



Standards MT November 2020

SR 2020 – Business Highlights

This document provides summarised, high level, business information related to the changes made to FIN (MT) messages as part of Standards release 2020 (SR 2020).

16 April 2020

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Preface

Purpose of this document

This document provides summarised, high level, business information related to the changes made to MTs as part of Standards release 2020 (SR 2020). These changes will be active on the SWIFT network on 22 November 2020.

The *technical* details of the changes are published in the Standards Release Guide (SRG). Information can be accessed via the Standards MT release 2020 [timeline](#) and analysed using [MyStandards](#). Also available via the [timeline](#) is the Updated High-Level Information document, which contains a summary of the *underlying business cases* for each change.

In recognition of the operational stresses that the Covid-19 pandemic is putting on the global financial community, and especially on smaller institutions therein, SWIFT has decided to prioritise for 22 November 2020 only the MT Category 5 (Securities Markets) messages, which are required to enable compliance with forthcoming European regulations, Central Securities Depository Regulation (CSDR), and Shareholder Rights Directive (SRD) II. All other changes that were originally planned for 2020 (excluding Category 5), will be postponed till November 2021.

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 [User Handbook \(Knowledge Centre\)](#)).

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

Universal payment confirmations

As of 22 November 2020, FIN customers in the Supervised Financial Institution (SUPE) and Payment System Participant (PSPA) user categories must provide a "confirmation" on the outcome of a customer payment (MT 103) to the Tracker (TRCKCHZZ) when funds got credited to the account of the beneficiary customer or when the payment was rejected. A usage rule in the Standards MT 103 documentation will mandate this. Other status confirmations are recommended.

A confirmation is expected within maximum 2 business days following the payments' value date. This will enable enhanced transparency, richer information, and superior user experience across the end-to-end payment processing chain and to the benefit of all financial institutions.

SWIFT is developing a range of manual and automated solutions to support customers in the implementation of mandatory "universal confirmations" for MT 103:

- The Basic Tracker – a light version of the gpi Tracker allowing to confirm payments manually. Basic Tracker users that meet the universal confirmation business rules will also gain the added bonus of access to basic search and tracking features.
- MT 199 confirmations.
- API calls: banks that have access to the gpi Connector, can confirm by sending API calls.
- An MX (ISO 20022 equivalent) message.
- A batch confirmation file (csv) option.

Universal payment confirmations are still planned to be rolled out as from 22 November 2020 for all FIN users as documented in the FIN Service Description, section 21 – Universal Confirmations. However, the measurement and visibility to counterparties of adherence by non-gpi banks will be deferred by 6 months and will commence on 1 June 2021. More information on www.swift.com/confirm.

More information and rulebook available via www.swift.com/confirm.

Reminder: Free format options for fields 50 and 59 are NOT removed in MT

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 MTs, 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 MTs by removing the free format options in the November 2020 Standards release.

The need for structured data is still recognised. However, now that the ISO 20022 Programme 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.

In recognition of the operational stresses that the Covid-19 pandemic is putting on the global financial community, and especially on smaller institutions therein, SWIFT has decided to postpone the following change to SR 2021:

Validation changes to the (optional) format option F in field 50 and 59 for implementation in SR 2021.

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.

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

In recognition of the operational stresses that the Covid-19 pandemic is putting on the global financial community, and especially on smaller institutions therein, SWIFT has decided to postpone the following changes to SR 2021:

Tighten settlement party fields and trade party fields - implementation in SR 2021

In order to promote more structured usage of the messages, MT 305 and MT 306 will be aligned with the changes made to MT 300 and MT 304 in SR 2019 in fields 82, 87, 83, 53, 86, 56, 57, 58:

- 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.

Add a regulatory Reporting Jurisdiction code FCA for UK - implementation in SR 2021

As a consequence of Brexit, some trades may be required to be reported to the UK Financial Conduct Authority (FCA) instead of, (or in addition to) ESMA. Adding code FCA to the standard will ensure complete transparency and alignment with other jurisdiction codes that are already present. As codes in field 22L are not validated on the network, the code can be used before SR 2020, but will be added in the Standards Release Guide 2020 for global awareness.

Remove irrelevant code SVBY in field 83J in MT 304 - implementation in SR 2021

There is no need to explicitly indicate which party services the underlying fund, as there is no ambiguity in MT 304, due to the presence of field 82a Fund Manager. Code SVBY is only relevant in MT 300.

MT 300, MT 304, MT 305, MT 306, MT 340, MT 360, MT 361 - implementation in SR 2021

Update usage rule to clarify that the ISDA Benchmark Supplement is incorporated, when relevant, in the legal agreements for the trade.

4 Trade Finance: Categories 4 and 7

In recognition of the operational stresses that the Covid-19 pandemic is putting on the global financial community, and especially on smaller institutions therein, SWIFT has decided to postpone the following changes to SR 2021:

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 2021, similar changes impact the Guarantees and Standby Letters of Credit (MT 760-789).

Changes for SR 2021 – Guarantees and Standby Letters of Credit

- MT 760 and 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 and 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 (S&R) implementation in SR 2020:

- **Address regulatory requirements in MTs**
CSDR (Central Securities Depositories Regulation): updates/additions to the sequence "Penalties" in MT 537 and MT 548 that was introduced in SR 2019. CSDs will have to 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.
The additional changes are needed to ensure reporting in line with the regulation and compatibility between the ISO 20022 message and the ISO 15022 messages. CSDs have to report a monthly penalties net amount and will have to send a "pre-advance of payment" informing their participants of the amount that will be credited or debited in the frame of the settlement penalties processing. This change requires extra optional fields in MT 537, sequence D1 to indicate the cash account to be debited or credited and the payment date.
CSDR puts into force mandatory buy-ins for which CSDs have a record-keeping obligation. This requires new fields, qualifiers, and codes in sequence B and C of MT 530 to accommodate a Buy-in processing indicator, a Deferral indicator, a Cash compensation amount, and a Price of the securities bought in.
- **Additional details in MT 586 to describe the actual reject reason for portfolio transfers:** An optional subsequence with a reason code in field 24B together with an optional narrative field 70E added in sequence B underneath field 25D Status Code. Here it will be possible to give more details on either a cancellation or reject reason.

Corporate Actions (CA) implementation in SR 2020: MT 564, MT 565, MT 566, MT 567, MT 568

- Qualifier MITI (Market Infrastructure Transaction Identification) added to reference field 20C in MT 566 as this is needed for reconciliation purpose for all DCA T2S account holders, European CSDs, and T2S participants.
- Name and definition change of qualifier CDFI (Foreign Income) to make this qualifier relevant for other countries, not only for Australia.
- Remove qualifier PRII (Interest Payment With Principal) as this goes against the recommended market practice agreed by the Securities Market Practice Group to process this event in 2 separate events.
- Apply the z-character set to field 70G with qualifier CETI in the BENODET sequence in MT 565. This allows to add an e-mail address (with @ sign) for the beneficial owner.
- Add withholding Tax Rate qualifiers to allow inclusion of Tax Breakdown in MT 565 and add associated pending reason codes in MT 567.
- Linked to SRD II (Shareholders Rights Directive): indicator added to ensure intermediaries are able to identify easily when an announcement comes from the first intermediary compared to other sources so to know when their SRD II compliance obligations kick-in. This is done via a new qualifier for the Indicator field 17B in sequence D.

6 Commodities and Reference Data: Category 6

In recognition of the operational stresses that the Covid-19 pandemic is putting on the global financial community, and especially on smaller institutions therein, SWIFT has decided to postpone the following changes to SR 2021:

Tighten settlement party fields and trade party fields - implementation in SR 2021

In order to promote more structured usage of the messages, MT 600 and MT 601 will be aligned with the changes made to MT 300 and MT 304 in SR 2019 in fields 82, 87, 83, 53, 56, 57, 58:

- Remove option D (and option B), which is free format text.
- Partially restructure option J codes, to provide more clarity and introduce option J for the fields that do not have this format option yet.
- Mandate that a BIC cannot be the only information in option J. For those cases, option A must be used.

Add a regulatory Reporting Jurisdiction code FCA for UK - implementation in SR 2021

As a consequence of Brexit, some trades may be required to be reported to the UK FCA instead of, (or in addition to) ESMA. Adding code FCA to the standard will ensure complete transparency and alignment with other jurisdiction codes that are already present. As codes in field 22L are not validated on the network, the code can be used before SR 2020, but will be added in the Standards Release Guide 2020 for global awareness.

7 Travellers Cheques: Category 8

There are no changes to the Travellers Cheques messages for SR 2020.

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