

**Memorandum of Understanding (MoU) for the handling of temporary data truncation issues
during the CHAPS ISO 20022 migration**

3 May 2022 (v11 revised to update the DP signatory list)

Objective and context

1. In January 2022, the Bank of England (BoE) announced a revised timetable to migrate CHAPS to ISO 20022. The migration of CHAPS to ISO 20022 will now occur as a single event, rather than in two stages. The switchover of CHAPS from the SWIFT MT network to the MX (ISO 20022) network, and support for enhanced ISO 20022 messaging, is now expected to take place in April 2023. The “Like-for-Like” ISO phase will no longer take place and CHAPS will continue to use the current MT messaging used today until the single migration event. For further details see footnote¹.
2. The purpose of this Memorandum of Understanding (MoU) is to establish a consistent, effective and transparent, but proportionate, protocol for managing truncation risks during the period where CHAPS continues to operate via MT messaging but where inbound CHAPS payment messages may include additional Enhanced Data (i.e. above and beyond pre-ISO20022 migration usage). In particular, payment instructions received via the SWIFT correspondent banking and cross-border (FINplus) network. This period (the “Interim Period”) is from when the SWIFT FINplus network goes live with ISO 20022 for cross-border payments using the CBPR+ schema (expected to be in November 2022), until CHAPS transitions from MT to enhanced ISO 20022 messaging (expected to be in April 2023).
3. The Truncation Remedial Framework (TRF) covers this ‘Memorandum of Understanding for the handling of temporary data truncation issues during the CHAPS ISO 20022 migration’ document, and also the ‘White Label Communications, Risk of data truncation in CHAPS messages for limited time period’, and the ‘MT CHAPS Technical Guidance for Truncation Risk’ documents (together the TRF).
4. This TRF is an agreement between the CHAPS Direct Participants (DPs), and is not intended to create or impose any legally binding obligations on them or any other party in the CHAPS ecosystem. Nevertheless, its effectiveness is dependent on all CHAPS DPs endeavouring to follow the established protocols ahead of and during the Interim Period. This TRF applies to transactions processed by all CHAPS DPs throughout the Interim Period. Unless otherwise notified in writing to the BoE on behalf of the other CHAPS DPs, the TRF will commence on 21 February 2022 and will cease to have effect at the end of the last day of the Interim Period.
5. The BoE, in its role as operator of CHAPS payments system operator, has facilitated the drafting of the TRF. It will publish TRF on its website, to provide transparency of the protocol to the entire CHAPS ecosystem. It will also facilitate ‘readiness checkpoint’ discussions between the CHAPS DPs prior to the Interim Period, as well as discussions during the Interim Period for signatories to monitor effectiveness and address any issues. The TRF does not form part of the rules or requirements of the CHAPS system.

¹ For further information on the Bank of England’s CHAPS migration to ISO 20022, including detail on the revised timetable and industry engagement, please visit: <https://www.bankofengland.co.uk/payment-and-settlement/rtps-renewal-programme/consultation-on-a-new-messaging-standard-for-uk-payments-iso20022>

Background to the Interim Period

6. The CHAPS system will migrate to ISO 20022 messaging in a single event, expected to be in April 2023. This will include both (I) the switchover of CHAPS from the SWIFT MT to the MX (ISO 20022) network and (II) the support for enhanced ISO 20022 messaging. CHAPS will only support MT messaging until that event and there will be no “Like-for-Like” ISO phase.
7. This is dependent on the successful migration of the SWIFT correspondent banking network in terms of both (I) from MT to the MX CBPRplus (ISO 20022) network and (II) the enablement of fully enhanced messaging on the CBPRplus network (both events expected in November 2022).
8. Whilst the truncation risk is greatest during the Interim Period, it is also possible that payments initiated by non-SWIFT methods (e.g. corporate clients instructing via CHAPS DPs electronic banking channels) could potentially include Enhanced Data at any point before the CHAPS system can transmit that data.

Protocol – customer communications and interfaces

9. DPs will request those correspondent banks and customers who will use ISO 20022 messaging across the SWIFT correspondent banking network to refrain from including Enhanced Data elements that do not have equivalent fields in the CHAPS MT messages within GBP-denominated customer payment instructions, during the Interim Period. Examples of such fields include ultimate creditor, ultimate debtor and structured remittance data. This communication should be aimed at both sending and receiving parties and should be based on the messages given in the white label communications document, to ensure a consistent message is received by the entire CHAPS ecosystem.
10. Similarly, DPs will either restrict and or request those correspondent banks and customers who will use ISO 20022 messaging across the DPs’ proprietary channels to similarly refrain from including Enhanced Data within GBP payment instructions (above and beyond pre-ISO20022 migration usage) that do not have equivalent fields in the CHAPS MT messages, wherever possible during the Interim Period.

Protocol – payment processing

11. For avoidance of doubt, upon receipt of a GBP-denominated customer payment instruction containing Enhanced Data, DPs will observe and comply with all applicable laws, regulatory obligations and or market level industry standards (as well as internal processing requirements) for that payment instruction. Such obligations include but are not limited to all relevant sanctions and anti-money laundering screening.
12. When applicable and only after receiving an enhanced message to be transmitted through CHAPS, the sending DP will follow the ‘MT CHAPS Technical Guidance for Truncation Risk’ document when converting GBP payment instructions containing Enhanced Data into MT messages that can be transmitted through CHAPS. This will include instructions from the SWIFT network and to an equivalent extent, non-SWIFT channels and will ensure that in all cases, data is mapped consistently and in line with the agreed order of prioritisation.

13. The receiving CHAPS DP has a right to request and the sending CHAPS DP must provide all of the additional information that was contained within the enhanced message, but truncated from the MT CHAPS payment instruction. CHAPS DPs will support this process through their existing exceptions and enquiries processes, with the sender transmitting the additional information requested via the SWIFT MT199 message type formatted in line with the MT CHAPS Technical Guidance for Truncation Risk (unless otherwise agreed between the parties).
14. Given that it is inherently difficult to forecast the number of enhanced payment messages where the receiving CHAPS DP will need to raise enquiries with the sending DP, all DPs will seek to provide additional capacity within their exceptions and enquiries teams during the Interim Period, where feasible and appropriate. However the DPs recognise that whilst they will seek to minimise delays to exceptions and enquiries processing, some delays may occur during this period.

Signed, as of 3 May 2022

Banco Santander, S.A.

Bank of America, N.A London

Bank of China Limited

Bank of England

Bank of New York Mellon

Bank of Scotland plc

Barclays International

Barclays UK

BNP Paribas, London Branch

Citibank N.A

ClearBank Limited

CLS Bank International

Clydesdale

Danske Bank

Deutsche Bank AG

Elavon Financial Services DAC

Euroclear Bank SA/NV

Goldman Sachs Bank USA

Handelsbanken plc

HSBC Bank plc

HSBC UK Bank plc

iFAST Global Bank Limited

ING Bank N.V.

J.P. Morgan Chase Bank N.A.

LCH Limited

Lloyds Bank plc

National Westminster Bank plc

Northern Trust Company

Royal Bank of Scotland plc

Santander UK plc

Societe Generale

Standard Chartered Bank plc

State Street Bank and Trust Company London Branch

The Co-operative Bank plc

TSB Bank plc

UBS AG

Virgin Money