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Wire Transfer Extended Remittance Information (ERI) - Domestic Best Practices

Prepared by the Wire Transfer Remittance Domestic Best Practices Group sponsored by the Wire Transfer Operators

Background: Effective with the opening of business on November 21, 2011, The Federal Reserve Banks and The Clearing House, operators of the Fedwire Funds Service and CHIPS wire transfer systems will be implementing a new message format that will allow corporate originators of wire transfer payments to include up to 9,000 characters of remittance information along with the wire transfer payment order. The new payment type on the Fedwire® Funds Service will be called the Customer Transfer Plus ("CTP") and on CHIPS®, remittance information will be carried in a regular transfer with beneficiary type of "non-bank". The sending of extended remittance data is optional, and is supported at the discretion of both the sending financial institution and originator. All Fedwire Funds and CHIPS participants will be required to receive extended remittance information, but the reporting of the remittance information is at the discretion of the receiving financial institution and the beneficiary.

Broadly speaking, with the new message format, wire transfer remittance can be sent in three different ways.

1. Structured: It can be included within the structure of the Fedwire or CHIPS format itself, utilizing pre-defined fields within the CTP or CHIPS non-bank transfer[1].
2. Unstructured: Remittance formats can be included within an unstructured field in the CTP or CHIPS non-bank transfer. For unstructured remittance information, seven different codes are available to describe the syntax of the remittance data (codes exist for ANSI X12, general XML, ISO 20022 XML, narrative text, STP 820, SWIFT field 70 remittance information, and UN/EDIFACT), but the wire transfer operators will not validate for proper content or syntax within the unstructured field.[2]
3. Related: Remittance information can be stored separately from the wire transfer message and information about the location where the information can be retrieved, such as a URL address and an associated reference number, can be included in the wire transfer message itself.[3]

While the availability of all of these options provides substantial flexibility for the transmission of remittance information, it creates challenges for receiving financial institutions that will potentially receive remittance information in multiple formats and then have to translate and report in the beneficiary's desired format.

[1] To use the structured remittance option, a bank submitting a payment order to the Fedwire Funds Service would send a CTP message with the local instrument code of RMTS, and a bank submitting a payment order to CHIPS would send a non-bank payment message with additional payment data format type of 08.

[2] Unstructured local instrument codes / additional payment data format types on the Fedwire Funds Service / CHIPS, respectively, are ANSI/02, GXML/05, IXML/04, NARR/99, S820/06, SWIF/03, and UEDI/01.

[3] The local instrument code / additional payment data format type on the Fedwire Funds Service / CHIPS, respectively, for related remittance information is RRMT/07.

Guiding Principle for Best Practices: To increase the likelihood that remittance information will travel in a way that can be successfully processed from end to end, the following best practices are recommended for the originator, the originator's bank, the intermediary banks (if any), the beneficiary's bank, and the beneficiary. At the core of these best practice recommendations is the philosophy that industry costs will be lower and the likelihood of success higher if banks in the chain communicate with each other in an agreed upon common denominator format.

In order of priority, the following formats are recommended as the common denominator:

1. Fedwire or CHIPS structured format
2. STP 820 format (X12 versions 4010 and higher)
3. 820 format (versions 4010 and higher)

Corporations can still send / receive wire remittance information to / from their banks in their desired format as agreed with their banks, but the baseline expectation will be that the originator and beneficiary banks will translate to / from one of the common denominator formats when exchanging messages with other banks in the chain. If a party to the wire transfer wants to pass remittance information through the banking chain in a format other than one of the common denominator formats, that should only be attempted after consultation with other parties in the chain.

High level summary of best practices

1. Originator verifies that its bank can process extended remittance information in an agreed upon format.
2. Beneficiary verifies that its bank can process and report extended remittance information in an agreed upon format.
3. Originator and beneficiary agree to exchange a wire transfer with extended remittance information.
4. Originator transmits wire transfer instruction to its bank.
5. Originator's bank translates extended remittance information into one of the common denominator formats prior to sending the message to the next bank in the chain.
6. Intermediary bank, if any, transmits extended remittance information as received to the next bank in the chain.
7. Beneficiary's bank translates incoming remittance information from prior bank in the chain from common denominator format into format requested by beneficiary.
8. Beneficiary's bank reports wire transfer details, including extended remittance information, to beneficiary.

Detailed Best Practice Recommendations

Party in Wire Payment	Best Practices	Benefits	Considerations
Originator	1. Confirm whether and in what channels and formats your bank can support extended wire remittance origination. If you will be originating files, confirm whether or not you will need to make any changes to your existing payment origination format.	a. Elimination of paper remittance print and mail. Wire transfer extended remittance	

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	2. Encourage your bank, at a minimum, to support origination in the Fedwire or CHIPS structured remittance format and the X12 820 format (versions 4010 and higher), as described in the Originator Bank section below. 3. Evaluate whether your software tools used for wire origination (accounts payable, ERP, treasury work station, bank provided cash management software, etc.) can support extended remittance origination in a format that can be received by your bank. Keep in mind that the recommended best practice is for an originator's bank to be able to receive from corporations, at a minimum, the Fedwire or CHIPS structured remittance format and the X12 820 format (versions 4010 and higher). However, your bank may accept an alternate format from you and then translate your message into one of the common denominator formats before transmitting the payment order to the next party in the chain. 4. Evaluate whether any changes are required to your accounts payable process given that remittance information previously sent through a separate method (mail, email, etc.) will now accompany the wire transfer payment. 5. Prior to sending a wire transfer with extended remittance information, confirm with the beneficiary that the beneficiary's bank has the ability to receive the extended remittance information in one of the two recommended formats (Fedwire / CHIPS structured remittance or X12 820) and can translate that remittance information and deliver it to the beneficiary in the beneficiary's desired format. After determining which of your counterparties can receive extended remittance information, ensure that any automated systems you use for wire origination can select the proper wire transfer format (extended remittance versus standard length – 140 character - remittance) for each payment based on the capability of your counterparty. 6. If the beneficiary would like to receive the wire remittance information in a format not fully supported by the routing path (e.g., if you want to send and the beneficiary wants to receive a particular remittance format, but either the originator's or the beneficiary's bank does not have the capability to translate that format to or from one of the common	allows for the sending of wire transfers with remittance data included within the payment instruction. b. Single "straight through process" for creation of payment and remittance. You can chose to modify your existing accounts payable process to automate the sending of remittance data along with wire transfer payments. c. Enhanced trading partner coordination. You can work with your trading partner to include those data elements that are necessary for straight through processing to their Accounts Receivable systems. d. Reduced inquiries regarding missing remittance, since the remittance details accompany the wire transfer payment.	

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	denominator formats), then you may bilaterally agree with the beneficiary to use the extended remittance space in the wire transfer message to transmit raw remittance information without any remittance validation by the banks in the chain. As an example, suppose an originator and beneficiary agree that they would like to exchange extended remittance information in the ISO 20022 XML format. However, the originator's bank does not support the capability to translate the XML format to one of the common denominator formats. In this case, the originator may request that its bank pass the raw remittance information straight through to the next bank in the chain using the appropriate Fedwire or CHIPS code (in this case, the appropriate code for ISO 20022 would be "IXML" as described in footnote 2). Before pursuing such an approach, it is strongly recommended that you confirm with your bank and the beneficiary's bank that the data will be passed through as sent, even if it is not validated for structure by the banks in the chain, and can be accepted for processing as is by the beneficiary. 7. You should take steps to ensure that the remittance information, including all related format syntax, stays within the 9,000 character limit when it is transmitted by your bank to the wire transfer system operator. If you are transmitting to your bank in one of the common denominator formats (either the Fedwire / CHIPS structured remittance format or the X12 820), this should be relatively straightforward for you to validate because the remittance information can be passed unchanged from you, through your bank, to the wire transfer operator. However, if you are transmitting to your bank in a format other than one of the two common denominator formats and your bank will be converting that format to the Fedwire / CHIPS structured remittance format or the X12 820, it is possible, upon translation by your bank to the new syntax, the remittance information will inadvertently exceed the 9,000 character limit, causing the wire transfer to be rejected by the wire transfer operator. You should work with your bank to understand what, if any, steps you need to take to prevent this from happening. 8. It is a recommended best practice for originating corporations to validate extended remittance information for compliance with industry standards prior to transmitting that information to your bank. You should talk with your bank to understand what it will do in the event that you transmit		

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	extended remittance information that does not comply with industry standards. As noted in the Originator's Bank section below, it is a best practice for your bank to validate and, if necessary, repair any invalid remittance information prior to transmitting to the next bank in the chain. Depending upon your bank's practices, this may cause a delay to the processing of the payment itself, or your bank may choose to truncate the invalid remittance information and process the payment without delay.		
Originator's Bank	1. Evaluate all of your wire origination channels and formats and determine which ones will be supported for the origination of wire transfers with extended remittance information. 2. Communicate with your customers who originate wire transfers any new requirements in supported channels and formats for submission of extended remittance wire transfer instructions, whether via browser or through a file interface. 3. Any remittance type supported by an originating financial institution should be validated against the industry standard for compliance. In the case of invalid syntax, you should develop a procedure for repair prior to submission to the next bank in the chain. 4. If you choose to support a particular format on the origination side, you should also support that same format on the receipt side. 5. Once wire transfer instructions are received from your customer, the best practice recommendation is to support transmission of the payment order to the next party in the chain in one of the two common denominator formats - either the Fedwire or CHIPS structured remittance message, which is the preferred common denominator format, or the X12 820 (versions 4010 and higher). In particular, when X12 is utilized, the STP 820 is recommended. When choosing which common denominator format to use, keep in mind the factors described in the considerations column to the right. 6. If an "unstructured" remittance option is used, only complete remittance messages as defined within industry standards should be originated and	a. The structured Fedwire or CHIPS remittance format, which is the top recommended common denominator format, has been designed to have content that is fully interoperable with ANSI X12 and ISO 20022 XML message formats. The use of ANSI X12 EDI 820 is the most broadly established for remittance processing across the U.S. today. Therefore, we also recommend this format, and particularly the STP 820 version, be adopted as a best practice format for Fedwire or CHIPS unstructured remittance.	Banks will need to provide specifications to their customers for each channel they support. When deciding which common denominator format to use, keep in mind that there are over 6,000 FedLine Advantage® banks, representing the vast majority of Fedwire Funds participants, that will be presented with remittance data in an on-screen browser format. On the origination side, FedLine Advantage banks selecting the structured option (i.e., local instrument code RMTS) will be prompted with easy to read remittance information field names to prompt for input, whereas native 820 formats can only be input into FedLine Advantage by manually typing all raw 820 format syntax along with the actual remittance data. On the

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	included in the 9,000 character block. In the case of an X12 820, this means a complete transaction including envelopes ISA=>to=>IEA segments. 7. Specifications provided to customers should account for the fact that the wire transfer operators will reject any payment orders with more than 9,000 characters of remittance information. To the extent that you plan to translate the customer supplied format into one of the common denominator formats, you should take care to avoid a situation where additional characters introduced by different format syntax would cause the message to exceed the size limit. 8. Whenever possible, the originator's bank should send the remittance information with the wire payment. 9. If you anticipate that any downstream party in the chain will be mapping the remittance information to SWIFT (i.e., mapping to the SWIFT MT 103 Remit message, Field 77T), then you should avoid including remittance information in the Fedwire Funds or CHIPS message in more than one section (i.e., you should not use the traditional space for originator to beneficiary information (Fedwire tag {6000} or CHIPS tag [600]) if you also plan to use the extended remittance fields in Fedwire Funds or CHIPS.) Even though both traditional and extended remittance fields can be used simultaneously in Fedwire and CHIPS, they are mutually exclusive in SWIFT (SWIFT does not permit field 70 and 77T to be present in the same message).	b. Opportunity to offer value added features to your corporate clients to help them increase straight through processing and reduce cost of responding to vendor inquiries regarding wire transfer payments.	receive side, FedLine Advantage customers will be presented with structured remittance information (i.e., local instrument code RMTS) on screen in an easy to read format with field names clearly delineated from remittance content. In contrast, with any of the other common denominator options (i.e., local instrument codes S820 or ANSI), the receiving FedLine Advantage customer will be presented with a much more difficult to read block of raw text that includes whatever format syntax is included in the remittance portion of the actual message. In addition, in contrast to the other formats, the Fedwire or CHIPS structured remittance format will be validated at the individual data element level by the wire transfer operators, increasing the likelihood of good data. Also, the structured formats may be easier to transfer to compliance monitoring systems at each bank in the chain in comparison to "unstructured" formats, which may not have the same degree of predictable data element demarcation, and

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			therefore may be more difficult to scan and analyze for compliance trends. On the other hand, not all full X12 820 information maps into the Fedwire or CHIPS structured format (i.e., heath care, tax payments, etc.), so to preserve that information you might choose to use one of the appropriate 820 formats for a particular payment. Likewise, if you have received the extended remittance information from the originator in the X12 820 format and you have explicit knowledge that the beneficiary would like to receive it that way, you may choose X12 as your common denominator format when sending to the next party in the chain.
Intermediary Bank	1. When the next bank in the chain is a Fedwire Funds or CHIPS participant, you should transmit all extended remittance data exactly as received from the prior bank in the chain. 2. If you use SWIFT to send the payment order to the next party in the chain, you should follow the practices recommended by the Payment Market Practices Group		Intermediary banks should consider developing a compliance strategy for how they will treat extended remittance information (OFAC scanning, etc.)
Beneficiary Bank	1. Evaluate all of your wire reporting channels and formats and determine which ones will be supported for the reporting of wire transfers with extended remittance information. 2. The recommended best practice is to support the ability to receive extended remittance information from the prior bank in the chain in both of the common denominator formats which include the Fedwire / CHIPS	Opportunity to offer value added features to your corporate clients to help them increase straight through processing and reduce cost of reconciliation and	Each beneficiary bank should consider aligning its wire transfer remittance product features with its existing payment and remittance systems, including lockbox, BAI, and ACH. This would

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	structured remittance format and the X12 820 format versions 4010 and higher, particularly the STP 820. 3. Upon receipt of the extended remittance information from the prior bank in the chain in one of the common denominator formats, you should be prepared to translate the remittance information into whatever reporting formats you plan to make available to customers. 4. Communicate with your customers who receive wire transfers any new specifications in supported channels and formats for reporting of extended remittance information, whether via browser or through a file interface. 5. For any remittance type that you support, you should validate against the industry standard for compliance. In the case of invalid syntax or any other non-compliance with industry rules, you should either report the remittance information to your customer in raw form or you should report with payment-only details and a note reporting the 'invalid remittance format'. 6. If you receive extended remittance information from the prior bank in the chain in an unsupported format, you should report that to your customer in raw form, if requested by your customer. 7. You should maintain the message integrity - both structure and content - at the payment and remittance levels to the extent required by your customer.	investigations regarding incoming wire transfer payments.	ensure consistency of roll-out within that bank for easiest adoption by existing customers. Such common cross-product market features may include: ▪ Data consistency checking of key details of the wire payment and remittance. ▪ Ability to deliver all wire receipts for a deposit account or only those wires that contain remittance, whichever is requested by the corporate receiver. ▪ Version conversion where the industry format may be delivered in multiple versions. ▪ Capability to consolidate into a single physical file or report receipts from multiple originators for a corporate receiver. Additionally, options to either consolidate under a single customer-defined file header, or consolidate into a single file but maintain the originator information including the headers. ▪ Use of industry guidelines to convert between remittance formats, where offered to customers.

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			Also keep in mind that because remittance validation may take place outside your wire transfer system, you may have already processed the incoming wire prior to discovering that remittance information does not comply with industry standards.
Beneficiary	1. Confirm whether and in what channels and formats your bank can support receipt and reporting of extended wire transfer remittance information. Determine if your bank's translation and reporting capabilities are sufficient to support straight through processing to your accounts receivable application. 2. Encourage your bank, at a minimum, to support receipt of wire transfer remittance information in the common denominator formats of Fedwire or CHIPS structured remittance format and the X12 820 format (versions 4010 and higher), as described in the Originator Bank section above. 3. After identifying which software products you rely on to process incoming wire transfers (accounts receivable, treasury workstation, ERP, etc.), discuss with your software providers whether they plan to support extended wire transfer remittance information in the version of the software product that you are using. 4. To the extent that you would like to be paid by wire transfer with extended remittance information, communicate those expectations to your paying clients. 5. Work with the originator of the payment and each of your banks to ensure that the routing path can handle delivery of the remittance information from end to end. Keep in mind that the payer may be able to originate the remittance information in their preferred format, even if it is different from how you would like to receive it, as long as their bank can translate the remittance information into one of the common denominator formats and your bank can translate from the common denominator format into your preferred format.	a. Straight through processing of wire transfer payment and remittance detail. b. Elimination of keying of paper remittance. c. Elimination of re-association of wire transfer payment to remittance detail provided via alternate method. d. Enhanced trading partner coordination. You can work with your trading partner to request the inclusion of required data elements for straight through processing to your accounts receivable system. e. Wire transfers offer same-day funds availability and once	a. Can the wire transfer remittance be integrated with other payment types (ACH, Lockbox, BAI)? b. Can your trading partners originate wire transfers with extended remittance information? c. Will your trading partners originate X12 820 or Fedwire CTP or CHIPS structured tags as described under best practices? If not, what remittance format will they send? Can your bank pass the non-standard remittance to you? Will the remittance data be sent separately from the wire transfer payment information, requiring a re-association process? d. Given that much of the benefit of wire transfers with extended remittance information accrues to the

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		received, funds are final and irrevocable.	receiver (same day funds availability, no risk of return, more efficient posting to accounts receivable), consider offering incentives (e.g., favorable terms) for wire remittance payments.