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Payment Milestone Program Update for RosettaNet Japan

Fri 28 May 2004

PROGRAM OVERVIEW

Reducing processing costs through automating accounts receivable reconciliation and improving the flow of payment information will enable more efficient use of available funds.

VALUE PROPOSITION

- Trading partners can reduce their costs to manage Accounts Receivable with improved information flow, reliable visibility of incoming funds, decreased credit risk and increased cash flow predictability
- Banks/Financial Institutions can increase product and service revenue through bundled offerings, improved relationship management and competitive positioning as an innovative e-business and e-payment leader.

IMPLEMENTATION MILESTONE

- Early implementation and validation with at least 10 connections by 12.2003.
- Production implementation by program partners with at least 40 additional connections by **12.2004**.

Payment

Program Partners

Partner Company	Partner Type	Active Role(s)
Cisco Systems	IT, EC, TC Council Member	FPT member
Intel	IT, EC, SM Council Member	Program Scheduler, FPT Leader Program Communications
National Semiconductor	EC, SM Council Member	FPT member
Nokia	EC, TC Council Member	Program Director & Deputy
Texas Instruments	?? Council Member	FPT member
SWIFT	Coalition Partner	Product Manager

Financial Participants

ABN Amro, Bank of America, Bank One, Citibank, Deutsche Bank, HSBC, JP Morgan, Nordea, Standard Chartered

Council Sponsors

Cisco, Intel, Nokia, National Semiconductor & Texas Instruments

Additional Registered Program Participants: Agere Systems, Amkor Technology, Global eXchange Services, HP, Mercator Software, Motorola, Texas Instruments

Payment

Program Proposal

BUSINESS PROBLEM TO BE SOLVED

- Clearing of accounts receivable invoices is largely a manual process today, this program seeks to automate the process by linking the remittance advice to the payment

ACCOMPLISHMENTS

- ✓ Live connections established in December 2003
- ✓ SWIFT Corporate to Bank XML payment initiation message & SWIFT XML credit advice used
- ✓ New PIP 3C6 used
- ✓ Proof of concept achieved by re-association of PIP 3C6 & SWIFT credit advice. Some problems with pre standard Credit Advice.
- ✓ RosettaNet Japan task force formed, Korea and Malaysia in process

PLANS

- Rollout 40 additional connections by December 2004

ROLL OUT ADDITIONAL CONNECTIONS

- Sponsors' 2004 connection plans approx 100 counterparties
- Details on slide 7

CHALLENGES

- No de facto transport and security protocol
 - Banks reluctant to adopt RNIF
 - RN reluctant to push alternative
- } STALEMATE
- ISO Banking XML still immature, advices not reliably implemented

MARKETING THE PROGRAM

- Promoting the process as standard independent to other groups
- Sponsors speaking at industry fora, writing articles
- Revamp www.RosettaNet.org/Payment

Payment

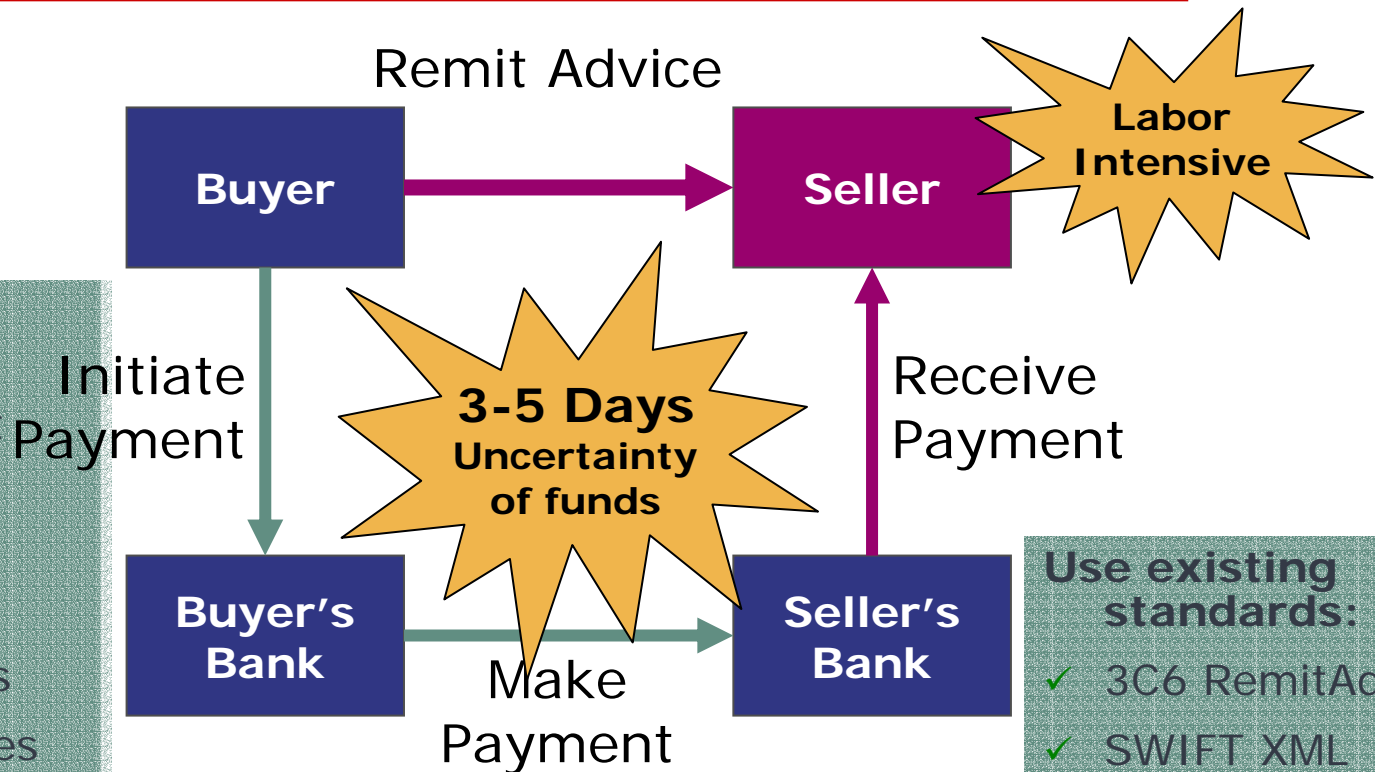
E-Business Process Challenge

1. The seller must manually reconcile accounts receivables.
2. Payment cycle time limits use of available funds.

Costs a \$1 billion company \$27 million annually *

Problems caused:

- ✗ Cost of float
- ✗ Admin cost
- ✗ Customer hassle
- ✗ Use of funds
- ✗ Delayed sales
- ✗ More credit risk



* Killen & Associates, April 2002

Payment Implementation Scorecard

Trading Partners	Solution Providers	Implemented PIPs®
IT Seller (Bank) / IT Buyer (Bank)		
Cisco (BofA) / Nokia (BofA)	webMethods/In-House middleware	3C6 & SWIFT Credit Advice (2004)
EC Seller (Bank) / EC Buyer (Bank)		
Intel (CitiBank) / Nokia (BofA)	TIBCO / In-House middleware	3C6 (Done 2003) & SWIFT Credit Advice (2004)
Cisco (BofA) / Intel (tbd)	webMethods / TIBCO	3C6 & SWIFT Credit Advice (2004)
NSC (BofA) / Nokia (BofA)	webMethods/In-House middleware	3C6 & & SWIFT Credit Advice (Done 2003)
TI (Citibank) / Nokia (BofA)	??*/In-House middleware	3C6 & & SWIFT Credit Advice (Done 2003)

Implementation Results	
Total Unique Partners	7
Total Unique PIPs	1
Total Connections	10

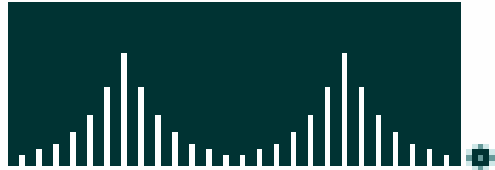
2004 Planned Connections	Seller	Buyer
Cisco	4	
Intel		?
National Semiconductor	6	
Nokia	2	60
Texas Instruments	4	
<i>Others</i>	1	160

RosettaNet Payment Program Participants

Enthusiastic commitment from corporates, banks, software

Board Sponsors

CISCO SYSTEMS



intel.



NOKIA
CONNECTING PEOPLE



Corporate Participants

- Agere Systems
- Amkor Technology
- Arrow Electronics (EC)
- Global eXchange Services
- GridNode
- HP
- Mercator Software
- Motorola
- Seagate Technology
- STMicroElectronics
- Sterling Commerce

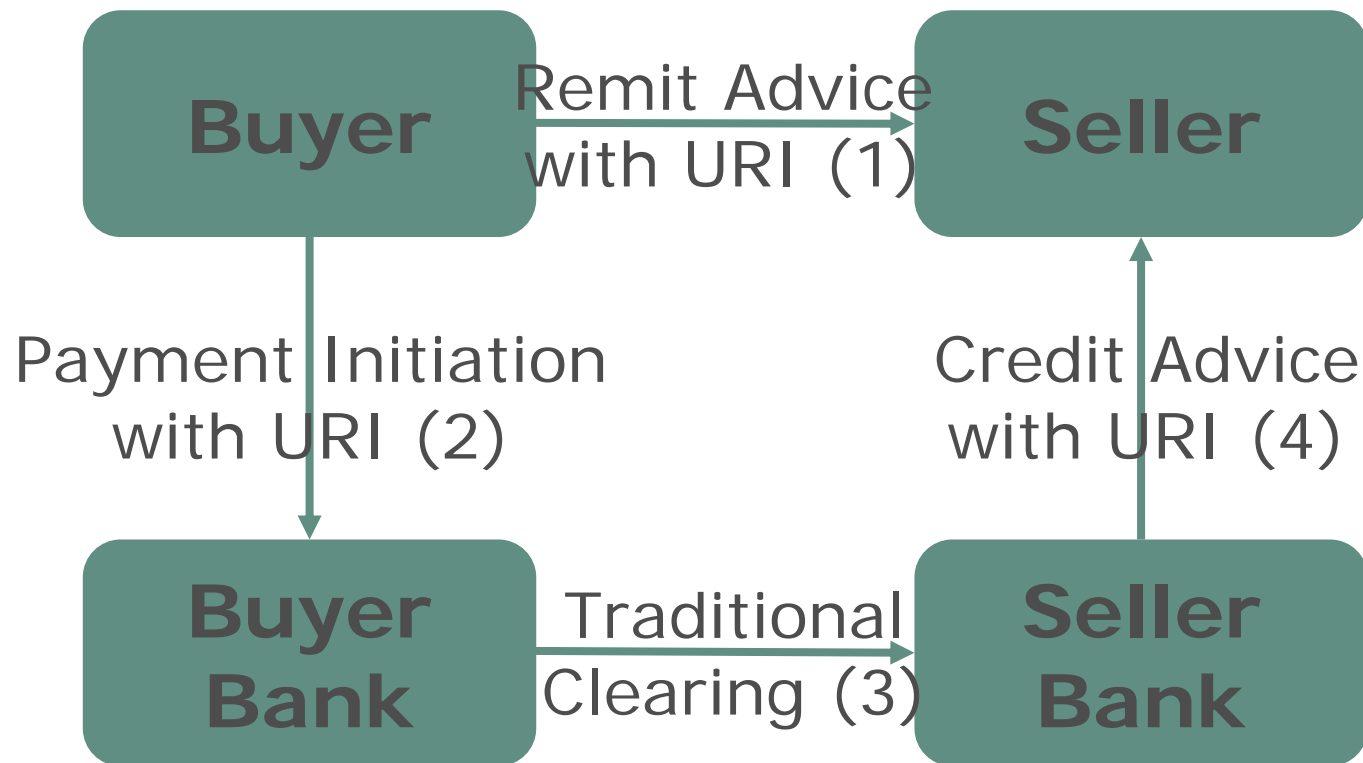
Banking Participants

- ABN, BoA, Citi, Deutsche, HSBC, JPM, Nordea, SCB
- SWIFT, Visa

ROSETTANET

RN PMP: Process overview

Process is validated, went live Dec 2003

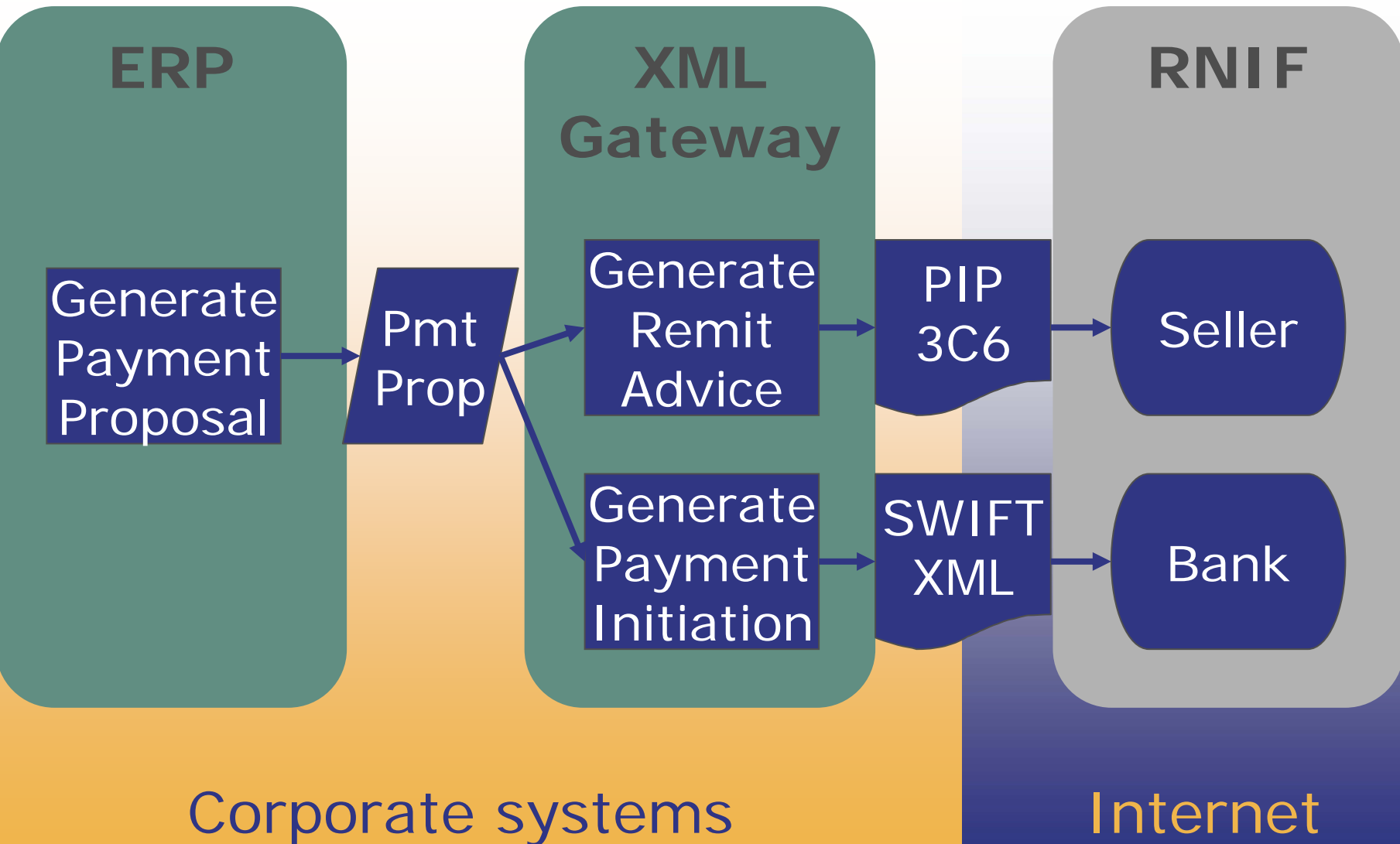


1. Buyer sends Remittance Advice to Seller
2. Buyer instructs bank with SWIFT C2B XML
3. Interbank clearing on legacy systems
4. Bank sends credit advice to Seller with SWIFT C2B XML

URI = 18 character Unique Remittance Identifier

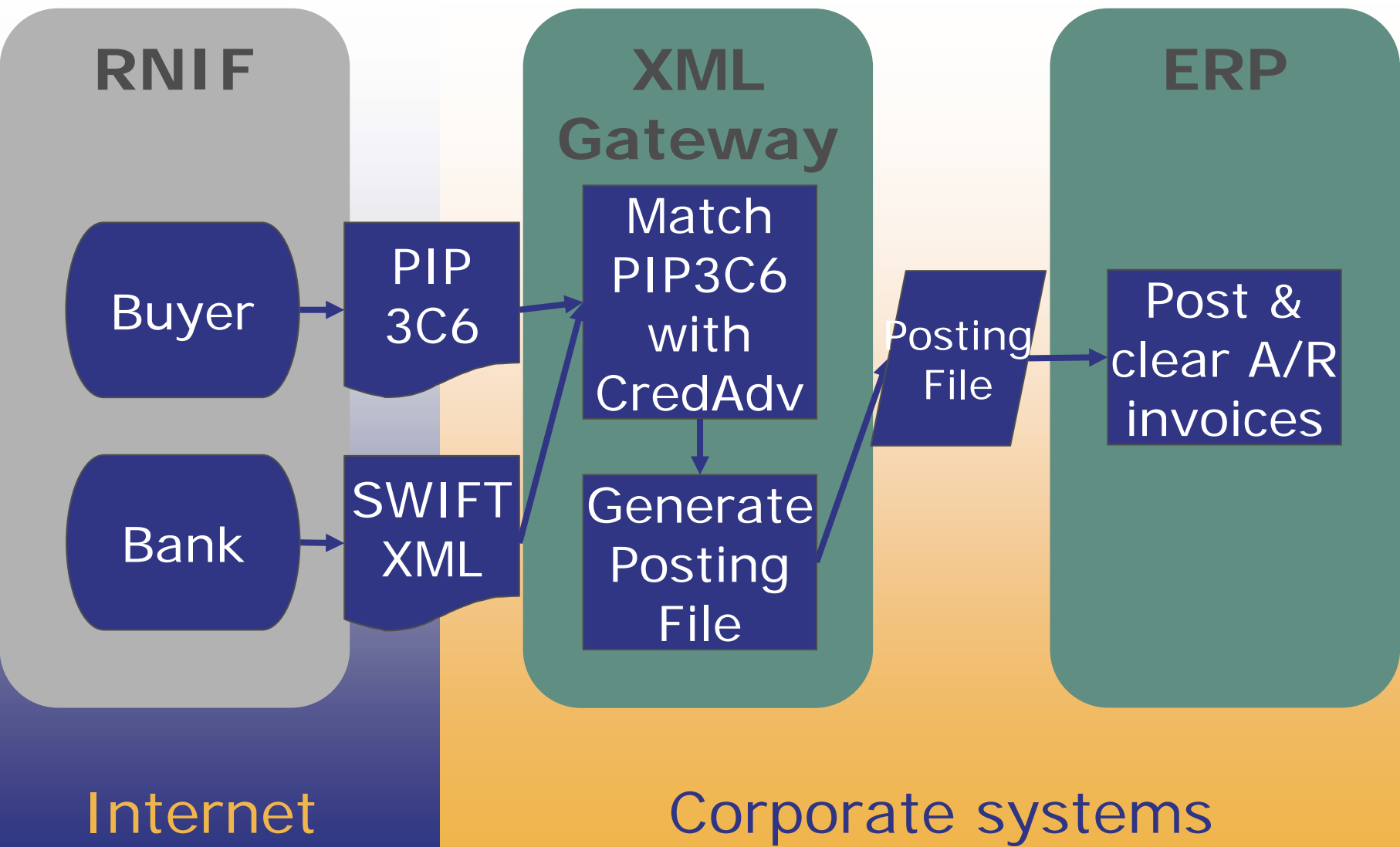
Payment process: Accounts Payable

Design validated with banks, software, and users



Payment process: Accounts Receivable

Design validated with banks, software, and users

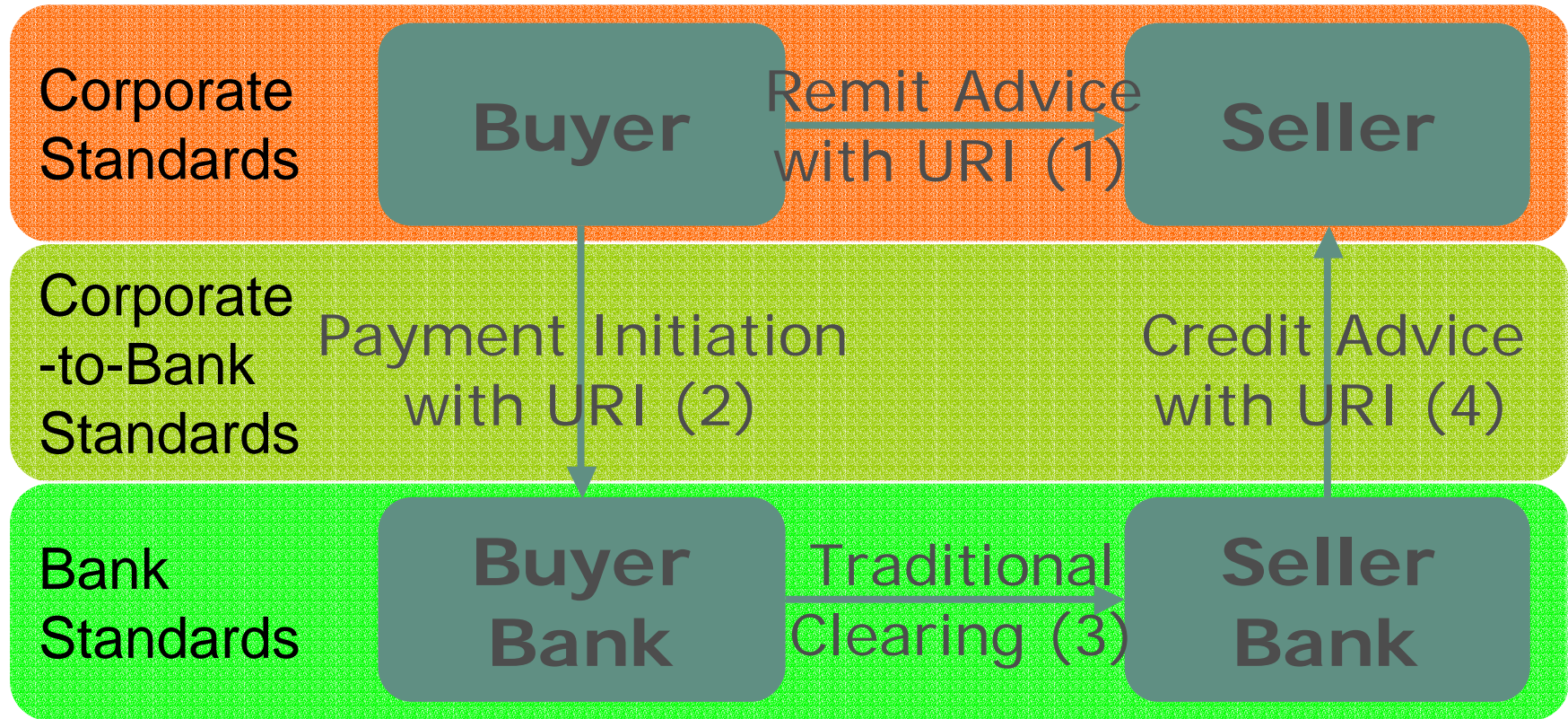


Internet

Corporate systems

Appropriate standards in each layer

RosettaNet sticks to corporate standards



Minimum requirements for this to work:

1. Any machine readable remittance advice (EDI, XML, ASCII, proprietary)
2. Banks carry 18 char URI intact through banking system (99% coverage)

Distinguish XML vs Transport vs PKI

There are no clear standards for C2B transport and PKI

XML

Letter

XML message content and structure defined by SWIFT aligned TWIST/IFX

SWIFT

T'port

Envelope

RNIF is the only live secure authenticated open standard (WS-I is not secure yet)

RNIF

PKI

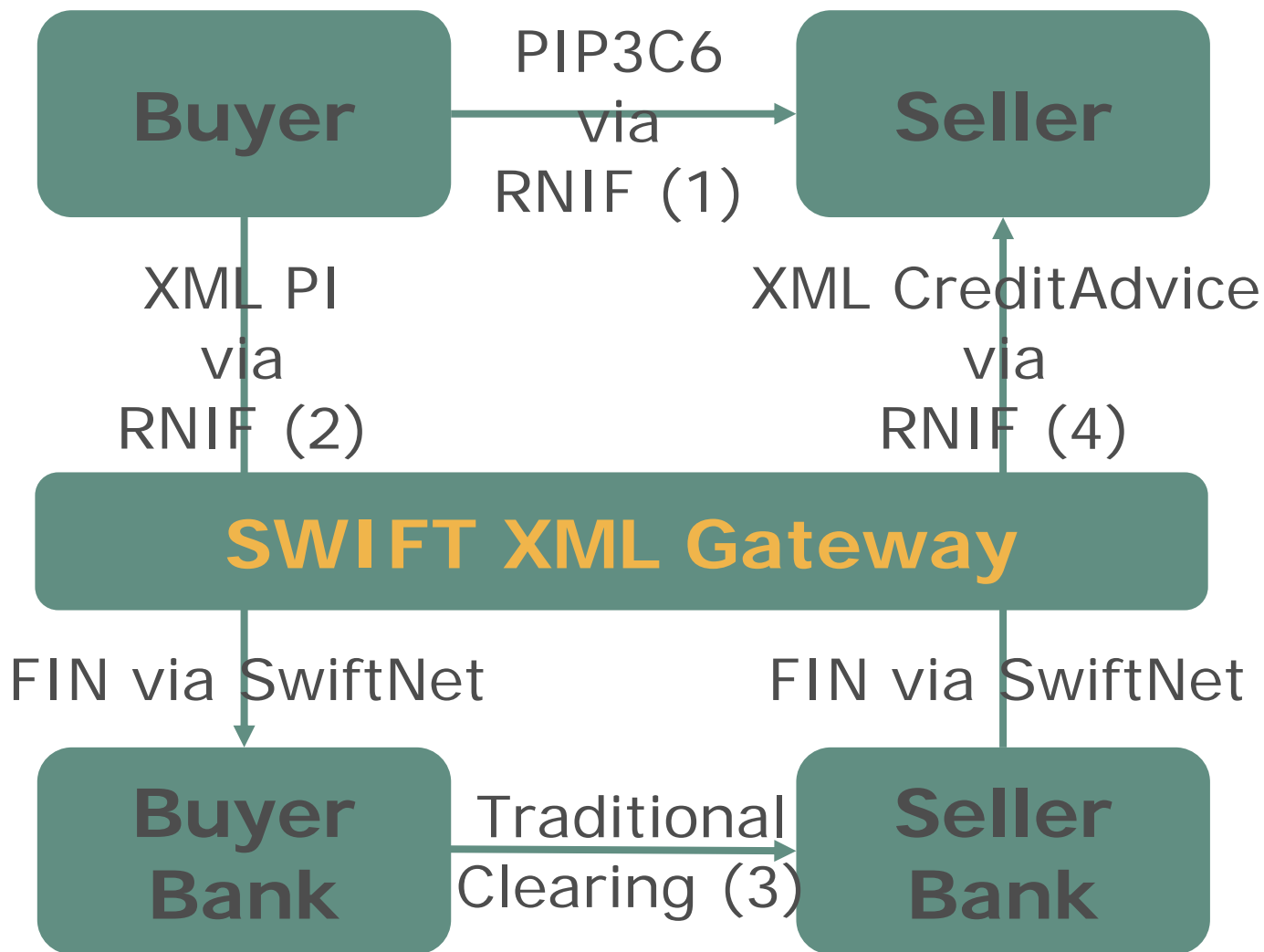
Seal

Use standard software but allow choice on CA – banks can act as CA if desired

Verisign

Payment: Shared converter scenario

Builds on shared resource to reduce cost to banks



Generic information through clearing

PMP minimum is that banks pass 18 char URI intact

This is good for YOU!

- The payment program solution is totally generic
- Requires only
 - Machine readable Remittance Advice
 - Customer data passes clearing
- Can use other XML, EDI, proprietary like iDoc, etc
- Does not require new banking interfaces
- Does not require use of RosettaNet

What can YOU do?

- Being able to pass 18 chars of our data through clearing systems will save time and money in many ways
- Banks need consistent message from customers that this is important
- ✓ YOU can tell your bankers that you want this
- ✓ YOU can make this a pre-condition for RFPs & RFQs
- ✓ YOU can make a difference for your company and trading partners

XML saves money

XML is the lingua franca of the net's evolution

- Current dial up corporate to bank communications are expensive for both parties to maintain
- Standardised XML saves money for both sides
- Even better when transport (ie RNIF) and security (ie Verisign) are standardised
- RN PMP team have asked SWIFT and IFX and TWIST to align their core payment XML to ensure interoperability
- ✗ Proprietary technology does not generate customer lock-in
- ✗ Proprietary technology causes customer dissatisfaction
- ✓ Service quality generates customer lock-in
- ✓ Open standards reduce wastage so banks can focus on service quality



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