Deutsche Bank

flow briefing

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The DON'Ts of cross-border payments

The ISO 20022 era has finally begun, with an increasing volume of messages now being successfully exchanged on the network. But are you aware that the compliance with the pure ISO 20022 message format may not be enough as of end of May 2023 (expected date at the time of writing)?

As a result, the ISO 20022 and MT messages that are currently being processed without issues may be aborted in future. Let's explore the scenarios in which this might happen.

Today, once a message it sent via Swift it will first undergo network validation, which will be used to decide whether the message should be accepted for delivery to the recipient or aborted.

From the end of May 2023, additional and stricter controls are set to come into force, meaning that messages will have to undergo enhanced network validation (see Figure 1).

gpi STI validation

Over the years, the Swift gpi portfolio, which initially started with only customer credit transfers (MT103), has grown and expanded extensively. Considering every service comes with a specific processing and individual service level agreements, a gpi specific service type indicator (STI) is required in tag 111 of the header block of an MT message (or the Service Level element in ISO 20022 messages).

The adherence to the correct usage of gpi STI has been monitored over the past years and will be validated as of the end of May 2023. This means that, from this date onwards, any transactions that include the incorrect gpi STI (or Service Level) will be rejected at the network level. For example, MT 202 messages (or the ISO-equivalent message, pacs.009) fall under gFIT service (see Figure 2) and should therefore contain the gpi STI "004" (or the G004 Service Level in pacs.009). If, however, an MT 202 (or pacs.009) is sent with the gpi STI "001" (or G001) the transaction will be aborted by the network.
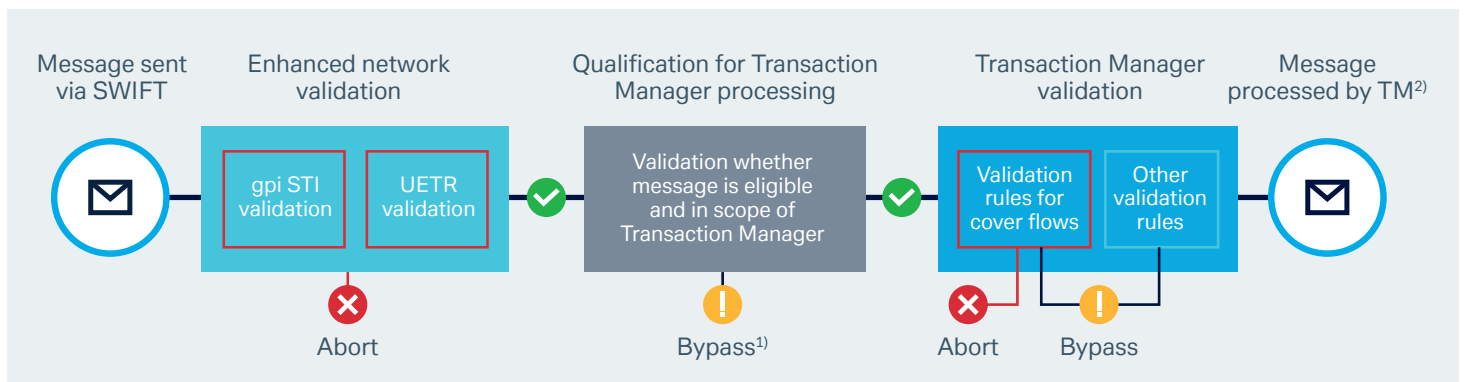

Figure 1: Swift message processing and additional abort scenarios (Source: Deutsche Bank)

1) Message processed via FIN or FINplus channel bypassing Transaction Manager
2) Message processed by Transaction Manager under application of data integrity and visibility rules

gpi service	Service Type Indicator (STI)	Service Level
gCCT and gCOV Services	001	G001
Stop and Recall	002	G002
g4C Pay & Trace	003	G003
gFIT Service	004	G004
gINST Service	005	G005
Case Resolution	006	G006
g4C Inbound Tracking	007	G007
Swift Go	009	G009

Figure 2: gpi services (Source: Swift)

UETR validation

Next to the gpi STI/Service Level, the enhanced network validation will control the Unique End-To-End Transaction Reference (UETR), provided in T121 of the Header Block of MT messages (or the Payment Identification element in ISO 20022 messages). As its name suggests, the uniqueness of this transaction reference identification is crucial for payments to be processed and reconciled flawlessly throughout the entire payment lifecycle – including for exception handling and returns. However, the monitoring of community adherence showed that this is not always the case with UETRs being "recycled" for several transactions. For example, one prominent use case includes payment of charges, erroneously instructed with the same UETR as the underlying transaction. Therefore, as of the end of May 2023, Swift will validate the uniqueness of UETR for any MT 103, MT 103 STP, MT 103 REMIT, MT 202 and MT 205, pacs.008, pacs.008 STP, pacs.009, pacs.009 COV, pacs.009 ADV messages.

Additional Transaction Manager validation

Having passed network validation, messages will be checked for applicability to Transaction Manager processing. In case a message is eligible and in scope, further Transaction Manager validation rules will be applied, which will determine whether to process, bypass (i.e. route it via FIN/FINplus channel without Transaction Manager processing) or abort the transaction.

While it is important to be aware of the bypass scenarios – given that these are likely to trigger rejects in future releases – this briefing focuses on validation rules for aborts only. As such, abort scenarios in the first release of the Transaction Manager (go-live on 29 May 2023) are only applicable to the initiation of cover scenarios – i.e. the Customer Credit Transfer (CCT) cover and the Financial Institution Credit Transfer (FICT) cover.

When initiating a cover, it is critical to ensure the following (see Figure 3):

- Usage of the correct message type

    - CCT cover: pacs.008/MT103 for advice and pacs.009 cov/MT202 cov for cover message

    - FICT cover: pacs.009 adv/MT202 for advice and pacs.009 core/MT202 (not cov!) for cover message

- Population of the matching key data elements in advice and cover messages

    - Debtor, creditor, debtor/creditor agent, ultimate debtor/creditor

- Valid references in advice and cover messages

    - End-to-end identification/F21 (cover) must not be populated with "NOTPROVIDED"/"NONREF"

    - Instruction identification/F20 (advice) must not be populated with "NOTPROVIDED"/"NONREF"

- Presence of /UDLC/ code in the settlement message of the FICT cover

    - pacs.009 core (settlement message of the FICT cover) contains /UDLC/ code word followed by the creditor data of the underlying pacs.009 adv

Tackling the DON'Ts of cross-border payments – such as using the wrong gpi STI (Service Level), recycling UETRs and initiating invalid covers – is becoming ever important with the view to the enhanced network validation and the introduction of the Transaction Manager validation rules at the end of May 2023. Let's get it done.
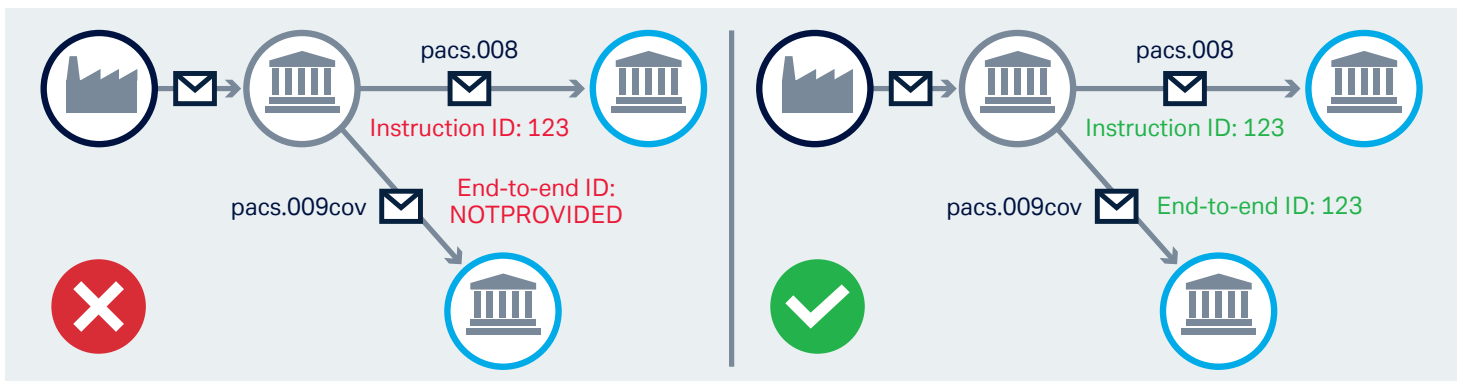

Figure 3: Initiation of a cover with valid references (Source: Deutsche Bank)