



## Record of the fourth ISO 20022 Interoperability Working Group

26 February 2018

### Attendees:

NPSO	FPS
J.P.Morgan	Barclays
RBS	Bacs
SWIFT	WorldPay
PSR	CLS
Lloyds	Bank of England

### Introduction

- The Chair started the meeting by explaining that the NPSO is considering how best to engage in the Bank's ISO20022 consultation planned for spring.

### Message Identifier

- The Bank presented its proposal for message identifiers, which follows the HVPS+ guidance in this area. There was broad support of the Unique End-to-end Transaction Reference UETR identifier proposal, and the need for a unique transaction ID. Attendees recognised the benefits of UETR as it utilises globally unique IDs.
- It was advised that the change request to add a new field to carry the UETR had been amended so that the field would be optional and the Transaction ID would remain mandatory.

**Act: the Bank and NPSO will continue to develop a message identifier proposition jointly, especially exploring the UETR in greater detail.**

### Party identification

- HVPS+ guidance describes two distinct party identification structures, one for financial institutions and another for non-financial institutions.
- Both identification elements contain structured postal address fields. As discussed previously, there is no field for building name. There was broad agreement that building name should be included as optional in the message, and that this should be a separate field. There is a Change Request being prepared to this effect.
- It was noted that the majority of messages need not necessarily carry financial institution address information when a BIC is included, but there are some instances such as in relation to Funds Transfer Regulations, in which this information may be required.
- LEIs carry much of this information, and could act as a substitute.
- It was reiterated that whatever is introduced, the added flexibility should not reduce the STP benefits that are expected to be achieved via increased structure in the messages.

### Message Aliases



- An account alias is reference data such as a mobile number or electronic address that can be used to look up the account information for a debtor or creditor.
- In the structure for accounts described in ISO 20022 there is not a field set aside for aliases. It is proposed that a field could be introduced to show an alternative identifier in addition to account information. This would be optional to complete.
- Attendees agreed that there was a use case from a scheme perspective, such as overlay services.
  - This would future-proof the message so that it is capable of handling other aliases as they emerge. As other aliases became available, other type codes could be added to the message. This would be managed via a governance process.
- There was a challenge surrounding whether this information could be carried in the remittance information section of the message.

**Act: the Bank and NPSO to conduct further research on other aliases and their use.**

### Remittance Information

- The Bank described how remittance information can be carried in the ISO 20022 message: in a structured section, an unstructured section, or in related remittance information.
- The latter section of the message allows users to enter information such that other users can access the related remittance information outside of the message itself. For instance, a corresponding *remt* message could be used, and the identifier of this message would be embedded in the related remittance information section of the underlying message itself.
- There are key questions to work through on which methods should be allowed, what recurrences should be available, and whether any field length limits should be put in place.
- It was felt that for intermediary processing banks to meet their compliance screening obligations, they would need access to any externally held remittance information, such as that contained within an external repository.
  - If an external repository were an accepted method of conveying remittance information, this would have to be regulated and constraints enacted around when this service could be used.
  - Currently corporates typically exchange remittance data separately from the payment message.
  - It was noted that the Bank is neither suggesting implementing nor regulating such a repository itself.
- It was also noted that to future-proof the message to carry more data, the message should not be limited in the remittance information section. However as the volume of data increases, perhaps there is a need to reduce the proportion of data that is unstructured to assist STP and efficiency.
- Presently, lots of unstructured remittance information is used, meaning this field would likely have to be retained for interoperability purposes and to allow data pass through. The use of the structured information section should be encouraged and preferred.
- There is an outstanding need to review and assess the fields available in the structured section for use in the UK. This should be done with PSF work on enhanced data in mind.
- There is a question as to whether the current limit in the HVPS+ guidance for the maximum allowable number of recurrences of the related remittance information is sufficient.
- It was noted that the payments industry is not the main beneficiary or user of the additional remittance information.



**Act: The Bank to undertake further work in terms of the number of occurrences, field length limits, and the contents of the structured information section**

### Character sets

- The Bank has been engaging the HVPS+ group and other central banks as to the merits of mandating the adoption of an extended character set in the pacs.008 message.
- Any use of an extended character set in the UK context would fit within the HVPS+ guidelines since it would be bilaterally agreed with the domestic community.
- The Payments Market Practice Group (PMPG) is conducting work on character sets in cross-border payments.
- Concerns from participants centre around the wider implications of extended character sets on screening and sanctions checking.

### Message Version Control

- SEPA and others are currently using version 3 of the pacs.008 message, so there are questions surrounding the UK's own choice of version, particularly at the point at which the message is authored. Corporates are reluctant to move away from version 3.
- SWIFT's Harmonisation Charter states best practice is for FMIs to use the latest version, although exceptionally the previous version can also be used.
- It was recommended that the UK should go-live on the latest version, and then governance around future versions and change control should be developed. There are two options for this:
  - Implement the latest version possible
  - Implement the latest version and also the previous version
- Participants are currently used to updating systems as a result of regular changes to SWIFT MT messages. The annual cycle should not be broken with the introduction of ISO 20022 as there were concerns about losing budget for change without annual standards releases.
- It was also widely acknowledged that having different versions of the standard available is difficult for participants of multiple payment schemes to manage, This is especially acute when mandated fields are different from implementation to implementation.
- This should form a part of the consultation, and should include questions on version timeframes and synchronising with other communities.

### LEIs

- The PMPG is in the process of deciding on a change request to ISO to introduce LEIs. The Bank has been engaged with HVPS+ on this change request.
- Guidance over usage should be developed in relation to LEIs, and whether they need to be checked by screening systems.

### Business Application Header (BAH)

- SWIFT presented on a network agnostic proposal that had been put before the HVPS+ group.
  - The signature element would not be used in the BAH as it was thought this would be too complex in the FMI scenario. Instead it will be carried in block 7, for Crypto Controls.



- If no change is done in the Request Payload (i.e. BAH and/or Payment Message), the same signature is transported end to end in the optional block 7.
- If changes are conducted in the Request Payload, a new signature would be required in block 7.
- This had been received well by the HVPS+ group.
- The BAH has an optional Related field which could contain another BAH and therefore a second signature.
- Further investigations into the BAH were required.

## Routing

- The group discussed how payment routing currently takes place in the UK, mainly based upon sort code at a domestic level, and how it may look for the renewed RTGS service and the New Payments Architecture (NPA).
- The renewed RTGS service is expected to continue to route using BIC, with the sending participant making use of reference data to map the beneficiary's sort code to derive the receiving institution's BIC.
- Various options exist for the NPA:
  - Continue with sort code
  - Move to BIC/IBAN
  - Routing on either sort code or BIC depending on the fields in the payment message
- Ranges of sort codes have historically been assigned to clearing banks, restricting the availability for new entrants. Once cheque clearing completes, it will be easier to re-assign sort codes.

## AOB

- Next meeting: 20<sup>th</sup> March 11:30 – 5pm