PMPG
Payments Market Practice Group

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Cover Payments

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Payments Market Practice Group

The Payments Market Practice Group (PMPG) is an independent body of payments subject matter experts from Asia Pacific, EMEA 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 20022 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 straight-through-processing and improved customer service.

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AS OF THIS VERSION, THE DOCUMENT HAS BEEN FULLY CONVERTED TO ISO 20022 REFERENCES. SEE SECTION 6 FOR THE MT EQUIVALENTS FOR THOSE STILL USING MT MESSAGING. 6

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1. Introduction

The Cover Payment document was the first Market Practice Guideline published by the PMPG in 2008. Following several updates, version 3.0 was published in 2017. Significant developments have been in motion since 2017 - these could be summarized as:

- A general trend towards faster payments
- Introduction of sectoral sanctions
- Improved transparency by adopting Swift gpi
- Implementation of ISO 20022 messages
- Introduction of the Swift Transaction Manager Platform (TM)

In this document, we will use the term *Financial Institution Credit Transfer (COV)* or *FI CT (COV)* for short to mean pacs.009 COV.

When a recommendation or reference is made that pertains only to a specific implementation of the FI CT (COV), the document will reference the specific message type, such as pacs.009 COV.

In addition to the change in message format, the Swift community is moving away from a message-processing model to the end-to-end transaction orchestration with the transaction copy concept that was implemented in the Swift Transaction Manager Platform (TM). The Swift TM provides the industry with more visibility into the underlying transaction flow.

This document intends to provide further awareness over issues for those communities that use the Cover method within established risk boundaries.

The important industry issues highlighted in this document include:

- Heightened awareness over the impact of the 2019 Singapore court case (*see page 8*) on Direct and Cover payments.
- The need to support two different legal interpretations of Direct and Cover messages. One implied contract model and second, the Direct as an advice (see page x).
- An existing practice in some communities of a pacs.009 as a Direct message that is Covered by a pacs.009ADV (see page y).

As of this version, the document has been fully converted to ISO 20022 references. See section 6 for the MT equivalents for those still using MT messaging.

1.1 Background

In response to recommendations made by the Wolfsberg Group[1] and the Clearing House in 2007 to improve the transparency of Direct and Cover Payments, and with the consensus of the Swift community, Swift defined a dedicated message to support Cover payments - the **MT 202 COV**, that was implemented for general use in the 2009 Standards Release. With the migration to ISO 20022, it was replaced by the pacs.009 COV. The use of this variant will be determined by the sending bank based on the initial transaction type.



The pacs.009 COV is sent by a debtor financial institution to a creditor financial institution, directly or through other agents and/or a payment clearing and settlement system.

It is used to move funds from a debtor account to a creditor, where both debtor and creditor are financial institutions. It must only be used to order the movement of funds related to a single Underlying Customer Credit Transfer (pacs.008) that was sent with the cover method. The pacs.009 COV must not be used for any other Financial Institution Credit Transfer. For other Financial Institution Credit Transfers the pacs.009 must be used.

***Note:** The Creditor does not receive the pacs.009 COV directly but is advised via MT 910/camt.054 or relies on MT950/camt.053 to reconcile the credit.*

This statement should be read carefully by everyone using pacs.009 COV as it drives considerations such as:

- no limitation to specific currencies or regions - the pacs.009 COV is universal
- it is specific to Cover a single customer credit transfer (pacs.008)
- the pacs.009 COV is not an alternative message type but the exclusive method to Cover third-party payments, it is not to be used to Cover any other message type
- the pacs.009 is also a valid message for interbank transfers, but must not be used to Cover the funds related to an underlying customer credit transfer

The PMPG acknowledges that most commercial payments are settled using the Serial payment method (as illustrated in the CBPR+ User Handbook) rather than by the Cover payment method. The scope of this document is not to address the Serial method[2]. This document is provided for the benefit of communities that use the Cover method within their recognized risk boundaries.

In July 2016, the Bank for International Settlement (BIS) Committee on Payments and Market Infrastructures (CPMI) discussed the topic of MT 202 COV in its technical report on Correspondent Banking and acknowledged that "*according to information received during the consultation process of this report, clearing systems limitations as well as time zone considerations necessitate that both the Serial MT 103 and the Cover MT 202 COV methods remain relevant, […]*".

The CPMI invited the Wolfsberg Group, as well as the PMPG, "*to review their principles governing the use-cases for payment messages, such as the PMPG's Market Practice Guidelines and White Papers."* Responding to this request, the PMPG had published version 3.0 of the MT 202 COV Market Practice Guidelines.

An updated version (version 4.1) of these guidelines becomes necessary as the industry is completing migration of all payment messages to the ISO 20022 standard and MT202 COV messages will be sunset and replaced with pacs.009 COV messages in November 2025.

It should also be noted that in some markets, banks may send a pacs.009ADVice message in support of a Direct cross-border pacs.009 Financial Institution Credit Transfer. In this scenario, the pacs.009 Financial Institutions Credit Transfer message represents the actual payment instruction transmitted through the settlement chain in a serial manner. The pacs.009ADV, by contrast, is sent ahead of settlement to the creditor agent and serves solely as an early notification to support

[1] Home - Wolfsberg Group (wolfsberg-group.org)
[2] The reader should also consult the PMPG FATF Recommendation 16 Market Practice Guideline on the PMPG website – www.pmpg.info

liquidity and position management. This differs fundamentally from the traditional use of pacs.009 COV as a cover message, where it accompanies and facilitates the settlement of a separate payment instruction such as a pacs.008. By contrast, a pacs.009ADV does not "cover" nor facilitate settlement of another message; it simply provides advance information about an upcoming pacs.009.

Although this advisory use of pacs.009 ADV is less common, it is included in the document for the sake of completeness.

1.2 ISO 20022 Cover messages

In ISO 20022, the Cover message is not a dedicated message like the MT 202 COV was but is identified via a specific sub-element in the pacs.009. When a pacs.009 is used as a Cover message, the **Underlying Customer Credit Transfer** complex element is present[3].

The **Underlying Customer Credit Transfer** complex element contains all relevant elements of the underlying pacs.008 that is being Covered by the pacs.009 (see FAQ 12 for more information).

In this document, we refer to the pacs.009 that has the Underlying Customer Credit Transfer complex element present as a *CBPRPlus-pacs.009.001.08_COV_FinancialInstitutionCreditTransfer* (pacs.009 COV).

CBPR+ has defined a dedicated Usage Guideline for the pacs.009 when used as a Cover.

A dedicated Usage Guideline of the pacs.009 has been formally defined as *CBPRPlus-pacs.009.001.08_ADV_FinancialInstitutionCreditTransfer* (pacs.009 ADV). The pacs.009 ADV is used to pre-advise the Creditor Agent of an expected funds movement, with the actual settlement instruction conveyed in a separate pacs.009 message. In this context, the Settlement Method in the pacs.009 ADV is fixed to 'COVE', and the message must be used exclusively as a direct advice to the receiving agent in support of the corresponding pacs.009 payment. It must not be used in conjunction with a pacs.009 COV[4] message.

2 Market Practice Guidelines for FI CT (COV)

MPG FI CT (COV) #1: Business Principles

The FI CT (COV) is a specific use case of the FI CT. Therefore, the FI CT (COV) is also an inter-bank financial institution transfer.

The **Underlying Customer Credit Transfer** element of the pacs.009 COV is a copy of a selection of elements of the underlying pacs.008 customer credit transfer (Direct). Its elements must remain unchanged as the message passes through the banking chain.

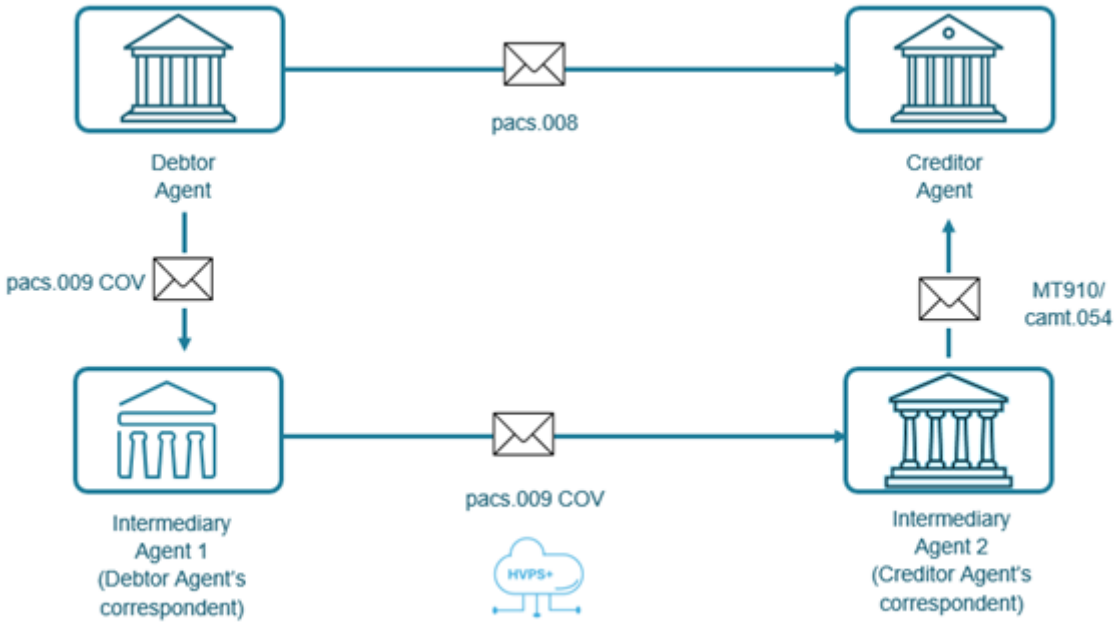
Please note that the Debtor, Debtor Agent, Creditor Agent and Creditor are all mandatory elements.

Use of the Underlying Customer Credit Transfer element by the Intermediary Agent enables fulfilment of compliance obligations.

The pacs.009 COV must not be used as an alternative message type for pacs.008.

[3] The complete path to the element is: **/Document/FICdtTrf/CdtTrfTxInf/UndrlygCstmrCdtTrf**
[4] Reason for that is that the pacs.009 (cov) only supports the Underlying Customer Credit Transfer complex element and not an Underlying Financial Institution Credit Transfer complex element.

Figure 1: Direct (pacs.008) and Cover (pacs.009 COV) message flow



***Note**:*

The Creditor Agent does not receive the pacs.009 COV directly. Settlement is notified via a credit advice (MT910 / camt.054) and, where applicable, reconciled through end-of-day statements (MT950 / camt.053). In some payment market infrastructures (e.g. HVPS+), an equivalent notification or reporting message may be used where Swift messages are not natively supported.

Existing commercial relationships between the Instructed Agent and Instructing Agent should not change due to the usage of the pacs.009 COV.

Note for Awareness

It is worth noting that the relationship between the Direct and Cover is evolving. A 2019 court case in Singapore highlighted that the industry view was that the MT 103 and MT 202 COV (now pacs.008 and pacs.009 COV) existed independently from each other. The receipt of the pacs.008 might be seen as an implied contract between the Instructing Agent and Instructed Agent in some local jurisdictions. Hence, the receipt by the Instructed Agent and good faith execution of the payment order creates the obligation for the bank sending the Direct message to settle the transaction.

The use of the Unique End-to-End Transaction Reference (UETR) in ISO 20022, in addition to the transaction identification data element, challenges the view of Direct and Cover independence. In ISO 20022, the UETR connects the Cover message to the Direct message, so that a single transaction can be facilitated via multiple underlying messages[5]. The Direct and Cover combine to

[5] The camt.054 (Debit Credit Notification) should reference the same UETR as the pacs.008 and pacs.009 COV.

make a whole transaction and hence create a transactional linkage that was absent in the MT model. In the Swift TM data model, Direct, Cover and Return (if applicable) are all linked into the same transaction copy.

Whilst it is recognized practice by the Instructed Agent to execute payment instructions on the basis of a risk-based approach as per internal process, the evolution of the relationship between Direct and Cover requires heightened attention by the Instructing Agent. To highlight the risks arising in the current model, **MPG FI CT (COV) #14** has been introduced.

The need for the option to indicate if settlement of the Direct message is promised or if the creditor should treat the Direct message as advice only, subject to credit upon receipt of the Cover provided the opportunity to implement a new Service Level Code.

The length of the Cover chain and jurisdictions involved will play a role in the decision of the bank creating the Direct and Cover. The Instructing Agent should have the option to indicate to the next Agent/ Creditor that the credit to the Creditor customer is conditional upon receipt of the Cover only.

- The PMPG recognizes that this optionality will require the consideration and implementation of new processes by the global industry. The migration from MT to ISO 20022 provides a unique opportunity to address this market problem long term. This includes the introduction of a new Service Level Code (see MPG FI CT (COV) #16).

If needed, a dedicated Usage Guideline could be introduced in the future.

MPG FI CT (COV) #2: Timing of Screening

Efforts should be made to avoid payment delays associated with regulatory screening by the Instructed Agent; screening should take place upon receipt of the payment. Suspect hits might require further investigation by the financial institution's compliance department or government agencies to differentiate between real hits and "false positives". Screening upon receipt allows maximum time for remediation and minimizes the possibility of delays. Timelines of transaction processing have become more visible for Swift gpi transactions.

⚠ ***Note:*** *Additional screening might be required depending on local regulatory standards, updated lists, and/or a time lag between the time the payment is received and the actual execution of the payment. Further delays might arise if the receiving institution needs to request additional information from the sending institution via a Request for Information (RfI). In ISO 20022 messages, additional data elements are available that if used properly can pre-empt an RfI. Examples include the date of birth in the Private Identification complex element or use of the Purpose element.*

MPG FI CT (COV) #3: Operational risk

A delay or rejection in processing of the pacs.009 COV should be advised as quickly as possible, unless prohibited by law, with:

- An update to the gpi tracker (via API, trck or MT299[6] - preferred option for gpi members[7])
- A pacs.002 message, including the appropriate reject reason code, sent to the previous financial institution (Instructing Agent) in the Cover payment chain.
- Where settlement of the pacs.009 COV has already been completed and a return of funds is required, the return should be executed using a pacs.004 message, in

[6] Swift has created a specific tracker message (trck.001)
[7] SWIFT gpi SLA requirements apply

accordance with PMPG best practice. Additional guidance is provided in the PMPG *"Best Practice Guidance for the Return of Funds and Rejects of Payments"*.

Upon receipt of such notification, the Instructing Agent should immediately inform the creditor and, where relevant, debtor's agent of the delay or rejection. Depending on the specific case, appropriate follow-up actions should then be initiated, which may include cancellation of the original pacs.008 payment via camt.056 message of the use of relevant exceptions and investigations message.

MPG FI CT (COV) #4: Multiple Credit Transfers

A Debtor Agent must NOT use a single pacs.009 COV to cover more than one underlying customer credit transfer. Each individual credit transfer must be covered by its own corresponding pacs.009 COV.

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⚠ ***Note**: pacs.009 ADV with the settlement method 'COVE', used to notify an agent of an incoming pacs.009 payment, does not include the underlying customer credit transfer complex element and is therefore a regular pacs.009 Financial Institution Credit Transfer message. In this context, the pacs.009ADV serves as a pre-notification on an expected receipt only.*

MPG FI CT (COV) #5: Clearing systems and pacs.009 COV

Market Infrastructures should be able to process the pacs.009 COV or an equivalent format, to ensure end-to-end transmission of the underlying transaction data. Where such support is lacking, the local user community will be forced to implement local workarounds within the clearing process, leading to data truncation, increased friction, and elevated operational and non-financial risk.

MPG FI CT (COV) #6: Meaningless or incomplete information

A Debtor Agent must ensure that cross-border commercial payments include accurate and meaningful information for both the Debtor and Creditor, in line with local regulatory requirements FATF Recommendation 16. Poor practices have been observed where placeholders such as "NOTPROVIDED", or irrelevant fill data (e.g. XXX) have been used to populate mandatory or optional postal address data elements. Such practices undermine transparency and compliance and must be avoided.

This requirement applies equally to the Debtor and Creditor elements in the Underlying Customer Credit Transfer element of the pacs.009 COV.

A guideline to the formatting these fields is provided in the PMPG's "Guidelines to comply with FATF Recommendation 16" on the PMPG website.

The Debtor, Debtor Account, Creditor and Creditor Account elements in the Underlying Customer Credit Transfer element of the pacs.009 COV must match exactly with those in the corresponding pacs.008[8] message.

[8] Please note that debtor element, debtor account element, creditor element and creditor account element are complex data elements and all sub-elements (e.g. debtor name, postal address etc.) need to be included.

MPG FI CT (COV) #7: Use of BICs to identify financial institutions

Whenever a Financial Institution BIC is available, the Debtor Agent should use the BICFI element in the ISO 20022 message for any Agent involved in the payment chain. If no BIC exists, then the Agent's name and postal address must be provided. Additional organizational identifiers such as an LEI can be added. This equally applies to all Agent elements in the Underlying Customer Credit Transfer elements of the pacs.009 COV (as a copy of the Agents referenced in the pacs.008) where the provision of structured information on all Agents enables easier and faster screening by (intermediary) Agents.

MPG FI CT (COV) #8: Roles and Responsibilities

The Debtor Agent responsibilities are to:

- Use the correct message type for the transfer.
- Use the pacs.009 COV instead of the pacs.009 if the Cover method is chosen. Using the incorrect message type may be interpreted as an attempt to circumvent transparency obligations, disrupt downstream processing, and is inconstant with industry standards. It may also result in a violation of local regulatory requirements and/or FATF Recommendation 16. Additionally, the Transaction Manager will validate that the pacs.008 marked with Settlement Method "COVE" is properly matched by a corresponding pacs.009 COV under the same UETR. If regular pacs.009 is used instead, the message will be rejected.
- when a pacs.009 ADV is used, the Agent creating both the pacs.009 payment and the pacs.009 ADV must ensure that all Agents referenced in the pacs.009 ADV are also reflected in the actual payment chain of the pacs.009 message to maintain consistency and transparency.

The Intermediary Agent's responsibilities are to:

- To submit the Underlying Customer Credit Transfer component of the pacs.009 COV unaltered to the next agent in the payment chain.
- Fulfill its compliance obligations (i.e., screening the message against applicable regulatory and sanctions filters in accordance with local laws and regulations).

MPG FI CT (COV) #9: Claims & Compensation

The FI CT COV process should utilize the existing processes established for pacs.008 compensation claims.



***Note**: in most cases, a delay in pacs.008 processing, due to regulatory screening, does not result in a claim unless real use of funds exists by the Intermediary Agent.*

MPG FI CT (COV) #10: Honoring of cut-off times

The pacs.009 COV should follow existing cut-off times for Customer Credit Transfers in RTGS systems and should not be used during time periods reserved for interbank settlement, unless it has been pre-agreed between the instructing and instructed agents or is local market practice.

MPG FI CT (COV) #11: Return of Funds

The FI CT COV process should follow best practice guidance for the correct usage of the pacs.004 as outlines in the PMPGs "Best Practice Guidance for the Return of Funds and Rejects of Payments" available on the PMPG document center.

MPG FI CT (COV) #12: Reference Identification

The End-to-End Identification element in the pacs.009 COV must transport the Instruction ID of the underlying pacs.008 (being Covered). The UETR element in the pacs.009 COV must be the same UETR as the underlying pacs.008. This ensures consistency, as there is only one UETR for both the pacs.008 and the corresponding pacs.009COV, clearly articulating that both messages are part of the same transaction. Related to MPG #1.

In the pacs.009 COV the initiator of the payment is an Agent, therefore the End-to-End Identification is available as a reference element of the Agent generating the pacs.009 COV

⚠ ***Note**: The single UETR shared between the pacs.008 and the pacs.009COV also enables the Transaction Manager and gpi Tracker to safeguard the processing of both messages and provide transparency on their status within the payment chain.*

MPG FI CT (COV) #13: Cancellation in the Direct and Cover Payment Chain

The Agent that initiated both the Direct (pacs.008) and Cover (pacs.009 COV) messages is responsible for sending a payment cancellation message (MT 192/camt.056) to the Instructed Agent of the Direct message (the Creditor Agent). Alternatively, if available, the gpi Stop & Recall Service (gSRP)[9] may be used. Upon receipt of the cancellation request, the Instructed Agent will assess the status of the pacs.008 payment:

- If the funds have not yet been credited to the Creditor, the Instructed Agent may consider the instruction null and void, and confirm the cancellation using MT 196/camt.029 or gSRP response
- If the funds have already been credited to the Creditor, the Instructed Agent must first obtain appropriate debit authority or customer consent before reversing the funds. Only then can the return of funds be initiated.

It is the responsibility of the Agent responding to the cancellation to initiate the Return payment, as necessary, once the corresponding Cover funds are received.

MPG FI CT (COV) #14: Use of Direct and Cover Without Settlement Coordination

In cross-border payment flows, it remains common market practice for **Instructing Agents** to initiate Direct (pacs.008) and Cover (pacs.009 COV) messages independently, without a formal settlement coordination mechanism such as the “Wait for Settlement” (WFSM) Service Level Code. While this approach reflects longstanding behavior and legacy messaging limitations, it introduces a material risk: the Cover payment may be delayed, seized, or blocked by Intermediary Agents, while the Direct message proceeds and is acted upon in good faith by the Creditor Agent.

This market practice outlines the responsibilities of both the Instructing Agent, who initiates the Direct and Cover payments, and the **Creditor Agent**, who must assess the settlement risk and determine whether to credit the funds before final settlement is confirmed. The intent is to raise awareness of the risks inherent in uncoordinated settlement and to promote a more deliberate, risk-managed approach going forward.

Agent Responsibilities:

Instructing Agent:

- Ensure awareness that initiating pacs.008 and pacs.009 COV independently, without WFSM agreement in place, introduces a settlement risk

[9] Some banks might send a MT292 via the Cover chain but this is not required

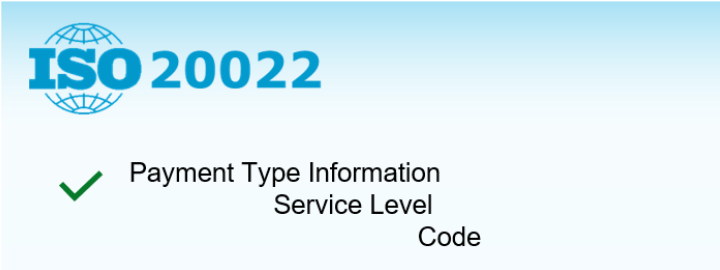
- Understand that delays or blocking of the pacs.009 COV does not release the Instructing Agent from the settlement obligation created by pacs.008
- Consider using the WFSM service level code if bilateral agreement exists, to hold execution until cover is confirmed
- Evaluate internal risk policies and operational readiness when choosing to split Direct and Cover

Creditor Agent (Receiving pacs.008):

- Assess whether to credit the creditor based on the settlement status of the expected pacs.009 COV
- Apply a risk-based approach factoring in:
    - Counterparty risk of the instructing agent
    - Operational/settlement risk of delayed or blocked funds
    - Regulatory obligations related to finality of funds
- Optionally inform the creditor that funds are not final if pacs.009 COV is not yet received
- Consider bilateral agreements or operational safeguards to minimize reliance on uncoordinated settlement.

MPG FI CT (COV) #15: Use of the Wait for Settlement Service Level Code

The 'Wait for Settlement' Service Level Code (WFSM) may be used in the pacs.008 message Settlement Method COVE by placing it in the Service Level element :



Path: FIToFICstmrCdtTrf/CdtTrfTxInf/PmtTpInf/SvcLvl/Cd

Path: FICdtTrf/CdtTrfTxInf/PmtTpInf/SvcLvl/Cd

Use of the 'WFSM' SLA Code must be bilaterally agreed between the Instructing and Instructed Agents before application. In the absence of such an agreement – which may also be implied under applicable local law – the Instructed Agent may ignore the code and proceed with settlement in accordance with its standard processing rules.

While adoption of WSFM remains limited during the current coexistence/transition period, its use is strongly recommended to improve the settlement coordination and mitigate risk in direct and cover payment flows, as highlighted in MPG FI CT (COV) #14.

MPG FI CT (COV) #16: Time out of advice payment

A Direct message with the service level code element, such as 'WFSM' should be deemed null and void if the settlement of the Cover does not take place within 5 business days. The Creditor Agent should confirm the rejection via a pacs.002 with the code word RJCT.

3 Frequently Asked Questions

Q1: If the Creditor Agent has credited the creditor's account based on the pacs.008 and the Covering funds are not received for reasons that outside of the control of the Instructed Agent that received the Direct message, what is the recourse of that Instructed Agent?

A: Crediting a beneficiary's account based on the receipt of a pacs.008 without receipt of the Cover payment is a policy decision. Each institution has deployed a process that has been approved by its internal risk committees. Policies should be reviewed on a regular basis as part of the pacs.009 COV handling to ensure proper reflection in internal financial risk policies. As highlighted in **MPG FI CT (COV)#1,** crediting the creditor's account in good faith can be seen as an implied contract and obligate the Instructing Agent of the Direct message to settle this obligation.

Q2: Does the usage of the FI CT (COV) create issues by delaying Cover payments due to screening (for example missed cut-off time) and result in late payments to beneficiaries?

A: While Cover payments may introduce additional screening steps, the structured format of pacs.009 under ISO 20022 enables better quality and improves straight-through processing. When properly populated with complete debtor and creditor information, the risk of false positives is significantly reduced. Debtor and intermediary agents should follow market practices, particularly MPG FI CT (COV) #6, to ensure efficient and timely processing.

Q3: Does the regulatory screening requirement of the FI CT (COV) create the possibility of a delay in the execution of Cover payments and could any party in the chain benefit from float?

A: Regulatory screening may occasionally delay the execution of a pacs.009 COV payment, particularly if additional checks are required. However, such delays should never result from deliberate withholding or be used to gain financial advantage.

As with all interbank payments, the debit from the instructing agent's account and the credit to the instructed agent's account should occur on the agreed value date. No party in the payment chain should benefit from float or be unjustly enriched due to the application of AML/CFT controls.

Q4: Will additional charges be applied to FI CT (COV) as the information of the pacs.008 will be mirrored in the message?

A: As per **MPG MT 202 COV #1,** the FI CT (COV) is not changing the nature of the pacs.009 COV. As the FI CT (COV) remains an inter-financial institution transfer, no charges must be deducted from the principal amount.

Q5: Can a Debtor Agent be exposed to territorial risks such as boycotts, embargoes, or watchlists, even if these fall outside its home jurisdiction?

A: Yes. Banks should recognize that in cross-border transactions, not only local laws but also regulations, sanctions, and compliance requirements relevant to the currency used and jurisdictions along the transaction chain may apply. This includes the potential for seizure or delay of cover payments due to sanctions or other territorial controls.

However, this risk is not unique to the use of FI CT (COV) Cover payments. The PMPG emphasizes that the introduction of the Cover method does not alter the ongoing responsibility of

banks to be fully aware of, and comply with, all regulatory frameworks that may impact their operations across jurisdictions.

Q6: A difficult situation may arise depending on the location of the Instructing and Instructed Agents, especially in circumstances where local business days do not align. How can this be addressed?

A: Differences in local days are known and unavoidable aspects of cross-border payments. This can create timing mismatches, especially when Cover payments (pacs.009 COV) are expected to follow Direct instructions (pacs.008) across different calendars.

To mitigate this risk:

- Intermediary and creditor agents should prioritize processing based on the creditor's location and cut-off times.
- Agents should follow the notification guidance outlined in MP FICT (COV) #3 – Operational Risk, especially in cases of expected delays or non-processing days.
- Institutions should regularly review any standing instructions provided to their correspondents regarding the handling of pacs.008, pacs.009 COV and pacs.009 messages to ensure they are still appropriate in light of calendar differences.

Careful coordination and awareness of non-aligned holidays help reduce settlement risk and operational disruption.

Q7: Can non-STP charges be applied to fields in the Underlying Customer Credit Transfer component of the pacs.009 COV?

A: As highlighted in **MPG FI CT (COV)#1**, the Underlying Customer Credit Transfer component exists solely to support the regulatory screening – not to trigger funds processing – and therefore should not incur NSTP charges. However, as per **MPG FI CT (COV)#6 & #7,** using correctly formatted and structured data in this component is essential. It improves automated screening, reduces false positives and enables faster, more reliable STP processing across the payment chain.

Q8: Is the MT 101/pain.001 impacted by the use of the pacs.009 COV?

A: The MT 101/pain.001 is not used in a Direct and Cover payment process and is therefore not impacted by the /pacs.009 COV.

Q9: Can the Intermediary Agent, in case of a multi-correspondent chain forward the screening results to the next bank in the chain to speed up the review process?

A: Each Institution is responsible for their screening process and therefore the bilateral sharing of information will not expedite the process. Furthermore, no automated processes exist to share screening results - that need to be handled manually.

Q10: How to cancel a pacs.008 for which Cover has been provided by a pacs.009 COV?

A: The principles on how to cancel any pacs messages (including pacs.008 and pacs.009 COV) are documented in the CBPR+ User Handbook (Financial Institution to Financial Institution Payment Cancellation Request section).

Q11: Although we do not use Swift for sending files of individual remittance details to our correspondent, we send Cover via pacs.009 for currency clearing. Should we send a pacs.009 COV to our currency clearing Agent even though the use of the pacs.009 COV to Cover multiple payments is not recommended by the PMPG?

A: The global market practice, as outlined by PMPG, supports the use of pacs.009 COV cover messages on a one-to-one-basis – i.e. covering a single pacs.008. Using a single pacs.009 COV to settle multiple underlying payments is not recommended due to transparency, reconciliation, and regulatory compliance concerns.

That said, bilateral or treasury clearing arrangements between institutions may follow different rules. If your process falls outside the standard correspondent banking flows (e.g. internal currency clearing or liquidity transfer), it's advised to discuss and align directly with your currency clearing agent to determine what is acceptable and compliant in your specific setup.

Q12: Can the content of Underlying Customer Credit Transfer be limited to the mandatory fields as described in the CBPR+ User Handbook or must Underlying Customer Credit Transfer reflect the complete content of the underlying pacs.008?

A: All data in the pacs.008/Direct message should be included in the pacs.009 COV, regardless of whether it was a mandatory or optional field. The content of the pacs.008 should be mapped into Underlying Customer Credit Transfer as supported by the field and data elements of these messages. For each of the optional fields that was present in the pacs.008 that was sent with the Cover method, the fields must be present in Underlying Customer Credit Transfer section of the pacs.009 COV.

Q13: Is the Intermediary Agent expected to validate the content of the Debtor field in the Underlying Customer Credit Transfer elements against local or FATF 16 requirements (i.e., contact the sender of the pacs.009 COV in case of incomplete information)?

A: The Intermediary Agent's obligation is to pass on the information they receive in the pacs.009 COV and screen the contents against the respective sanction lists.

Depending on local regulation this obligation may be extended to perform a respective completeness check of the Debtor and Creditor elements in the Underlying Customer Credit Transfer of the pacs.009 COV.

Q14: Are there any exceptions where a pacs.009 COV can be sent directly to the Creditor (Agent), even though the Swift User Handbook advises against forwarding it for reporting purposes?

A: The general rule, as stated in the Swift User Handbook, is that a pacs.009 COV should not be forwarded to the creditor solely for reporting purposes. The creditor should receive reporting information – such as confirmation of receipt – through appropriate reporting messages like the MT910/camt.054 or camt.053/950.

However, there are scenarios where the pacs.009 COV creditor may legitimately receive the pacs.009 COV, but only if it is the direct recipient of the settlement instruction – for example, as a participant in a Payments Market Infrastructure where the pacs.009 COV is delivered to them as part of the actual settlement flow. In such cases the pacs.009 COV serves as a valid settlement instruction, not merely a reporting message.



***Note**: For proper reconciliation and notification of settlement in the cover method, the creditor (agent) should still be notified via MT910/camt.054, as outlined in PMPG guidelines. This ensures that the creditor of the pacs.008 can be credited promptly once settlement is confirmed.*

4 Observations and Recommendations

The PMPG is not a regulatory body and cannot enforce any of the guidelines; it can only point out practices which, when followed properly, are beneficial to the payment community. The PMPG recommends that financial institutions work closely with their regulators to highlight the impact that the Financial Institution Credit Transfer (COV) has on the efficiency of the cross-border payment process.

Above and beyond the guidelines stated above, the community can use the below checklist to validate the implementation and better deal with the operational impact of the Financial Institution Credit Transfer (COV) in those areas where practices are yet to be established:

#	Guidance
1	ISO 20022 messages contain significantly more structured data, which may increase the volume and complexity of data elements subject to sanctions and compliance screening. Banks should ensure they have sufficient automation and processing capacity in place to efficiently handle the expanded message content.
2	To promote smooth processing and mitigate compliance risk, the Debtor Agent in a Financial Institution Customer Credit Transfer should screen the payment against applicable sanctions list within its own jurisdiction, and -where feasible- against sanctions regimes relevant to the broader payment chain. Proactive screening supports transparency and helps avoid downstream delays.
3	High-quality, structured data in ISO 20022 messages – especially in party and postal address elements – is essential to support automated compliance screening, reduce false positives, and improve end-to-end processing efficiency. Banks should ensure all mandatory data elements are accurately populated and avoid using placeholders such as “NOTPROVIDED” or “XXX”, which can lead to delays, rejections, or regulatory issues.

Given all these ongoing developments of practices, as mentioned as a note in MPG FI CT (COV) #1: Business Principles, the PMPG recommends for the communities of Users to consider the use of the Service Level element in the pacs.008 and the pacs.009 (ADV) to indicate the advice nature of the message.

The PMPG requested the addition of a new code to the **ExternalServiceLevel1Code** under the following definition:

Code	Name	Definition
WFSM	Wait For Settlement	Transaction is to be treated as an advice and only applied to the account of the creditor or next agent after settlement of the Cover has been confirmed

As stated above, until there is a new practice, the PMPG recommends the use of the Service Level element in the pacs.008 and the pacs.009 (ADV) to indicate the advice nature of the message.

5 Glossary

AML/CFT: Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

Business Application Header (BAH): The BAH describes in one place key details about the message being sent such as sender and receiver organization, message type, character set, business service, copy duplicate. The BAH enables both application routing rules and logic without having to read the XML Business Document.

False Positives: A false positive means that the regulatory screening process claims a positive match against a sanction list, when that is not actually the case.

ISO 20022 is an ISO standard for electronic data interchange between financial institutions. It describes a metadata repository containing descriptions of messages and business processes, and a maintenance process for the repository content.

Regulatory Screening: For the purposes of this document, any activity of a financial institution to scan the parties and the remittance details, as well as the sender to receiver information in a payment transaction, against a set of sanction lists provided by law enforcement and regulatory agencies in relevant jurisdictions and determine if the requested payment instruction can be executed or not.

Unique End-to-End Transaction Reference (UETR) is a universally unique identifier to provide an end-to-end reference of a payment transaction. It is a string of 36 unique characters featured in all payment instruction messages carried over Swift.

Transaction Manager Platform (TM) is an infrastructure created and managed by Swift. The TM stores a single transaction copy for each UETR and manages and tracks each change made to a data element by an Agent.

6 MT to ISO 20022 Message Reference Guide

MT Message Type	ISO 20022 Equivalent
MT103	pacs.008
MT202	pacs.009
MT202 COV	pacs.009 COV
MT205 COV	pacs.009 COV
MT910	camt.054

MT Parties/Agents	ISO 20022 Equivalent
Ordering Customer	Debtor
Ordering Institution	Debtor Agent
Beneficiary Customer	Creditor
Account with Institution	Creditor Agent
Intermediary Institution	Intermediary Agent
Sender	Instructing Agent
Receiver	Instructed Agent

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