New Wire Transfer Remittance
Countdown - Are you ready?
What’s new with wire transfers?

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

Wire transfers with expanded remittance data (ERD)

Panelists

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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?

- 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

94% “valuable”
65% “very valuable”
What are the challenges with ERD?

**Cross-Border ERD**
- Cross-border ERD payments have not been standardized
  
  \textit{ERD does not map to MT-103}

**AML**
- AML obligations perceived by some to be ambiguous
  
  \textit{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 \textit{which} banks will support the end-to-end ERD flow \textit{(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
  
  \textit{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