ISO 20022

**Factoring Services**

Approved by the Trade Services SEG on 24 March 2015

**Message Definition Report - Part 1**

**Edition**

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# Introduction

## Terms and Definitions

The following terms are reserved words defined in ISO 20022 Edition 2013 – Part1. When used in this document, they will be in *italic* and follow the *UpperCamelCase* notation.

|  |  |
| --- | --- |
| Term | Definition |
| *BusinessRole* | functional role played by a business actor in a particular *BusinessProcess* or *BusinessTransaction* |
| *Participant* | involvement of a *BusinessRole* in a *BusinessTransaction* |
| *BusinessProcess* | unrealized definition of the *BusinessActivities* undertaken by *BusinessRoles* within a *BusinessArea* whereby each *BusinessProcess* fulfils one type of *BusinessActivity* and whereby a *BusinessProcess* may include and extend other *BusinessProcesses* |
| *BusinessTransaction* | particular solution that meets the communication requirements and the interaction requirements of a particular *BusinessProcess* and *BusinessArea* |
| *MessageDefinition* | formal description of the structure of a message instance |

In this document the following key words are to be interpreted as described in [[RFC2119](#RFC2119)]: **"MUST", "MUST NOT", "REQUIRED", "SHALL", "SHALL NOT", "SHOULD", "SHOULD NOT", "RECOMMENDED", "MAY"** and **"OPTIONAL"**.

## Glossary

### Acronyms

|  |  |
| --- | --- |
| **Acronym** | **Definition** |
| ASF | Association Française des Sociétés Financières |
| BAH | Business Application Header |
| CEN | Comité européen de normalisation (European Committee for Standardization) |
| eIDAS | EU Regulation N°910/2014 on electronic identification and trust services for electronic transactions in the internal market. |
| ETSI | European Telecommunications Standards Institute |
| HTTP | Hypertext Transfer Protocol |
| ISO | International Organization for Standardization |
| SCT | SEPA Credit Transfer |
| SDD | SEPA Direct Debit |
| SEPA | Single Euro Payments Area |
| TLS | Transport Layer Security |
| WSS | Web Services Security |
| XML | Extensible Markup Language |
| XAdES | XML Advanced Electronic Signatures |

## Document Scope and Objectives

This document is the first part of the ISO 20022 Message Definition Report (MDR) for factoring messages submitted by the **ASF**.

It describes the *BusinessProcesses* and summarizes the *BusinessTransactions* and the underlying message set. Details of the *BusinessActivities* that create and consume messages are out of scope.

For the sake of completeness, the document also describes *BusinessActivities* that are not in the scope of the project.

This document sets:

* The *BusinessProcess* scope (*BusinessProcesses* addressed or impacted by the project)
* The *BusinessRoles* involved in these *BusinessProcesses*.

The main objectives of this document are:

* To explain what *BusinessProcesses* and *BusinessActivities* these *MessageDefinitions* have addressed
* To give a high level description of *BusinessProcesses* and the associated *BusinessRoles*
* To document the *BusinessTransactions* and their *Participants* (sequence diagrams)
* To list the *MessageDefinitions*
* To summarise *MessageComponents.*

## References

|  |  |  |  |
| --- | --- | --- | --- |
| **Id** | **Document** | **Version Date** | **Author** |
| BJ | ISO 20022 Business Justification for the development of new ISO 20022 factoring messages | 2011-08-02 | ASF |
| RFC2119 | Key words for use in RFCs to Indicate Requirement Levels | 1997-03 | IETF |
| XML-DSIG | XML Signature Syntax and Processing | 2 / 2008-06-10 | W3C |
| XAdES | XML Advanced Electronic Signatures | 2003-03-20 | W3C/ETSI |
| WSS | Web Service Security | various | OASIS |
| PLDOCEDW | Dématérialisation des documents... http://www.edelweb.fr/tet2000-EDW.pdf | 2000-06-13 | EdelWeb/TET2000 |
| ebXML | ISO 15000 Electronic Business using eXtensible Markup Language | various | OASIS - UN/CEFACT |

# Scope and Functionality

This chapter describes the scope of the messages as well as underlying principles.

## Background

This Message Definition Report covers a set of 11 ISO 20022 *MessageDefinitions* developed by the **Association Française des Sociétés Financières ()** in close collaboration with a **group of French factoring companies**, **Hénon Conseil** and **ON-X**. The following persons and companies are credited for having actively participated in the creation of this work.

|  |  |
| --- | --- |
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These messages are specifically designed to support **Factoring Services**.

### Factoring in France

Created under the regulatory framework of the **Banking Act of 24 January 1984**, the **ASF (French Association of Specialised Finance Companies)** is the professional organisation that represents institutions specialised in finance (consumer credit, house financing, leasing, factoring, guarantees and investment services).

All members of the Association, independent companies or subsidiaries of major groups, have opted in **favour of specialisation** by focusing on a reduced number of activities where their expertise is recognized: equipment finance (professional and consumer), real estate finance (real estate leasing for companies, housing loans for individuals), or financial and investment services.

**What is factoring?**

Factoring is a solution for **managing companies’ trade receivables**. It provides them with **financing** which can complement or take the place of conventional bank facilities.

Factoring is based on the assignment of trade receivables to a specialist company, the factor, which **enables the company to meet its cash flow requirements while receiving support** in all its development phases.

Factoring therefore includes a customer payment guarantee, collection and management of payments.

It introduces information and credit insurance mechanisms into the management of trade receivables, offering a flexible solution which provides a source of liquidity meeting the evolving needs of the company.

**Who is factoring aimed at?**

Factoring is aimed at **all companies trading with other companies or public-sector bodies**, whatever their size and sector of activity, whether or not they are engaged in exports.

The growing need for competitiveness increasingly emphasises the advantages of outsourcing the management of trade receivables, allowing better concentration on core business, raising the quality of services offered to customers and fulfilling commercial objectives more effectively.

At the same time **the company’s efficiency** increases and management and production costs are reduced or stabilised.

The factor enables receivables to be turned into cash as they fall due and **costs to be kept under control**.

**How does it work?**

You sign a contract with your factoring company (factor).

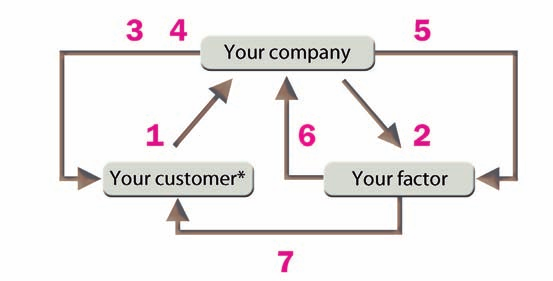


Figure 1: Factoring in seven steps

1. Your customer places an order.
2. You send a request to your factor. Your factor analyses it and grants you a guarantee line covering you against the risk of insolvency on the part of your customer. Your customer is generally notified, by you and by the factor, that he must settle the invoices directly with the factoring company.
3. You deliver the goods or provide the service.
4. You invoice your customer.
5. You assign your receivables to the factoring company. This assignment may be paperless.
6. Your factor will generally advance up to 90% of the tax-inclusive amount of the assigned receivables, within 48 hours. The remainder is used to create a guarantee fund.
7. Your factor carries out the follow-up and collection activities until payment is received.

**How does factoring fit into relationships with existing partners?**

* **With customers**: The company maintains exclusivity in its commercial relationships with its customers. Freed from the need to pursue collections, it can strengthen its links with customers and concentrate on its development.
* **With the Credit Insurer**: If the company already has credit insurance, the factor collaborates with the Credit Insurer.
* **With banks**: Factoring widens the sources of short-term finance beyond traditional financing products. Part of the financing provided by a factor can take the form of promissory notes. The company then has the possibility of maintaining the utilisation of its discount lines with its bank partners, who will readily accept the prime paper issued by the factor and will do so on attractive terms. Bank relationships are thereby maintained or even strengthened. The businesses are complementary while retaining their distinctive features.

In many cases, the bank fulfils an advisory role in directing clients to a factor to enable them to take advantage of the full range of guarantee and management services.

**What are the different types of factoring?**

The factoring contract can take different forms, in order to meet the specific requirements of the company, its activity and its customers. The most common forms, apart from conventional factoring described above, are:

* **Non-disclosed factoring with delegated management, also known as "Confidential factoring"**: This factoring technique is aimed at companies generating high revenues and having a solid financial structure, recognised technical and administrative capabilities and an efficient IT system. The company retains full control of the management of its receivables, and the existence of the factoring contract is not disclosed to customers. Payments are sent to the company and credited to an account held in the company’s name at one of its banks. The factor provides the cash and the guarantee.
* **Reverse factoring**: The company (the principal) gives advance instructions to the factor to pay its suppliers when their invoices have been passed for payment. The suppliers sign an agreement giving the factor prior authorisation to pay on behalf of the company. The company can take advantage of a commercial discount from its supplier. The suppliers invoice the company (in hard copy or electronically). The company forwards the invoices to its factor together with the associated payment authorisations. It reimburses the factor on the normal due dates of the invoices.

**Factoring and exports**

Export factoring enables the company to delegate **the management of export receivables**. The factor either has local companies or correspondents, or multi-lingual personnel, who are fully conversant with the specific characteristics of international trade.

**The company’s export receivables are guaranteed** against the risk of bad debts on the part of a customer. It benefits from:

* monitoring by country, customer and invoice,
* management and repatriation of collected funds, and
* collecting export receivables, even hedging of currency risk.

The factor provides the company with flexible, upgradable and immediate financing of its international receivables. The company receives financing in Euros or other currencies, whatever the invoice currency may be.

**How is factoring set up?**

After the contract has been signed, the company forwards **duplicates of its invoices** to the factor on a regular basis, for example every week. This can be carried out electronically or by postal services.

Except in the case of "confidential" factoring, a **subrogation notice** supplied by the factor must appear on the company’s invoices, and its customers are informed that they must send their payment to the factor.

For each new customer, the company opens a purchaser account with the factor and requests a limit up to which the commercial transactions in respect of that customer will be guaranteed.

Most factors **offer online services** enabling the company to monitor all its operations: guarantees provided, payments received or disputes detected by the factor, financeable amount provided etc.

Finally, the company has a **dedicated contact for all its factoring operations**.

## Scope

The scope of the messages defined in this document is the assignment and the financing of invoices, the guarantee of invoices and the collection of invoice payments, which are among the factoring services offered by a Financial Institution.

These messages address the Business to Business (BtoB) trade transactions and also the Business to Administration (BtoA) exchanges.

The goal of these messages is to enable a Financial Institution to replace a paper based services by paperless services. Such services are invoice discounting, full factoring, with recourse or without recourse, reverse factoring or other products. The targets are banks and factoring companies.

Another goal is to leverage e-invoicing processes, in providing solutions to improve the automation of processes from e-invoicing to clearing and netting the accounts receivables.

### Principles

A Factoring Service cooperates with a number of partners. Treatment is done by exchanges of messages which are the main topic of this document. The establishment of contractual relations is outside the scope of these messages.

A **Seller** is the legal entity, commercial or industrial firm, which has the ownership of the invoice, as the **Creditor**; it is also the **Supplier** of goods or services provided to the **Buyer**, which is also the **Debtor** in regards of the invoice. A **Financial Institution** or **Factor** is the entity to which an invoice can be assigned by a **Creditor** or a **Debtor**, according to an applicable law, for different purposes, like financing, guarantee or repayment, linked with the value of the invoice. As a result of this assignment, the **Factor** takes the role of **Debtor** or **Creditor**, respectively.

Financing can be covered by guarantees. Guarantees can be provided directly by the **Financial Institution** or by a **Credit Insurer**.

Furthermore, external parties can be made aware of the activities.

The messages are designed as an electronic equivalent of legally binding letters exchanged between parties, called **Formal Business Letters** (or sometimes simply **Business Letter**). This is a letter from one company to another, or between such organizations and their customers, clients and other external parties. A formal business letter is useful and sometimes necessary because it should produce a permanent written record. Formal business letters can have many types of contents, for example to request direct information or action from another party, to order supplies from a supplier, to point out a mistake, to reply directly to a request, to apologize for a wrong information or to convey goodwill.

Whilst messages are used in higher level work flows (the business processes or use cases), there are no work flows defined between application processes that involve an automatic exchange of several messages. Each message is triggered by a manual event and involvement of the sending party. There is always a human intervention in a business activity to treat a received message. A possible response also requires human intervention (signing).

The messages are defined in such a way that new higher level work flows can be defined, as it is already the case for reverse factoring, syndication. Such new products should not require a modification of the messages.

The exchange of messages is similar to sending paper letters. Only the content of such letters is part of this specification. The actual work flows and treatments are out of scope.

The concept of formal business letters have been presented and illustrated in [[PLDOCEDW](#PLDOCEDW)], in particular, the various and different security related elements (paper integrity, signatures, logos, dates, etc.) as illustrated in the following French example.



Figure 2: French business letter example

### Use of digital signatures

Digital signatures are cryptographic techniques that add some security features to digital documents. They can be used to enhance verifiable integrity and authenticity. The usage of electronic signatures in Internet based communication has a long history. The EU Directive 93/1999/EC is an attempt to define some harmonised rules and technical specifications have been produced by standardisation bodies, for example [[XAdES](#XAdES)] from ETSI. Since the main target is a communication where at least one partner is a citizen, there remain important scaling problems when it comes to high volume business to business communication.

It is important to use agreed simple standards and to avoid complex constructs targeted to specific legal contexts. The W3C [[XML-DSIG]](#XMLDSIG) standard provides all necessary means to address the problem of securing multiple documents in a bulk data transfer while minimizing the number of individual signatures.

On the other hand, other standards based on XML-DSIG, e.g., ETSI XAdES add very specific security features that remain controversial. Except the basic profile of XAdES, all other parts are optional. ETSI standards are originally not legally binding and, accordingly, are to be regarded as technical recommendations. However, by making national laws and regulations referring to it, they may obtain legally binding status in a country. As well, in the new [[eIDAS](#EIDAS)]framework, these specifications are likely to be transformed into [[CEN](#CEN)]

This specification proposes several possibilities to add digital signatures to messages. They SHOULD be implemented. We note that depending on legal conditions, other security measures may be required, e.g., secure archiving.

One problem to be addressed in the factoring context is the ability to determine the authenticity of individual financial documents while using only a few signatures (one per signing actor) for a large number of documents. The solution is using XML-DSIG manifests. Financial documents are protected individually; a cryptographic hash function is applied to each document, and the results are combined in a manifest that is the only signed element.

Another feature is what can be called counter-signatures. We restrict ourselves to the basic XML-DSIG features: Anyone can sign a subset of a message and the signed data may include signatures from other entities and the signed elements. In this specification, counter-signing a signature and the signed elements is an endorsement or confirmation of authenticity and authorisation of these data. Legal interpretation and requirements are part of the contractual and/or legal context and are out of scope of this specification.

Two types of signing actors are identified:

* Persons that confirm or request some action,
* Machines that add signatures to add technical security.

In this specification we define three usages of digital signatures.

In order to provide integrity protection during message transfer, the signature element of the **BusinessApplicationHeader** MAY be used according the specification in the MUG. Alternatively, an implementation MAY choose to rely on lower level security feature, e.g., WSS. The other signatures are elements of the Header element of each message, an instance of the **BusinessLetter1**. These signatures are created by persons and they indicate the engagement of the signing party concerning the signed content.

* A clerk can sign a subset of item lists.
* Counter signatures of clerks' signatures can be used to confirm the validity of the signed content.

A counter signature is essentially a signature that contains one or more other signatures and the manifests of all elements signed by these signatures. Since the counter signature is an attestation of the authenticity of a clerk's signature, a verifying system MAY choose to only verify counter signatures.

An implementation SHOULD provide creation and verification of signatures in the **Business Letter Header**.

The signatures are created following the specifications of XML-DSIG. On creation, all items (of a list) MAY be separately digested using a Manifest. A Manifest MUST include all elements referenced by IDREFs. This procedure permits any party to present a subset of a message which represents one or more items and item lists with verifiable signatures for any individual item in a list without revealing the contents of other items or lists.

Setting up a trust base for signature verification is part of the Account Establishment (out of scope of this document). For example, in order to establish and combine configuration information among business partners in a standardised way, the [ebXML](#ebXML) specifications could be used.

In fine, all elements of the message SHOULD be covered by at least one signature.

A verifying system SHOULD verify that all items are signed.

The signing/verifying certificate MUST be part of the signed information.

Besides these features that do not use special rules for signature validation, the message component Qualified Document Information1 SHOULD contain a cryptographic hash of the referenced document. When such a component is part of a signature being validated, the cryptographic hash MUST be validated.

For all messages defined in this document, there is the possibility for inclusion of other ISO 20022 messages. Since such messages can have IDREF types, a special processing is proposed to guarantee uniqueness of IDREFs.

### Work Flows

By nature of the context, this specification does not include a detailed model of possible work flows of messages. In particular, the specification does not inhibit in formal and technical ways the exchange of messages. It is up to the local treatment of a receiving system to determine whether a message is acceptable for the current state of the third party relationships, invoice and settlement situation. For example, resending messages in case of non-receipt of confirmation may be possible.

Status messages are normally sent as confirmation/rejection of a request. They can obviously only occur if the information that they refer to has been communicated before.

There may be more than one status message following a request to communicate an update. This is the case if a preceding status indicates a "waiting" status, but also if some important change had happened. A requesting partner therefore MUST be prepared to receive unsolicited status messages. Such status messages SHOULD reference a corresponding request and preceding related status messages.

Messages can be repeated and referenced. Idempotent treatment can be ensured as well as on the technical as on the business level.

Messages can also be sent to inform other parties, e.g., authorities. The payload can be marked as 'for information'.

The structure of message components is rather rich, and needs to be profiled by a business product. Implementations should make constraints easily configurable; for example by using an OCL engine and using the same formalism for constraints as in the ISO 20022 catalogue. Furthermore, implementations could use work flow definition languages.

### Message transfer

Among the proposed transfer modes from the registration authority the **Bulk Mode** covers the rather minimal needs for the transfer of messages. Furthermore, the transfer mode, if implemented as a service to the applications, does not need to guarantee loss of messages. Since letters etc. are created and saved in the local work flow, the application layers SHOULD implement means to enable a human to restart a transmission, and to inform the application when a message has successfully been transmitted. In other words, the implementation of the transfer service SHOULD avoid using internal intelligence that cannot be monitored by the service user.

Whilst this specification does not require a particular implementation, the following outline may be useful for the design of a message exchange protocol between a Factor and its clients.

The two communication partners are applications, it seems appropriate to use a communication protocol adapted to this environment. The communication MUST be secured for authenticity and confidentiality. This can be done for example using secure web services ([WSS](#WSS) or TLS).

The communication paradigm is asymmetric. In most cases the communication corresponds roughly to the relation between of an electronic mail services and its service provider:

* The user sends messages to through the provider.
* The service provider provides storage for messages to be retrieved by the user.
* The user actively downloads messages.

Such a service layer can be implemented on top of three distinct services. As a consequence, due to the asymmetric nature of such protocol, a client is the master of the communication channel. Both parties know the actual status of any message. In case of an intermediary service such as a spooler, there SHOULD be a possibility determine which partner has the responsibility of the message.

Messages can be lost at any time by the transport service. The application layer SHOULD be able to recover from such situations. A transport layer MUST NOT resend any BusinessApplicationHeader.

# *BusinessRoles* and *Participants*

This document defines a number of *Participants* and *BusinessRoles* as listed in the table below.

|  |  |
| --- | --- |
| *Participants* and *BusinessRoles* Definitions | |
| Description | Definition |
| *Participants* | |
| *Seller/Supplier* | Party (Corporate) that provides and sells goods or services to Buyers |
| *Buyer/Consumer* | Party (Corporate) which buys and use goods or services from the Seller |
| *Financial Institution* | An institution offering financial services |
| *Credit Insurer* | Company that provides credit insurance services |
| *Authority* | Organization or institution that controls something, often a public service |
| *BusinessRoles* | |
| *Creditor* | Party which is to be paid for some goods or services |
| *Debtor* | Party which has to pay for some goods or services |
| *Factor/Financial Agent* | Party providing factoring services |
| *Factoring Client* | Party that has a contract with a Factor |
| *Trade Partner* | Party subject of an agreement between a Factoring Client and a Factor |
| *Payer* | Party that pays another party |
| *Payee* | Party that receives a payment |
| *Guarantee Applicant* | Party that applies for a guarantee |
| *Guarantee Beneficiary* | Party that benefits from a guarantee |
| *Guarantee Issuer* | Party that provides guarantees |
| *Interested Party* | Party that needs to be informed about a trade |

The following table defines the possibilities of *BusinessRoles* that a *Participant* can play. It is assumed that *Participants'* types are distinct.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Role occupation matrix | | | | | |
| ***Participant* Role** | *Seller / Supplier* | *Buyer /  Consumer* | *Financial Institution* | *Credit Insurer* | *Authority* |
| *Factor / Financial Agent* |  |  | **X** |  |  |
| *Factoring Client* | **X** | **X** | **X** |  |  |
| *Trade Partner* | **X** | **X** |  |  |  |
| *Creditor* | **X** | **X** | **X** |  |  |
| *Debtor* | **X** | **X** | **X** |  |  |
| *Payer* | **X** | **X** | **X** | **X** |  |
| *Payee* | **X** | **X** | **X** |  |  |
| *Guarantee Applicant* | **X** |  | **X** |  |  |
| *Guarantee Beneficiary* |  |  | **X** |  |  |

The core business involves factoring services providers, their clients, and trade partners. We define three *BusinessRoles*:

A *Factor* or *FinancialInstitution* is party that offers factoring services to a *FactoringClient*.

A *FactoringClient* is the client of a *Factor*. The *FactoringClient* is defined in order to permit common descriptions for the different scenarios, since it is not practical to distinguish *Debtor* and *Creditor* in Party Registration and Guarantee Management.

The *BusinessActivity* Party Registration and Guarantee Management establishes a three party relationship, an Agreement. The third party *BusinessRole* is *TradePartner*.

The distinction of *Participants* is made in regard of the business. The obvious possibility that any *Participant* can be a Seller or Buyer is not taken into account.

Before factoring services are involved, a trade has been initiated according the following paradigm:

* A trade happens between two partners (at least). This can be described as a relation and transaction between a *Seller/Supplier* and a *Buyer/Consumer*.
* The transaction is governed by a contract.
* There is some kind of delivery of service or goods.
* An invoice is produced.
* As a result of the contract and the delivery, a payment obligation is established.

The subtle differences between *Seller* and *Supplier* as well as between *Buyer* and *Consumer* are not considered. All these processes of a trade are out of scope of this document. The specifications assume that there is a payment obligation between two trade partners and that this obligation can be related to in a document for example an invoice.

Concerning the two partners, we defined the two following *BusinessRoles*:

* The *Debtor* is the party that has received a service or goods and has the obligation to pay or to be reimbursed.
* The *Creditor* is the party to be paid or has to reimburse.

Trade parties of both roles can use factoring services. In case of the *Creditor* this is the scenario of classical factoring. In the scenario of reverse factoring it is the *Debtor* that uses factoring services.

A payment obligation can have a negative amount. For simplicity of the description and since it does not change the processes, we don't treat this separately: collecting money or reimbursing does not change the procedures and scenarios. In the factoring scenarios payment obligations are assumed to have positive amounts. Furthermore, also for the simplicity of the description, we also use the roles of *Payer* and *Payee* in the reconciliation transaction definition.

Guarantees are provided by a *GuaranteeIssuer*. This role can be played by a Financial Institution or by a specialized Credit Insurer.

There are *BusinessActivities* and related *BusinessRoles* that are, whilst mentioned, out of scope of this specification. The role *InterestedParty* can be held by any party. Such parties can be external like an Authority, for example a fiscal authority, or a provider of conservation, notarisation and archiving services (internal or external).

The Guarantee Applicant can be either the Factor or the Factoring Client. The Guarantee Beneficiary is always a Factoring Service.

# *BusinessProcesses* / Use Cases

This sub-chapter contains a list of major use cases showing the purpose of each message. These use cases regroup the messages into different categories. The business processes are in scope of this specification unless stated otherwise.

The picture below does not detail the different roles that *Participants* can play. All actors can participate in all processes, at least as interested party.



Figure 3: Business Processes Overview

The *BusinessProcesses* have dependencies; they are executed in the following order:

* Account Establishment
* Event Notification
* Party Registration and Guarantee Management
* Assignment and Assignment Notification
* Payment Reconciliation

Furthermore, we note that is not required to implement all business processes using the messages described in this specification, for example Party Management or Payment Reconciliation.

## Account Establishment

Whilst details of this activity are out of scope of this specification, it is a crucial aspect of the IT systems that implement factoring transactions. We outline this process. We note that an implementation can use the Event Notification Transaction to confirm and verify the Account Establishment.

**Definition**

The purpose of this use case is:

* Establish a contractual relationship between the two parties Factor and Factor‌ing Client.
* Exchange technical information about the desired application context or product.
* Exchange security information to establish a trust base for message exchange components and signature verifiers.
* Configure the IT systems of the parties.
* Assign responsibilities to acting persons.
* Test and validate the connectivity between the partners.

We remind, that successful execution of this *BusinessProcess* and the possibility of verification is crucial and a required pre-requisite for all other processes. ISO 20022 also does not propose concrete procedures.

Proper implementation requires actions at various inter-operability levels:

* Political: The parties want to cooperate.
* Legal: The parties fix the rules and agree to a contract (in the context of applicable laws).
* Organisational: Parties need to assign roles to persons and IT services (application servers), and exchange configuration and security information. Such roles need to be configured in implementations.
* Semantic: The *BusinessProcess* work flows and communication dialogue paradigms and must be established. This is core of this specification concerning activities and transactions of this specification.
* Syntactic: Technical inter-operable protocols for the exchange and the security need to selected and implemented. This concerns the lower level transport protocols and the specification of the messages.
* Technical: A concrete technical infrastructure must be selected, installed, configured, tested, prepared for operation, operated, monitored and audited.

**Trigger**

Two parties wish to use paperless communication.

A factoring client has asked for an agreement, and a factor wants to establish a business relation with the trade partner in order to be able to treat assignments and reconciliation.

**Pre-conditions**

A technical infrastructure must be installable. The parties are able to establish a legally valid contractual relationship.

**Post-conditions**

Parties have a contractual relationship and a technical communication infrastructure.

The parties are contractually bound and have a working infrastructure installed.

**Roles**

All

## Event Notification

**Definition**

This process can be used any party to inform about a situation that cannot be treated by another formalised message. It can be used to trace some manual intervention, for example a phone call related to some activity, or totally independent of any of the other use cases like a change in the contractual relationship between two parties.

**Trigger**

An event has occurred, and a party wants to inform another party about the event.

**Pre-conditions**

Parties have a contractual relationship and a working technical communication infrastructure is in place.

**Post-conditions**

A party has sent an event advice to another party.

**Roles**

All

## Party Registration Management

**Definition**

In this process, a financial client and a factor negotiate the acceptability of a third party debtor (buyer) to be treated by the financial institution and the third party is informed about the agreement. The process is normally initiated by the financial client.

**Trigger**

A party needs to inform the other about a new or modified relationship with a business partner (buyer or seller).

**Pre-conditions**

Parties have a contractual technical infrastructure must be available. The parties are able to establish a legally valid contractual relationship.

**Post-conditions**

All parties have reached agreement and common knowledge of the three parties' relationship.

The necessary technical infrastructure is in place.

**Role**

Factoring Client, Factor, Trade Partner (optional)

## Guarantee Management

**Definition**

This *BusinessProcess* is used optionally by the **Party Registration** in case when an external Credit Insurer is used by a Financial Client or a Factor. Depending on the contract between a Financial Client and a Factor, the client may otherwise request details of the desired guarantees together with the registration process concerning a Trade Partner. The Guarantee Beneficiary is always a Factor. The details of how a financial institution establishes a guarantee with a credit insurer are out of scope. The financial institution may use the same *BusinessProcess* or any other means. It may or may not be necessary to inform the third party depending on the contractual situation or on legal requirements.

No new messages are defined for this use case.

**Trigger**

A requesting party wants to establish or modify the conditions of a guarantee.

**Pre-conditions**

cf. Party Registration Management

**Post-conditions**

cf. Party Registration Management; all involved parties have established a common understanding of the guarantee situation.

**Role**

Guarantee Applicant, Guarantee Issuer, Guarantee Beneficiary

## Assignment and Assignment Notification

**Definition**

The Factoring Client wants to assign financial items such as invoices or a part or an entire account receivable to a Factor.

The Factor checks the request according to its commitments or to the agreement signed with the Factoring Client and processes the assignment if compliant.

The Factor informs the Factoring Client whether the assignment has been done or not and gives an explanation to the status taken in case of a refusal.

The Factoring Client or the Factor may inform the Trade Partner about the assignment.

The Trade Partner may be required to acknowledge the assignment.

**Trigger**

A Factoring Client wants to assign financial documents to a Financial Institution.

**Pre-conditions**

There is an established relationship among the involved parties.

**Post-conditions**

The Factor, the Factoring Client and the Trade Partner have established a common understanding of assignments.

**Role**

Factor, Factoring Client, Trade Partner

## Payment Reconciliation

**Definition**

In this process, a party that receives a payment is informed about how to attribute the paid amount to outstanding instalments of financial documents. This information is normally not sent together with the payment and travels through a different channel. The reconciliation information references the payment in an unambiguous way. In the ISO 20022 context, payment can for example be made using a message of the "pain" *BusinessArea*. This message provides very limited possibilities, it is out of scope to specify whether or how a reconciliation message can be cross referenced from a payment message. We also note that the reconciliation information described in this document do not follow the same *BusinessTransactions* and transport paths.

**Trigger**

A Payer (Buyer or another Debtor) has paid and wants to inform the Payee about the payment and associated reconciliation details.

**Pre-conditions**

Partners have agreed to exchange reconciliation information using these messages.

**Post-conditions**

The partners have synchronised their understanding about paid instalments.

**Role**

Payer, Payee

## Payment Negotiation

**Definition**

This process permits a Seller and a Buyer to interact without any relation to a Factor. The parties can for example exchange information about the acceptability of a financial document, for example an invoice.

**Trigger**

A Buyer or a Seller wants to inform the other party of the situation of a financial document.

**Pre-conditions**

There is an established business relationship between the partners, they have agreed to communicate using this process, and there is a working inter-operable infrastructure in place.

**Post-conditions**

The partners have a common understanding of situation of a financial document. The result may be a conflict situation that requires treatment outside the scope of the defined processes, e.g., a court decision.

**Role**

Debtor, Creditor

# *BusinessActivities*

This section presents the different *BusinessActivities* within each *BusinessProcess*. *BusinessActivities* of a process are described in swim lane diagrams and are referred in this document as activity diagrams.

The development of an activity diagram is part of the ISO 20022 modelling process and allows capturing the requirements. The activity diagram provides a zoom-in on the *BusinessActivities* taking place during each of the *BusinessProcesses* described in the previous section.

The internal details of *BusinessActivities* are out of scope of this specification. They highly depend on the use cases. On the other hand, the external behaviour of all of them is very similar.

## Activity start and states

*BusinessActivities* can be triggered by internal or external events or after receipt of some message.

There is always an intervention of a person/clerk. In general, there is no activity that generates a message without human intervention.

*BusinessActivities* follow logic of a bulk assembly and transfer. Individual financial documents, agreements, etc. are combined to form groups. A set is completed using the message component **BusinessLetter** serving as an equivalent of a formal business letter.

On receipt of such a set, its elements are entered individually into an appropriate workflow for treatment. As a consequence, depending of delays or errors, responses and status messages may have a completely different grouping.

The higher level states of *BusinessActivities* follow three different patterns:

* (1) An activity that terminates with a **Party Event Advice** or one of the status messages.
* (2) An activity that prepares a request message and waits for a status message.
* (3) An activity that has terminated a first exchange with a partner and requires another exchange with another related partner (performed as in one of the previous two cases).

## Creation of messages

Each *BusinessActivity* either ends with the creation of a message, or advances to another state. In exceptional cases such as errors, a *BusinessActivity* may be abandoned without creation of a message.

A *BusinessActivity* MAY result in the creation of several messages, for example for partial responses or when a temporary result is created and followed by a definitive result. A *BusinessActivity*  MAY repeat sending a message, either when a corresponding status has not been received or when some arbitrage is required.

Repetition and resending involves human interaction and policy decisions, the details are out of scope of this specification, and, as a consequence, they are not shown in the diagrams.

Creation of a **Party Event Advice** message is another means to terminate an activity when no other message can semantically cover the situation. Controlled by human interaction, a *BusinessActivity* MAY result in the creation of **Party Event Advice** messages at any time.

## Receiving messages

Messages MAY be received whilst an activity is in progress or unsolicited. When receiving a message, a clerk in cooperation with the IT application tries to establish a link from the message to an existing activity, or a new activity is started.

The details about how received messages are authenticated and how they matched with the actual state of business are not specified here.

* It MUST authenticate the communication partner during connection establishment.
* It MUST authenticate the message using the information in the BusinessApplicationHeader.
* It MUST authenticate sets of financial items at least through the counter signatures.
* Messages MUST NOT be generated automatically as a response in case of problems.

## Activities in *BusinessProcesses*

All activities are loop combinations between different actors of the common pattern illustrated in the figure below.

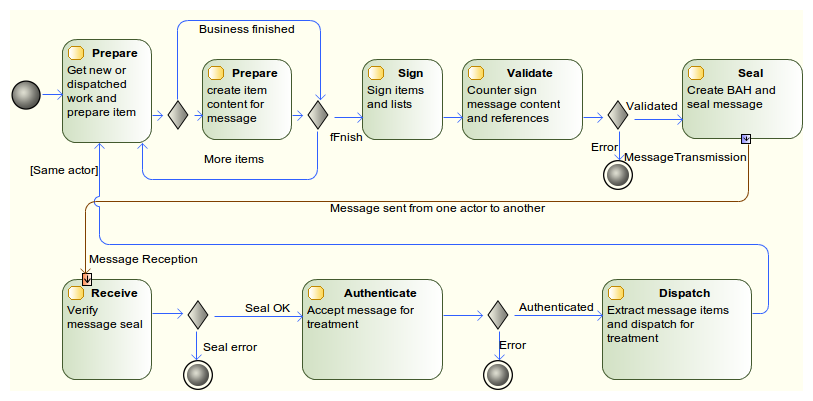


Figure 4: Activity Common Loop Pattern

The pattern is used for all exchanges from one party to another. The activity pattern represents in the sequence diagrams the two swim lanes which precede and follow the transfer of each message. The actors change during the transfer of a message. The link between Dispatch and Prepare does not change the actor.

Since error handling is out of scope of this specification, the activity enters a terminal node.

# *BusinessTransactions*

There are three groups of transactions which correspond to the three main *BusinessProcesses*:

* Party Registration and Guarantee Management,
* Assignment,
* Reconciliation.

The transmission of Event Advice is a special transaction that can be invoked at any time to communicate exceptional or informal events.

## Party Management

This BusinessProcess uses three basic transactions:

* Party Registration
* Guarantee
* Party Registration And Guarantee Notification

## Party Registration Transaction

This transaction is used by a **Financial Client** and a **Factor** to establish an agreement to assign financial documents concerning a trade partner.



Figure 5: Party Registration Transaction

## Guarantee Transaction

This optional transaction involves two actors.

Depending on the product/use case the transaction is initiated either by the **Financial Client** or by the **Factor** to request a guarantee from a **Guarantee Issuer**.



Figure 6: Guarantee Transaction

## Party Registration And Guarantee Notification Transaction

This optional transaction is used between a **Financial Client** and a **Trade Partner** to inform the trade partner about the agreement to assign financial documents. The **Financial Client** indicates whether a response has to be made by the **Trade Partner** and to which parties it has to be sent. The optional responses may be required in some legal contexts in order for the agreement to become effective.



Figure 7: Party Management Guarantee Transaction

## Assignments

This *BusinessProcess* uses two transactions:

* Assignment Transaction
* Assignment Notification Transaction

### Assignment Transaction

This transaction is used by a **Financial Client** to assign financial documents to a **Factor**. If the trade partner needs to be involved, such as in the scenario of classical factoring, an assignment notification transaction is used to inform the **Trade Partner** about the assignment.



Figure 8: Assignment Transaction

### Assignment Notification Transaction

In the context of factoring services, this transaction is used to inform a **Trade Partner** or another interested party for example an authority about an assignment. The optional response permits the trade partner to acknowledge or to refuse the assignment. The initiating party indicates whether a response is necessary and to which parties it has to be sent. A positive response may be required in some legal contexts in order for the assignments to become effective. The initiating party indicates whether responses are required and to whom they have to be sent.

The transaction may also be used outside factoring services directly between trade partners for example as a reminder of a payment obligation.

The transaction also can be used to indicate changes of the payment obligation such as application of penalties or reductions.



Figure 9: Assignment Notification Transaction

## Payment Reconciliation

This *BusinessProcess* may be used to associate payments with instalments. It involves one transaction.

### Payment Reconciliation Transaction

The reconciliation transaction involves the transfer of a Payment Reconciliation Advice message from a *Payer* to a *Payee* and an optional Payment Reconciliation Response message indicating a status.



Figure 10: Payment Reconciliation Transaction

## Event Notification

This transaction can occur at any time between two partners and concurrently with other transactions. It may be used as an alternative to a response in any case where a response is necessary but cannot be created.



Figure 11: Party Event Transaction

# Factoring Product Scenarios

The elementary *BusinessTransactions* defined above can be combined in different ways. To illustrate this, in the following we outline important scenarios (factoring products):

* Full Factoring
* Reverse Factoring
* Confidential Factoring
* Balance Assignment

All scenarios are described in three stages:

* Party Registration including Payment Notification and Guarantee Management
* Assignment including Payment Negotiation
* Reconciliation

Use of a **"Financing Event Advice"** message to communicate free form information either to communicate additional events or to pre-empt a transaction is not shown for the sake of simplicity.

We remind that in no case an information system creates automatic responses. There is always a human intervention between receipt of a message and sending another.

## Full Factoring

Full Factoring consists of a transfer of receivables from their holder to a Factor who handles collection and guarantees payment even in case of momentary or permanent Debtor default. The Factor can finance in advance all or part of the amount of the transferred receivables.

Full Factoring is a tripartite process, as shown in the following diagram:

* The *Seller* (or the *Factoring Client*) is a company which owns invoices on its own customers. The *Factor* buys invoices and finances them.
* The *Debtor* (or the *Buyer*), i.e., the *Trade Partner* of the *Factoring Client*, is the one who ordered the goods or services from a *Seller*.

Optionally, a *Credit Insurer* can be used to back up the financing risk. The *Credit Insurer* can be contacted either by the *Financial Client* or by the *Factor*.



Figure 12: Full Factoring messages exchange

The Full Factoring process is the following:

* The Seller signs a factoring contract with a Factor.
* The Debtor orders goods or services from the Seller.
* In case of insurance delegated to a Credit Insurer, the Seller asks the Credit Insurer for a guarantee using the **(1) Party Registration And Guarantee Request** message. In return, the Credit Insurer indicates the level of guarantee that he is ready to provide to each of the Seller’s Debtors, using the **(2) Party Registration And Guarantee Status** message. The Seller has to give this information to the Factor using the **(3) Party Management Registration And Guaranty Request**  message.
* The two messages can also be used between the Factor and a Credit Insurer after receipt of a **(3) Party Registration And Guarantee Request** from the Seller. This scenario is not shown.
* In case of insurance by or through the Factor, the Seller requests the creation of the Debtor and a guarantee using the **(3) Party Registration And Guarantee Request** message. In return, the Factor indicates the level of guarantee that he is ready to agree to each of the Seller’s Debtors using the **(4) Party Registration And Guarantee Status** message. These two messages will be used throughout the life of the contract for all credit line modification requests and replies.
* The two messages can also be exchanged between the Factor and a Credit Insurer after receipt of a **(3) Party Registration And Guarantee Request** from the Seller. This scenario is not shown.
* The Seller notifies the Debtor of the presence of a Factor via the **(5) Party Registration And Guarantee Notification**  message. Depending for example on legal contexts, the Debtor may or may not be required to respond to the Factor **(6)** and/or to the Seller using the **(7) Party Registration And Guarantee Acknowledgement** message.
* The Seller delivers goods or services to his customer (Debtor) and invoices him.
* The Seller assigns the invoice to the Factor by sending the **(8) Invoice Assignment Request** message and the Factor confirms the assignment using the **(9) Invoice Assignment Status** message.
* Following the purchase, the Factor informs the Debtor that invoice ownership has been transferred to him and that, as a result of this transfer, payment must be sent to him and not to the Seller. To notify the Debtor, he uses the **(10) Invoice Assignment Advice** message.
* The Factor finances the total or partial amount of the transferred invoices in accordance with the Seller’s request. This financing is done immediately, i.e., independently from the invoice instalments due dates.
* The Factor handles the collection process (calls, dunning letters, etc.) to ensure invoice payment when due date is reached. The Factor also handles account management (invoice/payment reconciliation, disputes, etc.).
* The Debtor can send information to the Factor to inform him about invoice status, disputes, direct payments, promises, etc. using the **(11) Invoice Assignment Status** message.
* The Debtor sends invoice payments to the Factor. For payment allocation (reconciliation between the invoice and the payment), the Debtor can advise the Factor using the **(12) Invoice Payment Reconciliation Advice** message and the Factor return status concerning these allocations using the **(13) Invoice Payment Reconciliation Status** message.

## Reverse Factoring

Unlike traditional factoring, where a Supplier (or more precisely, the Seller) wants to finance its receivables, Reverse Factoring is a financing solution initiated by a large creditworthy corporate (The Buyer) in order to help its suppliers to benefit from better financial conditions from a financial partner (Factor or Bank) on the sale of its trade receivables while securing its supply chain/procurement.

The Factor (or the Bank) provides financing against trade receivables to Sellers involved in the program based on the creditworthiness of the buyer.

This allows the Buyer to pay at the initial invoice due date and the Seller to elect for early payment on all invoices bearing an Approval for Payment stamp from the Buyer, with the latter’s irrevocable Commitment to pay at the agreed upon maturity date.

This mechanism frees up borrowing capacity as advances do not increase bank exposure; additionally the supplier has the possibility to elect for an off-balance sheet structure, financing being without recourse to the Buyer.

There are two types of scenarios:

1. Collaborative Reverse Factoring with the objective for the Buyer to secure its supply chain:

* The Suppliers may request financing depending on their treasury needs.
* The Suppliers bear the financial costs of the program.

2. Systematic Reverse Factoring where the Buyer is aiming at a commercial discount from its suppliers; in this scenario:

* 100% of the receivables are financed.
* The Buyer bears the costs of the program.

The following scheme illustrates the exchange of ISO 20022 messages of this financing solution.



Figure 13: Reverse Factoring messages exchange

* The Buyer requests the creation of a Seller account with a guarantee, using the  **(1) Party Registration And Guarantee Request**  message. In return, the Factor indicates the level of guarantee ready to agree using the  **(2) Party Registration And Guarantee Status** message. As in the classical case, there may be additional interactions with a Credit Insurer.
* The Buyer transfers the approved invoices or approvals for payment to the Factor by sending the **(3) Invoice Assignment Request** message and the Factor confirms the "purchase" using the **(4) Invoice Assignment Status** message.
* The Factor finances and pays the total or partial amount of the transferred payment obligations in accordance with the Seller's request. In case of collaborative reverse factoring or automatically in case of systematic reverse factoring.
* The Buyer sends payments to the Factor. For payment allocation (reconciliation between the invoice and the payment), the Debtor can advise the Factor using the **(5) Invoice Payment Reconciliation Advice** message and the Factor can return status concerning these allocations using the **(6) Invoice Payment Reconciliation Status** message.

## Confidential Factoring

This service is also known as **Non-disclosed Factoring with delegated Management** or **Invoice Discounting**.

The client retains full control of the management of its receivables, and the existence of the factoring contract is not disclosed to customers. Payments are sent to the company and credited to an account held in the company’s name at one of its banks. The Factor provides the cash and the guarantee.



Figure 14: Confidential Factoring Outline

The Confidential Factoring process is the following:

* The Seller signs a factoring contract with a Factor.
* The Debtor orders goods or services from the Seller.
* The Party Registration and Guarantee Management process is the same as the full factoring one: In case of insurance by the Factor, the **(1) Party Registration And Guarantee Request** message is sent from the Seller to the Factor and the **(2) Party Registration And Guarantee Status** message is sent in return. In case of insurance delegation the same messages types are exchanged between the Seller and a Credit Insurer (cf. diagram Full Factoring). The Seller delivers goods or services to his customer (Debtor) and invoices him.
* The Seller keeps handling the collection process to ensure invoice payment when due date is reached. The Seller can use the **(3) Invoice Assignment Advice** message to inform or remind the Buyer about the status of invoices. The Debtor can inform the Seller about invoice status, disputes, direct payments, promises etc. using an **(4) Invoice Assignment Status** message. This usage of the messages is outside the factoring use cases.
* The Seller assigns financial items, such as invoices or credit notes to obtain a financing to the Factor by sending the **(5) Invoice Assignment Request** message and the Factor confirms the assignment (i.e., the acquisition of the financial item) using the **(6) Invoice Assignment Status** message.
* The Factor finances the total or partial amount of the transferred invoices in accordance with the Seller’s request. This financing is done immediately, i.e., independently from the invoice instalments' due dates.
* The Debtor sends invoice payments to the Seller.
* For payment allocation (reconciliation between the invoice and the payment), the Debtor can advise the Seller using the **(7) Invoice Payment Reconciliation Advice** message and the Seller can return status concerning these allocations using the **(8) Invoice Payment Reconciliation Status** message.
* The Seller sends invoice payments to the Factor.
* For payment allocation (reconciliation between the invoice and the payment), the Seller gives information about his view of payment, debt or credit adjustments, drafts to cash to the Factor using the **(9) Invoice Payment Reconciliation Advice** message and the Factor can return status concerning these allocations using the **(10) Invoice Payment Reconciliation Status** message.

## Balance Assignment

This is also known as **account receivable solution**. It is a factoring solution that, using the sales ledger financing, suits to companies that produce a large amount of invoices and have a well-organised receivables management.

The company does not have to assign each invoice individually; instead the sum of the sales ledger is assigned. This is time saving and permits to maintain its client relationship internally: There is no change in the management of its Debtors.

The assignment of the ledger, called account receivable, has three protagonists according to the following scheme:

* The factoring company’s client holds Business-to-Business receivables.
* The factoring company buys those receivables by **subrogation**  or a **Dailly assignment** (a legal instrument in France) and finances them. While the customer’s Buyer is the factoring company’s Debtor they are usually not aware of the Factor’s presence because the account receivable solution is supposed to be confidential.

If the company does not have a credit insurance policy, it can be granted internal credit insurance by the Factor along with the factoring contract, in order to be protected against the risk of insolvency.

As with Confidential Factoring, all the payments are made a dedicated bank account owned by the Factor.

The message flow is a subset of Confidential Factoring.



Figure 15: Balance Assignment Outline

The Seller has established a factoring contract with a Factor.

The Buyer orders goods or service to the Seller.

* The Party Management scheme is identical to the one for Full Factoring. In the picture, the simplified exchange of a **(1) Party Registration And Guarantee Request** and a **(2) Party Registration And Guarantee Status** is shown.
* The Seller delivers goods to the Buyer and issues invoices.
* The Seller assigns the Debtors' ledgers to the Factor by sending the message **(3) Invoice Assignment Request** and the Factor confirms the assignment using message **(4) Invoice Assignment Status**.
* The Factor finances the entire sales ledger or a part of it according to the Seller’s request.
* The Buyer sends the payment directly to the Seller if it is by check or bank draft which is cashed in on a dedicated account. If payment is by transfer, it will be done to a dedicated account. This account is pledged; it is emptied and credited to the Factor on a daily basis.
* Reconciliation occurs directly between the Trade Parties.

## Usage of messages outside the factoring context

* Trade partners (Seller and Buyer) can use 4 messages directly without involvement of a Factor.
* The messages **Invoice Assignment Advice** and **Invoice Assignment Status** can be used for invoicing, reminders, etc. This may also occur in the case of Confidential Factoring without revealing the existence of a factor.
* The reconciliation messages can be exchanged directly between any Payer and Payee.
* The **Party Event Advice** message is also independent of the factoring business.

# Overview of messages and message components functionality

This chapter summarises the new messages and new message components to illustrate the provided functionalities. The complete technical details of all messages are defined in part 2 of the message definition report.

The following tables resume the messages defined in this document.

|  |  |
| --- | --- |
| **Party Registration and Guarantee Management Messages** | |
| **Messages name** | **Identifier** |
| Party Registration And Guarantee Request | tsin.009.001.01 |
| Party Registration And Guarantee Status | tsin.010.001.01 |
| Party Registration And Guarantee Notification | tsin.011.001.01 |
| Party Registration And Guarantee Acknowledgement | tsin.012.001.01 |

|  |  |
| --- | --- |
| **Assignment Messages** | |
| **Messages name** | **Identifier** |
| Invoice Assignment Request | tsin.006.001.01 |
| Invoice Assignment Status | tsin.007.001.01 |
| Invoice Assignment Notification | tsin.008.001.01 |
| Invoice Assignment Acknowledgement | tsin.013.001.01 |

|  |  |
| --- | --- |
| **Reconciliation Messages** | |
| **Messages name** | **Identifier** |
| Invoice Payment Reconciliation Advice | tsmt.053.001.01 |
| Invoice Payment Reconciliation Status | tsmt.054.001.01 |

|  |  |
| --- | --- |
| **Event Notification Message** | |
| **Messages name** | **Identifier** |
| Party Event Advice | tsmt.055.001.01 |

The definitions of messages are regrouped according to their principal usage in the *BusinessProcesses*. The new message components are shown in two groups, one having an element with schema type ID, i.e., possible targets of an IDREF, and the others. Finally, we give an outline of new Data Types and External Schemas.

All messages are structured in a similar way:

* They are accompanied by a **Business Application Header**. In our context the functionality provided equivalent to the envelope of a paper letter and provides message integrity and addressing.

All messages are comprised of a common header element, specific payloads, and optional attached information consisting of copies of related messages.

Status messages use the identical structure as a corresponding request. Status indications are simply defined as optional elements in message components. They are used to indicate status concerning an item, an item list or the whole message.

The following table illustrates the structure of all messages.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Header | 1..1 | Set of characteristics that unambiguously identify the request, common parameters, documents and identifications. | Business Letter1 |
| <Type> List | 1..\* | <Type>List of items. | depends on message |
| <Type> Count | 0..1 | Number of <Type>Lists as control value. | Max15 Numeric Text |
| Item Count | 0..1 | Total number of individual items in all <type>Lists. | Max15 Numeric Text |
| Control Sum | 0..1 | Total of all individual amounts included in the lists, irrespective of currencies or direction. | Decimal Number |
| Attached Message | 0..\* | Referenced or related business message. | Encapsulated Business Message1 |

* The **Hdr** element is an instance of a new *MessageComponent* **BusinessLetter1**. This element is an equivalent of a paper letter that accompanies a transferred set of documents. It contains indications such as the originator, the recipients or references to documents and free form text. Furthermore, it is also the (only) element used as a container for elements referenced via IDREFs in other parts of a message. Normally, components of two elements (To and From) in the **BusinessLetter1** are used for addressing in the [BusinessApplicationHeader](#BAH) associated to a message. There is no inverse mapping defined for these components.
* The payload is comprised of one or several typed lists of items. Each list contains summaries of financial documents, the items. There can be many items and lists with identical elements; they are represented via IDREFs pointing to elements in the Hdr element. Thus, duplication of identical information is avoided.
* The message can contain have several signatures.
* All messages may contain (partial) copies of other messages. With this feature it is possible to create a self-contained document with the full history of related messages or to counter sign an included message. Inclusion of a message may require changes in ID/IDREFs in order to maintain uniqueness while maintaining the possibility to verify a signature in an associated **BusinessApplicationHeader** or in a **BusinessLetter1** instance. The *MessageComponent* **EncapsulatedBusinessMessage1** provides a means for that.

All factoring messages defined in this document MUST be recognized. Factoring services define which other messages, such as from the "Payment Initiation" area, can be included. The message component uses a processContent specification of strict.

The following scheme illustrates the structure.



Figure 16: Global Message Structure

## Party Registration and Guarantee Management Messages

### Party Registration And Guarantee Request V01

The message PartyRegistrationAndGuaranteeRequest is sent by a factoring client either to a financial service or a guarantee issuer. The message can also be sent from a financial service to a guarantee issuer. Furthermore, the message can be sent to an interested party for example a fiscal authority. When the message is sent to a guarantee issuer, the factoring client or financial service provider requests a guarantee for the factoring agreement concerning the indicated trade party. When the message is sent to a financial service, the financial client requests an agreement to execute assignments of financial items. The financial client may request the guarantee amount to be obtained in case of insolvency of the trade partner for a corresponding account receivable directly from the financial service. Alternatively and depending on the contractual and product definition, the financial client may be required to include a copy of a guarantee status received from a guarantee issuer.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.009.001.01

### Party Registration And Guarantee Status V01

The message PartyRegistrationAndGuaranteeStatus is either sent by a factoring service to a financing client to indicate the status of a factoring service agreement or from a guarantee issuer to a factoring client or a factoring service to indicate the guarantee covering a requested factoring service agreement. The message can also be sent to an interested party.

The factoring service or guarantee issuer may include references to a corresponding PartyRegistrationAndGuaranteeRequest message or other related messages and may include referenced data.

The message contains information about other parties to be notified about the financial service agreement or the guarantee and whether these parties are required to acknowledge the agreement.

The message contains information returned by the financial institution indicating acceptance or rejection of the trade partner; a positive response is necessary before being able to assign financial items concerning the trade party.

This message contains identifications of cash accounts to enable payer and payee to treat the transferred payment obligations.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.010.001.01

### Party Registration And Guarantee Notification V01

The PartyRegistrationAndGuaranteeNotification message is sent by a factoring client or a financial service to a trade partner and, optionally, to an interested party in order to notify the status of a requested financial service agreement. The trade partner is given information to explain the consequences of a financial service agreement, for instance, the trade partner must pay the financial institution and must use the electronic address to inform it and pay it using the bank account given.

The message may reference related messages and may include referenced data.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.011.001.01

### Party Registration And Guarantee Acknowledgement V01

The message PartyManagementPaymentAcknowledgement is sent from a trade partner to any partner requested through a PartyManagementPaymentAcknowledgemenNotification message to acknowledge the notified factoring service agreement. Depending on legal contexts, the acknowledgement may be required in order for the financial service agreement to become effective.

The message references related messages and may include referenced data.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.012.001.01

## Assignment Messages

### Invoice Assignment Request V01

The InvoiceAssignmentRequest message is sent from a factoring client to a factoring service provider and, optionally, to an interested party. It indicates the transfer of payment obligations concerning financial documents.

The message contains a list of financing requests together with data that are necessary to transfer the related rights for example regarding legal references for example jurisdiction, language or country. Furthermore, the message can reference related messages and can include data from other messages.

A factoring client combines a set of financial documents with same characteristics and assigns them to a factoring service. The client can send several assignments in one message and combine them according to different criteria for example for different clients or different currencies.

messageIdentifier  
tsin.006.001.01

### Invoice Assignment Status V01

The message InvoiceAssignmentStatus is sent by a factoring service provider to a factoring client and, optionally, to an interested party as a response to assignments requests.

The factoring service provider returns a copy of items of corresponding requests together with an information about the status of treatment, for example acceptance, rejection or treatment not yet finished. A rejection can be the result of bad message syntax, but also for other motives such as risk, compliance or covenants.

For each reported financial item, the factoring service provider includes a reference to the corresponding item of the InvoiceFinancingRequest message and may include the referenced item as well as data from other related and referenced messages.

The message contains information about other parties to be notified and whether these parties are required to acknowledge the assignment.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.007.001.01

### Invoice Assignment Notification V01

This message is sent from a factoring service provider or a factoring client to a trade partner to inform about assignments of financing items and, optionally, to an interested party.

The information given to the trade party indicates that property of the payment obligation has been or is being transferred to the financial institution and that payments have to be done between the trade partner and the factoring service provider.

The message indicates whether the notified party is required to acknowledge the notified assignment and to which party an acknowledgement has to be sent.

This message can also be used outside a factoring context directly between a payer and a payee for example as a reminder about a payment obligation or to make an adjustment.

If applicable, the message may reference corresponding items of an InvoiceFinancingRequest or InvoiceFinancingStatus or other related messages and may contain referenced data.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.008.001.01

### Invoice Assignment Acknowledgement V01

The InvoiceAssignmentAcknowledgement message is sent from a trade partner to communicate the status of payment obligations related to financial items. The message can be sent independently or as a response to an InvoiceAssignmentNotification message.

Depending on legal contexts the message may be required as a response to an InvoiceAssignmentNotification message in order for the assignment to become effective.

The trade party may include references to the corresponding items of an InvoiceAssignmentRequest, InvoiceAssignmentStatus or InvoiceAssignmentNotification or other messages and may include referenced data.

The message can carry digital signatures if required by context.

messageIdentifier  
tsin.013.001.01

## Reconciliation Messages

### Invoice Payment Reconciliation Advice V01

The message InvoicePaymentReconciliationAdvice is sent by a payer to a payee to indicate attribution of payments to instalment of payment obligations in order to simplify the account netting or clearing when a lot of invoices are paid with a unique payment (for instance an SCT or an SDD).

The message contains references to payment instructions, may reference other messages and may include referenced data.

The message can carry digital signatures if required by context.

messageIdentifier  
tsmt.053.001.01

### Invoice Payment Reconciliation Status V01

The message InvoicePaymentReconciliationStatus is sent from a payee to a payer to acknowledge attribution of payments.

A payee that has received payment reconciliation information uses this message to confirm or to question common understanding of payments and instalments.

The payee may include references to the corresponding items of an InvoicePaymentReconciliationAdvice message or to other messages and may include the referenced data.

The message can carry digital signatures if required by context.

messageIdentifier  
tsmt.054.001.01

## Event Notification Message

### Party Event Advice V01

The PartyEventAdvice message can be sent by any party to any other party. It is used for business letters containing information for which treatment is not formally defined in order to keep partners informed and to maintain business traces, for example confirmations of information exchanged out-of band such as announcing a postal letter, confirming a telephone call or the exchange of contractual information. It can also be sent to verify the technical interoperability of the communicating IT-systems.

The message can reference other message and include data from referenced messages.

The message can report several events.

The message can carry digital signatures if required by context.

messageIdentifier  
tsmt.055.001.01

## Relative Identification

In general, a companie identifies business partners or partner documents using identifiers assigned by itself. A Factoring Client needs to inform the Factor about such identifiers. It is necessary that parties understand the scope of these identifiers, this is, who has created them.

To solve the problem in the absence of a global identification scheme and in order to avoid the need of an external authority, the following approach is used:

* It is assumed that Factors can be identified in a globally unique way.
* A Factor allocates an identifier to each client.
* Any business partner allocates identifiers to its partners.
* Whenever party needs to inform a Factor about an identifier allocated to one of business partners, it creates an identifier using the pair (Factor identification, identifier allocated by the Factor) to identify itself. To identify its own customer it creates a pair using the pair mentioned before followed by the identifier given to the customer.
* Parties thus can understand the identifiers of customers of other parties without using a third party naming authority. A paper based analogy is: "I inform you to recognize the indicated company as my customer identified by my local identifier, and please use this identifier in further transactions."

This recursive definition is syntactically transformed into a sequence due to constraints of the ISO 20022 modeling tools.

A factor normally also allocates an identifier to the third party. The message component **QualifiedPartyIdentifier1** allows combining both the factor's identification and the client's identification together with any other identification. In all cases, one of the identifications should a legally recognized one.

## Message Components with ID

There are many cases where the same information needs to be repeated in various message component elements, for example identifiers of parties in a list of financial items. In order to avoid duplication in the coded message, some message components are designed to include an element *Identification* the XML schema type ID and thus can be referenced by IDREFs. In the ISO 20022 model, IDREF are used when is the attribute **composite=false** is used. The default value in the model of that attribute is **true**.

The message component **BusinessLetter1** is the only one containing elements without **composite=false** for these types and can thus be used as a container for IDREF targets.

In the sequel, elements of type IDREF are indicated with a '\*' in front of the real target type. IDREF targets must be of the correct type and this MUST be checked during decoding of the message. Unfortunately, the current the XSD schema provided by the Registration Authority do not permit to creating a validating parser that checks the type coherence of ID/IDREF pairs. The authors therefore have created enhanced versions of the schemata containing an **xs:appinfo** indicating the type of an IDREF target. Furthermore, these versions of XSD schema contain the descriptions of message, message components, etc. as xs:description as shown in the following example:

|  |
| --- |
| <xs:element maxOccurs="***unbounded***" minOccurs="***0***"  name="***FinDocRef***" type="***xs:IDREF***">  <xs:annotation>  <xs:appinfo source="***QualifiedDocumentInformation1***"/>  <xs:documentation xml:lang="*en*"> ***Identifier of financial document that is the base document for this item, for example an invoice number.***  </xs:documentation>  </xs:annotation> </xs:element> |

Three message components are defined with an ID element:

* **GovernanceRules2**
* **QualifiedDocumentReference1**
* **QualifiedPartyIdentification1**

### Encapsulated Business Message1

The message component EncapsulatedBusinessMessage1 defines an encapsulated form of an ISO 20022 message and, if present, its associated Business Application Header. The encapsulation guarantees uniqueness of ID/IDREFs though the use of the Prefix element. This element can be added during message preparation to ID/IDREFs.

In order to verify the signature in the Hdr element or inside the encapsulated message, for each occurrence of an ID orIDREF that possesses the same value as a prefix, the prefix part is removed before signature verification. This is not done for surrounding signatures.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Header | 0..1 | The Business Application Header associated to the encapsulated message if it exists. | Business Application Header1 |
| Prefix | 0..1 | Prefix of ID/IDREFs in the encapsulated message to be removed before signature verification. | ID |
| Partial | 1..1 | If yes, the Msg element contains only a subset of the original message. | Yes No Indicator |
| Message | 1..1 | The encapsulated ISO 20022 message. | [Strict Payload](#_OTE5NjQ4_AOSNFX_8441933) |

### Governance Rules2

The message component GovernanceRules2 specifies rules governing an undertaking such as a guarantee or standby letter of credit.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identification | 1..1 | Local identification to be used in IDREFs. | ID |
| Rule Identification | 1..1 | Identification of the governance rules. | Governance Identification1 Choice |
| Applicable Law | 0..1 | Law applicable to the undertaking. | Location1 |
| Jurisdiction | 0..\* | Place at or system under which any dispute related to the undertaking is to be resolved, such as court or arbitration. This is also known as ´forum´. | Location1 |

### Qualified Document Information1

The message component QualifiedDocumentInformation1 specifies an identification of a document assigned by and relative to the issuing party (of the identification).

Optionally, the component can contain a copy of the identified document and a URI/URL (Universal Resource Information/Location) facilitating retrieval of the document.

The component may also contain a cryptographic hash of the referenced document.

Financial items are identified by three parts:

(1) the creator of the document,

(2) an identification of a dossier, and

(3) an identification of a financial item.

The two latter identifiers are independent permitting to identify the same item in several lists.

The element identification is of schema type ID, it can be referenced by IDREF typed elements (composite=false).

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identification | 1..1 | Local identification to be used in IDREFs in this message. | ID |
| Issuer | 0..1 | Party issuing the reference. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Item List Identifier | 0..1 | Unambiguous identifier relative to the issuing party of a list of items. | Max35 Text |
| Item Identifier | 0..1 | Unambiguous identifier relative to the issuing party of an item (independent of any list). | Max35 Text |
| Date | 0..1 | Date of document or element. This may be used as a control value to indicate a specific version. | ISODate |
| Version | 0..1 | Identification of the version of the document or element. This may be used as a control value to indicate a specific version. | Max6 Text |
| Electronic Original | 1..1 | If true, document is in its original form, otherwise it is a scanned version. | Yes No Indicator |
| Digest | 0..2 | Cryptographic hash of the document. | [Algorithm And Digest1](#_OTgzMjQw_AOSNFX_8224494) |
| Document Type | 0..1 | Specifies the type of the document, for example commercial invoice. | External Document Type1 Code |
| URL | 0..1 | URL (Uniform Resource Locator) where the document can be found. | Max2048 Text |
| Attached File | 0..\* | Attached file for this document. The file must be in a self-describing format. | Binary File1 |

### Qualified Party Identification1

The message component QualifiedPartyIdentification1 defines and associates identifications for a party as a list of other global or qualified relative identifiers.

It is assumed that customers of a party can be referenced by an identifier local to the party. The party together with the local identifier can be used to reference the customer.

Multiple references can be given to identify the same party.

A short identification can be used for display purposes.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identification | 1..1 | Schema ID to be used in IDREF values. | ID |
| Party | 1..\* | List of identifications for the same party. | [Single Qualified Party Identification1](#_OTgzMjUx_AOSNFX_8224494) |
| Short Identification | 0..1 | Short identification of the resulting party as a control mechanism for humans. | Party Identification2 Choice |
| Role | 0..1 | Formally defined role qualifying the party. | Generic Identification1 |
| Role Description | 0..1 | Free form description of the party´s role. | Max256 Text |

## Other Message Components

This sub-chapter summarizes other new message components.

### Algorithm And Digest1

The message component AlgorithmAndDigest1 defines a cryptographic digest algorithm and value.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Digest Algorithm | 1..1 | Digest algorithm used to create the digest. | Algorithm5 Code |
| Digest | 1..1 | Result of data-digesting process. | Max140 Text |

### Amount And Period1

The message component AmountAndPeriod1 relates an amount to a period of time.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Amount | 1..1 | Amount of this period. | Active Currency And Amount |
| Start Date | 0..1 | Start of period or immediate if not specified. | ISODate |
| End Date | 0..1 | End of period or indefinite if not specified. | ISODate |

### Business Letter1

The message component BusinessLetter1 defines a business letter containing identifications of involved entities and their roles, references to documents, free form text and signatures.

The semantics of this information are defined by usual business practices for the exchange and tracing of business letters. The described references and party identifiers permit to establish a linked informal trace of sequences of letters.

This message component contains three types of elements that can be referenced using IDREF:

(1) - all elements defining qualified parties,

(2) - all elements defining qualified documents or references to them,

(3) - the LegalContext element.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Application Context | 0..1 | Application context defined by users. This is typically the name of a product. | Max35 Text |
| Letter Identifier | 1..1 | Unambiguous identifier for this letter. | [Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Date | 1..1 | Purported creation date of the document. | ISODate |
| Related Letter | 0..\* | Identifier of a related letter. | [Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Related Message | 0..\* | Identifier of a related message. | [Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Content Identifier | 0..\* | Cross references the lists that are associated to this letter inside a message. The identifiers are relative to the Originator. | Max35 Text |
| Instruction Priority | 0..1 | Urgency or order of importance that the originator would like the recipient of the business letter to apply to the processing of the letter. | Priority3 Code |
| Originator | 1..1 | Identification of the originating party of this letter. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Primary Recipient | 1..\* | Primary recipient of the business letter. The exact meaning is given by the users. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Sender | 0..\* | Sender of the business letter. The exact meaning is given by the users. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Authorisation User | 1..\* | User who, either individually or in concert with others, authorises the origination of a message. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Response Recipient | 0..\* | Party to receive a reply to this letter. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Copy Recipient | 0..\* | Party to receive a copy of the message. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Other Party | 0..\* | Other party involved. This element is usable as a target for IDREFs. | [Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Associated Document | 0..\* | Associated free form document. | [Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Governing Contract | 0..\* | Governing contract. | [Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Legal Context | 0..\* | Rules and laws governing the letter. | [Governance Rules2](#_OTgzMjIy_AOSNFX_8224493) |
| Additional Information | 0..1 | Free form information about this message. | Max2000 Text |
| Notice | 0..1 | Free form information unrelated to the message for example advertising or a service notice. | Max350 Text |
| Validation Status Information | 0..1 | Status of referenced messages or letters. | Validation Status Information1 |
| Digital Signature | 0..\* | Digital signatures and signing parties of this letter or parts of it. | [Qualified Party And XMLSignature1](#_OTgzMjI3_AOSNFX_8224493) |

### Event Description1

The message component EventDescription1 describes an event not covered by other formal messages, for example a trace after a telephone call.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identifier | 1..1 | Identification of the event. | Max35 Text |
| Date | 0..1 | Date when event occurred. | ISODate Time |
| Recipient | 1..1 | Party to be advised. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Advisor | 1..1 | Advising party. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Other Party | 0..\* | Parties involved in the event. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Language Code | 1..1 | Identifier for a language used for the description. | Language Code |
| Description | 1..1 | Free form description of event. | Max2000 Text |
| Related Document | 0..\* | Reference to related document. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Related Letter | 0..\* | Identifier of related letter. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Related Message | 0..\* | Identifier of related message. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Associated Document | 0..\* | Associated free form document. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Governing Contract | 0..\* | Reference to the contractual context. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Legal Context | 0..1 | Rules and laws governing the event. | [\*Governance Rules2](#_OTgzMjIy_AOSNFX_8224493) |

### Financial Item1

The message component FinancialItem1 specifies information about a financing relation between two parties represented by a document, for example invoice, credit.

The component may include an external document describing details of the underlying trade object using an external schema.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Item Context | 1..1 | Parameters identifying the context of the item. | [Financial Item Parameters1](#_OTgzMjk0_AOSNFX_8224497) |
| Financial Document Reference | 0..\* | Identifier of financial document that is the base document for this item, for example an invoice number. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Credit Debit Indicator | 1..1 | Indicates whether the value is a debit or credit. | Credit Debit Code |
| Total Amount | 1..1 | Specifies the total amount related to the financial document. | Invoice Totals1 |
| Due Amount | 0..1 | Specifies the remaining monetary amount. | Active Currency And Amount |
| Instalment Information | 0..\* | Instalment information for payment. | [Instalment2](#_OTgzMzM5_AOSNFX_8224500) |
| Additional Information | 0..1 | Additional proprietary textual information concerning the item. | Max2000 Text |
| Associated Document | 0..\* | Associated free form document, for example a delivery confirmation. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Validation Status Information | 0..1 | Validation status of the item. | Validation Status Information1 |
| Financing Status | 0..1 | Financing status if applicable for the item. | Financing Information And Status1 |
| Proprietary Details | 0..1 | Structured proprietary information concerning details of the financial item. | Supplementary Data1 |

### Financial Item Parameters1

The message component FinancialItemParameters1 regroups identification parameters for trade items.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identifier | 1..1 | Unique identification of this item relative to the issuing party. | Max35 Text |
| Issue Date | 1..1 | Date of creation of the item. | ISODate |
| Related Item | 0..\* | Identifier of related items, for example an assignment or an advice. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Document Purpose | 0..1 | Specifies the function of the document related to the item. | External Document Purpose1 Code |
| Language Code | 0..1 | Language used for textual information in item. | Language Code |
| Issuer | 0..1 | Party that issued this list of items. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Recipient | 0..1 | Receiving party of this list of items. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Buyer | 0..1 | Party that acts as buyer of the goods or services referred to by the financial item. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Seller | 0..1 | Party that acts as seller of the goods or services referred to by the financial item. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Seller Financial Agent | 0..1 | Financial agent for the seller. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Buyer Financial Agent | 0..1 | Financial agent for the buyer. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Governing Contract | 0..\* | Reference to contract that governs the exchange of the message. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Legal Context | 0..1 | Rules and laws governing the item. | [\*Governance Rules2](#_OTgzMjIy_AOSNFX_8224493) |
| Currency | 0..1 | Currency of the item. | Currency Code |
| Debit Account | 0..1 | Defines the account debited for charges (or credited for reimbursement). | Account Identification4 Choice |
| Credit Account | 0..1 | Defines the account credited for charges (or debited for reimbursement). | Account Identification4 Choice |
| Trade Market | 0..1 | Identification of the geographical environment of the trade market. | [Trade Market1 Choice](#_OTgzMzEx_AOSNFX_8224498) |

### Financing Agreement Item1

The message component FinancingAgreementItem1 describes a financing relation between two parties, for example invoice, credit, financing request, cash accounts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Item Context | 1..1 | Parameters related to the context of the item. | [Financial Item Parameters1](#_OTgzMjk0_AOSNFX_8224497) |
| Item Action | 0..1 | Code to indicate the action concerning the item. | [Agreement Item Action1 Code](#_OTgzMjc5_AOSNFX_8224496) |
| Payment Instrument | 0..1 | Desired payment instruction to be used by buyer. | Payment Instrument Code |
| Validation Status Information | 0..1 | Validation status of the item. | Validation Status Information1 |
| Rating | 1..1 | Guarantee is (to be) provided according current rating. | Yes No Indicator |
| Reopen Indication | 1..1 | Set to yes if the agreement was rejected and needs to be re-opened for arbitrage. | Yes No Indicator |
| Guarantee | 0..\* | Issuers, amounts and periods to be guaranteed. At a given date, the sum of all issuers is guaranteed, covered as specified by rank/position and excess. For each period, the maximum value at a given date is used. | [Guarantee Details1](#_OTgzMzc0_AOSNFX_8224501) |
| Guarantee Status | 0..1 | Status of guarantee if applicable. | Validation Status Information1 |
| Related Guarantee Letter | 0..1 | Reference to the guarantee letter issued by a guarantee provider. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Associated Document | 0..\* | Associated free form document. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Additional Information | 0..5 | Free form textual information related to the agreement. | Max2000 Text |

### Financing Agreement List1

The message component FinancingAgreementList1 defines a list of party management registration and guarantee requests.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identifier | 1..1 | Identification assigned to unambiguously identify the agreement list. | Max35 Text |
| Date | 1..1 | Creation date of this list. | ISODate |
| Related Document | 0..\* | Reference to related document. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Agreement Requestor | 1..1 | Requestor of the agreement(s). | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Agreement Responder | 1..1 | Party the agreement(s) are (to be) made with. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Guarantee Applicant | 1..1 | Applicant of the guarantee. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Guarantee Beneficiary | 1..1 | Beneficiary of the guarantee. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Guarantee Issuer | 1..1 | Party that issues the guarantee. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Notification Information | 0..\* | Party or parties to notify and to acknowledge the agreement. | [Financing Notification Parties1](#_OTgzMzMw_AOSNFX_8224500) |
| Item | 1..\* | List of agreement items. | [Financing Agreement Item1](#_OTgzMzU2_AOSNFX_8224501) |
| Item Count | 1..1 | Number of individual items contained in the list. | Max15 Numeric Text |
| Control Sum | 0..1 | Total of all individual amounts included in the list, irrespective of currencies. | Decimal Number |
| Additional Information | 0..1 | Additional proprietary formal information concerning the list. | Max2000 Text |
| Validation Status Information | 0..1 | Validation status of the list. | Validation Status Information1 |

### Financing Item List1

The message component FinancingItemList1 specifies a list of financing items exchanged between two parties, for example invoice, credit, financing request.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Identifier | 1..1 | Identification assigned to unambiguously identify the financing item list. | Max35 Text |
| Issue Date | 1..1 | Date of creation of this document. | ISODate |
| Related Document | 0..\* | Reference to related documents for example to original assignment in a status response or retry. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Amount Cut Off Date | 0..1 | Cut off date for items used to establish the total request amount. | ISODate |
| Assignee | 1..1 | Party to which the list is assigned. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Assigner | 1..1 | Party assigning the list. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Notification Information | 0..\* | Identifies parties that notify the assignment(s) and the notified parties. | [Financing Notification Parties1](#_OTgzMzMw_AOSNFX_8224500) |
| Financial Item | 0..\* | List of items/transactions. | [Financial Item1](#_OTgzMzMy_AOSNFX_8224500) |
| Item Count | 1..1 | Number of individual items contained in the list. | Max15 Numeric Text |
| Control Sum | 0..1 | Total of all individual amounts included in the list, irrespective of currencies. | Decimal Number |
| Total Request Amount | 0..1 | Total amount in all items. Requires same currency, necessary when financing request is in percentage. | Active Currency And Amount |
| Total Request Financing | 0..1 | Total amount requested. | Financing Rate Or Amount Choice |
| Agreed Rate | 0..1 | Acceptable exchange rate for financing by different currency. | Agreed Rate1 |
| Financing Instalment | 0..\* | Instalment for the financing. | [Instalment2](#_OTgzMzM5_AOSNFX_8224500) |
| Additional Information | 0..1 | Additional free form information concerning the list. | Max2000 Text |
| Validation Status Information | 0..1 | Validation status of the list. | Validation Status Information1 |
| Financing Status | 0..1 | Financing status if applicable to the nature of the items. | Financing Information And Status1 |

### Financing Notification Parties1

The message component FinancingNotificationParties1 identifies a party that notifies a financial document, the party to be notified, and whether notified party must send an acknowledgement and to whom.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Notifying Party | 1..1 | Party that notifies a third party. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Notification Receiver | 1..1 | Party (to be) notified. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Acknowledgement Receiver | 0..\* | Party to whom a notification acknowledgement has to be sent by the notification receiver. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |

### Guarantee Details1

The message component GuaranteeDetails1 indicates the details of a guarantee.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Issuer | 0..1 | Party issuing the guarantee. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Position | 0..1 | Rank of the guarantee provider. A value of 1 means highest rank. Providers may have the same position. | positive Integer |
| Description | 0..1 | Textual description of guarantee details. | Max2000 Text |
| Guaranteed Amount | 0..\* | Amount by time periods, maximum value applies at any given date. | [Amount And Period1](#_OTgzMzgw_AOSNFX_8224502) |
| Excess | 0..\* | Amount not covered by the guarantee. Maximum value applies at any given date. | [Amount And Period1](#_OTgzMzgw_AOSNFX_8224502) |
| Covered Percentage | 0..\* | Covered percentage, the maximum value applies at any given date. | [Percentage And Period1](#_OTgzMzg0_AOSNFX_8224502) |
| Associated Document | 0..\* | Associated free form document. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Additional Information | 0..5 | Additional information related to the demand. | Max2000 Text |

### Instalment2

The message component Instalment2 specifies a single instalment related to an invoice settlement and optional reconciliation information.

Reconciliation information is used to indicate the amount to be allocated to a particular instalment of a financial document.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Sequence Identification | 1..1 | Specifies the progressive number of the single instalment related to an invoice. | Max70 Text |
| Payment Due Date | 1..1 | Due date for the payment of the financing item instalment. | ISODate |
| Amount | 1..1 | Amount of a single instalment related to an invoice. | Active Currency And Amount |
| Payment Instrument | 0..1 | Desired payment instrument to be used for the instalment. | Payment Means1 |

### Payment Terms6

The message component PaymentTerms6 specifies the payment terms of the underlying transaction.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Due Date | 0..1 | Due date specified for the payment terms. | ISODate |
| Payment Period | 0..1 | Payment period specified for these payment terms. | Payment Period1 |
| Description | 0..\* | Textual description of these payment terms. | Max140 Text |
| Partial Payment Percent | 0..1 | Partial payment, expressed as a percentage, for the payment terms. | Percentage Rate |
| Direct Debit Mandate Identification | 0..\* | Direct debit mandate identification specified for these payment terms. | Max35 Text |
| Basis Amount | 0..1 | Amount used as a basis to calculate the discount amount for these payment terms. | Currency And Amount |
| Discount Amount | 0..1 | Amount of money that results from the application of an agreed discount percentage to the basis amount and payable to the creditor. | Currency And Amount |
| Discount Percent Rate | 0..1 | Percent rate used to calculate the discount for these payment terms. | Percentage Rate |
| Penalty Amount | 0..1 | Amount of money that results from the application of an agreed penalty percentage to the basis amount and payable by the creditor. | Currency And Amount |
| Penalty Percent Rate | 0..1 | Percent rate used to calculate the penalty for these payment terms. | Percentage Rate |

### Percentage And Period1

The message component PercentageAndPeriod1 specifies a percentage together with a period of time. For overlapping periods, the maximum of all applicable elements at a given date is the result.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Percentage | 1..1 | Covered percentage (max 100%). | Percentage Bounded Rate |
| Start Date | 0..1 | Start of period or immediate if not specified. | ISODate |
| End Date | 0..1 | End of period or indefinite if not specified. | ISODate |

### Qualified Party And XMLSignature1

The message component QualifiedPartyAndXMLSignature1 defines a signing party and a digital signature made by this party.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Party | 0..1 | Identification of the signing party. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Signature | 1..1 | Digital signature in XML-DSIG format and reference to signing party. | Signature Envelope |

### Reconciliation List1

The message component ReconciliationList1 specifies a list of reconciliation information concerning financial items.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Date | 1..1 | Date of creation of this document. | ISODate |
| Related Document | 0..\* | Reference to related documents for example to original assignment in a status response or retry. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Recipient | 1..1 | Party to be advised. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Advisor | 1..1 | Informing party. | [\*Qualified Party Identification1](#_OTgzMjEy_AOSNFX_8224491) |
| Parameters | 1..1 | Identification parameters. | [Financial Item Parameters1](#_OTgzMjk0_AOSNFX_8224497) |
| Payment Reference | 1..1 | Reference to a payment instruction. | Payment Identification1 |
| Payment Means | 1..1 | Set of elements used to further specify the type of transaction. | Payment Means1 |
| Payment Date | 1..1 | Effective date of payment. | ISODate |
| Payment Terms | 1..1 | Terms of the payment. | [Payment Terms6](#_ODM5MDI2_AOSNFX_3397728) |
| Payment Amount | 1..1 | Amount of the referenced payment. | Currency And Amount |
| Item | 1..\* | Financial item impacted by the payment. | [Financial Item1](#_OTgzMzMy_AOSNFX_8224500) |
| Item Count | 1..1 | Number of individual items contained in the list. | Max15 Numeric Text |
| Control Sum | 0..1 | Total of all individual amounts included in the list, irrespective of currencies. | Decimal Number |
| Associated Document | 0..\* | Associated free form document. | [\*Qualified Document Information1](#_OTgzMjA0_AOSNFX_8224491) |
| Additional Information | 0..1 | Additional proprietary formal information concerning the list. | Max2000 Text |
| Validation Status Information | 0..1 | Validation status of the list. | Validation Status Information1 |

### Single Qualified Party Identification1

The message component SingleQualifiedPartyIdentification1 defines an identifier for a party relative to another party using an identifier of another party followed by a local identifier issued by the other party.

It is assumed that customers of an identifiable party can be referenced by an identifier relative to that party. The identification of the party together with the relative identifier identifies the customer.

Such references can occur in sequence. The last occurrence of RelativeIdentifier is the local identifier at the party recursively defined by the PrefixParty and all preceding occurrences of RelativeIdentifier.

Technical note: The sequence of relative identifiers is used to avoid a recursive definition in the catalogue.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Base Party | 1..1 | Party identification recognisable by parties in the trade. | Trade Party1 |
| Relative Identifier | 0..5 | Identifies a party, each identifier is recursively defined relative to the party identified by the base party and the preceding part of the list. | Max35 Text |

### Trade Market1 Choice

The message component TradeMarket1Choice trade market identification using a externally defined code or proprietary identification.

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Mult** | **Description** | **Type** |
| Code | 1..1 | Standard trade market code. | [External Trade Market1 Code](#_NzE0ODA2_AOSNFX_5096858) |
| Proprietary | 1..1 | Trade market expressed as proprietary identification. | Generic Identification20 |

## External Schemas

The 2013 version of ISO 20022 requires using **ExternalSchema** as a replacement for the deprecated **UserDefined** components. This specification adds the following one component.

The StrictPayload is used to include XML structures defined by an external schema. It requires the schema to be known and validated.

### Strict Payload

Specifies a data structure that allows the inclusion of any valid XML structure, for example, through an XML Schema. The property namespace is set to ´any´.

The processContents value is ´strict´ which according to the above specification and to ISO 20022:2013 means that the application must understand and validate the content.

processContents  
strict

## Data Types

The specification uses a new external code: ExternalTradeMarket1Code.

This document defines one new code list.

### AgreementItemAction1Code

Specifies the type of action concerning registration information.

The default value is OPEN.

developmentStatus  
DEVELOPMENT

MX  
CodeSet

|  |  |  |
| --- | --- | --- |
| **Code** | **Value** | **Description** |
| Deactivate | DEAC | Deactivate agreement item. |
| Hold | HOLD | Hold the agreement item. |
| Modify | MDFY | Modify agreement item information. |
| Reactivate | REAC | Reactivate agreement item. |
| Register | OPEN | Register item as new agreement. |
| Synchronize | SYNC | Send status with full agreement information details. |
| Verify | VRFY | Verify agreement item information. |

### ExternalTradeMarket1Code

Specifies a trade market in a coded form as published in an external list.

developmentStatus  
DEVELOPMENT

MX  
CodeSet

# Revision Record and IPR statements

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Id** | **Date** | **Author** | **Description** | **Sections affected** |
| 0.1 | 2013-03-19 | Hénon/ON-X | Initial version | all |
| 0.9 | 2014-05-22 | ON-X | Corrections after LR2 comments | Chapters 4,8 |
| 0.98 | 2014-10-28 | ON-X | Modifications after SEG and RA comments | all |
| 0.99 | 2015-03-02 | ON-X | Final draft | for SEG |
| 1.0 | 2015-04-02 | ON-X | Approved | SEG comments resolution and nits |
| 1.1 | 28-04-2015 | ISO 20022 RA | Final review | all |

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Anyone nit-picking enough to write a letter of correction to an editor doubtless deserves the error that provoked it (Alvin Toffler).