



Expanded Remittance Information is Coming, So Get Ready

American Banker | Wednesday, May 25, 2011

By George F. Thomas

After a significant delay, the U.S. wire transfer systems Fedwire and The Clearing House Interbank Payments System will deploy expanded remittance information on Nov. 21, 2011.

The large-value systems in the U.S. will now provide a business-to-business capability that corporations have been seeking for many years.

ERI will provide the opportunity for business originators to include up to 9,000 characters of structured-payment remittance information (invoice number, invoice date, purchase order numbers, invoice gross amount, amount paid, discounts taken, adjustments and adjustment codes) for up to about 30 invoices with their payment. Compare this with the existing beneficiary information capability of 140 characters of free format data that precludes the use of automation in the application of the incoming payment. The payment message formats for Fedwire and CHIPS have been modified to carry the structured-payment details that will position the U.S. as the first country in the world to enable its large-value systems for business-friendly payments. There is a global need for payment systems to carry business remittance information but the banking industry has been very slow to heed the requests of their business customers.

The goal of ERI is to provide structured-payment information to beneficiary companies for automating cash application and posting to receivables. There will no longer be a need to match the payment details manually.

The ERI can be transmitted by the originating company in any format that the originating bank and customer agree to. The originating bank can use one of three formats to transmit the ERI over CHIPS and Fedwire.

The main use of ERI will be initially focused on satisfying the business-to-business needs for domestic wire transfer payments. However, the new feature can and will be used by

multinational corporations for international payments through the use of the Society for Worldwide Interbank Financial Telecommunication's MT 103 Remit, which can carry the 9,000 characters of ERI for delivery to beneficiaries outside the U.S. The issue today is that the MT 103 Remit can only be used in a closed user group. Banks that provide global payment services can join the closed user group to facilitate cross-border payments with ERI until Swift develops a more comprehensive strategy for transporting this information.

While there is a CHIPS and Fedwire requirement for all banks to implement the capability to receive the ERI, there is no mandate for the originating bank to be able to send the information or for the receiving bank to deliver the information to the beneficiary. This is the equivalent of building a highway without on and off ramps. A highway without on and off ramps is useless — conversely a payment system without an origination or receipt capability is just as useless. It is refreshing to hear that some innovative banks will be providing the origination and information delivery from day one, Some banks are taking a wait-and-see attitude, while others are sticking their heads in the sand claiming there is no demand from their customers. The no-demand myth has been dispelled through extensive research. The most recent AFP research in July 2009 revealed that an overwhelming majority (95%) of survey respondents indicated that remittance information would be valuable to their organizations if it were included in the wire transfer message.

The banks that are willing to offer origination services and information delivery to their business customers will have an immediate competitive advantage over those that do not. It seems likely to me that the banks that do offer the service will be very appealing to the business customers of those banks that do not offer the service.

The ultimate success of ERI will depend on the origination and remittance information delivery services provided by banks. A mandate would have been nice, but it is really unnecessary because competition will be the driver that will ultimately determine the success of this initiative. Banks that are sitting on the fence should know that ERI will be here on Nov. 21 — ready or not. Banks that are taking a wait-and-see approach should be asking: Will my competitors be ready?

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