

Remittance Coalition “B2B Look-Up” Directory

Operations & Business Model Recommendations

October 2015

Core Assumptions

- ▶ Volunteer-driven Remittance Coalition project
- ▶ Modeled as an open, non-proprietary nonprofit industry utility
- ▶ The Directory is not a payment system
- ▶ The Directory does not store sensitive payment & transaction information; it provides access to payee information only
- ▶ The Directory is set up as a federated model that provides access to other Directories via nodes & hosts
- ▶ Recommendations & issues for consideration, which a future Directory organization will need to operationalize, have been developed
- ▶ Recommendations include: security & other innovations developed by Federal Reserve Security & Faster Payments Task Forces be incorporated into the Directory service

“B2B Look-up, Inc.” Draft Charter

B2B Look-up (this name is a placeholder – not a proposal or final name) will be organized in a manner that enables the provision of directory and educational services that is effective, efficient and secure to businesses, financial institutions (FIs) and other service providers.

B2B Look-up’s services will likely include enrollment, validation and access to payee information required to exchange B2B payments between corporate suppliers (payees) and buyers (payers). B2B Look-up will also likely provide a process for assuring that each node follows a set of rules for the inclusion of any data and develop policies to ensure that corporate payees have been appropriately enrolled and validated. B2B Look-up will enable access to and cache relevant data to connect payers and payees, but will not store and retain data about payees and payers longer-term. B2B Look-up’s services will be information only and will not include clearing and settling of payments.

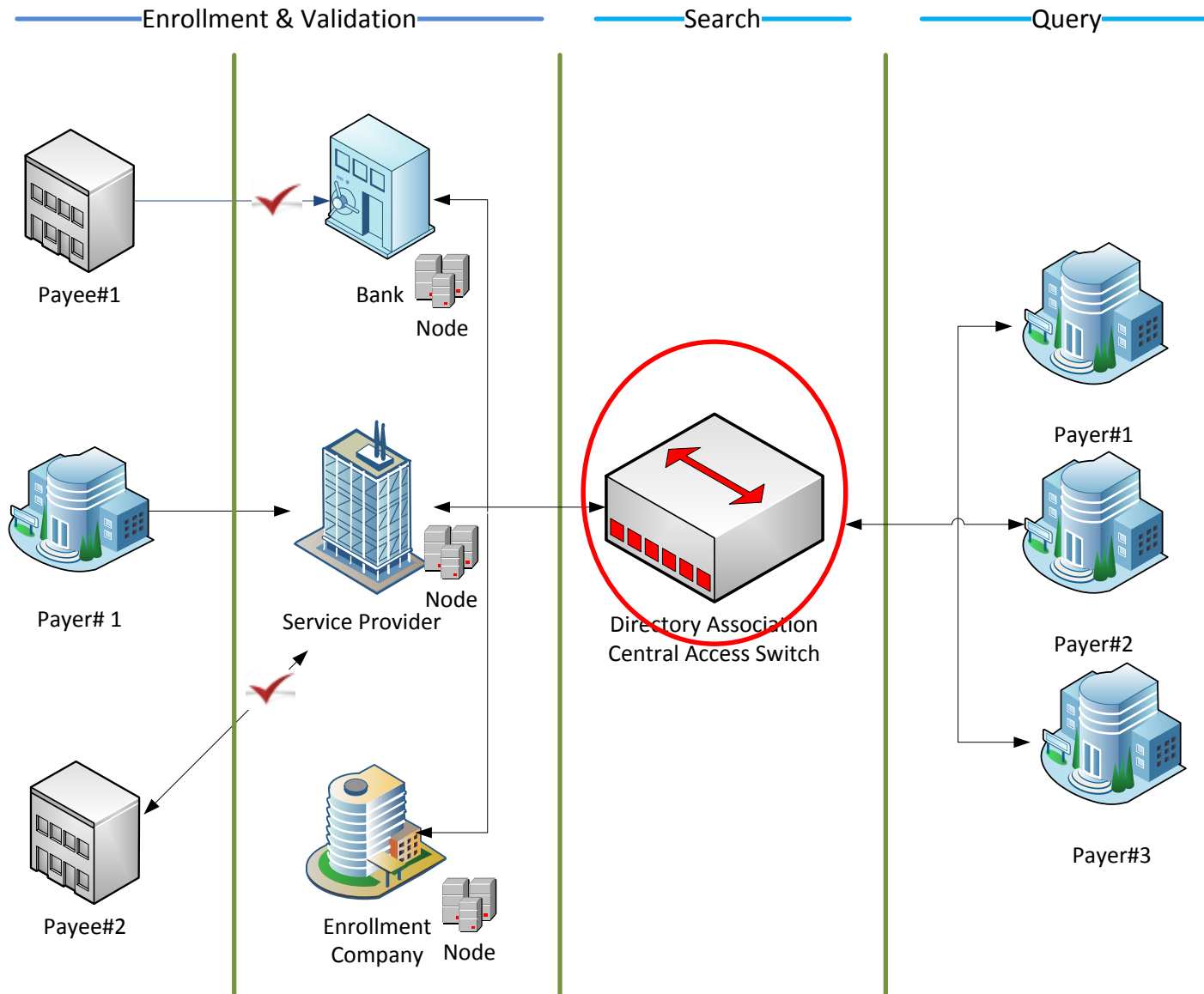
B2B Look-up may also aim to provide research and education on B2B payments and remittance information, provided adequate staffing and resources are in place to do so. B2B Look-up will offer broad access to its services and will promote open, non-proprietary technology, systems and standards.

Driving directory critical mass

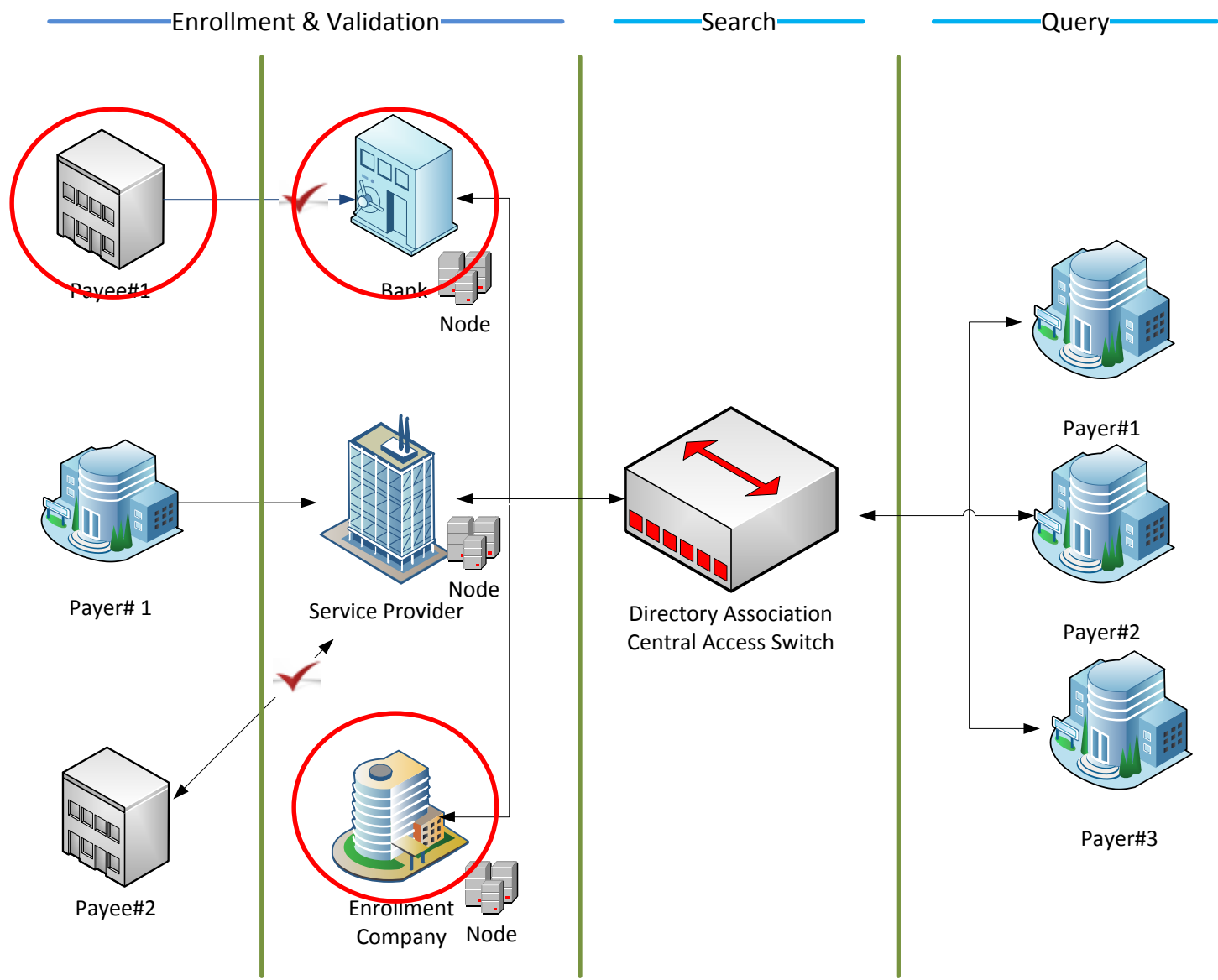
Two-sided market

- ▶ 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

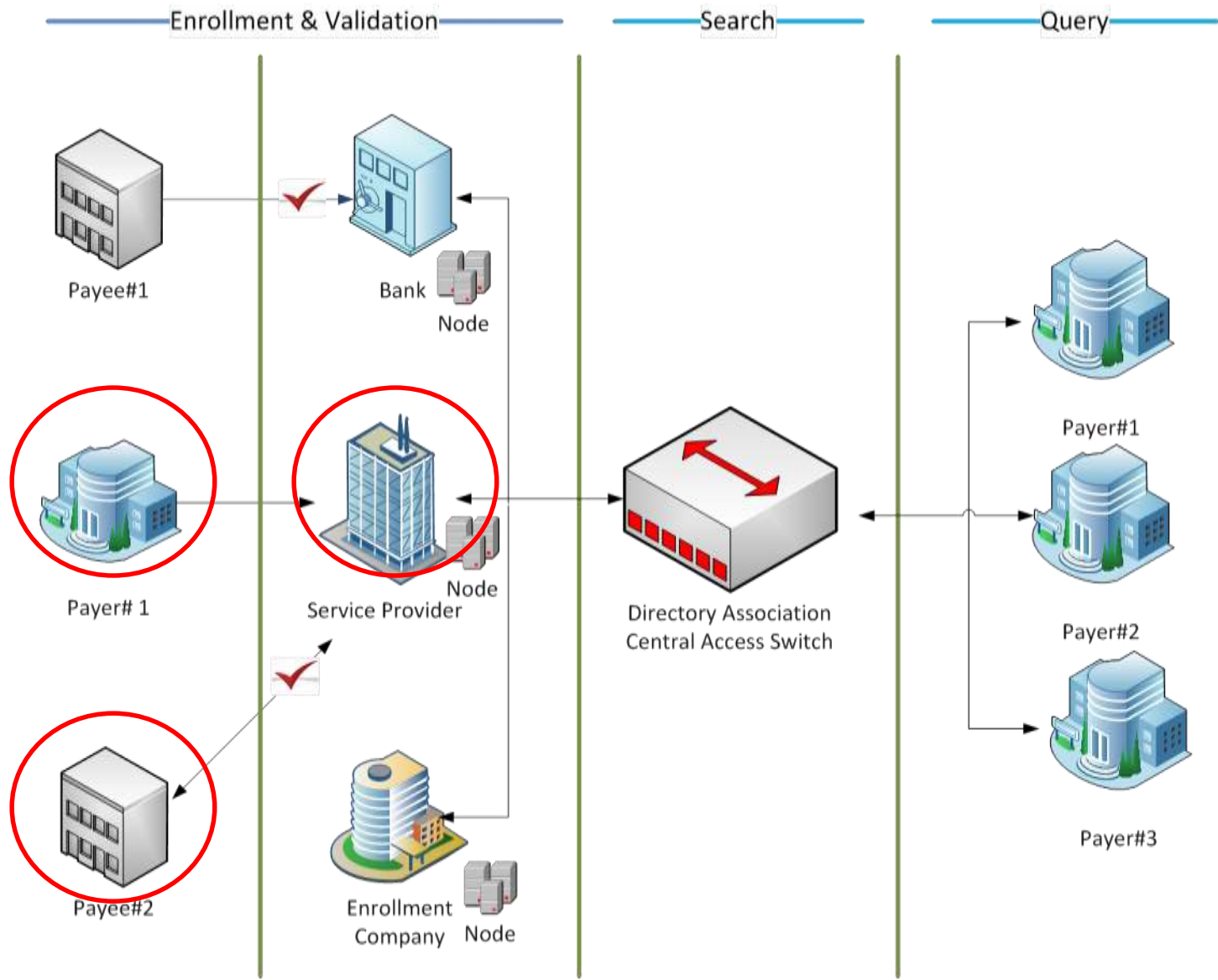
B2B Directory: Actors and their Roles: Central Directory



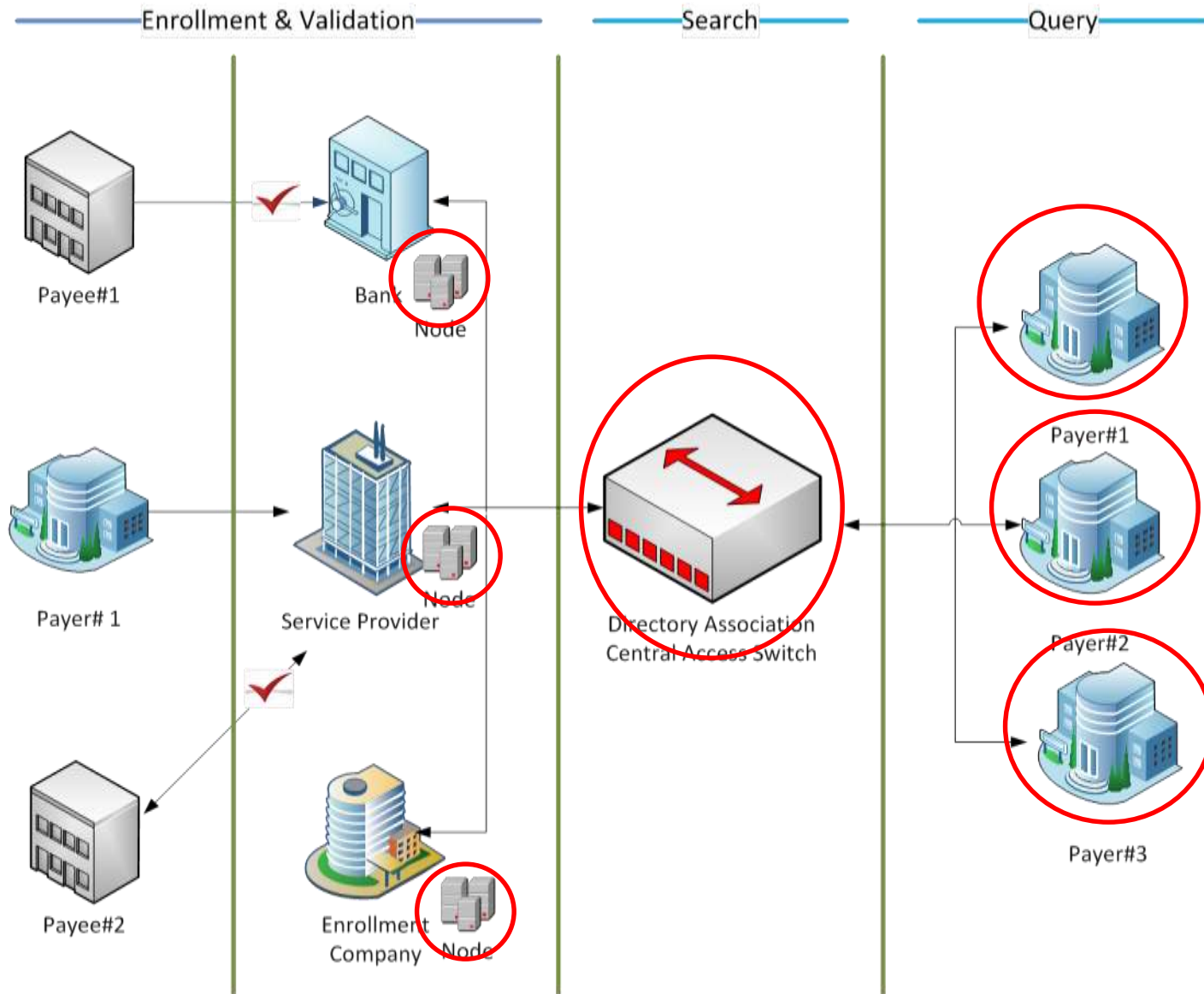
B2B Directory: Actors and their Roles: Payees & Enrollment



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

Legal Issues for Consideration

- Governance / Structure
 - Profits, loss, tax
 - Management, employees, overhead (e.g. lawyers)
 - How supervised? Regulatory jurisdiction?

- Business considerations
 - How funded?
 - Intellectual property as income source? Licensing considerations.
 - Relation to operator(s) – governed by service agreement(s)?

- Rulemaking
 - How to bind:
 - Operators
 - End Users
 - Relation to existing law

- Liability
 - IP – patent “trolls” and legitimate patent holders
 - Operational risks – inaccuracies and breaches

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