

The value of standardisation in public administration services: The Italian corporate banking experience

Liliana Fratini Passi

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CBI Consortium, via del Gesù, 62, 00186 Roma, Italy.
Tel: +39066767466; e-mail: l.fratinipassi@abi.it



Liliana Fratini Passi is Secretary General of CBI (Customer-to-Business Interaction) Consortium, created under the auspices of ABI (Italian Banking Association). The CBI Consortium owns the governance of the CBI Service, which is a system developed with the aim of facilitating the corporate management of electronic multibanking connections and e-invoicing transmission. Currently Liliana Fratini Passi is also active as member of the European Commission Expert Group on E-invoice and the Network and Standards subgroup, based on her standing as an expert on e-invoicing at national level. She is also a member of many other groups working in the field of payments, such as the ISO20022 Registration Management Group, the Italian Committee for SEPA migration and the International Payments Framework Association (IPFA), Marketing and Communication Team. She is active in payments-related industry and coordinates the CBI Stakeholder Forum, created in order to cooperate with companies for the adoption of the SEPA Direct Debit and Credit Transfer on the CBI channel. Recently, as CBI Consortium Secretary General, she has also supported main relevant initiatives for the Italian banking system, including migration of the CBI network to a new one, based on a peer-to-peer infrastructure, XML standard, end-to-end transmission and supporting digital signature, and start-up of the new 'CBI Entry Point service' as an innovative

way of connection between Central Public Administrations and Banks.

ABSTRACT

The Public Administration (PA) plays a key role in fostering the competitiveness of the European economy and financial market. Consequently, different stakeholder categories have recently registered new interest in cooperating to support the PA's modernisation. In Italy, the Government has launched an institutional programme, the 'e2012-innovation strategies', marking some fundamental steps in the PA innovation process, as demonstrated by the introduction of the e-invoicing obligation for suppliers of PA. The banking system plays a core role in the concrete implementation of the mentioned objectives, thanks to a widespread presence over the territory, the availability of multiple channels and great knowledge of innovation and technology. The Italian banking system holds a further relevant asset, based on cooperation logics: the CBI Service, managed by the CBI Consortium, demonstrates best practice in the field of the innovation and standardisation of corporate banking services. In line with trends and the institutional commitment towards PA efficiency, the CBI Consortium is currently supporting the development of new models of interaction between the banking system and the Central Public Administration, and the implementation of innovative electronic

services (documents, payments, reporting), interoperable with international standards, for the public sector.

Keywords: *public administration, banking service innovation, processes, standardisation and dematerialisation, corporate banking services, CBI services, e-invoicing, business- to- government*

INTRODUCTION: THE NEW MARKET BACKGROUND AND TRENDS IN PUBLIC ADMINISTRATION IN ITALY

The public sector plays a key role in actively fostering the competitiveness of the European economy and promoting the financial market, owing to, on the one hand, its close relations with companies and private citizens and, on the other, the numerous payment and collection transactions which it initiates and receives every day. The purposes of public administration (PA), as agreed by the EU Council in the Lisbon Agenda, are clear, and financial integration acts as one of the core levers to achieving the Lisbon objectives.

Consequently, in recent years, ‘quality’, ‘efficiency’ and ‘savings’ have become the key drivers in the process of renovating the Italian public sector, in response to the strong inefficiencies in administrative and payment processes management. Owing to scant resources and a failure to adopt standardisation and information and communication technology (ICT) solutions, PA today presents highly customised procedures and tools/services for each institution, and elevated complexity of operation and management of internal processes which compromise public institutions’ capacity to offer excellent services and optimise their internal processes.

A significant indicator is the cost for the whole Italian system of ‘paper-based’ management of PA documents and payments,

whose estimated value is around €50–70bn.

Against this backdrop, the different stakeholder categories (in particular, institutions, public entities and banks) have recently registered new interest in cooperating to support the removal of administrative burdens and modernisation of procedures, including the promotion of dematerialised means of payment.

This new approach has arisen thanks to some discontinuity trends and drivers, closely connected to the following.

- *Some relevant regulations and initiatives affect the payments scenario*, such as the Single Euro Payments Area (SEPA) and the Payment Services Directive (PSD), which consider the innovation of payment processes, eg migrating government payments away from paper-based and cash processes, as a vital component of creating modern infrastructures designed to reduce costs, to establish efficient operational structures and, above all, to improve further the service level of government agencies interacting with citizens and enterprises. The SEPA will be the platform upon which e-government solutions such as e-invoicing, e-procurement, e-payments, e-signatures and e-services in relation to taxation, customs and social security will be further developed.
- *The standardisation initiatives* promoted by international bodies such as ISO 20022, SWIFT and UN/CEFACT, provide PAs with the opportunity to adopt a common language supporting interaction, message exchange and a more efficient organisation, thus enabling them to benefit from homogeneous tracked and traced information and data, easily comparable and usable, and from savings relating to cost reduction in the management and maintenance of different procedures and IT systems.

- The *financial crisis* has clarified the relevance of the role of public entities, in order to ensure market stability, supporting the economic re-launch of the country.

For these reasons, Italian institutional players (including the Italian Government) are actively working to promote an integrated vision and action for PA innovation and efficiency, based on the adoption of new technologies, diffusion of security and quality standards, and simplification of interaction models. The Institutional Programme for the modernisation of the Italian System ('i2012 — Innovation strategies'), defined in line with the most relevant results gained with regard to PA issues by the main European best practices (eg Denmark), has brought about the launch of initiatives that target all levers, ie legal framework, ICT, processes reorganisation and human capital. These initiatives are based on the involvement and cooperation of all the relevant national stakeholders (eg PA at central and local level, banking players and corporates). The programme identifies key objectives structured on three main areas:

- (i) economy: innovation in business–government (B2G) and government–business (G2B) relations;
- (ii) society: innovation in the citizen–government (C2G) and government–citizen (G2C) domain, supporting the digitalisation process by citizens;
- (iii) e-government: innovation of PA internal procedures and PA–citizens/corporate relationship.

The effort made by the different Italian players in reaching these objectives, recently stated in the 'Integrated Program', started a few years ago, marking some fundamental milestones in the PA innovation process, also involving the banking system.

2008: The Italian Financial Law statement on e-invoicing obligation in the B2G domain

The 2008 Financial Law (Article 1, paragraphs 209 to 214 of Law #244 dated 24th December, 2007) introduced the obligation for suppliers of public sector authorities and national public institutions, to issue, transmit and archive invoices exclusively in electronic format. Consequently, PAs cannot process any payment for invoices issued on paper. The main objectives that the government wants to achieve with this requirement are as follows:

- to automate the flow of purchase invoices by PAs;
- to reduce costs relating to invoice archiving for both suppliers and public authorities;
- to speed up the diffusion of electronic invoicing in both business–business and business–bank relations, with significant benefits for the entire 'country's network'.

Legal implementation will be by 'incremental steps', depending on companies' volume of business; in fact, the start-up of the system (in an experimental phase) will cover only large companies and some authorities (probably the financial authorities themselves). The extension of the obligation for large companies to invoice all authorities involved and the progressive inclusion of smaller companies would come later. The legal framework has also defined a reference model for the exchange of e-invoices, which envisages that electronic invoices must be transmitted to public sector authorities using a 'unified interchange system' administrated by SOGEI (Società Generale di Informatica) — the company of the Ministry of Economy and Finance — as a single interface for suppliers. Indeed, the

decision on how the electronic invoices must be transmitted to the unified interchange system, ie whether to use an internal solution, an ASP platform or outsourced services, is left to the suppliers themselves.

Throughout 2010, the Italian community was waiting for the issuing of the second decree by the Economy and Finance Ministry, in agreement with the Innovation and PA Ministry, to define technical, administrative and procedural rules aimed at making the system operative.

January 2009: 'e-Gov 2012' plan launched by the Italian Innovation and PA Minister

The plan provides for 80 projects, structured around the concrete needs of both Central and Local Government to:

- improve efficiency: simplifying and re-engineering administrative processes in order to obtain significant benefits in terms of process length, service costs born by citizens and corporates, and elimination of paper-based procedures;
- achieve interoperability and full cooperation between administrations: establishing shared rules and standard interaction modalities and developing advanced tools and infrastructures (eg Public Connectivity and Cooperation System (SPS), e-signature and e-archiving) in order to facilitate integration of multiple administrations;
- improve the efficiency and transparency of public expenditure: computerising payments within the administration, developing integrated auditing systems and promoting the use of e-procurement tools;
- enhance the accessibility and quality of national portals and administrative websites by increasing their interactivity and the consistency of online content;

- become an 'intelligent customer' by supporting innovative projects which promote open standards and specifications, exportable beyond the Italian border.

In line with these objective, the 'Reti Amiche' initiative has been launched, to increase the contact/access points between citizens and PA, thus simplifying access to PA services by making them available through different channels. The 2010 set target is to reach 100,000 access point, starting from a total of 7,000 points, leveraging on the existing networks, infrastructures and channels, with a special focus on the banking system assets.

THE ROLE OF THE ITALIAN BANKING SECTOR IN SUPPORTING THE PA INNOVATION AND EFFICIENCY OBJECTIVE

The banking system represents one of the fundamental actors for the concrete implementation of the above-mentioned objectives and related initiatives, promoted by institutional stakeholders. Thanks to a widespread presence over the national territory (more than 32,000 branches), the availability of multiple channels (about 42,000 automated teller machines (ATMs), about a million point of sales (POS) terminals, about 93 per cent of banks offering home/remote banking services) and great attention on innovation and technology (about €6bn of ICT investments/year), banks can play a significant role in the achievement of innovation and efficiency goals for PA.

Payments conveyed through government agencies at national, regional and local levels include different types of transactions: tax payments and returns, social security benefits and pension contributions; salaries for civic employees as well as payments for goods and services pur-

chased. In addition, further consideration needs to be given to payments handled by wholly or partly state-owned utilities and enterprises.

Therefore, by means of making available and valorising their existing assets, the Italian banking players are working together as a system to identify shared basic solutions, based on common standards and rules to support the efficiency and innovation needs of the PAs, internally and in the relationship with their end-users.

In this perspective, the Italian banking system, represented by the ABI (Italian Banking Association) has recently subscribed to an agreement with the Innovation and PA Ministry, thus engaging in the support of the 'eGov 2012' and 'Reti Amiche' objectives, in cooperation with Digit PA. The banking system is now defining and developing appropriate operational agreements, aimed at analysing the technical, organisational and legal issues relating to the provision of public services through the banking channels.

From a competitive point of view, the single banking players are investing in the innovation and strategical repositioning of their offer in the C2G, G2C, B2G and G2B domain, developing new value-added services enhancing their offering coherently with the new trends and business needs of:

(i) *Internal efficiency*: simplification and standardisation of public entities' supply and payments procedures and systems, thanks to banking services supporting the process of dematerialisation, reconciliation and automation. By way of example, see the following solutions:

(a) *e-Procurement*: Public procurement is a key sector in the European economy, totalling an estimated volume of €1.5trn or 16 per cent

of EU GDP, according to the most recent data available. Opening up procurement markets could significantly boost competitiveness and reduce government spending. In line with this issue, banks are developing innovative services and platforms for complete automation of the entire purchase process of PA, starting from tender notification to issuing the order in compliance with the legislation governing the procurement activity of PAs. These services are based on Business Process Management (BPM) systems, focusing on modular usage of existing processes and services and on the definition of flexible layers in line with the trends present in different, wide, integrated communities which operate according to a 'web service orchestration' modality. Business Process Management supports public authorities in different operational issues (eg apply BPM in the procurement phases of universities and local entities) dynamically responding to its needs and supporting its alignment with European best practices. Thanks to work-flow management applications, PA can benefit from the opportunity to integrate the supply cycle automatically with the invoicing and payment phases.

(b) *E-invoicing and digital archiving*: Banking players are developing integrated solutions aimed at supporting PA's e-invoicing process. The services available could be classified as:

- document management: services for e-invoice exchange and related digital archiving
- payment management: automatic activation of payments

(based on credit transfer, direct debit, etc.) thanks to integration with e-invoicing flows

- reconciliation/notification: electronic status report, notifications, claims management and automatic reconciliation, thanks to the remittance information included in e-invoice flows.

(ii) *Improvement in the payment/collection processes in the banks-PA relationship:* Standardisation processes and EU initiatives such as the SEPA are pushing banks to improve payment and cash management services offered to PAs. By way of example, see the following solutions:

(a) *Ordinativo Informatico Locale (OIL):* Owing to the great heterogeneity existing in payment procedures designed for local PA, the banking system has decided to cooperate in order to develop a standardised payment/collection service relating to the relationship between public entities and banks. The OIL is an XML-based instrument for automated issuing of local PA payment and collection orders — digitally signed — which supports the transmission of the necessary information for the generation of a credit transfer or a direct debit in the inter-bank domain.

(b) *SEPA-compliant payment services:* Public entities maintaining accounts in other European countries will be able to centralise such accounts and the associated liquidity, thanks to SEPA-compliant payment services, thus ensuring the elimination of differences between domestic and cross-border payments. The adoption by PA of SEPA payment instruments gives them a golden opportunity to renew legacy payment applications.

(c) *Innovative payment services:* According to the SEPA schemes, individual banks and communities of banks provide complementary services based on the schemes in order to meet further customer needs. Therefore, PA can consider shopping for SEPA payment products tailored to its specific needs.

(iii) *Innovation and efficiency in the interaction between PA and citizens/corporates:* Banking players are investing in the development of new flexible, dynamic and efficient solutions in order to enable — in line with the ‘Reti Amiche’ objectives — citizens and corporates to access PA services (ie administrative sanctions, cadastral certification query, etc.) through the different banking contact points, both virtual and physical. By way of example, see the following solutions:

(a) *Advanced solutions based on new technologies, enabling the immediate execution of payment and provision of the PA services by end-users:* The application of innovative technologies and channels (contactless cards and mobiles, etc.) to traditional or new banking payment instruments supports online access by citizens and corporates to PA. If the PA benefits from rationalisation and efficiency of global processes, the end-users will gain a significant time saving, STP transactions and timely information. The value of these types of services is confirmed by some market evidence, eg relating to the use of contactless solutions for ticketing: after their development and trial periods all over the world, contactless systems have now reached the implementation stage for combined tickets for all modes of transport, from Hong Kong to Nice. Large-scale implementations

are already, or will soon be undertaken, in many European capitals (Berlin, London, Paris and Moscow), in Asia (Seoul, Hong Kong, Singapore and Tokyo), and on the American continent (San Francisco and Mexico City). Over 70 projects illustrate the quick migration of ticketing systems towards contactless technologies.

- (b) *Services correlated with the 'Processo Civile Telematico'*: The project (which in English can be translated as Online Civil Trial), developed by the Italian Ministry of Justice, aimed to increase the availability of online services by means of building a two-way data and document interchange and application interoperability between all the external users (lawyers, expert witnesses), all the courts' internal users (clerks, judges) and all the PAs involved in civil cases, implementing a high-security public key infrastructure (PKI) architecture and adopting state-of-the-art technical standards, according to recently available Italian laws. Banks are currently working to develop solutions that support both law courts' needs, in terms of document management and dematerialisation, and users' needs, in terms of executing the electronic payments of charges/taxes that are needed to access the requested services.
- (c) *Innovation of the contributions services — 'F24 service'*: The F24 represents an Italian success story, introducing one single model and information standard to support citizens and corporates in paying different PAs' tax categories: for the payment of direct taxes, VAT, substitute taxes, contributions and premiums, all

taxpayers, whether entitled to VAT or not, must use the F24 payment form. By using the F24 form, it is also possible to pay municipality tribute over real estates (ICI) and other local taxes (the tax of household refuse, now replaced by TIA, the environmental hygiene tax, TOSAP, etc.).

In order to guarantee effective and efficient implementation of these services, exploiting the existing available assets as much as possible, representatives of the banking system and PA are currently working jointly to identify the best interaction model to facilitate the exchange of information and the activation of document management and payment services in both online (real time exchange of flows) and offline modality.

THE ITALIAN SUCCESS CASE IN PA INNOVATION: CUSTOMER TO BUSINESS INTERACTION CONSORTIUM

The Customer to Business Interaction (CBI) Consortium represents Italian best practice in the field of the innovation and standardisation of corporate banking services, addressed to business targets (corporates and PAs). It was established on 20th May, 2008, in order to maintain the activity developed by the previous *Associazione per il Corporate Banking Interbancario* (Association for the Interbank Banking Corporate — ACBI), which was started in 2001.

Interbank Corporate Banking, the Italian CBI, is a telematic banking service allowing firms of all sizes to work directly, through their computers, with all the banks they have relations with. By centralising a firm's relations towards the whole banking system all at one point, the CBI service provides a wide range of financial,

information and commercial tools based on cooperation between banks, without limiting competition. The consortium defines, in fact, the technical and regulative standards of the CBI service, at national and international levels, and manages a modern technological infrastructure in order to support the relations between the different parties of the CBI's community (institutions, public bodies, enterprises, trade associations, software vendors and service providers). This represents a guarantee for consortium members who are able to provide their customers (enterprises, PAs and intermediaries) with innovative services, either in the core collection and payment area (SEPA-compliant) or in the innovative area of document management (eg e-invoicing), according to main national and international standards in line with ISO 20022.

The CBI service consists of a set of functions, based on common rules and standards, established within the CBI Consortium's activities in order to guarantee maximum interoperability and attainment among all members. This interconnection is supported by an advanced technological infrastructure (a network of payment initiation, different from the compensation and regulation circuit), which allows the exchange of information and flow of orders between customers (enterprise, PA, intermediary) and intermediaries (banks and post offices), aiming mainly to rationalise and optimise the management of the enterprise's financial resources.

Today, the CBI counts 684 adherent banks (more than 90 per cent of all the Italian banking community) and, from November 2008, Poste Italiane Plc (the national postal service) has become an Associate. In line with the PSD, the consortium will in future also have among its associates the new payment institutions.

There are more than 800,000 enter-

prises, above all small and medium-sized enterprises (SMEs) (October 2009 source), which use CBI functionalities offered by the relative banks. Public entities are also part of the client target base.

In line with the market trends and the institutional interest and commitment towards PA innovation and efficiency, the CBI Consortium is currently developing its business model and service offering along two principal directions:

- supporting the development of new models of interaction between the banking system and the Central Public Administration (CPA): 'the New CBI Entry point towards the Public Administration'
- developing an innovative service model vs the public sector.

NEW CBI ENTRY POINT TOWARDS PUBLIC ADMINISTRATION

The CBI Consortium has recently been facing a new challenge in developing value for its partner banks and the overall Italian institutional sector. In line with the recent development of its legal status — from association to consortium — which was approved on 20th May, 2008, during the ACBI annual meeting, the consortium is now able to develop services that may be offered to different subjects, other than partner banks. This is the scenario against which new CBI services towards markets are being developed.

In order to support the CBI service evolution, but also in line with the development of Italian CPA needs described above, the CBI board has recently approved the new role of Entry Point, according to which the CBI Consortium can act as a neutral access point with the aim of providing PAs with points of entry to the CBI network, in representation of the entire Italian banking system.

Through that decision, banks are giving up the option of acting as access banks for CPAs. The role of entry point is associated with a 'super-partes' overlaying subject representing the entire banking sector. In consideration of the Italian CPA's requirement to identify any outsourcer relating to a supply value greater than a certain amount through public call for tenders, the decision of the Italian banking system, represented by the CBI adherent banks, has an important role in terms of market positioning of the entry point services.

An Access Point is a CBI role defined by the CBI Consortium Statute and Legal Framework, which is certified and listed in the dedicated technical subject roster. The Access Point is able to connect partner banks to the CBI network. The actual Access Point manager is a market player, sometimes owned by a bank, which provides the technical platform through which financial flows are sent and received between the partner bank and the CBI network, in compliance with CBI message standards.

From the very beginning of the CBI initiative, only banks have been able to benefit from Access Point services in order to exchange financial flows with other adherent banks connected with the CBI network. The CBI network has indeed always been directly accessed by banks. With the new CBI Entry Points services, the CBI Consortium can act as an Access Point towards Italian CPAs.

Basically, the new CBI Entry Point services, whose creation is entrusted to an outsourcer, are represented by an extended gateway service which enables the inter-connection between different network infrastructures (CPAs' existing networks and the CBI network).

More in-depth, the Entry Point functionalities can be summarised as follows:

- routing and addressing of exchanged flows;

- dispatch and receipt of flows compliant with CBI XML and conversion of flows in other requested formats;
- enveloping on CBI standards of unstructured documents;
- security requirements in line with CBI standards;
- advanced routing functionalities (eg VAT/fiscal code);
- access utilities to the CBI Directory for routing query;
- centralised help desk and monitoring tools;
- disaster recovery;
- CBI standard diagnostic tool;
- flow storage;
- conversion of formats and schemes of exchanged flows, based on protocols defined together with the client;
- performance measurement and monitoring tools (eg web data monitor).

All the Italian PAs are facing an important process of rationalisation, strongly supported by the current government, aiming to maximise the value of services delivered to citizens. Against this backdrop, issues such as cost reduction, increased efficiency, decrease in paper-based transactions and activities, dematerialisation and so on are of paramount importance. The value proposition of the CBI Entry Point services works accordingly with that trend, enabling the future management of all relations between public entities and banking systems through a unique point.

PUBLIC ADMINISTRATIONS AS TARGET

The CBI Entry Point proposes itself to be the unique interface of CPA with the banking system. The value proposition is in line with some initiatives started in the public sector in order to rationalise the current architectural model through

which Central PA interacts with the banking system.

According to that, the CBI Consortium first identified a subset of CPAs and a potential area where the Entry Point services could provide efficiencies:

- Ministry of Economy and Finance and Department for Coordination and Scheduling of Economic Policy (DIPE);
- Equitalia Giustizia and FUG — the Impound Fund (Fondo Unico di Giustizia);
- Justice Department;
- Revenue Agency;
- INPS, INPDAP, INAIL and welfare bodies;
- Department for Education (Ministero dell'Istruzione, dell'Università e della Ricerca);
- other big CPAs or private subjects (eg, large corporates).

With the exception of the first two above-mentioned CPAs, for which the Entry Point services will be described below, other points are under analysis in order to comprehend better the benefits enabled by a connection with the CBI network through the Entry Point services.

With the Entry Point services, partner banks would be able to forward reporting flows toward the agency using the CBI network, instead of the current infrastructure, therefore avoiding payments of relevant amounts to the supplier of the infrastructure.

Pilot description

Recently, two CPAs have asked the CBI Consortium, as a super-partes interlocutor representing the Italian banking community, a specific support in order to rationalise the actual model for their interaction with the banking system.

The CPAs in question are:

- (i) The Italian Department for the Coordination and Scheduling of the Economic Policy — DIPE.
- (ii) *Equitalia Giustizia* (a public society created among the Revenue Agency and the Justice Department).

Thanks to the above-mentioned characteristics of CBI Entry Point services (uniqueness of the services in the market scenario), in both cases the assignment of the supply of Entry Point services to the CBI Consortium has been possible without a public tender, which would have made necessary a long process for the final assignment.

'Financial Monitoring Project'

In order to support the monitoring of financial flows between great public works, the DIPE asked the CBI Consortium to set up a service enabling the periodic collection of the reporting of payments relating to public supply.

The objective of the project is to support the automation of the reporting process of financial movements (payments) relating to great public works. In more detail, the project aims to automate the collection of:

- bank statements relating to the current accounts registered in the name of the enterprises that are involved in the carrying out of public works;
- single reporting flows relating to payments disposed by the same enterprises.

The pilot phase of the project is now running, and is focused on the financial monitoring of the building of the Roman Subway, which covers a subset of enterprises identified by the DIPE itself. That pilot project will last until the end of 2010, but the DIPE has recently been evaluating the opportunity to widen the experiment to the financial monitoring of

another public work, connected to the building of the Messina Strait Bridge.

The project implementation has foreseen the writing and subscription of a Protocol between the DIPE and the banks, represented by the CBI Consortium. In particular the Protocol defined by the CBI Consortium for the financial monitoring projects requests banks to use the following CBI services:

- daily bank statement;
- XML SEPA payments status report message toward sender and other subjects to forward to the DIPE access point the information flow relating to payments that have been initialised by their clients who are subject to financial monitoring.

'Fondo Unico di Giustizia' project

A recent Italian decree (Decreto Interministeriale n.127 del 30/07/2009) created the *Fondo Unico di Giustizia* (Impound Fund) (FUG), with the objective to gather under PA (more specifically, Equitalia Giustizia) the control of the enormous amounts that are confiscated by the state. Since the majority of those amounts are kept inside the banking system, Equitalia Giustizia has asked the CBI Consortium to define a service to manage the financial resources of the fund in an efficient way and through electronic data transmission.

The CBI Consortium has been identified as the body able to create a service enabling the acquisition of information from banks relating to FUG financial resources as well as the possibility of using them through payment initiation services.

Within the FUG initiative, the CBI has defined a service model to which all banks are subject: according to Italian decree n. 127 of 31st July, 2009, banks have the responsibility to address in FUG's name all

current accounts (and other banking technical forms which represent money funds) that are 'sunk' after a court order or under legal impounding. The CBI protocol for FUG establishes that all banks involved have to forward to the CBI Entry Point platform reporting flows relating to those current accounts, including other technical forms.

Future evolution of the CBI Entry Point services towards FUG will include payment initiation CBI services and, and when necessary, the definition of new CBI standards in order to make available to Equitalia Giustizia other specific information relating to its resources or to enable particular functionalities (eg a service model in case of refund to the previous holder).

The above-mentioned projects reflect a similar service model, according to which the CBI Consortium has provided relevant contributions in the following fields:

- definition of the architectural model according to the PA's requirements;
- definition of the set of CBI services among the current ones or identifying new service standards in line with the requirements;
- definition of the 'hot-to-get-started manual' service towards banks that have to be compliant;
- communication of the new protocol to the banking system;
- coordination with the ABI on institutional matters relating to communications with the banking system.

POTENTIAL EVOLUTION OF THE ENTRY POINT SERVICES

Given the model described, according to the recent evolution of Italian B2G services, the stakeholders have recently analysed a possible evolution for the CBI Entry Point services.

The CBI Consortium is willing to continue the activities of cooperation with the main Italian institutions and stakeholders in order to support the ongoing rationalisation process started by the government to make PA as a whole more efficient. That process could involve corporate banking services from different points of view:

- harmonisation of different national network infrastructures and potential gateway services between themselves;
- development of new corporate banking service standards, supporting in particular the interaction between banks and PA, customised to their needs.

MAIN INNOVATIVE CBI SERVICES TOWARDS THE PUBLIC SECTOR

The attention of the CBI Consortium to the emerging business needs of the different stakeholders, included PA, has led to the development of innovative CBI functionalities. All CBI services, in the customer-to-bank area, are compliant with ISO standard 20022, the basic standard of the SEPA initiative. In this direction, the CBI is recognised by the Italian community as the competence centre in the definition of specific channel additional optional services (AOS), characterised by a high level of innovation in B2G and G2B relationships. In the following paragraphs, an overview of some value-added services for PA — issues such as the CBI e-invoicing service, the Payment Activation Request and the F24 and I24 functionalities — are outlined.

The value of CBI e-invoicing

The CBI invoicing services support the integration of the entire financial value chain, not only of corporates, but also of PA. The increasing business needs have pushed the CBI Consortium to develop innovative services regarding e-invoicing,

characterised by relevant features such as compliance with the ISO 20022 XML standard, multi-standard format, system information on transmission status, and data security and quality. The end-to-end CBI e-invoicing service has been defined to facilitate the integration of the commercial document with the payment request, supporting the reconciliation process between commercial and financial information. The value of this service for the PA is confirmed by the market evidence:

- in Europe, over 50 per cent of total paper-based invoices are issued and managed by the public sector;
- the average cost per invoice is between €30 and €80;
- the adoption of electronic invoices can reduce the total cost by 50–80 per cent.

In particular, as a result of the Italian Financial Law, which introduced the obligation for suppliers to PA to use electronic invoicing, the CBI channel could represent one of the recognised channels for the transmission of e-invoices to PA, also contributing to making the interaction and information exchange between companies and tax agencies more transparent. Consequently, the use of the CBI channel for the sending/receipt of e-invoices to/from the PA produces relevant benefits — issues such as an increase in automatic information management and processing, and reduction in time and cost, optimising the numbers of channels currently used by public entities for the invoicing process and related payments/collections.

CBI Payment Activation Request service

As previously described, PAs are characterised by some internal inefficiencies relating also to payment processes management, which limits their capacity to control payments orders and receive the funds

owned by their service users within a limited period of time. In line with these needs, the CBI Consortium has defined an innovative functionality which basically consists of a request for payment form pre-filled by the beneficiary, thus enabling automatic settlement: the CBI Creditor Payment Activation Request (CPAR). The service allows a bank's beneficiary customer (eg seller or PA) to submit to the originator (eg buyer or citizen/corporate) a credit transfer request, including the payment and the remittance information details.

Creditor Payment Activation Requests can be used to request payment for both electronic and paper-based documents (eg electronic/paper invoices) and can also support reconciliation activities on existing document standards (eg EDI/EDI-FACT invoice standards).

In this way, the CPAR service ensures the integrity of remittance information and enables automatic reconciliation and interoperability, overcoming issues that characterise traditional manual reconciliation processes in terms of possible mistakes and mismatches between commercial and financial documents, avoiding long processing times (documents are often sent too late or, sometimes, lost) and high processing costs. The PA is able to manage payments in a more flexible way, increasing the degree of automation and integration in the payment transaction's life cycle. In this way, automated reconciliation of the information relating to the physical and financial supply chain will become much simpler, as the corporate clients will use this service to pass remittance reference information. As an additional opportunity, a CPAR can be used as a 'Pay me' reminder standalone service, used by the creditor to request a payment to the debtor; for example, the creditor could send the debtor a payment request for unpaid invoices/other documents, such as,

in the case of PA, electronic bills. In this case, the service is used as an asynchronous request (the invoice has been transmitted earlier) including complete remittance information, thus enabling automated reconciliation activities.

The standard of this service, compliant with the Rulebook SEPA Credit Transfer is expected to be released as optional feature by the CBI in the first quarter of 2011, following forthcoming registration in the ISO 20022 Repository.

The role of the CBI Consortium in the F24 service

The F24 Tax Payment form is used for the payment of the majority of taxes and contributions by private bodies and enterprises in Italy. The F24 service is regulated by a legal agreement between the ABI and the Revenue Agency.

The ABI recently entrusted the CBI Consortium, already responsible for regulating the F24—CBI Tax Payment function, with the management of the whole service.

This handover was necessary, considering the increase in the use of 'online' F24 payments, following the issue of the 'Bersani decree' on liberalisation (Article 37, paragraph 49 of the Decree-Law n. 223/2006, converted into Law n. 248/2006), which introduced the obligation, from 1st October, 2006, for holders of VAT numbers to use electronic tax, contribution and premium methods, even through intermediaries.

These methods are included in the F24 Tax Payment form and clearly stated in Article 17, paragraph 2, and in Article 28, paragraph 1, of Legislative Decree n. 241/1997.

Resulting from what has been shown so far, the consortium is establishing relationships with the Revenue Agency regarding future development of the service itself, including changes in the service model.

The role of CBI as the Italian standardisation competence centre

There are four main factors influencing the level of adoption of electronic initiatives in Europe:

- (i) *Legislation*: Regulatory frameworks in different countries are well defined; however, the lack of standards and common legislation is still an obstacle to widespread adoption of electronic invoicing practices at a continental level. From the legal point of view, there is substantial alignment with Community regulations, even though the transposition of the legal regulations in each country has led to differences in the treatment of standards, where there are still relevant local customisations.
- (ii) *Use of standards*: From a purely technological point of view, dominant standards are OASIS UBL and the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Cross Industry Invoice (CII) standard. In particular, the UN/CEFACT has recently approved version 2.0 of the CII standard, which focuses on improving interoperability between physical and financial supply chains. The CII proposes itself as a format for global electronic document exchange between trading partners. It has the potential to become an important accounting document with legal implications for both the sender and the receiver. It may also be used as a means for declarations and tax recoveries, for statistical declarations, and to support export and import statements in the context of international trade documents. Given the recognition of the CII standard at a cross-industry level, the general belief is that UBL will converge into it.
- (iii) *Role of public sector (B2G)*: The main

differences between European countries lie also in the intervention of public authorities in the spread of e-invoicing solutions. In the Nordic and English-speaking countries, there is a culture of a more liberal market, where decisions are made without too much limitation or control. Central governmental bodies act as facilitators, but the risk remains with the enterprises. Mediterranean countries, in contrast, are characterised by relatively low private resourcefulness. The central agencies define and impose rules to avoid 'do-it-yourself' initiatives that impact on tax and legal aspects. As far as Italy is concerned, numerous initiatives have been launched for the adoption of e-invoicing solutions in the B2G domain, as described in Table 1.

Business models adopted

With regard to European business models for the provision of e-invoicing services, these are essentially based on the number of transactions managed and scaled to volume. Then, there are ancillary services (eg reporting, validation, storage, transcoding) which add value to the commercial offer. In many markets, there is a division between the sender-side and the receiver-side of e-invoicing service providers. Banks may be considered more active in the B2C sector and with SME: they hardly allow format changes.

Operators, instead, have traditionally offered their services to large companies and SMEs in the B2B market. They point to value-added services and offer tailor-made services.

In order to achieve the maximum alignment to international issues of the banking sector, the CBI Consortium, thanks to its role as a standardisation body, takes part in several ongoing international initiatives (e-Invoicing UN/CEFACT TBG 5, Standard Evaluation Groups, CEN, ISO 20022

Table 1: Initiatives for the adoption of B2G e-invoicing solutions

<i>Country</i>	<i>Main initiative</i>	<i>Description</i>
UK	Zanzibar Managed Service	UK Government's Electronic Procurement Managed Service. Supplier Portal (e-invoicing hub) facilitates e-invoicing free of charge.
Germany	e-Procurement Platform	Virtual marketplace allowing authorities to procure goods and services electronically. No e-invoicing capabilities.
France	e-Procurement Platform	Public sector bodies to publish call for tenders online and receive electronic bids. No e-invoicing capabilities.
Spain	Facturae	All Spanish central PAs mandated by law to receive invoices electronically from their suppliers. By 2009 extended to regional and local administrations.
Denmark	NemHandel	ETrade platform. Since 2005, suppliers to the Danish public sector required by law to send invoices electronically.
Sweden	Single Face To Industry (SFTI)	Development of standard business processes, messages and data.
Netherlands	Platform ELFA	Grouping of organisations directly or indirectly linked to electronic invoicing: software providers, industry associations, government institutions and users.
Finland	—	Finnish PAs process all invoices through one dedicated and selected service operator (Itella).
Czech Republic	Public Administration Portal	All government ministries to accept invoices submitted electronically.

Registration Management Group, etc.). The CBI Consortium is fully committed in the promotion of standardisation, because it is viewed as a key support to the most relevant stakeholders' business needs in terms of interoperability, straight-through processing, operational flexibility, ERP integration and, in particular, international reachability.

Therefore, the CBI Consortium has established liaisons with stakeholders and decision makers on both national and international levels, actively contributing to the activities developed inside to the most relevant working groups, promoting the standardisation of payments and documents solutions, adopted also by public entities:

- *CEN Workshop*: E-invoice Phase 2 (European Committee for

Standardisation), which aims to define high-level principles to guarantee the interoperability of e-invoicing solutions across Europe, at a regulatory and commercial level;

- UN/CEFACT: TBG5 and TBG1 (United Nation Centre for Trade Facilitation), which deals with the standardisation requirements of the finance and supply sectors. Recently, the TBG5 activities have been focused on the convergence between the UN/CEFACT CII standard, defined by the TBG1, and the ISO 20022 data dictionary, used for SEPA payments;
- European Payments Council: the SEPA Payment Scheme Standard Task Force which has the objective of maintaining SEPA guidelines and standards (Credit Transfer, Direct Debit in the inter-bank domain), while promoting homogene-

ity on the customer-to-bank domain within EU.

In addition to these, the most relevant results that the CBI gained, thanks to its international participations, are related to ISO 20022 and the European Commission e-Invoicing Expert Group, illustrated in detail in the following paragraphs.

Focus on the ISO 20022 Registration Management Group and Payments and Trade Standards Evaluation Group activities

The value of the ISO 20022 is strongly connected to the definition of standards supporting business processes in the financial context, based on a specific and shared methodologies to design the messages (UML — Unified Modelling Language). The CBI Consortium, as representative of the Italian banking community, is a member of:

- the Registration Management Group (RMG), the group aimed at evaluating requests for registration into the ISO 20022 Repository for standards of financial messages;
- Payments and Trade Standards Evaluation Groups, committed to the technical evaluation of payments and trade standards to be included in the ISO 20022 Repository; these groups will be involved in the analysis of the e-invoicing standard to be registered following the initiative of UN/CEFACT in the ISO 20022 Repository.

The CBI Consortium has been the first submitting Italian organisation to set standards for the Business Area Trade services in the ISO 20022 Repository, registering (in November 2007) the Invoice Financing Request service. The consortium is about to complete the registration process for the CPAR service.

Focus on e-Invoicing Expert Group activities

The Expert Group on e-Invoicing was appointed by the European Commission in December 2007 and started its work in February 2008 with the main mission of developing a European e-Invoicing Framework, defining conceptual structure, business requirements, standards and legal issues, needed to guarantee the interoperability of e-invoicing solutions in Europe. This framework is fundamental to support the diffusion of e-invoicing also in the B2G relationship, in order to grasp completely the benefits derived from the elimination of paper-based e-invoicing procedures and to write off investments already made by them in the dematerialisation of their procurement processes and their supply.

In order to address these issues, the e-Invoicing Expert Group has built up three sub-groups (SG) each focused on different areas:

- *Regulatory Framework SG*, whose main objective is identifying regulatory intervention relating to e-invoicing on a European level and on single country levels to allow the European Community potential to be exploited fully. The activities carried out by the group have brought about the definition of a decree proposal on a common VAT system, finalised for the disbandment of mandatory digital signature for fiscal purposes, which is perceived today as one of the main obstacles to the spread of e-invoicing in Europe.
- *Business Requirements SG*, whose main objective is to identify functional requisites of users for the creation of a European framework of e-invoicing and ensure its recognition and fast adoption by different stakeholders, including business case evaluation (to reach a critical mass in a short time). The business needs of SMEs, owing to their spread within

the European scene, and PA, owing to regulatory initiatives for introducing the obligation for e-invoicing in the B2G domain launched by different countries (eg Denmark, Finland, Spain), have been taken into particular consideration in the activities of the Working Group's definition of requirements. Recently, the group has been focusing its activities on analysing the requirements of the UN/CEFACT CII standard in order to support its convergence towards the payment standards registered within the ISO 20022 Repository.

- *Network and Standards SG*, whose main objective is identifying the technical and functional principals to enable the standardisation and interoperability of e-invoicing solutions in Europe. The working group's goal is to finalise a 'Framework of Interoperability' which identifies the core elements — on key issues such as security, transmission channels and governance — necessary for the achievement of interoperability between different initiatives and existing solutions.

Final Report

The important results of the Expert Group have been formalised, in the Expert Group Final Report, which describes in detail the 'European Electronic Invoicing Framework', where the final outcomes of the above-mentioned groups have been merged. The Final Report, addressed in particular to the European Commission, its Member States, PAs and e-invoicing services providers, is focused on the needs of SMEs.

The recommended e-invoicing framework relies on several principles, among which the most representative are equal treatment between electronic and paper invoices, technological neutrality, and harmonisation and simplification of rules and procedures relating to e-invoicing

processes. The roles of the three working groups are summarised below:

- *Regulatory framework*: The explicit principle of procedure simplification refers to the proposal to remove compulsory digital signature in order to gain fiscal validity in the internal control system. A proposal of directive has been presented in amendment of the 2006/112/CE Directive relating to the common VAT system, based on the awareness that its actual formulation can foster different reception at a national level. A 'Code of Practice' has been attached to the proposal, in order to define guidelines aimed at ensuring the compliance and the fiscal validity of e-invoices. The document focuses on internal control systems of enterprises, considered fundamental and sufficient to grant e-invoices fiscal validity.
- *Business requirements*: The main benefits coming from the e-invoicing exchange lie in the sharing of the data structure, enabling re-use of data in the entire financial and logistic chain. Common standards, adopted by both public and private sectors, support the optimisation of administrative activities and the achievement of full interoperability also in cross-border scenarios. Also recommended is a fair balance between business requirements and the complexity of standards, avoiding the raising of obstacles to adoption caused by a proliferation of standard options.
- *Network and standards*: The recommended architectural models are based on the principles of interoperability, integration with other services, ease of usage and reuse of existing infrastructures. The second version of the UN/CEFACT CII (CII v.2), released in September 2009, is viewed as a reference model and is considered a unique international standard able to satisfy the needs of different

industries. Consistent with the Business Requirements WG recommendation, it has been defined as a 'Core invoice' based on CII v.2, satisfying the minimal common requirements of all industry sectors. The CBI e-invoicing standard has been built upon the model of the UN/CEFACT CII (CII v.1).

The Final Report is available on the European Commission website (<http://ec.europa.eu/enterprise/sectors/i>

[ct/e-invoicing/benefits/index_en.htm](http://ec.europa.eu/enterprise/sectors/i-ct/e-invoicing/benefits/index_en.htm)) and was under public consultation until 26th February, 2010, so that the international community would be able to evaluate the proposed framework and to post suggestions to enable the Final Report to be improved further. At the end of the consultation process, the Final Report will be officially presented during a European Commission conference in Spain, taking place in Madrid in April 2010.