

BUSINESS JUSTIFICATION
FOR THE DEVELOPMENT OF NEW UNIFI (ISO 20022) FINANCIAL REPOSITORY ITEMS

Name of the request:

Payments Mandates

Submitting organization:

SWIFT SCRL

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Standards Department

Scope of the new development:

This request concerns the registration of a set of messages within the payments initiation and the payments clearing and settlement business areas in support of the already approved UNIFI messages FItoFICustomerDirectDebitV01 (pacs.003.001.01) and CustomerDirectDebitInitiationV01 (pain.008.001.01).

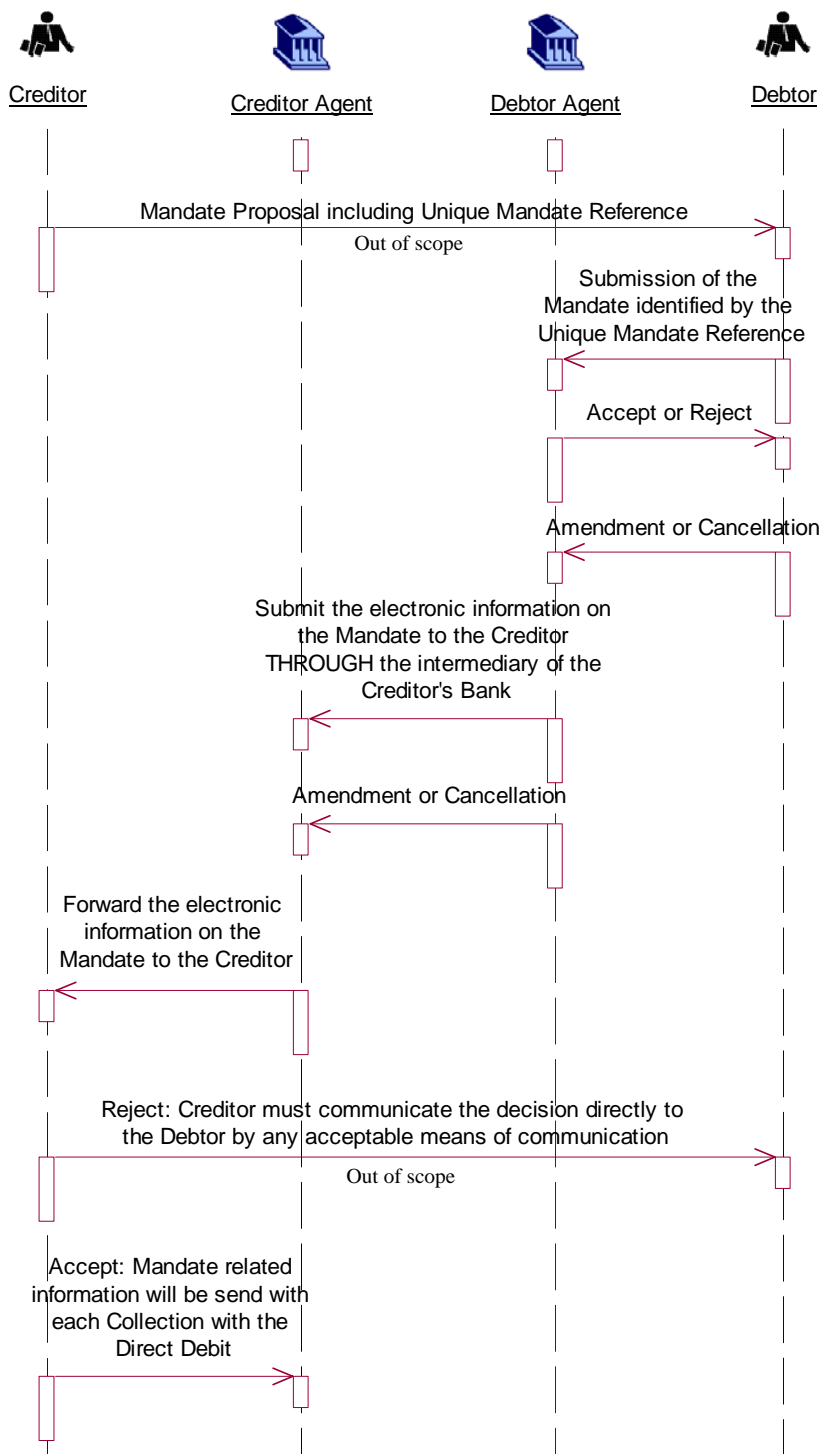
The set of messages will support the direct debit instructions, complete the support of electronic mandate related information and cater for the initiation, amendment and cancellation of the mandate *in the customer-to-bank and interbank spaces*.

A mandate is the authorization and expression of consent given by the Debtor to the Creditor to allow such Creditor to initiate Collections for debiting the specified Debtor's account and to allow the Debtor Bank to comply with such instructions. ~~The set of messages will specifically cater for the mandates derived from the Debtor Mandate Flow (DMF) Process.~~

~~In the DMF process, it is the Creditor that must provide a Mandate proposal to the Debtor including a Unique Mandate Reference. The Debtor uses the services offered by the Debtor's Bank for the submission of the Mandate identified by the Unique Mandate Reference received from the Creditor. As a next step, the Debtor Bank submits the electronic information on the Mandate to the Creditor through the intermediary of the Creditor Bank.~~

~~This process is optional for Creditor and Debtor banks.~~

~~This generic set of messages will allow the end-to-end direct debit process. They intend to be global and support all relevant direct debit schemes, including the SEPA Direct Debit Scheme (SDD).~~



Note: the table above only shows an initial possible outline of messages exchanged. The detailed message flow will be analysed as part of the business model and reflected in resulting messages. This may also involve usage of existing ISO 20022 messages such as the PaymentStatusReport.

Purpose of the new development

EPC is developing Phase II of the SEPA Direct Debit Scheme. This includes an optional alternative mandate flow where the bank of the debtor/payer may offer services to customers to initiate direct debit mandates through the electronic banking channels of the bank, the DMF flow (Debtor Bank Mandate Flow) for the opening of a Mandate. This flow differs from the Core SEPA Direct Debit Scheme as described in the Rulebook v2.1 in that an electronic message containing the relevant mandate data needs to be sent from the debtor bank to the creditor bank prior to and separately from the subsequent collection of the money. Upon request of the EPC (letter 10-11-2006, EPC102-06) SWIFT committed to the development of the underlying models and the resulting DMF messages.

~~The SEPA Direct Debit Scheme (SDD) and the optional alternative mandate flow (DMF) are completely new payments sets; there is~~ At present, *there is no standard for one way in which* the communication of *mandate* information ~~separately is done~~, nor are there existing message sets that cover the same scope.

Current direct debit services are based on national direct debit schemes. Whilst these national schemes share common features, there are still many differences in the way they are operated. Moreover, incompatibilities exist within the regulations governing the legal relationship between the parties. The existing national standards do not fully support the SDD Scheme.

The SDD Scheme provides a set of inter-bank rules, practices and standards which will allow the banking industry in SEPA to offer a core and basic direct debit product to customers. As a result, all core direct debits, whether 'domestic' or 'cross-border', will be provided on the same essential conditions and modalities throughout SEPA.

~~Including mandate related information in the Direct Debit message directly was not an option as the UNIFI prescribes the use of separate messages for such different purposes. Therefore, a new set of messages should be developed for the DMF.~~ Developing the standards in this structured way will ensure a coherent set of messages for initial mandate instructions, changes and cancellations. It will also ease maintenance ~~in for~~ future versions.

SWIFT intends to make the message set as requested by the EPC a global, UNIFI message set that supports all relevant direct debit schemes, including the SDD.

Community of users:

The new message set is intended to benefit:

- All private and corporate customers from all industry sectors, including financial institutions, when using the direct debit as a payment instrument using the UNIFI direct debit messages. This set of messages will complete the single solution to initiate the collection of direct debits to any bank, anywhere in the world. The new standards will support the end- to-end Straight Through Processing (STP), including better tools to reconcile account payables/receivables;
- All financial institutions that process direct debits will be able to propose the same solution for mandates to all of their customers.

- All vendors can use it in support of the single UNIFI-based solution that they will integrate in their payment instrument packages.

The development of the new set of messages initiates from a specific request of the EPC and is in first instance to be used within the SEPA community (as an optional service). In the scope of SEPA, we are sure the messages will be first accepted within the whole of the SEPA community with a strong push for adoption within that community.

Timing and development:

SWIFT committed for delivery of the underlying models and the resulting ~~DMF~~-messages maximum 6 months after the EPC Plenary approves the detailed requirements (presumably as part of the rulebook V3.0). Approval of the Rulebook V3.0 by the EPC Plenary is foreseen for end ~~March-June~~ 2007. EPC wants to make the messages available to the European Community for use from 1-1-2008.

SWIFT expects to deliver the candidate UNIFI messages and repository items for provisional registration by the UNIFI RA ~~in May end~~ 2007.

Representatives of corporates, banks, ACH, vendors and ERP as well as the following standardisation organisations and industry bodies are included in the SWIFT Business Validation Group: EPC, TBG5, and EACT.

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

Commitments of the submitting organization:

SWIFT SCRL confirms that it can and will:

- Undertake the development of compliant candidate UNIFI UML business models and message models ~~for the Direct Debit, Debtor Bank Mandate Flow (DMF);~~
- Organize the *testing and implementation of the message set on SWIFTNet* ~~'pilot testing' of the 'Beta version' of the messages once the related Beta documentation has been published by the RA. SWIFT SCRL will involve some BVG members as pilot testers. More detailed information on pilot testers will become available as soon as all the requirements for the message set is known and the first BVG meeting has past.~~
- Address any queries related to the description of the models and messages as published by the RA on the UNIFI website.

SWIFT SCRL confirms that it is committed to initiate and participate in the future message maintenance.

SWIFT SCRL confirms its knowledge and acceptance of the UNIFI Intellectual Property Rights policy for contributing organizations, 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”.

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

France and Italy sent comments which are reproduced and addressed below. As a result of below disposition of comment, the text of this Business Justification has been updated. Changes have been highlighted using red/italic characters.

Comments from France:

France supports mandates as soon as this subject is studied from a global point of view

Answer:

The development will be for a generic message set which will address global requirements including specific EPC requirements.

Comments from Italy:

The Debtor Mandate Flow (DMF) Process is clear but there is not a high-level description of the activities that are related to messages exchanged, for example the case that imply acceptance or rejection of the mandate, the possible use of authentication systems and the relative checks.

With reference to SEPA DD, it is interesting to know the relationship between the proposed schema and the different Mandate schemes defined in the draft release 3 of the SEPA DD Rulebook. In particular, the scope of the Business Justification will be able to manage all the Mandate schemes (CMF –Creditor Mandate Flow, CMF – Creditor Bank Mandate Flow, Core DMF - Debtor Bank Mandate Flow, B2B DMF - Debtor Bank Mandate Flow)?

Answer: Further requirements, such as activities that are related to the exchanged messages and if and how they can be catered for in the message set, will be defined in the business model analysis. The intention is to develop a generic, global message set which takes into account the requirements given by EPC with the approval of rulebook 3.0 and covers the customer-to-bank and interbank message flows.

Considering that DMF process proposed is included into the new release 3 of Rulebook, will the development of business models and messages (anticipated in “Timing and Development” section of BJ) be anyway carried on in case of non-approval of release 3 of SEPA Rulebook?

Answer: In case of non-approval of release 3.0 of the SEPA Rulebook, we will have to reconsider the business case for the development of a mandate message set. Indeed, although the intention is to develop global messages, EPC made the initial request and, at this stage,

EPC's support and roll-out of rulebook 3.0 is considered key in ensuring adoption of the messages.

Finally, we suggest taking into account the alignment with Business and Dictionary items related to Direct Debit process, already registered into the Repository ISO 20022, for facilitating re-use of Business items (e.g. Business Actors, Business Components, Message Components, etc.) already registered.

Answer: we always take care of re-using dictionary items especially in messages that belong to the same business domain.