Cross-border CNY Transaction Guidelines for SWIFT MT messages

Sep 2014

V1.0

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Document Control

Revision Record

Date	Author	Remarks
17/06/2014	Onshore CNY Working Group	PMPG (China)
16/07/2014	Onshore CNY Working Group	Add business category/item in CNAPS2 in the reference table of payment business type codes.
12/08/2014	Onshore CNY Working Group	Update codeword and delete "P" for partial return. Remove the structured code to the second line in field 72 and following the qualifier "PYTR" (instead of "REC").
14/08/2014	Onshore CNY Working Group	Update business type of codeword "SFT" to "Financial Institution Transfer for its Own Account", and the definition is "request the movement of funds by a overseas financial institution to its own same currency account with another financial institution".

		Delete codeword "DFT" (Cross-border Fund Transfer with Different Name) as the business types belong in "CTF".
15/08/2014	Onshore CNY Working Group	Update description of the structured code using. - "The guidelines suggest that the structured code appears as the first (or the second, when special code be written in the first line, such as Fin-copy message) piece of information in the field."
18/09/2014	Onshore CNY Working Group	Delete all 4 ADDING Business Category/Item which both for cross-border and local payments within the Mainland, as they are only for payments in the Mainland.
18/09/2014	Onshore CNY Working Group	Add codeword "FTF" (Financial Institution Transfer, A200/02126), as PBOC's request.

Onshore CNY Working Group Guidelines for SWIFT MT messages

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Note: Relevant regulations and legislation take precedence over the guidance issued by this Working Group.   These Guidelines represent the industry's best endeavor to assist peers in the interpretation and implementation of cross-border CNY transaction guidelines for SWIFT FIN messages.   The Onshore CNY Working Group – or any of its Members – cannot be held liable for any error in these Guidelines.

Contributing Institutions

China Construction Bank Corporation
Bank of China Limited
Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of Communications
China Merchants Bank
China Citic Bank
Shanghai Pudong Development Bank
Everbright Bank of China
China Guangfa Bank Co., Ltd
PingAn bank
Hua Xia Bank
Industrial Bank Co. Ltd.
China Development Bank
SWIFT

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1 Introduction

1.1 Terminology Background

The Chinese Yuan is called "Yuan" and by its ISO (International Organization for Standardization) currency code "CNY".   The currency is also called "Renminbi" and by the associated abbreviation "RMB".   For the purpose of these guidelines, "RMB" will be the commonly used abbreviation to mean "Yuan", "CNY" and "Renminbi". When this document refers to "onshore RMB", it is RMB that is traded and cleared inside of The People's Republic of China (PRC).

The SWIFT MT processing of "Onshore RMB" will be the primary focus of these guidelines.

1.2 Objective

The objective of Onshore CNY Working Group is to agree guidelines on the use of SWIFT MT messages to enhance straight-through-processing (STP) rates for cross-border RMB transactions.

1.3 Summary of guidelines

This document provides guiding principles to help increase STP rates between sending and receiving banks by clearly identifying cross-border CNY transactions in SWIFT MT with the use of structured codes.   The intention is to create a baseline to work towards in electronic counterparty communication.   To facilitate the processing of the underlying transactions, sending and receiving banks will make a decision on whether to opt in to these published recommendations.

In all cases, it is suggested that the structured code appears as the first piece of information in the recommended field of the MT messages.   This will help Information Technology professionals apply programming logic with a goal of systematic automation.

Messages that are impacted are as follows:

Payments	
MT103	Single Customer Credit Transfer
MT202	General Financial Institution Transfer

1.4   Legends used for the guidelines

Symbol	Description
/	Delimiter that must be present at the beginning and ending of the structured code and qualifier 'PYTR'.

2   Guidelines to present cross-border CNY transactions

2.1   Payments

Cross-border CNY payments with China are currently settled through the China National Advanced Payment System (CNAPS).   Given the recent regulatory changes that have resulted in requirements (fund flows and currency exchange) for various payment types, the second generation of CNAPS (CNAPS2) has defined the mandatory requirement to capture the various business payment types of the CNY transactions, thus the current practice to differentiate 'TR' (i.e. trade) or 'NT' (non-trade) payment on the CNY SWIFT payment messages is no longer sufficient. More granular categories of business payment types are needed in the CNY SWIFT payment messages to China so that the information can be passed on to the Agent Banks for mapping into the appropriate CNAPS2 messaging requirement. Based on the CNAPS2 specifications on the payment business types, there are 10 types of payments commonly used by the market and are expected to be clear and well understood by foreign financial institutions.   These payment business types are: cross-border goods trade, fund return for cross-border goods trade, cross-border service trade, fund return for cross-border service trade, cross-border capital transfer, fund return for cross-border capital transfer, other current account transactions, cross-border individual remittance, fund return for individual remittance, financial institution transfer.

To facilitate the alignment of the codeword requirement so that overseas banks sending CNY payments into China can follow one consistent set of requirements, the group concluded to use the currently only available set of definition from China as the base reference for onshore participating banks to follow.   This will prevent the situation where the overseas banks have to deal with different set of codeword requirements from different agent banks thus requiring manual intervention to adjust the codeword for various nostro clearing routes, resulting in substantial inefficiency in the payment processing, making it difficult to achieve straight-through-processing (STP).

Whilst the processing and acceptance of CNY payments is under the bilateral agreement between the sending and receiving banks, as this paper is set out we do recommend the banks to take this guideline as a reference in coding the business payment info in their CNY payment messages with China so that an aligned market practice is possible to achieve payment efficiency in the market.

Payment business type code

This set of guidelines provides the recommended market practices as options to facilitate cross-border CNY payment processing into Mainland China. However, there still challenges that remain in the industry. An addendum will be included to this guideline at a later stage to highlight further alignments that may be required as the market develops further in the next 24-36 months such as any future changes on CNAPS infrastructure and the Cross-border Inter-bank Payment System (CIPS) expected in two to three years' time.

This is the reference table of payment business type codes to be used in MT messages.

Business types	CODEWORD	DEFINITION	Business Category/Item in CNAPS2
1. Cross-border goods trade	GOD	Cross-border settlement based on trade for goods, including general merchandise, goods for processing, goods for repairing, goods bought in transportation ports, import and export of non-currency gold, etc. (details can be found in International Payment Code Guideline issued by State Administration of Foreign Exchange)	A113/02112
2. Fund Return for Cross-border Goods Trade	RGOD	Fund return of cross-border payment for goods trade. RGOD stands for partial and full return.	A113/02113
3. Cross-border Service Trade	STR	Cross-border settlement based on trade in services, including services relating to transportation; travel; communication service; constructions and installation services and their subcontract services; insurance; financial services; computer and information services; patent and license fees; sports and entertainment services; government services and the	A113/02114

		other commercial services not mentioned above. (details can be found in International Payment Code Guideline issued by State Administration of Foreign Exchange)	
4. Fund Return for Cross-border Service Trade	RSTR	Fund return of cross-border payment for service trade. RSTR stands for partial and full return.	A113/02115
5. Cross-border Capital Transfer	CTF	cross-border fund transfer under capital account, including capital account transactions (capital transfers; acquisition/disposal of non-productive, non-financial assets), direct investment, securities investment and other investments. (details can be found in International Payment Code Guideline issued by State Administration of Foreign Exchange)	A113/02116
6. Fund Return for Cross-border Capital Transfer	RCTF	Fund return for cross-border capital transfer. RCTF stands for partial and full return.	A113/02117
7. Other Current Account Transactions	OCA	including income (salary, investment profits) and current transfers (donation not related to real estate or without conditions; payments to foreign countries including compensation, tax, amercement, membership fees, payment of employees who are hired over one year, occasional payments).(details can be found in International Payment Code Guideline issued by State Administration of Foreign Exchange)	A113/02125
8. Cross-border Individual Remittance	RMT	Cross-border payments conducted by individual customers	A113/02123
9. Fund Return for Individual Remittance	RRMT	Fund return for cross-border individual payments. RRMT stands for partial and full return.	A113/02124
10. Financial Institution Transfer	FTF	Financial institutions transfer except business types No.1-9	A200/02126

2.1.1 MT103 – Single Customer Credit Transfer

- Use field 72 which allow for a maximum 6 lines and each line can have 35 characters (6*35x).
- If the sender cannot identify the payment business type of the transaction then they should not include payment business type code in the message.
- The guidelines suggest that the structured code appears as the first (or the second, when special code be written in the first line, such as Fin-copy message) piece of information in the field. This will help Information Technology professionals apply programming logic with a goal of systematic automation.
- The structured code must appear in a single line as opposed to be spread across two lines of the field.
- When the structured code is used, it must appear in its entirety together with delimiters (/), i.e. '/PYTR/<code>/'.
- The use of the structured code is optional and should not be used if the code words are not applicable to the parties down the transaction chain.

This example shows a cross-border CNY transaction. The payment transaction is for trade involving physical goods. The structured code is to put in the first line in field 72.

Message type	103
Sender to Receiver Information	:72: /PYTR/GOD/ //<narrative text> //<narrative text>

The structured code is specified on the second line in field 72.

Message type	103
Sender to Receiver Information	:72: <narrative text> /PYTR/GOD/ //<narrative text>

2.1.2 MT202 – General Financial Institution Transfer

- The field used for the structured code is field 72. This field allows a

maximum of 6 lines and each line can have 35 characters (6*35x).

- If the sender cannot identify the payment business type, they should not include payment business type code in the message.
- The guidelines suggest that the structured code appears as the first (or the second, when special code be written in the first line, such as Fin-copy message) piece of information in the field. This will help Information Technology professionals apply programming logic with a goal of systematic automation.
- The structured code must appear in single line as opposed to be spread across two lines of the field.
- When the structured code is used, it must appear in its entirety together with delimiters (/), i.e. '/PYTR/<code>/'.
- The use of the structured code is optional and should not be used if the code words are not applicable to the parties down the transaction chain.

In this example, the transaction is Trade Settlement of physical goods. The structured code is specified on the first line in field 72.

Message type	202
Sender to Receiver Information	:72: /PYTR/GOD/ //<narrative text> //<narrative text>

The structured code is specified on the second line in field 72.

Message type	202
Sender to Receiver Information	:72: <narrative text> /PYTR/GOD/ //<narrative text>

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