BUSINESS JUSTIFICATION

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

Name of the request:

Single Credit Transfers

Submitting organisation:

SWIFT SCRL

Avenue Adèle, 1 – 1310 La Hulpe - Belgium

Standards Department.

Scope of the registration request:

This submission 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 single credit transfers directly between banks or across an automated clearing house (ACH) and real time gross settlement systems (RTGS).

The precise set of messages and covered functionalities still needs to be fine tuned. *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.*

Purpose of the registration request:

Clearing systems, and in particular real time gross settlement systems, are of increasing importance in today's economic environments. Whilst the regulatory framework encourages the existence and use of clearing systems, financial institutions are faced with requests for value added services and real time services from customers and regulators, which are currently not always adequately supported by standards, eg, the FIN messages which are in use for more than 20 years. At the same time, financial institutions need to manage a series of technical interfaces and various technical and business standards to interact with these various systems.

Financial institutions are therefore calling for a new set of messages encompassing the latest requirements with a view to harmonise practices and rationalise interfaces to clearing systems.

The projected message set to be produced for the clearing and settlement business area will also have to comply with already developed messages for the cash management and customer to bank exchanges, in order to provide a consistent package covering the end-to-end transaction chain.

Community of users:

The new message set is intended to benefit:

- financial institutions exchanging customer and financial institution single credit transfers in a correspondent banking environment. This community virtually represents all financial institutions, ie, some 20,000 users;

- clearing systems processing single credit transfers at cross border or domestic level. Assuming that each country has at least one domestic automated clearing system, in addition to cross border clearing systems, over 200 ACHs would be in the target group.

- RTGS systems are considered within the scope of this development as well. Following the same assumption as for the ACHs, this adds an additional 200 systems.

- bank clubs and alliances whose purpose is to exchange single credit transfers.

Timing and development:

The development will start in Q2 2005. The message set is intended to be ready to submit for *provisional registration as of March/April 2006. As requested by the RMG at its September 2005 meeting, this submission will be merged with the "Bulk Credit Transfer" submission introduced by SWIFT separately. The Payments SEG will be presented a single set of Credit Transfer messages for evaluation.*

The SWIFT Standards Department will devote a team of business analysts and technical experts during the whole duration of the project (estimation 2 staff year overall).

The financial industry will be called upon to delegate:

- representatives from major financial institutions, coming from the Asia Pacific, North America and Europe

- clearing organisations representatives from the US and Europe

- representatives from other standardisation organisations and financial industry bodies such as ANSI X9, EPC, TBG5

- a representative from the vendor community active in supporting RTGS systems

- representatives from the corporate treasurers associations (from the US and Europe)

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, eg, the reject and return messages mentioned above, as the case may be.

Contact persons:

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Intellectual Property Rights (IPR):

SWIFT SCRL confirms its agreement to and acceptance of the UNIFI IPR policy for contributing organisations, 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 16 voting RMG members in favour, 2 against and 4 abstentions.

Denmark, Finland, Switzerland 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

A clear business justification with a distinct scope of a single credit transfer have not been provided. Neither is the relationship to the bulk credit transfer nor the exact relation between single customer initiated credit transfers and the interbank liquidity transfer clearly defined. Denmark recommends that the single credit transfer for customer-initiated payments should be incorporated in the bulk credit transfer as mentioned in the comment to the bulk credit transfer. If and when a clear business case is provided for single credit transfers in the liquidity area it can then be discussed if it should be in a separate model or a variant of the bulk credit transfer.

Disposition of Danish comments

Agree. The end-to-end transaction must drive the development of the message. 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. Similarly, although Credit Transfers and Direct Debits could be used for liquidity transfers, the need for a distinct message will be checked with the community of users. If there is a need for a distinct Liquidity Transfer message, it could be part of the Cash Management series of messages.

Comments from Finland

Finland would like to raise the issue of message duplication. Bulk to our view should be able to carry both single transactions and multiples in a file.

In case liquidity transfers Mt 2xx need to be developed in XML format we would support these business justifications.

Also in PEDD environment requests a new message for money transfers and in case Bulk (as single or a file) can not make business justification to serve the purpose then a new message schema should be created.

Special attention should be paid in not creating unnecessary schemas for a number of business purposes when "an expanded schema" would serve the purpose of allowing the use of multiple functions.

Disposition of Finnish comments

Agree. 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. Similarly, although Credit Transfers and Direct Debits could be used for liquidity transfers, the need for a distinct message will be checked with the community of users. If there is a need for a distinct Liquidity Transfer message, it could be part of the Cash Management series of messages. The benefits of extending the scope (and contents) of a message to allow for multiple functions is to be balanced with the advantages that a finer message granularity offers. For example, the stricter the scope of a message, the easier it is to design a message that is easy to understand, unambiguous and easy to validate and process straight through. The single UNIFI Repository of

models and reusable items should ensure that the "common part" of two messages with slightly different functions is designed the same way, thereby avoiding implementation overhead.

Comments from Switzerland

To our understanding this is the first XML message which should coexist to MT103/MT103+. Therefore it must be made certain, that this message is not overloaded with information which are not really needed to execute a client payment. The SEG and RA should make certain that this financial message is unique without variations

Disposition of Swiss comments

Indeed, the single credit transfer functionality would include the functionality of the MT 103/103+. The latter messages will be "reverse engineered" in the models of the former to ensure easy co-existence of both.

Comments from UK

A clear distinction and explanation of the business requirements for a Single Credit Transfer, as distinct for a single instance of the Bulk Credit Transfer is not apparent in the justification text. The business requirements as expressed do not justify clear as to why a new set of messages and the resulting ISO 20022 submissions is needed. In essence what is the business problem the submission is trying to overcome.

Disposition of UK comments

Agree. 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. As requested by the RMG at its September 2005 meeting, single and bulk credit transfers will be merged and presented together to the Payments SEG evaluation.