**Business Justification**

**for the development of new ISO 20022 financial repository items**

1. **Name of the request:**

Documentary Credit Messages

1. **Submitting organisation(s):**
2. **Submitter of ISO 20022 messages**

Cross-Border Interbank Payment System (CIPS Co., Ltd.)

The Bund Square, 100 South Zhongshan Road,

Shanghai 200010,

China

1. **Submitter of ISO 20022 API resources**

Swift

Avenue Adèle, 1

1310 La Hulpe

Belgium

Note: This cooperation will ensure data alignment between the ISO 20022 messages and API resources. A separate business justification detailing the expected API flows will be submitted as well, referring to this message-oriented business justification.

1. **Scope of the new development:**

The scope of this development covers the messages used by banks and corporations in the life cycle of documentary credit, which include documentary credit issuance, amendment, presentation, presentation and response, payment and closure.

The following table outlines the financial instrument, business area and business process of this request.

|  |  |
| --- | --- |
| Financial Instrument | Documentary Credit |
| Business Area | Trade Services(tsrv) |
| Business Process | Documentary Credit Issuance, Amendment, Presentation, Response, Payment and Closure |

To cover the business flows related to the Documentary Credit, the submitting organisation expects to develop **26 messages**, 3 of which covering more than one business flow.

Additional messages could possibly be developed to complement the flow if/when needed.

|  |  |  |  |
| --- | --- | --- | --- |
| **Business Flow** | **Message Name Proposal** | **Sender and Receiver** | **Description** |
| Documentary Credit Issuance | DocumentaryCreditApplication | Applicant→Issuing Bank | request the issuance of documentary credit and provide detail |
| Documentary Credit Issuance | DocumentaryCreditIssuance | Issuing Bank→Advising Bank | offer information on the documentary credit |
| Documentary Credit Issuance | DocumentaryCreditIssuanceNotification | Issuing Bank→Applicant | contain details of the documentary credit |
| Documentary Credit Issuance | DocumentaryCreditAcknowledgement | Advising Bank→Issuing Bank | notify that the application request message has been received |
| Documentary Credit Issuance | DocumentaryCreditIssuanceAdvice | Advising Bank→Beneficiary | notify that the documentary credit has been issued already |
| Documentary Credit Amendment | DocumentaryCreditAmendmentRequest | Applicant→Issuing Bank  Issuing Bank→Advising Bank  Advising Bank→Beneficiary | request the amendment of documentary credit, and provide details on the content of the amendment |
| Documentary Credit Amendment | DocumentaryCreditAmendmentResponse | Beneficiary→Advising Bank  Advising Bank→Issuing Bank | notify whether the documentary credit is accepted or not |
| Documentary Credit Amendment | DocumentaryCreditAmendmentIssuance | Issuing Bank→Advising Bank | issue documentary credit amendment |
| Documentary Credit Amendment | DocumentaryCreditAmendmentAdvice | Advising Bank→Beneficiary | advise documentary credit amendment |
| Documentary Credit Amendment | DocumentaryCreditAmendmentNotification | Issuing Bank→Applicant | notify that the documentary credit amendment has been issued |
| Documentary Credit Amendment | DocumentaryCreditAmendmentAcknowledgement | Advising Bank→Issuing Bank | notify that the documentary credit amendment has been received |
| Documentary Credit Presentation | DocumentaryCreditPresentmentAdvice | Presenting Bank→Beneficiary | notify that the documents have already been delivered |
| Documentary Credit Presentation | DocumentaryCreditDiscrepancyNotification | Presenting Bank→Issuing Bank | notify that there is discrepancy. |
| Documentary Credit Presentation | DocumentaryCreditPayAcceptOrNegotiateAuthorisation | Issuing Bank→Presenting Bank | notify that the issuing bank accepts the discrepancy. |
| Documentary Credit Presentation | DocumentaryCreditPaymentRejectionNotification | Issuing Bank→Presenting Bank | notify that the issuing bank doesn’t accept the discrepancy. |
| Documentary Credit Presentation | DocumentaryCreditPresentmentAmendmentAdvice | Issuing Bank→Presenting Bank | notify that the issuing bank refuses to accept the discrepancy and at the same time wishes to offer suggestion on amendment. |
| Documentary Credit Presentation | DocumentaryCreditPayAcceptOrNegotiateAdvice | Presenting Bank→Issuing Bank | notify that no discrepancy is identified. |
| Documentary Credit Presentation and Response | DocumentaryCreditDiscrepancyNotification | Issuing Bank→Applicant | notify that there is discrepancy. |
| Documentary Credit Presentation and Response | DocumentaryCreditDiscrepancyAdviceResponse | Applicant→Issuing Bank | indicate whether the applicant reject or accept the discrepancy |
| Documentary Credit Presentation and Response | DocumentaryCreditPaymentRejectionNotification | Issuing Bank→Presenting Bank  Presenting Bank→Beneficiary | notify that the applicant rejects the discrepancy. |
| Documentary Credit Presentation and Response | DocumentaryCreditPayAcceptOrNegotiateAdvice | Issuing Bank→Applicant | notify that no discrepancy is identified |
| Documentary Credit Payment | DocumentaryCreditPaymentAuthorisationRequest | Applicant→Issuing Bank | authorize the issuing bank to send settlement notification message |
| Documentary Credit Payment | DocumentaryCreditSettlementNotification | Issuing Bank→Applicant | inform the applicant that the documentary credit has been settled |
| Documentary Credit Payment | DocumentaryCreditReimbursementOrPaymentNotification | Issuing Bank→Presenting Bank | send payment notification to the presenting bank |
| Documentary Credit Closure | DocumentaryCreditCancellationRequest | Applicant→Issuing Bank  Issuing Bank→Advising Bank | send the request of canceling the documentary credit |
| Documentary Credit Closure | DocumentaryCreditCancellationAdvice | Advising Bank→Beneficiary | notify that the applicant has requested cancellation of the documentary credit |
| Documentary Credit Closure | DocumentaryCreditCancellationResponse | Beneficiary→Advising Bank  Advising Bank→Issuing Bank  Issuing Bank→Applicant | inform if the beneficiary accepts the cancellation request raised by the applicant |
| Documentary Credit Enquiry | DocumentaryCreditEnquiry | Any | enquire about one of the other documentary credit messages |
| Documentary Credit Enquiry | DocumentaryCreditEnquiryResponse | Any | respond to a documentary credit enquire message |

Business Scenarios

The business scenarios and message flows of a Documentary Credit may vary due to the different types of Documentary Credits, but they all go through processes such as application, issuance, notification, presentation, payment, etc.

The following diagram depicts the basic business process of a Documentary Credit:



* CIPS proposes that the Trade Finance SEG is assigned for evaluation of the candidate ISO 20022 messages.
* CIPS supports the optional use of the BAH with all of the proposed messages.
* CIPS intends to deploy the future messages in the ISO 20022 XML syntax.

1. **Purpose of the new development:**

Currently, there are no relevant ISO 20022 messages that could perform the task of documentary credit issuance, amendment, presentation, presentation and response, payment and closure. Although MT category 7 messages can be used for Documenary Credit information exchange, they are limited in scalability and flexibiliy compared to ISO 20022 and typically do not have correspondent APIs for STP. Besides, MT messages can only be used within the SWIFT network, so for those market participant who transmit information outside SWIFT network, only proprietary messages can be used, thus greatly increaing the cost of interconnection. Thus comes the need of developing ISO 20022 Documentary Credit messages. Developing the new sets of messages not only helps to fill the existing gap and enhances the implementation of ISO 20022 in documentary credit, but also satisfies banks’ needs of automatic processing and compliance screening with the structured and rich fields of ISO 20022 messages. Thus, CIPS decides to pursue standardized and transparent messages to better manage the system.

Generic benefits to the industry are highlighted as follows:

* Standardize business process of documentary credit issuance, amendment, presentation, presentation and response, payment and closure.
* Develop ISO 20022 messages which can be implemented by market participants more easily and at a lower cost.
* Ensure efficiency, accuracy and consistency of documentary credit issuance, amendment, presentation, presentation and response, payment and closure.

1. **Community of users and benefits:**

These messages are designed to address market needs regarding documentary credit issuance, amendment, presentation, presentation and response, payment and closure.

1. **Benefits and savings**

Applicants and beneficiaries: use of common nomenclature and terminology among participants by adopting a single standard will enhance the efficiency and transparency of documentary credit transaction in the field of trade services.

Issuing bank, presenting bank and advising bank: Standardized format and business information will improve the efficiency and security of documentary credit transaction.

1. **Adoption scenario**

Documentary Credit Messages were designed and successfully put into operation by CIPS in 2022. Currently, 3 banks and 5 enterprises are using Documentary Credit services based on the Documentary Credit messages, and the cooperation with other organisations is in progress.

After the ISO 20022 submission is approved, participants will continue to use these messages and the adoption will be further improved.

1. **Volumes**

As of December 2022, CIPS has more than a thousand participants using CIPS system for payment and settlement. The transaction value of CIPS in 2022 exceeded 90 trillion yuan. The growth is expected to continue with the expanding cross-border business and growing demand for cross-border transactions.

1. **Sponsors and adopters**

The adoption is advocated and designated as mandatory by CIPS and it is already deployed to participants.

1. **Timing and development:**

CIPS plans to complete the message development and registration process in Q4 2024.

Candidate ISO 20022 message models and Message Definition Report will be developed and submitted to the RA in Q2 2024.

* We know that there is no other standard initiative involved in an effort to submit a Business Justification relating to documentary credit.

After the whole process is completed, the messages can better serve participants and can be used in a more unified way.

1. **Commitments of the submitting organisation:**

CIPS confirms that it can and will:

* undertake the development of the candidate ISO 20022 business and message models that it will submit to the RA for compliance review and evaluation. The submission must be compliant with the [ISO 20022 Master Rules](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) and include a draft Part 1 of the Message Definition Report (MDR) compliant with the [template for MDR part 1](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) provided by the RA, the [ISO 20022 Message Transport Mode](http://www.iso20022.org/documents/general/MessageTransportModes.xls) (MTM) that CIPS recommends to consider with the submitted message set, and examples of valid instances of each candidate message;
* address any queries related to the description of the models and messages as published by the RA on the ISO 20022 website.

CIPS confirms that it will promptly inform the RA about any changes or more accurate information about the number of candidate messages and the timing of its submission to the RA. If CIPS does not submit the candidate messages within the timing announced in section F and does not inform the RA beforehand, the business justification may lapse and require re-submission of a new business justification for approval by the RMG.

CIPS confirms that it intends to organize any testing of the candidate messages once they have been reviewed and qualified by the RA and before its submission to the SEG(s) for approval. The testing is expected to complete in March 2025 and the candidate message will be re-submitted to the RA for SEG(s) approval. CIPS confirms that it will promptly inform the RA about any changes or more accurate information about the timing of this re-submission to the RA. If CIPS does not re-submit the candidate messages as announced and does not inform the RA beforehand, the business justification may lapse and require re-submission of a new business justification for approval by the RMG.

CIPS confirms that it is committed to undertake the future message maintenance.

CIPS confirms its knowledge and acceptance of the ISO 20022 Intellectual Property Rights policy for contributing organizations, 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 license to use the published information”.*

1. **Contact persons:**

* CIPS Contact Person:

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1. **Comments from the RMG members and relevant SEG(s) or SubSEG(s) and disposition of comments by the submitting organisation:**

# Comments from the Swiss community

Submitter of comments: Rainer Vogelgesang (head of Swiss RMG delegation)

Date: 12 May 2023

Commentary:

The Swiss Association for SWIFT and Financial Standards (SASFS) is the representative organisation for financial standardisation in the financial centre of Switzerland and Liechtenstein.

The SASFS welcomes the initiative of Cross-Border Interbank Payment System (CIPS Co., Ltd.) as submitting organisation (SO) of this BJ to move forward the ISO 20022 standardisation in the Documentary Credit (commercial Letter of Credit) space.

Whilst we support the intent of the BJ and the creation of Documentary Credit messages and appreciate the well-conceived proposal, there remain a number of areas of concern.

We believe that the focus on the Documentary Credit issuance process is a suitable approach that should be completed later on by messages supporting document submission/availment and settlement.

Latest developments in the bank guarantee space combine the issuance and amendment process and it might be sensible to align the scope to the guarantee space and to integrate the amendment process. This would mean that an additional message between beneficiary and the bank is needed to provide agreement/disagreement to an amendment.

Regarding the business roles, we would prefer to align the definitions to the ones used in the Uniform Customs and Practice for Documentary Credits (UCP) of the International Chamber of Commerce (ICC), Paris, as follows:

* Applicant: The party at whose request the credit is issued (instead of … a transaction or service (of the documentary credit) is to be undertaken).

Explanatory statement: Only the issuance of the instrument gives birth to the roles – without documentary credit, no applicant. Therefore, “issued”, not “to be undertaken”.

* Advising Bank: The party that advises the credit at the request of the Issuing Bank (instead of The bank requested to advise the documentary credit).
* Explanatory statement: Only once the credit is advised by another party than the Issuer, the role of the Advising Bank has been created. A party requested to advise but not having done it is not (yet) an Advising Bank.

Regarding the Messages, we request to change the proposed flows.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **#** | **Sender** | **Receiver** | **Message** | **Doc.Credit** | **Stauts** |
| 1 | Applicant | Issuer | DocumentaryCreditApplication | Does not exist | Requested |
| 2 | Issuer | Advising Bank | DocumentaryCreditInstrument\* | Exists | Issued |
| 3 | Issuer | Applicant | DocumentaryCreditNotification | Exists | Issued |
| 4 | Advising Bank | Beneficiary | DocumentaryCreditAdvice | Exists | Advised |
| 5 | Advising Bank | Issuer | DocumentaryCreditResponse | Exists | Advised |
| (6 | Beneficiary | Advising Bank | DocumentaryCreditResponse | Exists | Advised) |

\* This is the operative (financial) instrument, not the transmission of it by the advising bank to the beneficiary (= advice)

We agree that there should be differentiation between the application and instrument. The DocumentaryCreditInstrument message has been adopted.

Explanatory statements:

* The message sent by the issuer to the Advising bank cannot be an application, since the documentary credit is issued and is the operative instrument (already).
* The application contains bilateral information between Applicant and Issuer that must not be transferred further to the advising bank
* It might be considered to use the same message for issuing a documentary credit and for advising it, being aware that in the advising message, statements of the advising bank will be added to the instrument.
* It might be considered to use the same message between (Beneficiary and Advising Bank [6],) Advising Bank and Issuer [5] as well as Issuer and Applicant [3]

Therefore, the description of the messages should be adapted accordingly

* DocumentaryCreditApplication, 2nd bullet, … also sent by the Issuer to the Advising Bank should be removed
* DocumentaryCreditApplication, 2nd bullet, … sends the DocumentaryCredit**Reply** message to the issuer … but no such message is listed, should probably read DocumentaryCredit**Response** message.

Accepted. 2nd bullet has been removed. DocumentaryCreditReply has been replaced with DocumentaryCreditResponse message.

It is to be noted, that an Issuer may send the Documentary Credit directly to the beneficiary without using an Advising Bank. On the other hand, several Advising Banks may be involved (1st Advising Bank, 2nd Advising Bank, 3rd Advising Bank).

Accepted. Notes have been added to the message flow.

Furthermore, we cannot follow the reasoning for using the message “DocumentaryCreditApplication” not only for the application but also for the issuance of the Documentary Credit. We would have expected an additional message to fulfil this distinct purpose.

Regarding the adoption scenario, we understand that predecessor messages have been put into operation since no ISO 20022 messages have yet been defined. Is the intention to migrate the current messages to the to be ISO 20022 messages and how is the transition intended to happen.

Yes, there will be migration from the current CIPS documentary credit messages to ISO 20022 messages after the BJs are integrated into ISO 20022 repository.

Whilst we cannot agree with the BJ in its current form, we believe that, with the proposed aforementioned changes, it should be possible with reasonable effort to produce an amended version of the BJ for approval.

We look forward to the responses of the SO to the points raised above and remain available for further considerations in relation to this BJ.

**Comments from Swift**

* From the flow, we understand, only ‘application’ and ‘advice (plus notification and response) have been take into consideration. Does CIPS plan to expand the messages for the rest of the business flows like amendments, acknowledgements, reimbursements etc.?

Yes, the document is now revised to contain the business flows of the whole life cycle of documentary credit.

* Does the structure allow for multiple parties?

Yes, the structure supports participation of multiple parties.

* One statement in the BJ states = “These messages are designed to address market needs regarding documentary credit issuance.” Do the messages also address domestic market needs?

Yes.

* We recommend combining this submission (BJ219) with the Documentary Credit Revision submission (BJ221)

Yes, the combination is done in this revised document.

RMG comments on revised/merged business justification

# Comments from the Swiss community

Submitter of comments: Rainer Vogelgesang (head of Swiss RMG delegation)

Date: 6 June 2024

Commentary:

The Swiss Association for SWIFT and Financial Standards (SASFS) is the representative organisation for financial standardisation in the financial centre of Switzerland and Liechtenstein.

As previously indicated, the SASFS welcomes the initiative of Cross-Border Interbank Payment System (CIPS Co., Ltd.) as submitting organisation (SO) of this BJ to move forward the ISO 20022 standardisation in the Documentary Credit (commercial Letter of Credit) space.

We believe that this updated version of BJ 219 is a significant step towards a globally applicable standard. We are grateful that you have included, into this amended version of the business justification, your responses to our comments to earlier versions of the related business justifications.

We strongly believe that, for the sake of simplifying Trade Finance IT developments and processes, a closer alignment with the Guarantee API flows and consequent usage of internationally recognised terminology as applied by the ICC (International Chamber of Commerce) rules as well as Swift and ISO standards is needed. As an outcome of such alignment, the message names should be adjusted as well.

1. The message names had been adjusted according to RA suggestion before the submission of this version. We welcome specific suggestions to terminology, and are willing to adjust after discussion among Trade Services SEG.
2. It is clarified in the BJ that additional messages could possibly be developed to complement the flow if/when needed.

We would propose the following business flows to be defined:

* Issuance,
* amendment,
* presentation (includes submission of documents as well as follow-ups),
* settlement,
* closure.

In order to enhance flexibility, the business flow definition had been deleted as per suggestions from RA. To meet the need of Swiss community and others, an appendix with business flow definition has been added. Please see the revision for detail.

Finally, we believe that at least the business flows ‘presentation’, ‘settlement’ and ‘closure’ belong to the ‘Business Area’ (instead of ‘Business Process’, as stated in the BJ) tsrv (Trade Services). It may well be that these flows should rather be defined as new ISO 20022 Business Areas (e.g. tspr, tsse, tscl, respectively). This aspect might be considered by the Trade Finance SEG at the occasion of the evaluation of the candidate messages.

CIPS welcome the discussion of adding new business areas, and is open for further amendment when the proposed business areas are added to ISO 20022 repository.

Furthermore, we suggest adapting the Business Scenario. The business scenario presented in the BJ is just one of many scenarios and, moreover, it is not the target scenario. The target scenario provides for a nominated bank (at the place of the “presenting bank”) that decides about compliance of presented documents with the terms of the Documentary Credit. If the documents are in compliance, the nominated bank is to honour them. Only as a consequence, the nominated bank claims reimbursement from the issuing bank and, in parallel, forwards the presented documents to the issuing bank.

Business scenarios may differ for different user communities, with the reuse of possible message definitions. On one hand, It is clarified in the BJ that Additional business flows and/or messages could possibly be developed to complement the Documentary Credit business scenarios. On the other hand, CIPS welcome Swiss Community to propose business scenario to make business flows in this BJ more comprehensive.

As the current version of the BJ still requires substantial amendments in order to arrive at a consistent proposal we prefer to object to this BJ in order to afford the SO the opportunity to incorporate the proposed updates.

We look forward to the responses of the SO to the points raised above and remain available for further consideration in relation to this BJ.

We would appreciate your further consideration and are open for further comments/discussion.

Kind regards

Swiss Association for SWIFT and Financial Standards (SASFS)

Reply from Submitting organisation:

Thank you for the detailed comments of the Documentary Credit BJ. The comments from Swiss Community have been well received and discussed. Please see the blue font above for response of each comment from CIPS.

# Comments from the Trade Finance SEG

Submitter of comments: Nick Pachnev on behalf of TF SEG

Date: 11 June 2024

Commentary:

TF SEG thanks the CIPS team for submitting a revised BJ. The proposed messages could overcome the limitations of the existing SWIFT MT messages and address concerns raised by corporates and financial institutions exchanging documentary credit messages. The TF SEG recommends making the following changes to the current version of BJ219 “Documentary Credit Messages” business justification (TF SEG may have additional comments once the new version is submitted):

CIPS Thanks TF SEG for the comments. Please see the blue font below for response of each comment from CIPS. The changes in the Business Justification are marked in revision mode.

* Use terminology consistent with various ICC and UN Rule sets. Specifically, the business flow name "Documentary Credit Amendment" should be used instead of "Revision" as "Amendment" is the common term used by the industry (SWIFT, ICC, UN). Similarly, use "Presentation" instead of "Presentment" and "Presentation Response" instead of "Review".

The terminology has been updated according to the comment.

* The business process is named "Trade Services Initiation," which may be interpreted to exclude amendments, presentation, and settlement. Either consider using a generic business process name or listing other business processes covering the full scope of the BJ messages.

The business process name is changed to include all the business processes covering the scope of the BJ messages.

* Add sending and receiving parties to the "Business Flow/Message Name Proposal" table. Use accepted industry terminology: "Applicant," "Issuing Bank," "Advising Bank," "Negotiating Bank," "Beneficiary," etc.

Sending and receiving parties has been added to the "Business Flow/Message Name Proposal" table.

* Add a short description for each message in the "Business Flow/Message Name Proposal" table.

A short description for each message has been added to the "Business Flow /Message Name Proposal" table.

* Provide an example of 'market needs' mentioned in section E: "*These messages are designed to address* ***market needs*** *regarding documentary credit issuance, revision, presentment, review, payment and closure."*

The description of market needs has been added to “D. Purpose of the new development”.

* It would be helpful to list the main business deficiencies of the current SWIFT MTs being addressed by the proposed messages.

The restrictions of the current SWIFT MTs has been added to “D. Purpose of the new development”.

* 90 trillion yuan, as mentioned in E.3, refers to the total CIPS volume, including payment and settlement. It would be helpful to know the trade volumes.

As there are no statistics concerning trade volumes, the number of current users of Documentary Credit messages in CIPS has been added in E.2.

* Section G states, *"The testing is expected to complete in* ***September 2023*** *and the candidate message will be re-submitted to the RA for SEG(s) approval."* Clarify if this date is a typo. If the testing was indeed completed, please provide test results.

The date of testing has been updated.

# Comments from the Swift

Submitter of comments: Tom Alaerts

Date: 13 June 2024

Commentary:

Swift is planning to develop APIs for Corporate-to-Bank for Documentary Letters of Credit (LC). Since CIPS has already submitted the BJ for registration of LC messages on ISO 20022, Swift requests to be a 'co-submitter' for the registration of LC messages with the aim to create API components that are completely aligned with the message components.

CIPS is open to considering co-submitting of this BJ with other institutions. Before giving a formal reply, we would like to know whether this comment is related to the content of the BJ or procedure of BJ approval. Is the reply to this comment a necessary condition for continuing the BJ approval process?

RA: This comment is not a condition for continuing the approval process. This comment has been added to inform the community for the sake of transparency and possibly encourage other organisations willing to join the development project.

# Comments from the Trade Finance SEG – Additional Comments

Submitter of comments: Nick Pachnev on behalf of TF SEG

Date: 29 July 2024

Commentary:

TF SEG thanks the CIPS team for submitting a revised BJ. The TF SEG recommends making the following changes to the current version of BJ219 “Documentary Credit Messages” business justification (TF SEG may have additional comments once the new version is submitted):

* Rename the word ‘Documentation’ to ‘Documentary’ in column **Message Name Proposal** – page 3.

Accepted. The business flows and descriptions are also revised accordingly.

* Below are the recommendation on APPENDIX: Sample Business Flows
* Rename ‘DocumentaryCreditRequest’ to ‘DocumentaryCreditApplication’

Accepted. ‘DocumentaryCreditApplicationRequest’ has been changed to ‘DocumentaryCreditApplication’.

* Rename ‘DocumentaryCreditInstrumentAdvice’ to ‘DocumentaryCreditIssuance’ with the below description –

The DocumentaryCreditIssuance message is sent as an operative instrument by the issuing bank to the advising bank to indicate the terms and conditions, and information on the documentary credit. Upon receiving the message, the advising bank sends the DocumentaryCreditAcknowledgement message to the issuing bank in response.

Accepted.

* Rename ‘DocumentaryCreditResponse’ to ‘DocumentaryCreditAcknowledgement’ with the below description –

The DocumentaryCreditAcknowledgement message is sent by the advising bank to the issuing bank to notify that the DocumentaryCreditApplication message has been received by the advising bank.

Accepted.

* DocumentaryCreditIssuanceAdvice

The message is sent by the advising bank to the beneficiary either directly or via one or more other advising banks in the transaction chain, to advise the issuance of the Documentary Credit.

Accepted.

* Rename ‘DocumentaryCreditApplicationAmendmentRequest’ to ‘DocumentaryCreditAmendmentRequest’ with the below description –

The DocumentaryCreditAmendmentRequest message is sent by the party requesting amendment of the documentary credit (applicant) to the party that has issued the documentary credit (issuing bank). It is used to request the amendment of the documentary credit, and provides details on the content of the amendment on the documentary credit that has been issued.

The message is also sent by the issuing bank to the advising bank to offer information on the documentary credit amendment.

Accepted.

* Rename ‘DocumentaryCreditApplicationAmendmentNotification’ to ‘DocumentaryCreditAmendmentNotification’ with the below description –

The DocumentaryCreditAmendmentNotification message is sent by the issuing bank upon receiving the DocumentaryCreditAmendmentRequest message to the applicant to notify the documentary credit amendment that has passed inspection by the issuing bank.

The message is also sent by the advising bank to the beneficiary to notify the proposed amendment of the documentary credit that has been issued.

Accepted.

* Rename ‘DocumentaryCreditResponse’ to ‘DocumentaryCreditAcknowledgement’ with the below description –

The DocumentaryCreditAcknowledgement message is sent by the advising bank to the issuing bank to notify that the DocumentaryCreditAmendmentRequest message has been received by the advising bank.

Accepted.

* Rename ‘DocumentaryCreditApplicationAmendmentConfirmation (B2B)’ to ‘DocumentaryCreditAmendmentAcceptance (B2B)’

Accepted.

* The DocumentaryCreditAmendmentAcceptance (B2B) message is sent by the advising bank to the issuing bank to notify whether the beneficiary accepts amendment regarding the documentary credit as proposed by the applicant.

Accepted.

* Rename ‘DocumentaryCreditApplicationAmendmentConfirmation (B2C)’ to ‘DocumentaryCreditAmendmentAcceptance (B2C)’

Accepted.

* Correct the spelling ‘Negociate’ to ‘Negotiate’

Accepted.

* Replace the word ‘Advice’ with ‘Response’ in ‘DocumentaryCreditDiscrepancyAdvice’

Accepted.

* Remove the word ‘Application’ from ‘DocumentationCreditApplicationCancellationRequest’, CancellationAdvice and CancellationResponse messages
* A dedicated message may also be relevant to inform the Advising Bank about amendments to the terms and conditions of a documentary credit (rather than the DocumentaryCreditAmendmentNotification message?)

The DocumentaryCreditAmendmentRequest message is designed to request the amendment of the documentary credit and provides details on the content of the amendment on the documentary credit that has been issued. It contains the information about amendments to the terms and conditions of a documentary credit. This message is sent from applicant to issuing bank, as well as from issuing bank to advising bank.

* The SEG would like to propose various business processes to be segregated under appropriate business area at a later stage of the cycle (when the messages in scope are produced by CIPS for a detailed review by the SEG). For example, ‘Issuance’ can be under ‘tsin’ and not ‘tsrv’. This can be discussed later.

We welcome detailed discussion during the review of MDR.

* SEG would like to know whether confirmation or discounting can be included as part of the LC messages. If the business flows for LCs and the discounting can be linked together efficiently, it will be useful. CIPS may want to adjust the business scope of the messages accordingly.

We understand that the business flows in the appendix is not exhaustive, so we welcome proposals of additional scenarios be submitted in other BJs by other organizations. It is also indicated in the note at the end of the appendix: “*Additional business flows and/or messages could possibly be developed to complement the Documentary Credit business scenarios.*”

* We suggest that the format of the proposed messages should be aligned to any potential change on the SWIFT format (Nov. 2025) so that the full End-to-End flow could be ensured.

The design of the proposed messages will take into account the corresponding MT message formats. CRs to the messages can also be raised when there’s market demand of aligning the latest SWIFT format with the corresponding ISO 20022 messages.

* There is a concern about the challenges this proposed development will bring on the global community of banks and especially those supporting their client’s business with Chinese counterparts. Whilst we’re in favor of market competition, the emergence of a new messaging system could marginalize those that are unable to support this new message type (i.e. support CIPS connectivity).

The intent of this set of message is to meet the needs of the market. With the regard of inter-connectivity between ISO 20022 and MT messages of documentary credit, we also recommend to consider efficiency, cost and transparency when making an inter-connectivity schema.

* If the intent is to develop an ISO replica of SWIFT system messaging, the current list of messages is incomplete and there should also be more focus on C2B message flows.

The intent is not to develop ISO replicas of SWIFT system, but to meet the banks’ needs of automatic processing and compliance screening with the structured and rich fields of ISO 20022 messages. We also welcome proposals of additional scenarios be submitted in other BJs by other organizations if needed.

* We echo the Swiss feedback, especially in terms of adopting existing industry nomenclature.

Agreed.

* We recommend CIPS to adopt the ICC DSI Key Trade Document Data Elements standards as part of the granular data set, consider developing a more forward thinking subset of messages incorporating the use of data instead of documents.

Will take into account in future improvement.

* We recommend CIPS to clarify whether the ICC Rules will be applicable and if so adopt ICC terminology.

ICC terminology is adopted in message design.

APPENDIX: Sample Business Flows

* Documentary Credit Issuance

The following diagram depicts the Documentary Credit Issuance message flows:



Note: There could be no advising bank or multiple advising banks in the message flow.

In order to support documentary credit issuance, we will develop the messages below:

* DocumentaryCreditApplication

The DocumentaryCreditApplication message is sent by the party requesting issuance of the documentary credit (applicant) to the party issuing the documentary credit (issuing bank). It is used to request the issuance of documentary credit, and provides details on the applicable rules, terms, conditions and content of the documentary credit to be issued.

* DocumentaryCreditIssuance

The DocumentaryCreditIssuance message is sent as an operative instrument by the issuing bank to the advising bank to indicate the terms and conditions, and information on the documentary credit. Upon receiving the message, the advising bank sends the DocumentaryCreditAcknowledgement message to the issuing bank in response.

* DocumentaryCreditIssuanceNotification

The DocumentaryCreditIssuanceNotification message is sent (and is thus issued) by the party issuing the documentary credit to the applicant. It contains details on the applicable rules, expiry date, the amount, required documents, and terms and conditions of the documentary credit.

* DocumentaryCreditAcknowledgement

The DocumentaryCreditAcknowledgement message is sent by the advising bank to the issuing bank to notify that the DocumentaryCreditApplication message has been received by the advising bank.

* DocumentaryCreditIssuanceAdvice

The message is sent by the advising bank to the beneficiary either directly or via one or more other advising banks in the transaction chain, to advise the issuance of the Documentary Credit.

* Documentary Credit Amendment

The following diagram depicts the Documentary Credit Amendment message flows:



In order to support documentary credit revision, we will submit the messages below:

* DocumentaryCreditAmendmentRequest

The DocumentaryCreditAmendmentRequest message is used to request the amendment of the documentary credit, and provides details on the content of the amendment on the documentary credit that has been issued.

The message is sent by: (1) the party requesting amendment of the documentary credit (applicant) to the party that has issued the documentary credit (issuing bank); (2) the issuing bank to the advising bank; and (3) the advising bank to the beneficiary.

* DocumentaryCreditAmendmentResponse

The DocumentaryCreditAmendmentResponse message is used to notify whether the documentary credit amendment is accepted or not.

The message is sent by: (1) the beneficiary to the advising bank; and (2) the advising bank to the issuing bank.

* DocumentaryCreditAmendmentIssuance

The DocumentaryCreditAmendmentIssuance message is sent by the issuing bank to the advising bank to issue documentary credit amendment after receiving the DocumentaryCreditAmendmentResponse message from the advising bank indicating the acceptance of the documentary credit amendment.

* DocumentaryCreditAmendmentAdvice

The DocumentaryCreditAmendmentAdvice message is sent by the advising bank to the beneficiary to advise documentary credit amendment.

* DocumentaryCreditAmendmentNotification

The DocumentaryCreditAmendmentNotification message is sent by the issuing bank to the applicant to notify that the documentary credit amendment has been issued.

* DocumentaryCreditAmendmentAcknowledgement

The DocumentaryCreditAmendmentAcknowledgement message is sent by the advising bank to the issuing bank to notify that the documentary credit amendment has been received by the advising bank.

* Documentary Credit Presentation

The following diagrams depicts the Documentary Credit Presentation message flows:

If the presenting bank identifies no discrepancy, the message flow is as follows:



If the presenting bank identifies discrepancy, there could be 3 scenarios regarding the response of the issuing bank.

Scenario 1: the issuing bank accepts the discrepancy



Scenario 2: the issuing bank rejects the discrepancy



Scenario 3: the issuing bank refuses to accept the discrepancy and wishes to offer suggestion on revision



In order to support documentary credit presentment, we will submit the messages below:

* DocumentaryCreditPresentmentAdvice

The beneficiary submits documents to the presenting bank, and the presenting bank submits the documents to the issuing bank after initial review. After the documents are presented, the presenting bank sends the DocumentaryCreditPresentmentAdvice message to the beneficiary in order to notify that the documents have already been delivered.

* DocumentaryCreditDiscrepancyNotification

The DocumentaryCreditDiscrepancyNotification message is sent by the presenting bank to the issuing bank to notify that there is discrepancy.

* DocumentaryCreditPayAcceptOrNegotiateAuthorisation

The DocumentaryCreditPayAcceptOrNegotiateAuthorisation message is sent by the issuing bank to the presenting bank to notify that the issuing bank accepts the discrepancy.

* DocumentaryCreditPaymentRejectionNotification

The DocumentaryCreditPaymentRejectionNotification message is sent by the issuing bank to the presenting bank to notify that the issuing bank doesn’t accept the discrepancy.

* DocumentaryCreditPresentmentAmendmentAdvice

The DocumentaryCreditPresentmentAmendmentAdvice message is sent by the issuing bank to the presenting bank to notify that the issuing bank refuses to accept the discrepancy and at the same time wishes to offer suggestion on revision.

* DocumentaryCreditPayAcceptOrNegotiateAdvice

The DocumentaryCreditPayAcceptOrNegotiateAdvice message is sent by the presenting bank to the issuing bank to notify that no discrepancy is identified.

* Documentary Credit Presentation and Response

The following diagram depicts the Documentary Credit Presentation and Response message flows:

If the issuing bank identifies no discrepancy, the message flow is as follows.



If the issuing bank identifies discrepancy, there could be scenarios regarding the response of the applicant.

Scenario 1: the applicant accepts the discrepancy



Scenario 2: the issuing bank rejects the discrepancy



In order to support documentary credit review, we will submit the messages below:

* DocumentaryCreditDiscrepancyNotification (also used in Documentary Credit Presentment)

The DocumentaryCreditDiscrepancyNotification message is sent by the issuing bank to the applicant to notify that there is discrepancy.

* DocumentaryCreditDiscrepancyAdviceResponse

The DocumentaryCreditDiscrepancyAdviceResponse message is sent by the applicant to the issuing bank upon receiving the DocumentaryCreditDiscrepancyNotification message. The message is used to indicate whether the applicant rejects or accepts the discrepancy.

* DocumentaryCreditPaymentRejectionNotification (also used in Documentary Credit Presentment)

The DocumentaryCreditPaymentRejectionNotification message is sent by the issuing bank to the presenting bank to notify that the applicant rejects the discrepancy in the DocumentaryCreditDiscrepancyAdviceResponse message.

The DocumentaryCreditPaymentRejectionNotification message is then sent by the presenting bank to the beneficiary.

* DocumentaryCreditPayAcceptOrNegotiateAdvice (also used in Documentary Credit Presentment)

The DocumentaryCreditPayAcceptOrNegotiateAdvice message is sent by the issuing bank to the applicant to notify that no discrepancy is identified.

* Documentary Credit Payment

The following diagram depicts the Documentary Credit Payment message flows:



In order to support documentary credit review, we will submit the messages below:

* DocumentaryCreditPaymentAuthorisationRequest

The DocumentaryCreditPaymentAuthorisationRequest message is sent by the applicant to the issuing bank to authorize the issuing bank to send DocumentaryCreditSettlementNotification message.

* DocumentaryCreditSettlementNotification

The DocumentaryCreditSettlementNotification message is sent by the issuing bank to the applicant to inform the applicant that the documentary credit has been settled.

The DocumentaryCreditSettlementNotification message is also sent by the presenting bank to the beneficiary to inform the beneficiary that payments have been received.

* DocumentaryCreditReimbursementOrPaymentNotification

The DocumentaryCreditReimbursementOrPaymentNotification message is sent by the issuing bank to the presenting bank .

* Documentary Credit Closure

The following diagram depicts the Documentary Credit Closure message flows:



In order to support documentary credit closure, we will submit the messages below:

* DocumentaryCreditCancellationRequest

The applicant submits the message to the issuing bank in order to set forth the request of canceling the documentary credit. The message is then forwarded by the issuing bank to the advising bank for notification.

* DocumentaryCreditCancellationAdvice

The DocumentaryCreditCancellationAdvice message is sent by the advising bank to the beneficiary to notify that the applicant has requested cancellation of the documentary credit.

* DocumentaryCreditCancellationResponse

The DocumentaryCreditCancellationResponse message is sent by the beneficiary to the advising bank to inform if the beneficiary accepts the cancellation request raised by the applicant.

The message is also forwarded from the advising bank to the issuing bank to inform on beneficiary’s acceptance or refusal of the cancellation request.

The message is also forwarded from the issuing bank to the applicant to inform the applicant whether the cancellation is agreed upon or not.

* Documentary Credit Enquiry

The following diagram depicts the Documentary Credit Enquiry message flows:



In order to support documentary credit enquiry, we will submit the messages below:

* DocumentaryCreditEnquiry

All parties to a documentary credit transaction can send the DocumentaryCreditEnquiry message to enquire about one of the other documentary credit messages.

* DocumentaryCreditEnquiryResponse

The DocumentaryCreditEnquiryResponse message is used to respond to the DocumentaryCreditEnquiry message.

**Note: Additional business flows and/or messages could possibly be developed to complement the Documentary Credit business scenarios.**

# Comments from the Trade Finance SEG – Additional Comments

Submitter of comments: Nick Pachnev on behalf of TF SEG

Date: 16 September 2024

Commentary:

For a revised BJ219 (Documentary Credit Messages) submitted by CIPS

1. **Issuance and Amendment Messages**

Amendment

Align documentary credit amendment messages with the existing practices and with the message naming conventions of the documentary credit advice messages (please see below comments of the changes in the flow diagram)

* In L/Cs the situation is quite clear and widely applied – at least we do not see other practices :
  + The issuing bank is also the bank that amends an L/C.
  + Hence, an L/C amendment (e.g. MT707) is sent out by the Issuing Bank. Such amendment has a “provisional” status until it has been accepted by the beneficiary (and the other involved parties) to get “final” status.
  + Acceptance by the beneficiary can be done explicitly by a message or implicitly by presenting documents complying with the amended terms.
  + Therefore, the issuing bank “never” sends out an amendment request.
  + This is also in line with the issuance. A bank does not send out a request whether the beneficiary agrees to an L/C.
  + The issuing Bank sends out an L/C and it is up to the beneficiary to accept the terms and conditions or not.
  + This is somewhat different in the guarantee space. However, if we send out a request for amendment and the beneficiary agrees to that amendment, the undertaking is still not amended but we then will send out the actual amendment of the undertaking in response to the answer from the beneficiary.
  + Therefore, we do not agree with these flows :

A close-up of a document

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* If the Issuing Bank sends out an AmendmentRequest, the Advising Bank must send an AmendmentRequest to the beneficiary.
* Beneficiary then answers with a Response and so does the Advising Bank.
* The Issuing Bank then sends the Amendment(Advice) to the Advising Bank and an AmendmentNotification to the applicant. The Advising Bank sends again an Amendment(Advice) to the beneficiary and an Acknowledgement to the issuing bank.
* In our understanding more aligned with international practice is that the Issuing bank sends out directly the Amendment(Advice) and that acceptance/refusal by the beneficiary is reported back by a Response (or implicitly by submitting complying documents).
* Execution of the applicant’s AmendmentRequest is signalled to the applicant by the Issuing Bank by an AmendmentNotification.
* Quite in line with the Issuance flow, only that it is an Amendment and not an Issuance. The difference is in the following :
  + Issuing/amending an instrument is immediately binding for the Issuing Bank.
  + Requesting whether the beneficiary would agree with an instrument/amendment does not mean that the Issuing Bank actually would issue/amend if a positive answer is received.
  + If the request should have the same effect as the issuance/amendment, we do not need the request.
  + Would you agree (=request) is a question.
  + We issue/amend is firm (=binding).
* We believe that we must see a difference between

1. the flows from the applicant to the Issuing Bank,
2. the flows between the Issuing Bank and the Advising/Confirming/Nominated Bank and
3. the flow between the Advising/Confirming Bank and the beneficiary.

* a) The flow basically is a request to issue/amend. (It can also be an agreement to accept discrepancies or, in rare cases, an instruction to pay (without documents or arly) but this comes to a later stage not considered here).
* b) The flow contains:
  + the issuance of the instrument (undertaking) itself,
  + Issuing Bank’s instructions to the Advising/Confirming Bank
  + Issuing Bank’s instructions to a possible 2nd, 3rd, … Advising Bank and
  + Issuing Bank’s instructions the Nominated Bank(s).
* c) The flow contains
  + the notification of the instrument (undertaking) itself,
  + Issuing Bank’s instructions to a possible 2nd, 3rd, … Advising Bank,
  + Issuing Bank’s instructions to the Nominated Bank(s) – if not the same as the Advising Bank
  + Advising/Confirming Bank’s undertaking and
  + Advising/Confirming Bank’s instructions to further banks in the row

Confirmation

We also need messages for confirmation of a documentary credit and amendment. It was noted that messages should provide for separate confirmation of an amendment. It is possible for the advising bank to confir the original documentary credit but reject the confirmation of an amendment (that increases the amount or extends the expiry date) because of changed risk profile or sanctions.

We recommend the following changes to the issuance and amendment messages:

A diagram of a business process

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1. **Presentation Messages**

We recommend to expand presentation flows with messages for:

* the presentation of documents (plan for future electronic or partially electronic document presentations)
* discrepancy communications between presenting bank and beneficiary
* the presentation of corrected documents

We recommend the following changes to presentation messages:

A diagram of a company's process

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**Enquiry Messages**

All parties to a documentary credit transaction should be able to send and respond to inquires about other messages. We propose to add the following message similar to the free format SWIFT messages.

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The additional comments from the Trade Finance SEG about the current workflow and message names have been accepted. For the comments about adding new messages for documentary credit confirmation, documentary credit amendment confirmation, presentation of documents, discrepancy notification and response, presentation of corrected documentation, we would need more information about workflow and message names and functions to include them in this BJ. The following note is also included in this BJ to ensure flexibility: *Additional business flows and/or messages could possibly be developed to complement the Documentary Credit business scenarios*.