ISO 20022

Stand-Alone Remittance Advice - Maintenance 2018 - 2019

Message Definition Report Part 1

Maintenance 2018/2019 – Approved by the Payments SEG on 21 January 2019

This document provides information about the use of the messages for Stand-alone Remittance and includes, for example, business scenarios and messages flows.

February 2019

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Preliminary Note

The Message Definition Report (MDR) is made of three parts:

MDR Part 1

This describes the contextual background required to understand the functionality of the proposed message set. Part 1 is produced by the submitting organisation that developed or maintained the message set in line with an MDR Part 1 template provided by the ISO 20022 Registration Authority (RA) on [www.iso20022.org](http://www.iso20022.org).

MDR Part 2

This is the detailed description of each message definition of the message set. Part 2 is produced by the RA using the model developed by the submitting organisation.

MDR Part 3

This is an extract if the ISO 20022 Business Model describing the business concepts used in the message set. Part 3 is an Excel document produced by the RA.

# Introduction

## Terms and Definitions

The following terms are reserved words defined in ISO 20022 Edition 2013 – Part1. When used in this document, the UpperCamelCase notation is followed.

|  |  |
| --- | --- |
| 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 | Definition of the business activities undertaken by BusinessRoles within a BusinessArea whereby each BusinessProcess fulfils one type of business activity 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. |

1. When a MessageDefinition or message identifier is specified, it should include the variant and version number. However, in this document (except in the business examples section, if present), variant and version numbers are not included. In order to know the correct variant and version number for a MessageDefinition, the related Message Definition Report Part 2 document should be consulted.

## Abbreviations and Acronyms

The following is a list of abbreviations and acronyms used in the document.

|  |  |
| --- | --- |
| Abbreviation/Acronyms | Definition |
| A/P | Accounts Payable |
| A/R | Accounts Receivable |
| FI | Financial Institution |
| IBAN | International Bank Account Number |
| IFX | Interactive Financial eXchange Forum |
| ISTH | International Standards Team Harmonisation |
| MCR | Maintenance Change Request |
| MDR | Message Definition Report |
| XML | eXtensible Mark-up Language |

## Document Scope and Objectives

This document is the first part of ISO 200222 Message Definition Report (MDR) that describes the BusinessTransactions and underlying message set. For the sake of completeness, the document may also describe BusinessActivities that are not in the scope of the business processes covered in this document.

This document describes the following:

* the BusinessProcess scope
* the BusinessRoles involved in these BusinessProcesses

The main objectives of this document are as follows:

* to provide information about the messages that support the BusinessProcesses
* to explain the BusinessProcesses and BusinessActivities these messages have addressed
* to give a high level description of BusinessProcesses and the associated BusinessRoles
* to document the BusinessTransactions
* to provide business examples

The MessageDefinitions are specified in Message Definition Report Part 2.

## References

|  |  |  |  |
| --- | --- | --- | --- |
| Document | Version | Date | Author |
| Stand-alone Remittance Business Justification | 2012 | 2012-04-05 | IFX Forum Inc. and OAGi |
| ISO 20022 Maintenance Change Request (MCR) document #137 (Payments Maintenance 2018/2019) | 2018 | 2018-09-26 | SWIFT, on behalf of IFX, SWIFT and OAGi. |

# Scope and Functionality

## Background

This Message Definition Report covers a set of two ISO 20022 MessageDefinitions developed by IFX Forum, Inc. in close collaboration with OAGi and SWIFT and approved by the ISO 20022 Payments Standards Evaluation Group (SEG) on 21 January 2019.

These messages are specifically designed to support stand-alone remittance messages.

The ISO 20022 Payments Initiation messages do not allow their usage as a remittance advice “only” message – i.e. stand-alone remittance. This inhibits the ability to complete the business process from payment initiation through reconciliation due to, among other reasons:

several clearing systems contain strict limits on the amount of remittance information allowed across their systems,

many businesses have systems, or use services, optimized to handle payment and remittance re-association and reconciliation out-of-band with the payment processing.

As clearing systems expand their offerings to include the ability to handle remittance information in XML, the availability of these “remittance only” messages allows them to leverage ISO 20022 without unnecessary duplication of payment elements.

The availability of a stand-alone remittance advice also encourages the use of ISO 20022 in the broader purchase-pay-reconcile cycle. In the past, a significant amount of remittance information has been transmitted using proprietary formats.

The End-To-End-Identification, a key benefit of the existing messages for reconciliation of payments, is included in the remittance advice message. The stand-alone remittance messages, in combination with use of the End-To-End-Identification allow for a complete payment and reconciliation process using ISO 20022 from end to end.

## Scope

The ISO 20022 Customer Credit Transfer Initiation Message and Customer Direct Debit Initiation Message and the counterpart interbank messages each provide the possibility of including remittance advice information through two components: Related Remittance Information and Remittance.

The new messages create stand-alone remittance advice messages using the existing elements in the current version of the above mentioned messages. The Stand-alone Remittance messages can be used to send remittance advice information between business partners, to a financial institution (FI), to customers directly or passed to another financial institution via a clearing system format supporting these messages.

## Groups of MessageDefinitions and Functionality

### Groups

#### Stand-alone remittance

Two “counterpart” messages were carved from the existing version of the ISO 20022 customer and interbank initiation messages:

* The “Remittance Location Advice Message” allows the originator of the message to identify where the remittance advice is located for a related payment.
* The “Remittance Advice Message” allows the originator to provide remittance details that can be associated with a payment.

The content of the Remittance Advice message provides for:

* Extensive invoice line item detail;
* References to other documents such as purchase orders, including line item details;
* Data elements necessary to identify a payment associated with the Remittance Advice, thus allowing the Remittance Advice to be re-associated with the payment received;
* Garnishment details, intended to be used when payment is made on behalf of a garnished employee;
* Tax components, intended to be used in the customer-to-financial institution initiation message for tax related remittance.

|  |  |
| --- | --- |
| MessageDefinition | Message Identifier |
| RemittanceAdvice | remt.001 |
| RemittanceLocationAdvice | remt.002 |

### Functionality

See Message Definition Report Part 2 for the message scopes and formats.

# BusinessRoles and Participants

A BusinessRole represents an entity (or a class of entities) of the real world, physical or legal, a person, a group of persons, a corporation. Examples of BusinessRoles: “Financial Institution”, “Automated Clearing House”, “Central Securities Depository”.

A Participant is a functional role performed by a BusinessRole in a particular BusinessProcess or BusinessTransaction. Examples of Participants: the “user” of a system, “debtor”, “creditor”, “investor”.

The relationship between BusinessRoles and Participants is many-to-many. One BusinessRole can be involved as different Participants at different moments in time or at the same time. Examples of BusinessRoles: "user", "debtor”, "creditor", "investor". Different BusinessRoles can be involved as the same Participant.

In the context of Stand-alone Remittance the high-level BusinessRoles and typical Participants can be represented as follows:

## Participants and BusinessRoles Definitions

BusinessRoles

|  |  |
| --- | --- |
| Description | Definition |
| Any Party | Any business or individual (entity) involved in an activity. |
| Financial Institution | Organisation established primarily to provide financial services. |
|  |  |

Participants

|  |  |
| --- | --- |
| Description | Definition |
| Creditor (Payee) | Party to which an amount of money is due.  Typical activities in the scope of the stand-alone remittance:   * Deliver invoices for goods and services * Apply payments received to A/R (re-association) * Initiate payments (Direct Debit scenario) * Deliver remittance data (Direct Debit scenario) |
| Debtor (Payer) | Party that owes an amount of money to the (ultimate) creditor, eg, as a result of receipt of goods, assets, services, gifts, or charity payments.  Typical activities in the scope of the stand-alone remittance:   * Receive invoices for goods and services * Record debts in A/P * Initiate payments (Credit Transfer) * Deliver remittance data (directly or indirectly) to creditor (Credit Transfer scenarios) |
| Debtor Agent | Financial institution servicing an account for the debtor.  Typical activities in the scope of the stand-alone remittance:   * Transfer funds from debtor to creditor * Separate remittance from payment (forward remittance information to creditor agent, forward remittance information to the creditor, or convert remittance messages to other standards or desired formats) * Separate and store remittance information for creditors to retrieve (forward remittance location messages to creditors or their agents) |
| Creditor Agent | Financial institution servicing an account for the creditor.  Typical activities in the scope of the stand-alone remittance:   * Deposit funds to creditor accounts * Separate and store remittance information for creditors to retrieve (forward remittance location messages to creditors) |

## BusinessRoles and Participants Table

|  |  |  |
| --- | --- | --- |
| Participant | BusinessRole  Any Party | BusinessRole  Financial Institution |
| Creditor (Payee) | X |  |
| Debtor (Payer) | X |  |
| Debtor Agent |  | X |
| Creditor Agent |  | X |

# BusinessProcess Description

This diagram represents the high level BusinessProcesses.



Create Remittance Advice

|  |  |
| --- | --- |
| Item | Description |
| Definition | The process of generating a message describing the specific products and services being paid for. |
| Trigger | The process is triggered when a payment is being made. |
| Pre-conditions | An item in Accounts Payable is due for payment |
| Post-conditions | A payment is initiated and the RemittanceAdvice message is ready for transmission. |
| Role | Debtor |

Send Payments and Remittance Advice

|  |  |
| --- | --- |
| Item | Description |
| Definition | The process of initiating a payment and sending the RemittanceAdvice message through the same channel or directly to the creditor |
| Trigger | Payment and RemittanceAdvice have been created. |
| Pre-conditions | Payment and RemittanceAdvice have been created |
| Post-conditions | Payment is authorized and RemittanceAdvice message is transmitted. |
| Role | Debtor |

Receive Remittance Advice

|  |  |
| --- | --- |
| Item | Description |
| Definition | The process of receiving a RemittanceAdvice is simply accepting the message contents. |
| Trigger | A RemittanceAdvice message was transmitted. |
| Pre-conditions | No pre-conditions for the Financial Institution. Precondition for Creditor is having an Accounts Receivable record of payment due. |
| Post-conditions | RemittanceAdvice message is stored and/or forwarded. |
| Role | Role: Financial Institution, Creditor |

Re-associate Payments and Remittance Advice

|  |  |
| --- | --- |
| Item | Description |
| Definition | The process of re-associating payment records with Remittance Advice messages is an accounts receivable reconciliation function. Typically re-association can be handled automatically since both the payment record and the remittance advice contain sufficient information to cross-reference each other. In some cases exceptions must be handled manually in order to update records and accounts correctly. |
| Trigger | A payment is received and a remittance advice message is received. |
| Pre-conditions | Open accounts receivable records exist. |
| Post-conditions | Accounts receivable records are updated. |
| Role | Creditor, Financial Institution providing value added remittance advice services. |

Provide Value-added Remittance Services

|  |  |
| --- | --- |
| Item | Description |
| Definition | The process of providing value-added remittance advice services can be as simple as forwarding remittance advice messages to the creditor (or debtor in the case of direct debit) or it may involve more complete A/R reconciliation services. |
| Trigger | A payment is received and processed. |
| Pre-conditions | Financial Institution and its customer have agreement for additional services such as A/R reconciliation management. |
| Post-conditions | Accounts receivable records are updated. |
| Role | Financial Institution |

# Description of BusinessActivities

This section presents the different BusinessActivities within each BusinessProcess. The BusinessActivities of a process are described with activity diagrams.

Legend

|  |  |  |
| --- | --- | --- |
| Symbol | Name | Definition |
|  | Start Point | Shows where the lifecycle of the business process commences. |
|  | End Point | Shows where the lifecycle of the business process may ends. |
|  | Lozenge (or diamond) | Indicates that a choice between several actions can be made. |
|  | Bar | Indicates that several actions are initiated in parallel. |

## Pay invoices and provide remittance details

As the illustration below shows, there are several opportunities to simply forward remittance messages as received or to separate the remittance information and store it for later electronic retrieval. The party or agent who separates the remittance creates a Remittance Location message that the creditor will ultimately receive and use to locate remittance details.



Note: For simplicity, only Debtor and Creditor are named in this diagram.  However, depending upon the business needs, the party originating or receiving the message may be the Ultimate Debtor or Ultimate Creditor.

|  |  |  |
| --- | --- | --- |
| Step | Description | Initiator |
| Create and Send Invoices for products or services; create A/R records | Any party that provides goods or services may create a bill or invoice for those goods and services. Invoicing is typically done through accounting systems that create accounts receivable records that will be credited when the customer (debtor) pays the invoice(s). | Creditor |
| Receive Invoices and Create Accounts Payable | Upon receipt of bills and invoices, the debtor (typically) creates accounts payable records from which payments will be generated. If there are discrepancies between items billed and goods or services received, notations may be made which could result in payable amounts that differ from the invoiced amounts. | Debtor |
| Create payments and associated remittance message(s) | Typically, A/P systems generate payments and associated remittance advice. The transfer of funds between debtor and creditor is handled by their respective financial institutions acting as agents. The transmission and forwarding of the remittance advice may be handled directly by the debtor or either agent as described below. | Debtor |
| Send remittance message directly to Creditor | The debtor may send remittance advice directly to creditor. This separates the payment and remittance immediately. | Debtor or Debtor Agent or Creditor Agent |
| Send remittance advice message | The remittance advice may be attached to the payment or sent as a separate message. | Debtor or Debtor Agent or Creditor Agent |
| Store/Post Remittance information; Create Remittance Location message | The debtor may store the remittance advice at a previously arranged location for electronic access, or may send the remittance advice via post, email, fax or other non-electronic means.  Similarly, the Debtor Agent or Creditor Agent may separate, store and provide electronic access to remittance advice as a service to their client; creating a Remittance Location message for the creditor. | Debtor or Debtor Agent or Creditor Agent |
| Send Remittance Location Message | The party or agent who separates the remittance from the payment creates a Remittance Location message that the creditor will ultimately receive and use to locate remittance details. | Debtor or Debtor Agent or Creditor Agent |
| Receive or retrieve remittance information | The creditor may receive the remittance advice or the remittance location message from the debtor or an agent. The creditor then uses this information to update A/R records accordingly | Creditor |
| Associate payments with A/R | The payment records and the remittance records include appropriate cross reference ids to facilitate matching (re-association) and reconciliation. | Creditor |
| Reconcile A/R | The remittance advice message carries enough information for the creditor to reconcile payments, disputes, discounts, etc. | Creditor |
| Send Remittance Advice (or Remittance Location Advice) to Debtor | In the Direct Debit scenario the Creditor has the ability to initiate payment via Direct Debit. Therefore, in a reversal of roles, it is the Creditor who provides the remittance information back to the Debtor. | Creditor |
| Update A/P | Accounts Payable records are updated when payment is made. In the Direct Debit scenario, this may occur after RemittanceAdvice is received from Creditor | Debtor |

## Payment made via direct debit

The diagram below illustrates the flow of messages when payment is made via direct debit. In this case the remittance information flows from creditor to debtor.



Note: For simplicity, only Debtor and Creditor are named in this diagram.  However, depending upon the business needs, the party originating or receiving the message may be the Ultimate Debtor or Ultimate Creditor.

# BusinessTransactions

This section describes the message flows based on the activity diagrams documented above. It shows the typical exchanges of information in the context of a BusinessTransaction.

## Introduction

In order to understand these messages and use-cases, it is useful to understand the following key concepts.

Payment remittance information may continue to flow with the payment directly in the existing payment initiation messages. (This document does not modify payment initiation messages.)

The remittance detail may be delivered separately through any convenient channel using the new RemittanceAdvice message described in this document. (See Use-Case 1.)

The remittance detail may be housed in a separate location which can be accessed by the creditor. The RemittanceLocationAdvice message described in this document provides the necessary information for the creditor to know that location. (See Use-Case 2.)

Various parties in the communication chain may provide services to separate remittance information from the payment initiation and then send remittances (RemittanceAdvice) separately. Alternatively, those institutions may store the remittance information and send RemittanceLocationAdvice messages to creditors. This optional behavior is illustrated in many use-cases as shown below.



In some cases, the CreditorAgent may perform cash management services, re-associating payment and remittance information on behalf of the creditor and subsequently reporting to the creditor via BankToCustomerStatement or BankToCustomerDebitCreditNotification messages.

In all use-cases the business intent is for the debtor to communicate to the creditor what a payment is for. Depending upon the business needs, the party originating or receiving the message may be Ultimate Creditor or Ultimate Debtor.

## Remittance Advice is separated from the Payment and sent directly to creditor

The debtor is able to send the RemittanceAdvice directly to Creditor while the payment is sent through the Debtor Agent to the Creditor Agent. The payment has been issued so the payment identifier is known by the Debtor and included in RemittanceAdvice message.



## Remittance Location Advice is sent directly to creditor

This Use-Case is similar to Use-Case 1 but the debtor sends a RemittanceLocationAdvice message rather than the RemittanceAdvice. The RemittanceLocationAdvice informs the Creditor where the Remittance information will be found.



## Debtor Agent separates Remittance from Payment and sends message to Creditor Agent

In this scenario the debtor sends the remittance along with the payment in the CustomerCreditTransferInitiation (pain.001) and the debtor’s FI separates the RemittanceAdvice and sends as a separate message to the Creditor Agent.

Alternatively, the Debtor Agent may send a RemittanceLocationAdvice instead of the RemittanceAdvice to the Creditor Agent who would then forward that to the Creditor.



## Creditor Agent separates Remittance from Payment and Delivers Remittance Advice to Creditor

This scenario is similar to Section 6.3, however, in this scenario the Creditor Agent rather than the Debtor Agent separates the Remittance Advice from the payment messages.

Alternatively, the Creditor Agent can provide a RemittanceLocationAdvice to the Creditor rather than RemittanceAdvice. For example, the Creditor Agent might provide a service to store RemittanceAdvice and present the remittance on demand.



## Debtor Agent separates Remittance from Payment and Sends Remittance Advice to Creditor

This scenario is also similar to Section 6.3. However, in this scenario the Debtor Agent sends the RemittanceAdvice directly to the Creditor rather than the Creditor Agent.

Alternatively, the Debtor Agent may send a RemittanceLocationAdvice to the Creditor.



## Payment is Direct Debit, Creditor sends Remittance Advice to Debtor

In this case the RemittanceAdvice will be sent to the debtor rather than the creditor. The creditor already knows what the payment is for because the creditor is using a Direct Debit against the debtor’s account for payment.

The creditor sends a CustomerDirectDebit initation to its Creditor Agent which, in turn, sends the direct debit message to the Debtor Agent. At the same time, the creditor sends both an invoice and remittance advice to the debtor. As with other scenarios, the creditor may send a RemittanceLocationAdvice rather the RemittanceAdvice to the debtor.



## Full bank-operated cash management

The payee’s bank links the remittance data to the credit transfer and reports the remittance information on account statement or credit notification.



# Revision Record

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Revision | Date | Author | Description | Sections affected |
| 1.0 | 01 December 2018 | SWIFT, on behalf of IFX/OAGi | Draft version for SEG review | All |
| 2.0 | 14 February 2019 | ISO 20022 RA | Final version | All |
|  |  |  |  |  |

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