Joint Market Practice Guidelines of the CAG and PMPG for use of remt.001 in support of cross border payment processes (Version 1.0)

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:

1. Market Practice Guidelines:
   - Describe the guidelines that the PMPG proposes to the global payments community.
   - **Do not duplicate the official SWIFT standards** that are available in the current live version of the SWIFT User Handbook.

2. Frequently Asked Questions: Address specific questions that have been raised to the PMPG in relation to the subject that is addressed in the document.
3. Observations and Recommendations: Comments on the general impact of the guidelines and areas of further discussion.

2. Background

End to end STP across the entire payment value chain remains an aspiration of the various stakeholders in the payment ecosystem. While in the interbank space this has been largely achieved it still seems an elusive goal for the corporate end users of payment services. The introduction of ISO 20022 and the efforts of the CAG and CGI group have made significant advances in outbound payment initiation but two critical issues remain that need to be addressed to close the payments loop:

- A positive payment confirmation to the debtor that the creditor’s account has been credited
- Sufficient machine readable details in the bank statement or a related information feed that allows the creditor to automate its own reconciliation process against the commercial terms of the received payment

While the information content in both cases is different one aspect that both issues have in common is that the benefit does not accrue to the sender of the information but to the receiver.

In response to these challenges the PMPG has partnered with the SWIFT Corporate Advisory Group (CAG) to develop a set of market practices. In a panel discussion during the 2014 PMPG Annual Forum in Boston the topic of remittance data was identified as the priority topic not just for banks but also for the corporate community. The panel concluded that the needs of the community will be best served by a joint effort between the SWIFT Corporate Advisory Group (CAG) and the PMPG to recommend an industry practice that addresses the end to end needs from the point of payment and remittance data origination to final receipt. Payment notifications will be addressed in a future document.

The PMPG white paper “Extended Remittance Information (ERI) and Payment Notification” highlighted a few alternative approaches to support extended remittance data. The preferred approach was the use of a separate standardized remittance advice message that will keep remittance data outside of the interbank payments traffic. Independently the CAG came to a similar conclusion and supported the creation of the remt.001.001.01 message. The market practice guidelines outlined hereafter build on the use of the remt.001 in conjunction with the MT103 and pacs.008 messages.

1 http://www.swift.com/assets/swift_com/documents/about_swift/PMPG_ERI_Whitepaper_Feb2015_FINAL.pdf
3. Market Practice Guidelines (MPG)

MPG remt.001 #1: Business Principles
Debtor and creditor agent are the key service providers in this model. Both agents need to decide if they want to offer this service to their customers. If the remittance data cannot be included in the inter-bank payment message the debtor agent has to separate the remittance data from the customer’s credit transfer instruction and forward it via a separate remt.001 to the creditor agent. In addition, the debtor agent will need to include an end to end reference number in the credit transfer instruction to the creditor agent. The participating creditor agent will have the obligation to re-associate the remittance data with the incoming payment and provide the creditor with either an enriched camt.05x statement or a separate feed of the remittance data.

Debtor agent has to verify before sending the remt.001 that the creditor agent can process it. The debtor agent should maintain a table, listing which bank is ready to accept the remt.001 and which BIC (or other destination) to use for remittance information.

MPG remt.001 #2: Channel to be used
SWIFT FileAct will be used to transmit the remittance data between debtor agent and creditor agent. The debtor agent will send the remittance advice to the BIC of the creditor agent unless agreed otherwise.

MPG remt.001 #3: Splitting of remittance data
The debtor agent will receive the customer credit transfer with embedded remittance data from the debtor and split the remittance data from the payment order if it cannot be included in the onward message due to format limitations. The remittance data is to be mapped into a remt.001. The underlying payment order will need to be mapped either into a pacs.008, a serial MT103 or a MT103/MT202COV. If the pacs.008 is used the fact that the remittance data is being forwarded outside of the payment message should be indicated in the RemittanceLocationDetails <RmtLctnDtls> segment by indicating EDIC in the Method <Mtd> field. The debtor agent should send the remt.001 messages at the same time as the serial
message or the direct message in the direct and cover scenario. (or other local payment format).

**MPG remt.001 #4: Handling of end to end reference number**
The end to end reference number that the debtor has assigned to the customer credit transfer should be used in the onward credit transfer and the remt.001:

- in the pacs.008 the EndToEndIdentification <EndToEndId> should be used
- in the remt.001 the OriginalPaymentInformation <OrgnlPmtInf> segment should carry the end to end transaction id on the EndToEndIdentification <EndToEndId> field
- in the MT103 the end to end transaction id should be placed in field 70 after a code word /REM/ (Should be added to list of codes as part of standards release)

**MPG remt.001 #5: No loss of party fidelity**
The debtor agent has to ensure that all parties referenced in the remt.001 are also included in the onward credit transfer. Depending on local regulatory requirements the debtor agent might be required to scan all party fields against sanction lists.

<table>
<thead>
<tr>
<th>Party in the remt.001</th>
<th>Party in pacs.008</th>
<th>Party in MT103</th>
</tr>
</thead>
<tbody>
<tr>
<td>InitiatingParty &lt;InitgPty&gt;</td>
<td>Debtor &lt;Dbtr&gt;</td>
<td>50a Ordering Customer</td>
</tr>
<tr>
<td>MessageRecipient &lt;MsgRcpt&gt;</td>
<td>CreditorAgent &lt;CdtrAgt&gt;</td>
<td>57a Account With Institution</td>
</tr>
<tr>
<td>ForwardingAgent &lt;FwdgAgt&gt;</td>
<td>DebtorAgent &lt;DbtrAgt&gt;</td>
<td>52a Ordering Institution</td>
</tr>
<tr>
<td>Invoicer &lt;Invcr&gt;</td>
<td>Should be the same as Debtor &lt;Dbtr&gt; or UltimateDebtor &lt;UltmtDbtr&gt;</td>
<td>50a Ordering Customer</td>
</tr>
<tr>
<td>Invoicee &lt;Invcee&gt;</td>
<td>Should be the same as Creditor &lt;Cdtr&gt; or UltimateCreditor &lt;UltmtCdtr&gt;</td>
<td>59a Beneficiary Customer</td>
</tr>
<tr>
<td>TaxRemittance &lt;TaxRmt&gt; Creditor &lt;Cdtr&gt;</td>
<td>Should be the same as Creditor &lt;Cdtr&gt; or UltimateCreditor &lt;UltmtCdtr&gt;</td>
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<td>50a Ordering Customer</td>
</tr>
<tr>
<td>GarnishmentRemittance &lt;GrnshmtRmt&gt; Garnishee &lt;Grnshee&gt;</td>
<td>Should be the same as Debtor &lt;Dbtr&gt; or UltimateDebtor &lt;UltmtDbtr&gt;</td>
<td>50a Ordering Customer</td>
</tr>
</tbody>
</table>

*Table 1: Corresponding Party fields in remt.001, pacs.008 and MT103*

**MPG remt.001 #6: Interbank Agents**
The intermediary agents need to transmit the end to end transaction id unaltered to the creditor agent. In the case of cover payment use the market practice guidelines “Market Practice Guidelines for use of the MT 202 COV”² should be followed.

**MPG remt.001 #7: Linking payment and remittance data**

² [http://www.swift.com/assets/swift_com/documents/about_swift/PMPG_MT_202_COV_v2_1.pdf](http://www.swift.com/assets/swift_com/documents/about_swift/PMPG_MT_202_COV_v2_1.pdf)
The creditor agent needs to be able to handle the receipt of the remt.001 prior to receipt of the credit transfer as well as after. In both cases the creditor agent will have to use the end to end transaction id, debtor account and 8-char BIC of the debtor agent from the incoming credit transfer to identify the corresponding remt.001 received via FileAct. The presence of the codeword /REMT/ in field 70 of the MT103 or the code EDIC in the Method <Mtd> field in the RemittanceLocationDetails <RmtLctnDtls> segment, when the pacs.008 is used, will indicate to the creditor agent that remittance data should be expected.

Depending on the agreement with the creditor the combined data of payment and remittance can be forwarded to the creditor as follows:

- in a camt.05x messages (integration of account posting and remittance data)
- in a separate remt.001 (remittance data only in an industry standard)
- in a proprietary format (remittance data only)
- in an electronic banking system (integration of account posting and remittance data or remittance data only)

Depending on local regulatory requirements the creditor agent might be required to scan all party fields against sanction lists.

**MPG remt.001 #8: Exception Scenarios**

Should the creditor agent not receive a remt.001 on the same business day as the credit transfer, the creditor agent should generate the end of day statement without the remittance data and forward the remittance data either in an amended statement or as a separate data feed.

Should the creditor agent not receive a credit transfer within 2 business days after receiving the remt.001 the credit agent should forward the remittance data separately to the creditor.

### 4. Frequently Asked Questions

**Q1: Does the splitting of remittance information from the customer credit transfer and sending it directly to the creditor agent pose a compliance risk?**

**A:** Both debtor and creditor agent will have complete information that can be used for any regulatory screening. Before splitting the remittance data from the credit transfer the debtor agent needs to ensure that no additional parties are referenced in the remt.001 that are not also on the credit transfer as per **MPG remt.001 #5.** Like in the settlement of trade transactions the intermediary banks are not privy to all the data contained in the L/C.
The intermediary bank has always the option to ask the debtor agent for more information about the transactions.

Q2: What should the debtor agent do if the remittance data contains more parties than fit into the credit transfer?

A: The debtor agent should review with their respective compliance department what the appropriate service design is before offering the service.

Q3: Is participation in this model mandatory?
A: No, debtor as well as creditor agent need to decide if they want to offer support of remittance data to their customers.

Q: What should the creditor agent do if the remittance data is received but not the payment?
A: The creditor agent should forward the received remittance data to the creditor. In addition the creditor agent might offer the additional service to investigate the payment status.

5. Observations and Recommendations

The lack of a dedicated field in the MT103 to capture the End to End Identification and resulting competition for space in field 70 should be addressed by the community. One option is to sponsor a change request for an additional reference number field.

In addition to the model described in this document the industry should consider the remittance location method under which just the reference to a common or bilaterally agreed repository is included in the payment message.