B2B Directory

Chicago Payments Symposium
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Overview

Remittance Coalition Context
1. All volunteer group
2. B2B Directory Work Group (Late 2013 through summer 2014)

Goals and Deliverables
1. Identify and agree on pain points and example uses
2. Document high level business requirements
3. Identify and evaluate alternatives
4. Document a working model to review with various audiences
5. Document the project results
6. Socialize results to improve and assess interest

Status
1. Completed first five tasks above
2. Socializing the work
What problem does the B2B Directory seek to address?

1. Business payments are still largely made by paper check.

2. Businesses face several barriers that limit ability to move to electronic payments.
   A. Difficulty of accessing electronic payments products
   B. Difficulty in conveying remittance information in a simple, ubiquitous manner
   C. Inability for payers to easily find, manage, and use the e-payment identity

   For example, to make a payment by ACH, the payee needs to disclose, and the payer needs to manage, the following information that represents the payee’s **Electronic Payment Identity**.

   - Bank Routing Number
   - Bank Account Number
   - Type of Payee
   - Format of Remittance Detail
What is the B2B Directory?

Unlike what’s needed by a payer to issue a paper check, the electronic payment identity of a payee is more complex. This complexity impacts the ubiquity of electronic business payments.

The B2B Directory seeks to serve as a utility that is used to securely store, manage, and lookup the Electronic Payment Identity, including the accepted payment methods of business payees. The goal of the B2B Directory is to help US businesses drive the increased use of domestic electronic payments to their business payees.

The B2B Directory is a directory of payees. It is NOT a payment system; it does not deliver payments.
How are payments initiated?

The B2B Directory is not a payment network. Payers obtain the Electronic Payment Identity of the payee from the directory, and then independently use the payment channel specified by the Electronic Payment Identity.
# High Level Requirements of a Directory

<table>
<thead>
<tr>
<th>High Level Requirements</th>
<th>Discussion</th>
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| **Electronic Payee Identification (EPI)**             | • EPI must include data elements sufficient to support the intended uses, including address, contact information, payment account details, and requested remittance specification  
• Provide a unique identifier for payees and ensure that the correct payee identification is clear between similar names  
• Allow listing of related payees, such as subsidiaries and DBAs  
• Enumerate payment methods accepted by a payee                                                         |
| **Trust and Validation of a Payment Identity**        | • Require new directory participants to go through a standard certification process to protect the integrity of the Directory system overall |
| **Directory entry updates**                           | • Enable easy, near-real time entry updates  
• Provide a mechanism to ensure payers have timely access to current information                        |
| **Administrative Functions**                          | • Upload and download directory entries, including single and multiple entries, both manual and automated, in near-real time  
• Provide commercially acceptable data protection and user controls                                      |
| **Business Model Principles**                         | • The Directory is an industry utility that seeks to be broadly accessible and not a profit maximizing service  
• The cost to payees, payers and Directory Hosts to participate in the Directory will seek to incent adoption and reflect the value they derive |
B2B Directory: centralized access, distributed management

When the Payer does a directory information lookup...

...information is returned from a “directory of directories”

The central node is populated by crawling distributed nodes periodically, and on demand
What is an Electronic Payment Identity?

The B2B Directory contains a list of Electronic Payment Identities (EPI).

An Electronic Payment Identity is the information needed by the Payer to successfully fulfill a payment to the Payee’s satisfaction.

A Payment Identity can include the payment methods accepted by the payee, and requested remittance information.

- The B2B Directory enables the storage, management, and lookup of EPIs.
- Payees can specify payment account details as public or private.

<table>
<thead>
<tr>
<th>Directory Section</th>
<th>Preferred</th>
<th>ACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID</td>
<td>GHT45555</td>
<td></td>
</tr>
<tr>
<td>Contact Information</td>
<td>Company name, remit address. Contact: Name, phone and email address</td>
<td></td>
</tr>
<tr>
<td>Search String</td>
<td>Accepts payments for subsidiary 1, remit address 1, and DBA 2, remit address 2. Information here identifies unique payee.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Preferred</th>
<th>ACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTN</td>
<td>232323123</td>
<td>Private</td>
</tr>
<tr>
<td>DDA</td>
<td>122342342</td>
<td>Private</td>
</tr>
<tr>
<td>Minimum</td>
<td>$0.00</td>
<td>Public</td>
</tr>
<tr>
<td>Maximum</td>
<td>No Limit</td>
<td>Public</td>
</tr>
<tr>
<td>Remittance String</td>
<td>payments.company.com/ACH-Remittance Company prefers CTX with STPB20 format, including at least the invoice number</td>
<td>Public Remittance string could be a link to a web site, contact information, or any other (unlimited) free form text</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Preferred</th>
<th>Corporate Payment Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>PayMode-iD</td>
<td>234242342</td>
<td>Public</td>
</tr>
<tr>
<td>Minimum</td>
<td>$0.00</td>
<td>Public</td>
</tr>
<tr>
<td>Maximum</td>
<td>$10,000.00</td>
<td>Public</td>
</tr>
<tr>
<td>Remittance Spec</td>
<td>Payments.company.com/Network-Remittance</td>
<td>Public</td>
</tr>
</tbody>
</table>
Trust and validation of an Electronic Payment Identity

• Group contemplates the creation of an organization/association
  – The DA authorizes trusted Directory Hosts, who manage the EPI of a payee
  – Examples of Hosts: FI’s, Payment Service Providers, Payment Networks, etc

• Directory Host
  – A Directory Host must vouch for the validity/accuracy of information it controls
  – A payee is on boarded into the Directory by Directory Host (w/ Directory ID (DID))

• Directory ID
  – The DID is unique, identifies the payee, is public, and belongs to the payee
  – An enterprise can have more than one DID;
    • alternatively, subsidiaries and DBAs can share a parent DID
Remittance Specification

• The Remittance Specification is text that is interpreted by the payer to ensure that, when a payment is made, the remittance instructions are formatted and delivered to the payee in a satisfactory manner.

• The Directory seeks to encourage the use of well-formed, standards-based structured remittance instructions accompanying each payment.

• The Directory does not endorse or require specific remittance standards or semantics, and it does not require that data “travel” together to the payee.
  – Can include both format of the remittance and the method used to deliver it.
  – Payees can designate multiple specifications to accommodate payers.
Business Model Principles

The business model should drive adoption. Considerations include:

• Costs of use for Directory Hosts, payers and payees
• Value proposition for hosts, payer and payee: incentives matter
• Assure security/privacy/trust so that payees and Host Providers will adopt
• Premium services for payer and payee
• Drive adoption by payees, hosts, and payers. Factors to consider:
  – Increased revenue and/or reduced cost
  – Competition
  – Disintermediation
  – Regulation
Questions for discussion and next steps

Questions

• To what degree does this capture the key pain points and a compelling vision?
• What other questions would you note as important to address?
• To what degree is this a topic you would like to help advance?

Next Steps

• Socializing the analysis and vision
• Identifying individuals who would like to help illustrate how this would work