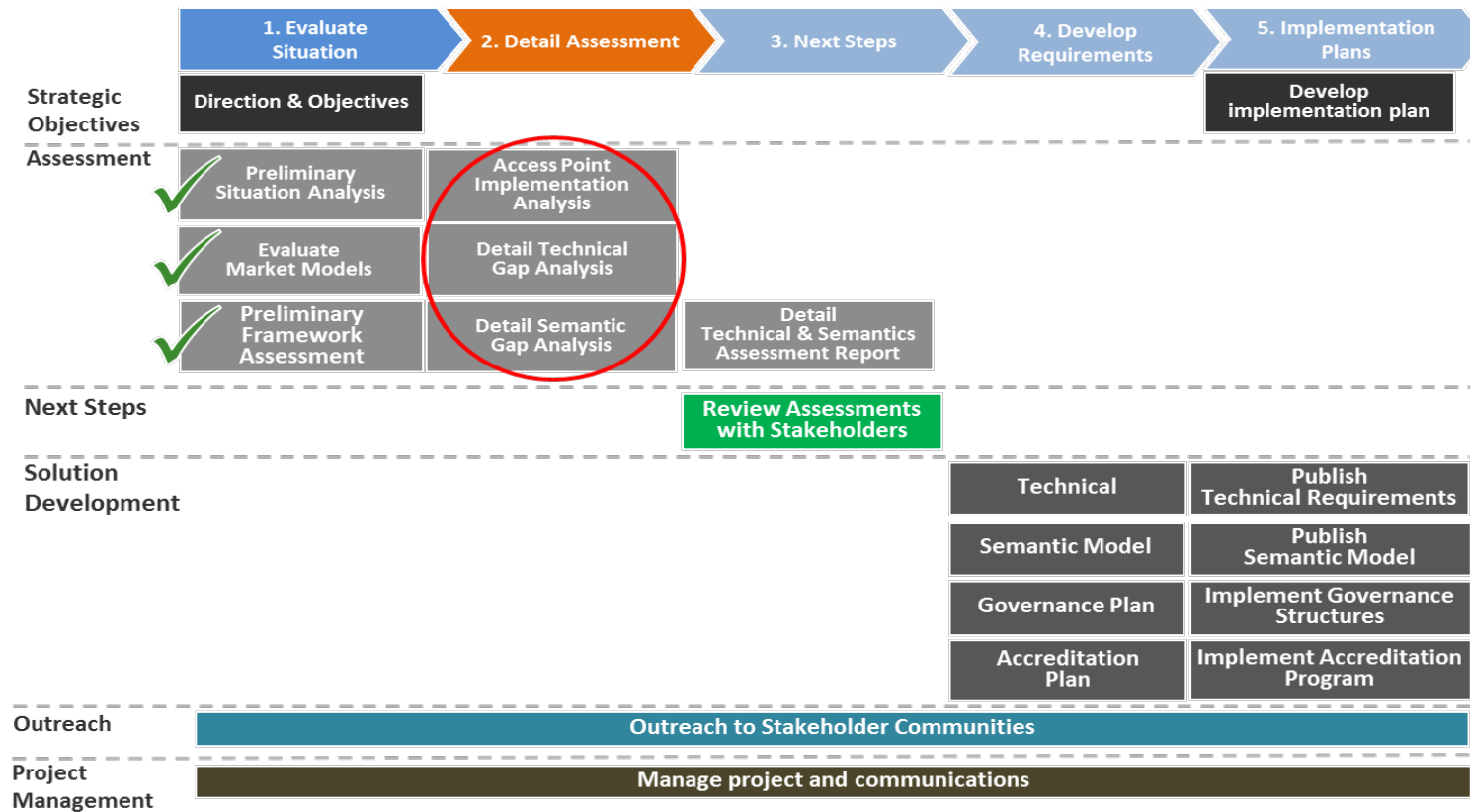
Business Payments Coalition – 3 Year Plan





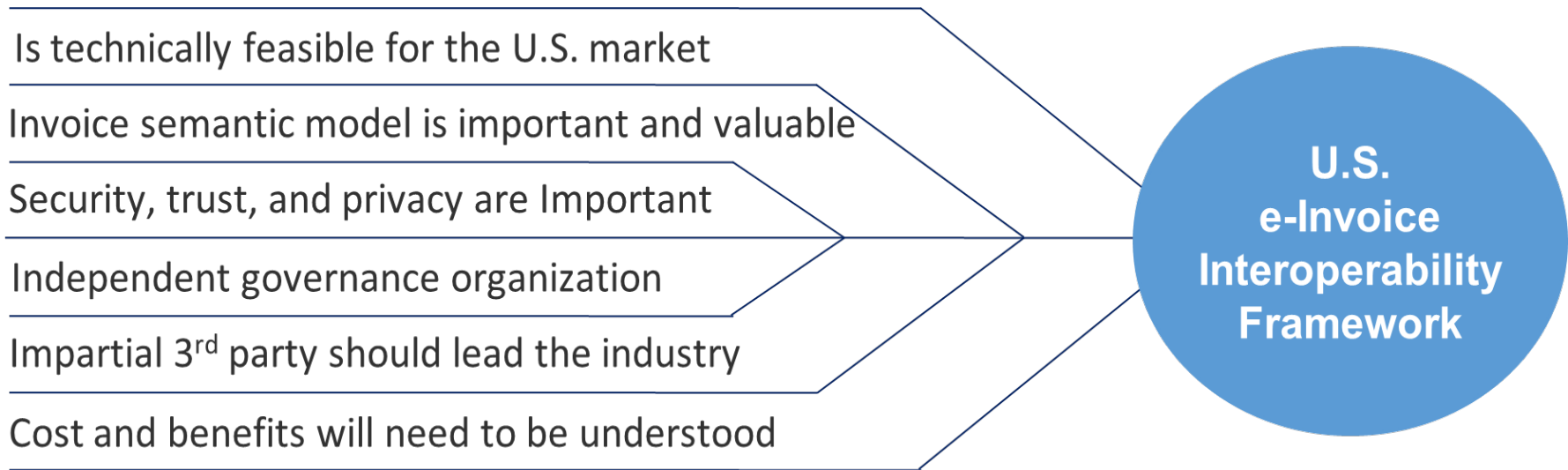
E-Invoicing Work Group Update

Activity Plan



E-Invoicing Work Group Update

Themes from the Preliminary Assessment



Adoption is key: with no mandate, it will be important to get several established service providers on board initially; government participation could help create critical mass.

E-Invoicing Work Group Update

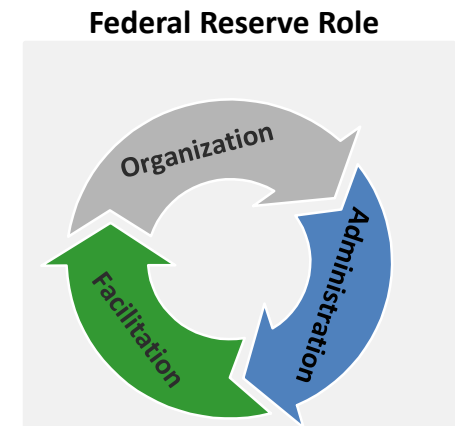
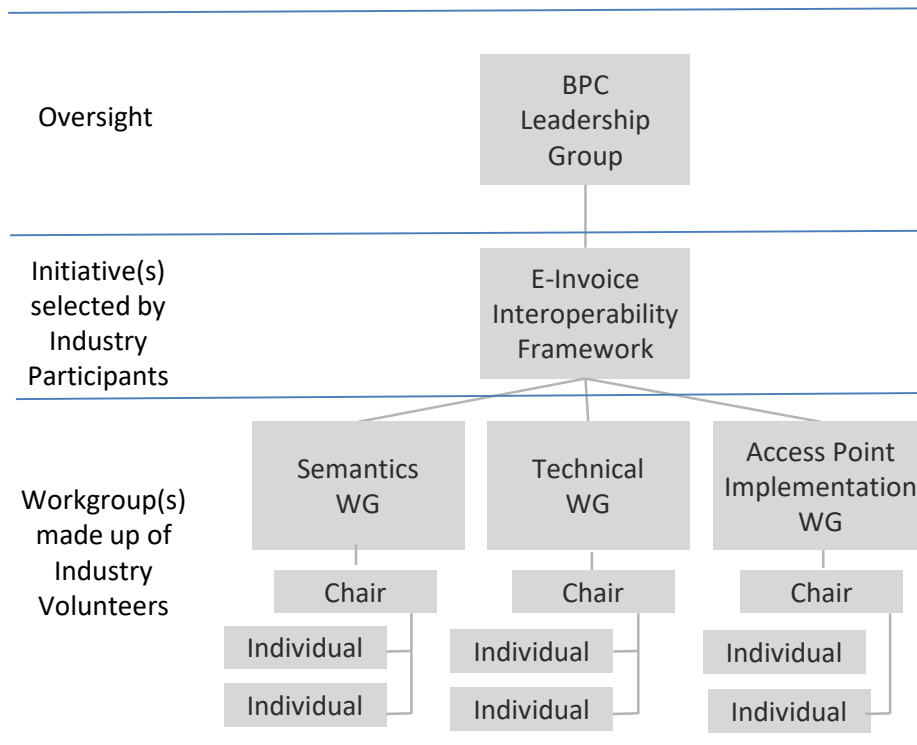
Work Group Status Update



- Semantics
 - Completed 1st pass through semantic model
 - 80 to 90% of the EU semantic model is applicable to the US
 - Biggest “gap” is in the tax area (sales and use vs. VAT)
 - Creating a “strawman” semantic model for work group members to review with internal SMEs and customers
 - Review will take place over the next 4 to 6 weeks
- Technical
 - Completed review of the e-delivery requirements for PEPPOL and Australia DBC frameworks
 - No technical “gaps” were uncovered during the review
 - Next step – create a “strawman” network to test the set up and configuration
 - Requires the work group to develop a list of decisions / configurations for the members to test against

E-Invoicing Work Group Update

Overview of the BPC Workgroup Structure





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BPC Initiative Updates

Patti Ritter, FRB Minneapolis

Business Payments Coalition Q3 Call

BPC Initiative Updates



Simple Remittance Data

Define data needs for simple remittances that can be easily adopted by SMBs. Identify minimal remittance information needed for payment application and reconciliation.

Paper published: see BPC web site
Publicity underway

SMB Accounting APIs

Gather, compile and publish a list of APIs that can be used with SMB accounting software to automate electronic payment initiation and cash application to receivables

Analysis of research results underway
Target to publish by the end of 2018

ISO 20022 Capabilities

Develop an online directory US banks and service providers that have ISO 20022 capabilities for payment and cash management operations as a resource to corporate practitioners

Submission forms under development
Target to solicit submissions Q4

Business Payments Coalition Q3 Call



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The Business Payments Coalition is a volunteer group of organizations and individuals working together to promote greater adoption of electronic business-to-business (B2B) payments, remittance data and invoices. The Coalition's overarching goal is to make B2B payments more efficient across the end-to-end process, that is, to achieve straight-through-processing across both the procure-to-pay and order-to-cash cycles.

There is no cost to join or to participate in Coalition efforts.

Contact us: Business.payments.smb@mpls.frb.org

<https://fedpaymentsimprovement.org/payments-efficiency/business-payments-coalition/>