SR2021 webinar
UETR recycling

SWIFT Standards and SWIFT gpi

6th & 7th September 2021
SR 2021 Business Highlights

Tinne Verschueren
Agenda

- **MT Changes in business domains**
  - Payments
  - Treasury
  - Trade Finance
  - Securities
  - Commodities

- **SWIFT’s offering for SR implementation**
Overview of changes
Payments
Categories 1, 2, 9 – Payments

- **Change 50F/59F validation in SR 2021 (Mandate country code and limit number of lines for Name)**

  In option F, subfield 2 (Name and Address):
  - The first line must start with number 1 (Error code(s): T56).
  - Numbers must appear in numerical order (Error code(s): T56).
  - A line starting with number 3 must be present (Error code(s): T56).
  - Number 2 must not be used without number 3 (Error code(s): T56).
  - The first occurrence of number 3 must be followed by a valid ISO country code (Error code(s): T73).
  - Numbers 1, 2 and 3 may be repeated. The same number must not occur more than 2 times (Error code(s): T56).
  - Number 4 must not be used without number 5 and vice versa (Error code(s): T56).

- **Free format options for fields 50 and 59 will not be removed in MT Push towards structured data part of ISO 20022 migration**
Structured data becomes the new norm – consider ISO 20022 structure during data gathering

<table>
<thead>
<tr>
<th>ISO 20022 Debtor data element example</th>
<th>Customer data record example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtor Name</td>
<td>JOHN HECTOR JOSEPH SMITH - MASTERSONS</td>
</tr>
<tr>
<td>Postal Address</td>
<td>Department</td>
</tr>
<tr>
<td></td>
<td>Sub Department</td>
</tr>
<tr>
<td></td>
<td>Street Name</td>
</tr>
<tr>
<td></td>
<td>Building Number</td>
</tr>
<tr>
<td></td>
<td>Post Code</td>
</tr>
<tr>
<td></td>
<td>Town Name</td>
</tr>
<tr>
<td></td>
<td>Country</td>
</tr>
<tr>
<td>Identification</td>
<td>Private Identification – Other Identification</td>
</tr>
<tr>
<td>Debtor Account Identification</td>
<td>IBAN</td>
</tr>
<tr>
<td></td>
<td>IBAN</td>
</tr>
</tbody>
</table>

**MT – free format option**

:50K:/BE3000121637141  
JOHN HECTOR JOSEPH SMITH – MASTERSONS HOOGSTRAAT 6 BRUSSELS 1000 BELGIUM ID:1111111111

**MT – structured option (risk of potential truncation/loss of info)**

:50F:/BE3000121637141  
1/JOHN HECTOR JOSEPH SMITH - 1/MASTERSONS  
2/HOOGSTRAAT 6  
3/BE/BRUSSELS 1000

Richness of ISO 20022 – Allow more granular data structure
Community migration of cross-border payments and cash reporting traffic from the MT standards to ISO 20022

- Mandatory move from MT to ISO 20022 for cross-border payments and cash reporting between November 2022 and November 2025. Until November 2021, MT remains only standard for cross-border payments.

- Allow the industry as a whole to benefit from richer, better quality data end-to-end and the advantages it brings for customer service, innovation, and compliance.

- Users are urged to already familiarise themselves with the new documentation:
  - ISO 20022 Adoption guide
  - ISO 20022 specifications for Cross-Border Payments and Reporting (CBPR+) published on MyStandards
UETR Reuse validation

• As of SR 2020, any FIN user can receive FIN error code U15 in Test and Training mode. This code means that the content of field 121 has already been used for a different transaction.

• Based on traffic monitoring, institutions applying this incorrect practice were contacted in a dedicated campaign.

• As of 21 November 2021, error code U15 will be activated in Live mode.

• More info: https://www2.swift.com/support/knowledgebase/tip/5023810
Category 3 – Treasury

• **Tighten settlement party fields and trade party fields (MT 305, MT 306)**
  - Remove option D (free format)
  - Partially restructure option J (more/better structure)
  - Use option A when only BIC available

• **Add a regulatory Reporting Jurisdiction code FCA for UK**

• **Remove Irrelevant code SVBY in field 83J in MT 304**

• **Update usage rules (clarification on ISDA Benchmark Supplement and correction for digital options)**

• **Add support for cash-settled forwards and options in deliverable currency pairs**
  - New optional field 26K Calculation Agent
  - Update definitions of existing fields to clarify use for cash-settled trades
  - New code ISDACS in field 77H in order to specify the additional provisions for cash-settled forwards and options
Tighten settlement party fields and trade party fields

### MT 305

<table>
<thead>
<tr>
<th>Sequence A</th>
<th>General Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>82a</td>
<td>Party A</td>
</tr>
<tr>
<td>87a</td>
<td>Party B</td>
</tr>
<tr>
<td>83a</td>
<td>Fund or beneficiary customer</td>
</tr>
<tr>
<td>53a</td>
<td>Sender’s Correspondent</td>
</tr>
<tr>
<td>56a</td>
<td>Intermediary</td>
</tr>
<tr>
<td>57a</td>
<td>Account With Institution</td>
</tr>
</tbody>
</table>

### MT 306

<table>
<thead>
<tr>
<th>Sequence A</th>
<th>General Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>82a</td>
<td>Party A</td>
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<td>87a</td>
<td>Party B</td>
</tr>
<tr>
<td>83a</td>
<td>Fund or beneficiary customer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsequence C</th>
<th>Settlement Instructions for Payment of premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>53a</td>
<td>Delivery Agent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsequence E</th>
<th>Payout amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>86a</td>
<td>Intermediary 2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsequence L</th>
<th>Additional Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>56a</td>
<td>Intermediary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>57a</th>
<th>Receiving Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>58a</td>
<td>Beneficiary Institution</td>
</tr>
</tbody>
</table>
Categories 7– Trade Finance

• Revamp of Cat 7
  o CRs postponed or delayed in previous years
    August 2013 Working group established
    September 2015 Banking and Payments Committee approves CRs
    November 2015 Community approves CRs
    February 2016 Advance documentation published for review
    April 2017 Updated advance documentation published
    November 2018 Updated MT 700 – MT 759 go live
    December 2018 Fast-track Maintenance process to defer changes planned for SR 2019 to SR 2020
    November 2021 Updated MT 760 – MT 787 go live
  o Intention to increase straight through processing
  o Try to fill gaps in transaction flows
  o Additional changes (not yet in SR 2019 advance documentation) also published separate
Introduction – Evolution in Category 7

Limited functionality

- Large portions of free-text
- Limited character set
- Few coded fields

Major revamp

- New fields added
- Z-character set in bulk data fields
- Codes introduced
- More validation

Staggered Release

- Published advance documentation
- SR 2018
  - MT 700-759
  - 3 new messages
- SR 2021
  - MT 760-787
  - 6 new messages
Introduction – Business requirements

- Base messages - MTs 700, 707, 710, 720, 760, 767)
- Continuation messages - MTs 701, 708, 711, 721, 761, 775)
Changes for SR 2021 – Guarantees and Standby Letters of Credit

• **MT 760 & MT 767 are significantly enhance**
  - 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 change to 71D with z-character set
  - field 72 change to 72Z with z-character set
  - New field 23X with codes to identify the delivery channel
Changes for SR 2021 – Guarantees and Standby Letters of Credit

- **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
Securities
Category 5 – Securities

• Settlement and Reconciliation (S&R)
  o CSDR:
    ➢ Updates/additions to the sequence "Penalties" in MT 537 and MT 548. 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.
    ➢ Allow CSDs to send "preadvice of payment" in MT 537 informing their participants of the amount that will be credited or debited in the frame of the settlement penalties processing.
    ➢ Additional details in MT 586 to describe the actual reject reason for portfolio transfers.
  o New codes (MT 540-548, MT 575): INTT (make custodian banks aware of the investment manager’s intent to adjust the amount of the traded interest, NEGA (indicate that, due to recent market conditions, oil futures can have a negative deal price.)

• Corporate Actions (CA)
  o Updates to codes, qualifiers and assign format options to fields (with linked network validation rules).
Category 5 – Securities

• **Triparty Collateral Management (TCM)**
  - Coexistence and alignment between ISO 20022 and ISO 15022
  - Alignment with other MT 5XX:
    - Allow to identify a party with LEI in field 95L
    - Add possibility to use unique transaction identifier (UTI) in field 20U as common identification
As per the SMPG recommendations and global market practices for SRDII, the MT56x suite of CA MT messages cannot cover the shareholder identification disclosure process as defined in the scope of the SRDII directive. Any bank which acts as an intermediary institution in a custody chain may need to act “in compliance” with the SRDII directive when it offers custody services (as account servicers) for clients who hold shares (or bonds in certain jurisdictions) that fall in the scope of the SRDII directive.

The only set of ISO messages ensuring full compliance with the SRDII directives are the ISO 20022 messages for Shareholder disclosure and for General Meeting and must be used on the SWIFT Finplus service, which also is impacted by maintenance changes in SR 2021:

- seev.045.001.03 for disclosure request
- seev.046.001.01 for request cancellation
- seev.047.001.02 for disclosure responses
- seev.048.001.01 for disclosure response cancellation
- seev.049.001.01 for disclosure response status
- seev.050.001.01 Market Claim Creation
- seev.051.001.01 Market Claim Cancellation Request
- seev.052.001.01 Market Claim Status Advice
- seev.053.001.01 Market Claim Cancellation Request Status Advice
- seev.001.001.08 MeetingNotification
- seev.002.001.07 MeetingCancellation
- seev.003.001.07 MeetingEntitlementNotification
- seev.004.001.07 MeetingInstruction
- seev.005.001.07 MeetingInstructionCancellationRequest
- seev.006.001.07 MeetingInstructionStatus
- seev.007.001.07 MeetingVoteExecutionConfirmation
- seev.008.001.07 MeetingResultDissemination
Commodities
Category 6 – Commodities

• **Change requests:**
  - Tighten settlement party fields and trade party fields (MT 600, MT 601)
    - Remove option D (free format)
    - Partially restructure option J (more/better structure)
    - Use option A when only BIC available
  - Add a regulatory Reporting Jurisdiction code FCA for UK
  - Increase clarity and improve definitions and usage rules for market area codes in MT 670, MT 671
Tighten settlement party fields and trade party fields

<table>
<thead>
<tr>
<th>MT 600</th>
<th>MT 601</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sequence A</strong></td>
<td><strong>Sequence A</strong></td>
</tr>
<tr>
<td>General Information</td>
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<td>82a Party A</td>
<td>82a Party A</td>
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<td>87a Party B</td>
</tr>
<tr>
<td>83a Fund or beneficiary customer</td>
<td>83a Fund or beneficiary customer</td>
</tr>
<tr>
<td><strong>Sequence B</strong></td>
<td><strong>Sequence B</strong></td>
</tr>
<tr>
<td>Commodity Bought</td>
<td>Commodity Bought</td>
</tr>
<tr>
<td>53a Sender’s Correspondent</td>
<td>53a Sender’s Correspondent</td>
</tr>
<tr>
<td>56a Intermediary</td>
<td>56a Intermediary</td>
</tr>
<tr>
<td>57a Account With Institution</td>
<td>57a Account With Institution</td>
</tr>
<tr>
<td><strong>Sequence C</strong></td>
<td><strong>Sequence C</strong></td>
</tr>
<tr>
<td>Commodity Sold</td>
<td>Commodity Sold</td>
</tr>
<tr>
<td>56a Intermediary</td>
<td>56a Intermediary</td>
</tr>
<tr>
<td>57a Account With Institution</td>
<td>57a Account With Institution</td>
</tr>
</tbody>
</table>

More info: Interactive SWIFTSmart e-learning module
• SWIFT’s offering for SR 2021 implementation
Publications

- MT Release 2021
- High level information Information
- Business Highlights
- SRG and category books published (23 July 2021)
- FAQ on Mandatory changes in category 7 and MT 798 Trade Guidelines
- SWIFT Smart Modules:
  - Category 7
  - Non-Deliverable Forwards (NDFs) and Non-Deliverable Options (NDOs)

- My Standards & Change Request Forum
Questions?
During SR2018 activation when the addition of UETR became mandatory for many MT messages, an undesired behavior was observed as some banks were sending multiple payment messages with the same UETR.

As a result, issues occurred such as the Tracker having transactions with too many events or banks being able to see transaction details not related to them.

**Solution:**
To prevent this condition, SWIFT will NAK (reject) with the “U15” code to prevent using the same UETR for multiple payment messages. This was originally been scheduled for deployment with SR2020, but has been postponed to SR2021.
June 2019: customer request at gpi global workshop.
• UETF trust as fundamental to enable automation & reconciliation, develop additional services, enable ISO 20022 (and Transaction Manager) adoption
• Work group formed with small set of volunteering gpi banks to analyse issue and find ways to remediate

November 2019: gpi global workshop
• Work group conclusions presented
• SWIFT to NAK MT 103s and MT 101
• New rule presented for implementation
• Implementation timeline: T&T July 2020, Live on November 2020

September 2020: gpi newsflash and quarterly update webinar with all gpi customers
• Additional cases identified
• Decision to postpone implementation to November 2021

March & April 2021: gpi newsflash and quarterly update webinar with all gpi banks
• Update on final rule
• Reminder on November 2021 go live

May 2021: start of a monthly customer campaign to notify BICs that are sending recycled UETRs (using operational contacts defined in swift.com).

November 2021
• Planned go live date for NAK rule
Evolution of UETR recycling alerts (using production data)

Note:
The logging algorithm currently detects /alerts on any occurrences of UETR recycling, not just the first one / for the first leg.

Thus the graph represents more than the real number of recycling cases taking place, the same transaction can see several alerts.

For example BANK A sends 4 times the same UETR to BANK B that also sends these payments out to BANK C: there will be 8 recycling alerts (4 by bank A and 4 by bank B).
Key highlights

**Q1 UETR Recycling Prevention**
- Implementation of new rule to identify transaction owner
  - T&T: Nack Mode since July 2020
  - Production: logging mode

**Q2 Campaign on UETR Recycling**
- SWIFT monitors monthly the transaction owners who fail the validation rules
- Customers informed via email or Service Manager from May until November 2021
- Customers must take necessary actions to remediate to the issue

**Q4 Standard Release 2021**
- UETR recycling validation activation

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If you did not receive any non-compliant email, please verify your applications and do test them as you might become non-compliant after Nov 2021.
**UETR recycling prevention – Solution for MT103’s**

**SWIFT will check every message with same:**

1. **MT** (MT 103)
2. **UETR**
3. **Sender BIC 11**

**NAK**
- If amount in 32A is higher
- If currency in 32A is different
- If amount in 32A is lower and not a return

**ACK**
- If amount in 32A is the same
- If amount in 32A is lower and a return, by checking:
  - /RETN/ or /REJT/ is in field 72
  - Receiver BIC has been Sender

If sender of the MT103 is the last Agent that has received the last MT103 in the transaction (previous MT103) (Rerouting strategy),
  - And transaction currency is different
  - Or transaction currency is the same and amount is equal or lower
  - Or transaction currency is the same and amount is greater but field 71G is present
then the message is delivered.

**Notes:**
- Before being in reject mode, this feature will be first in logging mode (test)
- Retention period: up to 124 days

Field 32A: Value Date/Currency/Amount
Examples: Message retry – All messages are ACKed

1. MT 103
   BANK A

2. MT 103

Payment 1 is sent and misses the cut-off window of E1S1

Same payment can still be settled through T2 2

Same MT
Same UETR
Same Sender BIC 11
Same amount and currency in 32A
Examples: Return payment 1/7 – All messages are ACKed

- Same MT
- Same UETR
- Same Sender BIC11
- Same amount and currency in 32A

Compared to:

- Same MT
- Same UETR
- Different Sender BIC11
Examples: Return payment 2/7 – All messages are ACKed

1. BANK A → BANK B: MT 103
2. BANK B → BANK C: MT 103
3. BANK C → BANK D: MT 103
4. BANK D → BANK A: MT 103

Same MT
Same UETR
Different Sender BIC11

Same MT
Same UETR
Different Sender BIC11
Examples: Return payment 3/7 – All messages are ACKed

1. Same MT
   Same UETR
   Different Sender BIC11

2. MT 103

3. MT 103
   Compared to 3

4. MT 103

5. MT 103

6. MT 103

Same MT
Same UETR
Same Sender BIC11
Same amount and currency in 32A

**Confidential**

Do not share without SWIFT prior consent
Examples: Return payment 4/7 – All messages are ACKed

Different MT
Same UETR
Different Sender BIC11

Different MT
Same UETR
Same Sender BIC11

Compared to

MT 103

MT 202

SWIFT
Examples: Return payment 5/7 – All messages are ACKed

1. Same MT
   Same UETR
   Different Sender BIC11

2. Same MT
   Same UETR
   Different Sender BIC11
   Compared to

3. Lower amount in 32A
   /RETN/ or /REJT/ is in field 72
Examples: Return payment 6/7 – All messages are **ACKed**

1. **BANK A**
   - MT 103

2. **BANK B**
   - MT 103

3. **BANK C**
   - MT 103

**Bank C does not add 72**

**Bank B does not add 72**

Same MT
Same UETR
Same Sender BIC11
Lower amount in 32A
Bank B returns to Bank A
(Receiver has been Sender)

Same MT
Same UETR
Different Sender BIC11
Examples: Return payment 7/7

Same MT
Same UETR
Same Sender BIC11
Lower 32A no field 72
Bank E has not been Sender

Bank D does not add 72

NAK
Reject scenario: additional scenario added to the logic in SEP 2021

1. Reject status update and Resend to same Agent

2. Reject status update and Resend to new Agent 1

3. Reject status update and Resend to same Agent

4. Reject status update and Resent not by last sender
UETR recycling prevention – Solution for MT101’s

SWIFT will check every MT101

NAK

- If UETR used in a previous MT 101 from same sender
- If UETR used in a previous MT 103

Notes:
- Before being in reject mode, this feature will be first in logging mode (test)
- Retention period: up to 124 days
Examples: MT 101 1/3 – Normal relay scenarios - ACKed

UETR from MT 101 relayed in MT 103 afterwards => ACK

1. MT 101 - CORP A or BANK A
2. MT 103 - BANK B

Same UETR used in sent MT 101

UETR from MT 101 relayed in MT 101 afterwards => ACK

1. MT 101 - CORP A or BANK A
2. MT 101 - BANK B

Same UETR used in sent MT 101
Examples: MT 101 2/3

**Theoretical cases**

- UETR used in MT 101 that already exists in MT 103 => NAK
- UETR used more than once in MT 103 sent by same sender => NAK
Examples: MT 101 cases 3/3

UETR used more than once in MT 101 sent by same sender => NAK
Questions?
Call for action

• **SR2021**
  - Impact analysis on SR 2021 changes for your institution
  - Upgrade your back office/interface to be compliant with SR 2021
  - Test already in future mode on the SWIFT test and training system
  - Monitor emails sent by SWIFT in case you are not compliant
  - Remediate to the issue without delay to avoid NAK in November 2021

• **UETR recycling**
  - Monitor emails sent by SWIFT in case you are not compliant
  - Remediate to the issue without delay to avoid NAK in November 2021