

Automation of the Financial Supply Chain

Corporate Action on STandards (CAST) projects

CAST is an initiative by treasury associations across Europe to encourage greater standardisation and process automation in communications across the whole financial supply chain. CAST is looking specifically at standards in the area of remittance information (and e-reconciliation), digital identity and e-invoicing. Overall the objective is systematically to remove paper from the financial supply chain.

Over the past couple of years there has been much effort devoted to improving the payments processes within Europe for electronic payments in Euros¹. Treasurers within the ACT (Association of Corporate Treasurers) and the EACT (European Associations of Corporate Treasurers) have been working with the authorities in shaping these new developments in payments.

In the course of the EACT's work it has become apparent that although the initiatives on payments will be helpful in delivering efficiencies and benefits for corporate customers, there are in fact many more benefits that could be captured if improvements in the whole financial supply chain could be introduced. By automating much more of the process of ordering, recording delivery, invoicing and making payment, along with all the necessary matching and reconciliations that take place, the cost savings possible would be enormous.

If a company can exchange standard electronic documents with the same legal validity as signed and notarised paper contracts and can book transactions automatically in its accounting system, the benefits in terms of operating savings, quality and security of data, and productivity could be truly astonishing. In its SEPA incentives Paper of March 2006 the European Commission wrote "Potential savings of dematerialisation of the wider transaction processing chain are conservatively estimated at EUR 50–100 billion."²

The EACT has launched a series of e-business related projects to make some concrete progress in moving to a more standardised world where 'straight through processing' becomes a reality. There are 3 sub projects in these so called CAST (Corporate Action on STandards) projects, namely:

- **Standard Remittance Information for e-reconciliation.** The new SEPA payment message will be able to carry 140 characters of remittance information. If this field can

¹ The Single Euro Payments Area (SEPA) is due to be phased in from January 2008 with new rules for a standardised form of credit transfer and direct debit across Europe. At the same time the European Commission is introducing the Payment Services Directive creating a new legal framework that will apply to all electronic payments, (including sterling). The Directive will probably be approved by end 2006 or early 2007.

² European Commission, Consultative paper on SEPA Incentives, 13 February 2006
http://ec.europa.eu/internal_market/payments/docs/sepa/sepa-2006_02_13.pdf

be structured in an accepted standard form it should allow an automated matching of payments against invoices being paid and hence an automated booking through to the debtors ledger.

- **E-invoicing.** Various initiatives already exist to standardise invoices and this is an essential precursor for e-invoicing to become widespread. It is essential that these initiatives attract high volumes that quickly reach critical mass. What is needed in this area is a serious reflection on “best practices“ followed by “public policies” that communicate clear messages to the market to kick-start the adoption process and use the right incentives to help the “innovators”.
- **Digital Identity.** In the world of e-business knowing exactly with whom you are dealing with absolute certainty and security, is crucial. Again various standards and certification authorities already exist and these practical initiatives need to be monitored and coordinated and the end user views represented.

The project work is not to reinvent standards that already exist but rather is to assess what ideas exist, to make sure that corporate user requirements are built in and to encourage, with the help of the Commission, a widespread adoption of the recommended standards.

The EACT is seeking an active involvement from corporates to help assess if the various ideas are fit for purpose or could be improved and to be among the early adopters in getting the best forms of e-business up and running. The EACT work will in part be undertaken through all the National Treasury Associations in Europe and will involve volunteer working groups from the corporate community along with the use of paid consultants or secondees.

Initial funding of the CAST projects has been obtained from a number of market stakeholders.

This initiative has the support and endorsement of the European Commission and the European Central Bank.

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