



Whitepaper

## **De-Coding the New AFP Global Service Codes™**

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# Overview



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The Association for Financial Professionals® (AFP®) published the first set of standardized bank billing codes called the AFP Global Service Codes™ in November 2011.

This whitepaper discusses the history of their development, the intended users of the new codes, the suggested implementation, the ultimate goal, and the benefit of the codes to the global corporate treasurer across their domestic and foreign bank relationships.

# History

To understand the history of the AFP Global Service Codes™, you first have to understand the Bank Services Billing (BSB) format developed by TWIST in 2006.



In the US, over 800 mid-large sized corporations are currently receiving their bank analysis statements electronically using the ANSI X12 EDI 822 Transaction Set.

These electronic statements are downloaded into software, either purchased off the shelf or developed in-house, and manipulated to generate reports, cross-check volumes and prices, and ultimately eliminate the paper/manual aspect of account analysis.

In countries outside the US, there hasn't been a standard electronic format for what they call "bank billing." Members of TWIST, prompted largely by multinationals like General Electric, formed a panel of experts to create a standardized XML billing format that could be used globally.

"Rather than trying to expand the existing EDI 822 format governed by ANSI, the consensus was for a new standard in the universal XML language," says Paul Burstein, former Managing Director, Strategic Initiatives, GE Treasury and member of TWIST, and one of the key players in the BSB development. "The ultimate goal is to have the BSB standards included under the ISO20022 umbrella with eBAM and other corporate/banking messages. The BSB ISO20022 standard will be available in 2<sup>nd</sup> quarter 2012."

When all is said and done, the BSB is best described and understood here in the US as the "822 for global corporations."

# History

The following chart helps display the differences between the two and where the new AFP Global Service Codes™ fit in.

	822	BSB
<b>Standards Body</b>	ANSI X12 ASC (US)	TWIST and ISO2002
<b>Format</b>	X12 Looping Format	XML
<b>Balance Reporting</b>	Important – earnings credits, reserves	Not required but encouraged
<b>Compensation</b>	Yes – single currency	Yes – multiple currencies
<b>Services</b>	AFP Service Codes™	AFP Global Service Codes™
<b>Taxes/Currencies</b>	No	Very Important



The AFP Service Codes™ were developed in 1986 to provide a way for corporate treasurers to compare “apples-to-apples” when reviewing commercial banking services.

Having a standardized code also gives corporations the opportunity to generate reports and track volumes and prices electronically – something that is virtually impossible to do with a textual description.

A number of banks, with TWIST’s support, approached the AFP to consider either expanding their existing codes to accommodate global bank services or develop a completely new set of codes that they could use within the BSB file. After considerable review and consideration, a completely new set of codes seemed the only logical choice. Even the simplest of terminology differences made an extension of the existing US codes problematic.

# History

The ability to “scratch and start over” gave the AFP more flexibility in terminology and depth to make the codes easier to understand globally and simpler to maintain.



One of the problems with the current US codes is the update process. Codes are not added unless a panel of corporations and banks agree to add the code, and that takes time.

Conversely, codes are not removed from the master list unless there is absolutely no way they could be used. If there is one person using microfiche in this world, the code stays in. This leads to an ever-growing list of codes in the book that is difficult to keep up with.

Keeping the AFP Global Service Codes™ high level, and therefore easier to maintain, was a key driver during the development.

# Intended Users

The AFP Global Service Codes™ were designed for use with the BSB just like the domestic codes were designed for the ANSI 822.

Of course, banks can choose to provide the codes to their clients upon request even if they are sending the statements in an Excel or PDF format.



Global banks do not seek transparency any more than US banks, and many will wait to implement the codes until they receive pressure from their large corporate customers to do so.

Just because a bank may perform a lot of international services for a customer, such as international wires, multicurrency accounts, or payments/receipts in foreign currencies doesn't mean the customer should start asking for the AFP Global Service Codes™.

The codes were intended for one of two types of corporations:

- A large multinational corporation (like General Electric) who has operations in the US, Europe, Asia, and/or other parts of the world.
- A corporation, either large or small, with operations outside the US with one or more banking relationships.

The first is accustomed to getting ANSI 822's in the US and also wants to receive electronic statements, AFP coded, in their foreign offices from their foreign banks to consolidate all their information worldwide in their centralized treasury.

The second has never received an EDI 822 and is happy to finally start receiving their bank bills in a standard format that they can use and manipulate.

# Implementation

The AFP Global Service Codes™ are 8 digits in length. The first three digits are “alpha” and represent the product family. The following five digits are numeric.

For example, **ACT00000** is the AFP Global Code for Account Maintenance. AFP domestic codes are six alphanumeric digits and always have been. For example, the AFP Code for DDA Account Maintenance is **010000**.



“We wanted the codes to look *very* different from the original to further identify them as a completely separate set,” said Tom Hunt, Director of Treasury Services for the AFP.

“The alpha product family makes it easy to identify if there is an error in the coding. ‘LBX’ is easily recognized as ‘Lockbox’ and more user friendly than the current domestic product family for lockbox services ‘05’.”

The banks that I have spoken to are developing two separate streams within their analysis system. If a customer is set up to receive an ANSI 822, then the domestic codes are already there and nothing changes. If the customer wants a BSB file, the bank analysis would pull the global codes into the BSB file. The two should not be displayed at the same time. Banks are encouraged to further identify the service by including their own bank service ID as well.

Within the ISO BSB standard, AFP global code usage will be coded as ‘AFPGBL’ while use of the domestic codes will simply be coded as ‘AFP’. No balance reporting codes exist in the AFP Global Service Code set. XML “enumerations” are used to report balance and compensations totals in the BSB.

# Implementation

A mapping tool is provided by the AFP (with subscription to the codes) to link the line items together where there is a parallel between AFP domestic and AFP global services codes. '010000 DDA Account Maintenance' is the same service as 'ACT00000 Account Maintenance' in the global codes and the mapping tells the software developer to pull from both where there is a direct match.

The mapping is key to the software providers gearing up to receive both 822 and BSB files and pulling both line items into reports for their customers.



Steve Weiland, founder of Weiland Financial Group (now part of Open Solutions), was a key driver and participant in the development of the BSB and the AFP Global Codes™.

“Two major enhancements to global electronic billing are now in place. The new AFP Global Codes™ allow a multinational to track like services, prices and taxes across all the banks they deal with. The new ISO20022 BSB standard provides an international stamp of approval and ongoing standard maintenance. Taken together, these two enhancements will invite many more global banks into the electronic billing arena, much to the pleasure of their customers.”



# Implementation

As to system defaults, the BSB file does not require an AFP code. The field is optional. In the case where a global code doesn't exist, you can leave it blank, or apply the same logic used domestically for customized services - get as close to the real code as you can, and then add a 9 at the end.

Banks should always avoid using all 9's as a code (xxx-99999). Banks got into the unfortunate habit of assigning insufficient codes (such as 999999 or false codes) as placeholders in the ANSI transaction set. The placeholders became permanent and the integrity and use of the codes has suffered.



For banks concerned about the proper assignment of the codes to their service line items, AFP offers the Accredited Service Code Provider Program for both sets of service codes.

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Banks may submit their services to the AFP for assignment and management. The large global banks have more than 4,000 service line items to review and code between all their different platforms around the world. Consistency within the same bank is a big enough challenge when those services may be named very different things in Asia and Europe.


With high turnover and resource constraints, it is difficult for a bank to devote the time and expertise required to assign all the codes properly and consistently. Outsourcing that task to AFP solves that problem. Additionally, as an AFP Service Codes Accredited Provider™, the banks' service codes are reviewed on a yearly basis instead of assigned and then forgotten about for years to come. Subsequent versions of the codes are automatically updated for Accredited Providers as well.

# The Ultimate Goal

At the end of the day, corporate treasurers need to know what commercial banking services their bank is providing and how much each costs. Providing this information on a paper statement just isn't a viable option in this day and age – especially when dealing with global operations.

Downloading 60 pages of account activity in a PDF format that a treasurer has to sift through and manually enter into a workstation or account analysis software is cumbersome, annoying, and ultimately bad for a bank relationship.

When billing a client, it is important not to add additional heartache to what is already a painful experience.



By implementing the BSB and the AFP Global Service Codes™, banks are giving treasurers a tool to make their jobs easier.

I wouldn't be surprised if in the near future, Request For Proposals (RFPs) conducted overseas include the AFP Global Service Codes™ as many are already doing here in the US with the domestic codes. Corporations can also use the codes to provide a standardized list of services they require and have banks bid accordingly.

The benefits don't stop there. Many commercial solutions providers are excited about the AFP Global Service Codes™ as well. For example, The Montauk Group uses the codes internally to help compare bank services and pricing as a part of their BankScore™ Global Bank Fees and Rates Index.

The ultimate goal of tying standardized codes to the multitude of bank services available is to increase understanding and transparency in an otherwise cloudy world. It has been a privilege to work with banks around the world to make this vision a reality.

# About the Author



Bridget Meyer, a nationally recognized treasury expert who led the development of the banking industry's new AFP Global Service Codes™, is responsible for the continuing development of services, technologies and standards at The Montauk Group, including their proprietary BankScore™ Global Bank Fees and Rates Index.

Ms. Meyer began her career 13 years ago with the Financial Management Service of the U.S. Treasury Department. While at the Treasury, she reorganized the bank billing process for the IRS lockbox program; published chapter 3000 of the Treasury Financial Manual, Volume V, for government lockbox depositories; and assisted in the development of the first-ever online Federal Tax Payment System (EFTPS).

Ms. Meyer spent the past decade developing, facilitating, and promoting the Association for Financial Professionals (AFP) Service Codes Accredited Provider Program™, which is designed to increase standardization in bank fee reporting. The AFP program, still managed by Ms. Meyer independently through the AFP®, helps companies identify banks that have demonstrated a commitment to helping customers meet their bank relationship management needs.

Based in Houston, Bridget holds a bachelors degree in Business from Southwestern University and earned her Certified Treasury Professional Certificate in 2007.

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