

BUSINESS JUSTIFICATION
FOR THE DEVELOPMENT OF NEW UNIFI (ISO 20022) FINANCIAL REPOSITORY ITEMS

A. Name of the request:

Creditor Payment Activation Request

B. Submitting organization(s):

Associazione per il Corporate Banking Interbancario (ACBI),

Via delle Botteghe Oscure, 46

00186 Rome – Italy

C. Scope of the new development:

This submission concerns the registration of a new message set within the Payment Initiation business area.

The Creditor Payment Activation Request has been designed to enable Financial Institutions to offer a new payment activation message to be used into the Customer-to-Bank area to support the development of Financial Value Chain services.

The goal is to enable banks to offer an innovative service which allows their Beneficiary customers (e.g. Sellers) to submit to their Originator (e.g. Buyers) a credit transfer request, including the payment and the remittance information details.

This new service could be used in all Customer-to-Bank communities (e.g. Web portals, Marketplaces, eProcurement platforms,...) where Buyer and Seller use payment services offered by Financial Institutions to complete payment and reconciliation activities.

Creditor Payment Activation request can be used to request payment both for electronic and for paper based documents (e.g. electronic/paper invoices), and can support reconciliation activities also on existing document standards (e.g. EDI/EDIFACT invoice standards).

In this way, automated reconciliation of the information related to the physical and financial supply chain will become much simpler as the corporate clients will use this service to pass remittance reference information.

In fact, by using this service, the interoperability among banks and corporate will improve as well as the level of automation, significantly reducing the “paper based” activities.

Moreover, it’s relevant to underline as the message set of this service has been defined in the Customer-to-Bank area in compliance with ISO20022 standards, in order to ensure the alignment and the interoperability with the existing international payment initiation message standards.

More in details, Creditor Payment Activation Request will be based on ISO20022 Data Dictionary and Business Process Catalogue, both on Payments and Cash Management domain and on Invoice Financing and Electronic invoice standards, already registered in

Repository ISO 20022. It will be compliant with SEPA Credit Transfer and Direct Debit services.

Payments SEG should evaluate this set of messages.

D. Purpose of the new development:

In the new international scenario, companies demand new functions enabling more efficiency of the internal processes, the reduction of the operating costs, the simplification of the interaction modalities and more automation.

In fact, a company's network of suppliers, distributors, customers, partners and employees is becoming an increasingly important source of competitive advantage. To optimize these networks, the corporate needs to reach all the various partners within the business community, including in addition to the traditional stakeholders all those involved in the financial value chain, in an end-to-end perspective.

Nevertheless corporate have successfully automated large portions of the physical supply chain processes, the financial supply chain processes continue to require labour and cost intensive manual intervention, and there is no automated process in physical and financial supply chain reconciliation.

The traditional reconciliation process of the physical with the financial transaction afterwards (accounts' receivables / accounts' payables reconciliation), is a completely manual process, characterized by numerous human-intensive activities implying:

- possible mistakes and mismatches between commercial documents and financial' s
- long time of processing: documents are often sent too late or, sometimes, lost
- high processing costs
- low usability of the information

Therefore the corporate customers now want to be able to manage payments in a more flexible way and they want to improve the efficiency of the trade supply chain, increasing the degree of automation and integration in the trade transaction lifecycle.

In the face of these challenges, Creditor Payment Activation Request standard allows banks to offer a value-added service to their customers, ensuring an appropriate management of the remittance information and enabling the automatic reconciliation and interoperability.

These needs refer not only to B2B transactions, but also to B2C (Business-to-Consumer), B2G (Business to Government) and C2G (Customer to Government) transactions.

As examples of these, there are transactions related to payment of invoices and other commercial documents (B2B), eBilling services (B2C and C2G), web portal and on line information services (C2G and B2G); web portals can use this service to send payment requests to portal customers (e.g. Public Administration portal can send Creditor Payment Activation Request messages to the portal users including reconciliation information).

Within this kind of business transactions, the use of Creditor Payment Activation Request will support automated reconciliation and Straight-Through-Process activities including, for example, complete multi-invoice remittance information (e.g. URI/End to End ID +

remittance information details) that are included by the Beneficiary/Seller and sent throughout the payment chain (e.g. Clearing systems)

Within B2C transactions, Creditor Payment Activation Request can support also the development of new payment requests such as mobile-payment (e.g. Merchant sends a Creditor Payment Activation Request on user's mobile that verify and forwards it to his Bank).

Thanks to the proposed service, a beneficiary could activate the payment process (through a payment service such as, for example, SEPA Credit Transfer), with the possibility to insert the remittance information, achieving real STP and the optimization of the speed at which transactions are processed.

As an additional opportunity, Creditor Payment Activation Request can be used as a "Pay-me" reminder standalone service, used by the Creditor to request a payment to the Debtor; for example the Creditor could send the Debtor a payment request for unpaid invoices /other documents (e.g. Public Administration electronic bills; in this case the service is used as an asynchronous request – invoice has been transmitted earlier) including complete remittance information thus enabling automated reconciliation activities.

Depending on specific agreements on message usage rules, Debtor can complete and/or change the information included into the message (e.g. transaction amount).

To better understand the opportunities related with this new service, it is important to highlight the following differences:

- Differences between "Creditor Payment Activation Request" and ECBS/ePI (electronic Payment Initiator)
 - Creditor Payment Activation Request can include detailed reconciliation information, not only Unique Remittance Identifier – URI/End to End ID (e.g. details on document information + amount paid for each invoice)
 - The matching between the URI/End to End ID – sent throughout the Clearing & Settlement systems – and the complete remittance information included into the Creditor Payment Activation Request can facilitate automation on Financial Value Chain (also supporting reconciliation on paper documents)
 - Also Debtor reconciliation activities can be facilitated using Creditor Payment Activation Request service
- Differences between "Creditor Payment Activation Request" and "e-mandate" that will be used for SEPA Direct Debit
 - In SEPA Direct Debit mandate is agreed between Creditor and Debtor.
 - Creditor Payment Activation Request does not require mandate; Creditor sends the request message, the Debtor check it and if he agrees he forwards the message to his bank (Debtor Agent) for payment execution. This scheme can be used also for "occasional" business transactions.
 - Depending on the message implementation rules, Creditor Payment Activation Request amount can/cannot be changed by the Debtor. This feature enables the service to be more flexible for different business scenarios.

To conclude, as requested by emerging corporates needs, ~~in line with the corporate needs~~, this service **will ensures** a correct and efficient management of the reconciliation information

by both creditor and debtor (matching, for example, document codes and numbers), ensuring the reduction of possible mistakes due to incomplete or incorrect data inputting, and increasing the efficiency of all business processes along the complete commercial transaction chain (e.g. matching orders, delivery notes, payment request,...).

E. Community of users:

The new message set is intended to benefit:

- corporate customers. They will be able to:
 - reduce operating costs
 - increase the Straight Through Processing (STP) level, sending to their debtors (both corporate and retail) Creditor Payment Activation Request messages with complete remittance information already included;
 - increase transparency of payment process, reducing claims and investigations;
 - eliminate human based reconciliation processing expenses (both on creditor and on debtor side).
 - allocate the resources in core and high value activities

- all banks and other financial institutions. They will be able to:
 - improve interoperability among market players;
 - increase product and service levels offered to their clients;
 - improve relationship management and competitive positioning as an innovative e-business.

ACBI community will adopt this set of messages to offer Creditor Payment Activation Request service.

F. Timing and development:

The new candidate UNIFI business and message models are planned to be submitted for registration to the RA for end-June 2008.

Representatives of all parties will be involved in the development in order to ensure collection of all business requirements: corporate, banks, vendors.

ACBI will collaborate with other industry experts in the standards development, through a team of business analysts and technical experts.

During the development of the documentation, the Registration Authority will be asked for feedback on documentation produced and on updates required for aligning the registration request with ISO standard.

G. Commitments of the submitting organization:

ACBI confirms that it can and will:

- undertake the development of the candidate UNIFI business models and message models that it will submit to the RA for compliance review and evaluation. The submission must include Business Process Diagram (activity diagram), Message Flow Diagram (sequence diagram) and Message Definition Diagram (class diagram), and, optionally, examples of valid and invalid XML instances of each candidate message and other descriptive material that will be used by the RA to generate the Message Definition Report;
- address any queries related to the description of the models and messages as published by the RA on the UNIFI website.

ACBI confirms to support testing and implementation of the messages in CBI community once the related documentation has been published by the RA.

ACBI is committed to initiate and participate in the future message maintenance.

ACBI confirms its knowledge and acceptance of the UNIFI Intellectual Property Rights policy for contributing organizations, as follows.

“Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free licence to use the published information”.

H. Contact persons:

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Annex – Creditor Payment Activation Request business scenario

In order to provide an overview of the reference model adopted for defining of the “Creditor Payment Activation Request”, a complete business scenario has been identified.

The scenario identifies two main phases, as illustrated in the picture below.

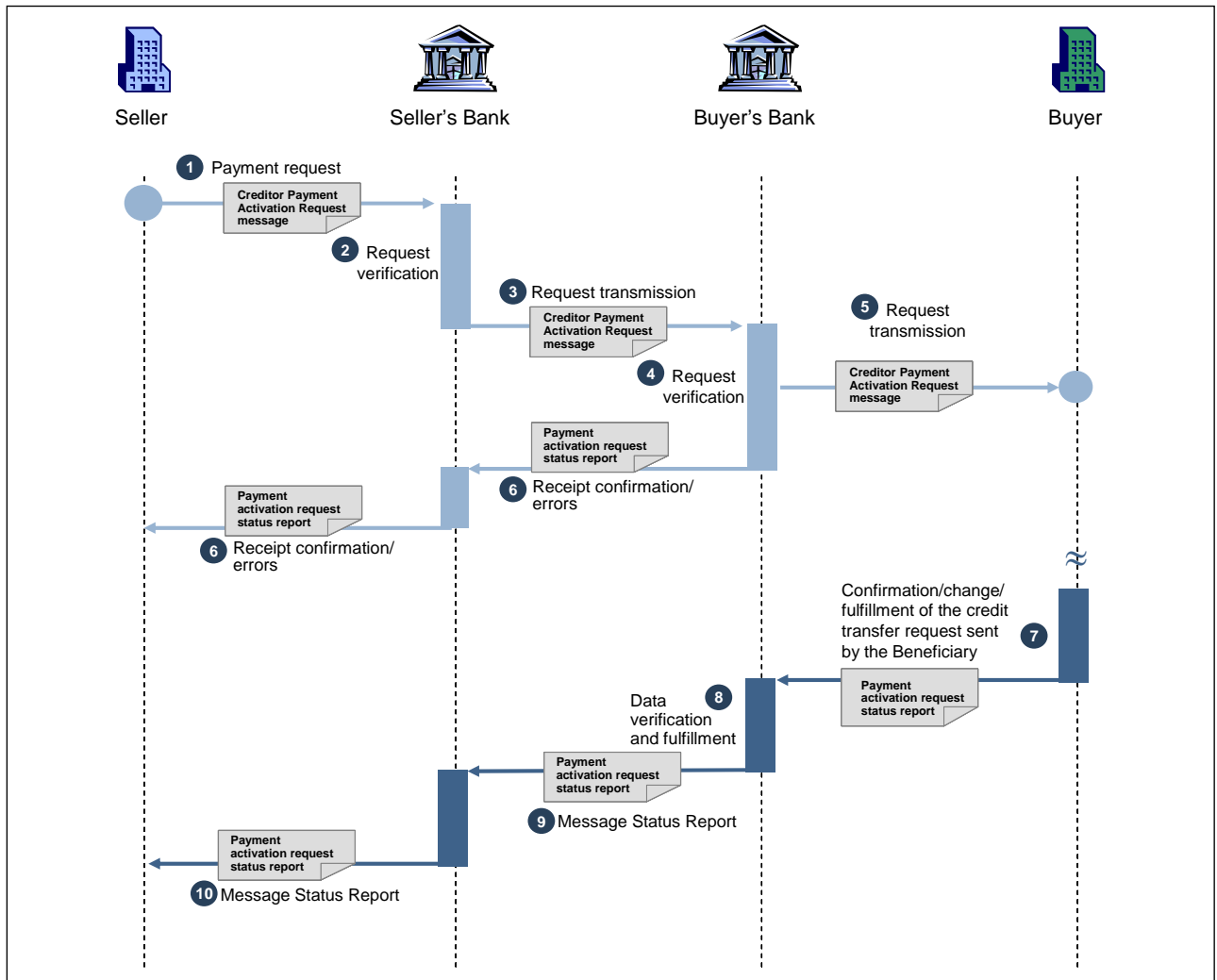


Figure 1: Business Scenario – Overview

As illustrated in the picture, the Creditor Payment Activation Request process consists of two main phases:

1. *Payment Request issuing (flows 1-2-3-4-5-6): the seller issues and sends a “Creditor Payment Activation Request” message to his bank (Seller’s Bank), which checks the payment request message (e.g. message syntax verification). According to the results, the Seller’s Bank forwards the request to the Buyer’s Bank, which completes the verification on the payment request message, forwards the message to the Buyer and sends a message status report to the Seller’s Bank.*
2. *Buyer’s confirmation/ refusal of the “Creditor Payment Activation Request” (flows 7-8-9-10): received the request by the Buyer’s Bank, the Buyer can confirm or refuse the payment request. His bank elaborates and sends a “Payment Activation Request Status Report” message (e.g. payment request confirmed by Buyer) to the Seller through the Seller’s Bank.*

After reception of Buyer confirmation message, the Buyer's Bank can activate the execution of the confirmed Customer Credit Transfer including the remittance information specified by the Creditor (out of scope of this Business Justification).

It's relevant to underline that - depending on the agreement between Buyer’s Bank and the Buyer - the Buyer's Bank may activate the execution of the confirmed Customer Credit Transfer at the same time it forwards the confirmation of the Creditor Payment Activation Request towards the originator.

The following pictures illustrate more detailed scenarios related to the second phase: refusal of the creditor payment activation request sent by the beneficiary (the same flow can be applied to confirmation message).

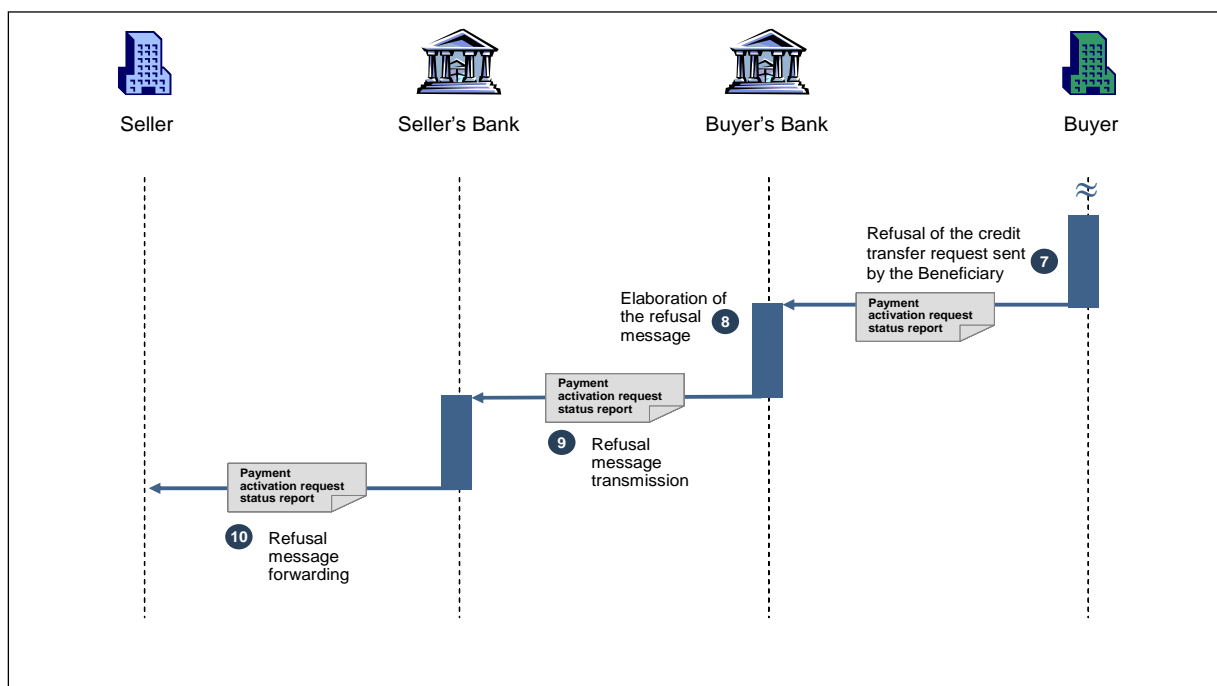


Figure 2: Refusal of Creditor Payment Activation Request sent by the beneficiary

In this business scenario, received the request by the Buyer's Bank, the Buyer refuses the payment request (7). His bank elaborates (8) and sends to the Seller's Bank (9) a "Payment Activation Status Report" message specifying the refusal to the payment. The Seller's Bank forwards this message to the Seller (10).

The "Creditor Payment Activation Request UML Model" being completed by ACBI includes the complete set of messages for "Creditor Payment Activation Request service" execution.

In addition to the Bank-to-Bank scenario described above, Creditor Payment Activation Request can be used in different business scenarios such as "Seller portals" and/or "e-procurement" portals.

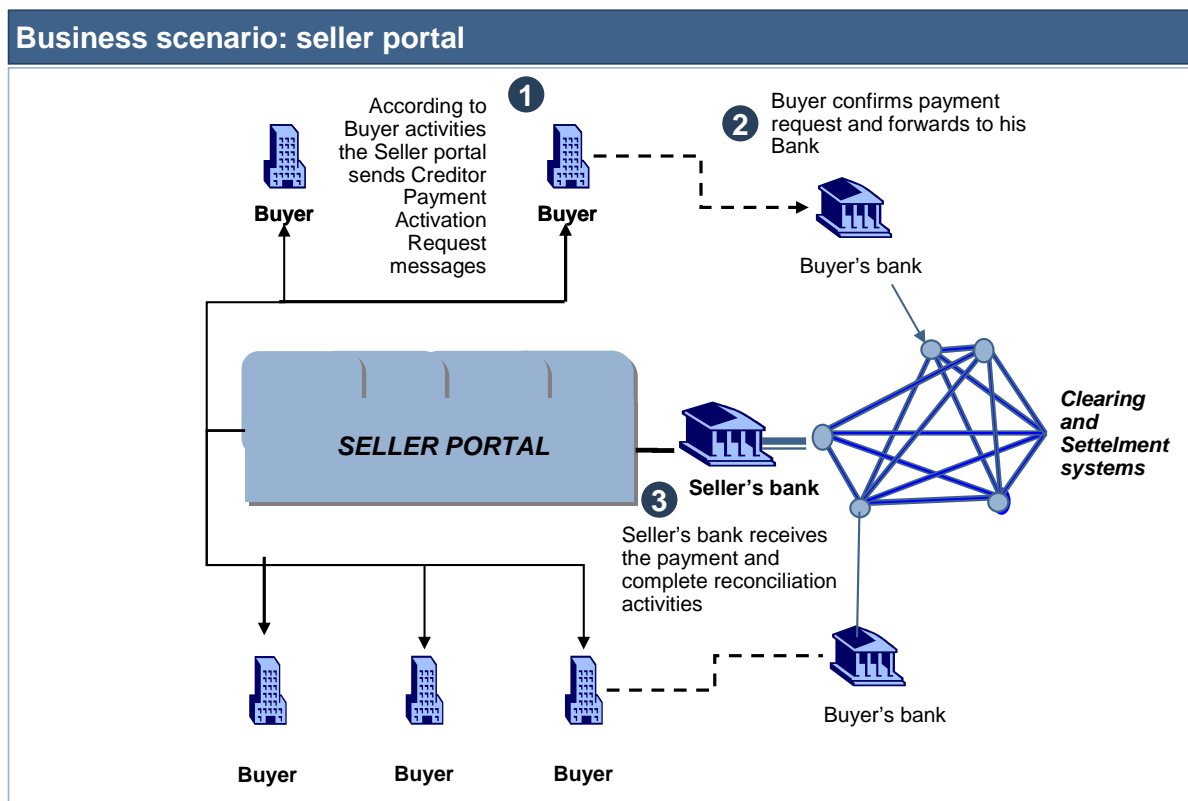


Figure 3: Seller portal business scenario

In this high level business scenario, according to Buyer activities, "Seller portal" sends a Creditor Payment Activation Request message to the Buyer (1) that can forward the message to his bank for execution (2). When payment is completed Seller's bank receives the payment (e.g. from Clearing Systems) and complete reconciliation activities.

As illustrated in this scenario, the "Seller portal" can create the Creditor Payment Activation Request message request – including complete remittance information – on behalf of the Seller; the Buyer can then complete the message (e.g. completing Debit account information) and forward it to his Bank.

As an alternative business scenario, Creditor Payment Activation Request message can be used on buyer portals for example as a "Pay me" reminder, to support the Buyer in the creation of payment messages (1).

Business scenario: buyer portal

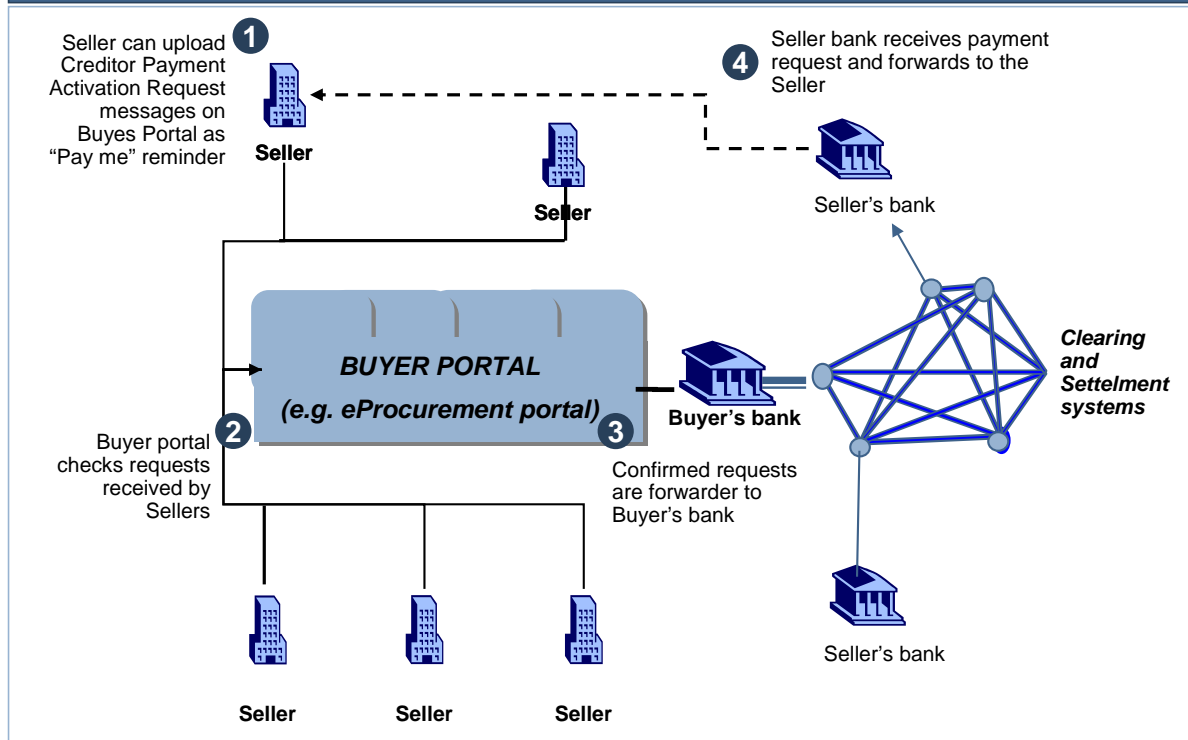


Figure 4: Buyer portal business scenario

After having received the message, the "Buyer portal" verifies requests received (2) and creates payment messages that are sent to Buyer's bank (3). When the payment is completed, Seller's bank receives the payment request and forwards it to the Seller (4).

Reply to French comments

1- To better understand the scope and impact of this new Business justification, we would like to know the link between these new messages set and the other messages sets. In particular, as in the scope of the new BJ the Sellers (the Customer) and the Buyers (the Originator) are mentioned as example, what is the link with the InvoicingFinancingRequest messages ?

Business Justification refers to a new payment service, to enable banks to offer an innovative service which allows their Beneficiary customers (e.g. Sellers) to submit to their Originator (e.g. Buyers) a credit transfer request, including the payment and the remittance information details.

Remittance information, as all other information included into the message, are going to be expressed using message components already registered in ISO20022 Repository.

There is no direct link with Invoice Financing Request service (this is a financial service, while Creditor Payment Activation Request is a payment service).

Creditor Payment Activation request can be sent through several channels such as:

- Interbank network (e.g. from Creditor's to Debtor's bank)
- Web portals used, for example, by existing business communities
- Other business communities that already exchange electronic documents (e.g. EDI communities)
- Other channels (e.g. paper based transmission)

When the debtor receives the Creditor Payment Activation request, he can send the message directly to his bank for STP payment execution. Depending on specific agreements on message usage rules, Debtor can complete and/or change the information included into the message (e.g. transaction amount)

2 - We feel we are missing a global vision of the related value chain and the positioning of this BJ towards the one already sent and we would like to ensure that BJs are not sent one after the others without having a consistent global view.

We have analyzed existing BJ and this area is not covered yet. In order to provide an overview of the reference model adopted for defining of the Creditor Payment Activation Request, a complete business scenario has been added in this Business Justification.

3- The BJ asks the Payments SEG members the evaluation of this messages set. These messages may be used by other business area like Trade Finance. We would like the Trade Finance SEG gives its comments. As we know that the Trade messages are being reviewed, has the Trade SEG planned to develop a message with a similar scope ? “

Creditor Payment Activation request will be a new service offered by Financial Institutions on Customer to Bank area.

We believe that Payment SEG should be in charge of evaluating this set of message.

Alignment with others SEG activities will be ensured by the reuse, for message standards developments, of existing ISO20022 components (where applicable); this will ensure the alignment of the messages with the international ISO Repository and its compliance with European SEPA initiative.

RA will ensure overall Repository consistency and alignment of message standard design process.

Reply to Austrian comments

In general the development of different "standards" not aligned with already started activities in the European banking community has to be avoided. We see it necessary that the Italian initiative should be aware and aligned with other ongoing projects and activities in Europe, such as the European Payments Council (EPC) SEPA e&m-Payment/SOP TF" or the already existing banking standard "Electronic Payment Initiator" (ECBS/ePI) which should be taken into consideration as a good starting point for creation of specific xml-messages.

We ask to establish a good liason of both initiatives within ISO and EPC.

The alignment with ISO and EPC initiatives will be ensured by the reuse, for message standards developments, of existing ISO20022 components (where applicable); this will ensure the alignment of the messages with the international ISO Repository and its compliance with European SEPA initiative.

RA will ensure overall Repository consistency and alignment of message standard design process.

Reply to NL comments

- *there is already much work done in "SEPA e&m-Payment/SOP TF"*
- *it has to be avoided strictly that "standards" are developed that are not alligned with already started activities in the European banking community.*

As a result the Netherlands will vote 'No' to this Business Justification. This vote may be reconsidered if:

- *it is amended and updated to reflect alignment with other ongoing activities (including ISO 20022 Trade SEG, standards for SEPA Credit Transfer, ..) and projects,*
- *the position of the topic covered by this Business Justification is made clear within the related value chain.*

Creditor Payment Activation Request will be based on ISO20022 Data Dictionary and Business Process Catalogue, both on Payments and Cash Management domain and on Invoice Financing and Electronic invoice standards, already registered in Repository ISO 20022. It will be compliant with SEPA Credit Transfer and Direct Debit services.

Reply to Finnish comments

1) Is the intention of submitters to invite banks to participate to this project with funding? We are doubtful for open standard to fly in case there is no commitment to have all this implemented.

To be verified if this request is in the scope of ISO20022 initiative (not related to the definition of message standards).

2) What would be the relationship of this proposal to SEPA DD services?

7) Which elements are supposed to include in this message set? Is it possible to use the whole range of element groups or is the content of message restricted to certain elements of ISO20022 Customer Credit Transfer Initiation?

8) What kind of identifier is used to identify the buyer i.e. where the Payment Activation Request is addressed to?

Creditor Payment Activation Request will be based on ISO20022 Data Dictionary and Business Process Catalogue, both on Payments and Cash Management domain and on Invoice Financing and Electronic invoice standards, already registered in Repository ISO 20022. It will be compliant with SEPA Credit Transfer and Direct Debit services.

As an additional opportunity, Creditor Payment Activation Request can be used as a “Pay-me” reminder standalone service, used by the Creditor to request e payment to the Debtor; for example the Creditor could send the Debtor a payment request for unpaid invoices (asynchronous request – invoice has been transmitted earlier) including complete remittance information thus enabling automated reconciliation activities.

3) In SEPA environment banks have signed Adherence Agreements for joining SEPA. This has led banks becoming either Direct or Indirect players in Europe. Would a similar set up required in order to have full reachability at least in Europe?

In line with ISO20022 Payment Initiation messages, addressing and reachability issues are out of scope of this submission. These issues depend on the “transport layer”, i.e. the network that communities will use to exchange messages are not related to the standard itself

4) Is the purpose of this message set to serve only Business to Business trade or is it possible to use also in collection of payments from consumer customers?

5) Is it possible to use this message set also in local collection or only in collection of international payments?

6) Can you give one or more examples of payment types which are supposed to benefit this message set in Italy?

Creditor Payment Activation Request can be used not only to B2B transactions, but also to B2C (Business-to-Consumer), B2G (Business to Government) and C2G (Customer to Government) transactions.

As examples of these are transactions related to payment of invoices and other commercial documents (B2B), eBilling services (B2C and C2G), web portal and on line information services (C2G and B2G).

Within this kind of business transactions, the use of Creditor Payment Activation Request will support automated reconciliation and Straight-Through-Process activities including, for example, complete multi-invoice remittance information (e.g. URI/End to End ID + remittance information details) that are included by the Beneficiary/Seller and sent throughout the payment chain (e.g. Clearing systems)

9) Shall the seller or buyer have cancellation possibility? If yes which message is used for cancellation purposes?

The complete UML model will identify all the messages related with service workflow.

10) Is there a possibility that refund right according to PSD is applied connected to usage of this message type?

To be verified if this request is in the scope of ISO20022 initiative (not related to the definition of message standards).

11) Why Request verification from buyers bank is not delivered to seller in Figure 1: Business Scenario - Overview?

The final model will include complete message flow, including message delivery.

Reply to SWIFT comments

ACBI (and the Payments SEG) should take into account the E-Mandates business justification from SWIFT and, potentially, the E-Invoice business justification from TBG5, since there are potential overlaps in scope, purpose and business/message components usage.

As described into this Business Justification, the definition of message standards for Creditor Payment Activation Request set of messages will be based and reuse existing ISO20022 business/message components.

As for the “Invoice financing request” set of message, ACBI will also support SEG and RA to ensure alignment with other ongoing Business Justification activities.

In the initial part of this Business Justification are highlighted the differences between Creditor Payment Activation Request and e-mandate.

Reply to UK comments

Is normal business practice outside of Italy? UK does not see what benefit this gave over and above what is already in place within ISO20022. We would appreciate an explanation of how it fits in the global market place.

Also we would like to ensure that this creditor payment activation request does not duplicate effort already in existence such as Electronic Payment Initiator (ECBS/ePI) and EPC's direct debit rule book.

The payment message flow does not refer specifically to any Italian business practice.

The availability of a new instrument for payment activation – Creditor Payment Activation Request – has been asked by corporates (also international groups) to have an additional useful to fulfill all business practices where existing payment instruments are not suitable.

For example, Creditor Payment Activation Request can be used as a “Pay-me” reminder standalone service, used by the Creditor to request e payment to the Debtor; the Creditor could send the Debtor a payment request for unpaid invoices (asynchronous request – invoice has been transmitted earlier) including complete remittance information thus enabling automated reconciliation activities.

This service will not require any payment mandate, as instead happens for Direct Debit; for this reason it can be used also for “occasional” business relationships.

In the initial part of this Business Justification are highlighted the differences between Creditor Payment Activation Request and ECBS/ePI.

Reply to USA comments

The submitters are to be encouraged for their efforts to promote end to end STP. It would appear that the existing messages (e.g. PAIN credit transfer, etc.) would, with additional use cases, be used for this purpose. This option should be assessed before creation of additional messages.

As described into the Business Justification, the definition of message standards for Creditor Payment Activation Request set of messages will be based and reuse existing ISO20022 business/message components; we expect that Credit Transfer message scheme can be used to support this service (no new message creation) defining a specific set of “message usage rules”, as allowed by ISO20022 methodology.

Other comments

It is observed that the flow of messaging indicated in the BJ does not appear to be normal business practice outside of Italy. Would introducing such a process interfere with the more common method of achieving this process flow by coupling the reconciliation information with that contained in the payment and therefore the complete end to end process? Clarification on these questions is sought, as is some indication of the scope of the solution in a global context.

The payment message flow does not refer specifically to any Italian business practice.

The availability of a new instrument for payment activation – Creditor Payment Activation Request – has been asked by corporates (also international groups) to have an additional useful to fulfill all business practices where existing payment instruments are not suitable.

For example, Creditor Payment Activation Request can be used as a “Pay-me” reminder standalone service, used by the Creditor to request e payment to the Debtor; the Creditor could send the Debtor a payment request for unpaid invoices (asynchronous request – invoice has been transmitted earlier) including complete remittance information thus enabling automated reconciliation activities.