

INTRODUCTION TO AFP SERVICES CODES: THEIR VALUE AND USE

The treasury environment today places a premium on the rapid and efficient processing of information. AFP Service Codes are tools that bring efficiency to the analysis of bank compensation. Standardized service codes:

- Enable the down-sized treasury staff to produce actionable analyses in minimal time.
- Help treasury managers track the increasing number of services they receive from a reduced number of banks.
- Guide cost-sensitive treasury managers in receiving value for price in their banking services.
- Organize, rationalize and automate a complex, tedious chore.

During the 1980s, cash management services were developed at a fast pace by a large number of banks. As banks differentiated their services by title, feature, and price, the cash management marketplace grew increasingly complex. This created an Account Analysis Puzzle, whose pieces were ever more difficult for treasury managers to fit together.

The account analysis is a bank's report to its commercial customers of services provided, volumes processed, and charges assessed. But banks often describe similar services using varying terminology. Services and fees can be detailed and itemized, bundled into a single line item, or presented as some combination of the two. Fee structures are varied and complex, as are the account analysis formats in which they are reported.

Corporate treasury managers dealing with multiple banks are required to compare and analyze transaction volumes and prices, probe for cost savings, and spot errors. But in today's treasury environment, they have less time and a smaller staff to deal with the Account Analysis Puzzle.

AFP Service Codes are the key to solving that puzzle. By providing uniform references and terms for identifying, describing and reporting the services offered by banks, and their associated charges, Service Codes enable treasury managers to automate, compare, and analyze bank compensation — and do so with the assurance that they are “comparing apples to apples.”

An AFP Service Code is a unique, six-character alphanumeric code that identifies a specific service for which a financial institution may assess a charge. The services identified by Service Codes are typically for maintaining accounts, processing transactions, and providing information. The codes distinguish service features, not the pricing methodology on which charges are based. Each code is associated with a one-line service descriptor, which is defined in an accompanying glossary.

Banks that adopt AFP codes provide a valuable service for their customers. Use of the codes simplifies customer processing, smoothes customer communication, and enhances customer service by making it easier to identify and resolve discrepancies. Prices of similar services can more readily be compared across multiple banks because the references are identical. Fluctuations in activity can be tracked, and errors in volume and pricing more quickly spotted. Line items can more easily be allocated to business units.

In response to corporate customer demand, increasing numbers of banks are using or planning to use AFP Service Codes in their account analyses, both paper and electronic. Many banks are meeting the growing customer demand for automated account analyses by transmitting data in the format established by the American National Standards Institute's Accredited Standards Committee (ASC) X12 in Transaction Set 822, the EDI standard for customer account analysis.

Introduction

Some banks also provide the 822 format on diskette. Another type of automated account analysis is the PC-based formatted report, delivered in a manner similar to a balance report.

Companies that use AFP Service Codes in conjunction with an automated database substantially improve their analytic capability and productivity. Uniform service codes enable treasury staff to sort, manipulate and analyze bank compensation data faster and more accurately. Receiving the codes electronically eliminates the laborious task of mapping and re-keying. To manipulate and analyze the data, corporations are purchasing vendor software or developing systems in-house.

Service Codes perform other functions as well. Corporations are including AFP Service Codes in Requests for Proposals, to make comparison of price quotes easier. Banks can include AFP Service Codes on quality report cards so that customers can evaluate quality measurements of comparable services.

In today's treasury management environment, businesses and banks have concluded that using AFP Service Codes in bank reporting offers value to both parties.