X9 ISO 20022 Market Practices Forum
Remittance Content Group

Remittance Information for B2B Payments in Practice: How to Improve Cash Application

June 28, 2022

Remittance Information for B2B Payments in Practice: How to Improve Cash Application

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Why Do We Care About Remittance Information Content?

Missing or incorrect remittance information creates exceptions, delaying cash application and reconciliation

A new guide focuses on how to use ISO 20022 remittance data to help automate cash application
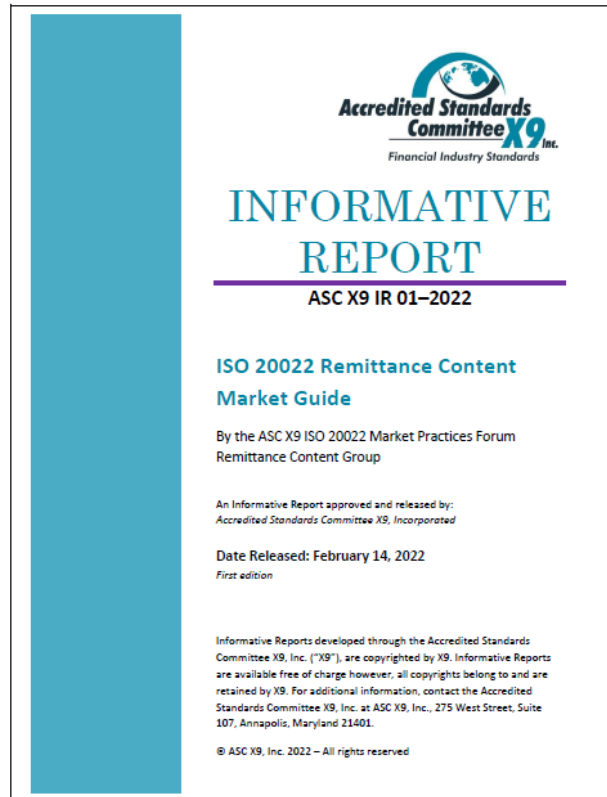
The Remittance Content Market Guide
Remittance information for B2B payments

Focus:
Information a payee needs for cash application

- Promotes consistent information for all payment types
- Enables automation and straight-through processing (STP)
- Helps plan ISO 20022 implementations
- Helps those without in-depth ISO 20022 expertise

https://x9.org/iso-20022-remittance-market-practices-guide/

The Remittance Content Market Guide

How does it help?

- Understand structured remittance information
- Remittance data needed for all payment types
- Implementation guidance
- Wide variety of businesses

Who does it help?

- Payers, payees, software and service providers, banks
- Varied accounting systems
- For providers
  - ISO 20022 standard enables interoperability and consistency
  - Guidance for design of products and services
  - Easier implementations

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Poll: ISO 20022 Remittance Data

Are you aware of the ISO 20022 remittance data that is available for payments?

a)   I'm very familiar with it

b)   I've heard of it, but I don't know details

c)   I'm not aware of it

Complete Data, Understood by All Parties
What "common data" means and why its important

- Complete remittance information avoids exceptions, contributes to STP

- ISO 20022 = common language

  - Varied B2B payment needs

  - Facilitates mapping

  - Common data definitions across disparate systems

  - Proper usage of data to promote consistency

How-to

Example Guidance	
Data Element	**Guidance and Comments**
Referred Document Amount	Provides details on the amounts of the referred document. Best practice: the total of the amounts in the referred document amount group should add up to the total amount remitted.
Due Payable Amount	Amount due as stated on referred document.
Discount Applied Amount	Discount amount applied against the document amount.
Type	Type of discount
Amount	Amount of discount
Adjustment Amount and Reason	Specifies detailed information on the amount and reason for an adjustment to the amount paid for the referred document. Can be used for deductions, with a related 4-character reason (code) and/or explanation.
Amount	Amount of the adjustment
Reason	Specifies the reason for the adjustment. Four characters that are understood between the parties.
Additional Information	Provides further details on the document adjustment. Include as relevant to the adjustment, and always include if a Reason is not provided.
Remitted Amount	Amount being paid on referred document. Other amounts in the "Referred Document Amount" group should support the remitted amount.

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Data Categories
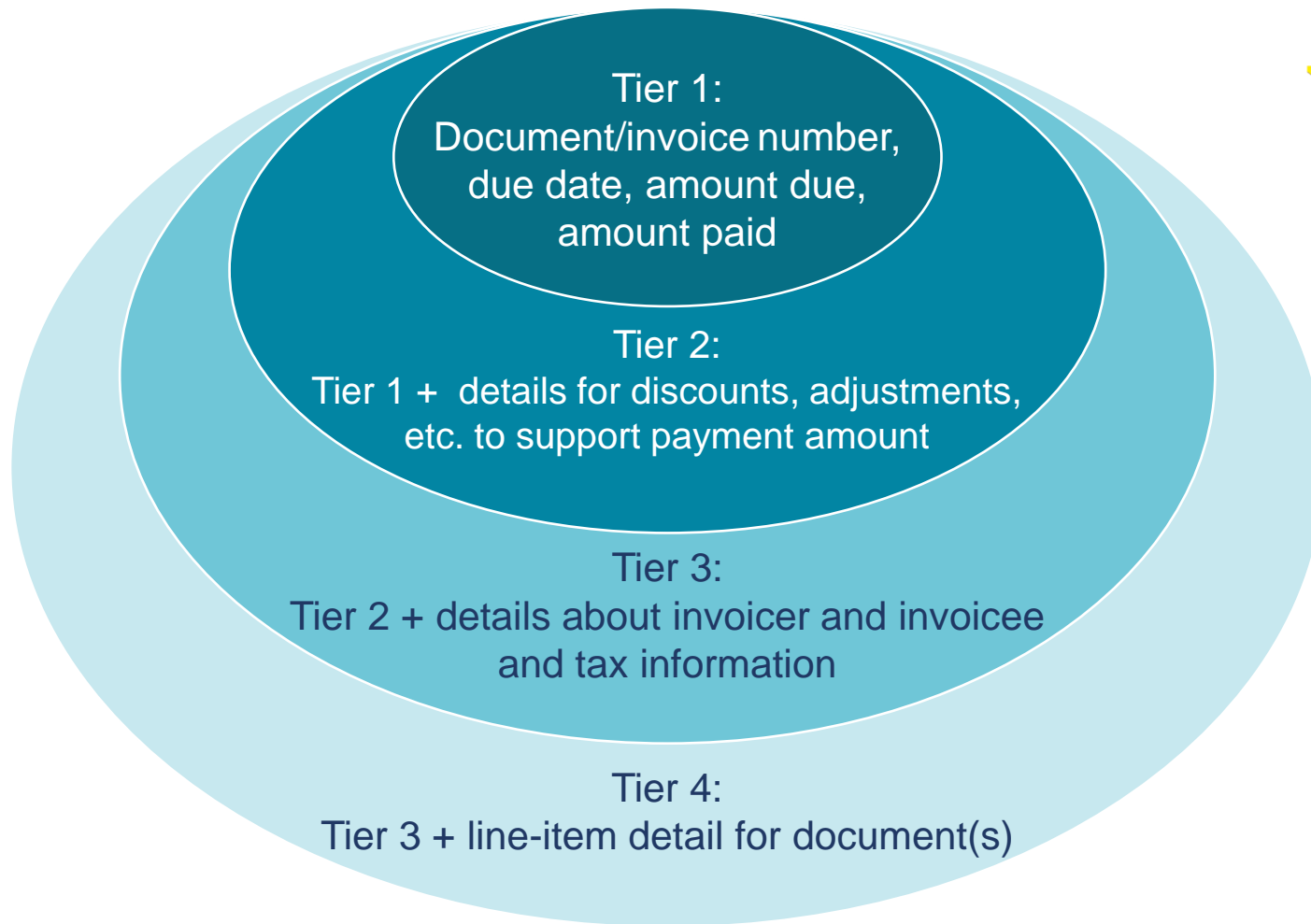## Making sense of 350 data elements

- More than 350 remittance data elements

- Categories help understand data available

  - 18 data categories vs. 350 data elements

- Categories include multiple individual data elements

How-to

ISO 20022 Remittance Data Categories	
Category	**Example Details Supported**
Payment-level data	E.g., Debtor/creditor, ultimate debtor/creditor
Document type	Code for type and issuer. E.g., invoice
Document number	E.g., invoice number
Document date	E.g., invoice date
Amount due	
Discount	Type and amount
Credit note	Amount
Tax amount	Type and amount
Adjustment	Amount, reason, additional information
Remitted amount	
Creditor reference	Type and reference. E.g., purchase order
Invoicer name	
Invoicer organization ID	E.g., LEI , DUNS number or other ID
Invoicee name	
Invoicee organization ID	E.g., LEI , DUNS number or other ID
Document line-item details	Type, number, description, amount, discount, adjustment, credit note, tax, reasons, etc.
Additional remittance info	Unstructured, 140 characters
Remittance identifier	For linking separate remt.001 message to a payment

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Remittance Data Tiers
Predefined tiers of data for consistency

Tier 1:
Document/invoice number, due date, amount due, amount paid

Tier 2:
Tier 1 + details for discounts, adjustments, etc. to support payment amount

Tier 3:
Tier 2 + details about invoicer and invoicee and tax information

Tier 4:
Tier 3 + line-item detail for document(s)

How-to

- Based on **complexity** of data
- Consistent usage of common data elements
- Payees communicate their needs to payers

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Remittance Data Tiers
How to use tiers in practice

Tiers support varying complexity of remittance information	
Tier 1	Basic information: document/invoice number, due date, amount due, amount paid
Tier 2	Tier 1 + details for discounts, adjustments, etc. to support the payment amount
Tier 3	Tier 2 + details about invoicer and invoicee and tax information
Tier 4	Tier 3 + line-item detail for documents

- Consistent remittance data within tiers
- Some payments only need a few data elements; others need more

How to use tiers in practice

How-to

- Payees choose the tier appropriate for their needs and communicate that tier to payers
- Providers incorporate tiers into their products

The guide has use case examples for each tier

Tier 2 is appropriate for a wide variety of payments

Examples:

- Payment where discount is taken within terms
- Payment with adjustments or credits – partial payments, credit notes, overpayments, deductions
- Payment for goods/services at multiple locations
- Payment with multiple references, e.g., PO number, sales order number, shipment reference

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Poll: Tiers
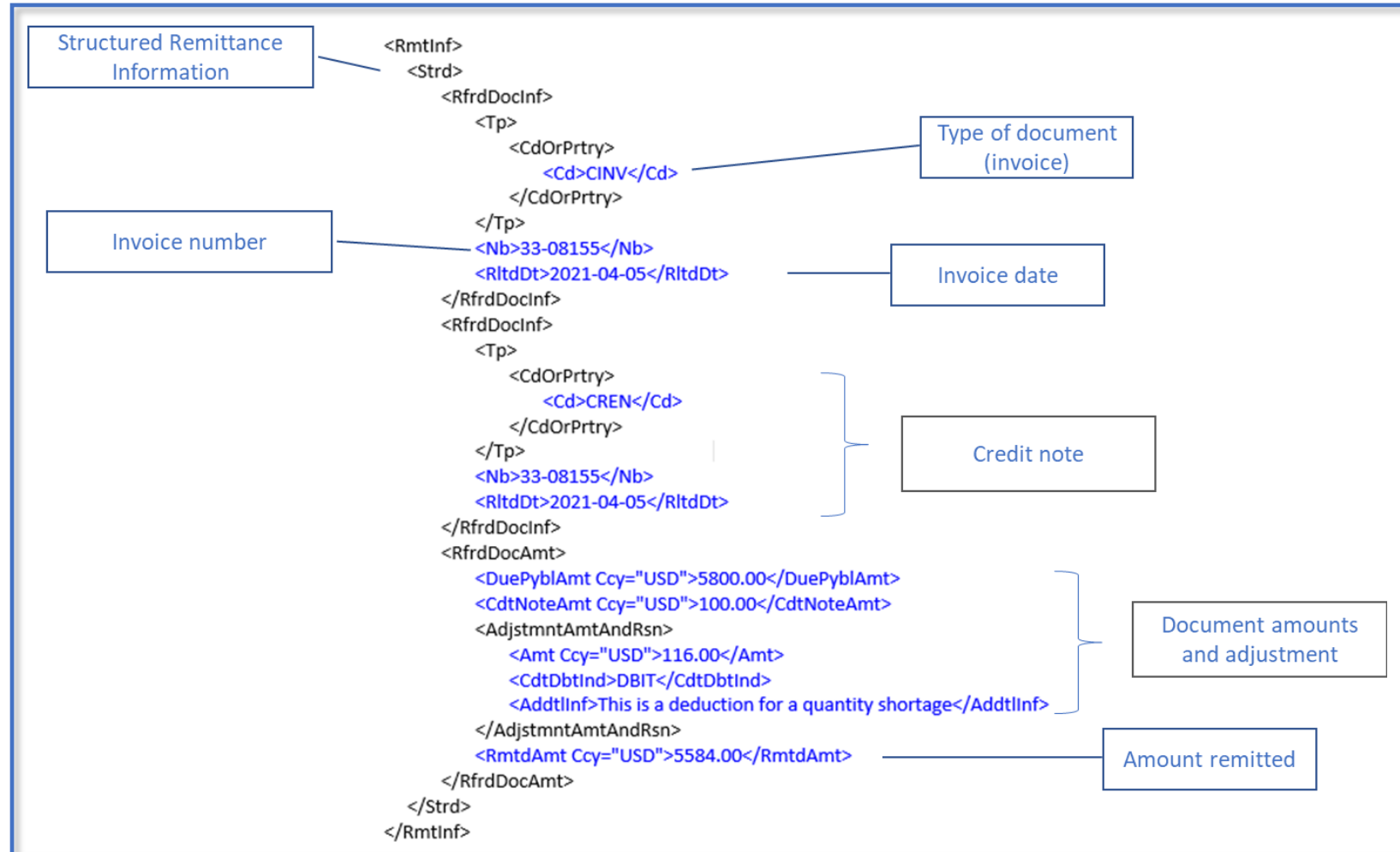
Based on the information about tiers, which tier would you or your clients use most?

1. Tier 1: Basic information: document/invoice number, due date, amount due, amount paid
2. Tier 2: Tier 1 + details for discounts, adjustments, etc. to support the payment amount
3. Tier 3: Tier 2 + details about invoicer and invoicee and tax information
4. Tier 4: Tier 3 + line-item detail for documents

How Does ISO 20022 Help?
Structured data facilitates STP

Key to automation and STP for the payee: structured remittance data in a prescribed format

```
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                              <Strd>
                                <RfrdDocInf>
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                                    <CdOrPrtry>
                                      <Cd>CINV</Cd>
                                    </CdOrPrtry>
                                  </Tp>
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                                    <CdtDbtInd>DBIT</CdtDbtInd>
                                    <AddtlInf>This is a deduction for a quantity shortage</AddtlInf>
                                  </AdjstmntAmtAndRsn>
                                  <RmtdAmt Ccy="USD">5584.00</RmtdAmt>
                                </RfrdDocAmt>
                              </Strd>
                            </RmtInf>
```

Labels:
- Structured Remittance Information
- Type of document (invoice)
- Invoice number
- Invoice date
- Credit note
- Document amounts and adjustment
- Amount remitted

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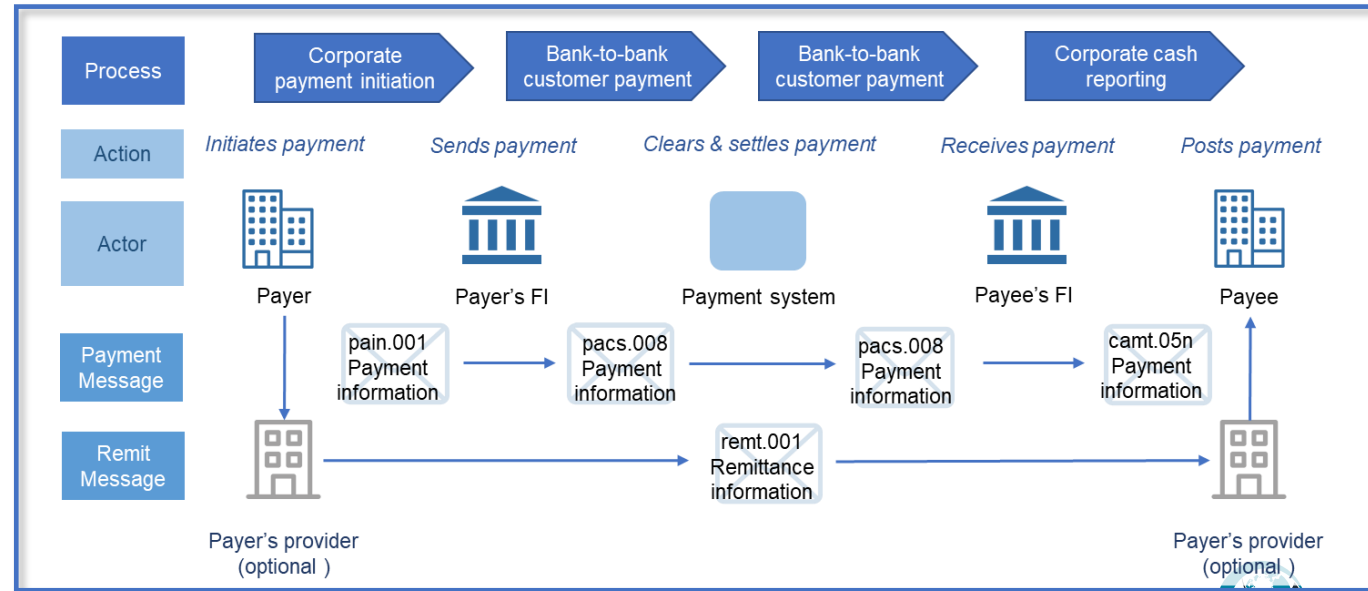Financial Industry Standards

How Does ISO 20022 Help?
Data remains intact across end-to-end messages

- Data travels intact from sending to receiving business

- Guide illustrates various remittance information flows
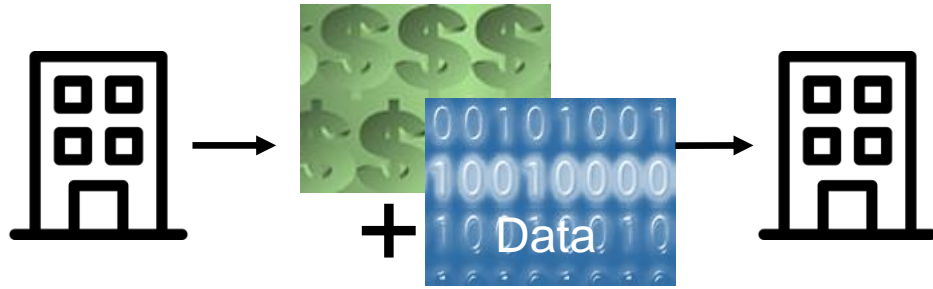
ISO 20022 remittance sent within a payment
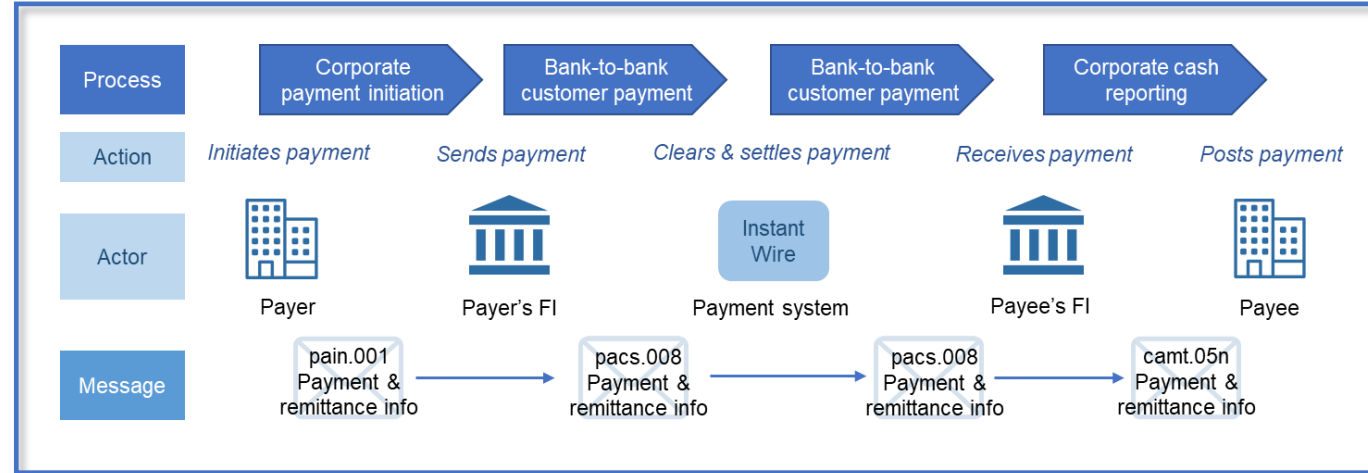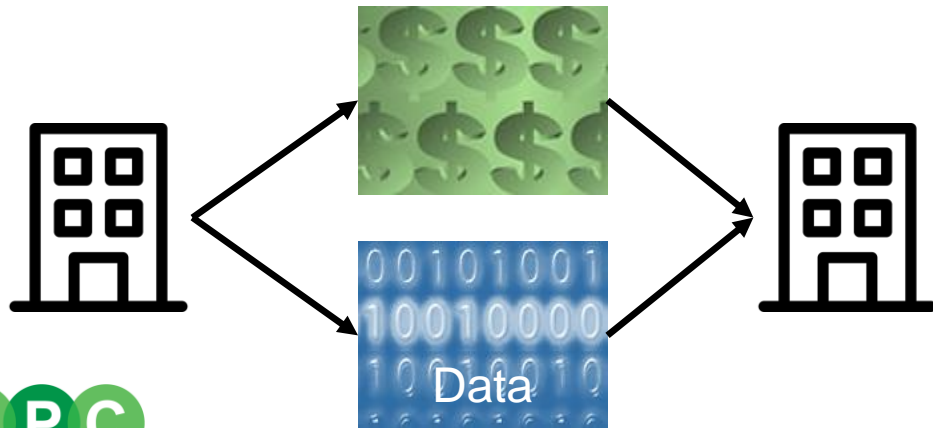
ISO 20022 remittance sent outside a payment

Flexibility to Send Remittance Information Within or Separate From a Payment

ISO 20022 supports both

Sent with payment (e.g., ISO 20022 payments, ACH CTX)

Sent separate from payment (any payment type)

- Flexibility to send remittance within or separate from a payment
- Why and when to use separate remittance messages
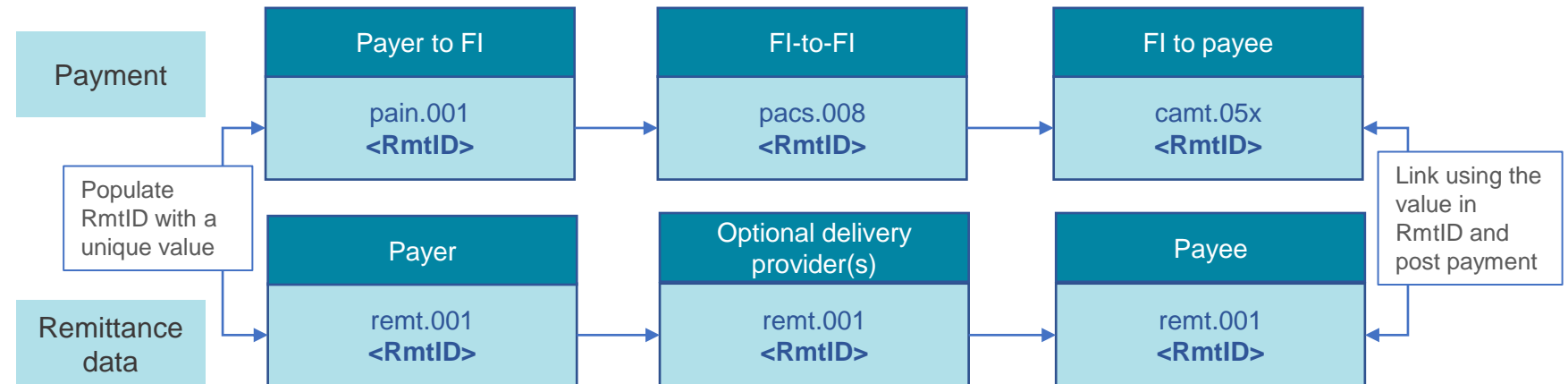- ISO 20022 remittance suitable for all payment types when sent separately

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Linking Separate Remittance Information to a Payment
How automate linkage with ISO 20022

- Receiver reconnects separate remittance information without using complex algorithmic tools
- A linking identifier is a unique payer-populated ID such as a payment number

How-to

The payee uses the linking identifier "RmtID" to link the separate remittance data

Payment

Remittance data

Populate RmtID with a unique value

Payer to FI	FI-to-FI	FI to payee
pain.001 **<RmtID>**	pacs.008 **<RmtID>**	camt.05x **<RmtID>**

Payer	Optional delivery provider(s)	Payee
remt.001 **<RmtID>**	remt.001 **<RmtID>**	remt.001 **<RmtID>**

Link using the value in RmtID and post payment

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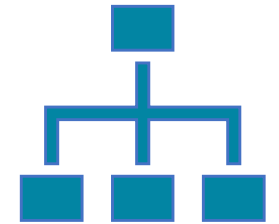# Using Entities in Remittance Information
More information about who a payment is to or from
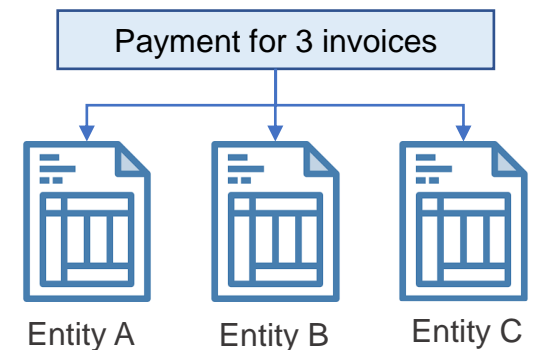
How-to

The guide explains how and when to specify entities and gives examples

- Include entities for payees to post payments correctly
- For complex payment structures, various entities can be specified

Some payments are initiated or collected on behalf of other entities, such as subsidiaries

A payment may include multiple invoices that are paid to or from different entities

Payment for 3 invoices

Entity A   Entity B   Entity C

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Data Details and Examples
More "how-to" details for implementers

Detailed ISO 20022 data element information and guidance

How-to

Level	Name	XML Tag and Multiplicity	Tier 1	Tier 2	Tier 3	Tier 4	Type or Code	Guidance and Comments
4	Referred Document Amount	<RfrdDocAmt> / [0..1]					Tag only	Provides details on the amounts of the referred document. Best practice: the total of the amounts in the referred document amount group should add up to the total amount remitted.
5	Due Payable Amount	<DuePyblAmt> / [0..1]	x	x	x	x	0 <= decimal td = 18 fd = 5	Amount due as stated on referred document.
5	Discount Applied Amount	<DscntApldAmt> / [0..*]		x	x	x	Tag only	Discount amount applied against the document amount.

Real-life examples with mapping and XML syntax

How-to

Supplier Invoice #	Document Date	Payment Date	Invoice Amount	Payment Amount
683528	04/10/21	05/10/21	4,129.27	4,129.27
683529	04/10/21	05/10/21	3,716.34	3,716.34
			Paid	7,845.61

```
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  <Strd>
    <RfrdDocInf>
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        <CdOrPrtry>
          <Cd>CINV</Cd>
        </CdOrPrtry>
      </Tp>
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    <RfrdDocAmt>
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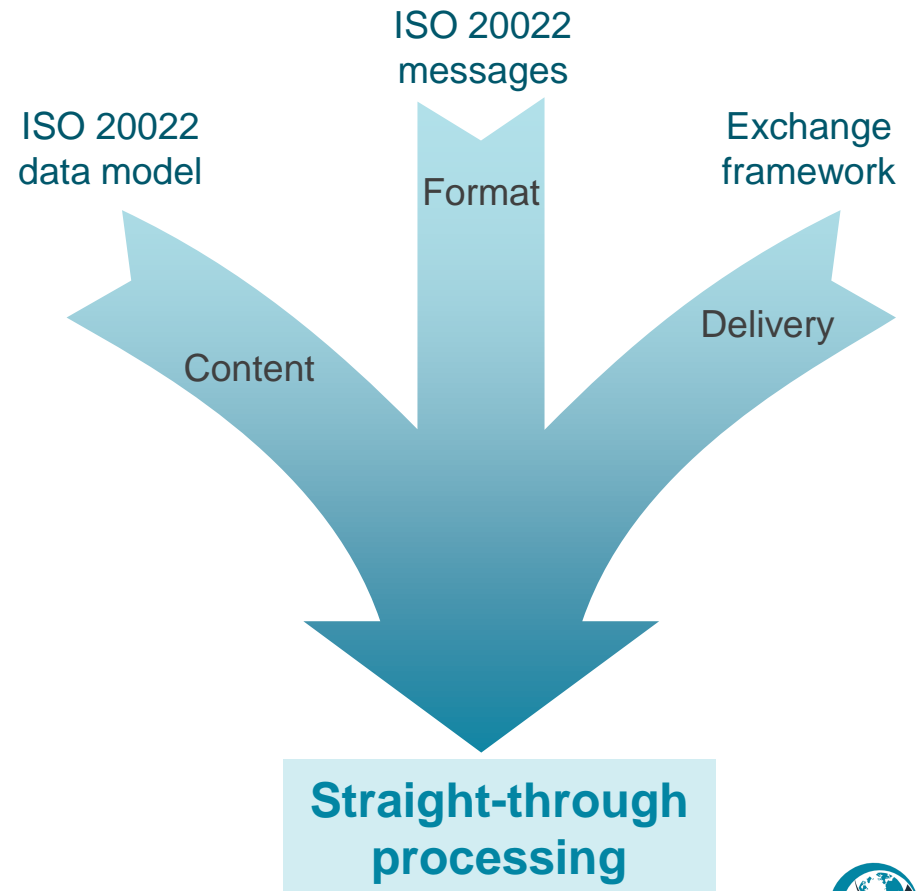
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Completing the Picture
For STP, an exchange framework can deliver electronic remittance data

The Guide helps get the right remittance content in structured format to payees
For STP it must be delivered electronically

The Federal Reserve and BPC assessed an **open virtual network for delivering remittance information**

- An exchange framework can send remittance information to **businesses of all sizes with minimal changes to end-user systems**

- Service providers send and receive ISO 20022 remittance information for clients

ISO 20022 messages

ISO 20022 data model

Format

Exchange framework

Content

Delivery

Straight-through processing

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Poll: Plans for Using ISO 20022

What are your company's plans for using ISO 20022 for payments?

a) We have already implemented it

b) We plan to implement within 2 years

c) We plan to implement after 2 years

d) I don't know

The *ISO 20022 Remittance Content Market Guide* Provides:

- Remittance content payees need to reduce exceptions
- Consistent structured format for automation and straight-through processing
- Real-life examples

Download the guide:
https://x9.org/iso-20022-remittance-market-practices-guide/

Questions?