

# **THE B2B DIRECTORY PROJECT**

**THE REMITTANCE COALITION**

**SEPTEMBER 2015**

# AGENDA

- **The B2B Directory: what is it and why is it needed?**
- **A brief history: who's involved**
- **The approach: key principles**
- **Current status**
- **Next steps**

# **B2B DIRECTORY: BACKGROUND**

- **Businesses are making many more electronic payments**
- **However, significant issues still remain**
  - Larger businesses: plurality of all payments still checks
  - Smaller businesses: mostly all checks
  - Risk exposure: account data, fraud
- **The high cost of paper checks**
  - 8 billion check-based invoice payments every year
  - \$10 billion - \$20 billion in annual costs

# B2B DIRECTORY: WHY IS IT NEEDED?

- **Even when payers have full access to electronic payment options...**
  - ACH credit push, Wires, MasterCard InControl, VISA Payables Automation, PayPal, PayMode-X, etc.
- **...they struggle to**
  - Know who accepts electronic payments
  - Manage the information associated with each payment option
  - Validate that the information is accurate and trustworthy
  - Keep up with emerging payment options

**The B2B Directory is a public phone book containing the payment identities of payees that accept electronic payments**

# **B2B DIRECTORY: WHAT IS IT?**

- **A public utility**
- **Enables payees to register their Electronic Payment Identity (EPI)**
- **Enables payers to retrieve EPI to facilitate electronic payments**
- **Supports multiple payment types**
- **Not a payment system**
- **Scalable, trustworthy, secure**

**The goal of the B2B Directory is to enable business payers – small and large – to make more electronic payments to vendors and other payees**

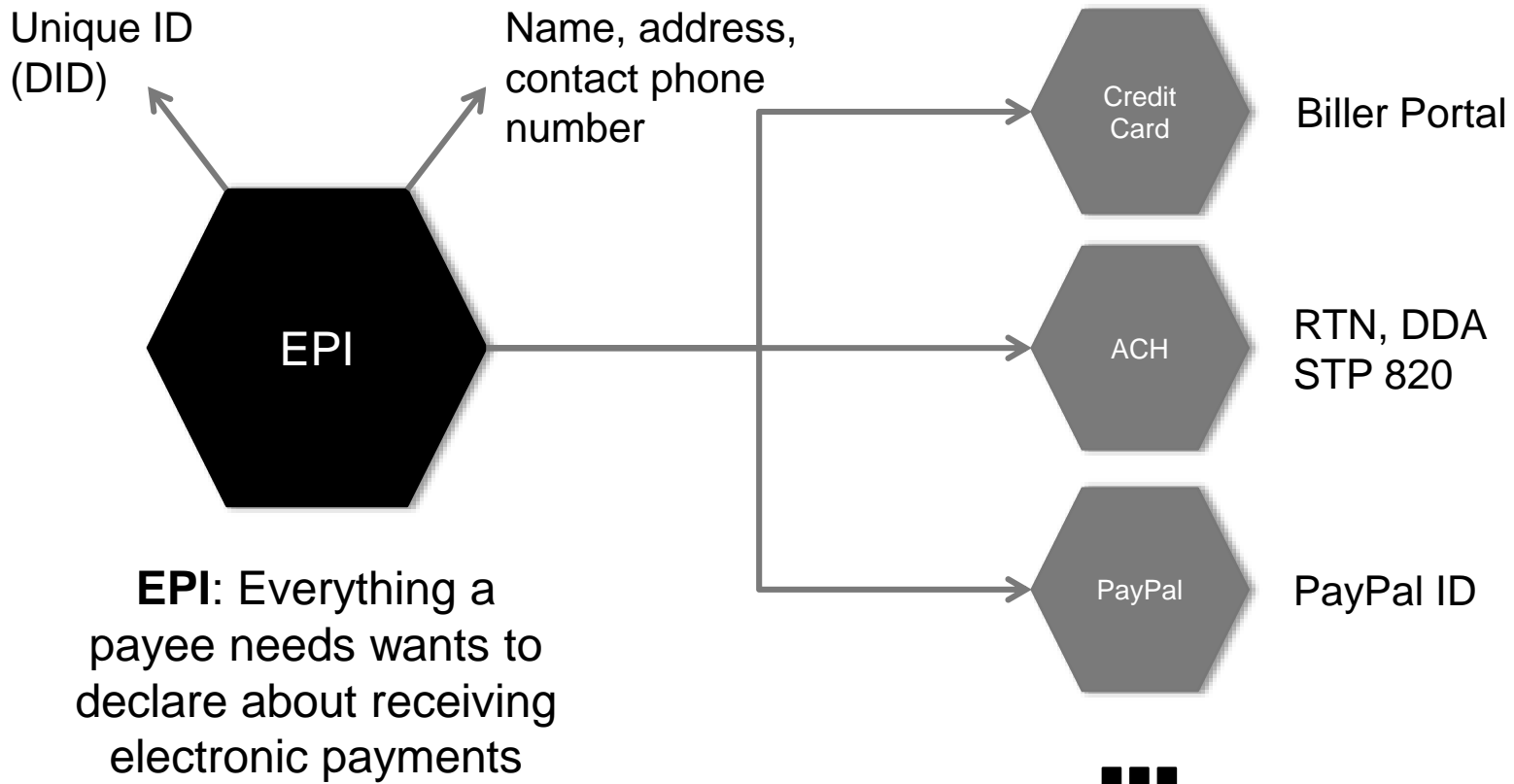
# **B2B DIRECTORY: A BRIEF HISTORY**

- **Sponsored by the Remittance Coalition**
- **Diverse industry participation**
  - Federal Reserve Bank
  - NACHA
  - Large and small corporations
  - Large and small financial institutions
  - Payment processors and solution providers

# B2B DIRECTORY: KEY PRINCIPLES

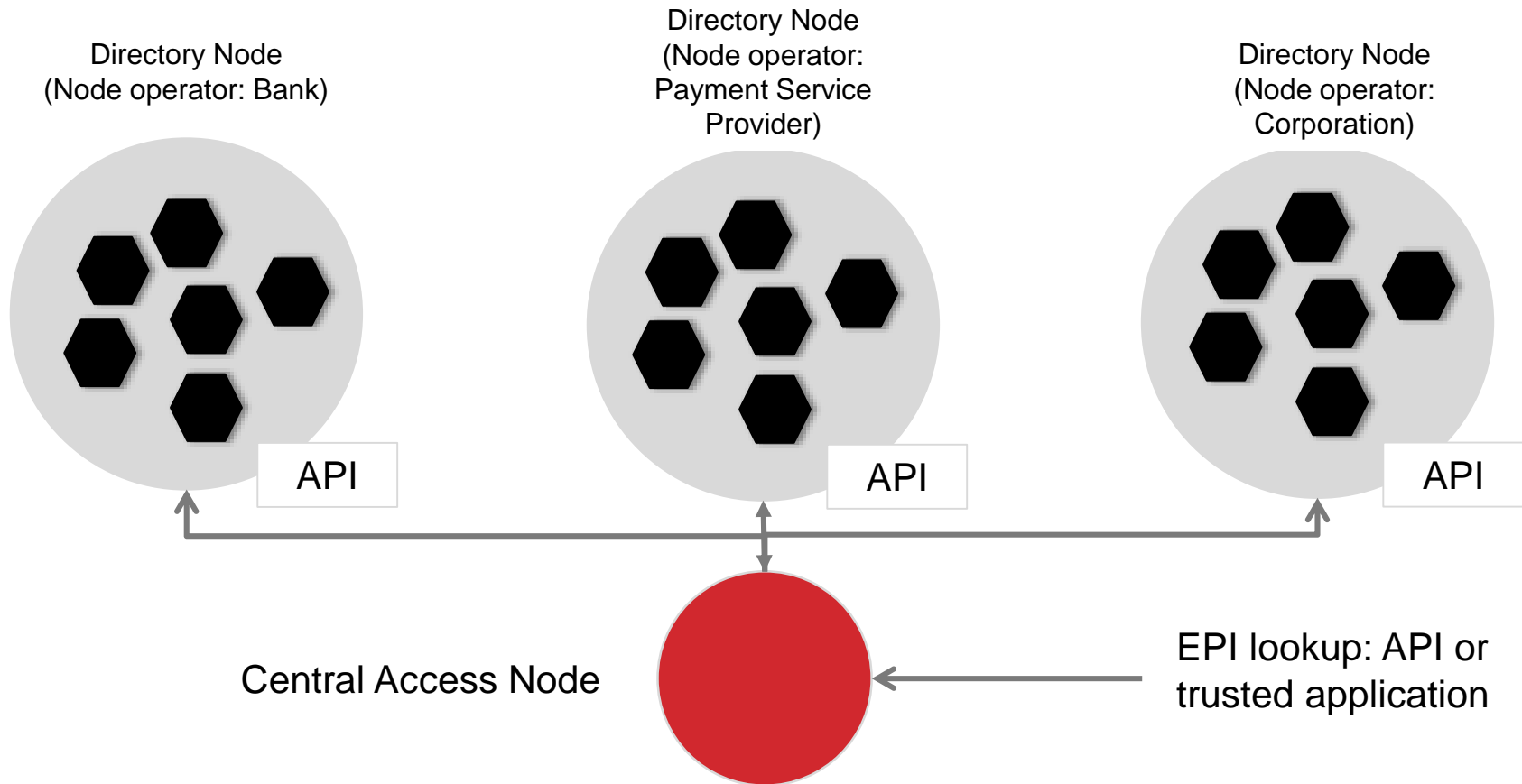
- **Electronic Payment Identity (EPI)**
  - Defines payee's payment preferences
  - Each EPI has a unique Directory ID (DID)
  - Portable, belongs to payee
- **Distributed topology and architecture**
  - Central Access Node
  - Multiple directory nodes
- **Trusted, with operating rules**
  - All EPIs are verified

# ELECTRONIC PAYMENT IDENTITY(EPI): WHAT IS IT?



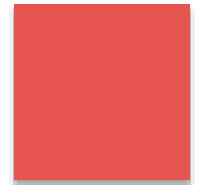
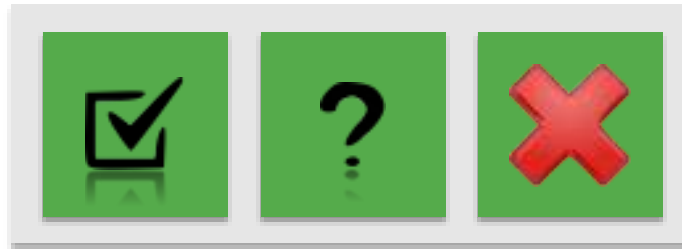
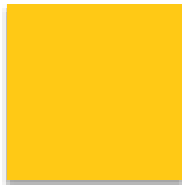


# DISTRIBUTED ARCHITECTURE AND TOPOLOGY



# INVITE, ENROLL PAYEES, VERIFY PAYMENT IDENTITIES

Validated and Not validated Incorrect and  
trustworthy with certainty invalid



**Invite:**  
Initial directory entry for payee is created

**Enroll:**  
Payee enrolls and agrees to public listing

**Validate:**  
Payee's EPI is validated

**Expire:**  
Payee status changes, directory entry expires

Tree National Bank is inviting you to register with the Tree National Bank Network!

## Payee Registration



2

### Not Authorized?

Please take a moment to register your payment preferences with us. We would prefer to pay you electronically - it is simpler and faster.

During the registration process, we will ask you to verify payment preferences and account information. If you have this information, please continue.

If you cannot provide this information, [let us know](#) whom to contact.

1



Business

Dewey, Howe, and French, LLP

Email Address\*

caryn@dfh.com

Create Password\*

Enter Password

Confirm Password\*

Enter Password

Sign Up

Existing User? [Sign In](#)

3

Financial Institutions can be **Node Operators**, and invite their clients to register as payees.

Once verified, clients are part of the B2B Directory Network

[Forgot your username or password?](#)

\*Required



Amplex Health Corporation is inviting you to register with the Amplex Health Network!

## Vendor Registration



2

### Not Authorized?

Please take a moment to register your payment preferences with us. We would prefer to pay you electronically - it is simpler and faster.

During the registration process, we will ask you to verify payment preferences and account information. If you have this information, please continue.

If you cannot provide this information, [let us know](#) whom to contact.

1



Business

Dewey, Howe, and French, LLP

Email Address\*

caryn@dfh.com

Create Password\*

Enter Password

Confirm Password\*

Enter Password

Sign Up

Existing User? [Sign In](#)

Similarly, large corporations can be **Node Operators** and invite their vendors to register to receive electronic payments.

Once registered, vendors can opt to make their EPIs public.

[Forgot your username or password?](#)

\*Required

SilverPay Network  
http://www.silverpaynetwork.com

ACME Corp. is inviting you to register with the SilverPay Network™!

## Vendor Registration

1

2 **Not Authorized?**

Please take a moment to register your payment preferences with us. We would prefer to pay you electronically - it is simpler and faster.

During the registration process, we will ask you to verify payment preferences and account information. If you have this information, please continue.

If you cannot provide this information, [let us know](#) whom to contact.

3 **Business**  
Dewey, Howe, and French, LLP

4 **Email Address\***  
caryn@dfh.com

**Create Password\***  
Enter Password

**Confirm Password\***  
Enter Password

**Sign Up** Existing User? [Sign In](#)

[Forgot your username or password?](#) \*Required

Payment Service Providers can be **Node Operators**, and offer vendor enrollment services to payers.

This enables smaller payers to invite their vendors to register their payment profiles and become part of the public B2B Directory network.

# Vendor Registration



1

## Select Payment Preferences (Select all that apply)

 **Direct Deposit**

---

Electronic deposit to your account in 3-5 business days

 **Checks**

---


Send checks to: PO Box 420, Podunk Town, KS 12345

[Change address](#)

**Continue**

\*Required

### Payment Profile Strength



Selecting additional payment types will enable us to send your payments via faster and more efficient means.

Accepted electronic payment methods are a key element of a payee's Payment Identity

Every accepted payment method may require the payee to specify additional information

Name\*  **1**

Routing #\*

Account #\*

(We will send two micro-deposits to verify this account)

Account Type\*

Account Holder\*

Tax ID\*

**2** \*By entering my name below, I verify I am authorized to accept the [Terms of Use](#)

Payees agree to terms of use

Continue

\*Required

## Vendor Registration



EPI verification can take many forms, and each Node Operator free to chose any appropriate method.

### Confirm Deposit

Please verify receipt by entering the exact micro-deposit amounts sent to you. If the amount entered does not match the amount sent, you will be asked to edit your account/routing numbers. This is being done to ensure payment security.

1

Deposit #1* \$	<input type="text" value="0.00"/>	Re-enter Deposit #1* \$	<input type="text" value="0.00"/>
Deposit #2* \$	<input type="text" value="0.00"/>	Re-enter Deposit #2* \$	<input type="text" value="0.00"/>

\*Required

Verify

Payment Service Providers can verify through micro-deposits. Financial Institutions can check their core banking applications.



# Vendor Registration



Manage Pr

Name

- ACME, Corp. Alt. Name: ACME
- ACME Packets
- ACME Packets

Account Not Received

anced Profile

anced Profile

1

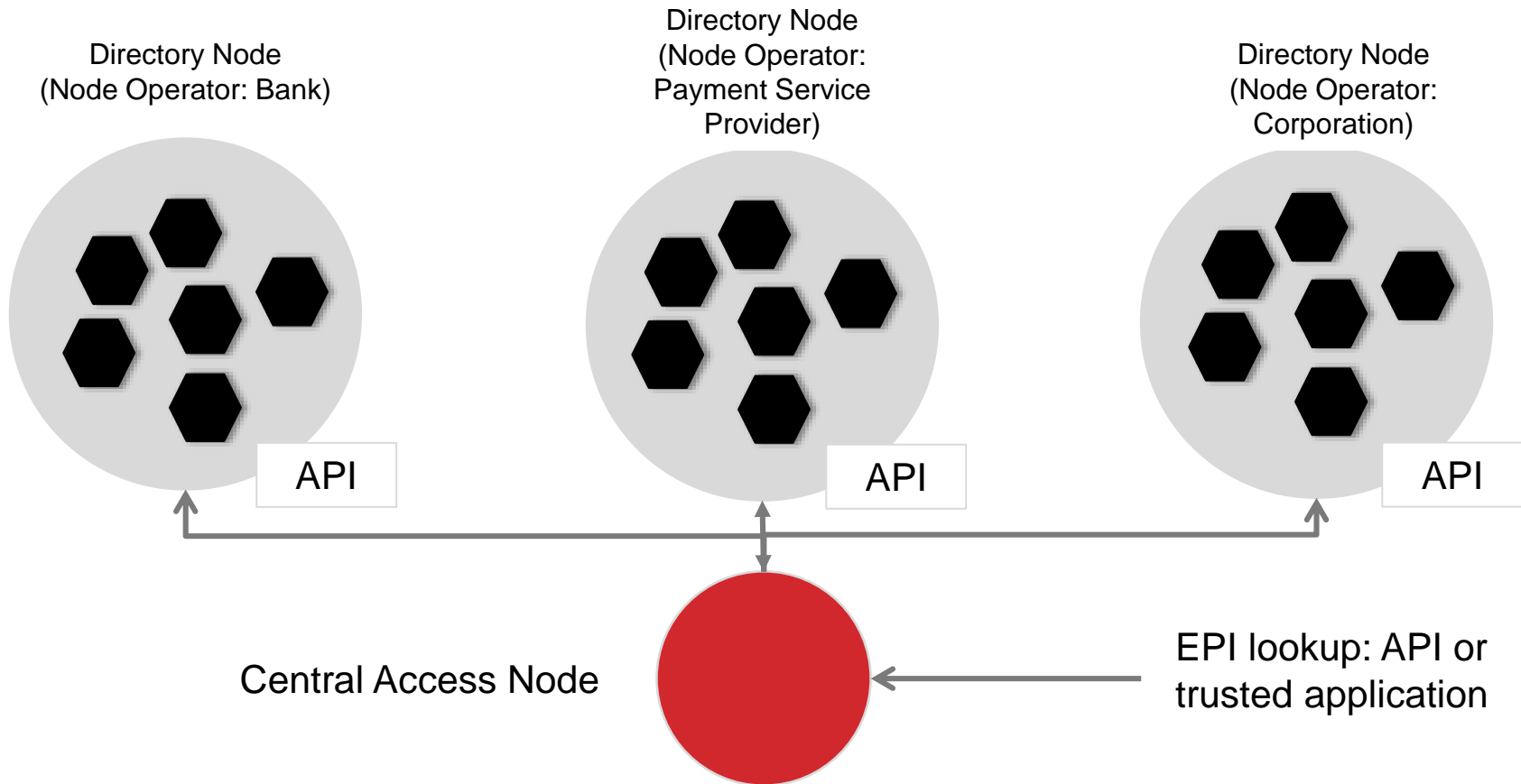
**Account Verified**

This account has been verified as a valid account.  
No further action is required.

OK

Once terms are accepted and EPI is verified, the payee's EPI is now public, and can be accessed through the B2B Directory API, or other trusted application

# B2B DIRECTORY: THE SUM OF MANY PARTS



# B2B DIRECTORY: CURRENT STATUS

- **2014: released concept paper**
- **2015: making it real**
  - Proof-of-concept / working prototype: AFP 2015
  - Business model
  - Operating principles

# **B2B DIRECTORY: PROOF-OF-CONCEPT HIGHLIGHTS**

- **AFP 2015 (October 2015): proof-of-concept demonstration**
- **Show how two key business payment workflows are supported**
  - For the payer: Invoice-to-Pay
  - For the payee: Order-to-Cash
- **Define core elements of Electronic Payment Identity**
- **Demonstrate how trust is engendered**
- **Demonstrate how security is ensured, risk mitigated**
- **Demonstrate distributed architecture and operation**

# **BUSINESS MODEL AND OPERATING PRINCIPLES**

**REMITTANCE COALITION**

**SEPTEMBER 2015**

# DRIVING DIRECTORY CRITICAL MASS TWO-SIDED MARKET

## **Payee focused: Build it, & they will come – the “Field of Dreams” approach**

- Evangelize directory benefits to payee
- Drive self-enrollment of payees
- Existence of payee critical mass drives payer usage of directory

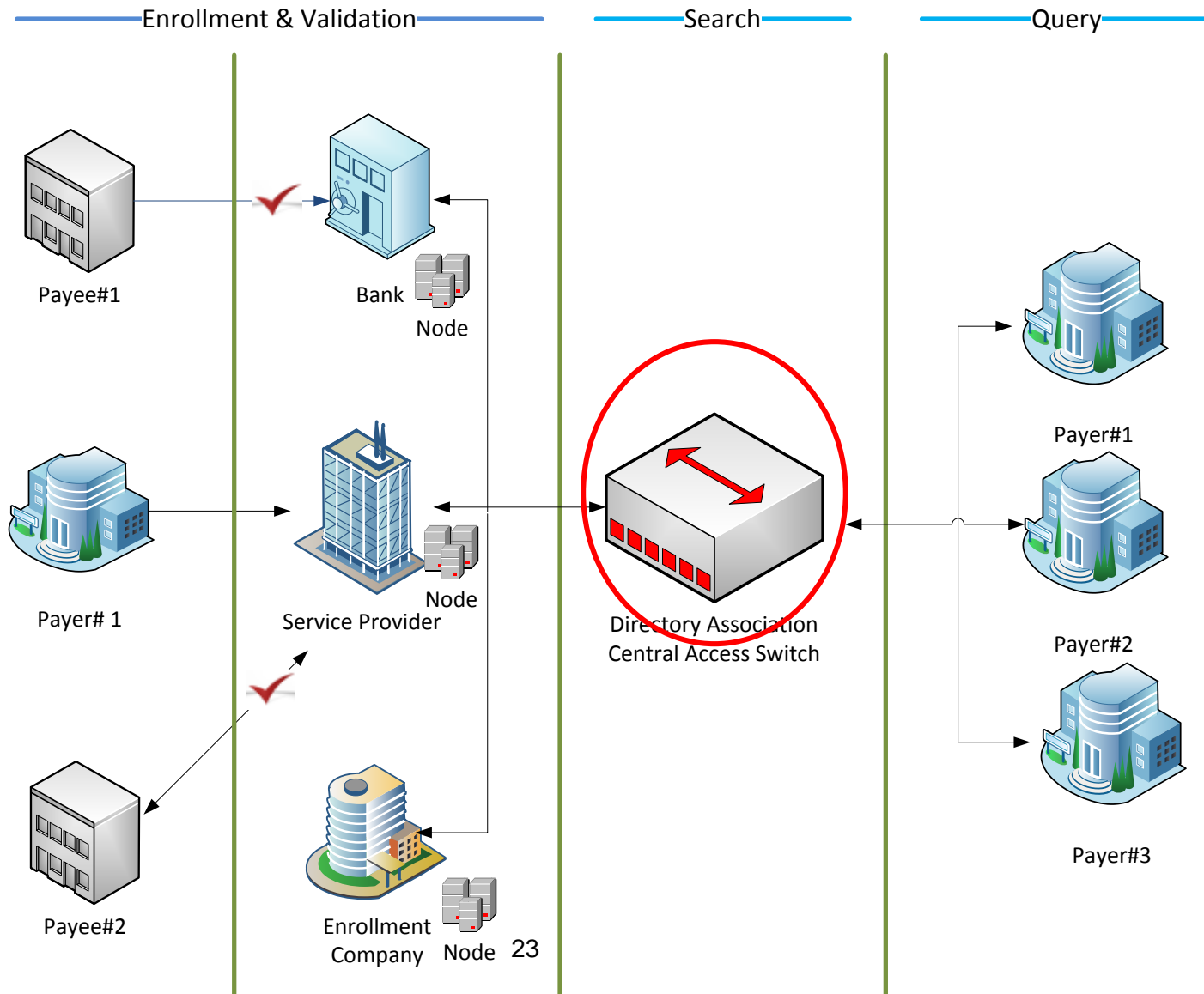
## **Payer focused: “Islands of Automation” approach**

- Payers influence their payees (vendors/trade partners) to enroll into directory
- Payers & their payees represent an “island of automation”
- Each payer served by a node-operator

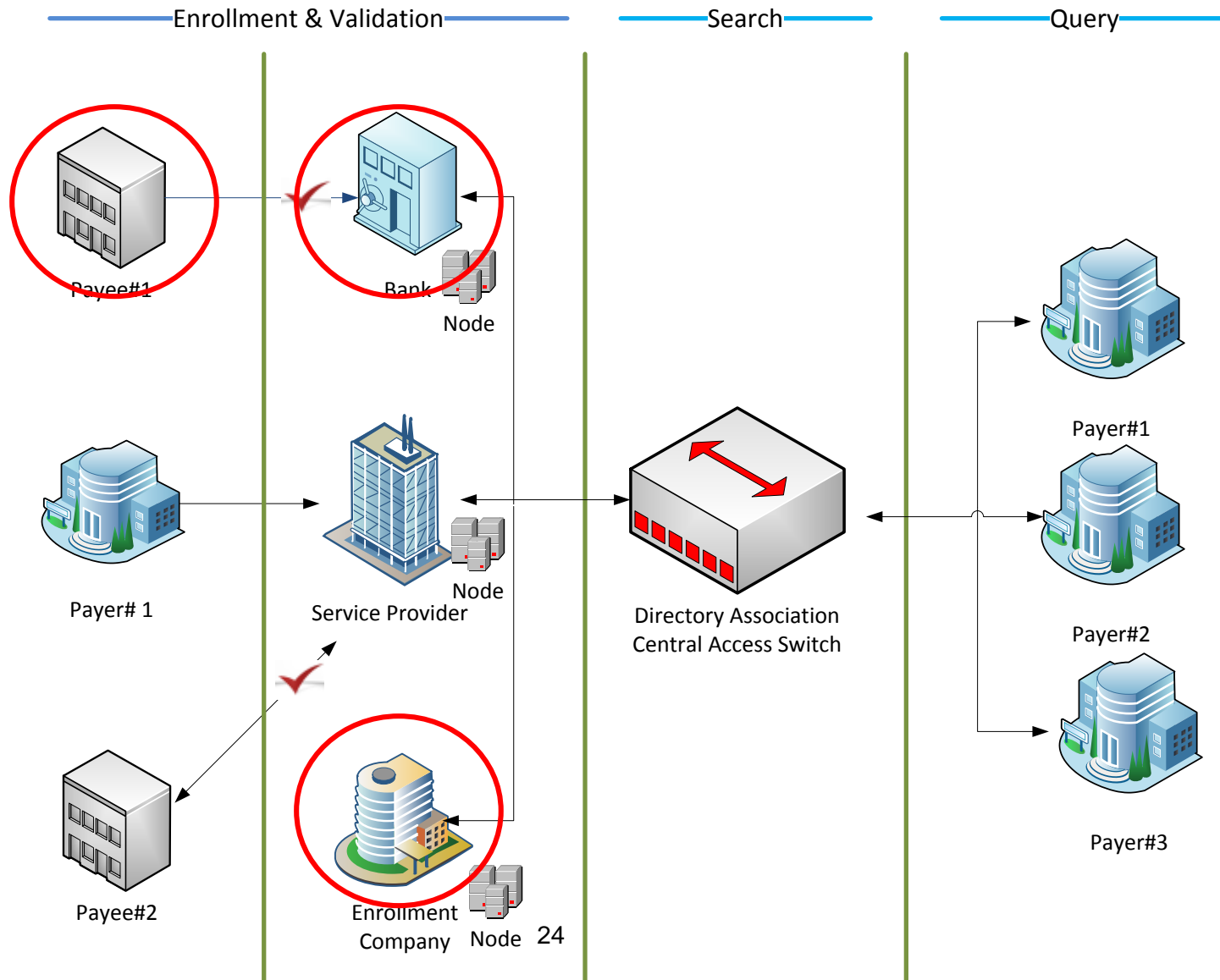
## **Both approaches can co-exist**

- An FI can be a node operator serving its payee account holders
- A Payment Service Provider can be a node operator serving a payer & its payees
- Enrollment Companies can enroll payees directly

# B2B Directory: Actors and their Roles: Central Directory

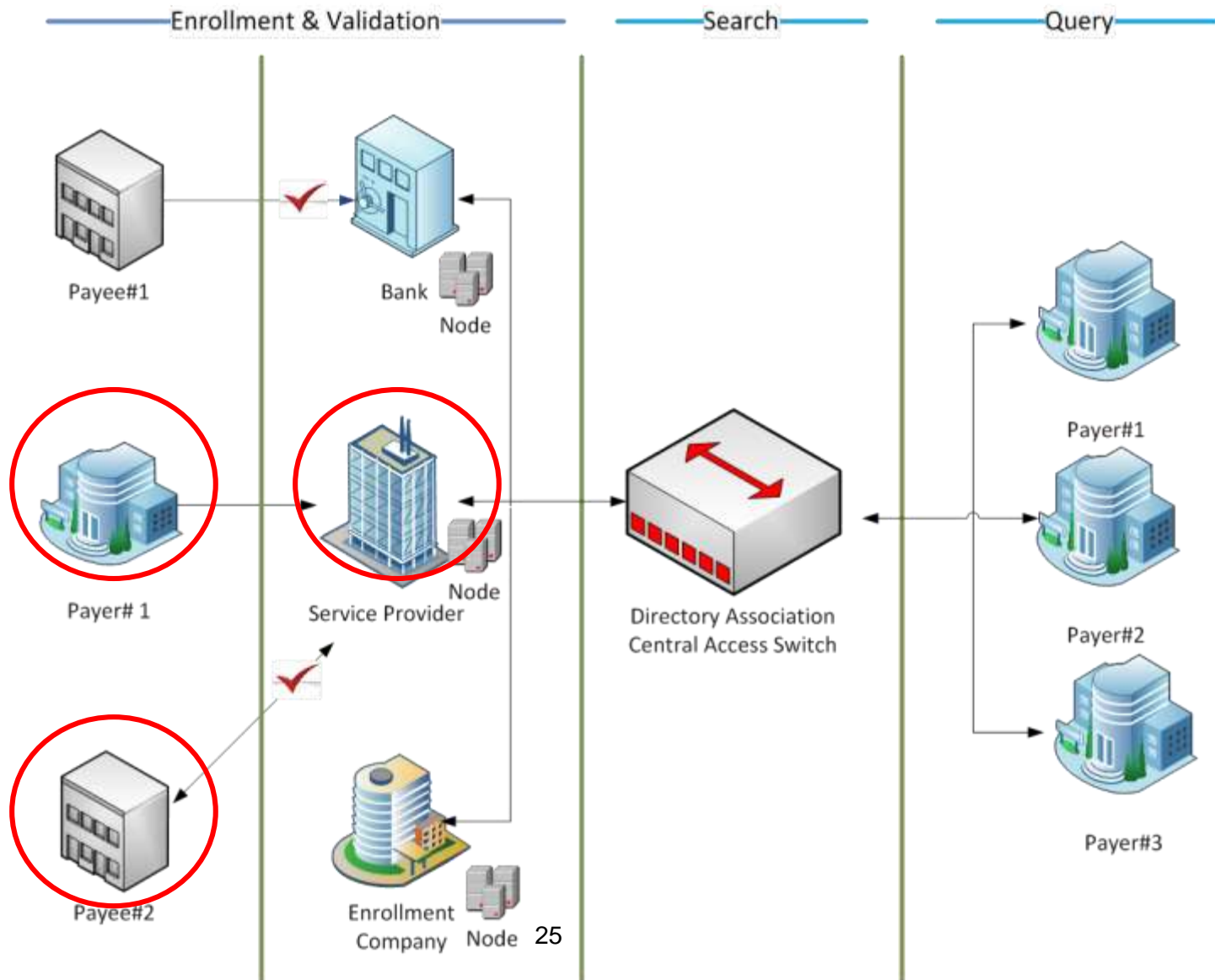


# B2B Directory: Actors and their Roles: Payees & Enrollment

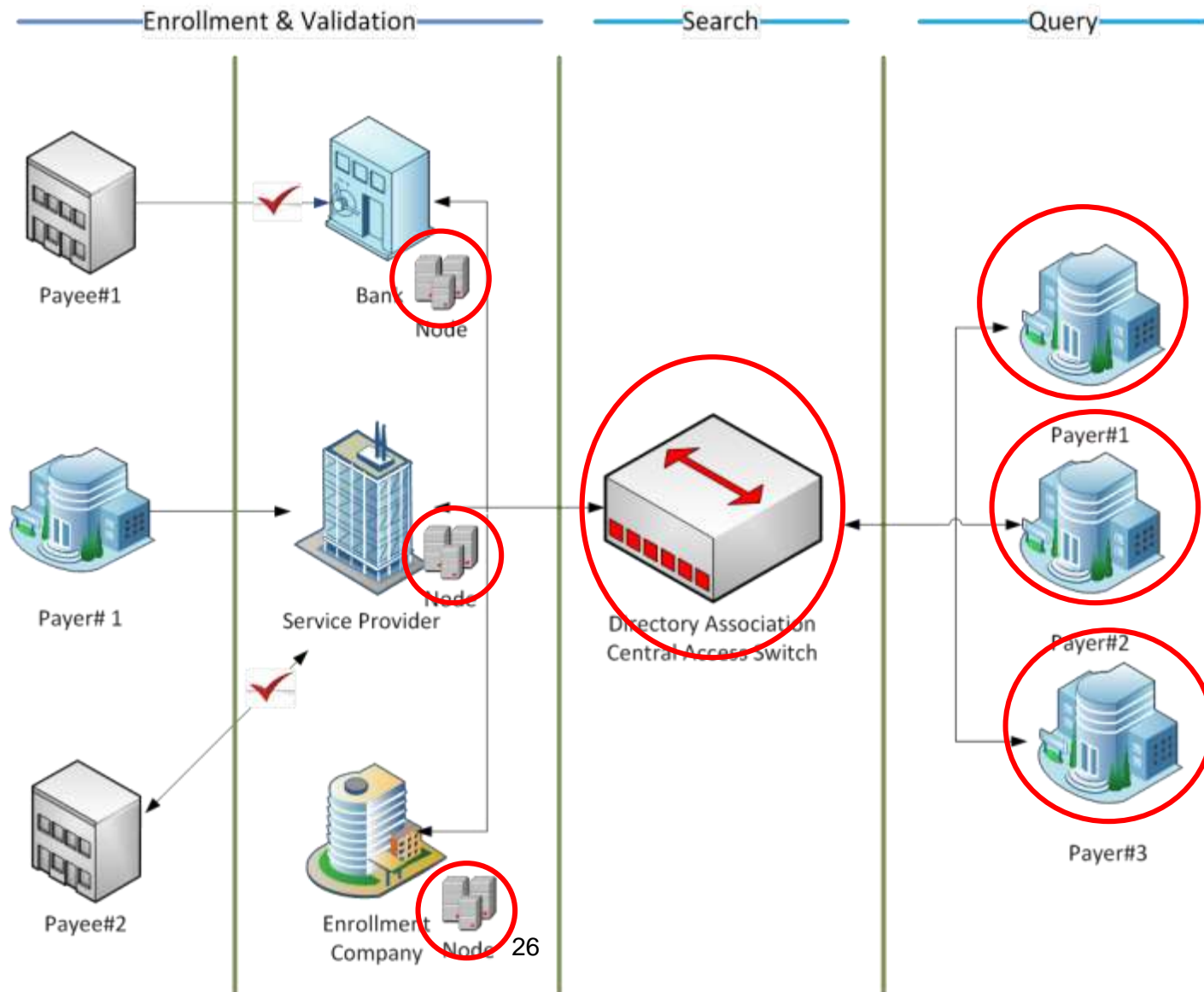




# B2B Directory: Actors and their Roles: Payees & Enrollment



# B2B Directory: Actors and their Roles: Payers



# OPERATING RULE CATEGORIES: ROLES & RESPONSIBILITIES

## Payee Enrollment & Validation

- Payees enroll directly through Node-operator
- Payers may wish to invite their suppliers; select an enrollment service provider
- Electronic Payment Identity (EPI) is owned by the Payee

## Node-Operators

- Certified Banks, Service Providers, & Corporate Node-operators
  - Standards set by Directory Association
- Validation
  - Must meet minimum KYC requirements for all payee enrollments

## Central Node Operator

- Provides query service to/from Payers & Node-operators

## Payers

- Initiate queries to retrieve Payee EPI records
- Access security to adopt FRB Faster Payment taskforce recommendations

# COMPLIANCE & OPERATIONAL ISSUES

## Potential areas requiring further analysis:

- Compliance Risks
  - KYC - Know Your Customer
  - GLBA – Gramm Leach Bliley Act
  - OFAC – Office of Foreign Asset Control
  - AML - Anti-Money Laundering
  - PCI – Payment Card Industry Data Security Standard
- Operational Risks
  - Security: Application Code Vulnerability
  - Security: Hacker Attacks
  - Security: Identity Theft
  - Performance: Disaster Recovery
  - Performance: Service Level Agreements

# QUESTIONS?