



Business Payments Coalition



E-remittance Exchange Pilot Business Case Overview



Purpose

- This document can be used as a brainstorming tool for creating a business case for sending and/or receiving remittance data via an exchange framework.
- Audience: The business decision maker

Opportunity Statement

Today, remittance information often travels separately from the payment making the matching and reconciliation process time consuming. According to 2022 Association for Financial Professionals online survey, remittance is transmitted and shared through four different channels. An E-Remittance Exchange Framework addresses these inefficiencies with minimal to no changes to business payment systems.



61%

of organizations
send remittance
information by email.



17%

use postal mail



12%

use customer
web portals



12%

use third-party web
portals



Problems and Needs

- **Accounts Receivable Considerations**

- How do we more efficiently reconcile remittance information that has traveled separately from the payment?
- Currently, a limited number of trading partners use EDI and other forms of electronic communication. The goal is to expand this and engage a greater number of trading partners through electronic communications.
- Current email and portal solutions still require manual handling of each payment unless the data is converted to a structured format for automation.
- Manual reconciliation is inefficient and costs our business on average \$X (e.g., \$20) per payment.
- There is a lack of a common market practice for receiving remittance data for all payment types.

- **Accounts Payable Considerations**

- There is a lack of a common market practice for sending remittance data for all payment types.
- Better monitoring and management of transactions would improve efficiency and ensure payments get reconciled before they become past due.
- Our suppliers prefer electronic remittance data since it improves efficiency, reduces costs and improves business relationships.



Solution Objectives

Flexible Solution

- Rich data enables modernization, such as using AI-based solutions for remittance straight-through processing and business intelligence analytics for enhanced solutions.
- Connecting once to the network extends the reach to a greater number of trading partners.
- Industry standard ISO-based format that can be integrated into existing workflow solutions

Standard ISO 20022 Message Format

- ISO 20022 is an international standard being adopted around the world.
- ERP systems are adopting ISO 20022 for their straight-through-processing format.
- Service providers translate to/from ISO 20022 on behalf of their customers.
- Various applications can help with mapping and translation to/from the standard

Fraud/Risk Mitigation

- Digitized data can support fraud detection and mitigation.
- An exchange framework provides an alternative to emails with sensitive data.



Benefits for Buyers and Suppliers



Suppliers

Efficient Processing

Enables straight-through processing, spending less time and money on paper-based, emailed, pdf and portal processes

Reduces the number of errors and time spent on exception management

Helps identify and report business payments fraud

Improved Value

Greater insight into payables and receivables activities

Automates business processes and frees up staff to do higher-value work

Improves staff and customer experiences

Faster Reconciliation

Increases on-time payments, reducing late payment penalties and reconciliation processing time, resulting in improved working capital and cash flow

Works within current operating model and accounting systems and existing electronic interfaces, including automated data capture from pdfs and emails

Provides flexibility for AP payment terms



Buyers



Relationship to Strategic Priorities

Sample Strategic Priorities & Related Tactic

Faster Reconciliation

- Improve AR Days Sales Outstanding (DSO) & working capital
- Improve AP payment terms based on supplier benefits

Innovate with Data

- Implement ISO 20022 for better quality data and improved interoperability
- Leverage AI to power customer driven solutions

Improve Payments Security

- Implement a more secure way of transmitting remittance information than current paper, email, and portal usage

Implement Instant Payments






- Implement a payment agnostic e-remittance

Modernize Job Description for AP/AR Staff

- Work on more analytical and strategic versus tedious tasks



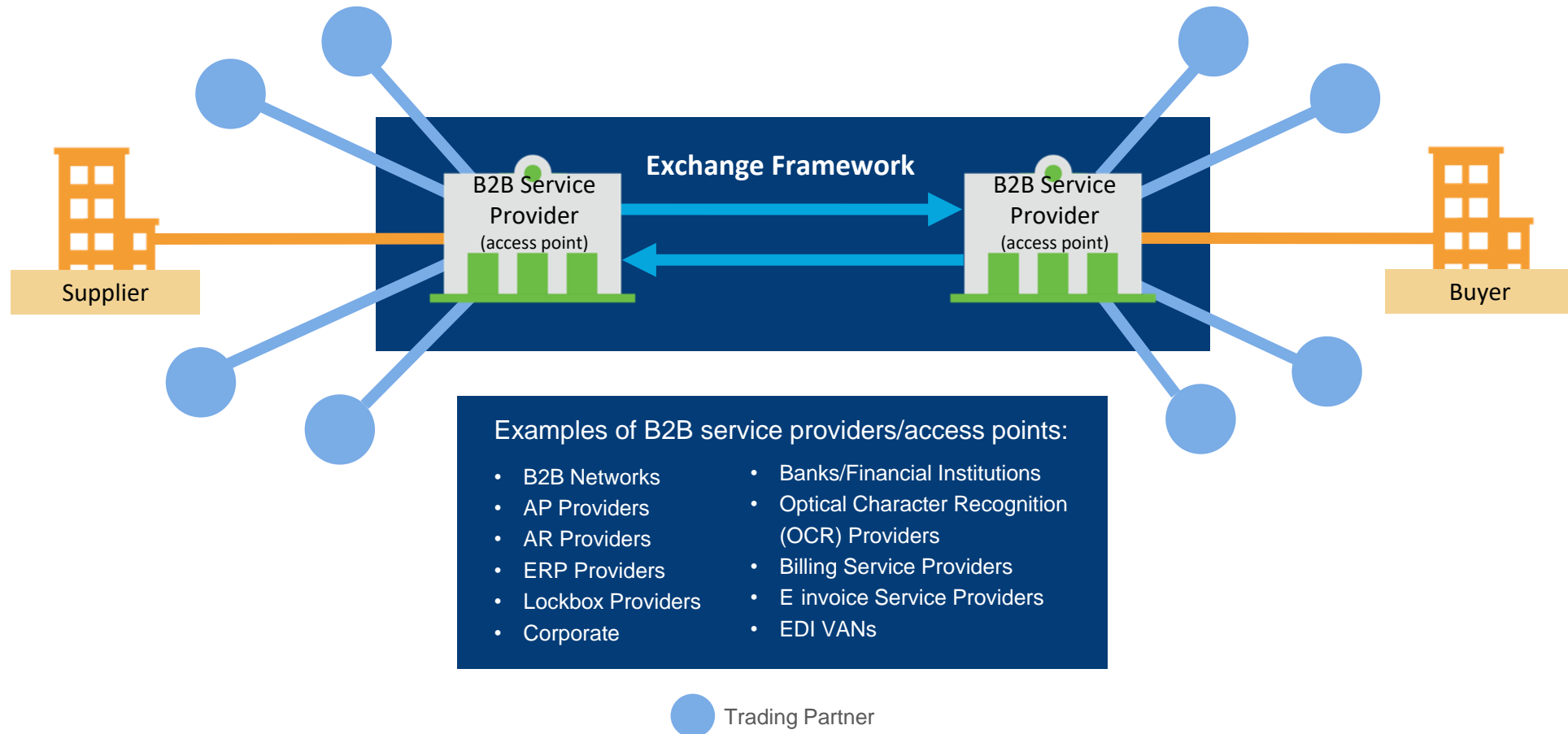
Program Goals (Template)

Sample Key Metrics Template	Objective	
Digitized Data: rich, comprehensive, structured, automation-ready data	X%	
Accounts Receivable		
Days Sales Outstanding (DSO) (e.g., 35 days to 30 days)	X%	
Manual processing (entry and exception handling)	X%	
Accounts Payable		
Cost to send data	X%	
Costs for servicing unmatched (and unpaid) invoices	X%	

Solution Overview

The Roles in an Exchange Framework

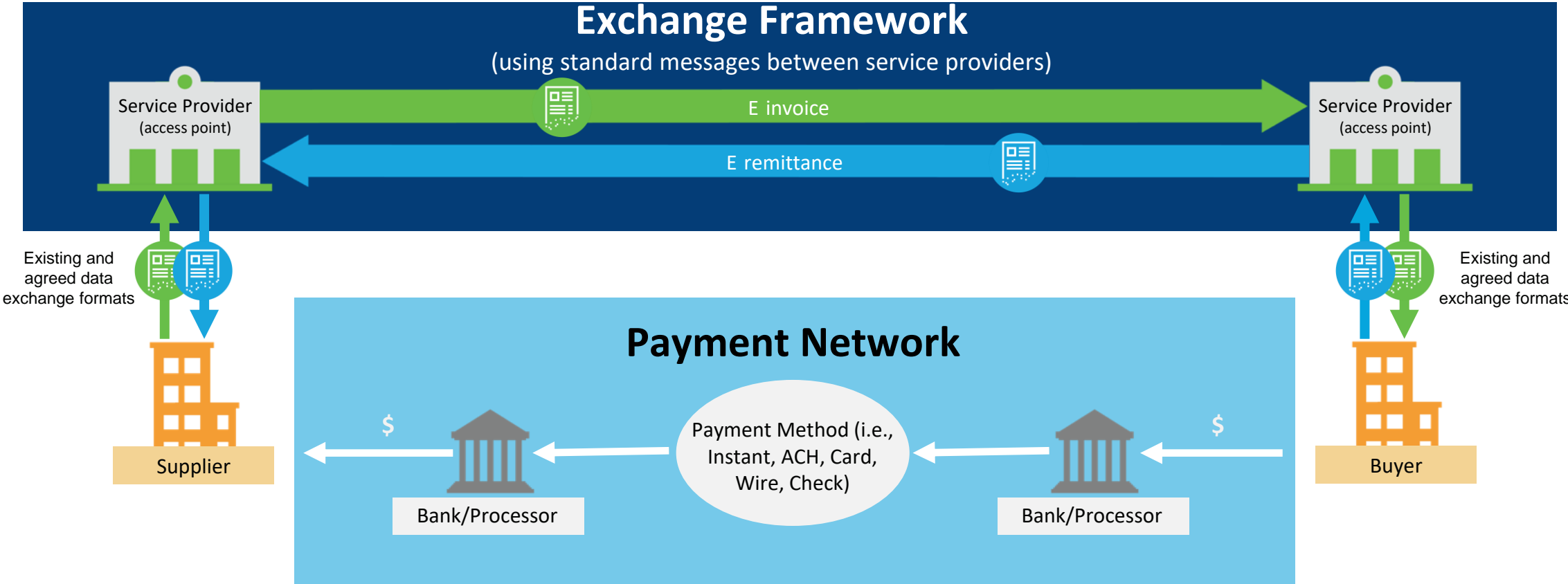
The network effect allows businesses, B2B technology, and EDI services to reach all other businesses on the network, versus bilateral connections, portals, or closed proprietary networks.



Solution Overview

Flow of Data

An exchange framework is separate from the payment network and standardizes payment-related information regardless of payment rail used.



Financial Benefit and Investment Feasibility

Below are some considerations for calculating potential savings to an Accounts Receivable operation.

Cost Savings

For the purpose of the calculation, a supplier remittance number of 100,000 pcs per annum was assumed. A growing penetration of e-remittances was assumed, reaching 100% at the end of the 5th year. A current cost was estimated to be \$20 per remittance. Your industry might have a more tailored average cost. Improvements in other key metrics, such as reduced DSO, can be incorporated into this matrix.

Year	1	2	3	4	5
Number of remittances	100,000	100,000	100,000	100,000	100,000
Rate of e-remittances received after implementation	20%	40%	70%	90%	100%
Current cost per remittance	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Future cost per e-remittance	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Total savings	\$300,000	\$600,000	\$1,050,000	\$1,350,000	\$1,500,000

All currencies shown are based on U.S. dollar

Implementation Costs

Businesses connect to an exchange framework via a B2B service provider who will be their access point. The service provider will work with the business on delivering the data in the format that integrates with their systems. The cost depends on your organization's individual implementation plans. There may be other costs associated with implementation in your back office. These costs are variable based on organization's size and complexity.



Exchange Framework Security

Secure Data Exchange

- Encrypted messages ensure data is secure in transit.
- Industry-standard 256-bit encryption.
- Security standards detect messages that have been altered or tampered with.

No Stored Data Risk

- Invoice, payment or remittance information data is not stored or passed through a central network. Service providers establish their supplier and buyer specific data retention agreements.
- No other sensitive business data is stored in the registries (which only stores buyer and supplier service providers and the transaction types that buyers and suppliers can receive from their trading partners).

Authenticated Network Participants

- All service providers (access points) are credentialed, authenticated and certified.
- Each communication requires authentication of the service provider (access point).
- Service providers (access points) are required to conduct due diligence on their customers (e.g., AML / KYC).
- Service providers (access points) that receive information can implement additional security protocols.



Additional Resources



Additional Resources

- Implementation Overview for Businesses
 - This guide provides information on adopting an exchange framework to send and receive e-remittance information.

See the [Business Payments Coalition \(BPC\) website](#) for the above plus a full list of business and technical resources created by the BPC's E-remittance Exchange Pilot Workgroup.

