



Market Practice Guidelines for Exceptions & Investigations

(Version 1.0, November 2012)

Note: Relevant regulations and any applicable legislation take precedence over the guidance notes issued by this body. These Guidelines represent an industry's best effort to assist peers in the interpretation and implementation of the relevant topic(s). The PMPG - or any of its Members - cannot be held responsible for any error in these Guidelines or any consequence thereof.

1. Introduction

The Payments Market Practice Group (PMPG) is an independent body of payments subject matter experts from Asia Pacific, Europe and North America. The mission of the PMPG is to:

- take stock of payments market practices across regions,
- discuss, explain, and document market practice issues, including possible commercial impact,
- recommend market practices, covering end-to-end transactions,
- propose best practice, business responsibilities and rules, message flows, consistent implementation of ISO messaging standards and exception definitions,
- ensure publication of recommended best practices,
- recommend payments market practices in response to changing compliance requirements

The PMPG provides a truly global forum to drive better market practices which, together with correct use of standards, will help in achieving full STP and improved customer service.

This document has three main sections:

- Market Practice Guidelines: describes the guidelines that the PMPG proposes to the global payments community.
- Frequently Asked Questions: addresses specific questions that have been raised to the PMPG in relation to the topics addressed in the document.
- Observations and Recommendations: comments on the general impact of the guidelines and areas of further discussion.

The document starts by giving the background and contains a glossary at the end.

The PMPG will regularly review these guidelines, using the frequently asked questions and community feedback as input.

2. Background

The purpose of this document is to establish market practice guidelines for the handling of exceptions & investigations (E&I) resulting from cross-border payments, including best practices for return payments. The market practices guidelines apply only to cases for which no different preliminary agreement exists.

The proposed guidelines address the below issues and inefficiencies in the market place:

- while Straight Through Processing (STP) has increased for payment processing overall, the manual effort to handle exceptions & investigations has increased over the last years
- the legacy MT messages are largely unstructured and the ISO20022 E&I messages have not yet found wide adoption
- the increase in regulatory, screening requirements is causing an increase in the launch of inquiries with sending institutions to obtain incremental payment details. A lack of automation in this process is causing payment delays and further investigations
- a lack of industry standards to issue return payments

The PMPG believes that:

- cross-border and correspondent relationships should be supported by a clear servicing agreement, including E&I processes. This is essential to streamline the end-to-end payment processes avoiding redundant and expensive manual processes and further investigations
- if a preliminary servicing agreement is not established, then a standard methodology should be followed. In this case the proposed market practice guidelines will enable automation and improve the customer experience
- the proposed guidelines aim at streamlining processes and work and thus reducing costs in customer service and reconciliation departments by providing a clear process for E&I
- the proposed market practice guidelines should be read together with the “PMPG Market Practice Guidelines for the International Payment Charges Claiming Process” as the charges claiming processes and investigations are closely related.

3. Market Practice Guidelines (MPG) for Exceptions & Investigation Processes

MPG E&I #1: ISO20022 business process model should be followed

The market is still working on adopting ISO20022 for E&I. The underlying work that the industry has done to document the end-to-end investigation process flow is relevant regardless of message formats and should still be used as the standard process model:

http://www.iso20022.org/business_model.page

MPG E&I #2: If financial institutions are able to use ISO20022 E&I messages, then this should be the preferred method

The use of the ISO20022 E&I messages is still very low in the industry, but those financial institutions that are able support them should use them on a bilateral basis.

MPG E&I #3: Investigations should be submitted in structured form

To support automation, use of the MT 199 *Free Format Message* should be avoided or replaced with the appropriate MTs when possible:

- MT 192 *Request for Cancellation* for a request to cancel a payment:
- MT 195 *Queries* for a request to modify a payment
- MT 195 *Queries* for a claim of non receipt
- MT 195 *Queries* for an unable to apply

MPG E&I #4: Prioritization of certain investigation and inquiry types

Today in many cases inquiries are treated on a first in first out basis. However, the increase in regulatory related inquiries and the desire to improve fraud detection require some inquiry types to be treated with higher priority and to be considered urgent:

- Requests to cancel payments
 - MT 192 Request for Cancellation
 - camt.055 CustomerPaymentCancellationRequest
 - camt.056 FIToFIPaymentCancellationRequest)
- Inquiries, using
 - codes 33, 48, 49, in field 75 of the MT 195 Queries
 - codes MM25 to MM31 in element <IncrrectInf> of the camt.026 UnableToApply

Financial institutions should build routines into their investigation processes that allow for a prioritization of inquiries based on these tags.

MPG E&I #5: The investigation initiation message should include the following details:

- Request to cancel a payment:
Full and correct payment details, payment reference, currency/amount, date of payment. For ISO20022 messages one of the following reasons maybe used in the CancellationReason2Code field:

Code	Name Definition
AGNT	IncorrectAgent Agent in the payment workflow is incorrect.
CURR	IncorrectCurrency Currency of the payment is incorrect.
CUST	RequestedByCustomer Cancellation requested by the Debtor.
DUPL	DuplicatePayment Payment is a duplicate of another payment.
SUSP	SuspiciousPayment Payment is a suspicious payment.
UPAY	UnduePayment Payment is not justified.

- Request to modify a payment:
Full and correct payment details, payment reference, currency/amount, date of payment, information if confirmation of amendment and/or credit is requested
- Claim non receipt:
Full payment details, payment reference, currency/amount, date of payment

- Unable to apply:
Full payment details, payment reference, currency/amount, date of payment, full missing/unclear information which is requested
- Compliance:
Message must include information that the request concerns a fraud/compliance case with details depending on inquiry type
- Fraud:
Message must include information that the request concerns a fraud/compliance case with details depending on inquiry type

MPG E&I #6: Responses to investigation messages should be in structured form

The MT 196 *Answers* should be used in response to the MT 192 and MT 195.

MPG E&I #7: The investigation response message should include the following details:

- Request to cancel a payment:
Reference to the investigation message and result of the investigation. If cancellation has been successful, then the return of funds as referenced in MPG #9
- Request to modify a payment:
If requested, confirmation of amendment and credit to the final beneficiary
- Claim non receipt:
Full credit details (date, amount and reference of credit to the final beneficiary)
- Unable to apply:
Additional credit party details (full name and address, credit account number)
- Fraud/Compliance:
Request for cancellation (fraud), Null and void / Debit Authorization, return payment (MT 202), clear return instructions provided by correspondent/beneficiary bank
- Unable to apply/compliance related:
Full credit details (date, amount and reference of credit to the final beneficiary)

MPG E&I #8: A status update should be provided to the case creator

For fraud and compliance related cases a status update message should be sent daily. For all other inquiries a status update message should be sent:

- every second business day if the payment is above USD 100,000 or equivalent
- every fifth business day for all other payments

MPG E&I #9: Return of funds should contain structured details

If funds are returned either following a request by the ordering bank or an unable to apply at beneficiary side, then the return payment should carry details about the returned item in field 72 in line with the SWIFT MT message reference guide *Usage Guidelines* volume. Funds received via MT 103 should be returned via MT 103. Funds received via MT 202 (COV) should be returned via MT 202 (COV). The following information should be included in field 72:

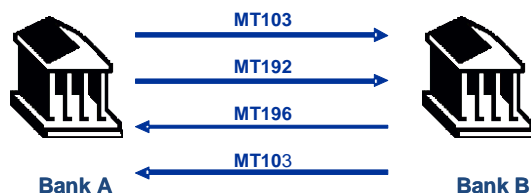
- /RETN/ followed by the field that causes the return (mandatory)
- /reason code/ taken from and structured in line with the same *Usage Guidelines* (mandatory), followed by reason text (optional)
- /MREF/ followed by the reference of the original message (mandatory)
- /TREF/ followed by the transaction reference (optional)
- /CHGS/ followed by ISO currency code and charges amount (optional)
- /TEXT/ followed by further narrative (optional)

MPG E&I #10: Any charges claimed for an investigation (except for a returned payment) should be administered via the process outlined in the *PMPG Market Practice Guidelines for the International Payment Charges Claiming Process* published on www.pmpg.inf

4. Process flow - Examples

4.1 Request to cancel a payment and return of funds

Bank B receives a customer transfer (MT 103) from Bank A. Bank A sends a cancellation request (MT 192) asking for a return of funds. Bank B acknowledges the request with an MT 196. Bank B returns the funds via MT 103.



Message type	103
Sender reference number	:20: 948LA
Bank operation code	:23B: CRED
Value Date/Currency/Instructed Amount	:32A: 120828CAD1958,47
Ordering customer	:50K: /122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada
Beneficiary customer	:59: /502664959 H.F. JANSSEN

	LEDEBOERSTRAAT 27
	AMSTERDAM
Details of charges	:71A: SHA

<i>Message type</i>	<i>192</i>
Transaction reference number	:20: 516722
Ref. of message to be cancelled	:21: 948LA
MT and date of original message	:11S: 103 120827
Copy of the mandatory fields of the message to be cancelled	:20:948LA :23B: CRED :32A: 120828CAD1958,47 :50K:/122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada :59:/502664959 H.F. JANSSEN LEDEBOERSTRAAT 27 AMSTERDAM :71A:SHA

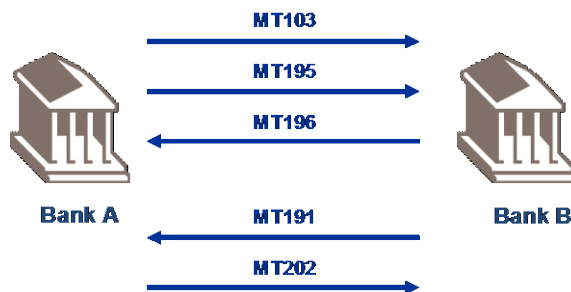
<i>Message type</i>	<i>196</i>
Transaction reference number	:20: 6344AN
TRN of request for cancellation (Reference of MT 192)	:21: 516722
Answer	:76:/13/Payment will be returned
MT and date of original message	:11R:103 120827

<i>Message type</i>	<i>103</i>
Transaction reference number	:20:516722
Bank Operation Code	23B:CRED
Value date, currency and amount	:32A: 120828CAD1958,47
Ordering Customer	:50K: /122267890 BIOCOM

Beneficiary	123 Windsor St Toronto, ON M8Y 1A4 Canada :59:/502664959 H.F. JANSSEN LEDEBOERSTRAAT 27 AMSTERDAM
Sender to Receiver Information	:72:/RETN/50K /XR01/ ¹ /MREF/948LA

4.2 Request to modify a payment

Bank B receives a customer transfer (MT 103) from Bank A. Bank A sends a modification instruction (MT 195) requesting a change to the charging code. Bank B acknowledges the request with an MT 196. Upon useful completion of the amendment Bank B generates a claim against Bank A by sending an MT 191.



<i>Message type</i>	<i>103</i>
Sender reference number	:20:993LA
Bank operation code	:23B:CRED
Value Date/Currency/Instructed Amount	:32A:120828CAD350000,99
Ordering customer	:50K:/122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada
Beneficiary customer	:59:/502664959 H.F. JANSSEN LEDEBOERSTRAAT 27 AMSTERDAM
Details of charges	:71A:OUR

¹ Following Cancellation Request

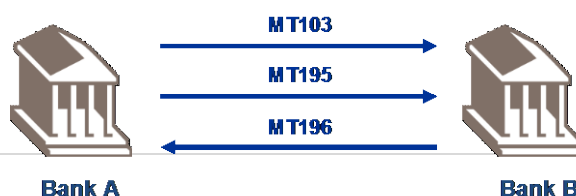
<i>Message type</i>	<i>195</i>
Transaction reference number	:20: AVC6735
Ref. of message that query relates to	:21:993LA
Queries	:75:/17/71A/SHA
MT and date of original message	:11S:103 120827
Copy of the mandatory fields of the message to be modified	:20:993LA :23B:CRED :32A:120828CAD350000,99 :50K:/122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada :59:/502664959 H.F. JANSSEN LEDEBOERSTRAAT 27 AMSTERDAM :71A:OUR

<i>Message type</i>	<i>196</i>
Transaction reference number	:20:6469AD
TRN of request for modification (Reference of MT 195)	:21: 516733
Answer	:76: /8/
MT and date of original message	:11R:103 120827

Claim messages not shown here.

4.3 Beneficiary claims non receipt

Bank B receives a customer transfer (MT 103) from Bank A. Bank A sends query message (MT 195) stating that the beneficiary claims non receipt of the payment. Bank B acknowledges the request with an MT 196. Upon successful completion of the investigation Bank B informs Bank A about the outcome of the investigation.



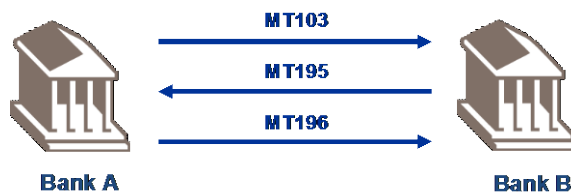
<i>Message type</i>	<i>103</i>
Sender reference number	:20:2233NA
Bank operation code	:23B:CRED
Value Date/Currency/Instructed Amount	:32A:120828HKD12786,78
Ordering customer	:50K:/122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada
Beneficiary customer	:59:/324788294 Lee Import 78 Sing Wood Rd Happy Valley Hong Kong
Details of charges	:71A:SHA

<i>Message type</i>	<i>195</i>
Transaction reference number	:20: 516884
Ref. of message that query relates to	:21: 2233NA
Queries	:75:/3/
MT and date of original message	:11S:103 120827
Copy of the mandatory fields of the message that the query relates to	:20: 2233NA :23B:CRED :32A: 120828HKD12786,78 :50K:/122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada :59:/ 324788294 Lee Import 78 Sing Wood Rd Happy Valley Hong Kong :71A:SHA

<i>Message type</i>	<i>196</i>
Transaction reference number	:20:6532AP
TRN of request for modification (Reference of MT 195)	:21:516735
Answer	:76:/2/120829
MT and date of original message	:11R:103 120827

4.4 Investigation in relation to regulatory screening

Bank B receives an MT 103 from Bank A. During processing Bank B cannot complete the posting due to incomplete ordering customer details that are needed for regulatory screening. Bank B sends an inquiry to Bank A, Bank A responds with the details.



<i>Message type</i>	<i>103</i>
Sender reference number	:20:2246OR
Bank operation code	:23B:CRED
Value Date/Currency/Instructed Amount	:32A:120828HKD34286,12
Ordering customer	:50K:/122267890 BIOCOM
Beneficiary customer	:59:/324788294 Lee Import 78 Sing Wood Rd Happy Valley Hong Kong
Details of charges	:71A:SHA

<i>Message type</i>	<i>195</i>
Transaction reference number	:20: 516994
Ref. of message that query relates to	:21: 2246OR
Queries	:75:/49/50K
MT and date of original message	:11R:103 120827
Copy of the mandatory fields of the message that the query relates to	:20: 2233NA :23B: CRED

	:32A: 120828HKD34286,12
	:50K:/122267890
	BIOCOM
	:59:/ 324788294
	Lee Import 78 Sing Wood Rd
	Happy Valley
	Hong Kong
	:71A:SHA

<i>Message type</i>	<i>196</i>
Transaction reference number	:20:6539TQ
TRN of query message (Reference of MT 195)	:21: 516994
Answer	:76: /23/50K/ /122267890 BIOCOM 123 Windsor St Toronto, ON M8Y 1A4 Canada
MT and date of original message	:11S:103 120827

5. Frequently Asked Questions

Q1: *Should we use the ISO20022 messages for E&I or the MT19x messages?*

A: As stated in MPG E&I #2 if two financial institutions are capable of using the ISO20022 E&I messages then they should use these to manage their investigations.

Q2: *For returns that are not the result of a cancellation request should the same return process be used as outlined in MPG E&I #9?*

A: Yes, to enable account owners to easily identify returned items the message structure as outlined in MPG E&I #9 should be used. The ISO20022 list with Return Reason Codes makes it easier to communicate the reason for the returned payment in a structured format and thus support further automation.

Q3: *Where can I find a complete list of the query and response codes that are being used in field 75 and 76?*

A: The list can be found in the SWIFT MT Message Reference Guide for Category n Common Group Messages.

6. Observations and Recommendations

1. We encourage SWIFT to publish an integrated rulebook on the investigation processes.
2. Many banks use the unstructured MT 199 for their investigation processes. While in rare cases this is not avoidable, as a general recommendation the PMPG wants to encourage the market to refrain from the use of the unstructured option and use better structured methods as outlined above.

This document and other information is available on the PMPG website:

www.pmpg.info