**Change Request**

**for the update of ISO 20022 financial repository items**

1. **Origin of the request:**

*A.1 Submitter*: Payments Canada

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 *A.3 Sponsors*:

1. **Related messages:**

pacs.004

1. **Description of the change request:**

The new high value payments system in Canada (Lynx) will implement ISO 20022 messages (including pacs.008, pacs.009 and pacs.004) in late 2022. Lynx makes use of the Local Instrument element in the Payment Type component to indicate the settlement mechanism and priority for the payment in Lynx.

Lynx makes use of a liquidity savings mechanism (LSM) and indicating the priority for the LSM is a critical aspect of the payment. The settlement mechanism itself indicates which pool of liquidity (or reserve collateral) should be used for a particular settlement. Every payment that settles in Lynx (including return payments) must indicate which settlement mechanism is to be used (and, if LSM is used, which priority should be given to the settlement).

Unfortunately, the pacs.004 does not contain this information for the payment return settlement. The information from the original pacs.008 or pacs.009 payment can be provided in the Original Transaction Reference/Payment Type/Local Instrument, but this does not allow the sender of the Payment Return to use a different liquidity pool (or priority) for the return payment.

Since Local Instrument is part of the optional Payment Type component, we are requesting that the entire optional Payment Type component be added to the pacs.004 in the Transaction Information component, just below all the ‘original’ information (see illustration in section F below).

We have come up with a work around for this functionality in the pacs.004 that we would prefer not to have to implement if we can have a new optional Payment Type/Local Instrument added that refers to the settlement of the payment return.

1. **Purpose of the change:**

While a pacs.004 is indeed the return of a specific pacs.008 or pacs.009, the use of a settlement mechanism and priority are mandatory for all Lynx settlements (payments as well as payment returns). The use of different settlement mechanisms is core to the Lynx functionality and the settlement of a payment return is the same as the settlement of a pacs.008 and pacs.009 (debits and credits are still posted to the central bank accounts of the settlement agents).

The work around we have come up with is to use the Local Instrument element in the Original Transaction Reference component in the pacs.004 as the ‘new’ Local Instrument for the payment return (instead of referring back to the original Local Instrument content). We don’t like mis-using the element like this and would prefer that the pacs.004 had its own Local Instrument element. If a mistake is made with this workaround, the wrong settlement mechanism could be used and this might result in a rejected payment in Lynx.

1. **Urgency of the request:**

Next release.

1. **Business examples:**

Examples illustrating the change request.

|  |  |
| --- | --- |
| **Current pacs.004** | **Proposed pacs.004** |
| > Group Header | > Group Header |
| > Original Group Information | > Original Group Information |
| v Transaction Information | v Transaction Information |
|  - Return Identification |  - Return Identification |
|  - Original Group Information |  - Original Group Information |
|  - Original Instruction Identification |  - Original Instruction Identification |
|  - Original End To End Identification |  - Original End To End Identification |
|  - Original Transaction Identification |  - Original Transaction Identification |
|  - Original UETR |  - Original UETR |
|  - Original Clearing System Reference |  - Original Clearing System Reference |
|  - Original Interbank Settlement Amount |  - Original Interbank Settlement Amount |
|  - Original Interbank Settlement Date |  - Original Interbank Settlement Date |
|  - Returned Interbank Settlement Amount |  v Payment Type |
|  - Interbank Settlement Date |  - Instruction Priority |
|  - Settlement Priority |  - Clearing Channel |
|  - Settlement Time Indication |  - Service Level |
|  - Returned Instructed Amount |  - Local Instrument |
|  - ……..  |  - Category Purpose |
|   |  - Returned Interbank Settlement Amount |
|   |  - Interbank Settlement Date |
|   |  - Settlement Priority |
|   |  - Settlement Time Indication |
|   |  - Returned Instructed Amount |
|   |  - ……..  |

1. **SEG/TSG recommendation:**

|  |  |  |
| --- | --- | --- |
| **Consider** | X | **Timing** |
|  | - **Next yearly cycle: 2020/2021**(the change will be considered for implementation in the yearly maintenance cycle which starts in 2020 and completes with the publication of new message versions in the spring of 2021) | X |
|  | - **At the occasion of the next maintenance of the messages**(the change will be considered for implementation, but does not justify maintenance of the messages in its own right – will be pending until more critical change requests are received for the messages) |  |
|  | - **Urgent unscheduled**(the change justifies an urgent implementation outside of the normal yearly cycle) |  |  |
|  | - **Other timing:** |  |

Comments:

|  |  |
| --- | --- |
| **Reject** |  |

Reason for rejection: