

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

Name of the request:

Bulk Credit Transfers

Submitting organisation:

SWIFT SCRL

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Standards Department.

Scope of the registration request:

This request concerns the registration of a set of messages within the payments clearing and settlement business area. The goal of these messages is to cover the clearing and settlement of bulk credit transfers directly between banks or across an automated clearing house (ACH).

- The overall scope of the set of messages is to:
 - allow financial institutions to exchange credit transfer instructions either directly or through clearing houses
 - allow to clear and settle the instructions of customers and financial institutions without further additional processing
 - accommodate different scenarios, such as the transportation of a sizeable amount of remittance information from customer to customer or the identification of the STP level of the instructions.

- The bulk payment credit transfer is defined as:

“Bulk payments, or mass payments, are payment instructions without specific processing requirements, eg, no special instructions, “low cost”, no additional processing.

They may be exchanged as single instructions, but are traditionally grouped following some common characteristics and, for convenience or efficiency reasons, exchanged in a batch mode through infrastructures or between correspondent banks”.

This definition indicates that a bulk payment is

- not urgent from a clearing and settlement perspective, ie, not supposed to be exchanged via real time gross settlement systems
- not subject to specific value added service to be provided by a party along the chain
- ' low cost ' and therefore provides a relatively low level of service to end customers and by extension rather simple content for the payment instruction exchanged
- below the thresholds for regulatory reporting

- The set of messages submitted for registration specifically contains:

Message name	Scope and definition
CoreBulkCreditTransfer	<p>The Core Bulk Credit Transfer message is sent by a financial institution to another financial institution directly or through an organised system to clear bulk credit transfer instructions.</p> <p>It is used for credit transfer instructions conveying a pre agreed amount of remittance information and allows for various STP levels. Depending upon the agreement between parties, the credit transfer instructions may trigger the production of a cheque at the receiving financial institution.</p>
Core Bulk Large Remittance Credit Transfer	<p>The Core Bulk Large Remittance Credit Transfer message is sent by a financial institution to another financial institution directly or through an organised system to clear bulk credit transfer instructions.</p> <p>It is used for credit transfer instructions conveying a large amount of remittance information (up to 1 million characters unstructured text) and allows for various STP levels. The remittance information may convey information in any format, provided the bilateral agreement specifies the acceptable content and processing mode. This message should not be used to instruct the receiving financial institution to produce a cheque.</p>
STP Bulk Credit Transfer	<p>The STP Bulk Credit Transfer variant is sent by a financial institution to another financial institution directly or through an organised system to clear bulk credit transfer instructions.</p> <p>It is used for credit transfer instructions conveying a limited amount of remittance information (up to a maximum of 140 characters of structured or unstructured of remittance information) and facilitates a high STP level. This message should not be used for instructing the production of cheques at the receiving financial institution.</p>
STP Plus Bulk Credit Transfer	<p>The STP Plus Bulk Credit Transfer variant is sent by a financial institution to another financial institution directly or through an organised system to clear bulk credit transfer instructions.</p> <p>It is used for credit transfer instructions conveying a limited amount of remittance information (up to a maximum of 140 characters of structured or unstructured of remittance information) and facilitates a high STP level. This message should not be used for instructing the production of cheques at the receiving financial institution.</p> <p>Although this variant has been developed for use in the EBA STEP2 environment, its use is not restricted.</p>
STP Plus Bulk Credit Transfer reject	<p>The STP Plus Bulk Credit Transfer reject variant is sent by a financial institution or a clearing system operator to the remitting financial institution to reject a group of STP Plus Bulk Credit Transfer or individual STP Plus Bulk Credit Transfer instruction(s).</p>

It is expected that the various messages above will be complemented by corresponding reject and return messages.

Purpose of the registration request:

Historically, the volume of cross-border retail payments has been low, but is now growing steadily. Conversely, the volume of domestic retail payments, which are typically transmitted through an Automated Clearing House (ACH), has always been high. Bespoke file transfer solutions have been implemented to transmit payments information, forcing financial and corporate institutions to implement and operate a variety of costly solutions.

Financial institutions are now challenging the cost effectiveness and viability of these isolated solutions. The financial industry has embarked on a development aiming at harmonising and streamlining the clearing and settlement of bulk payments in general, and bulk credit transfer in particular.

This initiative is primarily driven by the financial industry's desire to reduce costs on this low margin activity and by the growing pressure from regulators and consumer groups to create a predictable, cost-effective, cross-border, retail payment solution.

Various initiatives are being progressed by the Euro Banking Association, European banking associations, individual banks and clubs. All of these initiatives recognise the solution should be based on a shared technology infrastructure and international standards to lower the payment processing costs and to increase end-to-end straight through processing.

Community of users:

The new message set intends to provide benefits to:

- financial institutions active in the customer and bank-to-bank credit transfer business in a correspondent banking environment. This community virtually represents the whole of financial institutions, ie, some 20,000 users
- clearing systems processing bulk credit transfers at cross border or domestic level (the assumption being each country having at least one Automated Clearing System, therefore over 200 ACHs would be in the target group, with the addition of specific cross border Clearing Systems). This would also include technical "bridges" between existing ACH systems
- bank clubs and alliances whose main purpose is to exchange credit transfers

Overall savings to the financial industry are to be expected from rationalisation and streamlining of internal processes and applications, as well as of shared components such as Automated Clearing Houses.

Timing and development:

The message set is ready to be submitted for registration. *As requested by the RMG at its September 2005 meeting, this submission will be merged with the "Single Credit Transfer" submission introduced by SWIFT separately. The latter submission is expected to be ready for provisional registration in March/April 2006. The Payments SEG will be presented a single set of Credit Transfer messages for evaluation.*

The SWIFT Standards Department has devoted a team of business analysts and technical experts during the whole duration of the project (estimate is roughly 3 staff/years).

The financial industry nominated 9 financial institutions and 4 domestic ACH operators representatives from 7 major countries (US, UK, DE, FR, CH, BE, AU) as well as 1 representative from the EBA (European –wide ACH) to drive and support the development. In addition, UN/CEFACT and ECBS (European Committee for Banking Standards) and the European Central Bank have been actively participating in the development and validation of the produced messages.

We are not aware of any other standards development initiative in this domain. *However, we are aware of developments in the adjacent area of "remittance information" by UN/CEFACT and others.*

SWIFT is committed to initiate and support the maintenance of this messages set and widen its scope with new messages, eg, the reject and return messages mentioned above, as the case may be.

Contact persons:

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Intellectual Property Rights (IPR):

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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.

Denmark, Finland, France, UN/CEFACT TBG5 and the UK had comments on the contents of the business justification which are reproduced and addressed below. As a result of below dispositions of comments, the text of this Business Justification has been updated using red italic characters.

Comments from Denmark

Scope should be aligned with the Single Credit Transfer BJ, and the scope of the customer initiated credit transfer on the interbank side should be expanded to be corresponding to the C2B PAIN, meaning covering both bulk and single credit transfers.

Disposition of Danish comments

Agree. All messages of the end-to-end business transaction must be aligned. Furthermore, as requested by the RMG at its meeting on 9 September 2005, the single and bulk credit transfers will be packaged and presented together to the evaluation of the Payments SEG.

Comments from Finland

Bulk Credit transfer should be designed in a way to be able to carry both single and multiple transactions.

Harmonisation of Payment Initiation, BULK and Bank to Customer reporting is appreciated.

Disposition of Finnish comments

Agree. All messages of the end-to-end transaction must be aligned. The business case for a distinct message for single credit transfers compared to bulk credit transfers will be validated based on collected business requirements and consultation of the community of users and could result in the design of the single credit transfer as a single instance of a bulk credit transfer.

Furthermore, as requested by the RMG at its meeting on 9 September 2005, the single and bulk credit transfers will be packaged and presented together to the evaluation of the Payments SEG.

Comments from France

Since there is currently work in progress on the remittance advice within UN-CEFACT, this future message should be referenced to within B2C cash management message and the sentence in Timing and Development "we are not aware of any other standards developments in this domain" should be removed.

Disposition of French comments

Agree. We will reference the UN/CEFACT work in the Business Justification.

Comments from UN/CEFACT TBG5

Same comment than in B2C Cash Management

Concerning the Remittance information, they can be referenced to or included in the message. Knowing that there is a project on this remittance advice topic within UN/CEFACT, It is suggested to replace the sentence in Timing and Development: " We are not aware of any other standards development initiative in this domain", by "We are aware of a project focusing on remittance advice in UN/CEFACT, but not on payment, this message could be one of the remittance information referenced to by the Bulk Credit Transfer."

Disposition of UN/CEFACT TBG5 comments

Indeed, we are aware of the UN/CEFACT work on remittance information (as well as similar work by other organisation such as RosettaNet and the FED). We agree that the payment message should be able to either refer to remittance information forwarded separately (as in the RosettaNet model) or include such remittance information, or be "extended" with remittance information structured by standards bodies of other industries. Such extension mechanisms (e.g., use of function "any" in a schema) are not yet part of the UNIFI Technical Specifications, but we understand that they are on the list of items to be dealt with by ISO TC68/WG4.

Comments from UK

Details of proposed messages contained with the Justification were considered too detailed and inappropriate to this level of documentation, although the scope statement should be expanded to better explain the business intent of the submission.

Disposition of UK comments

We agree that future Business Justifications should contain the high level scope and business purpose of the proposed development only, and that the detailed description, including the exact set of messages, should be part of the documentation provided to the SEG evaluation after development and provisional registration.