

UPIC and Wires—Perfect Together

George Thomas

UPICs for ACH have been a reality for more than half a decade. So where is UPIC for wire transfer?

First, a quick review: Universal Payment Identification Code for ACH launched in April 2002. UPICs are permanent and secure bank account identifiers that let companies receive electronic credit payments without divulging bank account information by masking bank routing and account numbers. No system changes are required and UPICs can be used with any cash management or AP system. One significant benefit is that UPICs are portable and stay with a company even if their banking relationship or account structure changes. Over 1.15 million UPIC payments worth more than \$40.2 billion have been processed to date.

There were plans to introduce UPIC for Fedwire and CHIPS from the beginning, but the consensus among financial institutions and payment system operators was to focus on UPIC for ACH, and then consider it for wire transfer systems.

Now, the growing popularity of UPICs has the corporate community inquiring about UPIC for wires. In fact, the only negative feature cited by companies about UPIC is the lack of its availability on the wire systems. Companies want one electronic remittance address for all electronic payments, not one for wire and a different one for ACH.

How UPICs would work with wire transfer

The methodology for processing UPIC payments via wire transfer would follow the same logic as UPICs on the ACH network. That is, the payment process would look identical to what the banks and their corporate customers do today. Originators would use their standard cash management interface for Fedwire initiation and supply the Universal Routing and Transit Number (URT) in the appropriate routing number field for the beneficiary's bank, and the UPIC would be supplied in the beneficiary account number field.

In order for electronic credit payments for business-to-business to be ubiquitous, a mechanism for masking the bank account information is important for privacy and security considerations, as well as providing a seamless mechanism when bank account information must exchange hands. Based on business customer input and research, it is important for the future of the industry that customers have only one electronic payment remit-

tance address for ACH and wire transfers. The remittance address can be existing banking account information or a UPIC for those that want to maintain anonymity.

I submitted a proposal to the Federal Reserve Wholesale Product office in December 2006. Unfortunately, the management at the Wholesale Product Office, believes that the interest in UPIC for Fedwire is only anecdotal, or is only being requested by a limited number of banks. The demand, however, is more than anecdotal according to some organizations that use the UPIC today for the receipt of ACH credit payments.

The University of Notre Dame is one of the organizations that understands the need for having UPIC capability for wire transfers.

Nancy Majerek, CTP, Notre Dame's treasury manager, stated "Our account information is secure for ACH credits with the use of a UPIC. UPICs for wires would close the loop for securing our bank account information and enhance operational efficiency for the receipt of all of our electronic payments." Majerek added: "

A wire transfer UPIC would allow the University to place UPIC wire transfer instructions on the University Web site to better facilitate the receipt of student tuition payments that are sent by wire from parents, donors, vendors and companies who send research and grant money without putting the University's bank account information at risk."

The state of Nebraska also sees the benefit of using UPICs for wire transfers. "The state is very interested in utilizing UPIC for wires," said Nebraska State Treasurer Shane Osborn. "Although the State currently utilizes UPIC relating to ACH transactions, there is no mechanism currently in place to offer the same protection relating to wire instructions. UPIC would offer the State an excellent way to continue to service state agencies and their customers while minimizing risk relating to fraudulent transactions."

After two-and-a-half years, no action has been taken on the proposal, even though the project could be completed in a relatively short period of time. Limiting the use of UPIC to ACH is a significant barrier for broad adoption of the UPIC. It is imperative that all companies and banks that believe it is important to have UPICs for wire transfers communicate the importance of this issue to the Fed's Wholesale Product Office. ▲

George Thomas is Principal of Radix Consulting Corp.

(www.radixconsulting.com) and can be reached at gthomas@radixconsulting.com.