

**BUSINESS JUSTIFICATION**  
**FOR THE UPDATE OF THE UNIFI (ISO 20022) FINANCIAL REPOSITORY**

**Name of the request:**

Trade Services Management

**Submitting organisation:**

SWIFT SCRL

Avenue Adèle, 1 – 1310 La Hulpe - Belgium

Standards Department.

**Scope of the registration request:**

This request concerns the registration of a set of messages within the trade services management business area. The goal is to serve any application to allow automated matching of supply chain information.

That supply chain information covers the full range of the trade process, from purchasing over settlement to reconciliation information of the physical and financial supply chain.

**Purpose of the registration request:**

Corporates and trade facilitators have successfully automated large portions of the physical supply chain processes (internet based purchasing and purchasing confirmation processes, electronic customs declaration, etc.). At the same time, the financial supply chain processes (purchasing/working capital financing) continue to require labour and cost intensive manual intervention, and there is no automated process in physical and financial supply chain reconciliation.

By linking the physical and financial supply chain information in an automated manner, all parties involved in a trade transaction (buyer, seller, bank, customs, ports, carriers, insurance companies, etc.) will benefit.

Today, there is little linkage between the financial and physical supply chains. The physical transaction is processed in isolation of the financial transaction, eg, the financial institution only gets involved in the transaction when the payment for a purchase is due. This usually happens by either an electronic or paper based payment order submitted by the ordering party (buyer). Payment initiation occurs only after the physical process of the transaction (receipt of goods/services) has been completed.

Financial institutions only get involved earlier in the process when special risk mitigation is required, eg, when the trading risk has to be mitigated by a finance instrument like a letter of credit.

The reconciliation of the physical with the financial transaction afterwards (accounts' receivables / accounts' payables reconciliation), is a completely manual process.

The trade service standards, in connection with a matching engine, aim at automating and linking the financial and physical supply chain processes.

Whilst corporates are providing the financial institutions with trade information early in the process, financial institutions cannot use this information only to offer enhanced financing services and to provide extensive information management to their customers, but also to easier reconcile the purchase / supply with the payables / receivables.

The objective of the messages is not to replicate existing trade documents, but to standardise that information of the trade chain which is necessary to allow all parties involved in the trade process to offer new or enhanced products and to base business related decisions on the exchanged data.

### **Community of users:**

The first set of messages will cover the exchange of information between financial institutions and a matching engine. The direct users of the standards will therefore only be financial institutions. However, the standards will benefit not only these banks, but also their customers and the software vendor community supporting these banks in their implementations.

### **Timing and development:**

The standards are planned to be submitted for registration in 2007.

The SWIFT Standards Department is devoting a team of business analysts and technical experts during the whole duration of the project (estimate is roughly 5 staff/years).

The financial industry nominated financial institutions from the major countries in the trade services area (including BE, DE, FR, GB, JP, US) to drive and support the development.

In addition to financial institutions, the International Chamber of Commerce (ICC) and the International Financial Services Association (IFSA) is involved in the creation of the messages. The vendor community as well as UN/CEFACT TBG 2 have been informed.

We are not aware of any other standards development initiative in this domain.

SWIFT is committed to initiate and support the maintenance of this message set and widen its scope with new messages, as need be.

### **Contact persons:**

Mr. Carlo Palmers - SWIFT Standards Department ([carlo.palmers@swift.com](mailto:carlo.palmers@swift.com))

### **Intellectual Property Rights (IPR):**

S.W.I.F.T. confirms its knowledge and acceptance of the UNIFI IPR policy for contributing organisations, as follows.

*“Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free licence to use the published information”.*

### **Comments received from RMG members and disposition of comments proposed by the submitting organisation**

This business justification has been submitted to the RMG for approval on 11 June 2005 with a response deadline of 8 September 2005.

On September 9, the business justification was approved with 18 voting RMG members in favour, 0 against and 3 abstentions.

ISDA had a comment on the contents of the business justification which is reproduced and addressed below.

#### Comments from ISDA

Lacks definition of scope of transactions covered.

#### Disposition of ISDA comments

Indeed, this is the high level scope of the project. The transactions to be covered are not yet precisely defined. The goal is to support the matching of relevant information from (commercial, transport, legal, insurance) trade documents to allow financial institutions to timely and easily identify the processing status of international or domestic trades and trigger associated processes in the financial supply chain (e.g., financing, payment, reconciliation).