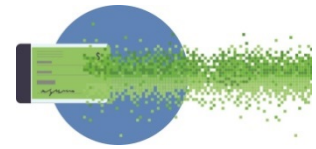


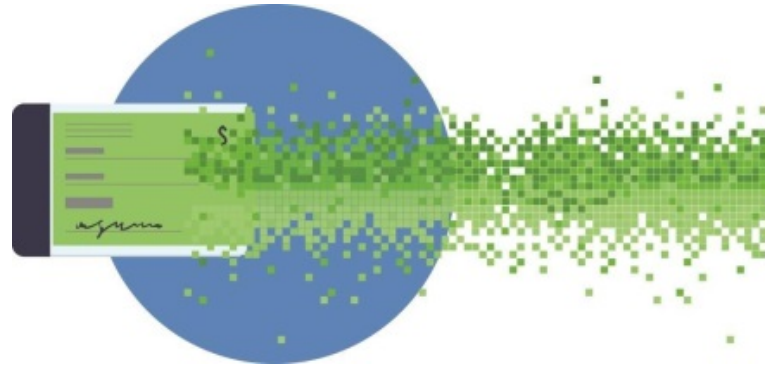
**Business Payments Coalition
Vendor Forum
Summary of August 14, 2018 Meeting
At the CRF Forum and Expo in Orlando, FL**



Topic	Summary
<p>1. Introduction and agenda review</p>	<p>The meeting deck follows the meeting summary.</p> <p>Guy Berg, VP of the Payments, Standards, and Outreach Group of the Federal Reserve Bank of Minneapolis opened the meeting and those in attendance introduced themselves.</p> <p>The Vendor Forum is working on a number of initiatives this year, including smaller, focused efforts to advance straight through processing (STP). Vendor Forum members have been vary engaged.</p> <p>The Business Payments Coalition has a Leadership Group that acts as a steering committee. If you are interested in joining the Leadership Group, let us know.</p>
<p>2. Interoperability Framework Slides 3 - 12</p>	<p>The Federal Reserve’s Strategies for Improving the U.S. Payment System included a strategy for B2B payment efficiency. The September 20017 report called for the Federal Reserve to support industry efforts to develop an interoperability framework for e-Invoicing. The BPC began work this year by assessing e-Invoicing frameworks developed globally to determine suitability for the U.S.</p> <p>Background: Email became interoperable when standards were developed to enable delivery across different providers. Similarly, the e-Invoicing interoperability framework is standards-based and enables an open network for document and message delivery. There are standards for how invoices are sent electronically, and in what format and structure.</p> <p>The four corner model (slide 7) uses access points to deliver documents between sending and receiving endpoints. There is a network effect that extends the reach so participants can connect once and exchange documents with many other participants. Europe uses this model to deliver many document types, such as legal and multimodal transportation documents.</p> <p>There were a number of themes that came out of the preliminary BPC assessment group that met this spring (slide 12).</p> <p>Group discussion:</p> <ul style="list-style-type: none"> • Mexico and other Latin American countries have an e-Invoicing network based on the interoperability framework that is driven by a government mandate related to tax revenues. Although there won’t be a tax-driven mandate for the U.S., there are providers from Mexico participating in the BPC workgroups with an eye towards cross-border invoice exchange. • AP and AR vendors have no incentive to work together unless they can generate revenue.

Topic	Summary
	<ul style="list-style-type: none"> • Vendors are looking for alternate solutions, such as AI and other technology, because of the lack of market standards. OCR and algorithms are not very expensive to develop. Standards should be attractive to vendors as it is a one-time investment. • Although 25% of invoices are automated today, B2B invoicing networks have less than 3% of B2B invoice volume. Feedback is that outside of Ariba, networks are on board because they are using open networks internationally. Multilateral agreements would allow them to connect once. Ease of adoption or requests from customers may drive participation by Ariba. • How to bring advantage of automation down market? QuickBooks is becoming ubiquitous for small businesses. • It will help the network effect if the federal government, Intuit and other large billers get on board. • Definitions of “electronic invoice” differ. Ernie Martin defined it as exchange of business data where there is no manual intervention. The BPC white paper defined it as structured data exchange. Many players take liberties with the definition, e.g. emails with a pdf. Email with pdf is most prevalent, as it gets past the hurdle of sending through the USPO and is free. Companies may have an OCR reader to help but many invoices are routed to someone to enter manually. Some people are still faxing, especially the insurance industry. • A lot is dependent on invoice volume and terms of sale. Everyone wants to get paid early. Companies will use a process they are getting value from, such as speed of payment, reduction of issues and exceptions, and speed of delivery. • Ease of adoption and implementation is key, as behavioral change is difficult and clients are IT constrained. <p>Next steps for the e-Invoicing workgroups are to look at other semantic models, assess technical gaps in existing networks, and understand what it takes to build access points. The US currently has no semantic model for invoice data. Work group results will be published by the BPC.</p>
<p>3. Faster Payments Slides 14 - 16</p>	<p>What is most important to US businesses for payments?</p> <ul style="list-style-type: none"> • Speed of payments and funds availability. Cash flow. • Goal is electronic payments, get rid of checks. • Predictability is more important than speed. Checks are consistent and predictable. • Ease of balancing and reconciling. • The US has a lot more deductions than overseas markets. Overseas has VAT that we don't.

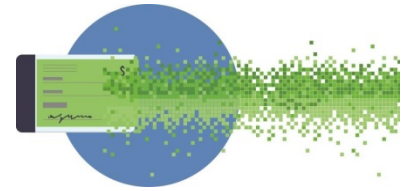
Topic	Summary
	<p>How much work would be involved for businesses to receive faster payments?</p> <ul style="list-style-type: none"> • Accounts Payable has to be enabled for the sender. • ACH would be very little work. Other payment methods, such as the Clearing House’s Real Time Payments system, would be a massive amount of work. RTP payments are message based vs. batch based. • For cash application to accounts receivable, you could use a translator to post. • Banks cover liquidity considerations. Treasury has to manage cash position. • Many clients won’t see the difference. <p>When would businesses use faster payments?</p> <ul style="list-style-type: none"> • Limited use cases. One is cash on delivery situations. • Performance Food Group initiates an ACH debit on delivery for street customers. Some customers have other terms. • Exception payments only.
<p>4. Vendor Forum updates</p>	<p>Vendor Forum Chair Ernie Martin gave updates.</p> <p>The Vendor Forum Member directory now has 30 people. The purpose of the directory is to facilitate networking, communication and collaboration amongst members. The most recent version will be distributed shortly.</p> <p>Ernie’s company, Receivable Savvy, has an Order to Cash video series that he uses for interviews. He will be interviewing Todd Albers about the e-Invoicing project, which will give the initiative more exposure.</p> <p>Preparation of the Trends document is behind. The purpose of the Trends document is to capture what the VF members see as trends for this and next year. It positions the VF as an organization with brain power and draws attention to the VF and BPC for non-members. Participants will be identified and can share the document with prospects. Ernie would like to update it annually. It’s not intended to be a Gartner or Forrester report; it’s a tool for the VF to leverage credibility and inform the market.</p> <p>An idea we’re pursuing for the November VF meeting is a presentation with financial institutions and FinTechs about disruptors and collaboration in the area of payments. If you are interested in participating, contact the BPC at Business.payments.smb@mpls.frb.org.</p>
<p>5. Initiative updates</p>	<p>See slide 18 for updates on other VF initiatives.</p>
<p>6. Other discussion</p>	<p>Next year we will be taking a deeper look at blockchain and distributed ledger technology, particularly how it is being used in the supply chain.</p> <p>Guy thanked everyone for attending and giving great input.</p>



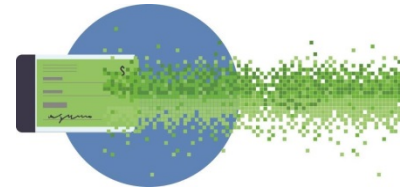
Vendor Forum Meeting CRF Forum and Expo

August 14, 2018

Agenda

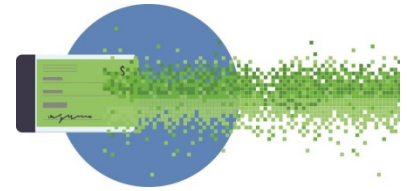


Topic	Presenter
Welcome and Introductions	Guy Berg
Interoperability Framework	Todd Albers
Faster Payments	All
Vendor Forum Updates	Ernie Martin
Initiative Updates	Patti Ritter
Other Discussion	All



Interoperability Framework

Interoperability Frameworks - Concept



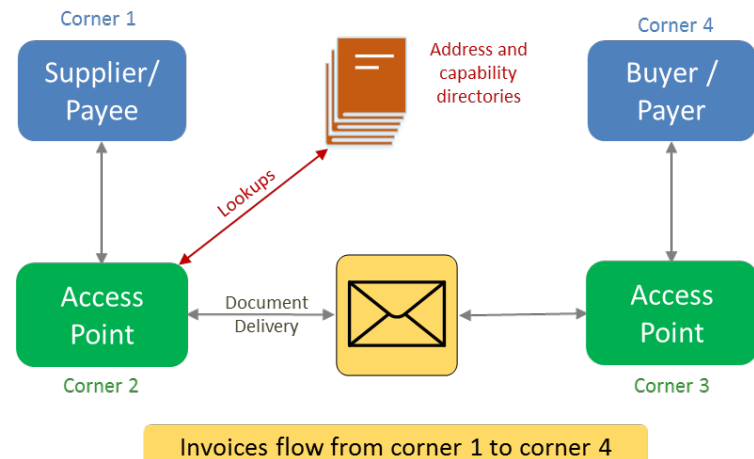
Email

Using established internet communication standards, end users can communicate across email platforms

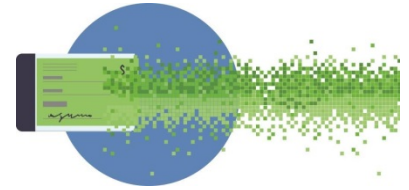


e-Invoicing Interoperability Framework

Similarly, using established standards over an open network, trading partners can exchange documents



Interoperability Framework



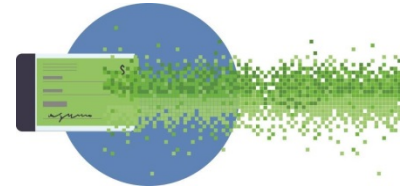
An interoperability framework is a set of **policies, standards and guidelines** that enable businesses to communicate irrespective of the system or standards they use

It enables an open network for document and message delivery

It is a standards-based, structured framework designed to be flexible to meet a variety of business needs

It is payment-method agnostic

Guiding Principles



Successful adoption in other countries can guide the approach in the U.S.



Industry stakeholders to vet and validate appropriateness for U.S.

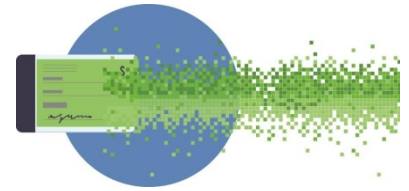


Open, standards-based approach to enable straight-through-processing

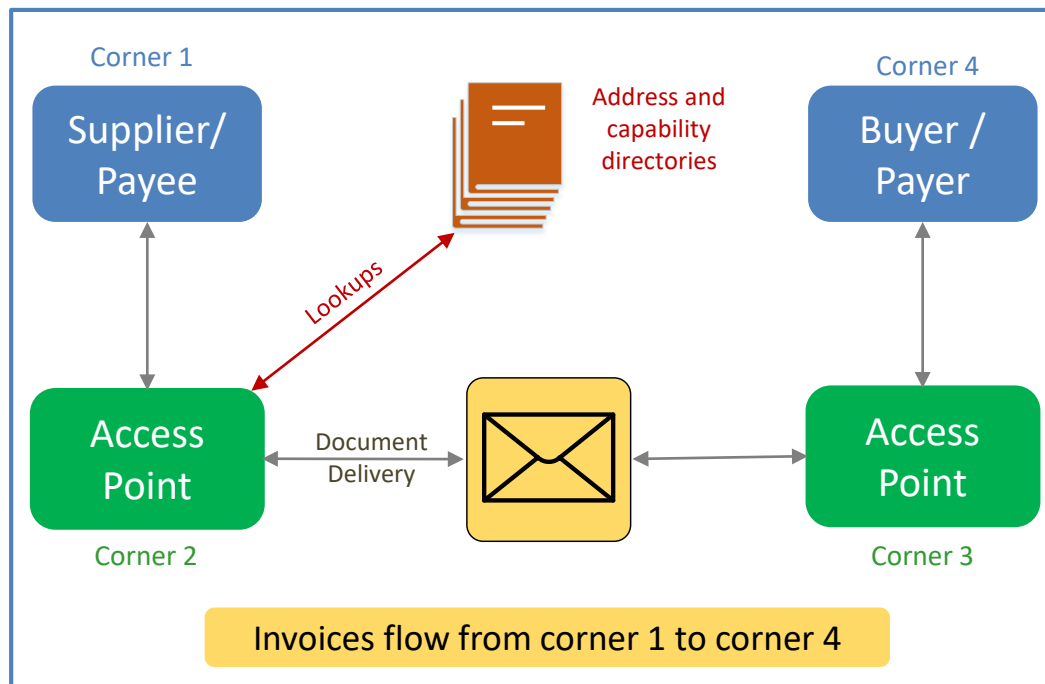


Complementary to and easily linked to existing processes

How an Interoperability Framework Works

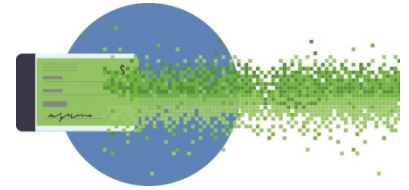


Interconnections are standardized between trading partners using a “four corner model”



- 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
- Operates outside of the payment system; does not clear or settle payments
- Does not disrupt existing relationships between supplier/buyer and providers

Advantages



Open network: connect once, exchange electronic documents and messages with many



Improves business processes through automation (especially for micro to small businesses)



Minimizes the cost of implementation for businesses and service providers

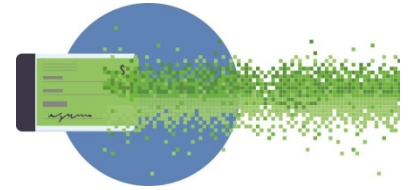


Reduces the complexity and expense of connecting participants



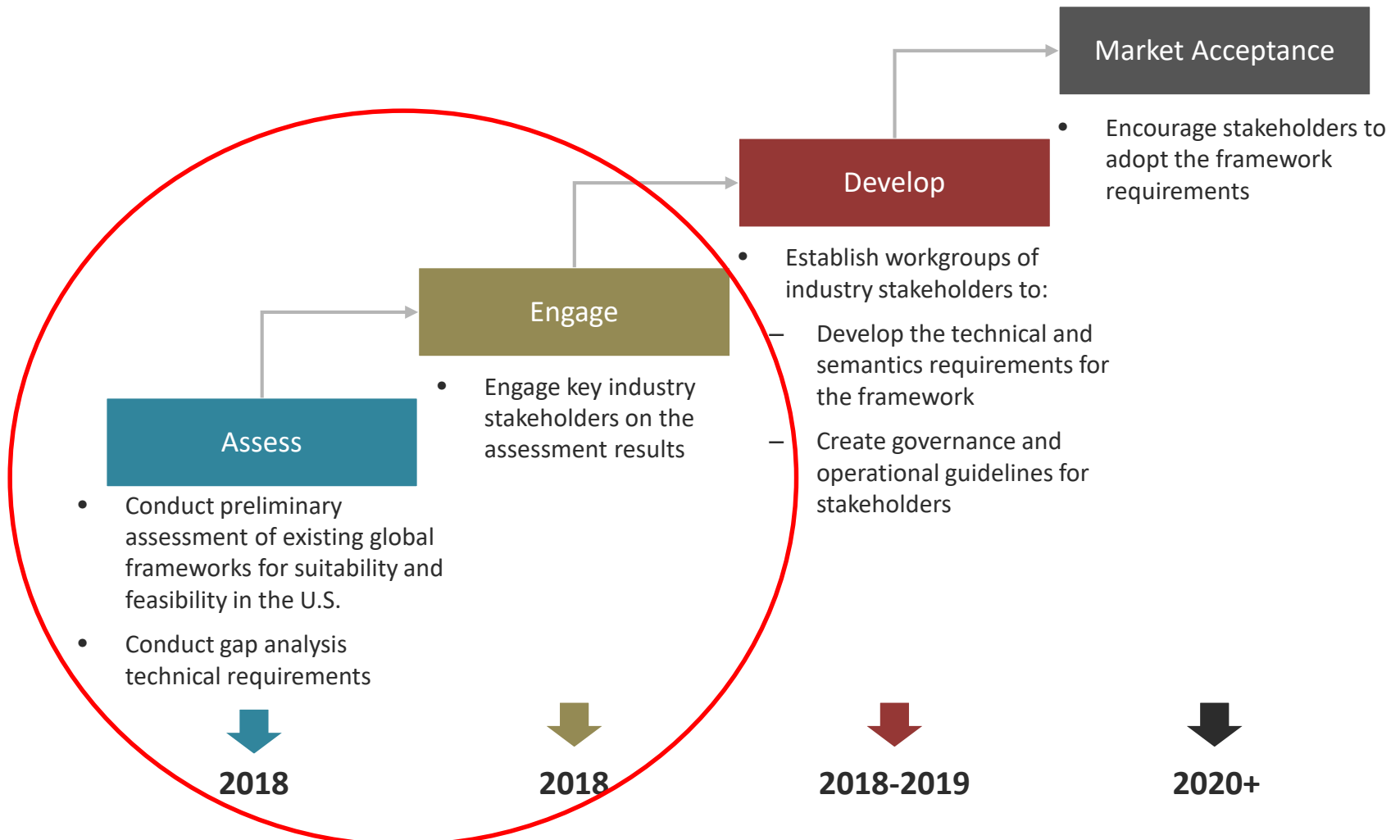
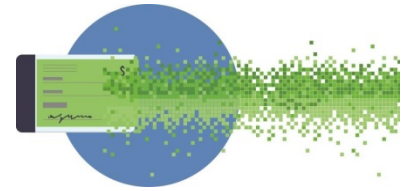
Enables portability

Questions/Discussion Points

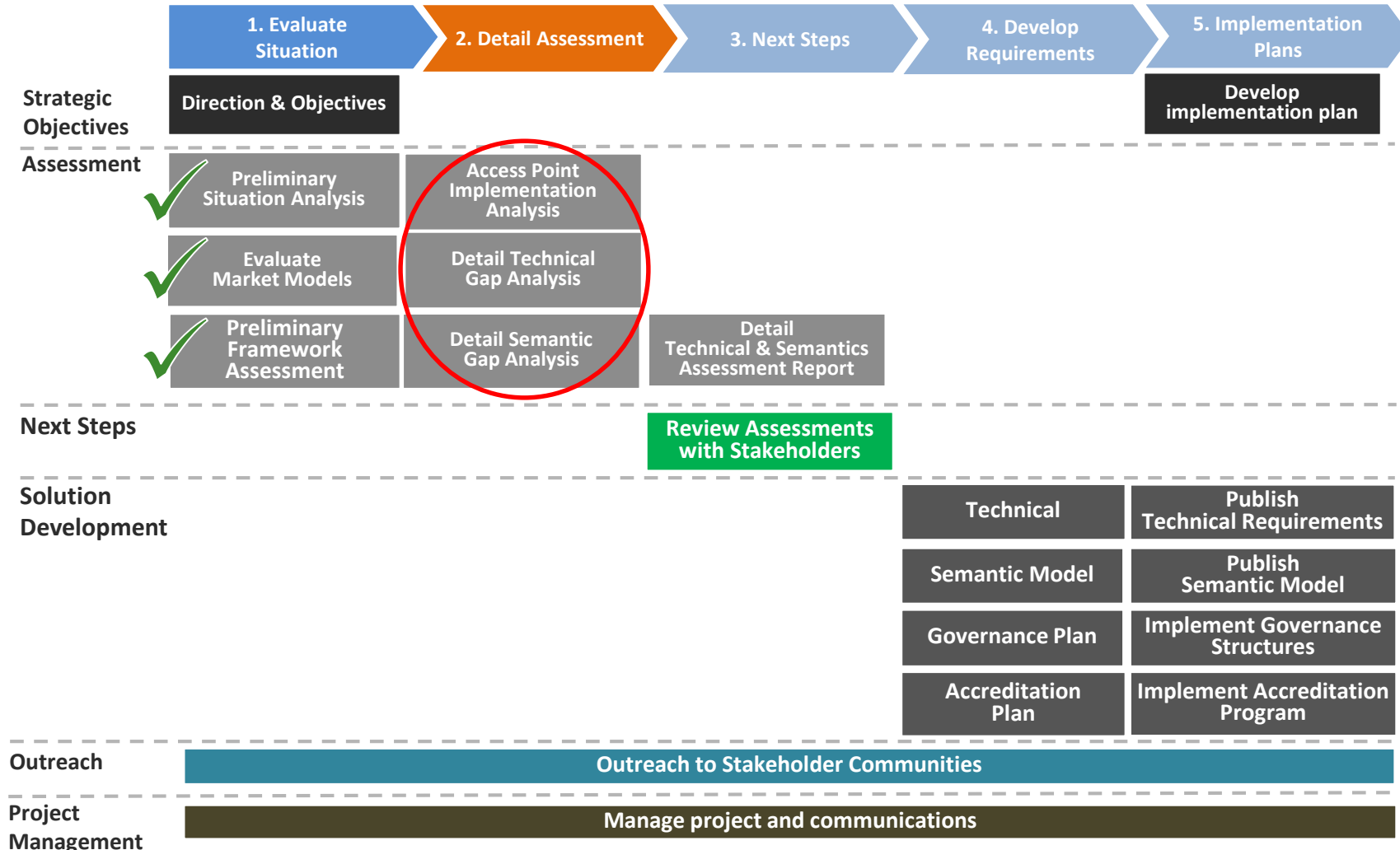
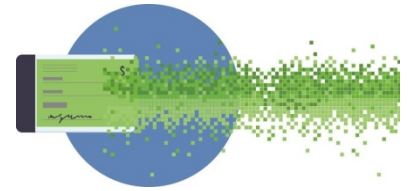


- How do you define electronic invoicing?
- Are your customers asking for electronic invoicing?
- How do you view the concept of an “open network”? What are the advantages or disadvantages?
- What benefits would you see if you could enable your customers to connect to an open network?
- What would be the greatest obstacles to participating in an interoperability network?

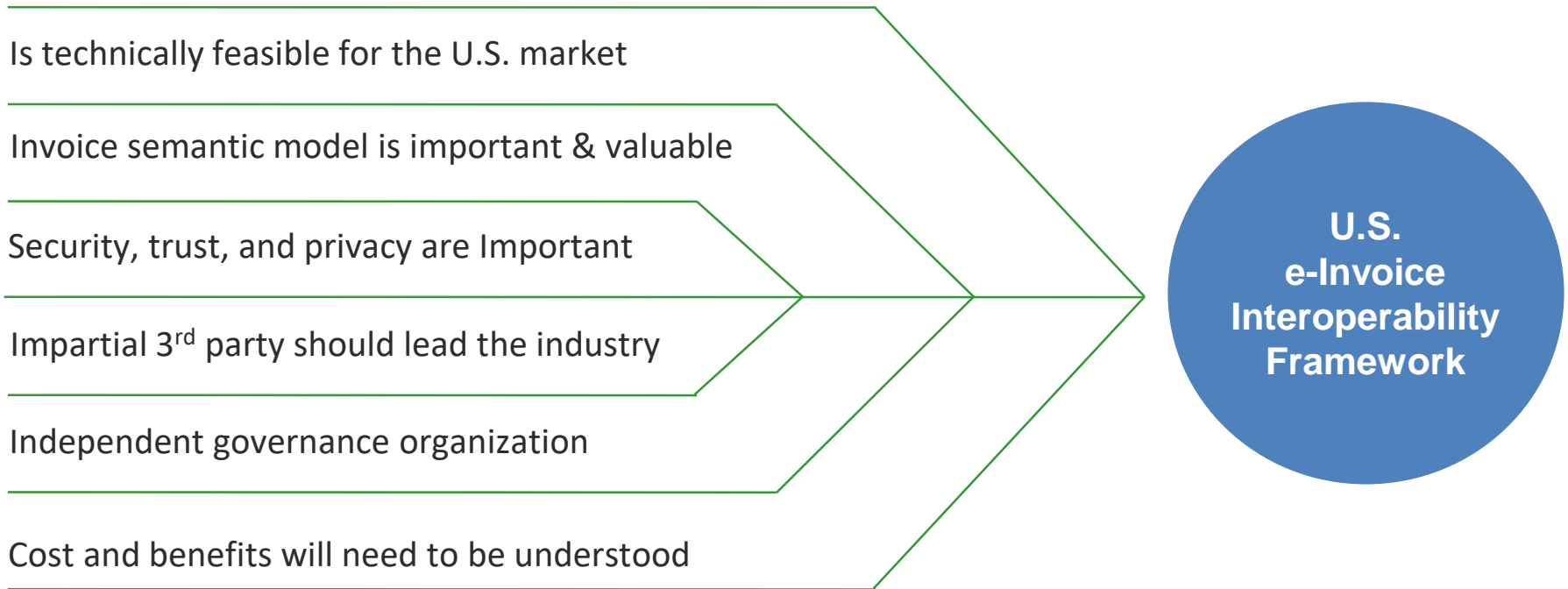
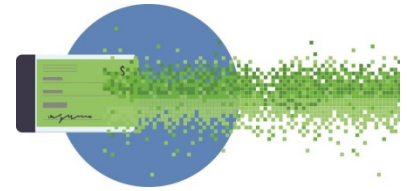
Business Payments Coalition 3 Year Plan



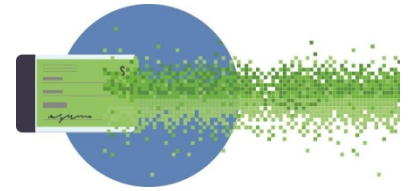
e-Invoice Interoperability Framework Activity Plan



Themes from Initial Assessment

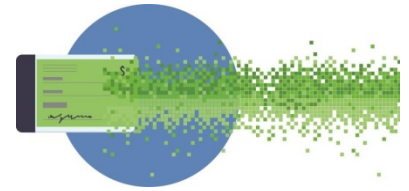


Adoption is key: with no mandate, it will be important to get several established service providers on board initially; government participation could help create critical mass.



Faster Payments

Faster Payments



Anecdotal and payments press “truths and opinions”
What is most important?

No faster payments
without remittance
in B2B

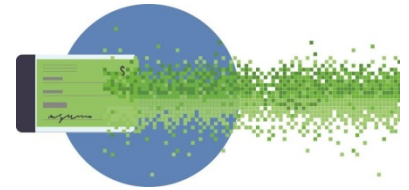
For businesses, it's
more about
efficiency, cost and
controls than speed

Is the payment final?
When will funds be
available?

Better processes and
transparency for
cross-border

Small businesses are
using P2P services
for faster payments

Faster Payments

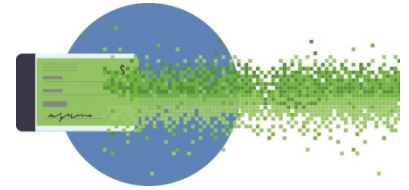


Businesses have to be able to accept and apply payments to customer account

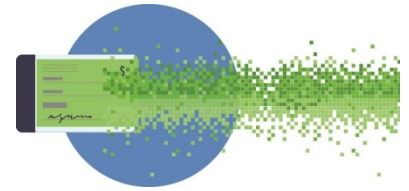
- Systems setup, interfaces, transmissions, billing considerations
- Customer facing systems

Quick survey

Faster Payments

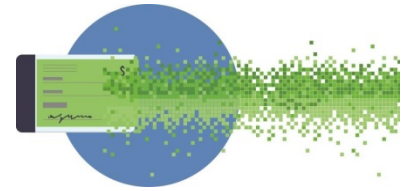


- How are providers preparing to help their clients?
- Are providers and FIs able to provide “faster information” for faster payments?
- Have you seen any changes this year vs. last?
- Do clients have to consider B2C and C2B in addition to B2B?
- Small vs. large businesses



Initiative Updates

Initiative Updates



Simple Remittance Data	SMB Accounting APIs	ISO 2022 Capabilities
<p>Define data needs for simple remittances that can be easily adopted by SMBs. Identify minimal remittance information needed for payment application and reconciliation.</p>	<p>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</p>	<p>Develop an online directory US banks and service providers that have ISO 2022 capabilities for payment and cash management operations as a resource to corporate practitioners</p>
<p>Paper published Publicity underway</p>	<p>Research underway Target to publish by the end of 2018</p>	<p>Submission forms under development Target to solicit submissions Q4</p>