
AFP Wire Transfer Survey: Receipt of Remittance Information

Report of Survey Results

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Introduction

Organizations need basic remittance information in a standard format with their wire transfers in order to accurately identify incoming payments and automatically apply the payments to their accounting systems. Yet today, sufficient remittance information does not often travel with the wire and the application of wire transfers is a manual process that usually requires further research. There is no standard format for organizations to provide remittance information with wire transfer instructions and no assurance that data that is included will be received by the beneficiary. AFP has been working with the Federal Reserve Bank of New York, which is responsible for Fedwire, to develop a solution to this problem.

Earlier this year, AFP distributed a survey to its corporate practitioner members asking about the scope of the problem and the potential benefits to their organizations if a standard format were to be adopted for wire transfer remittance information. The results highlight the benefits that would be realized by organizations if a standard format for entering remittance information with wire transfer instructions were offered by financial institutions and software vendors.

Highlights of Survey Results

Key findings of the Wire Transfer Survey include:

- Only 15 percent of organizations report that their wires always come with sufficient remittance information, for example, customer account number and invoice number, to apply the payment correctly.
- The typical organization must research 17 percent of the wires that it receives.
- Research typically costs \$35 per wire and takes 30 minutes.
 - The cost is greatest at the largest organizations.
 - Organizations with \$5 billion or more in revenue typically research 950 wires per year. They spend \$38,950 (at \$41 per wire) and 475 staff hours annually on research.
- Financial professionals overwhelmingly agree that their organizations would benefit by receiving sufficient information in a standard format with incoming wire transfers.
- Eighty percent of organizations indicate that they would be “very likely” to include remittance information with their outgoing wires if there were a standard format provided in their bank or ERP system.

Survey Findings

Wire Transfer Volume and Value

The typical organization participating in the survey receives 750 wire transfer payments per year, or 63 wires per month. These transfers include Fedwire, CHIPS, and SWIFT messages. Among survey participants, the range of volumes is wide. Twenty-one percent of responding organizations receive 5,000 or more wires annually (417 wires/month). On the other hand, 18 percent receive fewer than 100 wires per year.

The median annual value of incoming wires is \$88,400,000. Twenty-two percent of responding organizations receive at least \$1 billion dollars in wires per year. At the low end, 12 percent of organizations indicate that the annual dollar volume of their incoming wires is under \$1 million dollars.

The number of wires received and the value of those wires are closely related to the size of the organization. The typical organization with less than \$100 million in annual revenue receives 50 wires per year while one with annual revenue greater than \$5 billion receives 5,000 wires annually. In terms of dollar value, the typical organization with annual revenue below \$100 million receives \$1.8 million in wires per year compared to the \$1 billion a year received by organizations with annual revenue greater than \$5 billion.

Estimated Number of Incoming Wires per Year (Percentage Distribution)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
1-99	18%	12%	2%
100-249	8	11	4
250-499	11	8	4
500-999	18	20	9
1,000-4,999	25	33	33
5,000+	21	16	49
Median	750	850	5,000

Estimated Dollar Value of Incoming Wires per Year

(Percentage Distribution)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
Up to \$999,999	12%	3%	6%
\$1 million to \$9.99 million	15	14	2
\$10 million to \$99.99 million	23	24	17
\$100 million to \$499.99 million	19	17	21
\$500 million to \$999.99 million	9	22	6
At least \$1 billion	22	21	51
Median	\$88,400,000	\$150,000,000	\$1,000,000,000

Research on Remittance Information

Only 15 percent of organizations report that their wires always come with sufficient remittance information—for example, customer account number and invoice number—to apply the payment correctly. For most organizations, further research about incoming wire payments is required to apply the payment. The typical organization must research 17 percent of the wires it receives. With incoming volume of 750 wires per year, the typical organization researches 128 wires annually. For some, research is an even heavier burden. Ten percent of organizations must research 70 percent or more of their incoming wires.

Percent of Wires Requiring Further Research

(Percentage Distribution)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
All wires come with sufficient information	15%	13%	17%
1- 9%	19	24	14
10-19%	17	19	21
20-39%	26	25	35
40-69%	13	9	9
70-100%	10	11	4
Median	17%	17%	19%

Cost of Research

As expected, the number of transactions to be researched and the average cost to perform research is greatest at the largest organizations.

Organizations receiving 5,000 wires annually must do additional research on 19 percent of their wire transfers. This amounts to approximately 950 wires per year requiring research. The typical organization with \$5 billion or more in revenue doing research on 950 wires at \$41 per wire spends \$38,950 per year on research.

The median dollar amount spent on research of an unidentified wire is \$35, resulting in an estimated annual cost of almost \$4,500 per organization. The range of costs varies greatly. Eleven percent of organizations indicate that they spend more than \$75 to research each unidentified wire.

Estimated Cost to Research Each Unidentified Wire Transfer

(Percentage Distribution of Organizations that
Do Further Research on at Least Some of Their Incoming Wires)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
Less than \$25	33%	30%	17%
\$25-50	41	44	54
\$51-75	16	19	11
\$76-100	5	5	4
Over \$100	6	2	15
Median	\$35	\$37	\$41

Time Required for Research

Research involves staff time. Organizations typically spend 30 minutes to research each unidentified wire transfer. The 128 wires per year that the typical organization researches translate into 64 hours spent researching wires on an annual basis. However, large organizations spending 30 minutes per wire to research 950 wires will devote 475 hours of staff time per year to that task. Moreover, 20 percent of all organizations—and 32 percent of large organizations—indicate that the research takes an hour or more.

**Estimated Number of Minutes Required
to Research Each Unidentified Wire Transfer**
(Percentage Distribution)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
Under 10 minutes	6%	9%	2%
10-19 minutes	26	28	21
20-29 minutes	17	22	17
30-59 minutes	32	28	28
60-89 minutes	12	10	15
More than 90 minutes	8	3	17
Median	30 minutes	20 minutes	30 minutes

Benefits of Standardized Remittance Information to Receivers and Originators

Financial professionals overwhelmingly agree that their organizations would benefit by receiving sufficient information in a standard format with incoming wire transfers.

Nearly nine out of ten respondents indicate that remittance information in a standard format would reduce the number of unidentified wire payments requiring research. Sixty-nine percent of respondents report that customer relations would be improved because payments would be more quickly and accurately applied. Just over half of respondents indicate that standardized remittance information would increase their ability to include wire transfers in their automated cash application. Finally, 32 percent of respondents believe their organization would be able to release orders and increase sales as credit limits clear more quickly.

Benefits of Receiving Remittance Information in Standard Format
(Percent of Respondents)

Reduction in unidentified wire payments	89%
Better customer relations as payments are quickly and accurately applied	69
Ability to include wire transfers in automated cash application	52
Ability to release orders and increase sales as credit limits clear faster	32

In order for organizations to receive remittance information sufficient to apply the payment—such as customer account number and invoice number—with incoming wire transfers, originators of wire transfers must be willing to input the data when they send wire transfer instructions to their bank. Most organizations are willing to add that data with their wire transfers. Eighty percent of organizations indicate that they would be “very likely” to include remittance information with their outgoing wires if there were a standard format provided in their bank or ERP system. Another 17 percent of respondents indicate that they would be “somewhat likely” to provide remittance information with their outgoing wires.

Organizations Likely to Include Remittance Information with Outgoing Wires if There Were a Standard Format Provided by Bank or ERP System

(Percentage Distribution)

Very likely	80%
Somewhat likely	17
Not very likely/Not at all likely	3

Most organizations expected some benefit by inputting remittance information with their outgoing wire transfers, for example, cutting the time spent responding to inquiries from payees. However, only 35 percent expect to benefit greatly by doing so. The largest percentage of respondents expects a moderate benefit for their organization.

Benefit to Originator Including Remittance Information with Outgoing Wires

(Percentage Distribution)

Yes, greatly benefit	35%
Yes, moderate benefit	50
No benefit expected	15

Application of Wire Transfers

Forty-six percent of respondents’ organizations have automated cash application systems. These tend to be large organizations. Sixty-eight percent of organizations with \$5 billion or more in revenue have automated systems.

Among organizations that have automated cash application systems, 35 percent of all organizations—and 48 percent of larger organizations—indicate that these systems would be able to handle incoming wire transfer payments and apply them to accounts receivable systems in a straight-through process.

Automated Cash Application Systems

(Percentage Distribution)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
Organization has automated cash application system	46%	57%	68%
Organization does not have automated cash application system	54	43	32

Automated Cash Application Systems That Handle Incoming Wire Transfer Payments

(Percentage Distribution of Organizations with an Automated Cash Application System)

	All	Revenues \$1-4.9 billion	Revenues \$5 + billion
Automated cash application system does handle incoming wire transfer payments	35%	58%	48%
Automated cash application system does not handle incoming wire transfer payments	65	42	52

Conclusion

Survey results confirm that wire transfers are widely used in significant numbers by U.S. organizations for large dollar payments. They also reveal statistics that are less well known—the extent of the problem faced by organizations in applying incoming wires to the correct customer account and the time and money spent researching the data.

Only 15 percent of organizations report that their wires always come with sufficient remittance information, for example, customer account number and invoice number, to apply the payment correctly. At the typical organization, research costs \$35 per wire and takes 30 minutes.

The survey shows that ending the waste of time and money on economically unproductive work would benefit all organizations. However, the burden falls heaviest on the largest U.S. corporations. Companies with \$5 billion or more in revenues typically receive 5,000 wires per year and must research 950 of them at a cost of \$38,950 and 475 hours of staff time. These companies are likely to have automated cash application systems that can handle wire transfers and would receive the greatest benefit from the adoption of a standard format for wire transfer remittance information. Moreover, most organizations that originate wire transfers are willing to include remittance information with their outgoing wires if there was a standard format provided by their bank or ERP system.

In AFP's 2004 Electronic Payment Survey, a majority of respondents agreed that developing a standardized format with sufficient remittance information for Fedwires and SWIFT messages should be an urgent priority for payment system providers. This survey provides the economic basis for that customer need.

About the Survey

In May 2005, AFP sent a nine-question e-mail survey to approximately 2,400 corporate practitioner members with the following job titles: assistant treasurer, cash manager, manager, and analyst. 371 responses were received, generating a response rate (adjusted for non-delivery) of 18 percent.

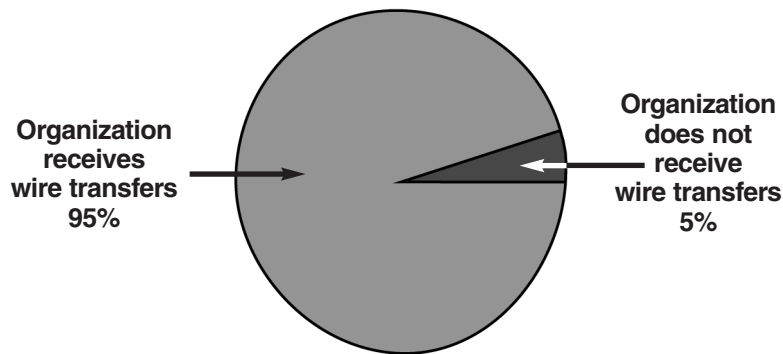
The typical respondent works for an organization with annual revenues between \$1 billion and \$4.9 billion. Ninety-five percent of survey recipients are employed by organizations that receive wire transfers.

Annual Revenues

(Percentage Distribution)

Under \$50 million	5%
\$50-99.9 million	4
\$100-249.9 million	7
\$250-499.9 million	11
\$500-999.9 million	19
\$1 – 4.9 billion	34
\$5 – 9.9 billion	8
\$10 – 20 billion	6
Over \$20 billion	7

Organizations that Receive Income Wire Transfers





About the Association for Financial Professionals

The Association for Financial Professionals (AFP) headquartered in Bethesda, Maryland, supports more than 14,000 individual members from a wide range of industries throughout all stages of their careers in various aspects of treasury and financial management. AFP is the preferred resource for financial professionals for continuing education, financial tools and publications, career development, certifications, research, representation to legislators and regulators, and the development of industry standards.

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