Best Practice Guidance for the Return of Funds and Rejects of Payments

Note:

The Payments Market Practice Group (PMPG) is an independent body of payments subject matter experts from Asia Pacific, EMEA and North America. The mission of the PMPG is to:

- Take stock of payments market practices across regions
- Discuss, explain, and document market practice issues, including possible commercial impact
- Recommend market practices, covering end-to-end transactions
- Propose best practice, business responsibilities and rules, message flows, consistent implementation of ISO messaging standards and exception definitions
- Ensure publication of recommended best practices
- Recommend payments market practices in response to changing compliance requirements

The PMPG provides a truly global forum to drive better market practices, which, together with correct use of standards, will help in achieving full STP and improved customer service.

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Introduction

The ISO 20022 payments message portfolio has a dedicated message for returning funds previously settled, the **pacs.004**.

The **pacs.004** message is exchanged between agents to return funds after settlement of credit transfer instructions (pacs.008/pacs.009/pacs.009COV) or direct debit instructions (pacs.010).

Pre ISO migration, an MT103/202 message with a code word present within the free format field (F72) would be used to return payments. The MT format for returns would be heavily reliant on the presence of multiple code words within field 72 used to provide the return details to the receiver.

This document outlines when the pacs.004 must be used, when it must not, the correct usage and data population of the elements within.

It also details usage of the **pacs.002** in the event of a rejection of a payment instruction. The pacs.002 message is sent by an instructed agent to the previous party in the payment chain. It is used to inform this party about the positive or negative status of an instruction. In the CBPR space, the positive pacs.002 must be only sent on a bilaterally agreed basis, but the negative pacs.002 must be mandatory for receipt as this is a rejection of a payment instruction.

Misuse of message types and data population within the reject and return flows are currently causing issues for FIs. This is leading to breaks in automation, increase of exceptions and investigations cases, plus increased costs and delays.

It is very important to utilise the correct messaging and data population within the reject and return flows to ensure that the FIs on the receiving end of those messages and data can handle appropriately within their ISO workflows.

Overview of settlement methods

	Description
Pacs.008 CLRG → MI → Pacs.008 CLRG / Pacs.004 Return	Where the CLearRinG of the funds is over a Market Infrastructure.
Pacs.008 INGA → → Pacs.008 INGA / Pacs.004 Return	Where the INstructinG Agent services the account and is responsible for settling the payment leg, the settlement method code is INGA. A pacs.004 will therefore be required to return the funds.
Pacs.008 INGA → Pacs.008 INDA / Pacs.004 Return / Pacs.002 Reject	Where the INstructeD Agent services the account and is responsible for settling the payment leg, the settlement method code is INDA. A pacs.002 will therefore be required to reject the payment.

When should a pacs.004 be used versus when a pacs.002 should be used

Within the ISO payment messages, a settlement method is now available to identify how the settlement of the funds will occur. A settlement method of pacs.008 or pacs.009 can be (but is not limited to) the following values:

CLRG – The payment is being made across an MI (Market Infrastructure). The settlement is carried out by the MI and the funds are moved from one FI settlement account to another FI settlement account. When returning funds across an MI, the settlement method of **CLRG** must be used.

INGA – The Instructing Agent has moved the funds and performed settlement before sending the payment instruction. As the settlement has occurred and the money has been moved into the receiving Agent's account, a **pacs.004** is required if the receiving Agent wants to reject/return the payment.

INDA – The Instructed Agent will need to move the funds and perform settlement upon receipt of the payment instruction. If the settlement has not occurred yet (i.e., the receiving bank has received the payment instruction with settlement method of INDA, but upon receipt it is unable to complete payment), then a rejection must be made using a **pacs.002**. If a return is decided after the settlement of the funds by the Instructed Agent or requested by the Instructing Agent, then a **pacs.004** will be required to instruct the return of funds as the funds have already been settled.

COVE – This settlement method will be placed into a pacs.008 when it is a credit transfer (payment instruction) sent in conjunction with a pacs.009 COV (settlement of funds) message. When returning funds, the route that the payment was originally sent through will normally be used to return the funds (return chain). Note that there are some cases where the return will not follow the exact chain of agents that the original payment was sent through.

Return Scenarios[1]

Scenario 1 – Pacs.008 sent with settlement method of INDA and rejected
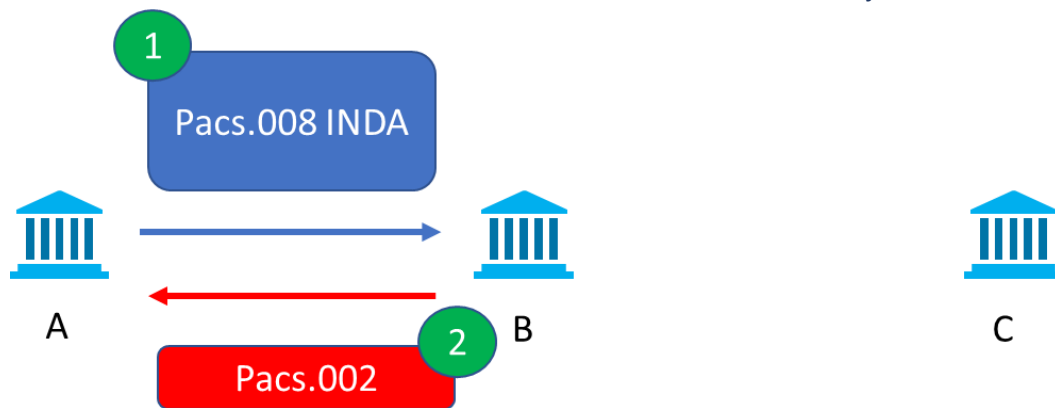
1 - Bank A sends a pacs.008 to Bank B with a settlement method of INDA

2 - Bank B is unable to complete the payment and so issues a **pacs.002** rejection message. NOTE: A **PACS.002** MUST BE SENT IN THIS SCENARIO AS NO FUNDS HAVE BEEN SETTLED AT THIS POINT.

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[1] The following section outlines that use of the pacs.004 vs. pacs.002 within some example payment flows. Please note that not all MIs require a pacs.004 to be sent to return funds. There are a set of MIs that request for a new payment message (pacs.008/009) in some cases with new references to be sent. For ease of understanding for the reader, this document depicts all MI flows in a pacs.004 format except for scenario 9, which outlines how the returns will work for an MI who has not yet implemented the pacs.004 return of funds message.

Scenario 2 – Pacs.008 sent with settlement method INDA and then forwarded to next agent INGA
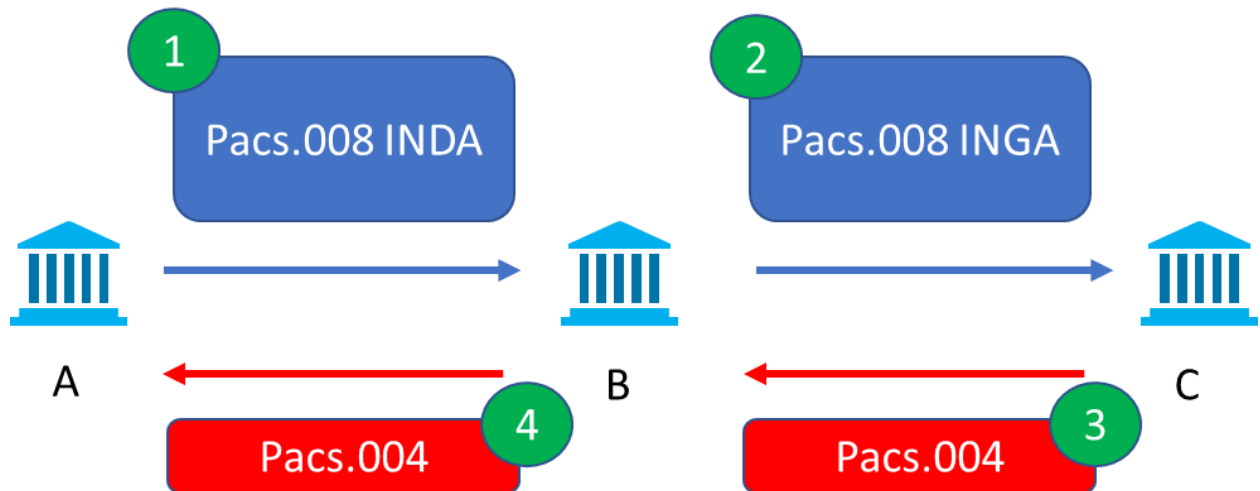
1 - Bank A sends a pacs.008 to Bank B with a settlement method of INDA

2 - Bank B debits the funds from Bank A's accounts on their books and credits the books of Bank C on their books with the funds

3 - Bank C is unable to complete the payment and must issue a return of funds **pacs.004** back to Bank B. <u>NOTE</u>: A **PACS.004** MUST BE ISSUED AS THE FUNDS HAVE SETTLED BETWEEN BANK B AND BANK C

4 - Bank B must then return the funds back to Bank A. Even though the original pacs.008 was received with a settlement method of INDA, the funds have been settled and so a **pacs.004** is required in order to return the settled funds. <u>NOTE</u>: upon receipt of a Reject or Return message, an intermediary may re-initiate the payment (depending on the reason for the reject/return).

Scenario 3 – Direct and Cover with the last leg of the cover between 2 branches of the same bank – final beneficiary not credited (payment not completed)
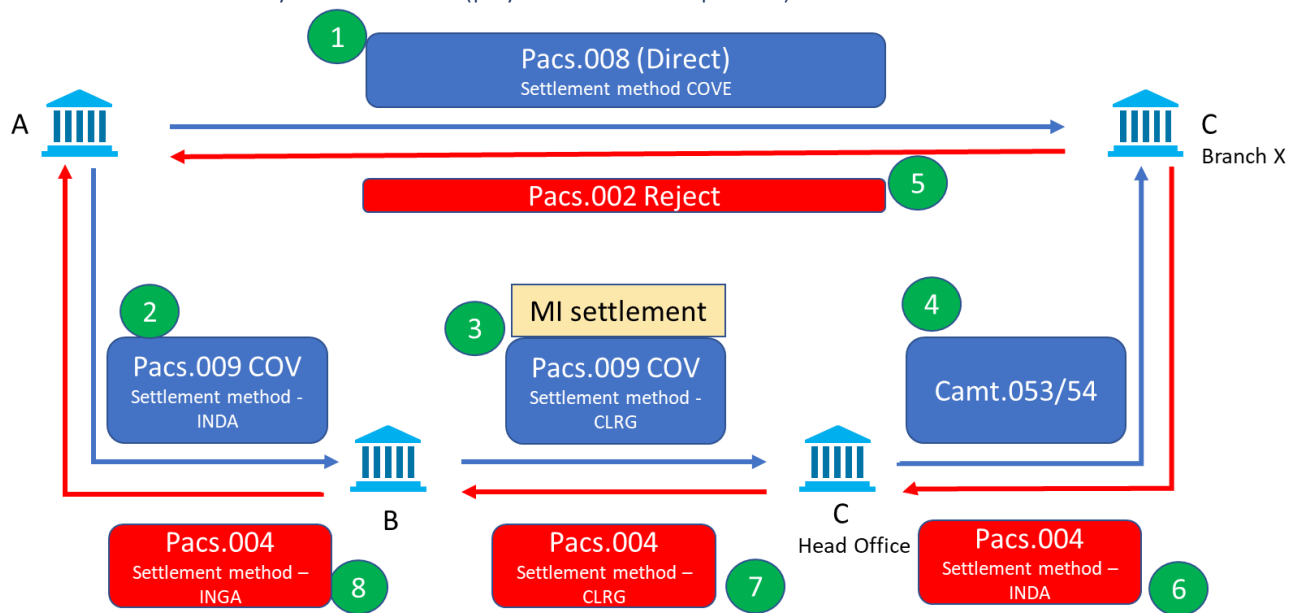
1 – pacs.008 Direct sent from Bank A to Bank C Branch X

2 – pacs.009 Cover sent from Bank A to the next Agent in the chain Bank B. Bank B is the currency correspondent for Bank A and will receive the instruction with settlement method of INDA and will debit Bank A's account on their books

3 – pacs.009 Cover forwarded from Bank B to Bank C Head office via an MI. The MI will debit Bank B's settlement account and credit Bank C Head Office's settlement account

4 – Bank C Head Office then sends a camt.053/54 to Bank C Branch X to inform them of the credit that they have placed within their account

5 – Bank C Branch X is unable to complete the payment and sends a **pacs.002** Rejection message to Bank A in response to the pacs.008 Direct received. NOTE: A **PACS.002** MUST BE USED HERE AS NO FUNDS HAVE SETTLED BETWEEN BANK C Branch X AND BANK A.
NOTE: When a Direct and Cover has not fully completed (the final beneficiary has not been credited in this case by Bank C branch X), then there will be no tracker update to confirm the final credit and therefore it is not always possible (if the pacs.004 is not formatted correctly) for Bank A to know that Bank C Branch X has initiated the return and the pacs.008 Direct can be assumed as null and void, versus the intermediary has returned the funds and the pacs.008 Direct is still active with the Creditor agent. When sending a return, it is therefore good practice for Bank C Branch X to also send a **pacs.002** Rejection message for the pacs.008 so that Bank A knows that the pacs.008 instruction is no longer active, and this avoids the need for an Enquiry and Investigation message to be sent.

6 – Bank C Branch X is unable to complete the payment and sends a **pacs.004** Return message to Bank C Head Office in response to the camt.053/54 credit advice. NOTE: A **PACS.004** MUST BE USED HERE AS FUNDS HAVE SETTLED BETWEEN BANK C AND BANK C BRANCH X

7 – Bank C Head Office initiates a pacs.004 message to return the funds to Bank B. NOTE: A **PACS.004** MUST BE USED HERE AS THE FUNDS HAVE BEEN SETTLED BETWEEN BANK C HEAD OFFICE AND BANK B VIA THE MI

8 – Bank B initiates a pacs.004 message to return the funds to Bank A. NOTE: A **PACS.004** MUST BE USED HERE AS THE FUNDS HAVE BEEN SETTLED BETWEEN BANK B AND BANK A. Note that in the scenario where it was one of the intermediaries that had returned the funds, depending on the return reason received, Bank A may need to initiate a **camt.056** to cancel the pacs.008 held with Bank C Branch X.

Scenario 4 - Direct and Cover – last leg of cover between 2 Banks with an agreement to inform via a credit advice – final beneficiary credited (payment completed)

1 – pacs.008 Direct sent from Bank A to Bank D

2 – pacs.009 Cover sent from Bank A to the next Agent in the chain Bank B. Bank B completes the settlement by debiting Bank A's account held on their books

3 – pacs.009 Cover forwarded from Bank B to Bank C via the Local Clearing (MI). The MI will Debit Bank B's settlement account and credit Bank C's settlement account

4 – Bank C then sends a camt.053/54 to Bank D to inform them of the credit that they have placed within their account

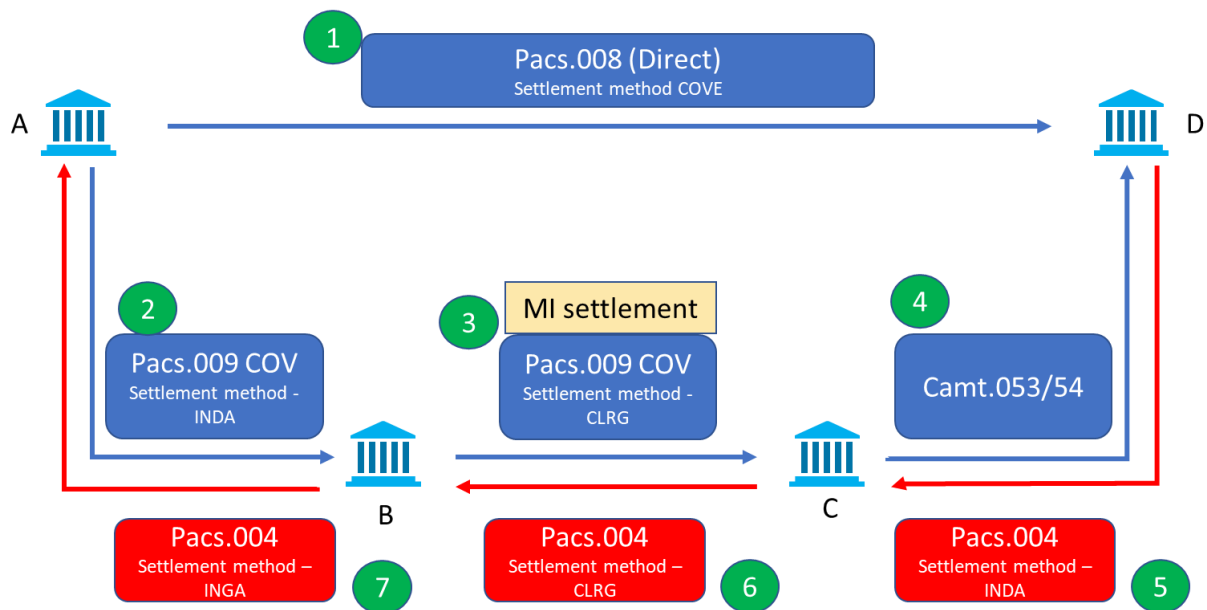5 – Bank D is unable to complete the payment and sends a **pacs.004** Return message to Bank C in response to the camt.053/54 credit advice. NOTE: A **PACS.004** MUST BE USED HERE AS FUNDS HAVE SETTLED BETWEEN BANK D AND BANK C. NOTE: Bank A will be able to see within the Tracker that upon receipt of the Return, the Direct and Cover message was completed, and the final beneficiary credited. Therefore, no pacs.002 is needed for the pacs.008 flow and no Enquiry and Investigation message needed to enquire upon the status of the pacs.008

6 – Bank C initiates a **pacs.004** message to return the funds to Bank B. NOTE: A **PACS.004** MUST BE USED HERE AS THE FUNDS HAVE BEEN SETTLED BETWEEN BANK C AND BANK B

7 – Bank B initiates a **pacs.004** message to return the funds to Bank A. NOTE: A **PACS.004** MUST BE USED HERE AS THE FUNDS HAVE BEEN SETTLED BETWEEN BANK B AND BANK A.

Scenario 5 – Direct and Cover completed (final beneficiary credited) and payment later returned
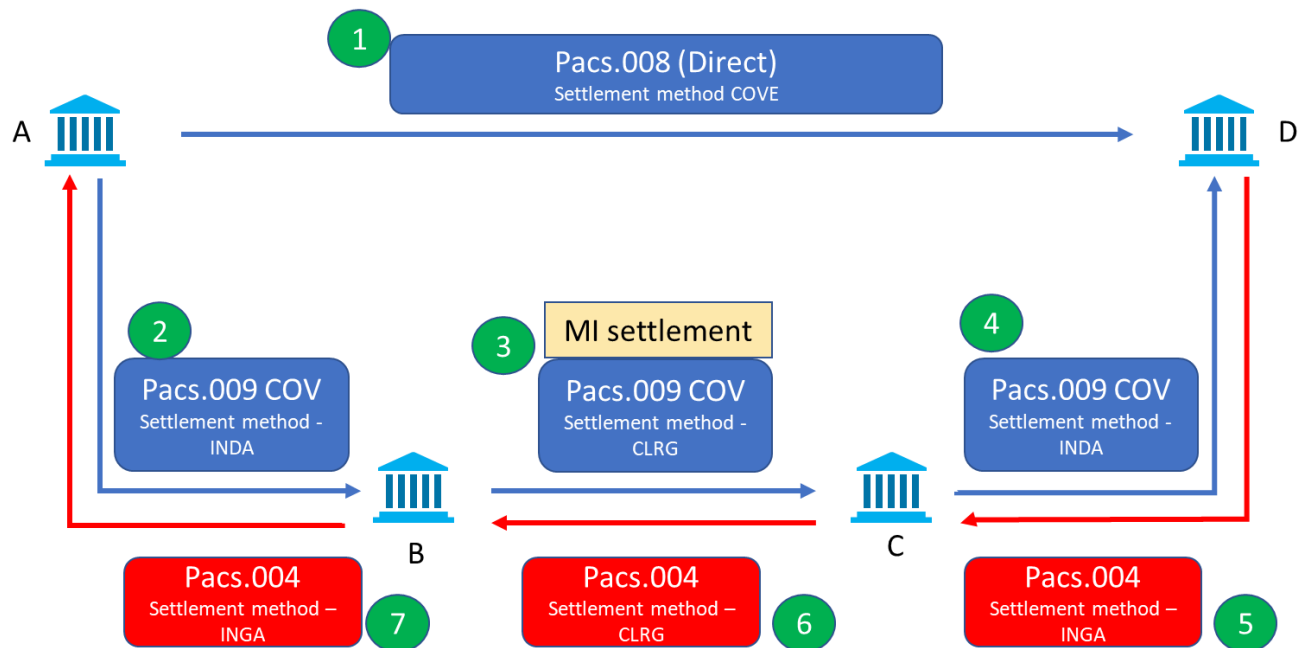
1 – pacs.008 Direct sent from Bank A to Bank D

2 – pacs.009 Cover sent from Bank A to the next Agent in the chain Bank B. Bank B is the currency correspondent for Bank A. Bank B receives the message with settlement method INDA and so Bank B will Debit Bank A's account on their books

3 – pacs.009 Cover forwarded from Bank B to Bank C. This is settled across the Market Infrastructure so the MI will debit Bank B's settlement account and credit Bank C's settlement account

4 – pacs.009 Cover forwarded from Bank C to Bank D with Settlement method INDA (Instructed Agent to settle the funds)

5 – The settlement is completed by Bank D but later, a return is initiated. Bank D in this scenario does not send a pacs.002 for the Direct as this has been matched and completed on their side. Bank D sends a **pacs.004** Return message to Bank C in order to return the funds. Note that Bank A will be able to see within the Tracker that upon receipt of the Return, the direct and cover message was completed, and the final beneficiary credited. Therefore, no pacs.002 is needed for the pacs.008 flow and no Enquiry and Investigation message needed to enquire upon the status of the pacs.008

6 – Bank C initiates a **pacs.004** message to return the funds to Bank B via the scheme. NOTE: A **PACS.004** MUST BE USED HERE AS THE FUNDS HAVE BEEN SETTLED BETWEEN BANK B AND BANK C VIA the MI

7 – Bank B initiates a **pacs.004** message to return the funds to Bank A.

Scenario 6 – Direct and Cover – final beneficiary not credited (not completed) and payment returned

1 – pacs.008 Direct sent from Bank A to Bank D

2 – pacs.009 Cover sent from Bank A to the next Agent in the chain Bank B. Bank B is the currency correspondent for Bank A. Bank B receives the message with settlement method INDA and so Bank B will Debit Bank A's account on their books

3 – pacs.009 Cover forwarded from Bank B to Bank C. This is settled across the Market Infrastructure so the MI will debit Bank B's settlement account and credit Bank C's settlement account

4 – pacs.009 Cover forwarded from Bank C to Bank D with Settlement method INDA (Instructed Agent to settle the funds)

5 – The settlement is not completed by Bank D, and they are unable to process the payment. Bank D will issue a **pacs.002** message to Bank A to inform them that the payment cannot be made and will also send a **pacs.002** to Bank C to reject the payment. NOTE: A **PACS.002** MUST BE USED HERE AS THE FUNDS HAVE NOT BEEN SETTLED BETWEEN BANK C AND BANK D. THE **PACS.002** MUST ALSO BE SENT BACK TO BANK A TO INFORM THEM OF THE REJECTION OF THE DIRECT AND COVER

6 – Bank C initiates a **pacs.004** message to return the funds to Bank B via the scheme. NOTE: A **PACS.004** MUST BE USED HERE AS THE FUNDS HAVE BEEN SETTLED BETWEEN BANK B AND BANK C VIA the MI

7 – Bank B initiates a **pacs.004** message to return the funds to Bank A.

Scenario 7 – Direct and Cover - final beneficiary credited (payment completed) and later returned
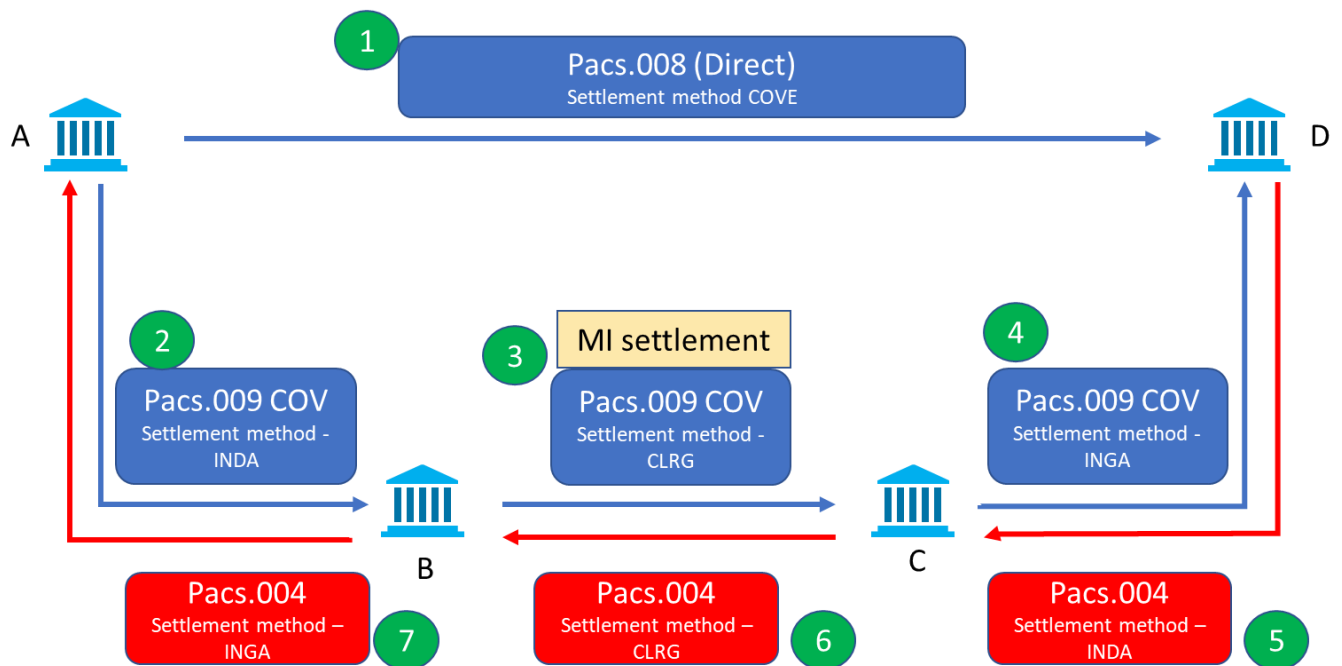
1 – pacs.008 Direct sent from Bank A to Bank D

2 – pacs.009 Cover sent from Bank A to the next Agent in the chain Bank B. Bank B is the currency correspondent for Bank A and receives the instruction with INDA. Bank B will Debit Bank A's account held on their books

3 – pacs.009 Cover forwarded from Bank B to Bank C. This leg is going across a Market Infrastructure (such as CHAPS, FED, Target2, for example) and settlement is performed by the Clearing to Debit Bank B's settlement account and to Credit Bank C's settlement account
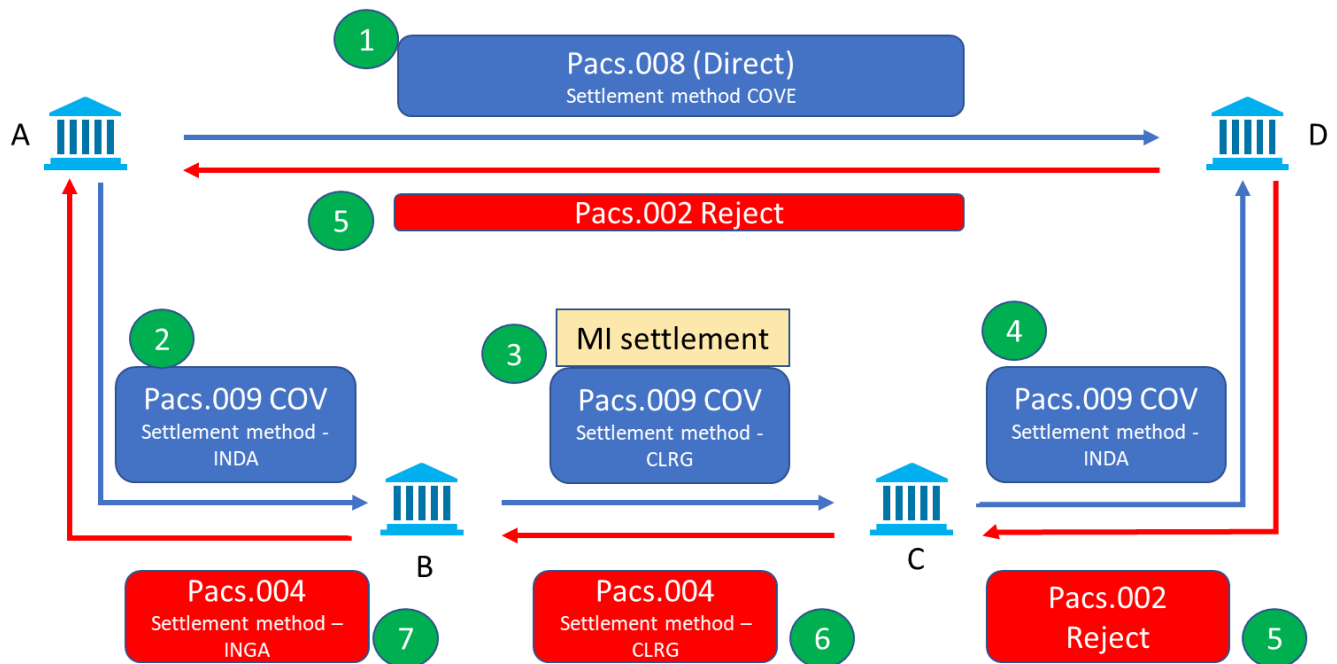
4 – pacs.009 Cover forwarded from Bank C to Bank D with Settlement method INGA (Instructing Agent to settle the funds)

5 – Bank D identifies after the payment has been completed that a return is required. It does not need to send a pacs.002 for the pacs.008 as this is not an active pending message as far as Bank A is concerned. Bank D only needs to send a pacs.004 to Bank C. <u>NOTE</u>: A **PACS.004** IS REQUIRED HERE AS THE FUNDS HAVE ALREADY BEEN SETTLED BETWEEN BANK C AND D

6 – Bank C will send the **pacs.004** across the MI to Bank B with a settlement method of CLRG. <u>NOTE</u>: A **PACS.004** IS REQUIRED HERE AS THE FUNDS HAVE ALREADY BEEN SETTLED BETWEEN B AND C

7 – Bank B will forward on the return of funds pacs.004 to Bank A with a settlement method of INGA. <u>NOTE</u>: A **PACS.004** IS REQUIRED HERE AS THE FUNDS HAVE ALREADY SETTLED BETWEEN BANK A AND BANK B

Scenario 8 – Direct message paid out before receipt of the Cover due to risk appetite / payment order line
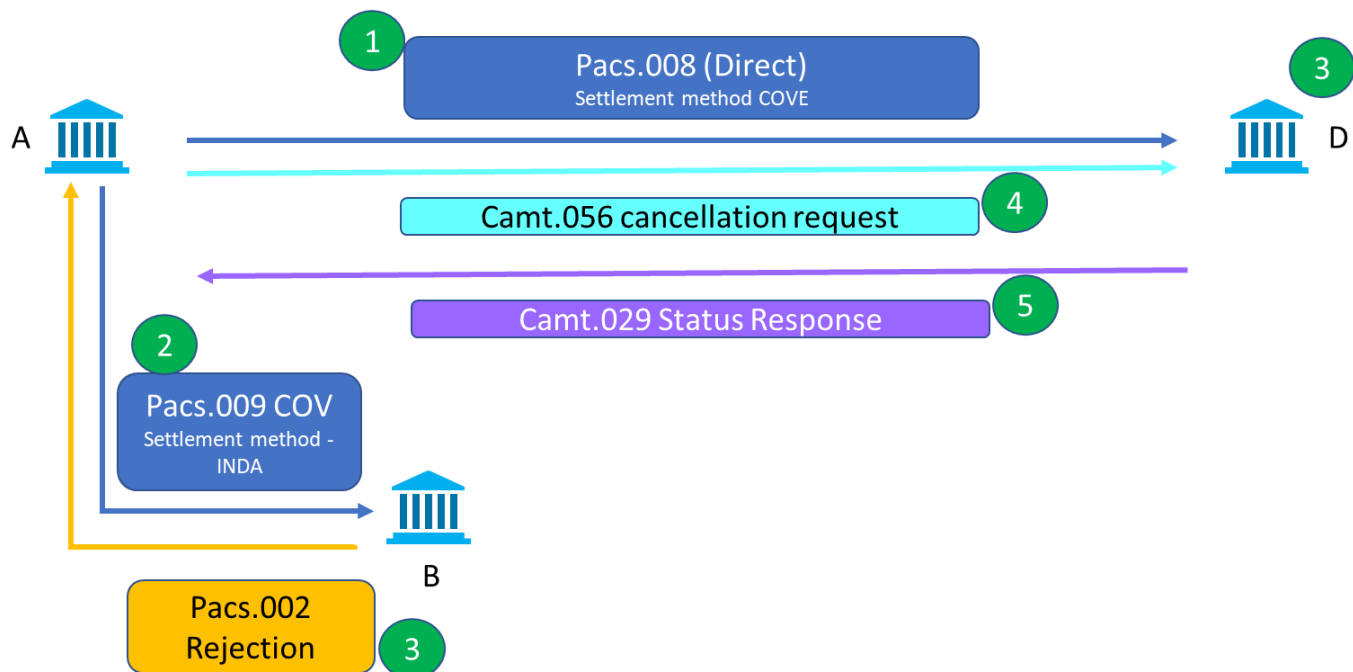
1 – pacs.008 Direct sent from Bank A to Bank D

2 – pacs.009 Cover sent from Bank A to the next Agent in the chain Bank B

3 – Bank D has a Counterparty Credit exposure/line set up against Bank A and is willing to pay out on the receipt of the pacs.008 Direct message before receiving the funds via the Cover. In this scenario, the Cover is rejected by Bank B and a **pacs.002** is sent to Bank A. <u>NOTE</u>: A **PACS.002** MUST BE USED AS NO FUNDS HAVE SETTLED BETWEEN BANK B AND A

4 – As Bank D has paid out based on the Direct, they will be contacted by Bank A via a camt.056 message with a cancellation reason code (FIToFIPmtCxlReq/Undrlyg/TxInf/CxlRsnInf/Rsn/Cd) of "COVR" (Cover payment has either been returned or cancelled) and asked to cancel the payment. Bank D will need to seek debit authorisation from their client in order to debit the funds. They will notify Bank A of their interim and final status of the cancellation request by sending a camt.029. In this case, no return of funds message is sent as Bank D has paid out based against a credit line/exposure limit and no funds had been settled between the Banks.

For information regarding who would be liable, please reference the Cover Payments White Paper created by the PMPG - https://www.swift.com/swift-resource/251596/download

Scenario 9 - An MI involved which has not yet implemented the pacs.004 – Direct and Cover not completed
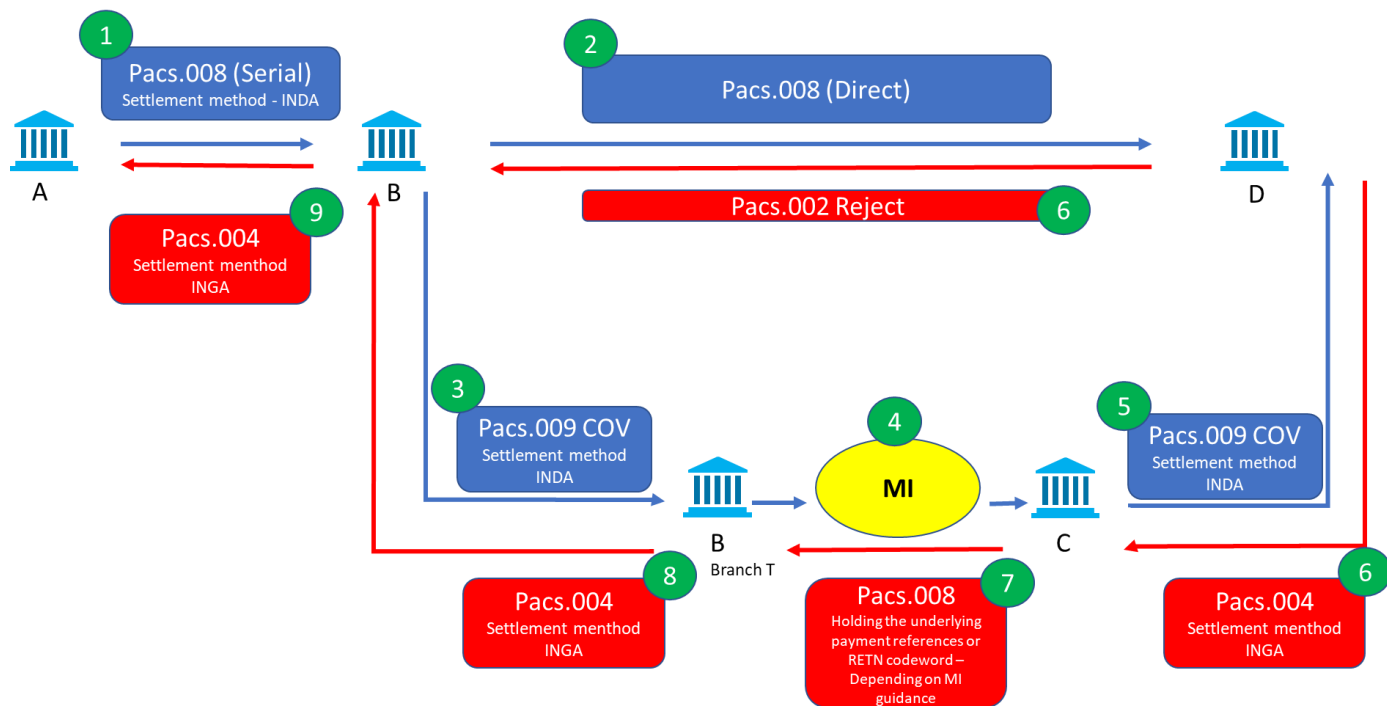
1 – pacs.008 Serial sent from Bank A to Bank B – INDA. Bank B will Debit the funds from Bank A's account held on their books

2 – Bank B sends the funds in a Direct and Cover method and sends the pacs.008 Direct to Bank D

3 – Bank B sends the pacs.009 COV to Bank B Branch T with a settlement method of INDA. Bank B Branch T will debit Bank B's account held on their books

4 – Bank B Branch T will send the payment over the local clearing and Bank C will receive that message over the local clearing (MI)

5 – Bank C will send the pacs.009 COV on to Bank D with a settlement method of INDA, so Bank D will debit Bank C's account held on their books

6 – Bank D then sends the **pacs.002** rejection back to Bank B for the direct, and returns the funds to Bank C via a **pacs.004** if this is across the CBPR+ route (note that this may also be across a domestic route and may take the form of the message type requested by the domestic market and not a pacs.004, such as for CBPR+)

7 – Bank C will send the **pacs.004** to Bank B Branch T in the format as specified by the MI – **Note that the end goal will be that all MIs will utilise the pacs.004 for the return of funds message**. **This should be the industry standard of the future**

8 – Bank B Branch T will send a **pacs.004** with settlement method INGA to Bank B

9 – Bank B will send the **pacs.004** back to Bank A with a settlement method of INGA

Scenario 10 – Pacs.009 Serial with return of funds
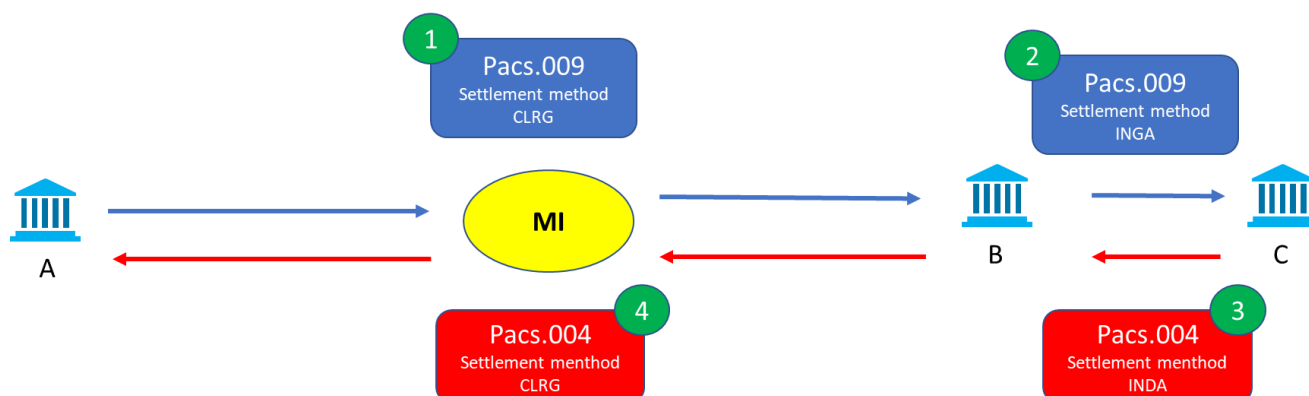
1 – Bank A sends a pacs.009 across an MI to Bank B, with settlement method CLRG. The MI will debit the settlement account with Bank A and credit the settlement account with Bank B

2 – Bank B will send the pacs.009 to Bank C via a settlement method of INGA and so Bank B will move the funds that it has received into Bank C's account on their books. Note that this would normally be done via a camt.053/54 (as depicted in other flows within this document), but to provide full coverage of the possible examples, here a pacs.009 is shown for completeness

3 – Bank C receives the funds, but then must return the funds. <u>NOTE</u>: A **PACS.004** MUST BE USED AS THE FUNDS HAVE SETTLED BETWEEN BANK B AND C. The **pacs.004** return is sent from Bank C back to Bank B with a settlement method of INDA. Bank B will therefore Debit Bank C's account on their books

4 – Bank B will send the **pacs.004** across the MI with a settlement method of CLRG. The MI will Debit Bank B's settlement account and credit Bank A's settlement account.

Returning funds upon receipt of a camt.053/54

As depicted above in Scenario 5, there are some use cases where the Creditor Agent will be notified of the funds being placed into their account via a camt.053 or camt.054 (between Bank C and D within scenario 5, for example). In the event they need to return the funds, they must generate a **pacs.004** message from the details held only within the camt.053/54 as they may not have the underlying payment. In such cases, it is imperative that they have enough information present within the camt.053/54 in order to create the **pacs.004**.

To ensure that payment returns are not delayed, the following information should be provided in the camt.053/054:-

- **End to End Id** - (Stmt/Ntry/NtryDtls/TxDtls/Refs)
- **UETR** - (Stmt/Ntry/NtryDtls/TxDtls/Refs)
- **Instruction Id** - (Stmt/Ntry/NtryDtls/TxDtls/Refs)
- The **amount** within the Entry or Entry Details so that the returned Interbank settlement amount can be calculated – (Ntfctn/Ntry/Amt or Ntfctn/Ntry/NtryDtls/TxDtls/Amt)
- **Debtor and Creditor information** for the return chain (Ntfctn/Ntry/NtryDtls/TxDtls/RltdPties)
- **Agents involved** within the underlying payment to create the return chain (Ntfctn/Ntry/NtryDtls/TxDtls/RltdAgts)

Misuse of other messages to instruct a return of funds

pacs.002

It is not permitted to initiate a return with a pacs.002. Behaviour has been identified within the industry where a pacs.002 is sent for a settled payment with free text narrative instructing the receiving Bank to perform a return of funds and providing debit authority within the pacs.002 message.

A pacs.004 must be used to instruct the return of funds so that debit authority is not required for the Agent receiving the instruction to debit the account and complete the return of funds instructed.

The pacs.004 will allow automation and not require manual handling; the receipt of a pacs.002 will be time-consuming and open an investigation ticket at the receiving ban, which is costly.

pacs.008/009

Within the CBPR+ space and for some MIs, it is not permitted to initiate a pacs.008 or pacs.009 message to return funds.

Behaviour has been identified within the industry where a pacs.008 or pacs.009 has been sent for a settled payment with an RETN codeword present within the "Instruction for next agent" or "Instruction for Creditor agent" elements of the pacs messages.

This is not the correct behaviour unless the leg of the return formatted in this way is across an MI that stipulates this as expected behaviour.

The pacs.004 message has been introduced so that there is a dedicated return of funds message and the elements within have been designed to capture all of the mandatory information required for this purpose. We should <u>NOT</u> be utilising the old FIN MT Code words within the ISO messaging when there are data elements or ISO messages that now do the job of those outdated codes.

UETR Recycling

Another practice identified within the industry is FIs sending pacs.008 and pacs.009 messages as returns and reutilising the same UETR as the underlying payment.

It should be noted that this is not the correct practice and UETR recycling will not be permitted after Nov 2023 with network level NAK's being sent to senders of messages re-using UETRs.

Returning via a Direct and Cover (after the funds have settled)

When an FI has received a Direct and Cover payment and wishes to return the funds, the return must either be in the form of the pacs.004 or via an MT202 RETN if still using MT messages during the co-existence period (pre-2025).

Returns should not be sent via a Direct and Cover method – i.e., a pacs.009 COV or an MT202 COV with a return code present within the underlying customer credit transfer information section.

Therefore, in the eventuality that the receiver of the Direct and Cover needs to return the funds, the return of the funds must be sent via a pacs.004 or MT202RETN (if still using MT during co-existence).

Rejections by a pacs.004 with charges

It is not permitted to reject a payment using a pacs.004 where a pacs.002 is appropriate just to enable the deduction of charges.

Behaviour has been identified where FIs would like to take a charge for performing a rejection.

As it is not possible to put a charge within a pacs.002, they are issuing a pacs.004 with the payment amount minus the charges. This is not correct practice as the FI sending the original underlying payment with a settlement method of INDA is expecting a pacs.002 for a rejection and not a pacs.004 as no funds have been settled.

The camt.106 message has been introduced to replace the MT191 and this camt.106 can be used to request charges from another Bank if required (note that the camt.106 will be migrated and available in Nov 24). In some cases, there may be an agreement for the Creditor Agent to directly debit the account of the FI owing the charges (if there is an account relationship). Monthly invoicing is also another option.

Instruction for a Return of funds with associated Debit Authority

There is a practice across the industry where an FI or Corporate may send an MT199 message with Debit Authorisation within the narrative of the MT199, advising a Return of funds.

It is strongly recommended that this practice must not be continued and, in such cases, a pacs.004 Return of funds message should be created.

Returning a return of funds

There may be a scenario when a return of funds message is received, and the funds then need to be returned.

In this case a pacs.004 should <u>not</u> be used to return the funds.

Rather than returning or rejecting the pacs.004 the FI should utilise the Enquiry and Investigations process.

Correct population of data within the pacs.004 Return of Funds message

Original Message ID - PmtRtr/TxInf/OrgnlGrpInf/OrgnlMsgId
This must be populated with the original message ID of the underlying payment

Original Message Name ID - PmtRtr/TxInf/OrgnlGrpInf/OrgnlMsgNmId
The correct underlying message must populated within this field, for example - MT103, MT202, pacs.008.xxx.xx or pacs.009.xxx.xx.

If the incorrect message type is used, then this can result in a TRNK error code from the Swift in-flow translation and, if the receiver of the message is reliant on the multi-format message, then this will force them to reject the payment.

Original End-to-End ID - PmtRtr/TxInf/OrgnlEndToEndId
The End-to-End ID from the underlying payment must be transported into the pacs.004 return of funds.

'NOTPROVIDED' is an acceptable value to place in this field, but this should only be done so if the underlying payment contained that value within the End-to-End ID field.

Original UETR - PmtRtr/TxInf/OrgnlUETR
The UETR from the underlying payment must be placed into this field. This is the main identifier that Banks will utilise in order to search for the payment and therefore the correct UETR formatted in the correct way must be populated.

Original Interbank Settlement Date- PmtRtr/TxInf/OrgnlIntrBkSttlmDt
The original Interbank Settlement Date can be a useful piece of information for the receiving Bank of a return. This can help to reconcile to the underlying payment.

Exchange Rate - PmtRtr/TxInf/XchgRate
If the Returned Instructed Amount and the Returned Interbank Settlement amount are not expressed in the same currency, then the Exchange Rate must be present.

Charge Information - PmtRtr/TxInf/ChrgsInf
If the Returned Instructed Amount and the Returned Interbank Settlement Amount are expressed in the same currency and the amounts differ, then Charge Information becomes mandatory.

If the Returned Instructed Amount and the Returned Interbank Settlement Amount are not expressed in the same currency and the Returned Instructed Amount is higher than the Returned Interbank Settlement Amount when converted in the same currency, then the Charge information becomes mandatory.

The Return Reason - PmtRtr/TxInf/RtrRsnInf/Rsn/Cd

There are some generic return reasons that are available in the External Code list such as "*MS02 - Reason has not been specified by end customer*" and "*MS03 - Reason has not been specified by Agent*".

However, every effort should be taken for the correct ISO Return Reason code to be provided. This will avoid the cost and time of follow up Exceptions and Investigations messages needing to be sent.

Agents should ensure that they are paying particular attention to the reasons codes that they are receiving within return message as this may affect/change their behaviour. For example, if a return is received as the next Bank in chain is unable to process the underlying payment message (due to routing), then the intermediary receiving that return reason code may want to try to initiate the underlying payment via a different correspondent route, rather than just sending the pacs.004 return of funds back to the previous agent.

Partial Returns

There are some use cases where a Partial Return may be sent. In this case the following rule from the User Guidelines must be followed:

"In case of Partial Return, the "ReturnReasonInformation/Additional information" must take the fixed value "PART" and the "ReturnReasonInformation /Reason" must be populated with a code from the External reason code list."

The Return Chain of a pacs.004

The return chain is where all parties involved within the return flow of the payment must be captured. The Debtor and Creditor information is mandated within the payment chain information. It is possible to also provide the Ultimate Debtor and Ultimate Creditor information within the return chain, however it is unlikely that they will be involved within the actual return of funds chain and so it is a rare case that the Ultimate Debtor and Ultimate Creditor would be needed as well as the Debtor and Creditor information.

The Debtor within the return chain does not always equate to the Creditor from the original underlying payment. This is due to the fact that the Debtor Agent from the underlying payment or one of the intermediary Agents may be initiating the return and, in this case, they will actually become the Debtor. The Debtor within a Return should always be the party or agent that is initiating the return.

Original message with associated Parties roles

When the **Creditor** from the underlying payment instructs the return of funds, the payment roles change as follows within the return. The Creditor initiating the return becomes the Debtor, the Creditor Agent becomes the Debtor Agent, Intermediary Agent 2 become Intermediary Agent 1, (note – you should never have a return of funds message that holds details on an intermediary without the Debtor Agent's presence), Intermediary Agent 1 becomes Intermediary Agent 2, the Debtor Agent becomes the Creditor Agent and the Debtor becomes the Creditor
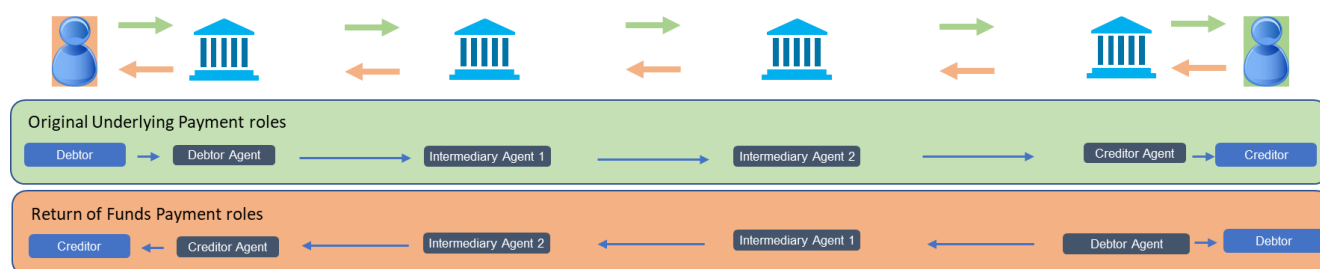
There are some scenarios (for example, when a duplicate payment was sent by the Debtor Agent) when the Debtor Agent from the underlying payment would become the Creditor within the return. In cases such as this (based on the return reason), the Parties may change as follows.

In such cases, the initiator of the return may want to leave it up to the Debtor Agent from the underlying payment as to what they do with the return of funds (i.e., credit back to the original Debtor or not):
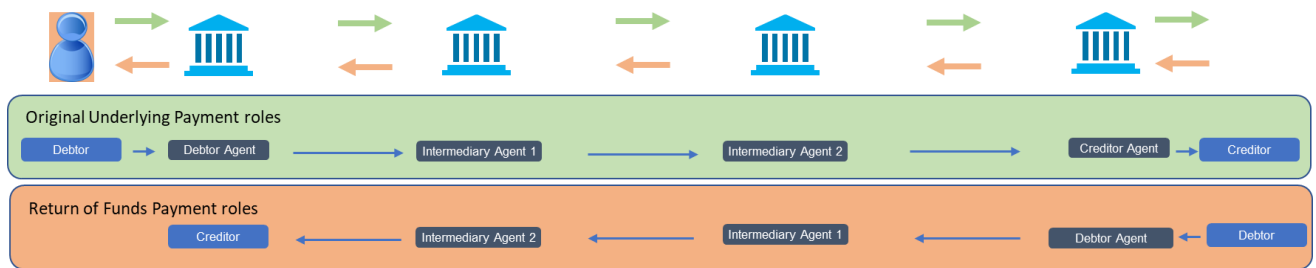
When the **Creditor Agent** from the underlying payment instructs the return of funds, the payment roles change as follows within the return. The Creditor Agent from the underlying payment becomes the Debtor of the return as they are the ones initiating the return:
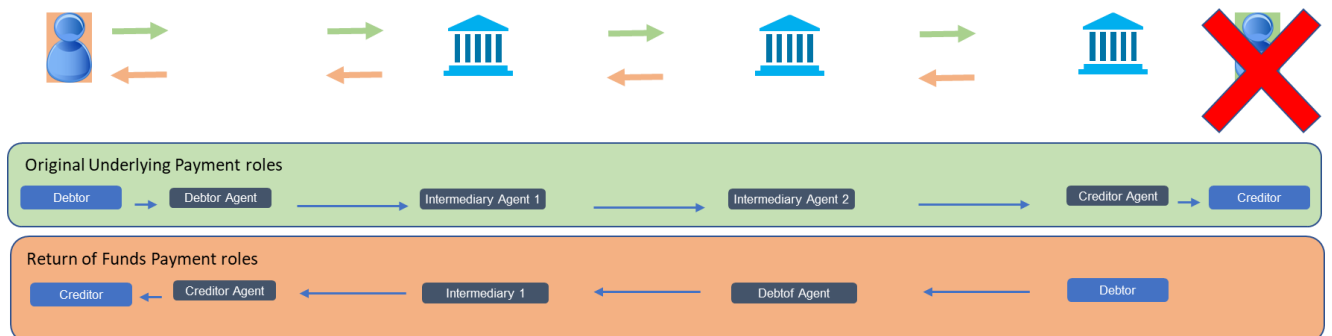
There are some scenarios (for example, when a duplicate payment was sent by the Debtor Agent or when a return of funds is being generated from the receipt of a camt.053/054) when the Debtor Agent from the underlying payment would become the Creditor within the return. In cases such as this (based on the return reason or return based on camt.053/054), the Parties may change as follows. In such cases, the initiator of the return may want to leave it up to the Debtor Agent from the underlying payment as to what they do with the return of funds (i.e., credit back to the original Debtor or not):
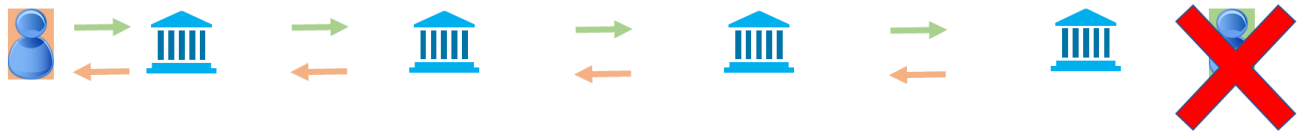
When the **Intermediary Agent 2** from the underlying payment instructs the return of funds, the payment roles change as follows within the return. Intermediary Agent 2 from the underlying payment becomes the Debtor within the return. The next bank in chain will become the Debtor Agent, the Creditor Agent is optional and should not be provided in this case, and the original Debtor Agent from the underlying payment will become the Creditor of the return. They will then match the return to the underlying payment to establish which client account the funds must be refunded to:

There are some scenarios (for example, when a duplicate payment was sent by the Debtor Agent, or a return is being generated from a camt.053/054) when the Debtor Agent from the underlying payment would become the Creditor within the return. In cases such as this, the Parties may change as follows. In such cases, the initiator of the return may want to leave it up to the Debtor agent from the underlying payment as to what they do with the return of funds (i.e., credit back to the original Debtor or not):
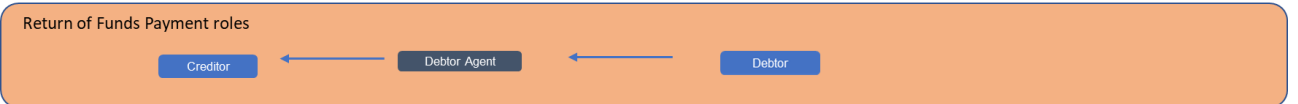
The Return Chain - PmtRtr/TxInf/RtrChain

It is important to provide the full return chain within a pacs.004. For example, the Debtor Agent and Creditor Agent fields are not mandatory within a pacs.004 return chain. However, for FIs that are

using any sort of translation services, the absence of such fields can cause issues and delay the processing of such payments.

The underlying message being returned – Original Transaction Reference section of the pacs.004

It is possible to provide details of the underlying message that is being returned within the **Original Transaction Reference** section of the pacs.004 - PmtRtr/TxInf/OrgnlTxRef.

Due to the fact that the Version 9 of the pacs.004 (implemented by many MIs and CBPR+) does not hold any accounts within the return chain, this can present a challenge to some FIs as they no longer receive the underlying accounts involved within the original payment.

To provide a workaround between now and the migration of the updated pacs.004 version, for those FIs that are reliant on information regarding the accounts of the underlying payment in order to reconcile to the return of funds, the transaction reference section can be provided.

The Original Transaction Information section is optional and will remain as such. It is up to the sending FI to decide whether they will include the "Original Transaction Reference" information within the pacs.004.

If a Bank receives the Original Transaction Reference information within an inbound return of funds message that they must send onward to the next in chain and they chose to keep the Original Transaction Information within the outbound leg of the return of funds message, then they must ensure that the point-to-point information present is updated to ensure that it matches the original transaction (for example, the amounts, settlement method and references will need to be updated to reflect the underlying payment of that payment leg). The presence of this information therefore is a decision that sits with the sender of the pacs.004 (regardless of where they sit in the return chain).

It is imperative that the information in the "Original Transaction Information" is reconciled back to the original underlying payment. An FI should not take at face value the information provided within the "Original Transaction Reference" section of the pacs.004, they must validate this information against the original underlying payment when received.

Usage of the Settlement Account field within a pacs.004

When a Counterparty holds a multi-account relationship with an FI, it may stipulate within the payment which account is to be debited. This information will be transported within the settlement account field of the pacs.008/009. When returning a payment that held an account within the Settlement Account field, the account present in the Settlement Account field of the pacs.008/009 must be quoted within the Settlement Account field of the pacs.004 return. This way, the receiver of the pacs.004 can identify which account the previous agent has credited the returned funds to.
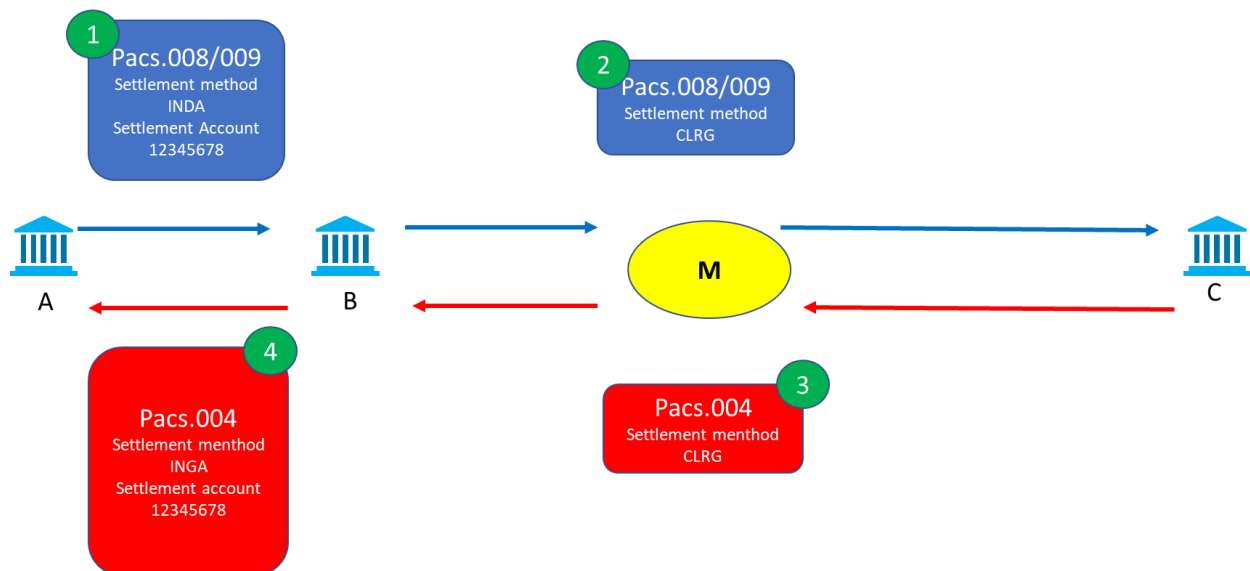
1 – Bank A sends a pacs.008 to Bank B and their account that they are quoting to debit is their account held on Bank B's books 12345678

2 – Bank B will debit the funds from account 12345678 and will credit the MI settlement account. The MI will debit Bank B's settlement account and credit Bank C's settlement account

3 – Bank C then returns the funds via the MI in a pacs.004 (as this is an MI that had implemented pacs.004 Return of Funds messages). The MI will debit Bank C's settlement account and credit Bank B's settlement accounts

4 – Bank B will then pass on the return of funds pacs.004 message to Bank A with a settlement method of INGA. Bank B will credit the funds into the account that Bank A holds on Bank B's books.

The Evolution of Transaction Manager and Case Manager

The design of the new Case Manager will provide orchestration of messages. This means that the old serial method of Exceptions and Investigations will be replaced with a slick orchestration that allows messages to be sent directly to the agent that can answer the enquiry. The Orchestration of Case Management will work in conjunction with the gpi Tracker and with the Transaction manager, which will reduce friction and increase efficiency. To enable the tracking of returns, it will be very important for the Original UETR to be placed within the return by the Initiator. The UETR is used across the TM (Transaction Manager), Case Management tool and gpi Tracker, and is a key piece of information.

In the future it may be possible for the TM (Transaction Manager) to prevent the initiation of incorrect return behaviour. For example, it may be able to pick up that a return has been made via a pacs.008 incorrectly. There may be the ability to identify when a pacs.002 has been sent when a pacs.004 was actually required. The TM (Transaction Manager) and Case Management tool may also be able to identify when incorrect Reason Codes are placed within the return message based on the previous E&I (Exceptions & Investigations) messages that it has seen being sent and linked to a particular underlying payment.

Therefore, it is very important for FIs to be implementing best practices to ensure that their return payments are not NAK-ed or aborted in the future due to bad practices.

Usage of the pacs.004 ISO message

It is strongly encouraged to migrate to the pacs.004 return of funds message as soon as possible even where the underlying payment is an MT (during the co-existence phase).

In such cases, the following mandatory fields should be populated as follows within the pacs.004 as they will not exist in an underlying MT:

PmtRtr/TxInf/OrgnlGrpInf/OrgnlMsgId = NOTPROVIDED
PmtRtr/TxInf/OrgnlEndToEndId = Either value following /ROC/ from underlying MT or NOTPROVIDED

Pacs.004 Checklist Summary

1. Ensure that the correct message type is used to reject (pacs.002) or return (pacs.004) a payment. This should be based on the settlement method of the underlying payment and whether settlement has occurred or not
2. Ensure that the pacs.004 has the correct settlement method associated
3. Ensure that the correct information is present within the pacs.004. The references that should be present are the Original UETR, Original Instruction ID, Original End-to-End ID
4. Ensure that the roles for each Party and Agent within the return chain are stated correctly based on who in the chain is returning the payment
5. Where possible, utilise the Original Transaction Reference section to provide the full underlying message details
6. If utilising a camt.053/54 to notify the Creditor Agent that funds have been credited to their account, then ensure that all required information is included in order to allow a return to be generated and processed more efficiently.

Example 1 of an original pacs.008 with the pacs.004 generated

The pacs.008 message has been sent serially from BANKAAAAAAA to BANKBBBBBBB to BANKCCCCCCC and the below is the last leg of the pacs.008 between BANKCCCCCCC to BANKDDDDDDD:
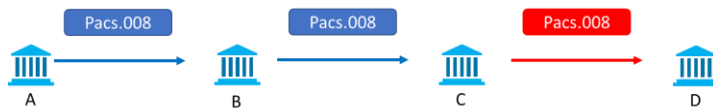
The returned pacs.004 message is the first leg between BANKDDDDDDD and BANKCCCCCCC after the funds were settled and the return is therefore generated to return funds back through the return chain:

This shows Bank D initiating the return so they are identified as the Debtor within the return and Bank A has been placed as the Creditor as the return reason is that a "duplicate" was received, so Bank D does not know whether this payment should be returned to Bank A (as they have sent the payment instruction twice) or returned to the original Debtor from the underlying payment (as they have been debited twice).

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Optional underlying payment details present in the Original Transaction Reference element ⟵

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Example 2 of an original pacs.008 with the pacs.004 generated

The pacs.008 message has been sent serially from BANKAAAAAAA to BANKBBBBBBB to BANKCCCCCCC and the below is the last leg of the pacs.008 between BANKCCCCCCC to BANKDDDDDDD:
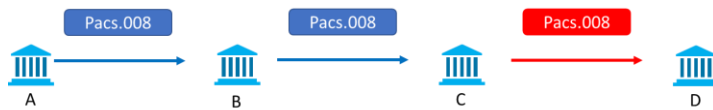
The returned pacs.004 message is the first leg between BANKDDDDDDD and BANKCCCCCCC after the funds were settled and the return is therefore generated to return funds back through the return chain:

This shows the original Creditor from the underlying payment initiating the return (this could be via phone, for example), so they are placed within the Debtor field and, in this case, the original Debtor from the underlying payment is to be credited back the funds, so they are placed within the Creditor of the return of funds.

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Example of camt.053 population to enable a return

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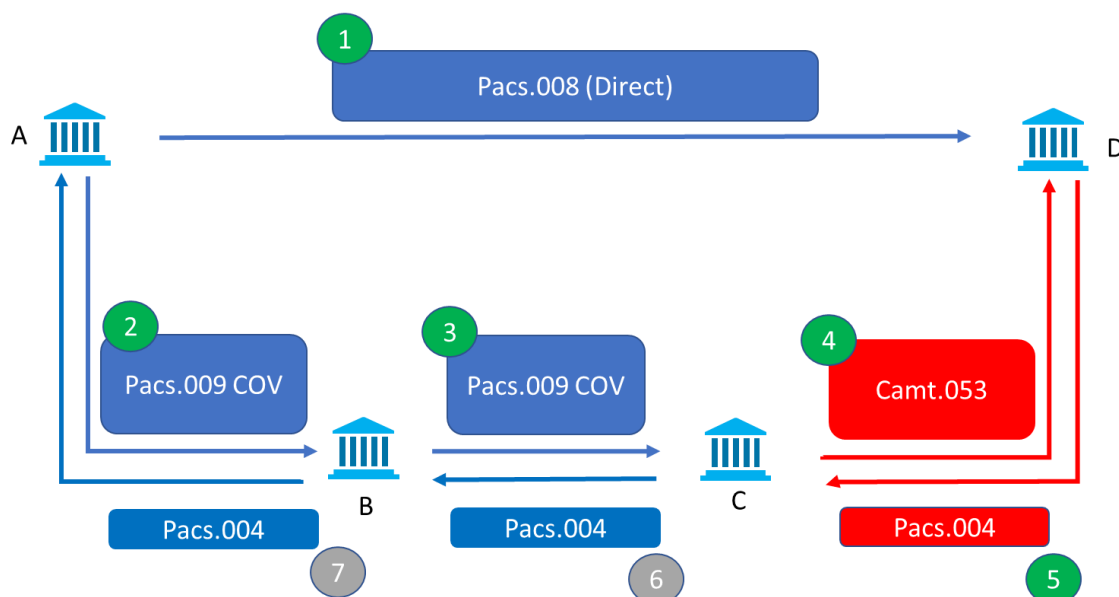
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Instructing Reimbursement BANK B	Debtor BANK A	Debtor BANK A	Debtor BANK A	Debtor BANK D
Instructed Reimbursement BANK C	Debtor Agent BANK B	Debtor Agent BANK B	Creditor Agent BANK D	Debtor Agent BANK C
Debtor Agent BANK A	Creditor Agent BANK C	Creditor Agent BANK C	*RELATED AGENTS*	Intermediary 1 BANK B
Creditor Agent BANK D	Creditor BANK D	Creditor BANK D	Debtor Agent BANK B	Creditor BANK A
	UNDERLYING	*UNDERLYING*	Creditor Agent BANK C	
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CAMT.053	PACS.004

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DISCLAIMER: This document will be updated when necessary. Changes are expected to be implemented during the end of the co-existence, which may need to be captured within this document. An example is if changes are made to the way an address must be captured (i.e., Town name and Country code become mandatory within the structured address fields), then the PMPG will provide best practice guidance on how returns are to be formatted for payments made before those rules were implemented.