

AFP® Annual Conference



November 7-10, 2010 | San Antonio

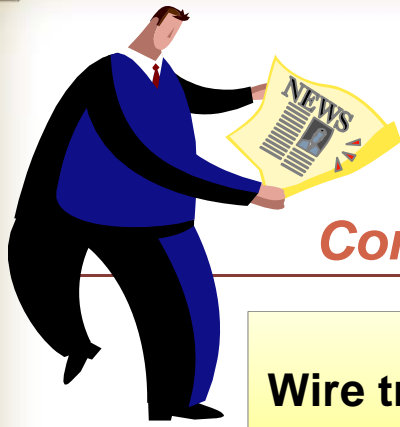
ORIGINAL
ESSENTIAL
UNBIASED
INFORMATION



New Wire Transfer Remittance Countdown - Are you ready?



AFP Conference
San Antonio
November 2010



What's new with wire transfers?

Coming to Fedwire® and CHIPS® November 2011 ...

Wire transfers with expanded remittance data (ERD)

Panelists

Susan Boeri, Manager, Business Solutions & Support, GE Corporate Treasury

Ken Isaacson, Strategic Planning, Product Development, Fedwire, FRBNY

Ray Mulhern, CHIPS Product Management & Strategy, The Clearing House

Paul Trozzo, SVP, PNC Bank

"Fedwire" is a registered service mark of the Federal Reserve Banks.

"CHIPS" is a registered service mark of The Clearing House Payments Company L.L.C.

What are wire transfers with ERD?

- Fedwire and CHIPS are redesigning wire formats to accommodate B2B transfers
 - Structured data for ~30 invoices / other data (9,000 characters)
 - Interoperable with XML-based ISO 20022 and EDI-based ANSI STP820 standards

Data Elements

Remittance Originator
Remittance Beneficiary

Repeatable Information

- Primary Remittance document info
- Actual Amount Paid
- Gross Amount
- Negotiated Discount
- Adjustment Info
- Date of remittance doc.
- 2ndary remittance doc.
- Remittance free text

What do corporations think about wires with ERD?

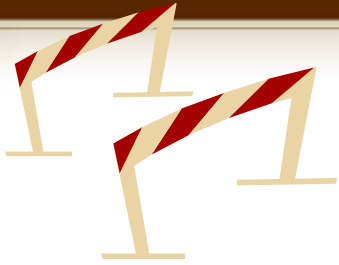
94% “valuable”
65% “very valuable”

- Corporations strongly favor having business remittance information flow with wires
- Why?
 - More efficient/less costly wire processing
 - Allows for straight-through-processing

How?

- Common remittance data elements in payments message
- Agreement on industry standard
- Integration across banking and AR/AP/ERP systems





What are the challenges with ERD?

Cross-Border ERD

- Cross-border ERD payments have not been standardized
ERD does not map to MT-103

AML

- AML obligations perceived by some to be ambiguous
FinCen guidance suggests to some that ERD must travel with the payment, even though the travel rule regulation suggests otherwise

Corporate Adoption

- Corporations are uncertain about *which* banks will support the end-to-end ERD flow (*and how it will be supported*)

Business Case

- Banks are not unanimous around the business case

Information Technology

- High hurdles on IT investments are challenging
Banks, corporations, vendors, infrastructures...

How are the challenges being addressed?

Cross-Border ERD

- Some banks have proprietary mechanisms in place that will address the issue for their transactions
- The Payments Market Practices Group has issued guidance on how to handle cross-border wires with ERD
 - *If agreed bilaterally, use MT-103 REMIT*
 - *If not, use MT-103, but include a code word that indicates more data is available*
 - *And send MT-199s with additional data, if requested*
- The U.S. National Group (SWIFT) proposed that the MT-103 REMIT become a general use SWIFT message
 - Subsequently voted down by SWIFT's Global Payments Maintenance Working Group



How are the challenges being addressed?

AML

- FRB attorneys met with FinCen early in 2010 to explain the industry's concerns
 - FinCen FAQs on the travel rule were developed prior to the idea of wires containing ERD and are creating some confusion
- BAFT-IFSA met with FinCen in July to reinforce the need for clarification on the guidance
 - Issue awaits clarification by FinCen



How are the challenges being addressed?

Corporate Adoption



- AFP Corporate Advisory group continues to seek information not only about which banks will support ERD origination and receipt, but also about how they will support it
 - Corporations need to understand how their banks will support this initiative in order to plan properly
 - Banks appear to be choosing to support ERD in different ways, making it difficult for corporations to standardize processes
- Fedwire/CHIPS-sponsored workgroup developing “Remittance Domestic Best Practices” document
- ANSI X9’s BAI-2 subgroup is working to incorporate ERD as part of its efforts to “uplift” the BAI customer statement standards

How are the challenges being addressed?

Information Technology

- Banks, vendors and corporations need to understand how ERD will be supported: human readable, BAI, STP 820, or ISO 20022?
- Systems to think about:
 - Cash management systems
 - Treasury workstation
 - Lock box operations
 - Accounting/customer statement generation
 - ERP systems
 - Payment Hubs
 - SWIFT
- Some banks may support different options in different customer channels



Summary and Recap

- Stay tuned
 - Open call to Corporates, Banks, and Vendors to participate
-
-

Q & A