Standards MT November 2019

SR 2019 – Business Highlights: update after Fast-track Maintenance process

This document provides summarised, high level, business information related to the changes made to FIN (MT) messages as part of Standards Release 2019 (SR 2019).

8 February 2019

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Preface

Purpose of this document

This document provides summarised, high level, business information related to the changes made to MT messages as part of Standards Release 2019 (SR 2019). These changes will be active on the SWIFT network on 17 November 2019.

The *technical* details of the changes are published in the Standards Release Guide (SRG) in December each year and updates to the SRG are published in February, the following year. Both publications are found in the User Handbook Online and can be accessed via the Standards MT Release 2019 timeline and analysed using MyStandards. Also available via the timeline is the Updated High-Level Information document, which is published in November each year and contains a summary of the *underlying business cases* for each change.

1   Background and Summary

The annual MT Standards release ensures that the message types (MTs) exchanged by SWIFT users remain suitable for the business areas in which they are used, by enabling new business functionality and compliance with changing regulations. Because the standard is so widely implemented, it is important that the benefit of each change is balanced against the implementation cost. The SWIFT MT maintenance process ensures that all changes are reviewed and approved by a broad cross section of the SWIFT community (more information about the MT maintenance process can be found in the SWIFT User Handbook Online).

The Standards release for 2019 includes:

- Decisions in payments MT messages that have a link with the ISO 20022 migration project.
- Further elaboration of the Unique End-to-end Transaction reference (UETR), and opening up gpi features to the whole community.
- Changes due to regulation that require additional information to be transported in the messages.
- Changes to support the requirements of local markets.
- New features to support evolving business processes and new financial instruments.
- Definitions clarified to promote greater consistency in the use of messages and thereby improve automation.

2 Payments: Categories 1, 2, 9, and Common Group

Free format options for fields 50 and 59 will not be removed in MT in SR 2020

To comply with AML and anti-terrorist financing regulations, name and address of the ordering customer (payer) and beneficiary (payee), must be screened by handling banks against sanctions lists issued by various authorities. In the payments MT messages an optional structured format option was introduced in both ordering and beneficiary customer (fields 50F and 59F), but traffic statistics show low usage of the format option today. However, without widespread adoption, the benefits of structured data will not be realised. Therefore, in 2015, the Payments Maintenance Working Group (PMWG) decided to mandate the use of structured data in MT messages by removing the free format options in the November 2020 standards release.

In SR 2019, the need for structured data is still recognised. However, now that ISO 20022 migration has been announced, there is more benefit in considering the granularity of ISO 20022 already when gathering the underlying data.

Institutions that were already taking action, based on SWIFT's communication since 2015 that free format options in MT were going to be deleted, must not stop their efforts as structured data will certainly become the new norm.

Changing underlying customer data has far-reaching consequences for banks' payment processing systems and requires a multiyear effort.

Validation changes to the (optional) format option F in field 50 and 59 for implementation in SR 2020.

To facilitate

- ISO 20022 migration, especially for institutions and Market Infrastructures already on (or moving to) ISO 20022 dealing with coexistence of the different standards and;
- (local) regulatory and FATF requirements;

use of format option F in field 50 and 59 already gives structured data.

In most cases, the name will be accompanied by address details, including country information. Inclusion of street name, country, town, etc. requires at least 2 lines in the MT format option F and restricts the number of lines left for the name to only 2. In SR 2020, the validation of format option F will therefore allow maximum 2 occurrences of lines starting with 1/ and mandate the presence of a line starting with 3/ which includes at least a country code.

Allow all SWIFT users to optionally use field 121 Unique End-to-end Transaction Reference (UETR) in Block 3 of enquiry messages.

In SR 2018, field 121 became mandatory for all MT 103, MT 103 STP, MT 103 REMIT, MT 202, MT 202 COV, MT 205, MT 205 COV. Other UETR usage was restricted to messages sent by gpi members in the context of a SWIFT gpi service. From a receiving perspective, all SWIFT users had to be able to receive the fields in all category 1 and category 2 MTs.

In SR 2019 all SWIFT users will get the opportunity to (optionally) include field 121 (without field 111 if MT not sent within a SWIFT gpi service) in other enquiry messages (MT 190, MT 191, MT 192, MT 195, MT 196, MT 199, MT 292, MT 295, MT 296, MT 299, MT 992, MT 995, MT 996, MT 999). Therefore the ability to receive is now also impacting all FIN users for MT 992, MT 996, MT 999.

Allow payment credit confirmation (with UETR and structure) by any SWIFT user

The SWIFT gpi Customer Credit Transfer (gCCT) service uses MT 199 for gCCT confirmations to either confirm credit to beneficiary's account or confirm the (intermediate) transaction status.

Non-gpi members willing to provide this information to the gpi Tracker will be allowed as of SR 2019 to use the gCCT confirmation message (MT 199) with only field 121 Unique End-to-end Transaction Reference (not field 111 Service Type Identifier) in the user header block of the message.

This is an additional step towards enabling full end-to-end tracking within gpi of all payments sent over the SWIFT Network. Tracking will now also include the 'last leg' of credit to the customer (creditor), when the creditor bank is a non-gpi bank. This will enable gpi members to report back the credit confirmation and/or payment status to the originator of the transaction. Additionally, a standard version of the gpi Tracker will be made available, enabling all SWIFT customers, including non-gpi banks, to trace and confirm their SWIFT payment instructions.

Credit confirmations will be mandated by end of 2020. Use of the MT 199 gCCT Confirmation message will only be 1 of more options to fulfil that requirement.

Add optional codes and usage rule to field 79 in MT n92

To complement the structured codes implemented in SR 2018 and to align with ISO 20022. The SWIFT gpi stop and recall service will use these code words.

Documentation change in field 72 of payments MT messages

Use of code word REC in field 72 is almost always causing non-STP processing and/or delays in payment settlement. There is an opportunity/need to clean this up in ISO 20022 migration. As of SR 2019, the code REC will no longer be published in the User Handbook. This will stop promoting the use on a global level. Correspondents must either agree on a more appropriate code or cover the usage in bilateral agreements. This will have no validation impact.

3 Treasury Markets - Foreign Exchange, Money Markets & Derivatives: Category 3

Tighten settlement party fields and trade party fields

In order to promote more structured usage of the messages, MT 300 and MT 304 will include the following changes in fields 82, 87, 83, 53, 56, 57, 58 when occurring in sequence A, B1 and B2:

- Remove option D, which is free format text
- Partially restructure option J codes, to provide more clarity
- Mandate that a BIC cannot be the only information in option J. For those cases, option A must be used.

MT 304: Increase the scope of the message to also use it for a copy to third parties

Add 3 codes to field 22A Type of Operation to indicate that the message is a copy of an amendment, copy of a cancellation or a copy of a new advice or instruction. This is used to notify a third party, such as a fund administrator about the details of a trade.

Replace Reporting Jurisdiction for Russia

The Federal Financial Market Service in Russia no longer exists. The code 'FFMS' was indicated in the User Handbook as optional code in several category 3 MTs in field 22L Reporting Jurisdiction , but the code will be replaced by 'BankOfRussia' as they will be taking over the activities of the Federal Financial Market Service.

Add Post Trade Event Details in MT 300

Add an optional sequence in MT 300 to address a requirement for some regions whereby trade life cycle events are offered on a FX Forward contract. These are known as 'Post Trade Event' (PTE). That includes early delivery or take up; termination, close out or Net Present Value (NPV) or extension or rollover of the FX Forward contract.

MT 300, MT 304, MT 305, MT 306, MT 340, MT 360, MT 361, MT 380, MT 381

Correct misleading message usage rule that refers to field 39M Payment Clearing Centre in field 77H because field 39M is used to designate the clearing centre for offshore currency trades, also HK for CNY.

4   Trade Finance: Categories 4 and 7

In 2013, the Trade Finance Maintenance Working Group (TFMWG) recognized that a significant overhaul of the Category 7 interbank MTs was required as in previous years a number of change requests had been postponed. This will be addressed along with upgrading the messages to increase automation.

The drivers of this initiative are:

- Change requests from the community over the last 10 years
- Increase straight-through-processing and
- Fill some gaps in transaction flows

The first part of this work was implemented in SR 2018 for Documentary Credits (Letters of Credit) (MT 700-759) .

In SR 2020 similar changes will impact the Guarantees and Standby Letters of Credit (MT 760-789). There will be no changes to category 7 in SR 2019.

Changes for SR 2020 – Guarantees and Standby Letters of Credit

- MT 760 & MT 767 are significantly enhanced

    - Previously had few structured fields and one large free-format field
    - New versions are highly detailed and structured
    - Sequences introduced to cater for undertaking details as well as local undertaking details

- MT 768 & MT 769

    - field 71B changed to 71D with z-character set
    - field 72 changed to 72Z with z-character set
    - Possibility to identify the delivery channel

- 6 new messages

    - MT 761 – Continuation of MT 760
    - MT 765 – Used to demand payment under an undertaking
    - MT 775 – Continuation of MT 767
    - MT 785 – Used to notify the beneficiary of the non-extension of the referenced undertaking
    - MT 786 – Used to notify the beneficiary that the demand has been refused
    - MT 787 – Used to indicate acceptance or rejection by the beneficiary of the amendment

5   Securities: Category 5

Settlement and Reconciliation:

- **Address regulatory requirements in MT messages**
  - **MiFID II:** (Article 63) MT 535: Addition of
    - a quarterly statement frequency indicator in sequence A field 22F Indicator
    - a qualifier flag in field 17B in sequence A for Security Interest, Lien or Right of Set-Off
    - an optional narrative field in sequence C to transfer additional requirements as per article 63 on the account and holdings.
  - **CSDR:** add a new sequence 'Penalties' in MT 537 and MT 548. CSDs will implement a penalty mechanism for settlement fails which will serve as an effective deterrent for participants that cause settlement fails. Cash penalties will be calculated and reported on a daily basis for each business day that a transaction fails to be settled after its intended settlement date until the moment of the actual settlement date or until the end of buy-in process. In ISO 20022 a dedicated new message is being created, but the new sequence will cover the information in MT.
- **Align code word used in ISO 15022 with the one used in ISO 20022 for Buy in**
  In the different standard two codes existed to describe the same element. The definitions of these two codes were equal. As this code will be used for the CSDR regulation, it is decided to use BYIY in both to indicate that the transaction relates to a buy-in by the market following a delivery transaction failure.

Settlement and Reconciliation and Trade Initiation and Confirmation

- **Address regulatory requirements in MT messages**
  - **SFTR:** Addition of a new format option to indicate Unique Transaction Identifier (UTI) with 52 characters in each field where the deal reference is present.
  - **MiFIR:** Addition of a qualifier in field 17B to indicate Research Unbundling Amount Net Settlement Calculation Indicator.
  - **CSDR:** Add buy in indicator and buying agent.

Corporate Actions (CA): MT 564, MT 565, MT 566, MT 567

- Enhancements to meet regulatory needs with new format options:
  - Following the introduction of MIFID2 and MIFIR, some corporate events are reportable. To allow institutional investors to report the event, the LEI of some parties (for instance the Issuer) needs to be communicated in the CA announcement and CA instruction messages via a separate format option L in field 95a, similarly as to what exists already in other securities messages.
- Additional new qualifiers, codes to meet new business needs
- Update definitions, usage rules and rename qualifiers:
- Delete inconsistent qualifier, usage rule that has become invalid, etc.

Other Category 5:

The following message showed less than one live message per day sent over the network over the past 24 months and is accepted to be deleted in SR 2019:

- MT 559 Paying Agent's Claim

6 Commodities and Reference Data: Category 6

Replace Reporting Jurisdiction for Russia

The Federal Financial Market Service in Russia no longer exists. The code 'FFMS' was indicated in the User Handbook as optional code in MT 600 and MT 601 in field 22L Reporting Jurisdiction, but the code will be replaced by 'BankOfRussia' as they will be taking over the activities of the Federal Financial Market Service.

7 Travellers Cheques: Category 8

The following unused messages are planned for removal from the network in SR 2019:

- MT 800 - T/C Sales and Settlement Advice [Single]
- MT 824 - T/C Inventory Destruction/Cancellation Notice

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