



Record of meeting of the 3rd Data Working Group

7th December 2017

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Introduction

- The Bank played back the discussions that took place in the break-out sessions during the last meeting on the identity strawman. There was broad agreement behind the proposals and agreement on the further work needed to ready these for consultation. The Bank has scheduled further meetings to continue this work.

Office of National Statistics, Phillip Davies

- The ONS shared a presentation on how they structure information to produce national accounts. For instance they utilise an interdepartmental business register to share information regarding different businesses and a set of financial institutional sector accounts which are more defined than other sectors.
- The ONS shared how they maintain standard industrial classification (SIC) codes so that national statistics adapt to a changing economic environment. They also shared the process in which they undertake surveys with the private sector to generate national statistics.
- Legal Entity Identifiers (LEIs) are strings of 20 alphanumeric digits that can be used in order to look up further details about the entity in question by entering them into a publicly available repository. They could enable more granular levels of data on a regional and sectoral level.
- LEIs could be used to track a transaction across different sectors. They could also be used to conduct quality assurance in different data sets. If appropriate tools were developed, one could look-up an LEI and its corresponding company number, and in turn ascertain the SIC code.
- Better data, such as LEIs or purpose codes may reduce the need for the ONS to do economic surveys with businesses, which can be burdensome on the ONS and on private business.



Potential use cases of purpose codes

- The Bank presented a potential solution to the need for more information about the purpose of a transaction. The introduction of purpose codes could meet a number of different use cases.
- The Bank shared a list of principles which could guide the formation of a list of purpose codes (this is available in the reading pack).
 - Purpose codes could allow for the prioritisation of different payments in the event of an operational incident or otherwise: such as time critical FX, housing, and derivatives payments. Identifying housing payments in particular can protect against reputational damage in such an incident, by enabling these payments to be prioritised once normal operation is resumed.
 - Furthermore, purpose codes may better identify (and thus facilitate the prioritisation of) margin calls.
 - The codes could enable better management of intraday liquidity use enabling banks to gain a better picture as to which customers and payment types drive usage of intraday liquidity.
 - Purpose codes would better help provide identification of the repayment of money market deals.
 - There are other potential operational benefits. For instance, if a client made a batch of payments with the same codes, these could be booked as one debit on the account.
 - Purpose codes could also be used to reduce AML false positives and prevent fraud. The benefits for sanctions checks are likely to be limited.
 - As discussed by the ONS, purposes codes may facilitate better macroeconomic analysis.
- There are also potential benefits for purpose codes after settlement has taken place.
 - For instance, there could be an MI tool that alerts customer relations teams in banks to a change in client activity. Products could be developed for customers that give information on their activity.
- Although a number of different use cases were discussed, some attendees described how, from their perspective, the potential benefits may be outweighed by increases in operational costs. Therefore:
 - The Bank will conduct more work on purpose codes to better establish the burden to industry relative to potential benefits.
 - The Bank will consider whether any other solutions could meet the use cases described above.

Discussion of the purpose codes strawman proposition

- Some discussion involved whether the codes would apply to the account or to individual transactions. It was suggested that account information may help to determine the purpose code that should be used for individual payments.



- There was a discussion around the use of the ISO 20022 purpose codes list. There are two lists, one involving categories which is much shorter and is primarily used by banks for processing payments, and there is a second list of over a hundred used for end-users to designate a purpose.
- Attendees acknowledged that attaining full coverage of the purpose of a message would be difficult to achieve, but there could be a tiered approach.
 - For instance, certain codes could be more granular than others, depending on the ability of users of the data to ascertain the nature of the payment via other elements of the message, such as account numbers and other identifiers.
 - The set of codes could be more specific for financial institutions due the complex nature of different types of transactions, and the codes could be more 'catch-all' for activity relating to households.
- Accounting packages for corporate users could have purpose codes inbuilt into those systems thereby improving use of purpose codes.
- Some challenges were discussed in relation to purpose codes. One involved the quality of data, as there is a concern that inputters may not accurately select the correct code. Another involved the concern that users would simply not select a purpose code in the first instance. It was felt that, insofar as possible, inputting the code should not be left to retail customers.
- It was felt that the responsibility for entering the purpose code would rest with the scheme member to ensure that it is completed.
- It was noted that many banks already internally flag certain payments as being 'pensions' or 'salary' payments. This meant that different processing could take place, for instance, prioritisation or different confidentiality rules.
- Countries that have adopted purpose codes to date have generally mandated their usage. There was a concern that if codes were optional, they might not be used. It was noted that in most overseas implementations the drivers of use are oversight of flows of funds into or out of the country.
- It was noted that the list of purposes contained in the ISO repository may not contain the correct break down of purposes for the UK market. For example housing completion payments are not currently in the ISO 20022 category purpose codes.

Next meeting

- Two further final meetings have been scheduled for the new year:
 - **Wednesday 24th January 10am – 1pm**
 - This meeting will run through non-LEI identifiers, remittance information, metadata, and will revisit the purpose codes strawman
 - **Tuesday 20th February 11.30am – 2.30pm**
 - The final meeting will assess everything that we have discussed so far in advance of publishing a consultation document in Q2