ASC X9 ISO 20022 Market Practices Forum
Remittance Content Group

Using ISO 20022 Remittance Information to Improve B2B Payment Processes

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Accredited Standards Committee X9 Inc.
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Using ISO 20022 Remittance Information to Improve B2B Payment Processes

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Why Do We Care About Remittance Information Content?

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

A new guide focuses on how to use ISO 20022 remittance data to help automate cash application

What Problems Are We Solving?

Common problems
- A payer may send incomplete remittance information that doesn't fully explain the amount paid, such as deductions taken or credits pre-applied
- A payer may send the wrong information, such as their own internal invoice number versus the supplier's invoice number

| Structured data helps	Service providers help

Correct and complete remittance information contributes to straight-through processing (STP) for greater efficiency	• Many businesses use service providers to process payments and remittance information – for both sending and receiving
	• Service providers that implement ISO 20022 remittance data can:
	   • Translate and map to their client's systems so that businesses don't have to make changes
	   • Help clients send and receive good data consistently

STP is defined as end-to-end automated processing by the payee with no manual intervention

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The Remittance Content Market Guide
Remittance information for B2B payments

INFORMATIVE REPORT

ASC X9 IR 01–2022

ISO 20022 Remittance Content Market Guide

By the ASC X9 ISO 20022 Market Practices Forum Remittance Content Group

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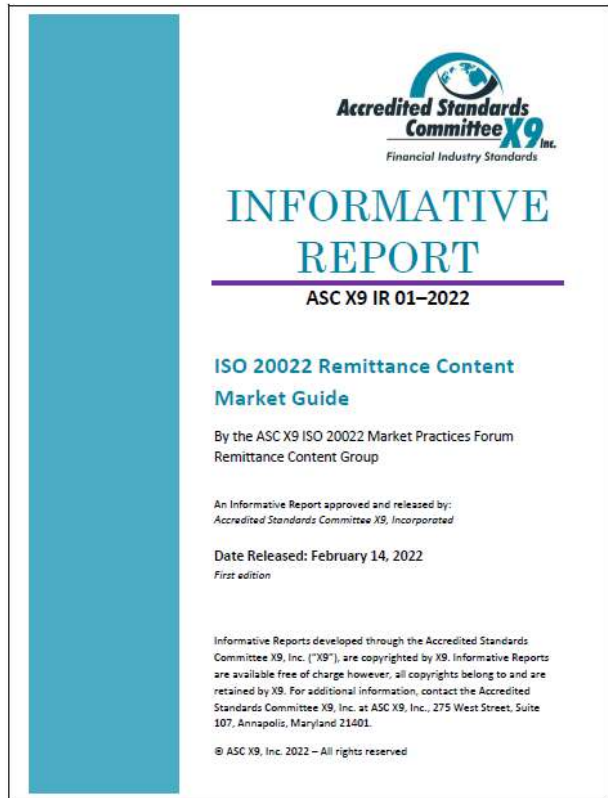
https://x9.org/iso-20022-remittance-market-practices-guide/

The Remittance Content Market Guide

How does it help?

- Promotes common understanding of structured remittance information
- Enumerates remittance data needed for all payment types
- Gives implementation guidance for ISO 20022 remittance messages, within or separate from a payment
- Applies to a wide variety of businesses

Who does it help?

- Payers, payees, software and service providers, banks
- Applicable to many accounting systems, from QuickBooks to high-end ERPs*
- For providers
  - ISO 20022 standard enables interoperability and consistency
  - Gives guidance for design of products and services
  - Enables easier implementations

* ERP = Enterprise Resource Planning system

- Complete remittance information avoids exceptions and contributes to STP

- ISO 20022 = common language

  - Data for varied B2B payment needs

  - Facilitates mapping to/from source systems

  - Common remittance data definitions across disparate systems

  - Guide includes proper usage of data elements 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

- ISO 20022 has more than 350 remittance data elements

 How-to

- Data categories help understand the data available
  - Easier to talk about 18 data categories than 350 elements

- Most categories include multiple individual data elements
  - For example, payment adjustments have data elements to explain the type and amount of adjustment
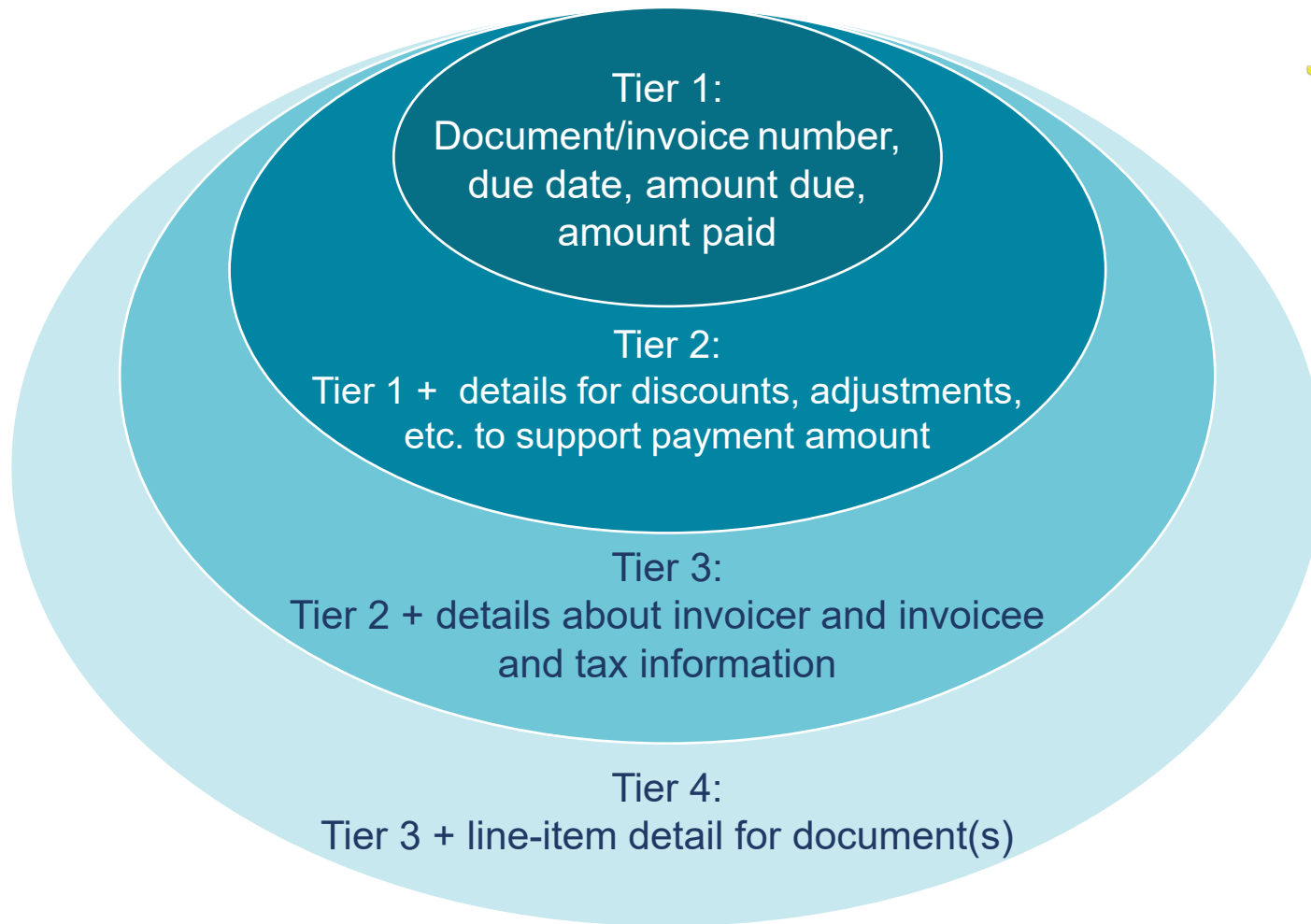
ISO 20022 Remittance Data Categories	
Category	**Example Details Supported**
Payment-level data	E.g., Debtor/creditor, ultimate debtor/creditor
Document type	Code for type and issuer. E.g., invoice
Document number	E.g., invoice number
Document date	E.g., invoice date
Amount due	
Discount	Type and amount
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

- Tiers based on **complexity** of data
  - Higher tiers include richer data
- Tiers promote consistent usage of common data elements
- Easier for
  - Payees to communicate their needs to payers
  - Payers to implement remittance content

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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 to explain the payment, for example, invoice number, invoice date, and amount paid
- Other payments need more data to explain discounts, adjustments, and further details

How to use tiers in practice

How-to

- Payees choose the tier that includes data needed for most of their payments and communicate that tier to payers
- Providers incorporate tiers into their products and map data to tiers

The guide has use case examples for each tier

Tier 2 is appropriate for a wide variety of payments
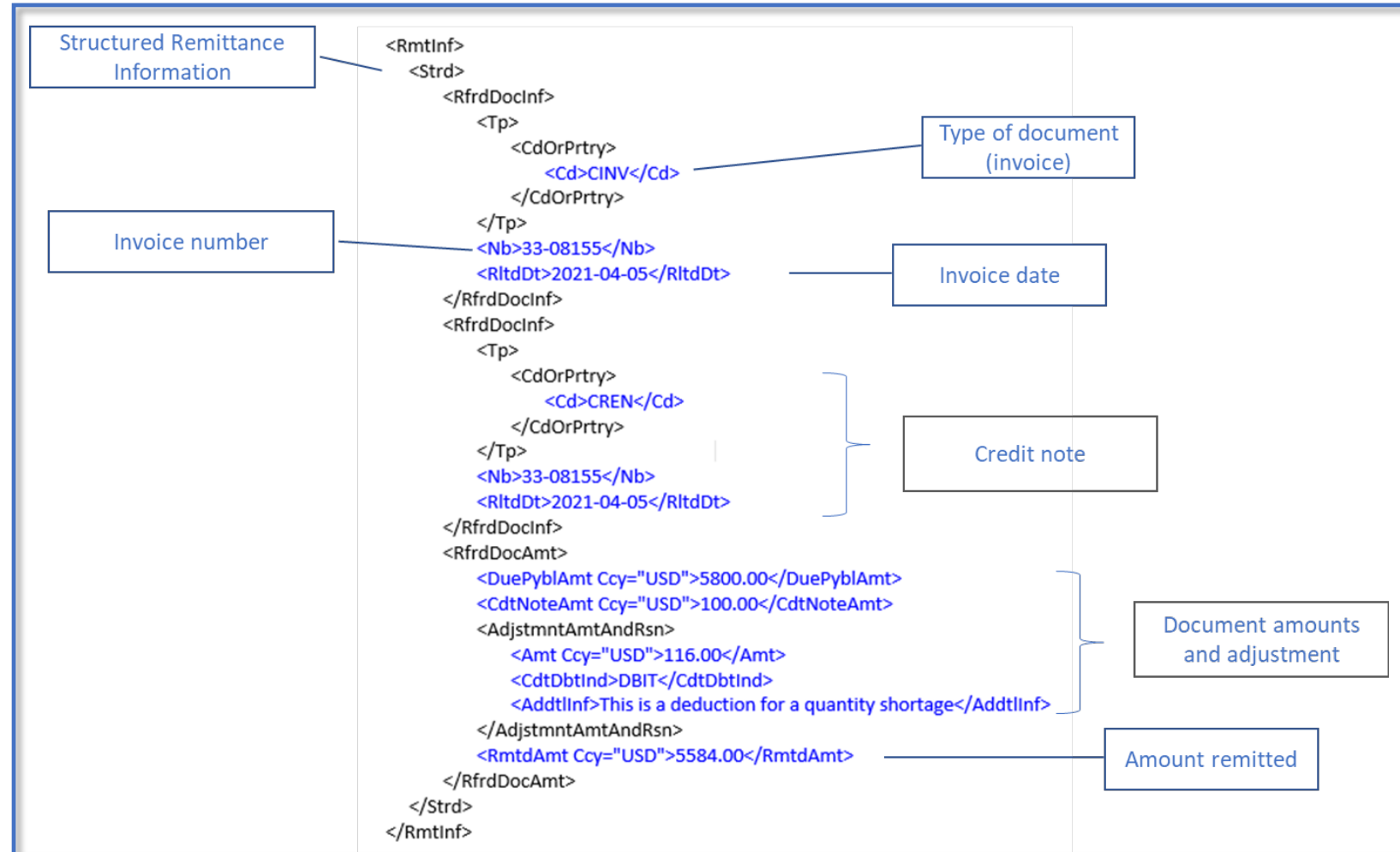
Examples:

- 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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How Does ISO 20022 Help?
Structured data facilitates STP

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

Structured Remittance Information

Invoice number

Type of document (invoice)

Invoice date

Credit note

Document amounts and adjustment

Amount remitted

```xml
<RmtInf>
    <Strd>
        <RfrdDocInf>
            <Tp>
                <CdOrPrtry>
                    <Cd>CINV</Cd>
                </CdOrPrtry>
            </Tp>
            <Nb>33-08155</Nb>
            <RltdDt>2021-04-05</RltdDt>
        </RfrdDocInf>
        <RfrdDocInf>
            <Tp>
                <CdOrPrtry>
                    <Cd>CREN</Cd>
                </CdOrPrtry>
            </Tp>
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        </RfrdDocInf>
        <RfrdDocAmt>
            <DuePyblAmt Ccy="USD">5800.00</DuePyblAmt>
            <CdtNoteAmt Ccy="USD">100.00</CdtNoteAmt>
            <AdjstmntAmtAndRsn>
                <Amt Ccy="USD">116.00</Amt>
                <CdtDbtInd>DBIT</CdtDbtInd>
                <AddtlInf>This is a deduction for a quantity shortage</AddtlInf>
            </AdjstmntAmtAndRsn>
            <RmtdAmt Ccy="USD">5584.00</RmtdAmt>
        </RfrdDocAmt>
    </Strd>
</RmtInf>
```

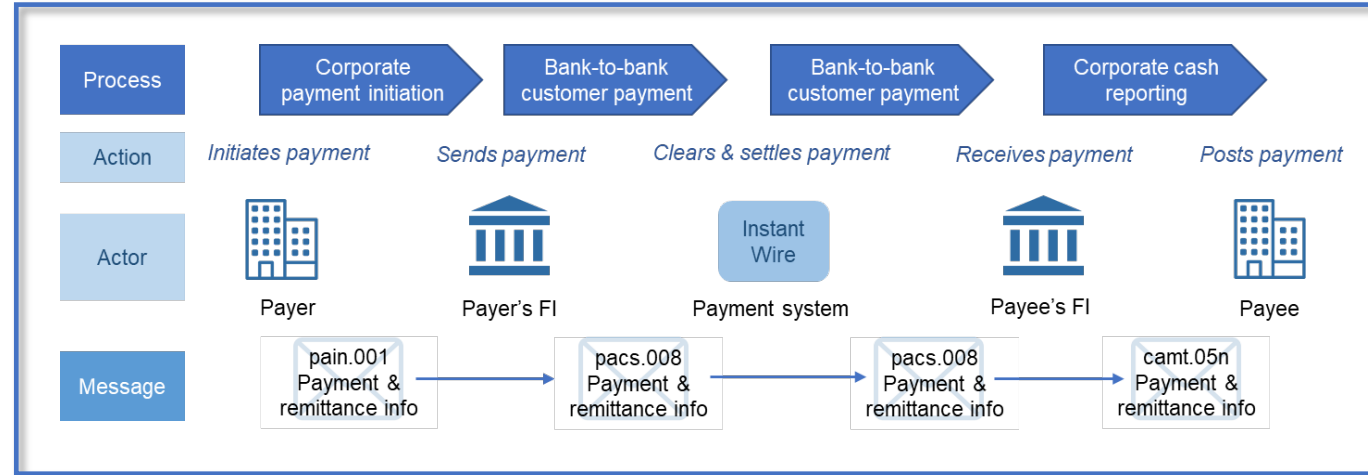**Accredited Standards Committee X9 Inc.** Financial Industry Standards
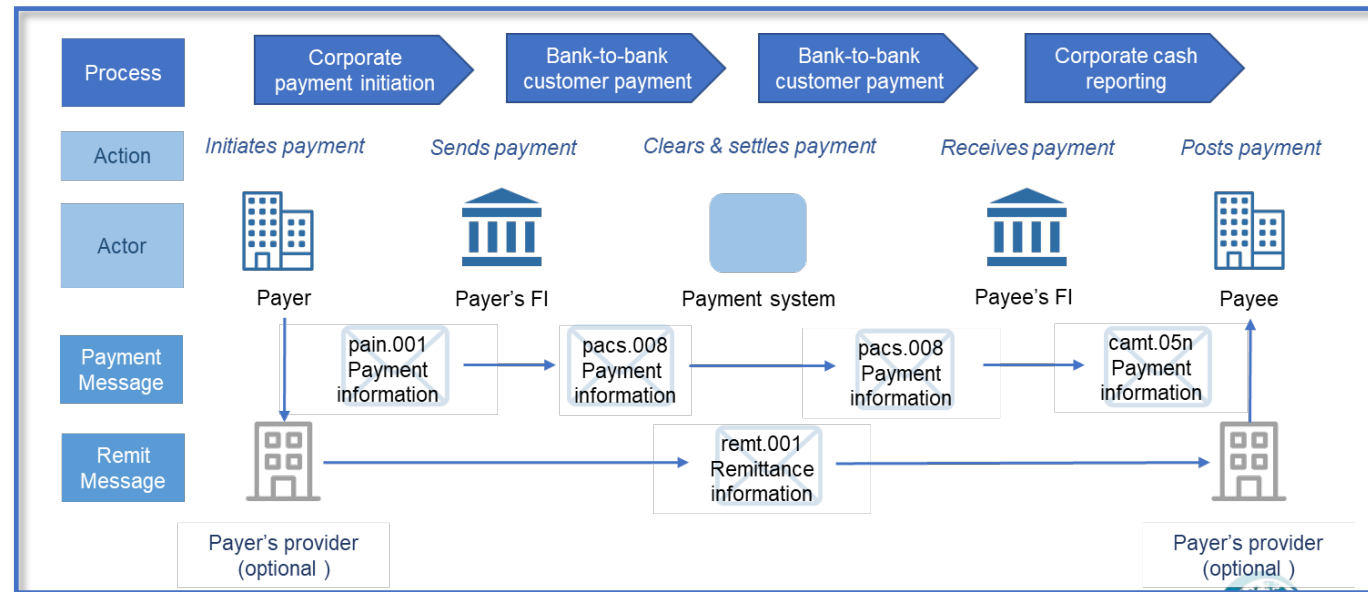
How Does ISO 20022 Help?
Data remains intact across end-to-end messages

- Remittance data travels intact from the business sending the payment to the business receiving it

- The guide illustrates several flows of remittance information

Message flow: ISO 20022 remittance sent within a payment

Message flow: ISO 20022 remittance sent outside a payment

Process	Corporate payment initiation	Bank-to-bank customer payment	Bank-to-bank customer payment	Corporate cash reporting
Action	*Initiates payment*	*Sends payment*	*Clears & settles payment*	*Receives payment*	*Posts payment*
Actor	Payer	Payer's FI	Instant Wire / Payment system	Payee's FI	Payee
Message	pain.001 Payment & remittance info	pacs.008 Payment & remittance info	pacs.008 Payment & remittance info	camt.05n Payment & remittance info

Process	Corporate payment initiation	Bank-to-bank customer payment	Bank-to-bank customer payment	Corporate cash reporting
Action	*Initiates payment*	*Sends payment*	*Clears & settles payment*	*Receives payment*	*Posts payment*
Actor	Payer	Payer's FI	Payment system	Payee's FI	Payee
Payment Message	pain.001 Payment information	pacs.008 Payment information	pacs.008 Payment information	camt.05n Payment information
Remit Message	Payer's provider (optional)	remt.001 Remittance information		Payer's provider (optional)

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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)
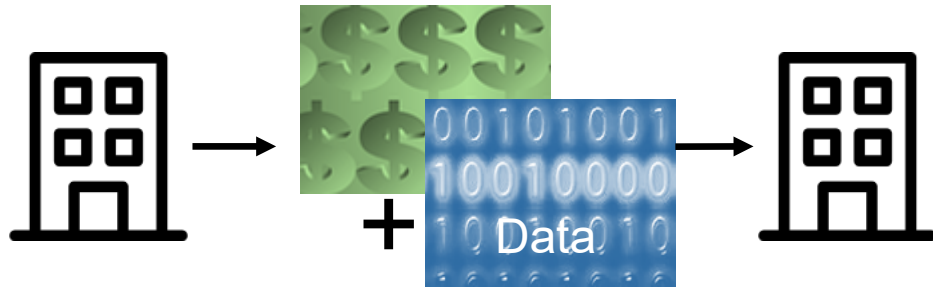
Sent separate from payment (any payment type)
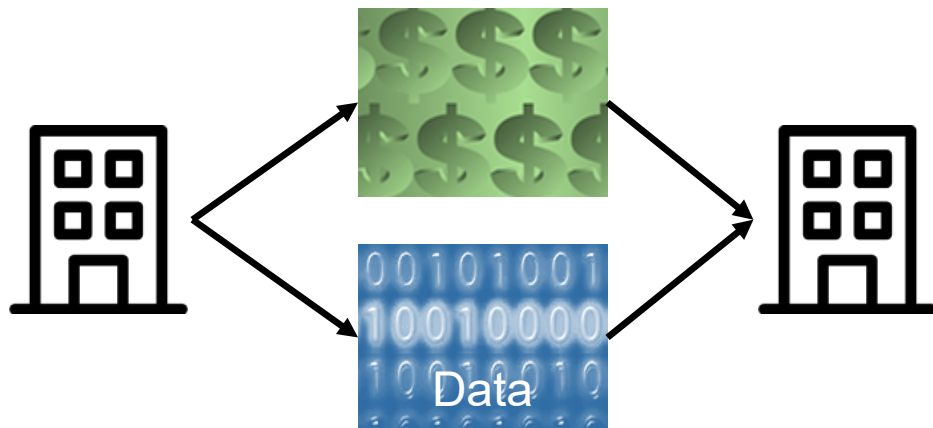
- Businesses need flexibility to send remittance within or separate from a payment

- Use separate remittance messages when:
  - Payment system limits the number of characters for remittance within a payment message
  - Payment type does not support remittance data, for example, card payments
  - Payer doesn't have the capability to send structured remittance data within a payment
  - Payer preference

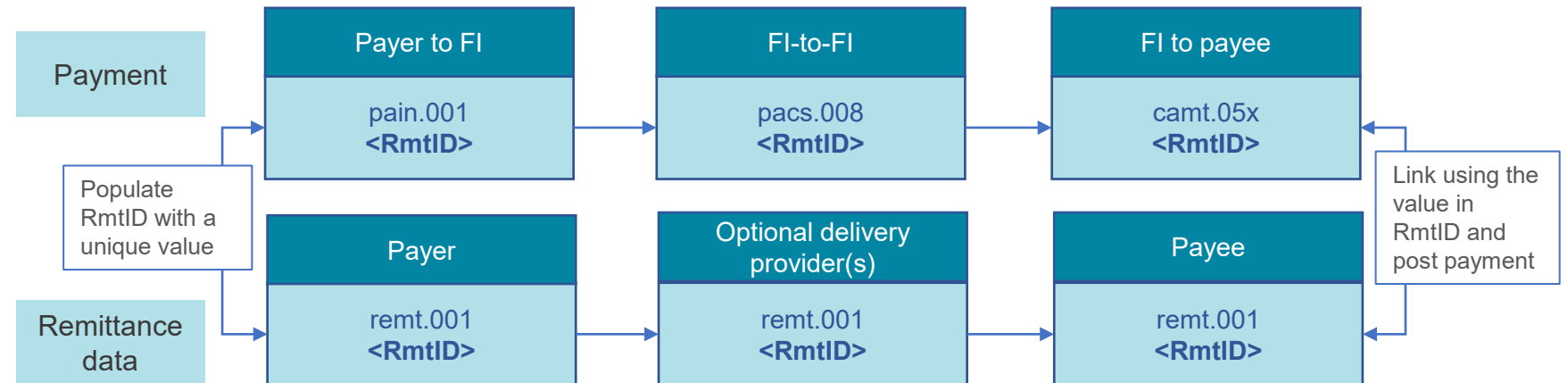- ISO 20022 remittance is suitable for all payment types when sent separately

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

- Explains how a payment and separate remittance information can be reconnected on the receiving side – without using complex algorithmic tools

- A linking identifier is a single payer-populated identifier that links the payment and remittance information for reconciliation

- Usually, a unique payment number from the sender's system

How-to

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

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

Populate RmtID with a unique value

	Payer	Optional delivery provider(s)	Payee
Remittance data	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

- Payees must know the party (entity) a payment is from and which party it is intended for to post payments correctly
- In many cases a payment is from the payer/invoicee to the payee/invoicer
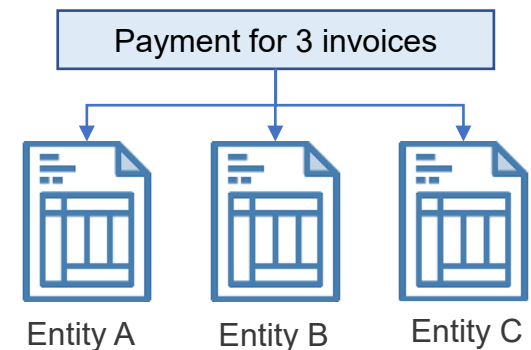- For complex payment structures, various entities can be specified

How-to

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

For payments initiated or collected on behalf of other entities, such as subsidiaries
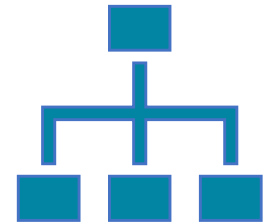
For payments that include multiple invoices paid to or from different entities

Payment for 3 invoices

Entity A   Entity B   Entity C

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

Detailed ISO 20022 data element definitions, XML tags, data type, description, and guidance on the use of each element

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 of data element usage for each tier 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>
      <Tp>
        <CdOrPrtry>
          <Cd>CINV</Cd>
        </CdOrPrtry>
      </Tp>
      <Nb>683528</Nb>
      <RltdDt>2021-04-10</RltdDt>
    </RfrdDocInf>
    <RfrdDocAmt>
      <DuePyblAmt Ccy="USD">4129.27</DuePyblAmt>
      <RmtdAmt Ccy="USD">4129.27</RmtdAmt>
    </RfrdDocAmt>
  </Strd>
```
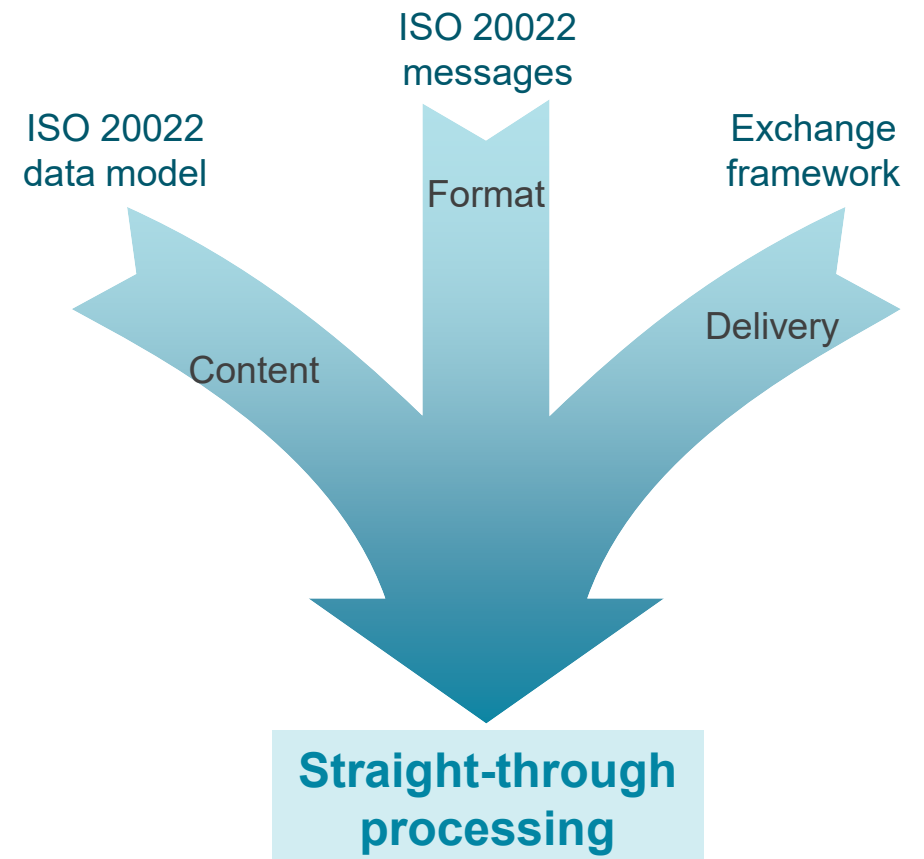
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Completing the Picture
For STP, an exchange framework can deliver electronic remittance data

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

The Federal Reserve and Business Payments Coalition assessed an **open virtual network for delivering remittance information** that has been successfully implemented for e-invoicing

- An exchange framework provides infrastructure to exchange electronic remittance information for **businesses of all sizes with minimal changes to end-user systems**

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

ISO 20022 data model

ISO 20022 messages

Exchange framework

Format

Content

Delivery

Straight-through processing

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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/