SR2021 webinar UETR recycling

SWIFT Standards and SWIFT gpi

6th & 7th September 2021

SR 2021 Business Highlights

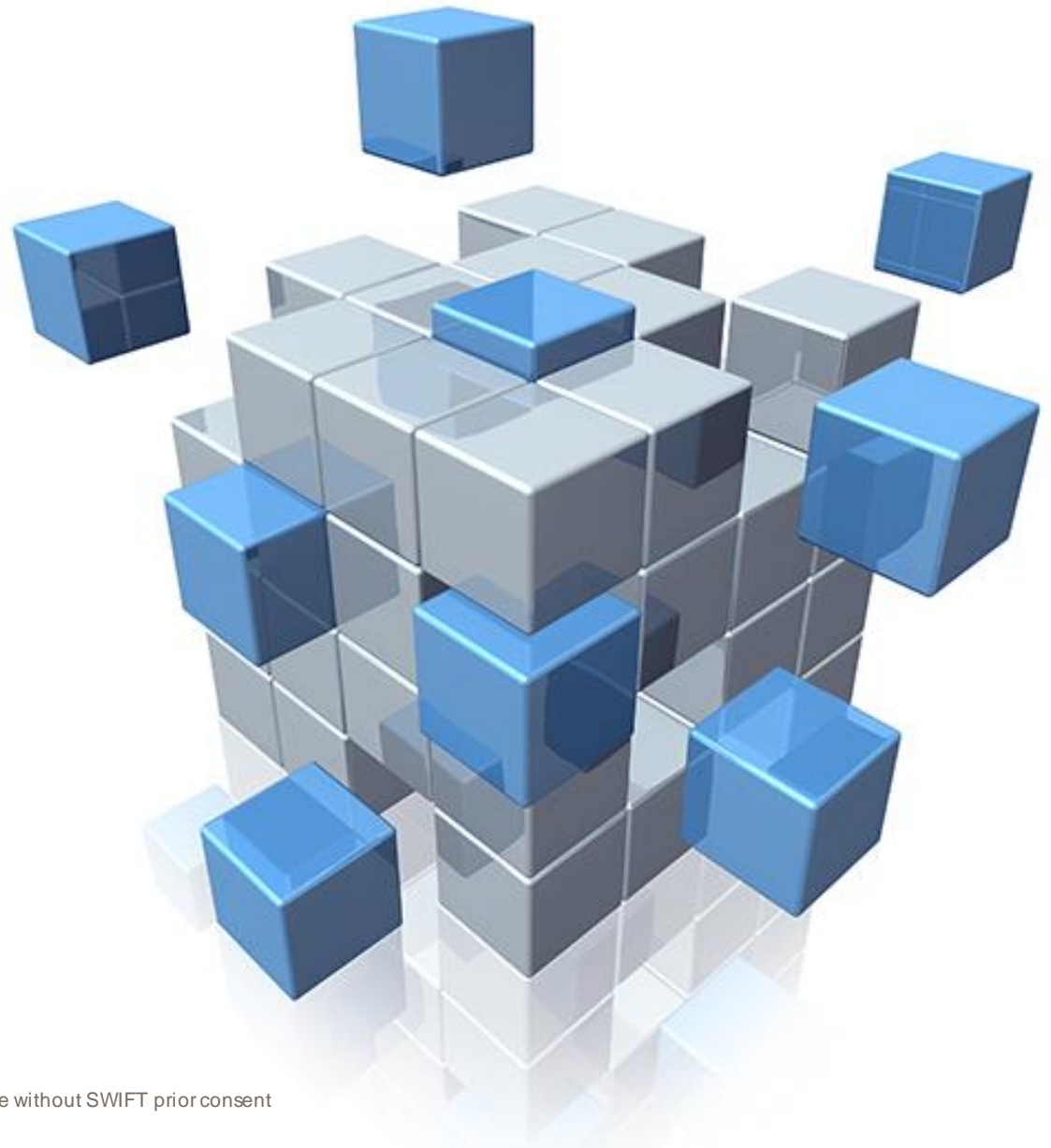Tinne Verschueren

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

ISO 20022 Debtor data element example			Customer data record example
Debtor	Name		JOHN HECTOR JOSEPH SMITH - MASTERSONS
	Postal Address	Department	
		Sub Department	
		Street Name	HOOGSTRAAT
		Building Number	6
		Post Code	1000
		Town Name	BRUSSELS
		Country	BE
	Identification	Private Identification – Other Identification	1111111111
Debtor Account	Identification	IBAN	BE3000121637141

Richness of ISO 20022 – Allow more granular data structure

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

ID lost

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

Treasury

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	
Sequence A	General Information
82a	Party A
87a	Party B
83a	Fund or beneficiary customer
53a	Sender's Correspondent
56a	Intermediary
57a	Account With Institution

MT 306	
Sequence A	General Information
82a	Party A
87a	Party B
83a	Fund or beneficiary customer
Subsequence C	Settlement Instructions for Payment of premium
Subsequence E	Payout amount
Subsequence L	Additional Amounts
53a	Delivery Agent
86a	Intermediary 2
56a	Intermediary
57a	Receiving Agent
58a	Beneficiary Institution

More info. Interactive **SWIFTSmart** e-learning module

Trade Finance

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 <u>published</u> 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

MT 700 1/3

MT 701 2/3

MT 701 3/3

- 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**

  o Previously had few structured fields and one large free-format field

  o New versions are highly detailed and structured

  o Sequences introduced to cater for undertaking details as well as local undertaking details

- **MT 768 & MT 769**

  o field 71B change to 71D with z-character set

  o field 72 change to 72Z with z-character set

  o 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)**

  o Coexistence and alignment between ISO 20022 and ISO 15022

  o 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

SRD II (Shareholders Rights Directive)

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 holds 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 impact 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

MT 600	
Sequence A	General Information
82a	Party A
87a	Party B
83a	Fund or beneficiary customer
Sequence B	Commodity Bought
53a	Sender's Correspondent
56a	Intermediary
57a	Account With Institution
Sequence C	Commodity Sold
56a	Intermediary
57a	Account With Institution

MT 601	
Sequence A	General Information
82a	Party A
87a	Party B
83a	Fund or beneficiary customer
53a	Sender's Correspondent
56a	Intermediary
57a	Account With Institution

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?

UETR Recycling

Golnaz Amininejad

Issue Background

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.

UETR recycling - Timeline

June 2019: customer request at gpi global workshop.
- UETR 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
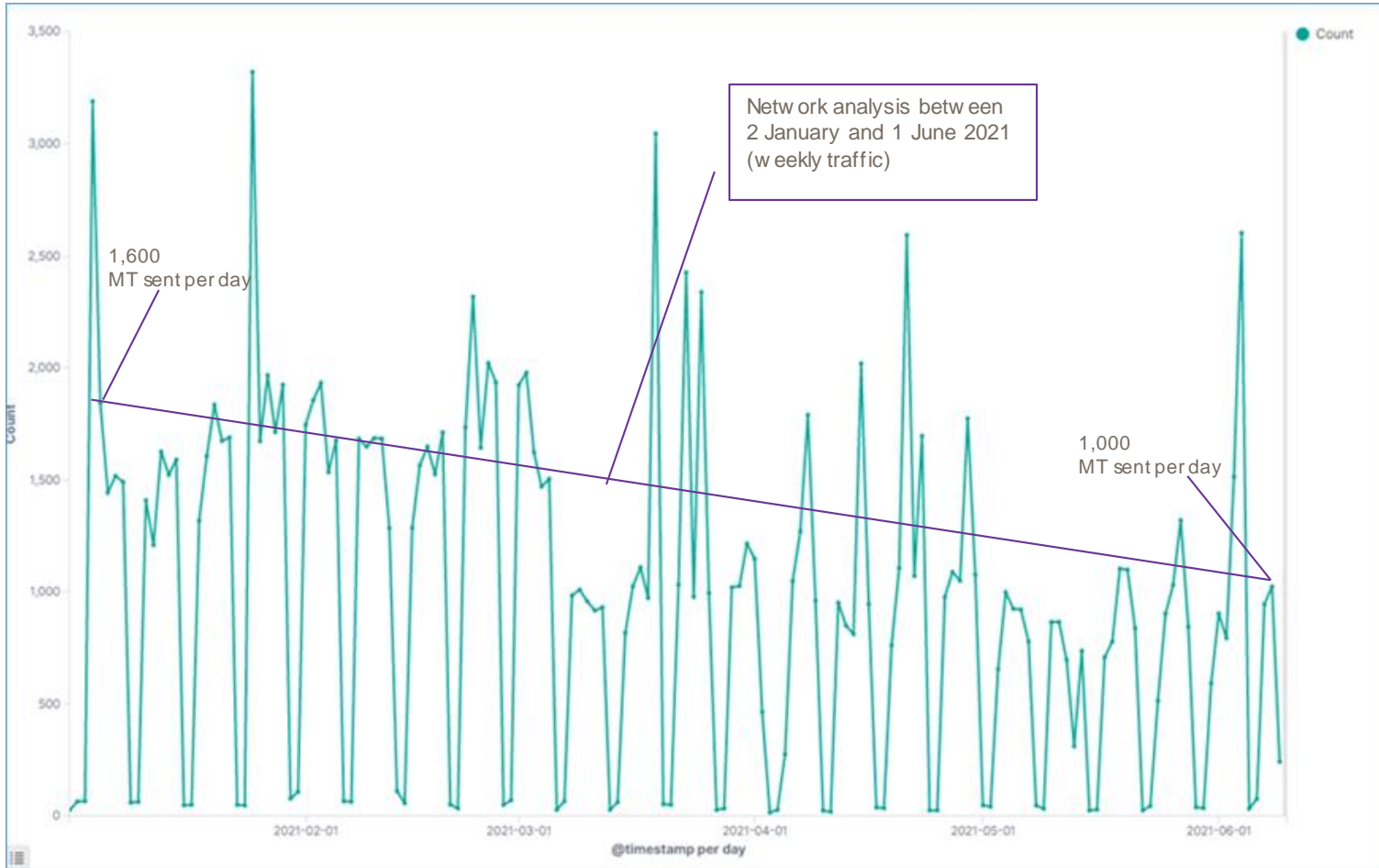- Reminder on November 2021 go live

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 **Q3** **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
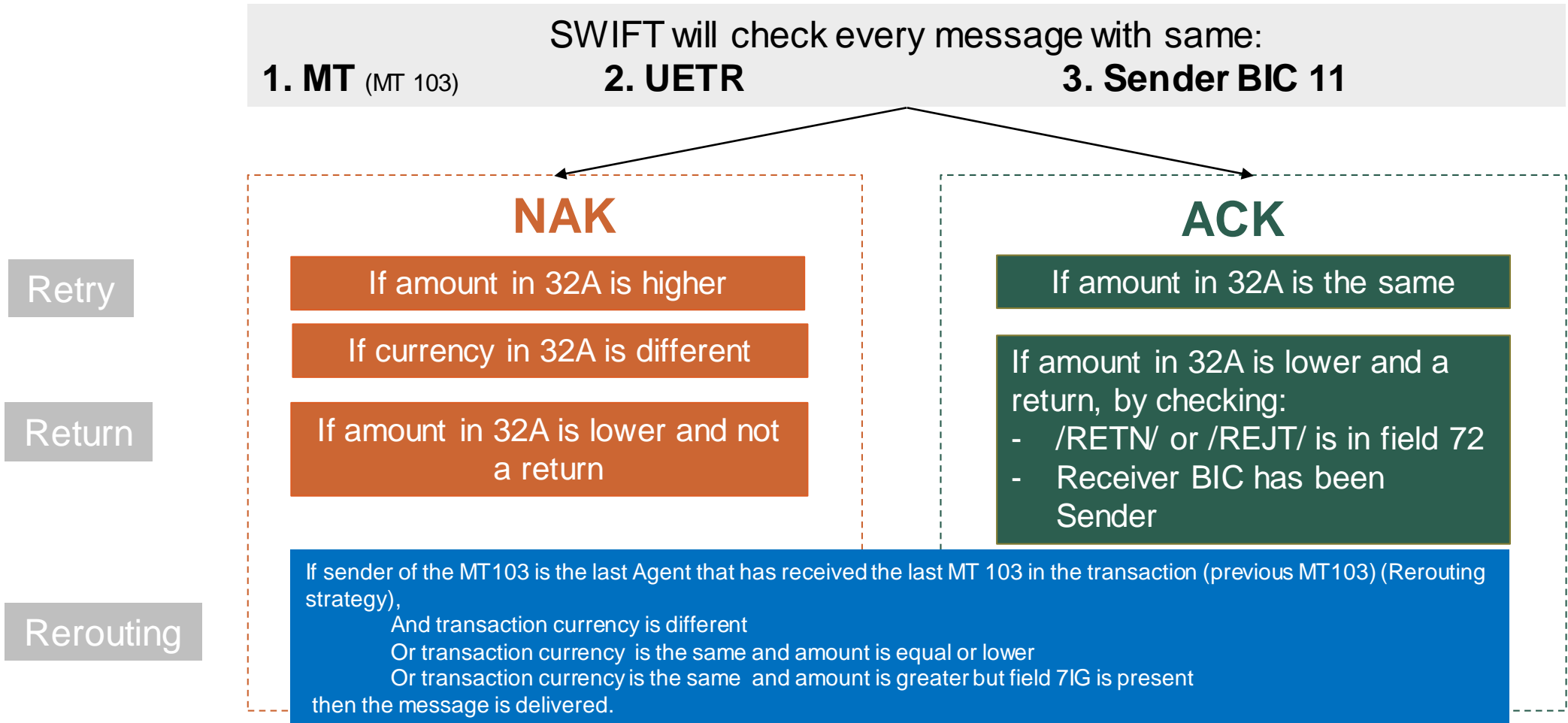
Q4 **Standard Release 2021**

- UETR recycling validation activation

> If you did not receive any non-compliant email, please verify your applications and do test them as you might become non-compliant <u>after</u> NOV 2021.

MT 103

UETR recycling prevention – Solution for **MT103's**
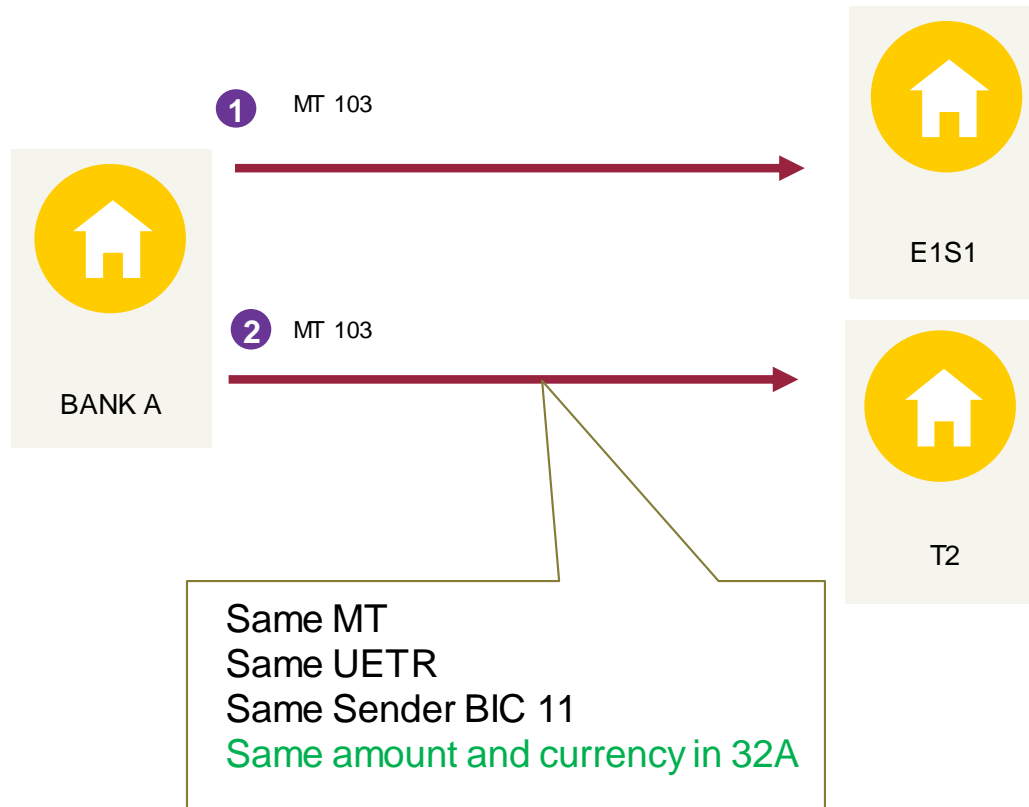
SWIFT will check every message with same:		
1. MT (MT 103)	**2. UETR**	**3. Sender BIC 11**

NAK

ACK

Retry

If amount in 32A is higher

If amount in 32A is the same

If currency in 32A is different

Return

If amount in 32A is lower and not a return

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

Rerouting

If sender of the MT103 is the last Agent that has received the last MT 103 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 7IG is present
then the message is delivered.

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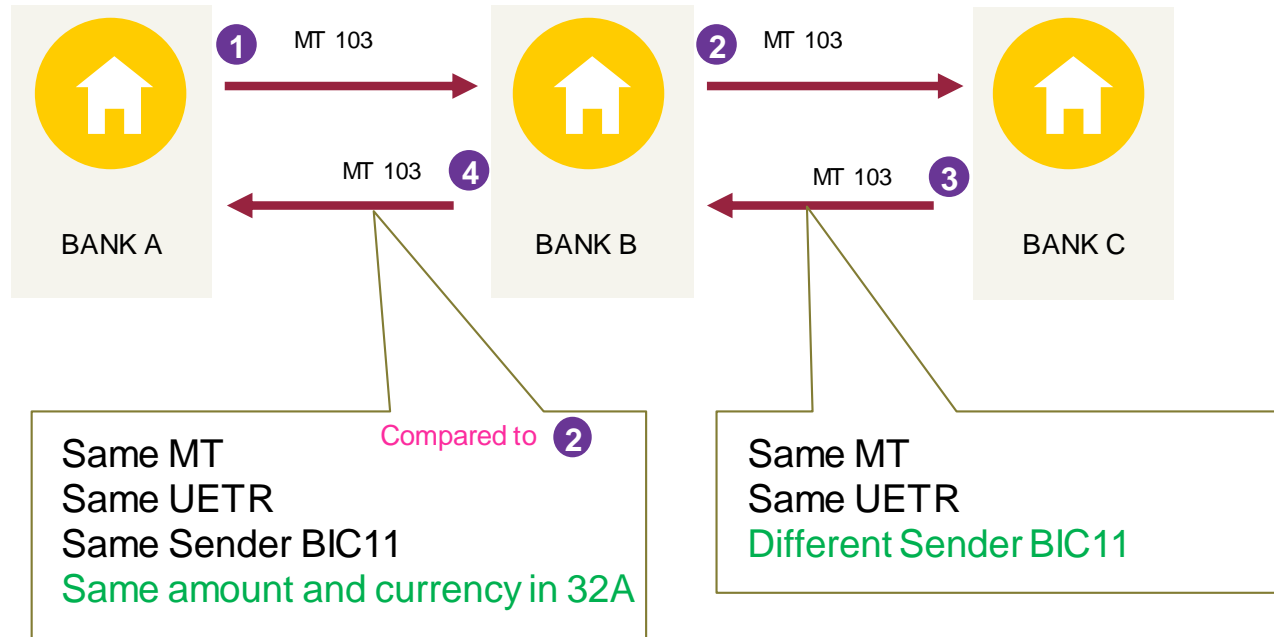- ✓ Retention period: up to 124 days

Field 32A: Value Date/Currency/Amount

Examples: Message retry – All messages are ACKed

1 MT 103

E1S1

BANK A

2 MT 103

T2

Same MT
Same UETR
Same Sender BIC 11
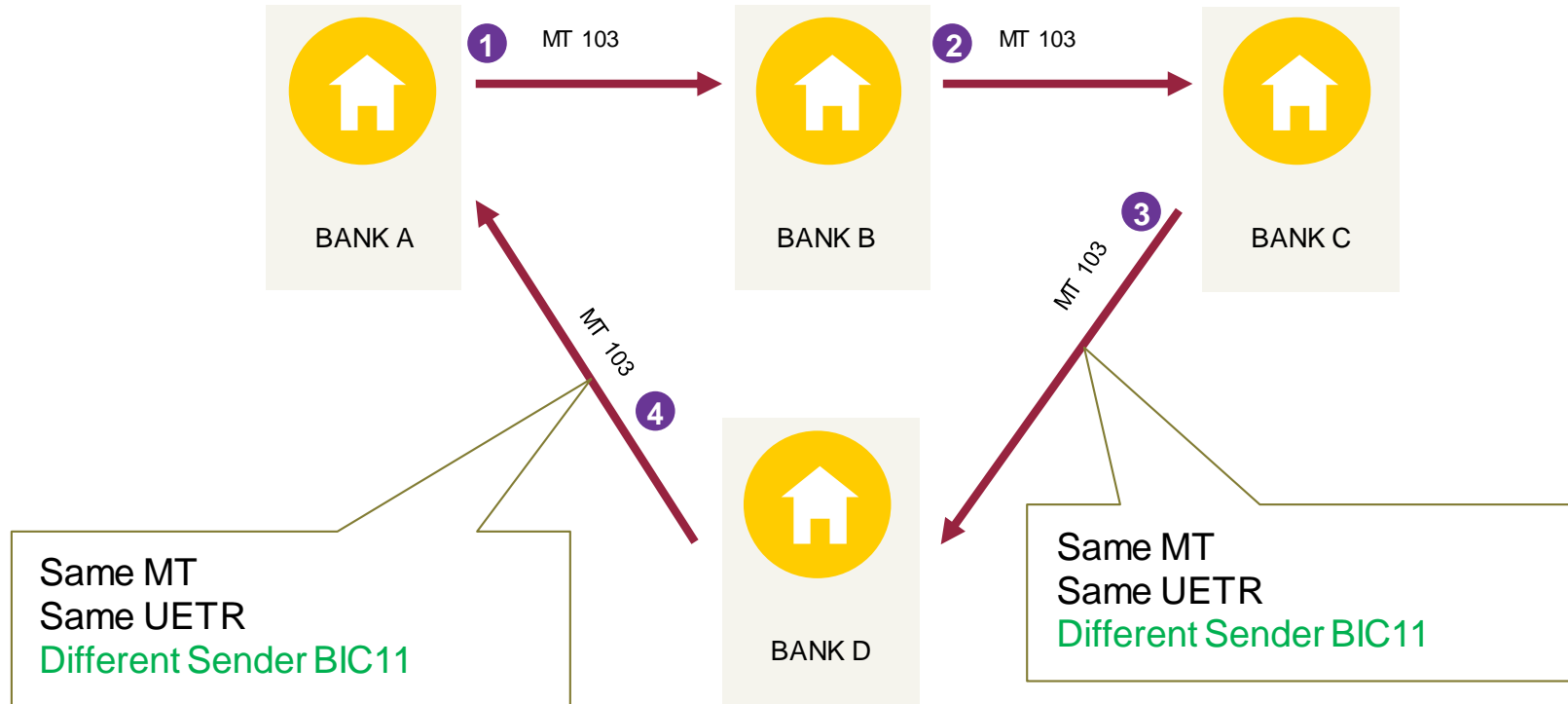Same amount and currency in 32A

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

Same payment can still be settled through T2 **2**

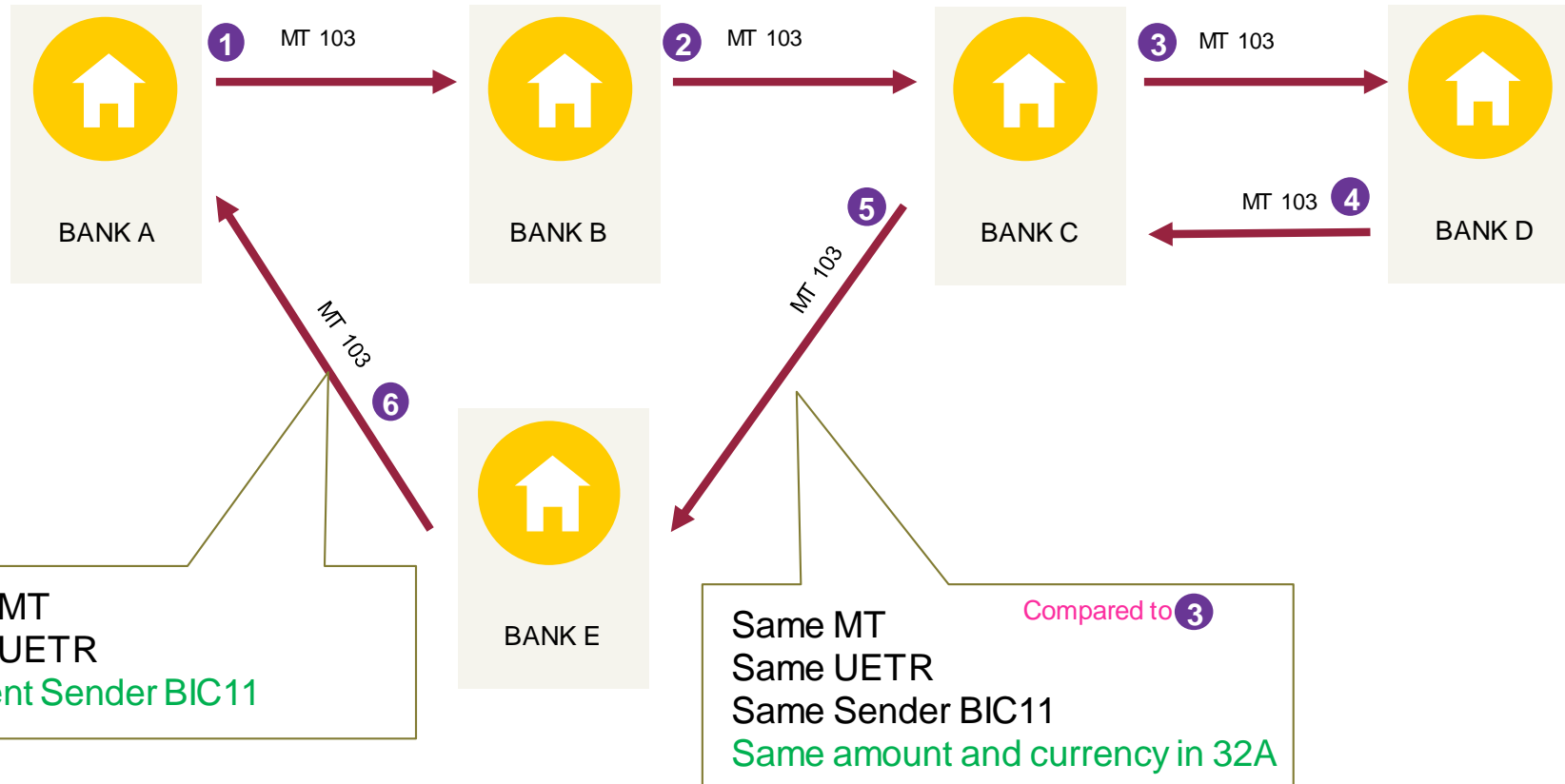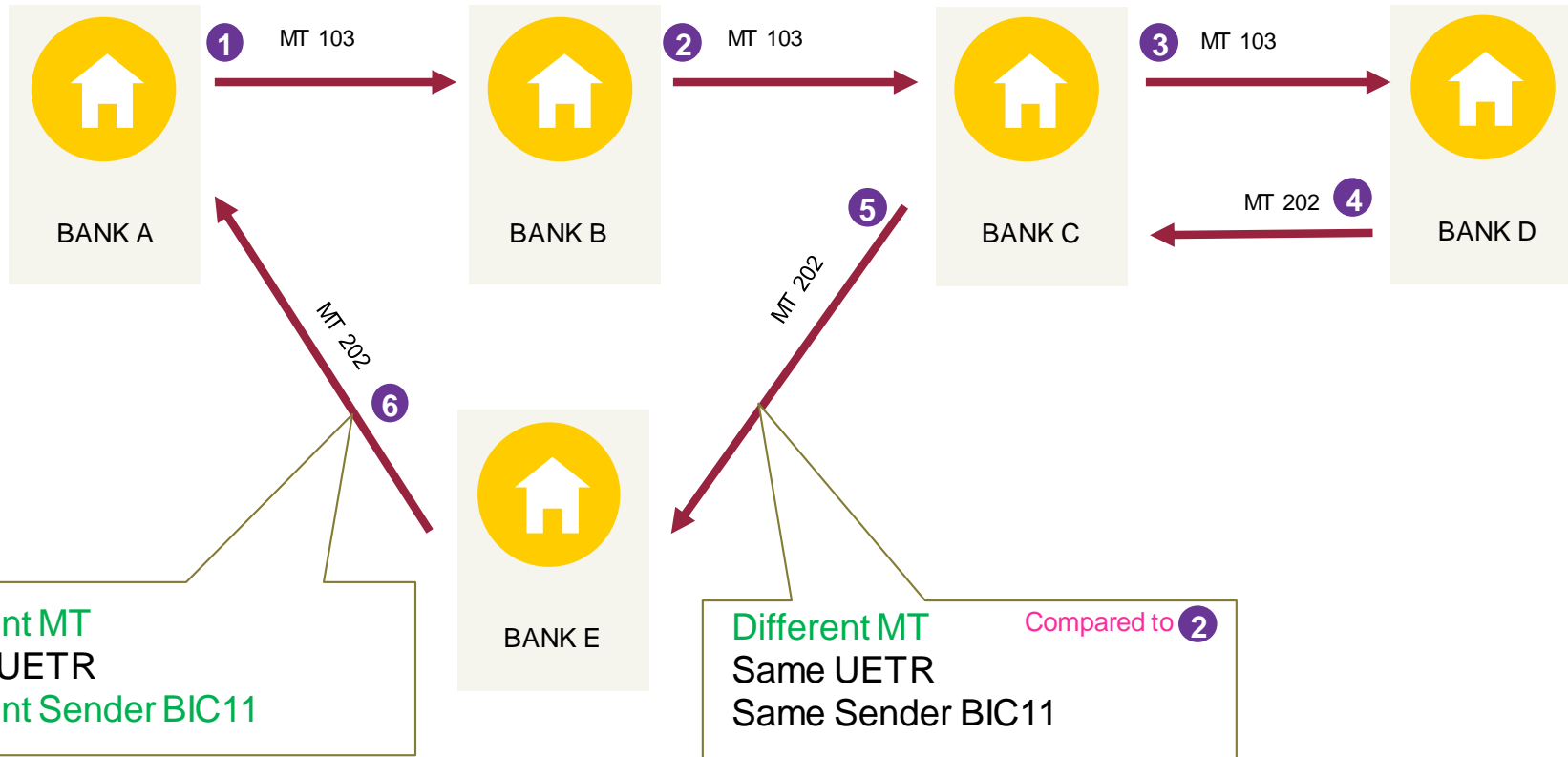# Examples: Return payment 1/7 – All messages are ACKed

1 MT 103 (BANK A → BANK B)

2 MT 103 (BANK B → BANK C)

4 MT 103 (BANK B → BANK A)

3 MT 103 (BANK C → BANK B)

BANK A   BANK B   BANK C

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

Compared to **2**

Same MT
Same UETR
Different Sender BIC11

Examples: Return payment 2/7 – All messages are ACKed

BANK A → ① MT 103 → **BANK B** → ② MT 103 → **BANK C**

BANK C → ③ MT 103 → **BANK D** → ④ MT 103 → **BANK A**

Same MT
Same UETR
Different Sender BIC11

Same MT
Same UETR
Different Sender BIC11

Examples: Return payment 3/7 – All messages are ACKed

BANK A   **1** MT 103 →   BANK B   **2** MT 103 →   BANK C   **3** MT 103 →   BANK D

BANK D   MT 103 **4** ← BANK C

5 MT 103 → BANK E

6 MT 103 ↗ BANK A

Same MT
Same UETR
Different Sender BIC11

BANK E

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

Compared to **3**

Examples: Return payment 4/7 – All messages are ACKed

BANK A — ① MT 103 → **BANK B** — ② MT 103 → **BANK C** — ③ MT 103 → **BANK D**

BANK D — ④ MT 202 → **BANK C**

BANK C — ⑤ MT 202 → **BANK E**

BANK E — ⑥ MT 202 → **BANK A**

Different MT
Same UETR
Different Sender BIC11

Different MT   Compared to ②
Same UETR
Same Sender BIC11

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

BANK A → ① MT 103 → **BANK B** → ② MT 103 → **BANK C** → ③ MT 103 → **BANK D**

④ MT 103 72:/RETN (BANK D → BANK C)

⑤ MT 103 72:/RETN (BANK C → BANK E)

⑥ MT 103 (BANK E → BANK A)

BANK E

Same MT
Same UETR
Different Sender BIC11

Same MT
Same UETR
Same Sender BIC11
Lower amount in 32A
/RETN/ or /REJT/ is in field 72

Compared to ③
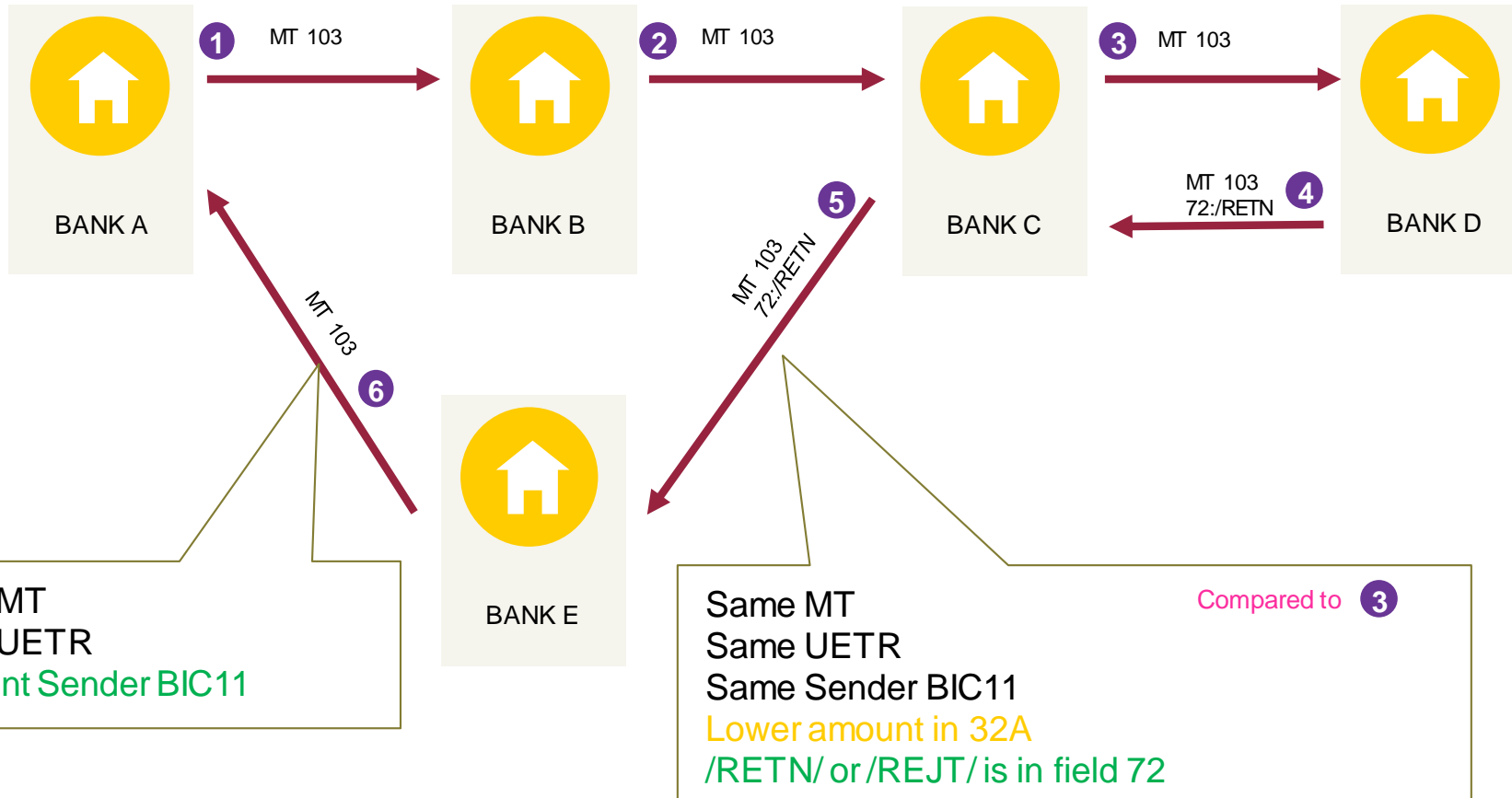
Examples: Return payment 6/7 – All messages are ACKed

BANK A

1 MT 103

2 MT 103

BANK B

4 MT 103

3 MT 103

BANK C

Bank B does **not** add 72

Bank C 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)

Compared to **2**

Same MT
Same UETR
Different Sender BIC11

Examples: Return payment 7/7

BANK A → ① MT 103 → BANK B → ② MT 103 → BANK C → ③ MT 103 → BANK D

BANK D → ④ MT 103 → BANK C

⑤ MT 103 ✖ (to BANK E)

Bank C **not** add 72

Bank D does **not** add 72

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

Compared to ③

NAK

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

1. Reject status update and Resend to same Agent
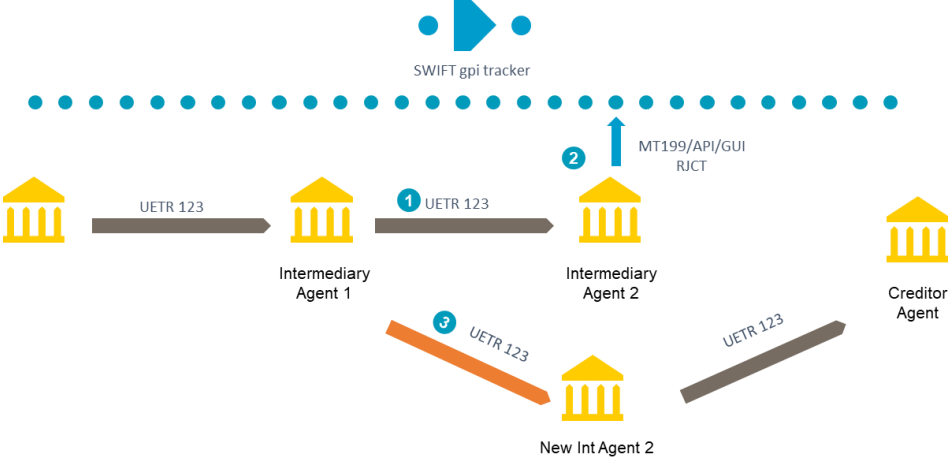
2. Reject status update and Resend to new Agent 1

3. Reject status update and Resend to same Agent
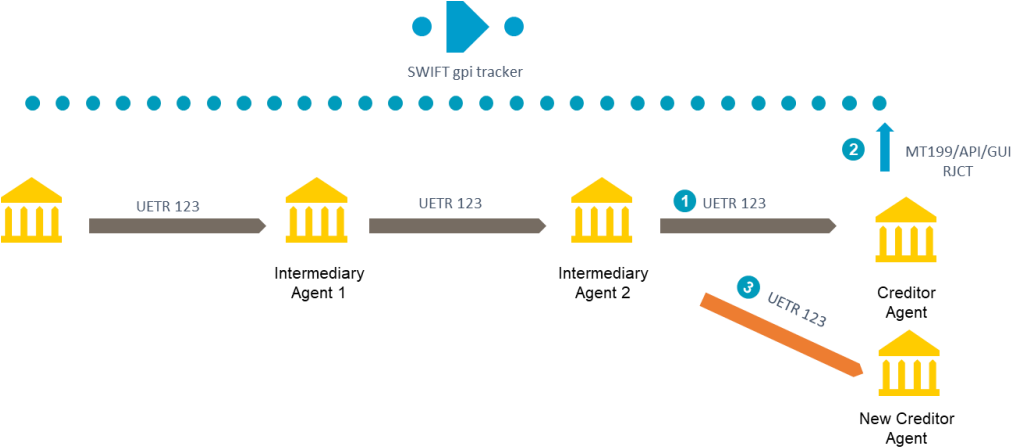
4. Reject status update and Resent not by last sender
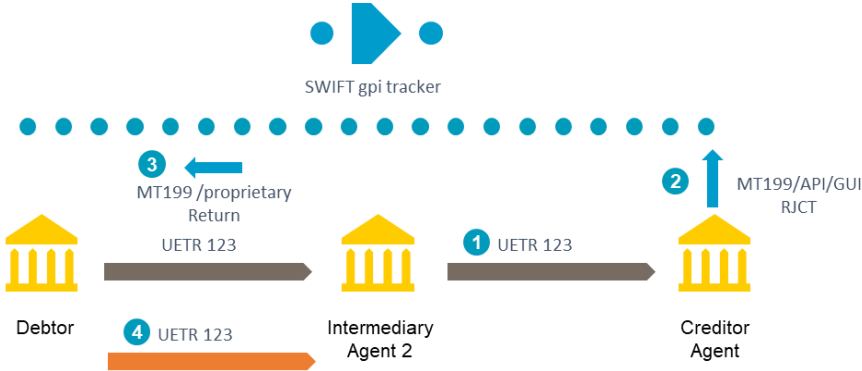
MT 101

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**

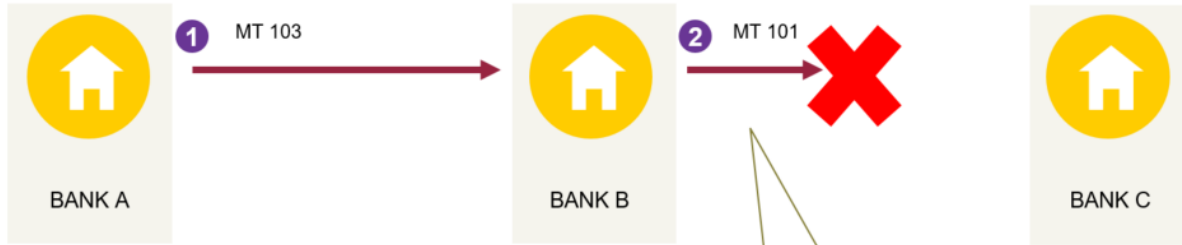UETR from MT 101 relayed in MT 103 afterwards => ACK

Same UETR used in sent MT 101
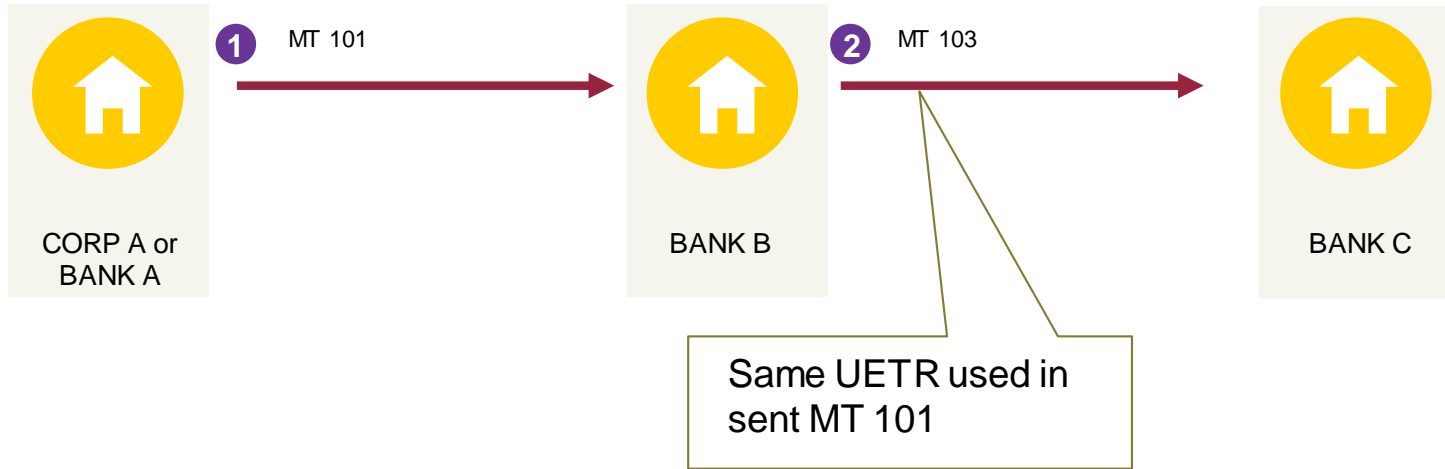
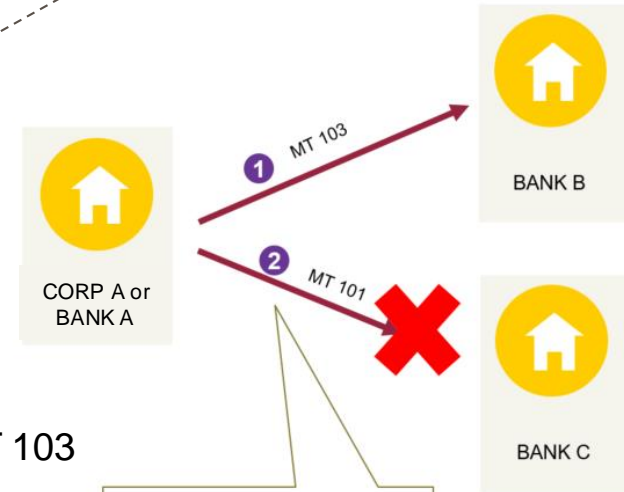UETR from MT 101 relayed in MT 101 afterwards => ACK
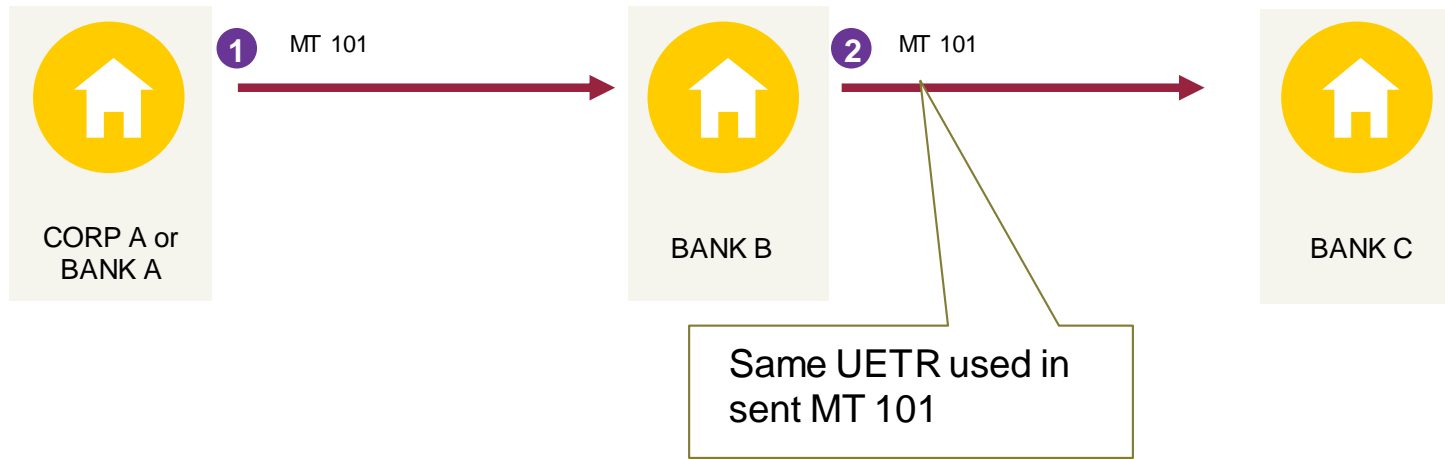
Same UETR used in sent MT 101

UETR used in MT 101 that already exists in MT 103 => NAK

Same UETR used in sent MT 103

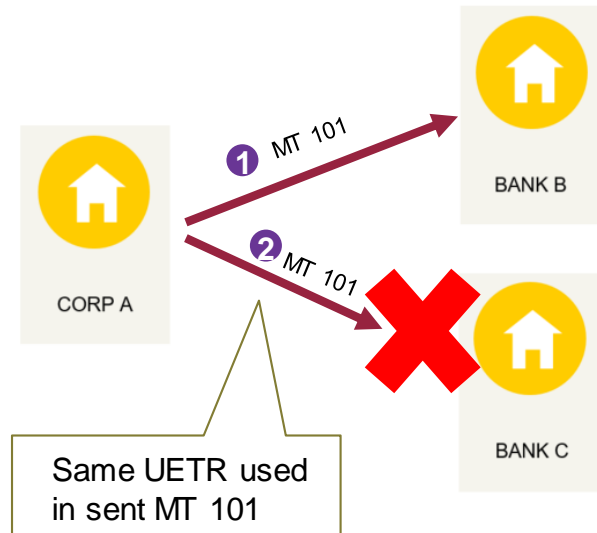UETR used more than once in MT 103 sent by same sender => NAK

Same UETR used in sent MT 103

Examples: MT 101 cases 3/3

UETR used more than once in MT 101 sent by same sender => NAK

Same UETR used in sent MT 101

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

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