ASC X9 TR 45–2016

Retail Debit Balances Best Practices and Procedures Technical Report

A Technical Report prepared by:
Accredited Standards Committee X9, Incorporated
Financial Industry Standards

Registered with American National Standards Institute

Date Registered: May 8, 2016

Contents

Page

Exhibits

Publication of this Technical Report that has been registered with ANSI has been approved by the Accredited Standards Committee X9, Incorporated, 275 West Street, Suite 107, Annapolis, MD 21401. This document is registered as a Technical Report according to the "Procedures for the Registration of Technical Reports with ANSI." This document is not an American National Standard and the material contained herein is not normative in nature. Comments on the content of this document or suggestions for improvement or revision should be sent to: Attn: Executive Director, Accredited Standards Committee X9, Inc., 275 West Street, Suite 107, Annapolis, MD 21401; telephone: 410-267-7707.

Published by
Accredited Standards Committee X9, Incorporated
Financial Industry Standards
275 West Street, Suite 107
Annapolis, MD 21401 USA
X9 Online http://www.x9.org

This Technical Report was processed and registered for submittal to ANSI by the Accredited Standards Committee on Financial Services, X9. Committee approval of the Technical Report does not necessarily imply that all the committee members voted for its approval.

Roy C. DeCicco, X9 Chair
Claudia Swendseid X9 Vice Chair
Steve Stevens, Executive Director
Janet Busch, Program Manager

First Name	Last Name	Organization
Doug	Grote	ACI Worldwide
Diane	Poole	American Bankers Association
Daniel	Welch	Bank of America
Bryan	Kirkpatrick	Bank of New York Mellon
Daniel	Brown	Blackberry Limited
Anthony	Redondo	Blackhawk Network
Corby	Dear	Bloomberg LP
Marie	LaQuerre	Capital One
Karla	McKenna	Citigroup, Inc.
Ram	Komarraju	CLS Bank
Michael	Davis	Conexxus, Inc.
Scott	Preiss	CUSIP Service Bureau
Darlene	Kargel	DeLap LLP
Angela	Hendershott	Deluxe Corporation
Bruce	Chapa	Diebold, Inc.
Michelle	Zhang	Discover Financial Services
Mary	Hughes	Federal Reserve Bank
Rick	Van Luvender	First Data Corporation

Stephen	Gibson-Saxty	FIS
Dan	Otten	Fiserv
Jim	Northey	FIX Protocol Ltd - FPL
Ryan	Smith	Futurex
Bruce	Welch	Gilbarco
John	McCleary	Harland Clarke
Susan	Langford	Hewlett Packard
Todd	Arnold	IBM Corporation
Cary	Whaley	Independent Community Bankers of America
Rob	Martin	Ingenico
Genevy	Dimitrion	ISITC
Roy	DeCicco	J.P. Morgan Chase
Mark	Lundin	KPMG LLP
Jeff	Duncan	MagTek, Inc.
Mark	Kamers	MasterCard Europe Sprl
Liz	Garner	Merchant Advisory Group
Priscilla	Holland	NACHA The Electronic Payments Association
Paul	Timmel	National Security Agency
David	Norris	NCR Corporation
Con	Crowley	Office of Financial Research, U.S. Treasury
Troy	Leach	PCI Security Standards Council
Chris	Irving	RouteOne
David	Blaszkowsky	State Street Corporation
Frank	Vandriessche	SWIFT/Pan Americas
Debbi	Fitzpatrick	Symcor Inc.
Ed	Scheidt	TECSEC Incorporated
Sharon	Jablon	The Clearing House
John	King	U.S. Bank
Kathy	Ottobre	USDA Food and Nutrition Service
Patty	Walters	Vantiv LLC
Dave	Faoro	VeriFone, Inc.
Kim	Wagner	VISA
Mark	Tiggas	Wells Fargo Bank
Adam	Sandoval	Wincor Nixdorf Inc.

At the time this standard was published, the X9C Corporate Banking Subcommittee had the following members:
Mary Hughes, X9C Chair
David Repking, X9C Vice Chair

First Name	Last Name	Organization
Diane	Poole	American Bankers Association
Daniel	Welch	Bank of America
Bryan	Kirkpatrick	Bank of New York Mellon

Daniel	Brown	BlackBerry Limited
Marie	LaQuerre	Capital One
Karla	McKenna	Citigroup, Inc.
Alan	Thiemann	Conexxus, Inc.
Angela	Hendershott	Deluxe Corporation
Bruce	Chapa	Diebold, Inc.
Claudia	Swendseid	Federal Reserve Bank
Wayne	MacVey	FIS
Bud	Beattie	Fiserv
Todd	Arnold	IBM Corporation
Cary	Whaley	Independent Community Bankers of America
Ernie	Fiore	J.P. Morgan Chase
Nate	Roland	M&T Bank
Paul	Timmel	National Security Agency
Jamie	Rossignoli	NCR Corporation
Ralph	Poore	PCI Security Standards Council
Jay	McMonagle	PNC Bank
Chris	Irving	RouteOne
Stacy	Rosenthal	SWIFT/Pan Americas
Ed	Scheidt	TECSEC Incorporated
Sharon	Jablon	The Clearing House
Sonja	Johnson	U.S. Bank
Dave	Faoro	VeriFone, Inc.
Mark	Tiggas	Wells Fargo Bank

Under ASC X9, Inc. procedures, a working group may be established to address specific segments of work under the ASC X9 Committee or one of its subcommittees. A working group exists only to develop standard(s) or technical report(s) in a specific area and is then disbanded. The individual experts are listed with their affiliated organizations. However, this does not imply that the organization has approved the content of the standard or technical report. (Note: Per X9 policy, company names of non-member participants are listed only if, at the time of publication, the X9 Secretariat received an original signed release permitting such company names to appear in print.)

At the time this Technical Report was published, the X9C4 Retail Debit Balances Best Practices Work Group which developed this technical report had the following active members:

Co-Chairs:

Jessica	Butler	Attain Consulting Group
Donella	Lyles	The Apparel Group, Ltd.

First Name	**Last Name**	**Organization**
Kay	Rogers	Amerex Group
Lynn	Hechanova	Best Buy
Debra	Powers	Best Buy
Tony	Hughes	Burlington
Denise	Byrd	CIT Commercial Services Inc.
Mary	Hughes	Federal Reserve Bank of Minneapolis
Carolyn	Franklin	Genesco
Joanne	Longo	G-III Apparel Group, Ltd.
David	Zahorsky	H.H. Brown
Kelly	Ceransky	Haier America
Nicole	Schoonover	JC Penney
Kathy	Van Duyn	Jockey
Vicki	Landrigan	Kate Spade and Company
Kerwin	Rigaud	Kate Spade and Company
Rebecca	Cassel	Komar Distribution Services
Hayley	Doyle	Nordstrom
Grace	Rainey	Nordstrom
Christopher	Hernandez	Perry Ellis
Jenni	Larson	Target
Cami	Mueller	Target
Debbie	Nutter	Target

Introduction

The need for a more standardized approach to debit balances in the retail sector was identified in a focus group sponsored by the Remittance Coalition at the fall 2013 Retail Value Chain Federation Conference. Attendees brainstormed about common business practices and processes that could help streamline payments and remittance handling in the retail sector. Debit balance handling was identified as a major pain point. It was suggested that industry stakeholders could work together to propose ways to standardize retail debit balance handling and advocate a more consistent approach that would benefit all parties.

A group of 28 subject matter experts (the work group) conducted a broad-reaching survey to research and benchmark current practices in the retail industry. The survey's goals were to understand pain points and inconsistencies and identify areas for improvement in the handling of retail debit balances. There were a total of 436 survey respondents consisting of suppliers (77%), retailers (8%), and others (15%). "Others" classified themselves as manufacturers, both retailers and suppliers, brokers, distributors, factoring companies, and wholesalers. The work group catalogued, analyzed, and discussed each response. Survey findings were combined with the practical knowledge of the work group to develop this Technical Report.

The deliverable of this work group is this Technical Report which offers best practices and procedures for standardizing the handling of debit balances from both the supplier and retailer perspectives. The scope included but was not limited to account reconciliation, notification guidelines, timeframes, roles and responsibilities of each party, supporting documentation, and so on. This report does not address import debit balances, as they were considered out of scope for this effort. Also, it does not cover retail debit balances related to the sale of a business, acquisitions, or bankruptcies.

Best practices are methods proven to be successful in accomplishing tasks or goals which should be used or adapted by others in like situations. Not every trading partner will opt to implement all of the debit balance best practices outlined in this report. However, these practices have been identified by a diverse group of retail industry practitioners. As such, the work group encourages retail practitioners to consider these best practices as they evaluate their own processes and adopt the ones that are beneficial to their organizations.

1. Reasons Why Debit Balances Occur

An accounts payable account typically has a credit balance which indicates the amount that a retailer owes a supplier for goods received. A debit balance means the account is in deficit status, that is, the supplier owes the retailer. Furthermore from the retailer's perspective, debit balances occur when the payment activity on a supplier's account at that retailer is less than the value of deductions (chargebacks) being posted against the account, resulting in a receivable balance rather than the typical payable balance.

The debit balance may be a temporary issue when there is ongoing activity on a supplier's account that in the future will result in a subsequent payment of the net balance. The debit balance will not self-correct when there is no future payable activity on a supplier's account.

Temporary Causes and Potential Corrections:

A debit balance could be cleared by new shipments and the resulting invoices, as long as those invoices are in excess of the prior deductions. Failure to address temporary causes via preventative

