

ISO20022 Messages types and flows in future RTGS services

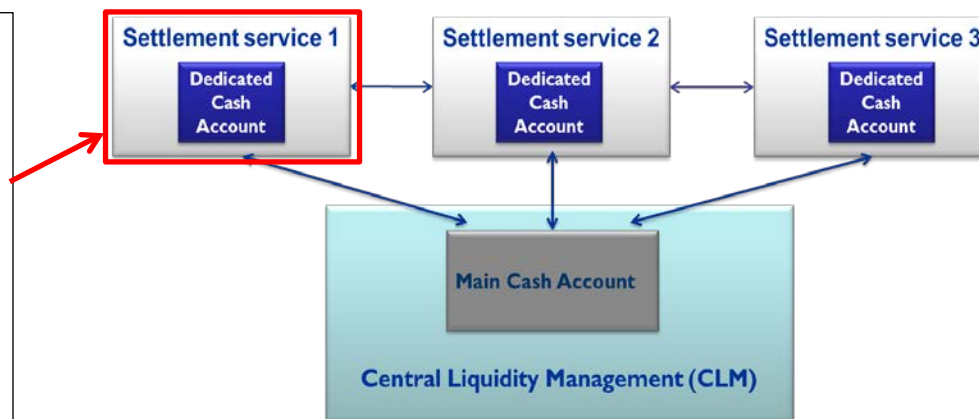
14 February 2017

Ad-hoc Workshop on messages for the Future RTGS Services

ISO 2022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (I)

Background information for the RTGS services (today in TARGET2) migration to ISO 2022

- **Central points of Future RTGS Services**
 - TARGET2 represents in the consolidated future system the RTGS service
 - HVP and AS transactions will be part of the RTGS services
 - The HVP/AS Settlement services are affected by migration from MT to ISO 2022
 - Harmonisation of current common T2 and T2S message sets as far as applicable



Overview Central Liquidity Management and Settlement Services

AS	-	Ancillary System
DCA	-	Dedicated Cash Account
HVP	-	High Value Payment
LT	-	Liquidity Transfer
MCA	-	Main Cash Account
TIPS	-	TARGET Instant Payment Settlement

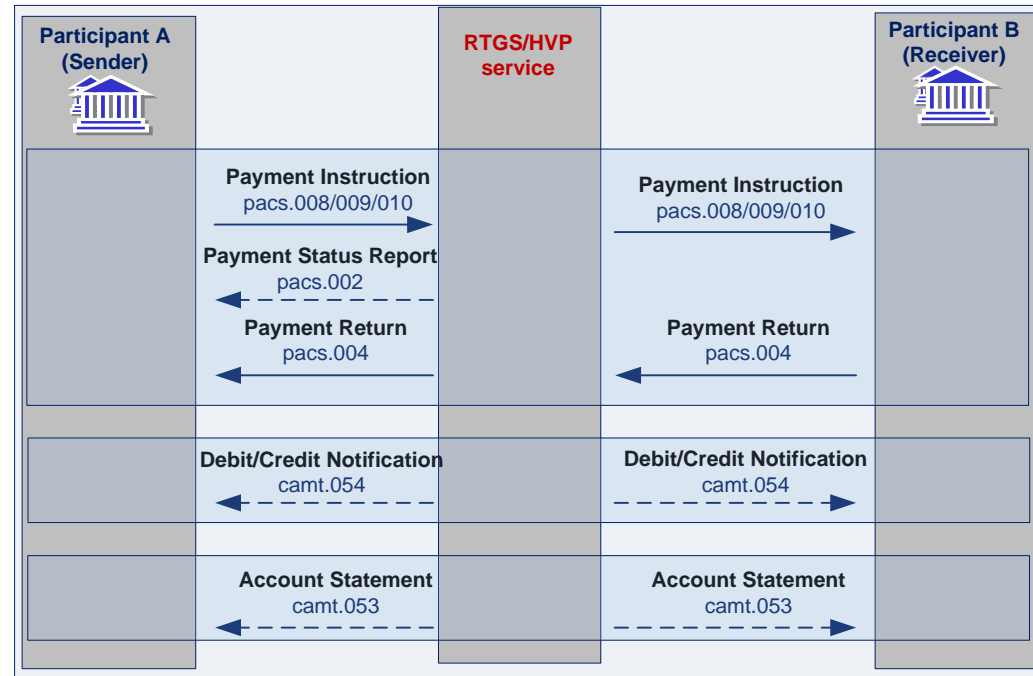
- **Aim of presentation**
 - Illustration of some basic message flows
 - Enabling of common basic understanding of the migration approach
 - Presentation of message set and usage

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (II)

Basic message flow

- **Central points of ISO20022 migration**

- Network vendor agnostic
- Migration of all MT to their ISO20022 equivalents
- Additional „new“ messages
 - pacs.002 (Notification)
 - pacs.004 (Return Payment)



Note:

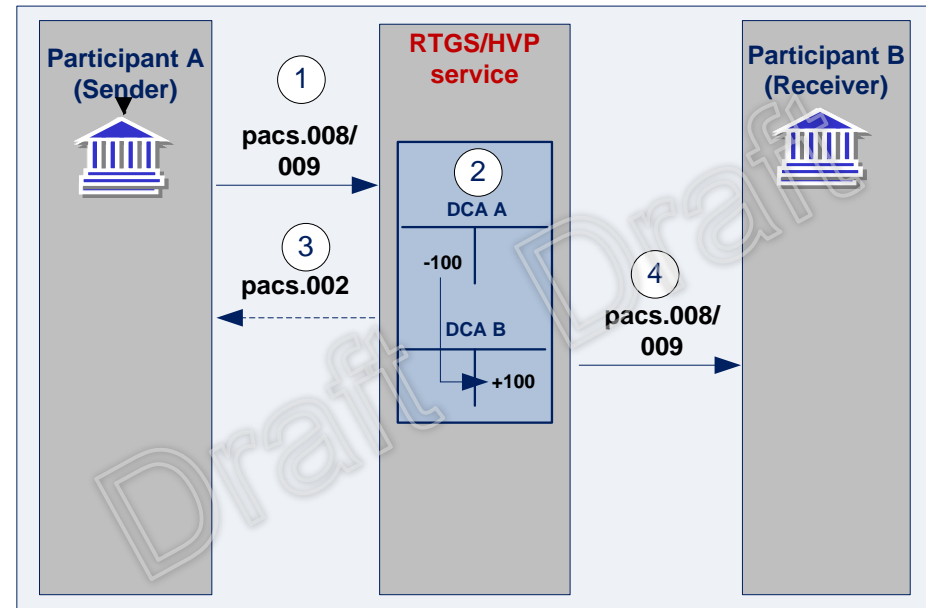
- No camt.053 and camt.054 in HVP payment flows (illustrated on following slides), because
 - camt.053 is only sent after EoD, ie. no direct relation to single payment flows
 - camt.054 is limited on special business scenarios (e.g. slide 8/9)
- pacs.002 reporting rejections are mandatory
- pacs.002 reporting positive acknowledgments are optional and should be requested when instructing the payment message

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (III)

Payment business - pacs.008 and pacs.009

- **Credit transfer payments sent from a direct participant to another direct participant**

1. The direct participant A (sender) generates a payment message in favour of B for execution in RTGS/HVP service.
2. The payment has to pass several validations, e.g. availability of sufficient cover, before it is debited on the RTGS/HVP DCA of A and simultaneously credited on the RTGS/HVP DCA of B.
3. Participant A receives a notification pacs.002 from the RTGS/HVP service (optional).
4. The payment message pacs.008/009 will be forwarded to the credited participant B.

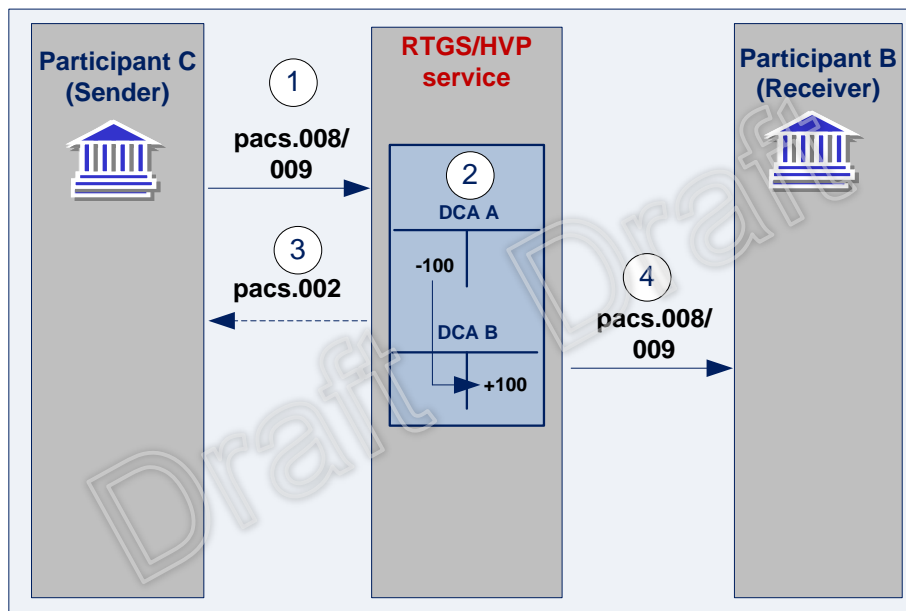


ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (IV)

Payment business - pacs.008 and pacs.009

- **Credit transfer payments sent from a participant using multi-addressee access to another direct participant**

1. The participant C (authorised by A) generates a payment message in favour of B for execution in RTGS/HVP service.
2. The payment has to pass several validations, e.g. availability of sufficient cover, before it is debited on the RTGS/HVP DCA of A and simultaneously credited on the RTGS/HVP DCA of B.
3. Participant C receives a notification pacs.002 from the RTGS/HVP service (optional).
4. The payment message pacs.008/009 will be forwarded to the credited participant B.

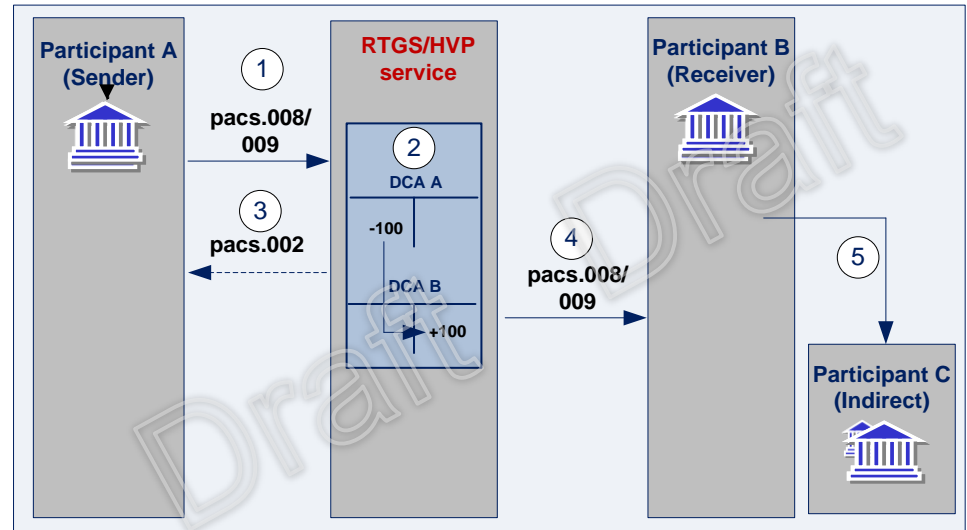


ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (V)

Payment business - pacs.008 and pacs.009

- **Credit transfer payments sent from a direct participant to an indirect participant**

1. The direct participant A (sender) generates a payment message in favour of B for execution in the RTGS/HVP service.
2. The payment has to pass several validations, e.g. availability of sufficient cover, before it is debited on the RTGS/HVP DCA of A and simultaneously credited on the RTGS/HVP DCA of B.
3. Participant A receives a notification pacs.002 from the RTGS/HVP service (optional).
4. The payment message pacs.008/009 will be forwarded to the credited participant B.
5. The direct participant B processes the payment to the indirect participant C internally.



Notes:

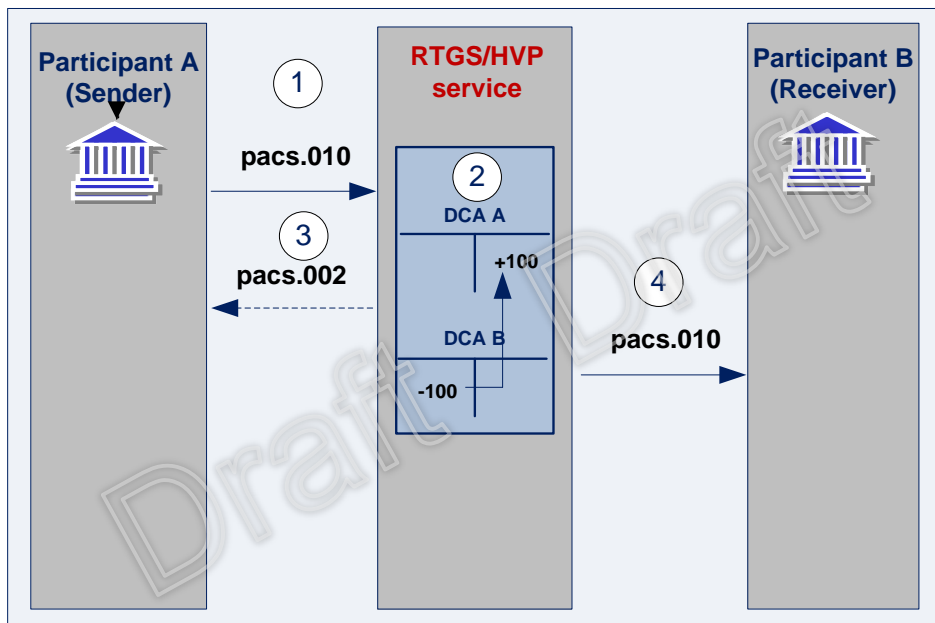
- Routing and accounting between direct participant B and indirect participant C is out of scope of the RTGS/HVP service, nevertheless C has to be included in the payload of the message.
- **Indirect** participant C cannot send payment instructions for **direct** participants B HVP account

ISO 2022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (VI)

Payment business - pacs.010

- **Direct debit sent from a direct participant to another direct participant**

1. The direct participant A (sender) generates a direct debit message for execution in RTGS/HVP service.
2. The direct debit has to pass several validations, e.g. availability of sufficient cover, before it is credited on the RTGS/HVP account of A and simultaneously debited on the RTGS/HVP account of B.
3. Participant A receives a notification pacs.002 from the RTGS/HVP service (optional).
4. The direct debit payment message pacs.010 will be forwarded to the participant B.



Note:

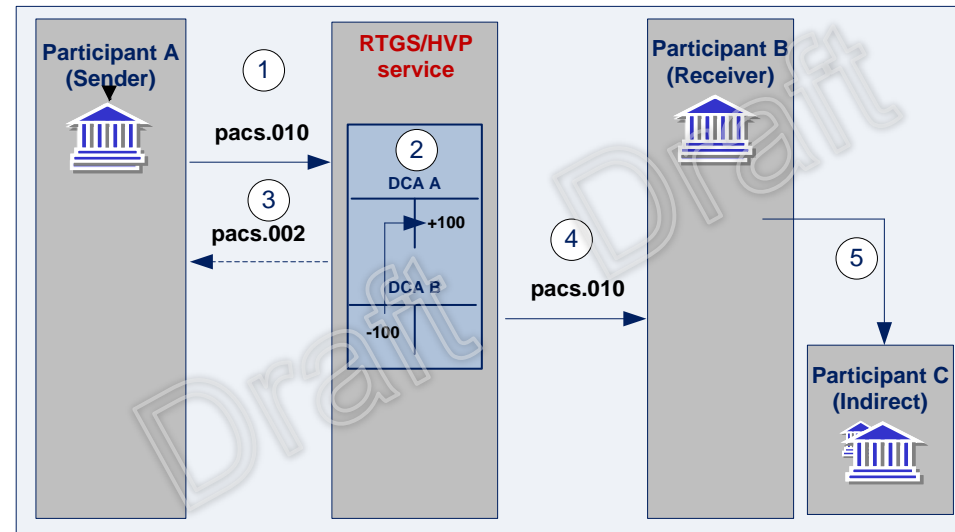
- Exchange of pacs.010 must be bilaterally agreed between participants

ISO 2022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (VII)

Payment business - pacs.010

- **Direct debit sent from a direct participant to an indirect participant**

1. The direct participant A (sender) generates a direct debit message for execution in RTGS/HVP service.
2. The direct debit has to pass several validations, e.g. availability of sufficient cover, before it is credited on the RTGS/HVP DCA of A and simultaneously debited on the RTGS/HVP DCA of B.
3. Participant A receives a notification pacs.002 from the RTGS/HVP service (optional).
4. The direct debit payment message pacs.010 will be forwarded to the participant B.
5. The direct participant B processes the direct debit payment to the indirect participant C internally.



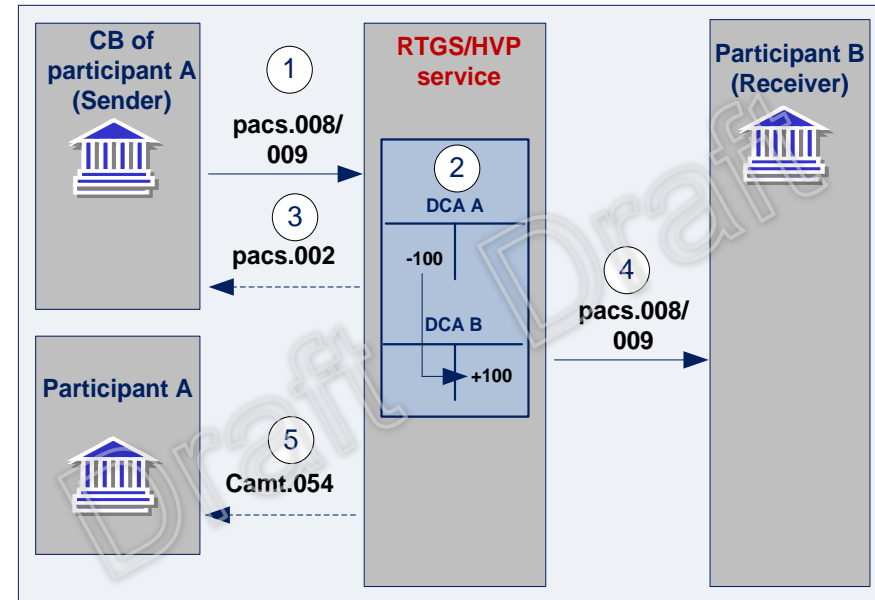
Note:

- **Case „Participant B can not withdraw the Direct Debit amount from Indirect Participant“** is out of scope of RTGS/HVP settlement services, i.e. to be agreed between B and C

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (VIII)

Payment business - camt.054 after booking pacs.008, pacs.009

- **Credit transfer payments (e.g. mandated payment) sent by CB on behalf of participant A to direct participant B**
 1. The CB sends on behalf of the direct participant A a payment message in favour of B for execution in RTGS/HVP service.
 2. The payment has to pass several validations, e.g. availability of sufficient cover, before it is debited on the RTGS/HVP DCA of A and simultaneously credited on the RTGS/HVP DCA of B.
 3. The CB of participant A receives a notification pacs.002 from the RTGS/HVP service (optional).
 4. The payment message pacs.008/009 will be forwarded to the credited participant B.
 5. The participant A receives on optional basis a debit notification camt.054 from the RTGS/HVP service.



Notes:

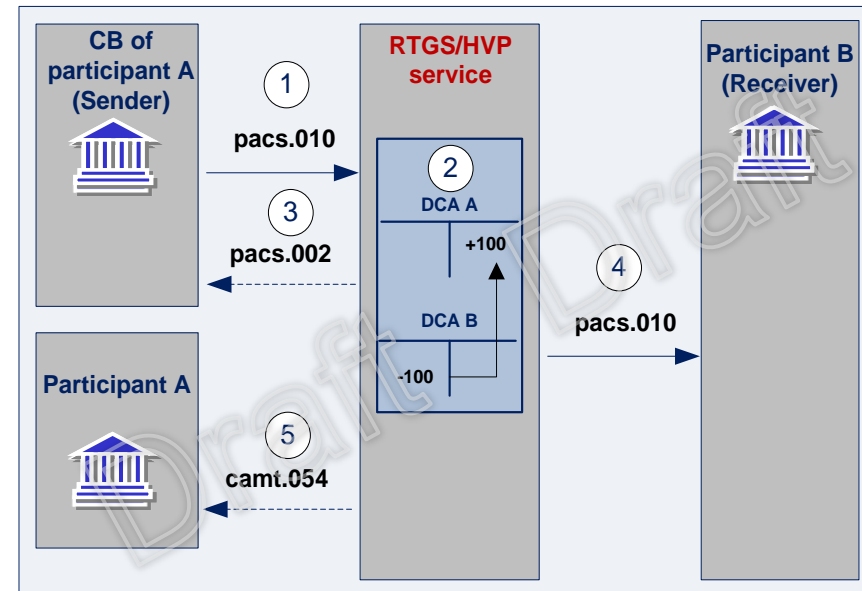
- Further business scenarios for optional use of camt.054 available

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (IX)

Payment business - pacs.010 and camt.054

- **Direct debit sent by CB on behalf of participant A to direct participant B**

1. The CB sends on behalf of the direct participant A a direct debit payment message in favour of B for execution in RTGS/HVP service.
2. The payment has to pass several validations, e.g. availability of sufficient cover, before it is credited on the RTGS/HVP DCA of A and simultaneously debited on the RTGS/HVP DCA of B.
3. The CB of participant A receives a notification pacs.002 from the RTGS/HVP service (optional).
4. The payment message pacs.010 will be forwarded to the debited participant B.
5. The participant A receives on optional basis a credit notification camt.054 from the RTGS/HVP service.



Note:

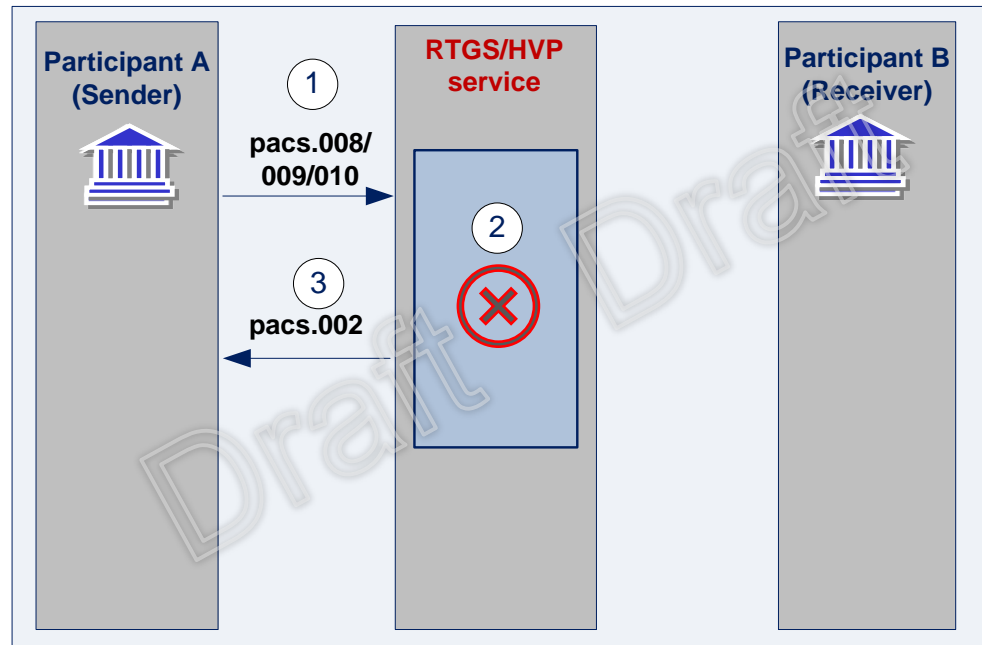
- Exchange of pacs.010 must be bilaterally agreed between participants.

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (X)

Payment business – Reject - Message flow of pacs.008, pacs.009 and pacs.010

- **Payments sent from a direct participant to another direct participant but rejected by RTGS/HVP service**

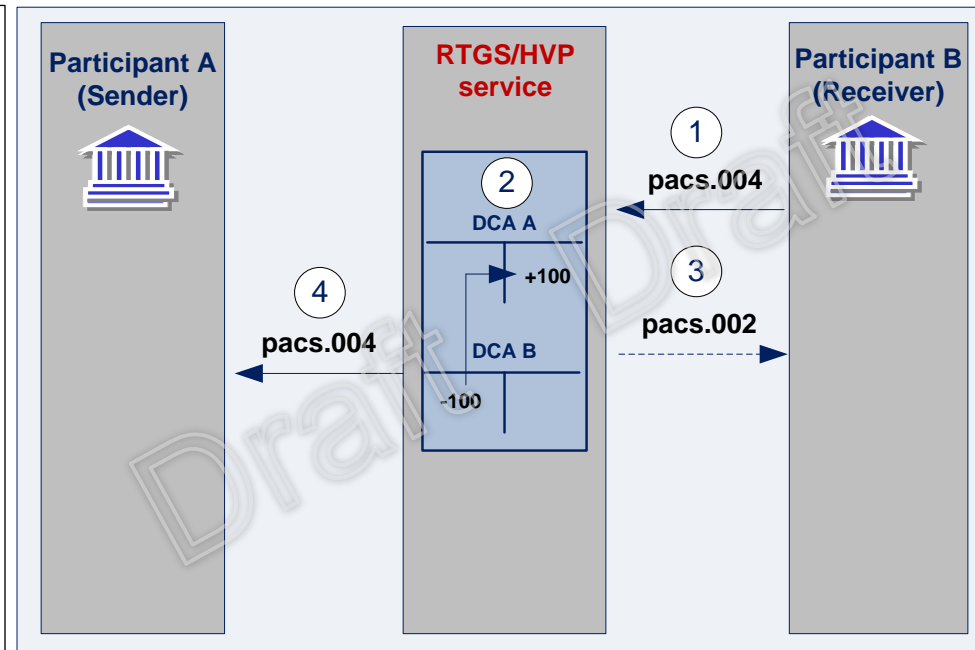
1. The direct participant A (sender) generates a payment message in favour of B for execution in RTGS/HVP service.
2. The RTGS/HVP service entry check of the payment message fails (e.g. wrong booking date).
3. The direct participant A (sender) will be notified about the reject by a pacs.002 „RJCT“ with error code.



ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (XI)

Payment business – Payment return - Message flow of pacs.004

- **Payment return sent from a direct participant B to direct participant A**
 1. The direct participant B generates a pacs.004 message in favour of A for execution of a return booking in the RTGS/HVP service.
 2. The payment has to pass several validations, e.g. availability of sufficient cover, before it is debited on the RTGS/HVP DCA of B and simultaneously credited on the RTGS/HVP DCA of A.
 3. Participant B receives a notification pacs.002 from the RTGS/HVP service (optional).
 4. The pacs.004 message will be forwarded to the credited participant A.



Notes:

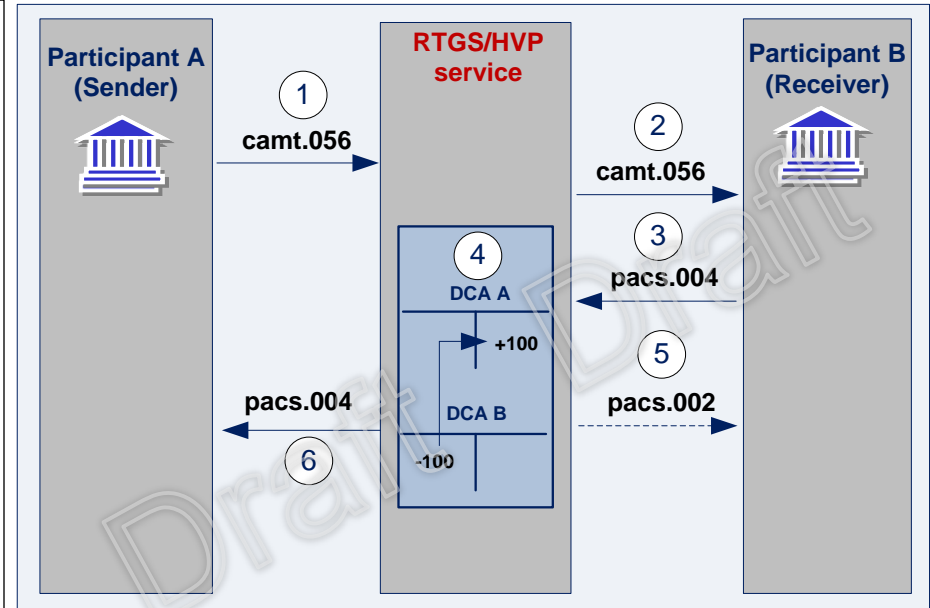
- Return payment can only be applied in case of previously received pacs.008/009/010 messages.

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (XII)

Cancellation request - Message flow of camt.056 and pacs.004

- **Cancellation request sent from a direct participant A to direct participant B**

1. The direct participant A sends a camt.056 message to B to request the cancellation of an already executed payment message.
2. The RTGS/HVP service notifies A about the acceptance of the camt.056 by sending a camt.025.
3. The RTGS/HVP service forwards cancellation request to B.
4. B responds with a payment return message pacs.004.
5. The payment has to pass several validations, e.g. availability of sufficient cover, before it is debited on the RTGS/HVP DCA of B and simultaneously credited on the RTGS/HVP DCA of A.
6. Participant B receives a notification pacs.002 from the HVP settlement service (optional).
7. The pacs.004 message will be forwarded to the credited participant A.

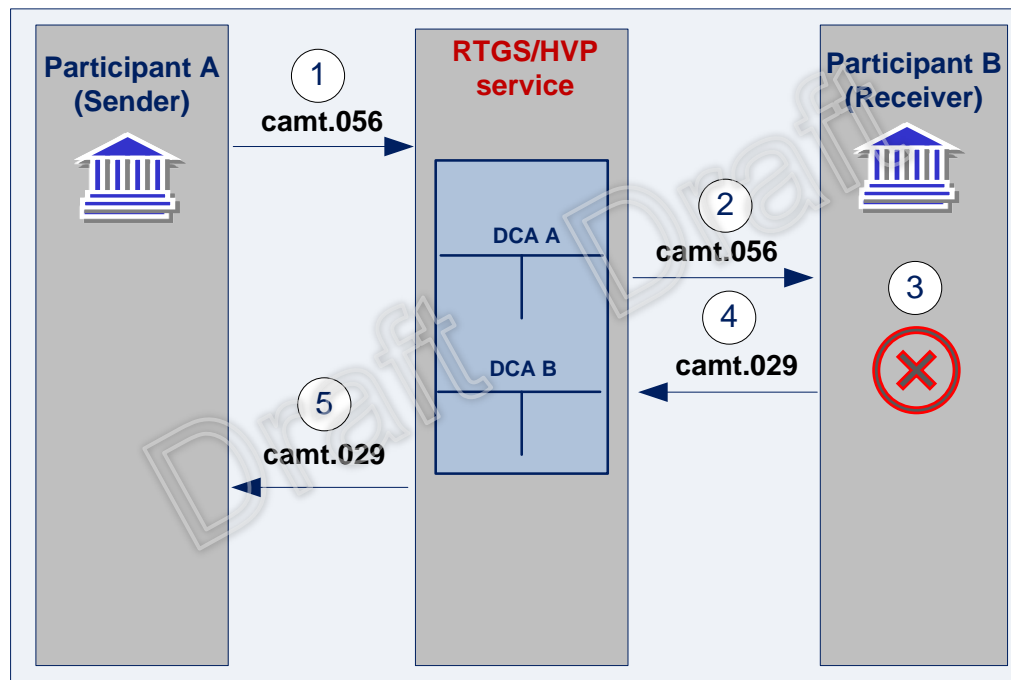


ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (XIII)

Payment business – Cancellation request - Message flow of camt.056 and camt.029

- **Cancellation request sent from a direct participant A but rejected by participant B**

1. The direct participant A sends a camt.056 message to B to request a the cancellation of an already executed payment message.
2. The RTGS/HVP service notifies A about the acceptance of the camt.056 by sending a camt.025.
3. The RTGS/HVP service forwards cancellation request to B.
4. The cancellation request is not processed by B.
5. B responds with a negative resolution of cancellation request message by sending a camt.029 message.
6. The RTGS/HVP service notifies B about the acceptance of the camt.029 by sending a camt.025.
7. The RTGS/HVP service forwards the negative resolution of investigation message to participant A without booking on accounts.



Notes:

- The ISO 20022 messages camt.056 (CancellationRequest) and camt.029 (ResolutionOfInvestigation) represent an enhancement of current T2 message portfolio

ISO 20022 message portfolio and future message flow used for today's MT messages and message flow in TARGET2 (XIV)

- **Work in progress**
 - Currently a Direct PM Participant can be co-manager for an HAM account owned by another participant
 - This scenario needs to be designed taking into consideration the Central Liquidity Management and HVP Settlement Service interaction