

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

A. Name of the request:

Change/ Verify Account Identification Information

B. Submitting organization:

French Swift User Group so called « *Groupement des Utilisateurs de Swift en France* » (GUF).

C. Scope of the registration request:

These messages are to inform a counterpart of the change of a client's bank and/or account identification or to ask a bank to verify one of its bank and/or account identification.

⇒ **Information on the Change of bank and /or Account Identification (CAI)**

~~First of all, A bank which holds a customer account may need for different reasons to inform another bank that some clients bank and / or account identification (BIC and/or IBAN/BBAN/non standardised account number) have changed by sending a message or a file containing messages of that type.~~

As illustrated in the diagram below these messages are sent after receiving one or several transactions (e.g. credit transfer, direct debit) including an “old” bank and/or account identification to be posted to an account which identification has changed. In some specific circumstances, the bank receiving such a CAI message may relay or not the information up to the initial/ordering customer initiating party.

~~This information is sent :~~

- ~~➤ either independently of any transaction;~~
- ~~➤ or after having received a transaction containing the “previous” bank and/or account identification.~~

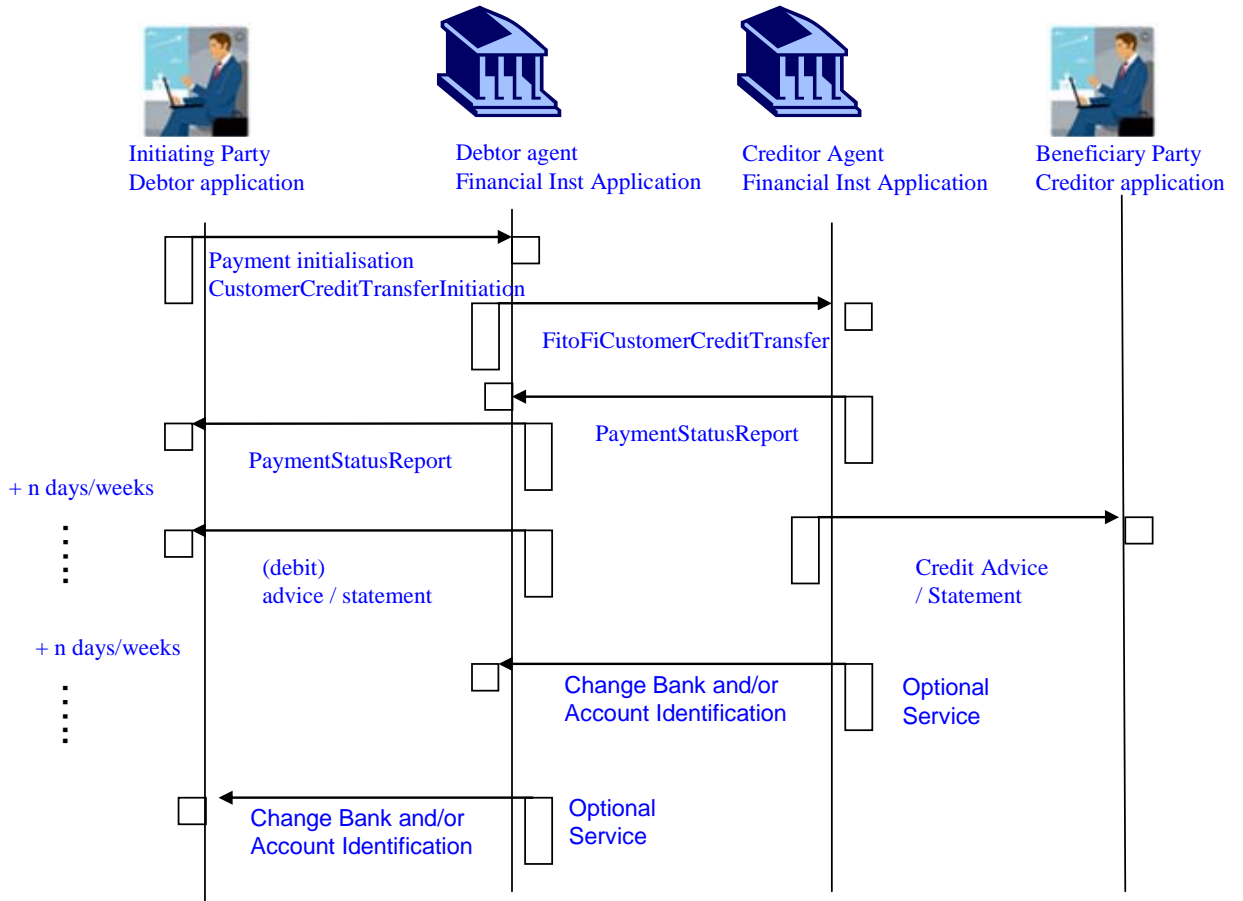
⇒ **Verification of a bank and/or Account Identification Information (VAI)**

In addition and for example in the European **SEPA** framework where the BIC and IBAN use is mandatory, an initiating bank may wish to check the beneficiary's identification of the receiving bank and/or account identification before sending a transaction in order to avoid any mistake. Such a request may also come from a customer initiating party willing to check his own client identification (i.e. receiving party) via a value added service offered by his bank. In that case, the answer to the VAI message may be relayed to the initiating party ~~him~~.

⇒ **Business area**

As the messages relate to BIC and IBAN/BBAN/ non standardised account number, it is recommended to attach this BJ to '**Reference Data**' and to ask at least the **Payments SEG** to validate them.

Case 1 : Information on the Change of bank and/or Account Identification (CAI)
Exemple of a Credit Transfer

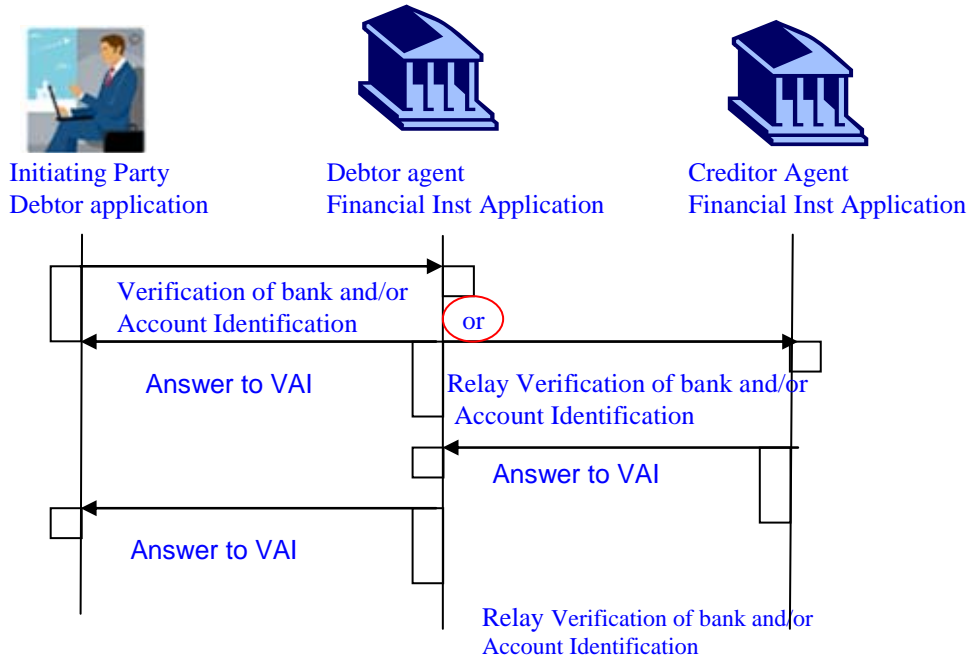


Only the last two arrows are in the scope of this BJ.

The creditor agent reacts when receiving an “old” bank and/or account identification by sending a CAI to the debtor agent. However, the beneficiary receives the money in his new account number as the creditor agent maintains a mapping table between the “old” and the “new” bank and / or account identification during the necessary transition period.

In such a case, it is up to the debtor agent to decide whether or not the initiating party has to be informed as well.

**Case 2 : Verification of bank and/or Account(s) Identification Information (VAI)
Example of a client verification request**



The choice (“or”) depends whether or not the initiating bank (debtor agent) owns the bank and/or account identification.

NB : VAI message could be sent individually (for one bank and/or account identification) or for a list of bank and/or account identification. The answer could be an individual message or a file of answers. VAI messages could be exchanged on line or treated as a batch process depending on the way such a standard will be implemented.

D. Purpose of the registration request:

Today the French market uses to exchange such an information flow in a full standardised (so called CFONB ~~standards~~ **proprietary formats**). The use of a **such a** standardised flow of messages ~~authorises~~ **gives the opportunity for** a full automation process specially in the case of :

- Merger/purchase between banks
- Sale/dissolution/split of a bank
- Internal reorganization involving (software of hardware changes) new account numbering and/or BIC change.

The French community would like to move from proprietary formats to ISO 20022 **standardised messages**.

For reminder, the client's bank and account identification is composed of :

- IBAN/ BBAN/ **non standardised account number** identification of the client's account
- BIC identification of the bank holding the account

The change may be made on one or both data. A BIC change may involve a change of IBAN or not depending on the situation.

When a BIC changes, it is indicated in some existing databases like the Swift BICDataBasePlus. On the contrary it is not possible to create any centralized Database allowing any bank to access the ~~customers~~ **clients** IBAN/ BBAN/ **non standardised account number** changes of the other banks. Such a Database would be seen as dangerous for obvious security reasons and would not be allowed in order to respect Data privacy laws. So it is essential to have some new messages allowing:

- The banks holding accounts to send the information related to the account identification changes to the concerned counterparts,
- Any bank to send a message to another one in order to check the account identification validity,

knowing that in both cases such an exchange should be subject to some bilateral/multilateral pre-agreement between the parties.

E. Community of users:

These messages will be used mainly bank to bank.

These messages will help the banks in saving money by reducing the number of incidents when they have to change their customer identification for whatever reason (see previous point). On the other side of the value chain, the banks will also save time and money for the same reasons.

In addition these messages should also create an opportunity for the banking sector as the banks would be in a position of offering value added services to their clients as far as they may catch their requests, and forward the received information. The ordering clients would then issue more reliable transaction initiations messages.

F. Timing and development:

The requested messages should be created quite urgently because as part of the European banking community we are in front of a strong demand coming both from the French banks and the corporate ~~customers~~ **clients**.

~~In fact~~ During the recent past we had to deal with an increasing number of bank and/or account identification changes due to the large bank mergers/splits/re-organisations. **Europe will probably be**

the scene for future changes for which such messages will be useful tools.

Therefore, we would need the candidate UNIFI models and messages to be ready for registration by the RA and approved by the SEG at the latest by Q1 of 2009

G. Commitments of the submitting organisation:

The French Swift User Group is fully committed in developing the ISO 20022 compliant models and diagrams with a minimum help of the Swift standard tools.

Consequently,

- The French Swift User Group is ready to address the queries that the RA would receive about the messages once published on the ISO 20022 website.
- The French Swift User Group will be strongly involved in the testing and will participate in the pilot and in the implementation as the French banking community need to implement as quickly as possible.
- The French Swift User Group will be involved in any future maintenance of the messages.

The French Swift User Group accepts the UNIFI Intellectual Property Rights policy.

H. Contact persons:

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I. Comments from the RMG members:

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➤ **German comments on Account Identification BJ**

Our comments are as the following:

We are not in favor of the Account Identification Information Business Justification as it is unclear to us

1. which relationships are covered by the proposal (only interbank or customer/bank as well)
2. we see no immediate advantage or necessity of such common dataset
3. this as well from the background that such a service can not only be dataset based - the proposal of a common market practice lacks
4. given the understanding that the proposal targets only the interbank space banks will correct customer account data without notification of the changes to customers this is seen as not targeting the issuer of a payment who will as a result not change its database
5. currently customer mobility issues are being discussed in Europe therefore discusses should base on the outcome and measures should not be taken in an isolated manner

Answer to Germany comments:

1. Customer to Bank and Bank to Bank are both covered in this BJ.
2. This BJ does not intend to create any supplementary common dataset.
3. This “Change Account Identification Information” process brings value to all parties of segment namely in the payments value chain:
 - ⇒ Corporate clients and the Administration are informed with an efficient automated process when a bank changes its bank and/or account numbering: their transaction flowing quite as

usual. This BJ is highly supported by AFTE (Association for French Corporate Treasurers).

- ⇒ Normally, a client who changes from an account to another one has to advise all of their parties (supplier/creditor ...). But as soon as a bank decides to change their bank and/or account number it is the responsibility of this bank to help their clients in this change process. The use of such standard would make it possible for the transaction flow to operate as usual without any risk of being rejected.
- ⇒ Credit institutions that have more flexibility when deciding (see reasons why in the BJ) to change the bank and/or account numbering .
- 4. The BJ has been updated to highlight that the messages may indeed be used as well to inform the initiating party. When a credit institution decides to change all its bank and/or account numbering, his client is informed prior to anybody and well in advance in the process.
- 5. GUF is aware about the European discussions that will occur around customers mobility. This BJ does intend to cover these aspects as the change is coming from the credit institution and not from the client.

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➤ US comments on Account Identification Information BJ

The title "account identification information" is not good. This is really a "change account identification information message".

[Answer to the US comment:](#)

The BJ title has been changed accordingly.

➤ Comments from SWIFT on the Account Identification Information business justification

1. The explanation as to why these messages would be useful to the industry as a whole is not entirely clear.
2. More information is needed in terms of the business process flows that these messages will cover - please could you add a diagram?
3. The scope of the business justification seems very narrow - we believe that it would make sense to extend the scope of the business justification to cover other areas of account reference data.
4. SWIFT has developed candidate ISO 20022 account management messages for the funds industry which are currently evaluated by the Securities SEG. We recommend that the French User group first analyses whether these messages could meet their requirements.
5. Greater clarity is required regarding what the French Users Group is expecting from SWIFT Standards. SWIFT Standards cannot commit to helping with the development of the models and messages unless the business case for the SWIFT community is clarified and approved by our board.

[Answer to the SWIFT comments:](#)

1. See answer to the German comments N° 3.
2. As suggested, the Business and message flows were added to the BJ .
3. As suggested, the scope of the BJ is now extended to end to end process as well as to any type of account relation reference data.
4. We have no opposition in merging this BJ within the "Account Management" BJ currently evaluated within the Securities SEG if the business functionalities are sufficiently compatible.

- 5. French Swift User group is effectively requesting help from the Swift Standards team as GUF needs to access the specific modeling Swift tool when developing the schema relating to this BJ. The question whether or not there should be a Business case for Swift should be discussed between Swift and its French shareholders outside of this BJ.

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➤ **Swiss comments on the Account Identification Information business justification**

(Submitter: Switzerland, Matthias Meier)

Switzerland is sceptical about this Business Justification.

- 1. The use of this standard is shaped by the market practice and the regulation / jurisdiction of individual countries. We see issues concerning data protection - and bank secrecy laws.
- 2. Furthermore the additional workload / investments for the financial institutions which are asked to provide the account / bank information should not be underestimated. Switzerland does not see any business case in the development of such an infrastructure.
- 3. With this BJ RMG and ISO20022 is confronted to discuss the numbers of variances/version of the messages of a business process, as I assume that each country will have at least one individual version. A discussion which the RMG has not yet reached an agreement on a rule. I think such a guideline should be agreed and published either through RMG or WG4 and not through the SEG in charge.

Answer to the Swiss comments:

- 1. We agree with this comment as the use of such standard could not be from “general worldwide use” and would require at least a bilateral agreement between the banks. It is effectively possible that some countries would not use such standard because of a very restrictive national data protection jurisdiction , but this does not prevent the other one from using it.
- 2. The business case to adopt the messages is indeed to be evaluated by each institution. However, when a credit institution has to process a complete renumbering of its clients accounts, the burden is so important for the bank, its clients and all the counterparts on the market that it would be great to automate the process instead of dealing with millions of possible incidents....
- 3. We do not share the assumption that RMG would have to deal with any variant of such standard as the standard would be based on existing ones.

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➤ **Danish comments on the Account Identification Information business justification**

In general the Danish banking community has not expressed any immediately need nor received any customer requirements for this functionality mentioned in Business Justification. As such we have no direct interest in participating neither in the work nor in implementing the result in any connection.

Recognising though, that other communities may have that need and in certain situations it might have value, we do not wish to object, but would offer the following remarks:

- 1. In Section C for ensuring completeness we would like to ensure that the Customer to Bank and vice versa communication also are within the scope of this development.

2. We recommend that based on a general survey it is determined whether or not there in general - nationally or cross border - are certain national or international legislation that impact the exchange of account id data under data privacy protecting laws or similar. Certainly there are various national restrictions regulating this.
3. To a certain degree a structured return transaction could (preferably) deliver data giving the same functionality. Would that be part of the scope for this work, or maybe replacing new transactions?

Answer to Danish comments:

1. Client to bank has now been added to the scope of this BJ.
2. See answer N° 1 to the Swiss comments.
3. We do not have any strong preference concerning the design such model should have so we are open to any discussion on this subject during the modeling exercise.

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➤ **Finish comments on the Account Identification Information business justification**

1. On page 2, point E:
 - There is the sentence: In addition these messages should also create an opportunity for the banking sector as the banks would be in a position of offering value added services to their clients...
 - 1.1- What these value added services could be and what the development of these kinds of services will need from the banks?
 - 1.2- What are the risks of a) beneficiary's bank and b) payer's bank, if these kinds of services would be delivered?
 - 1.3- What kind of legal challenges banks will meet, if they will want to offer these kinds of services cross-border?
2. On page 2, point D:
 - There is the sentence: The French community would like to move from proprietary formats to ISO20022.
 - In what purpose and how nowadays the French banks use these proprietary formats?
3. On page 2, point D:
 - There is also the sentence: The banks holding accounts to send the information related to the account identification changes to the concerned counterparts.
 - What does this term exactly mean in practice?

Answer to Finish comments:

- 1.1- The BJ has been amended to describe some of the possible services that the banks could offer to their client. See also answer to Germany N° 3.
- 1.2- We see less risk in distributing such value added services than if the banking sector does not provide them: Up to now credit institution who change its bank and /or account numbering has to advise all its clients and its clients have to advise all its counterparts (i.e. suppliers, creditors). The standards we propose to create extend the scope of the related information to counterparties of the concerned client so that no further errors would happen just because of the renumbering. In fact such standard could help in reducing the risk associated to the all renumbering process.
- 1.3- In case of bank and/or account renumbering the credit institution should advise their concerned clients that they do not have to inform their counterparts.

- 2- French banks are currently using CFONB proprietary formats and exchange similar information via the French ACH (SIT). France has decided to progressively move to ISO 20022 standards. As there are a significant number of changes within the banking landscape (e.g. mergers between some regional “Caisses” of a cooperative bank, the process generates some millions of messages per year.
- 3- Diagrams have been added in section C to better illustrate the information flow and the concerned counterparts. See also the answer to German questions - point 3.

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➤ **Comments from Euroclear on the Account Identification Information business justification**

1. We believe that greater precision is required as to the processes and flows that are in the scope of this business justification. The current text states that: These messages are to inform a counterpart of the change of a client’s bank and/or account identification or to validate the bank and/or account identification which is not sufficient to define the process and flows.
2. We believe that the submitter should consider the dissemination of account information in all financial spheres, not just for payments. If nothing else, the eventual messages should be designed with sufficient flexibility to be adapted for use in the securities industry.
3. We would like to draw the submitter’s attention to the account management messages which form part of the Investment Funds 2 submission; in particular the Account Details Confirmation message, which has the following scope: The AccountDetailsConfirmation message is used to confirm the opening of an account, modification of an account or the provision of information requested in a previously sent GetAccountDetails message. The message contains detailed information relevant to the opened account.
4. In the section on community of users, there is no plan for the implementation of these messages, merely a suggestion that banks will find them useful. If the submitters are able to provide evidence of intent by organizations to implement the messages, this would assist in clarifying the business case.

Answer to Euroclear comments:

1. We agree with these remarks and consequently the scope was completed in order to integrate all the suggestion received.
2. We are open to launch a common work with the securities industry if RMG considers there is sufficient similarities between the Cash and the securities customers account.
3. Well noted. See answer N°4 to SWIFT comments.
4. The Financial sector is moving very fast so there is a significant number of mergers and acquisition which after a certain period of time generate Bank and/or account renumbering. As this affects all the clients it would be helpful that Market infrastructures (cash and / or securities ones) could facilitate the exchange of such a useful information. In addition, see the answer N° 3 to German comments.

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➤ **UK comments on the Account Identification Information business justification**

1. We would like to see the scope of the potential messages better defined. It would be good to understand more of the lower level detail and rules / processes around how this will work. At present it seems a little confusing whether this is purely bank to bank or would also include

customer to bank? The later would perhaps need a different (more broader) solution than the former.

2. This request has many uses in the industry. On its own it appears to have value to the community but within the context of greater SSI (Standing Settlement Instructions) updates and usage we would suggest that more value can be derived from using a more open request to cover all areas of SSI which are changing. This could also assist the securities players as well as the banks. Should you need any assistance in developing this suggestion, we can offer the practitioners of ISITC Europe to help form business workgroups.

Answer to UK comments:

1. GUF agrees with these suggestions. Consequently the scope has been extended to end to end process and to verification of bank and / or account identifier information. In order to facilitate the understanding, Business and message workflow has been added to the BJ.
2. It is possible to further extend the scope of this BJ to banking SSI which does not seem complex as the data set used for this BJ already includes the Bank identifier. If the UK still asks for it after reading this new BJ version and if the other RMG members agree on this proposal, this could be taken into consideration during the modeling.
GUF would be pleased to receive any assistance in developing this BJ, and in particular the practitioners of ISITC Europe if it is confirmed that the securities accounts are concerned.

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➤ **South Africa comments on the Account Identification Information business justification**

The need for an “Account verification” service has also been identified in South Africa and is in the process of being created using proprietary standards. We are in favor, therefore, of the development of a set of UNIFI (ISO 20022) message standards to support the associated information flow. However, the following must be noted:

- 1- The account identifier must not be restricted to IBAN/BBAN as this has not yet been adopted as the standard in all markets (this is not yet the accepted standard in South Africa);
- 2- The requirement from certain corporate customers in South Africa is to not only verify the target banks and account numbers held on their payments/collections databases but also the identifier/s associated with the account owners (passport number, ID number, company registration number, etc) and account status information within the limitations of client confidentiality (closed, dormant, frozen, etc). This is to verify that the accounts belong to the intended beneficiaries / debtors and to minimize rejections due to account status blocks. The proposed standard should cater for optional fields to accommodate this information.
- 3- It follows from the above that the standard should be made applicable to the customer-to-bank as well as the bank-to-bank environments.

Answer to South African comments:

- 1- Agreed, the BJ has been updated accordingly.

- 2- We understand the requirement expressed by South African clients but it seems out of the scope of this BJ so, it now integrates the verification of Bank and / or account numbers.
The verification of some very private information like the passport number should remain in the hand of the customer bank only.
- 3- Agreed, the BJ has been updated accordingly.

Answer to SEG Payments comments:

1- Concerning the VAI process and data privacy issues :

We understand the concerns raised by some of RMG 20022 and Payment SEG colleagues as we share these concerns. This is why we propose that VAI process would be fully optional.

So, in order to avoid sending VAI messages to banks that will never answer them, we propose that it requires a pre-agreement given by the account owner bank knowing each bank/community of banks would be free to accept or refuse to participate to such automatic process.

⇒ We understand that depending of the local legislation there will be countries where it will be easier to put such automatic process in place and others where it will not be possible at all.

2- Concerning CAI process and the possibility to use the “status” messages :

- We confirm that this CAI message would be used for debit and credit transactions.
- We confirm that we would use it only and only if we have received a transaction which is to be posted to a customer account (cash or securities one) which have been changed by the account owner bank.
- We have some strong concerns with the Swift proposal knowing that we consider the scope of the “Status “message would become ambiguous if we use this message for another purpose that the current one.
- Status message scope is dedicated to information directly linked with the treatment and the accounting of a specific transaction: rejection, acceptance .
- So, the status is generally sent as soon as we treat the transaction, would it be successfully or not.
- On the contrary, the CAI message is generated separately from the current status message and could be sent some days/weeks ago and would have a different purpose to announce the renumbering of customer banking account or the change from a BIC identifier to another one.
- We confirm that there is no data privacy issue as the use of such a process is well known and accepted by the customers who find it very useful. The beneficiary customer have no risk to see their operations rejected because of the renumbering of their accounts, the ordering customers are in most of the cases very interesting to catch the new BIC and Account references via an automatic media directly from the concerned bank.