

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

Name of the request:

Direct Debits

Submitting organisation:

SWIFT SCRL

Avenue Adèle, 1 – 1310 La Hulpe - Belgium

Standards Department.

The Customer-to-bank (C2B) direct debit initiation portion of the scope has been prepared with the input of IST Harmonisation Team. The IST Harmonisation Team is formed by a MoU between IFX, OAGi, SWIFT and TWIST to work on a single XML core payment kernel for C2B communication.

Scope of the registration request:

This request concerns the registration of a set of messages within the payments clearing and settlement business area. Their goal is to:

- Create a standard for cross-border, national B2B (bank-to-bank) and C2B (customer-to-bank) transactions to be used across ACHs or the correspondent banking environment
- To facilitate both regular and repetitive payments and one-off transactions
- To support evolving means of payment debts, eg, Electronic Bill Presentment and Payment (EBPP)
- To facilitate return, reject, revocation/request for cancellation, reversal routines
- To transmit mandate related information where required by the Direct Debit scheme rules
- To support file based (bulk) and single transaction processing

Purpose of the registration request:

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.

A new Pan-European DD scheme (P€DD) is currently being defined in Europe. However, the existing standards do not always fully support this new P€DD Scheme.

The new messages will support the “direct debit” instructions, as well as the “electronic mandate related information” and other related operations: reject, return, reversal, revocation/

request for cancellation. These are required to allow the end-to-end direct debit process. They intend to be global and support all relevant direct debit schemes, including the P€DD.

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. Indeed, this set of messages will be a single solution to initiate the collection of direct debits to any bank, anywhere in the world. The new standards will support 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 to all of their customers and to clear/settle direct debits with other financial institutions and clearing houses supporting the new set of standards;
- All vendors (ERP providers) will have a single XML-based solution integrated in their payment instrument packages that will suit all ordering customers, banks and beneficiary customers;
- Automated Clearing Houses (ACH) will have a single XML based solution for the clearing and settlement of mass payment instruments such as the direct debits and credit transfers: the new set of messages will support cross border and cross ACH exchange for open schemes, such as the Pan European Direct Debit.

Timing and development:

The timing for this development is driven by the 3d progress report issued last December by the European Central Bank (ECB) on the creation of the Single European Payments Area (SEPA). SWIFT's development goes beyond the European initiative and takes the global customer requirements into consideration to propose a global set of standards, aimed at a worldwide usage.

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

The messages and repository items will be ready for provisional registration by the UNIFI RA in December 2005.

Representatives of all above mentioned parties are involved in the development to ensure collection of all business requirements: corporates, banks, ACH, vendors and ERP.

The following standardisation organisations and industry bodies are represented in the SWIFT Business Validation Group: UN/CEFACT TBG5, IST, EACT, EPC, EBA, SWIFT.

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)

Ms. *Isabelle Bouille* - SWIFT Standards Department (isabelle.bouille@swift.com)

Intellectual Property Rights (IPR):

SWIFT confirms its knowledge and acceptance of the UNIFI IPR policy, 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.

Finland 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 Finland

Business justification in between Direct Debit messages in interbank space, Bulk Credit Transfer and possibly Single Credit Transfer need to be clarified. We also need to avoid overlapping areas to be developed for these message schemas. Complexities need to be simplified.

Disposition of Finnish comments

Contrary to the "piecemeal" approach taken by SWIFT to develop the messages required to support credit transfer payments, the development approach taken for Direct Debit payments is based on the end-to-end transaction across the different spaces: initiating customer (creditor) to bank, interbank, bank to debtor. This will ensure seamless development without overlaps and need for alignments. The central UNIFI repository will ensure re-use of items previously defined in the framework of one message/space, if same items are needed in another message/space.

Comments from UK

Scope statement should be expanded to better explain the business intent of the submission.

Disposition of UK comments

We believe that the business intent of the submission is detailed enough in the sections "Purpose" and "Community of users".