Payment Remittance

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# Preface

In order to facilitate the automatic reconciliation of payments with account receivable (invoices) both OASIS UBL (ISO/IEC 19845) and ISO20022 international standards are currently providing some useful electronic business messages.

UBL covers the trade while ISO20022 covers the financial sector, together they support the whole Financial Supply Chain.

* **Internal remittance**

The internal remittance is possible only when remittance data is provided along with the payment initiation process until the payment execution process.

It is subject to the Clearing & Settlement financial channel (inter-bank network) and thus inherits its possible limits. The bottleneck is often represented by old information systems (see 140 chars limit for unstructured remittance info).

* **External remittance**

The external remittance provides the possibility to exchange remittance data outside the financial channel, directly between the debtor and the creditor.

UBL 2.1 has provided a rapid and early solution for advanced external remittance, where the UBL Remittance Advice is used to transmit the details of complex remittance information associated with the payment initiation process.

Similarly, ISO 20022 has more recently added a stand-alone Remittance Advice message.

The Remittance Advice message is a border message between UBL and ISO20022, but it represents of course more a trade document because it provides billing references for the payment.

# UBL

Following are the relevant UBL messages used for payment reconciliation.

|  |  |  |  |
| --- | --- | --- | --- |
| Area | Transaction | Message Version | Remittance |
| Stand-alone Remittance Advice | Debtor to Creditor Remittance Advice | UBL-RemittanceAdvice-2.1 | External |

UBL supports only the external remittance because payment messages are out of scope for trade and are better supported in finance standards such as ISO 20022.

## Actual UBL Remittance Information

<http://docs.oasis-open.org/ubl/os-UBL-2.1/UBL-2.1.html#S-FINANCIAL-INFORMATION-ENHANCEMENTS-IN-UBL-2.1>

<http://docs.oasis-open.org/ubl/os-UBL-2.1/UBL-2.1.html#d0e1399>

<http://docs.oasis-open.org/ubl/os-UBL-2.1/UBL-2.1.html#S-PAYMENT-NOTIFICATION>

# ISO 20022

Following are the relevant ISO 20022 messages used for payment reconciliation.

|  |  |  |  |
| --- | --- | --- | --- |
| Area | Transaction | Message Version | Remittance |
| Payment Initiation | Customer to Bank Payment Initiation | CustomerCreditTransferInitiationV08 | Internal |
| Payments Clearing & Settlement | Customer payment (Credit Transfer) | FIToFICustomerCreditTransferV07 | Internal |
| Stand-alone Remittance Advice | Debtor to Creditor Remittance Advice | RemittanceAdviceV03 | External |
|  | Debtor to Creditor Remittance Location Advice | RemittanceLocationAdviceV01 | External |

Recently, ISO 20022 introduced the “Remittance Location Advice Message” to permit the originator of the message to identify where the remittance advice is located for a related payment.

## Remittance Information

ISO20022 allows to provide either structured and/or unstructured remittance information, which is quite advanced, but the financial channel is made up by several parties (Banks, Agents, …) and the support for structured remittance is not ensured. The same issue exists for the unstructured remittance info because there is a limit of 140 characters that can be multiple (0..n) but again it is not always supported.

In case of limitations the only information that can be safely transported across the clearing & settlement financial chain is the End-to-End Identifier.

### End-To-End Identification

Unique identification, as assigned by the initiating party, to unambiguously identify the

transaction. This identification is guaranteed to be passed on, unchanged, throughout the entire end-to-end financial chain.

**Usage**

The end-to-end identification can be used for reconciliation or to link tasks relating to the

transaction. It can be included in several messages related to the transaction.

In case there are technical limitations to pass on multiple references, the end-to-end

identification must be passed on throughout the entire end-to-end chain.

The End-to-End Identification can be provided with a maximum of 35 characters on each remittance detail.

OriginalPaymentInformation <OrgnlPmtInf>

References <Refs>

 EndToEndIdentification <EndToEndId>

### Creditor Reference Information

Unique reference, as assigned by the creditor, to unambiguously refer to the payment

transaction. It is also known as the Invoicing Party Reference in UBL.

**Usage**

If available, the initiating party should provide this reference in the structured remittance.

If the business context requires the use of a creditor reference or a payment remit identification, and

only one identifier can be passed through the end-to-end chain, the creditor's reference or payment

remittance identification should be quoted in the end-to-end transaction identification.

# UBL Payment Reconciliation Process

In order to reach an automatic payment reconciliation it takes to ensure that the Debtor (Payer or Invoicee) is able to provide either a Creditor Reference or a Payment Remit Identification along with the Payment Initiation.

Of course the above condition depends of the agreement between Creditor and Debtor and thus it must be part of an implementation profile.

UBL supports the Creditor Reference (see InvoicingPartyReference § 4.1) in both the Invoice and the RemittanceAdvice documents and the Payment Remit Identification (see PaymentOrderReference §4.2) in the RemittanceAdvice.

The following table shows how both type of references are transported end-to-end along with other references in the Structured Remittance of ISO20022.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Step | Message | Process/Area | A) Creditor Reference (Invoicing Party Reference) | B) Payment Remit Identification(Payment Order Reference) |
| 1 | UBL-Invoice-2.1 | Invoicing | Invoicing Party Reference | - |
| 2 | CustomerCreditTransferInitiation V08 | Payment Initiation | Structured Remittance | Structured Remittance |
| 3 | UBL-RemittanceAdvice-2.1 | Payment Remittance | Invoicing Party Reference | Payment Order Reference |
| 4 | FIToFICustomerCreditTransfer V07 | Clearing & Settlements(Payment Execution) | Structured Remittance | Structured Remittance |

The following table shows the how both type of references are transported end-to-end when provided in the End-to-End-Identification field in the Structured Remittance of ISO20022.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Step | Message | Process/Area | A) Creditor Reference (Invoicing Party Reference) | B) Payment Remit Identification(Payment Order Reference) |
| 1 | UBL-Invoice-2.1 | Invoicing | Invoicing Party Reference | - |
| 2 | CustomerCreditTransferInitiation V08 | Payment Initiation | Structured Remittance/ End-to-End-Identification | Structured Remittance/ End-to-End-Identification |
| 3 | UBL-RemittanceAdvice-2.1 | Payment Remittance | Invoicing Party Reference | Payment Order Reference |
| 4 | FIToFICustomerCreditTransfer V07 | Clearing & Settlements(Payment Execution) | Structured Remittance/ End-to-End-Identification | Structured Remittance/ End-to-End-Identification |

Once the Creditor has received both the Remittance Advice and the Credit Transfer messages, he will be able to reconcile the payment with one or more invoices using the Creditor Reference or the Payment Remit Identification.

The UBL Remittance Advice provides all necessary details such as the Billing references to facilitate the reconciliation with account receivables.

## Invoicing Party Reference

A reference to the payment terms used by the invoicing party (Creditor/Payee). This may have been requested of the payer by the payee to accompany its remittance. It is also known as Creditor Reference within the ISO20022 standard.

The following table shows where the invoicing party references can be used.

|  |  |
| --- | --- |
| Message | Path and Cardinality |
| UBL-Invoice-2.1 | cac:PaymentTerms/cbc:InvoicingPartyReference [0..1] |
|  | cac:InvoiceLine/cac:PaymentTerms/cbc:InvoicingPartyReference [0..1] |
| UBL-RemittanceAdvice-2.1 | cbc:InvoicingPartyReference [0..1] |
|  | cac:RemittanceAdviceLine/cbc:InvoicingPartyReference [0..1] |

The invoicing party reference allows a more granular payment reconciliation on the Creditor side, but requires a more complex trade agreement.

## Payment Remit Identification

Unique and unambiguous identification of remittance information which is sent separately from the payment initiation information.

**Usage**

The payment remittance identification is used to link separately sent remittance information to the payment transaction information included in the payment initiation.

**Usage in UBL**

Into this use case the payment can be associated to the remittance advice only through the payment remit identification.

The payment remit identification can be provided in the UBL Remittance Advice only at the root level using the cbc:PaymentOrderReference [0..1] (An internal reference to the order for payment from the payer to the payer's bank).