

ISO 20022

Demand Guarantees and Standby Letters of Credit

Approved by the Trade SEG on 14 December 2012

Message Definition Report - Part 1

Edition March 2013

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1. Introduction

1.1 Glossary

Acronyms

Acronym	Definition
ICC	International Chamber of Commerce
IIBLP	Institute of International Banking Law & Practice
ISP	International Standby Practices
UCP	Uniform Customs and Practice for Documentary Credits
URDG	Uniform Rules for Demand Guarantees

Abbreviations

Abbreviation	Definition

1.2 Document Scope and Objectives

This document is the first part of the ISO 20022 Message Definition Report (MDR) that describes the business transactions and underlying message set. For the sake of completeness, the document may also describe activities that are not in the scope of the project.

This document sets:

- The business area scope (one or several business areas may be covered by the project)
- The business process scope (business processes addressed or impacted by the project)

The main objectives of this document are:

- To explain what business processes and activities these message standards have addressed
- To give a high level description of business processes, business actors and their roles
- To document the message flows (sequence diagrams)
- To list the message standards

1.3 References

Document	Version	Date	Source
United Nations Convention on Independent Guarantees and Standby Letters of Credit	A/RES/50/48	January 1996	United Nations
Uniform Rules for Demand Guarantees (URDG), ICC Publication No. 758	URDG 758	July 2010	ICC
International Standby Practices (ISP98), ICC Publication No. 590	ISP98	November 1998	IIBLP ICC
Uniform Customs and Practice for Documentary Credits (UCP), ICC Publication No. 600	UCP 600	October 2006	ICC

2. Scope and Functionality

2.1 Background

This message reference guide covers a set of twenty ISO 20022 message definitions developed by SWIFT in close collaboration with the trade finance community and approved by the Trade Standards Evaluation Group as ISO 20022 messages on Friday 14 December 2012. These messages are specifically designed to support the exchange of data concerning demand guarantees and standby letters of credit, and in limited circumstances to support the request for issuance/amendment of paper-based suretyship undertakings.

2.2 Scope

Demand guarantees and standby letters of credit are independent undertakings that provide financial assurance, to be paid on the presentation of documents that comply with their terms and conditions. Such undertakings can be used in multiple situations, for example: providing for payment or non payment on performance, in connection with advance fees, assuring payment for goods delivered, or financial obligations, etc. Their use arises where money-like dependable promises from neutral third parties are important.

The **United Nations Convention on Independent Guarantees and Standby Letters of Credit** (1996) defines these undertakings as:

An independent commitment, known in international practice as an independent guarantee or as a stand-by letter of credit, given by a bank or other institution or persons ("guarantor/issuer") to pay to the beneficiary a certain or determinable amount upon simple demand or upon demand accompanied by other documents, in conformity with the terms and any documentary conditions of the undertaking, indicating, or from which it is to be inferred, that payment is due because of a default in the performance of an obligation, or because of another contingency, or for money borrowed or advanced, or on account of any mature indebtedness undertaken by the principal/applicant or another person.

The undertaking is governed by applicable law and typically by one of three sets of international rules, published or endorsed by the **International Chamber of Commerce** (ICC) namely:

- Uniform Rules for Demand Guarantees (URDG), ICC Publication No. 758
- International Standby Practices (ISP98), ICC Publication No. 590
- Uniform Customs and Practice for Documentary Credits (UCP), ICC Publication No. 600

URDG 758 defines a demand guarantee as any undertaking, however named or described, providing for payment upon the presentation of a complying demand.

ISP98 characterises a standby letter of credit (standby) as an irrevocable, independent, documentary, and binding undertaking when issued.

UCP 600 defines a "Credit" (including a standby) as any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation.

While the demand guarantee and standby are identical undertakings at the level of law, the practices surrounding them often differ, differences that are typically reflected in the various rules which govern their use.

The design of the demand guarantee and standby messages contained in this guide provide for the identification of the particular rules to which the undertaking is subject.

2.3 Groups of Messages and Functionality

The following is a list of the twenty messages that represent the Demand Guarantee and Standby Letters of Credit message set. These Message Definitions are intended to be used with the ISO 20022 Business Application Header <head.001 >:

Application

1. UndertakingApplication<tsin.005.001.01>

The UndertakingApplication message is sent by the party requesting issuance of the undertaking (applicant or obligor) to the party issuing the undertaking. It is used to request the issuance of an undertaking (demand guarantee or standby letter of credit or suretyship) or counter-undertaking (counter-guarantee or counter-standby or suretyship), and provides details on the applicable rules, terms, conditions and content of the undertaking to be issued.

Issuance

2. UndertakingIssuance <tsrv.001.001.01>

The UndertakingIssuance message is sent (and is thus issued) by the party issuing the undertaking to the beneficiary. The message may be sent either to the beneficiary directly or via an advising party. The undertaking could be a demand guarantee, standby letter of credit, or counter-undertaking (counter-guarantee or counter-standby). It contains details on the applicable rules, expiry date, the amount, required documents, and terms and conditions of the undertaking. The message constitutes an operative financial instrument.

3. UndertakingIssuanceAdvice <tsrv.002.001.01>

The UndertakingIssuanceAdvice message is sent by an advising party to the beneficiary, either directly or via one or more other advising parties in the transaction chain, to advise the issuance of an undertaking. Other interested parties may also be informed of the advice. The undertaking advised could be a demand guarantee, standby letter of credit, or counter-undertaking (counter-guarantee or counter-standby). In addition to providing details on the applicable rules, expiry date, the amount, required documents, and terms and conditions of the undertaking, the advice may provide information from the sender such as confirmation details.

4. UndertakingIssuanceNotification <tsrv.003.001.01>

The UndertakingIssuanceNotification message is sent by the party that issued the undertaking to the applicant to notify it of the contents of an undertaking issued electronically or on paper. The undertaking that is notified could be a demand guarantee, standby letter of credit, counter-undertaking (counter-guarantee or counter-standby), or suretyship undertaking. In addition to containing details on the applicable rules, expiry date, the amount, required documents, and terms and conditions of the undertaking, the message may provide information from the sender such as confirmation details.

Amendment**5. UndertakingAmendmentRequest <tsrv.004.001.01>**

The UndertakingAmendmentRequest message is sent by the party that requested issuance of the undertaking (applicant or obligor) to the party that issued the undertaking to request issuance of a proposed amendment to the undertaking. The undertaking could be a demand guarantee, standby letter of credit, counter-undertaking (counter-guarantee or counter-standby), or suretyship undertaking. The message provides details on proposed changes to the undertaking, for example, to the expiry date, amount, and/or terms and conditions. It may also be used to request termination or cancellation of the undertaking.

6. UndertakingAmendment <tsrv.005.001.01>

The UndertakingAmendment message is sent (and is thus issued) by the party that issued the undertaking. The message may be sent either directly to the beneficiary or via an advising party. The proposed undertaking amendment could be to a demand guarantee, standby letter of credit, or counter-undertaking (counter-guarantee or counter-standby). The message provides details on proposed changes to the undertaking, for example, to the expiry date, the amount, and terms and conditions of the undertaking. It may also be used to propose the termination or cancellation of the undertaking. Under practice and law, this communication binds the party issuing it. The message constitutes an operative financial instrument.

7. UndertakingAmendmentAdvice <tsrv.006.001.01>

The UndertakingAmendmentAdvice message is sent by an advising party to the beneficiary, either directly or via one or more other advising parties in the transaction chain, to advise the content of a proposed amendment to an undertaking. Information about the message may also be sent to other interested parties. The proposed undertaking amendment could be to a demand guarantee, standby letter of credit, or counter-undertaking (counter-guarantee or counter-standby). In addition to providing the terms of the proposed amendment and relevant details on proposed changes to the undertaking, the message may provide information from the sender such as confirmation details. It may also be used to advise the proposed termination or cancellation of the undertaking.

8. UndertakingAmendmentNotification <tsrv.007.001.01>

The UndertakingAmendmentNotification message is sent by the party that issued the undertaking to the applicant to notify it of the contents of a proposed amendment to the undertaking (issued electronically or on paper). The undertaking could be a demand guarantee, standby letter of credit, counter-undertaking (counter-guarantee or counter-standby), or suretyship undertaking. In addition to providing the proposed terms of the amendment and details on proposed changes to the undertaking, the message may provide other supporting information from the sender. It may also be used to notify the proposed termination or cancellation of the undertaking.

9. UndertakingAmendmentResponse <tsrv.008.001.01>

The UndertakingAmendmentResponse message is sent by the beneficiary to the party that issued the undertaking, either directly or via one or more advising parties, to indicate acceptance or rejection by the beneficiary of the amendment.

10. UndertakingAmendmentResponseNotification<tsrv.009.001.01>

The UndertakingAmendmentResponseNotification message is sent by the advising party to the party that issued the undertaking, either directly or via one or more other parties, to notify the recipient of the acceptance or rejection by the beneficiary of the amendment. On receipt of this message or the UndertakingAmendmentResponse message, the issuer may also send the UndertakingAmendmentResponseNotification to the applicant.

Non-Extension**11. UndertakingNonExtensionRequest <tsrv.010.001.01>**

The UndertakingNonExtensionRequest message is sent by the party that requested issuance of the undertaking (applicant or obligor) to the party that issued the undertaking. It is used to request no further automatic extensions to the expiry of the referenced undertaking.

12. UndertakingNonExtensionNotification<tsrv.011.001.01>

The UndertakingNonExtensionNotification message is sent by the party that issued the undertaking to the beneficiary, either directly or via one or more advising parties, to notify it of the non-extension of the referenced undertaking beyond the current expiry date.

Termination**13. UndertakingTerminationNotification <tsrv.012.001.01>**

The UndertakingTerminationNotification message is sent to the applicant by the party that issued the undertaking to give notification of the termination or cancelation of the referenced undertaking.

Demand Processing**14. UndertakingDemand <tsrv.013.001.01>**

The UndertakingDemand message and other required documents are sent by the beneficiary to the party that issued the undertaking, either directly or via a presenting or nominated party. It is a demand for payment and may include a request to extend the undertaking expiry date. The demand itself must be contained in an enclosed file within the message or must be specified as narrative text within the message. It may contain other required documents in addition to the demand.

15. ExtendOrPayRequest<tsrv.014.001.01>

The ExtendOrPayRequest message is sent by the party that issued the undertaking to the party that requested issuance of the undertaking (applicant or obligor), to request the applicant's response to a beneficiary request to extend or pay.

16. ExtendOrPayResponse <tsrv.015.001.01>

The ExtendOrPayResponse message is sent by the party that requested issuance of the undertaking (applicant or obligor) to the party that issued the undertaking, in response to the issuer's request for the applicant's response to the beneficiary's request to extend or pay.

17. DemandRefusalNotification<tsrv.016.001.01>

The DemandRefusalNotification message is sent to the beneficiary or presenter by the party obligated on the undertaking and to whom a demand for payment has been made, either directly or via one or more advising parties. It notifies the beneficiary or presenter that the demand has been refused.

18. DemandWithdrawalNotification<tsrv.017.001.01>

The DemandWithdrawalNotification message is sent by the beneficiary to the party that issued the undertaking, either directly or via a presenting or nominated party, to inform the issuer or nominated party that it has elected to withdraw its demand under the demand guarantee or standby letter of credit.

General (Technical)**19. TradeStatusReport <tsrv.018.001.01>**

The TradeStatusReport message is exchanged between parties involved in the trade finance domain to report the transaction level status of a transaction previously received. It informs the sender about the positive or negative status of the referenced transaction,

such as acceptance or rejection resulting from technical validation performed by the parser and/or front-office applications. It can be used, for example, to acknowledge receipt of a transaction, to report a syntactical error, to report an unrecognised digital signature, to indicate that further processing is pending, and to indicate that a transaction has been technically accepted for processing by the back-office application. Multiple TradeStatusReport messages may be progressively sent in response to the incremental processing of a single transaction.

General (Business)

20. UndertakingStatusReport<tsrv.019.001.01>

The UndertakingStatusReport message is exchanged between parties that have an interest in the referenced undertaking transaction. It notifies the recipient of the status of the transaction, such as acceptance or rejection, withdrawal, or non-conformation. The sender may add additional information, as appropriate.

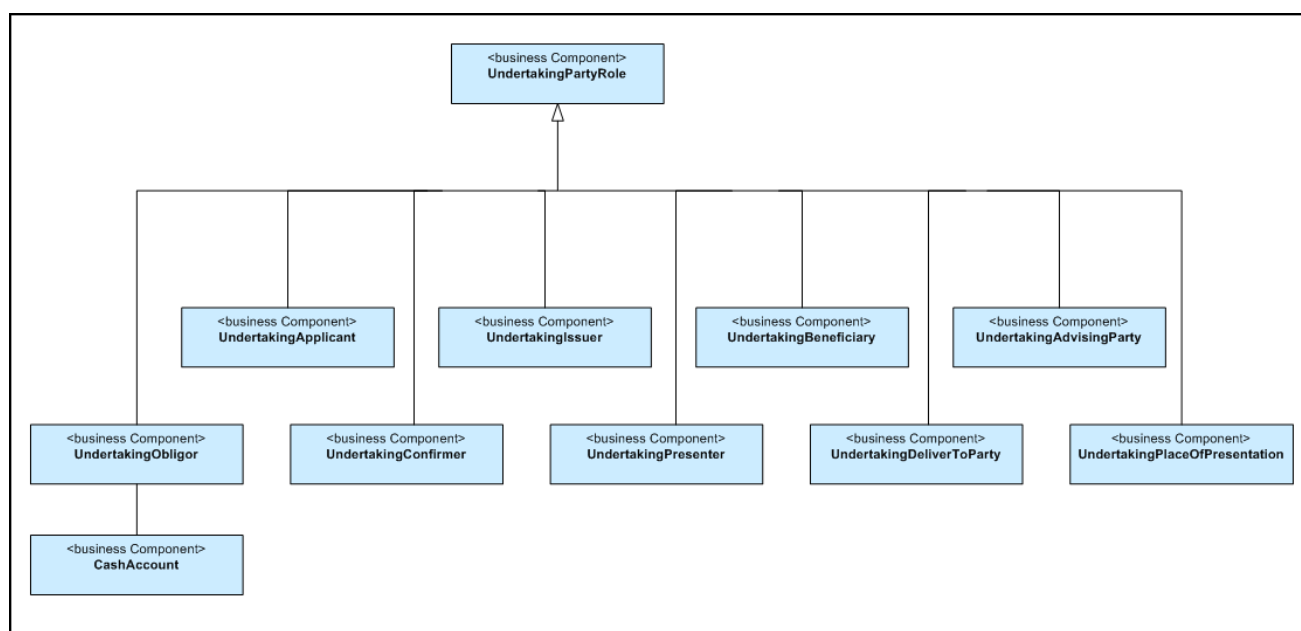
3. Business Actors and Roles

A business actor represents an entity (or a class of entities) of the real world, physical or legal, a person, a group of persons, a corporation. For example of business actors: “Financial Institution”, “ACH”, “CSD”.

A business role is a role performed by a business actor in a specific business context and process: for example the “user” of a system, “debtor”, “creditor”, “investor” etc.

Relationship between business roles and actors is many-to-many. One business actor (that is, a person) can play different roles at different moments in time or at the same time: "user", "debtor", "creditor", "investor", etc. One role can also be played by different actors.

In the context of Demand Guarantees and Standby Letters of Credit, the high-level business roles and typical actors can be represented as follows.



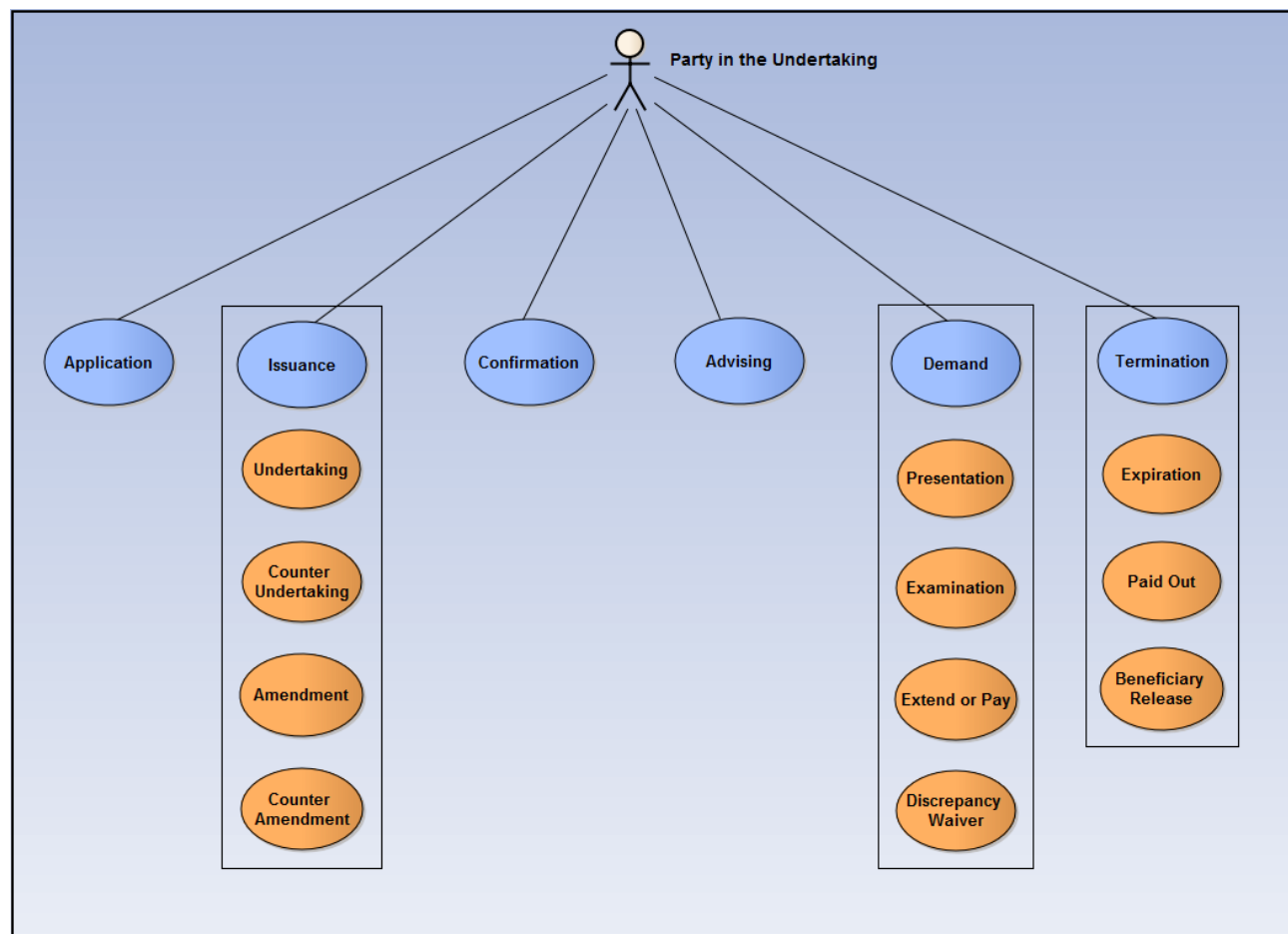
Actors and Roles definitions	
Description	Definition
Actors	
Party in the Undertaking	A party in the context of a financial undertaking.
Roles	
Advising Party	Party that advises the undertaking at the request of the issuer, confirmer, or another advisor. For further clarification, reference the applicable rules to which the undertaking is subject.
Applicant	Party named in the undertaking as the party on whose behalf the undertaking is issued. For further clarification, reference the applicable rules to which the undertaking is subject.
Beneficiary	Party in whose favour the undertaking (or counter-undertaking) is issued. For further clarification, reference the applicable rules to which the undertaking is subject.
Confirmer	Party that adds its confirmation to the undertaking. For further clarification, reference the applicable rules to which the undertaking is subject.
Delivery To Party	Party to which the original undertaking or amendment is intended to be delivered.

Actors and Roles definitions	
Description	Definition
Issuer	Party that issues the undertaking (or counter-undertaking). Includes a “Guarantor” that issues an independent undertaking. For further clarification, reference the applicable rules to which the undertaking is subject.
Obligor	Party obligated to reimburse the issuer. For further clarification, reference the applicable rules to which the undertaking is subject.
Presenter	Party that makes a presentation under the undertaking. For further clarification, reference the applicable rules to which the undertaking is subject.
Place Of Presentation	Place to which an undertaking presentation is to be made. For further clarification, reference the applicable rules to which the undertaking is subject.

4. Business Process Description

4.1 Business Use Case Diagram

This diagram below depicts the high level business processes performed by a party in the context of demand guarantees and standby letters of credit. The supporting business use cases aim to describe the overall scope of the project from a business process perspective and are not intended to be exhaustive.



Application:

- **Definition:** The process where an applicant / obligor completes an application for the issuance of an undertaking, detailing all relevant facts that should be included in the undertaking, such as beneficiary, amount, applicable rules and required documents, etc. Requested Undertaking normally reflects what has been agreed in the underlying commercial contract.
- **Trigger:** Commercial contract or other agreement between the buyer and seller may stipulate a requirement for the issuance of an undertaking (demand guarantee or standby letter of credit).
- **Pre-conditions:** The credit standing of the applicant / obligor and the required undertaking provisions are acceptable to the issuer.
- **Post-conditions:** Issuance of an undertaking in accordance with the instructions of the applicant / obligor as detailed in the application.

Issuance:

- **Definition:** The process by which the issuer issues an undertaking (or counter-undertaking), or issues a proposed amendment (or counter amendment) to a previously issued undertaking.

- Trigger: Receipt of an application in the case of an undertaking issuance or an amendment request in the case of an undertaking amendment.
- Pre-conditions: For issuance of the undertaking, acceptance of the application by the issuer and establishment of counter indemnity (from applicant / obligor to the issuer). For issuance of an amendment, consent to the amendment request by the issuer.
- Post-conditions: Advising the issuance of an undertaking (or counter-undertaking) or advising issuance of an amendment (or counter-amendment).

Confirmation:

- Definition: The process by which a separate undertaking, authorized by the issuer, is added to the undertaking of the issuer, providing the beneficiary with the option of demanding payment from the confirmer in addition to the issuer.
- Trigger: Request by the issuer to the confirmer to add its confirmation.
- Pre-conditions: Confirmation may be requested by the local beneficiary to mitigate risk concerning payment by the issuer.
- Post-conditions: If the confirmer agrees, the undertaking will be confirmed and advised to the beneficiary or, if not, simply advised to the Beneficiary without confirmation unless the undertaking provides that it is cancelled if the nominated confirmer elects not to add its confirmation.

Demand Presentation:

- Definition: The process by which the beneficiary first demands payment under an undertaking and the issuer subsequently checks the demand for compliance and then responds accordingly.
- Trigger: Presentation of required documents to the issuer as stipulated in the undertaking.
- Pre-conditions: Payment is due in accordance with the underlying transaction and when the presented documents are timely and comply.
- Post-conditions: The issuer will either refuse the demand, pay the demand, or if requested and agreeable, extend the expiry date of the undertaking.

Termination:

- Definition: The process under which the obligation of the issuer under the undertaking ceases.
- Trigger: The specific circumstances under which an undertaking may be terminated are defined in the particular rules to which the undertaking is subject. Termination, for example, can occur on evidence of beneficiary consent to termination, on expiry, or on the amount of the undertaking being paid out (reduced to zero).
- Pre-conditions: Adherence to rules for termination as defined in the particular rules to which the undertaking is subject, including consent of the beneficiary.
- Post-conditions: Notification of the termination to applicant /obligor.
- Pre-conditions: Various. Availability of pertinent customer information related to the undertaking(s) in question.
- Post-conditions: The report recipient reviews and reconciles the contents, as appropriate.

4.2 Business Process Flows

Refer to section 5 (Description of Activities) for details related to the main business process flows and the various supporting activities that collectively constitute the demand guarantees and standby letters of credit business process.

4.3 Reference Documentation

Further elaboration of the Demand Guarantee and Standby Letters of Credit business process can found in the respective international rules, published by the International Chamber of Commerce:

- Uniform Rules for Demand Guarantees (URDG), ICC Publication No. 758
- International Standby Practices (ISP98), ICC Publication No. 590
- Uniform Customs and Practice for Documentary Credits (UCP), ICC Publication No. 600

A useful reference in this context is the United Nations Convention on Independent Guarantees and Standby Letters of Credit (1996). It is enclosed below:



UN Convention on Independent Guarant



UN Convention on

Independent Guarant

5. Description of Activities

This section presents the different activities within each Business Process. Activities of a process are described in swim lane diagrams and are referred in this document as activity diagrams.

The development of an activity diagram is part of the ISO 20022 modelling process and allows capturing the requirements.

The activity diagram provides a zoom-in on the activities taking place during each of the processes described in Section 4. It also shows the activities that are triggered when another activity has a negative result.

What is the activity diagram about?

- It is a diagram representing the ‘common lifecycle’ of a business process
- A start point ● shows where the lifecycle of the business process commences and the end points show ⊙ where the lifecycle may possibly end
- A lozenge ◇ means a that a choice between several actions can be made
- A bar — means a that several actions are initiated in parallel
- The flow of activities between the involved business roles (parties)
- Activities may result in different actions, that is, information is conveyed from one party to another party.

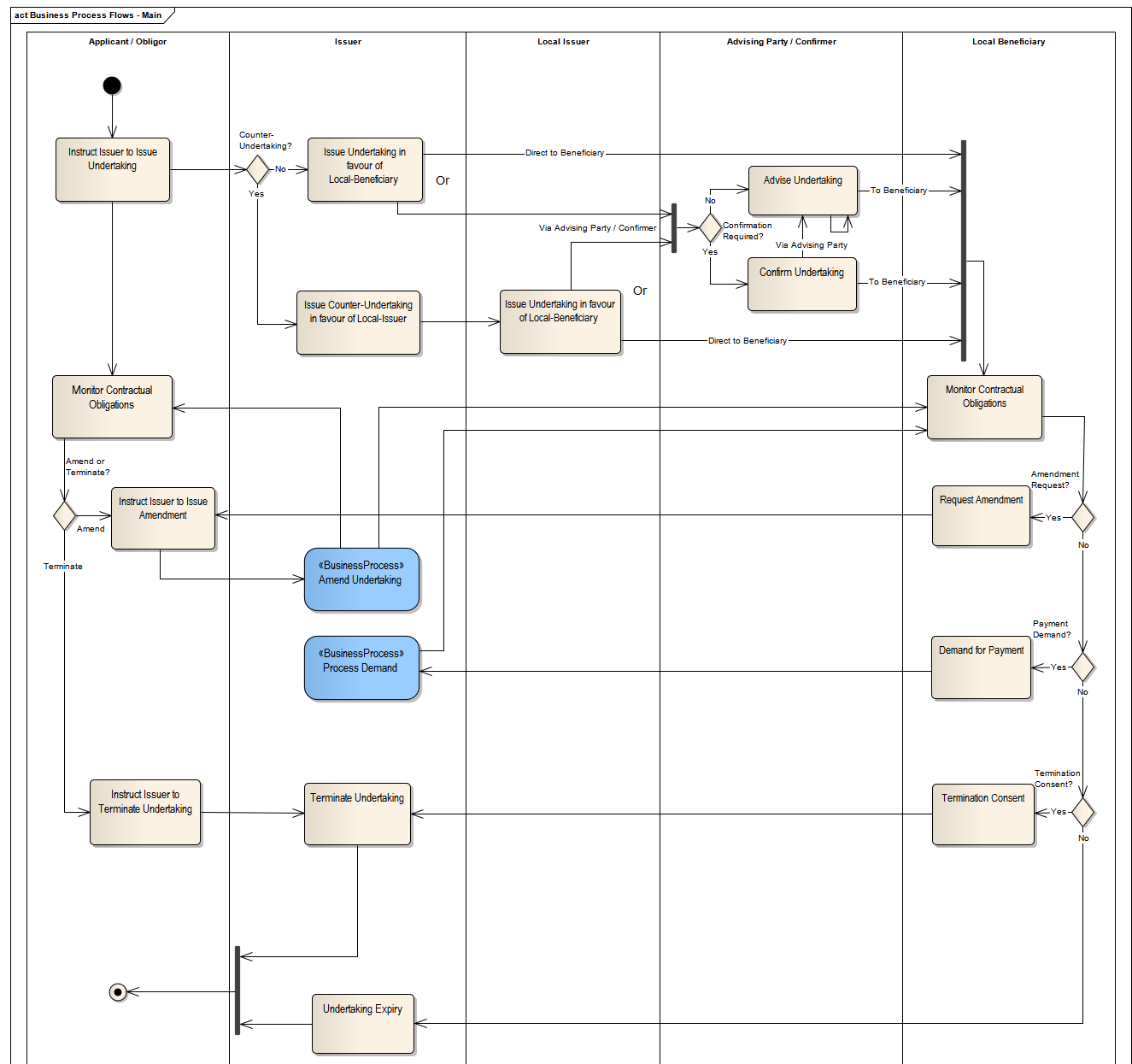
Both in scope and out of scope activities are included, with a different level of details. There are no information requirements for out of scope activities, except that they should be clearly identified in the diagram.

Activity diagrams are always accompanied with a text describing the activities and their interactions.

The following series of diagrams are representative of the overall Demand Guarantee and Standby Letters of Credit business process and can vary in accordance with the applicable rules to which the undertaking is subject. Such rules should be used as the definitive reference on the various activities that may be supported.

Activities concerning transfer of drawing rights, assignment of proceeds, payment, and reimbursement are not covered.

5.1 Business Process – Main

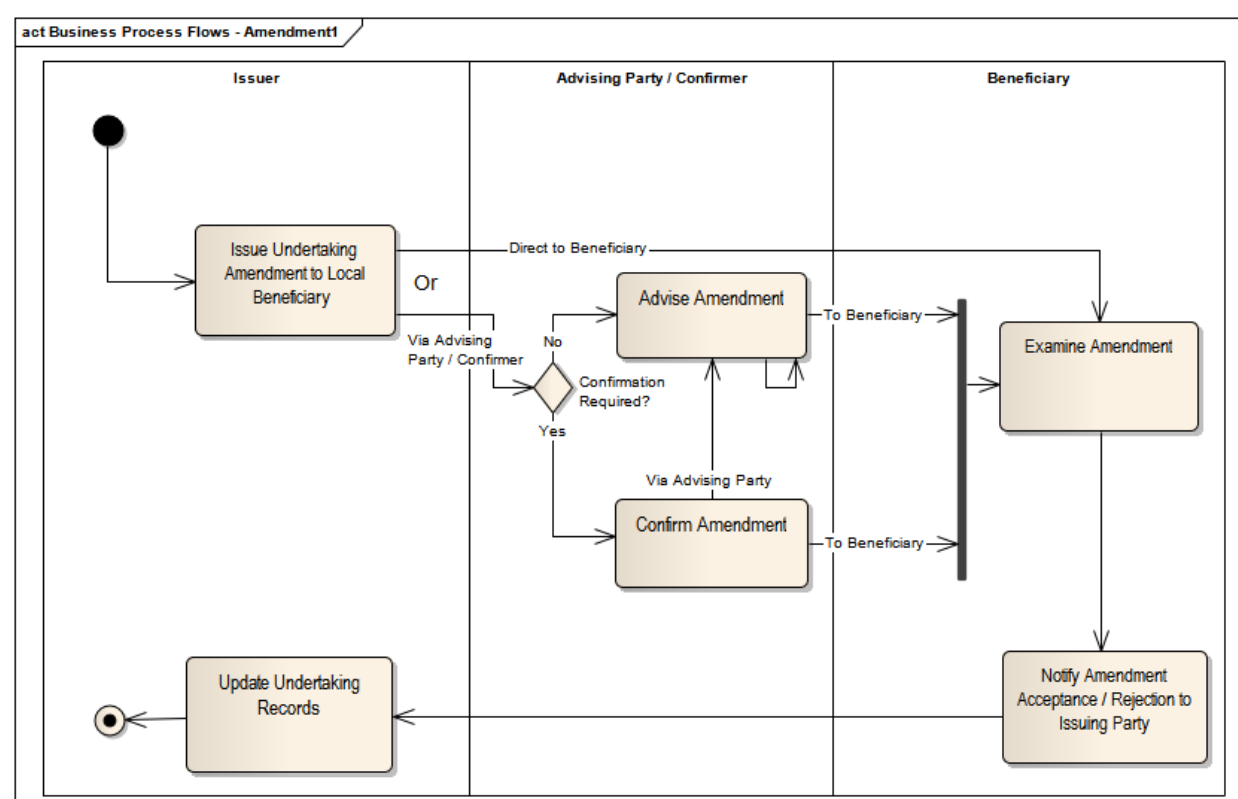


Descriptions of the activities	
	Initiator
Instruct Issuer to Issue Undertaking: To mitigate risk, the commercial contract between the parties may stipulate a requirement for the issuance of an undertaking (demand guarantee or standby letter of credit). The applicant / obligor completes an application for the issuance of an undertaking, detailing all relevant facts that should be included in the undertaking, such as beneficiary, amount, applicable rules and required documents, etc. This should reflect what has been agreed in the contract. The completed application represents the instructions for the issuer to issue an undertaking.	Applicant / Obligor
Issue Undertaking in favour of Local Beneficiary: Having checked and accepted the application, the issuer (normally a financial institution) will issue the undertaking based on the application received from the applicant / obligor (in the case of a counter-undertaking, from the issuer). When the undertaking leaves the control of the issuer, it is considered issued and irrevocable.	Issuer / Local Issuer

Descriptions of the activities	
	Initiator
<u>Issue Counter-Undertaking in favour of Local Issuer:</u> In cases where there is a requirement for the local beneficiary of the undertaking to receive an undertaking issued by an issuer in its own country, the issuer acting on behalf of applicant / obligor will first issue a counter-undertaking in favour of the local issuer. Note that there are two separate and distinct undertakings and that each provides payment upon the presentation of a complying demand.	Issuer
<u>Advise Undertaking:</u> An advising party, at the request of the issuer or another advising party, may advise the undertaking to the local beneficiary, either directly or via another advising party. When advising the undertaking, the advising party will check its apparent authenticity and will be responsible for ensuring that the advice sent to the local beneficiary accurately reflects the terms and conditions of the undertaking received.	Advising Party
<u>Confirm Undertaking:</u> Certain undertakings may require confirmation where a confirmer, nominated by the issuer, adds to the issuer's undertaking its own undertaking to honour a compliant demand. An advising party may also be involved in the transaction chain.	Confirmer
<u>Monitor Contractual Obligations:</u> On receipt of the undertaking, the local beneficiary examines it to make sure that it is in accordance with the contract or any other agreement, and that it will be possible to comply with all of its terms and conditions if a demand for payment is to be made. Over time, the local beneficiary would monitor these obligations and may request amendment from the applicant/obligor and/or termination or may demand payment from the issuer, as appropriate.	Local Beneficiary
<u>Monitor Contractual Obligations:</u> The applicant / obligor monitors the contractual obligations under which the undertaking was requested to be issued and may subsequently request an amendment (subject to beneficiary agreement) or termination (subject to beneficiary consent), as appropriate.	Applicant / Obligor
<u>Request Amendment:</u> During the life-cycle of the undertaking the local beneficiary may request the applicant / obligor to amend the undertaking. This may arise because of reduction, increase, extension, transfer, etc. Note that if such a change is the result of a stated term in the undertaking, e.g. automatic amendment of expiry date, increase or decrease in amount, an amendment is not required.	Local Beneficiary
<u>Instruct Issuer to Issue Amendment:</u> The applicant / obligor may instruct the issuer to issue an amendment to the undertaking. An undertaking may be subject to a series of amendments. An amendment once issued is normally routed to the local beneficiary through the same parties as the original undertaking.	Applicant / Obligor
<u>Demand for Payment:</u> Under the terms and conditions of the undertaking, a presentation that contains a demand for payment may be made by local beneficiary. This may arise because the amount is due under the undertaking, such as non-performance according to the commercial contract.	Local Beneficiary
<u>Termination Consent:</u> The beneficiary may request termination or indicate its consent to the termination of the undertaking, releasing the issuer from liability under the undertaking.	Local Beneficiary
<u>Instruct Issuer to Terminate Undertaking:</u> The applicant / obligor may request the issuer to terminate the undertaking in advance of its defined expiry. Termination	Applicant / Obligor

Descriptions of the activities	
	Initiator
requires the consent of the local beneficiary. The issuer also may withhold its consent to termination.	
Terminate Undertaking: Subject to the consent of the beneficiary, the issuer may terminate the undertaking and notify the applicant / obligor accordingly.	Issuer

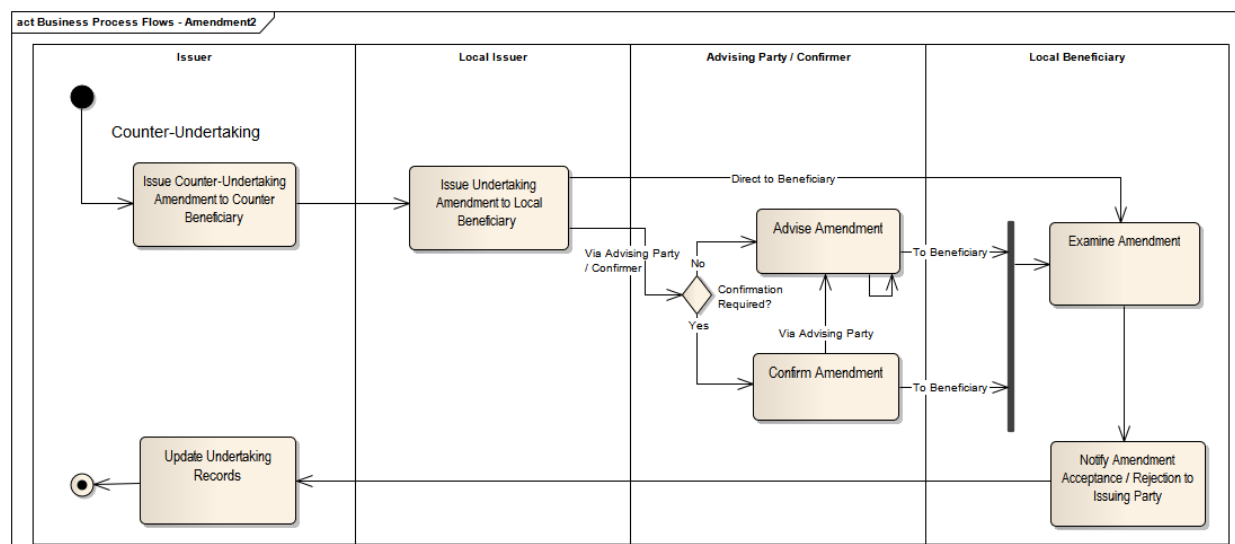
5.2 Business Process – Amendment (without Counter-Undertaking)



Descriptions of the activities	
	Initiator
Issue Amendment in favour of Beneficiary: Having checked and agreed to the requested amendment, the issuer will issue the proposed amendment based on the request received from the applicant / obligor.	Issuer
Advise Amendment: An advising party, at the request of the issuer or another advisor, may advise the proposed amendment to the beneficiary, either directly or via another advising party. When advising the amendment, the advising party will check its apparent authenticity and will be responsible for ensuring that the advice sent to the beneficiary accurately reflects the terms and conditions of the amendment as received.	Advising Party
Confirm Amendment: Certain amendments may require confirmation where a confirmer, nominated by the issuer, adds to the issuer's amended undertaking its own undertaking to honour a compliant demand under the amended undertaking. An	Confirmer

Descriptions of the activities	
	Initiator
advising party may also be involved in this transaction chain.	
Examine Amendment: On receipt of the amendment, the beneficiary examines it to make sure that it is acceptable and that the amended undertaking is in accordance with the contract or any other agreement, and that it will be possible to comply with all of its terms and conditions if a demand for payment is to be made.	Beneficiary
Notify Amendment Acceptance / Rejection to Issuer: The beneficiary may notify the issuer of its acceptance or rejection of the amendment. The beneficiary may not necessarily explicitly notify acceptance or rejection.	Beneficiary
Update Undertaking Records: Based on the accepted or rejected status of the amendment, the issuer will update its records for the undertaking. In the case of rejection, the issuer, in concert with applicant / obligor, may revise and issue a new amendment.	Issuer

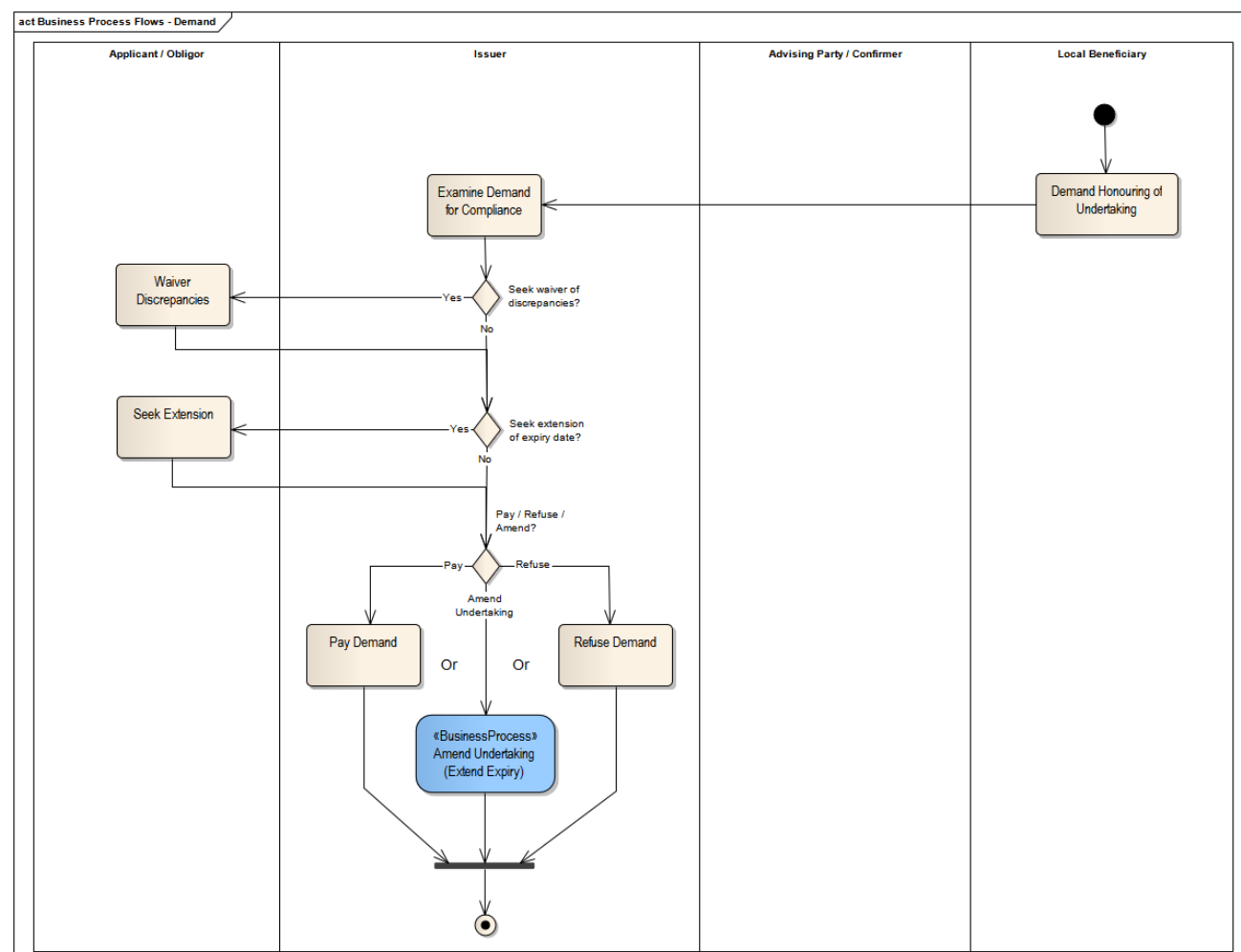
5.3 Business Process – Amendment (with Counter-Undertaking)



Descriptions of the activities	
	Initiator
Issue Counter-Undertaking Amendment in favour of Local Issuer: The issuer acting on behalf of applicant / obligor will first issue a proposed counter-undertaking amendment in favour of the local issuer.	Issuer
Issue Amendment in favour of Local Beneficiary: Having checked and agreed to the requested amendment, the local issuer will issue the proposed amendment based on the request received from the issuer of the counter undertaking.	Issuer / Local Issuer
Advise Amendment: An advising party, at the request of the issuer of the counter-undertaking or another advisor, may advise the proposed amendment to the local beneficiary, either directly or via another advising party. When advising the amendment, the advising party will check its apparent authenticity and will be responsible for ensuring that the advice sent to the local beneficiary accurately	Advising Party

Descriptions of the activities	
	Initiator
reflects the terms and conditions of the amendment as received.	
<u>Confirm Amendment:</u> Certain amendments may require confirmation where a confirmer, nominated by the issuer, adds to the issuer's amended undertaking its own undertaking to honour a compliant demand under the amended undertaking. An advising party may also be involved in this transaction chain.	Confirmer
<u>Examine Amendment:</u> On receipt of the amendment, the local beneficiary examines it to make sure that it is acceptable and that the amended undertaking is in accordance with the contract or any other agreement, and that it will be possible to comply with all of its terms and conditions if a demand for payment is to be made.	Local Beneficiary
<u>Notify Amendment Acceptance / Rejection to Issuer:</u> The local beneficiary may notify the local issuer of its acceptance or rejection of the amendment. The local beneficiary may not necessarily explicitly notify acceptance or rejection.	Local Beneficiary
<u>Update Undertaking Records:</u> Based on the accepted or rejected status of the amendment, the issuer will update its records for the undertaking. In the case of rejection, the issuer, in concert with applicant / obligor, may revise and issue a new amendment.	Issuer

5.4 Business Process – Demand Presentation



Descriptions of the activities	
	Initiator
<u>Demand Honouring of Undertaking:</u> Demand honour of the undertaking. A demand constitutes a presentation to the issuer by the presentation of required documents. A Demand may include as an alternative to payment a request to extend the expiry.	Presenter / Beneficiary / Local Beneficiary
<u>Examine Demand for Compliance:</u> On presentation of a demand to the issuer or other nominated party allowed in the undertaking, it will be examined in order to determine if it is in compliance with the requirements set out in the Undertaking. If it is a complying demand, this obligates the issuer to honour and pay.	Issuer
<u>Waiver Discrepancies:</u> With a non-complying demand, the issuer may approach the applicant / obligor for a waiver of the discrepancies, and as consequence provide the option of payment or extension.	Issuer
<u>Seek Extension:</u> The issuer may seek the consent of the applicant / obligor to extend the expiry date.	Issuer
<u>Pay Demand:</u> Where Payment is to be made, the issuer honours and seeks reimbursement from the appropriate party.	Issuer

Descriptions of the activities	
	Initiator
<u>Refuse Demand:</u> When the demand is non-complying and not waived, the examiner shall notify the presenter that demand has been refused.	Issuer / Confirmer

6. Message Flows and Message Structures

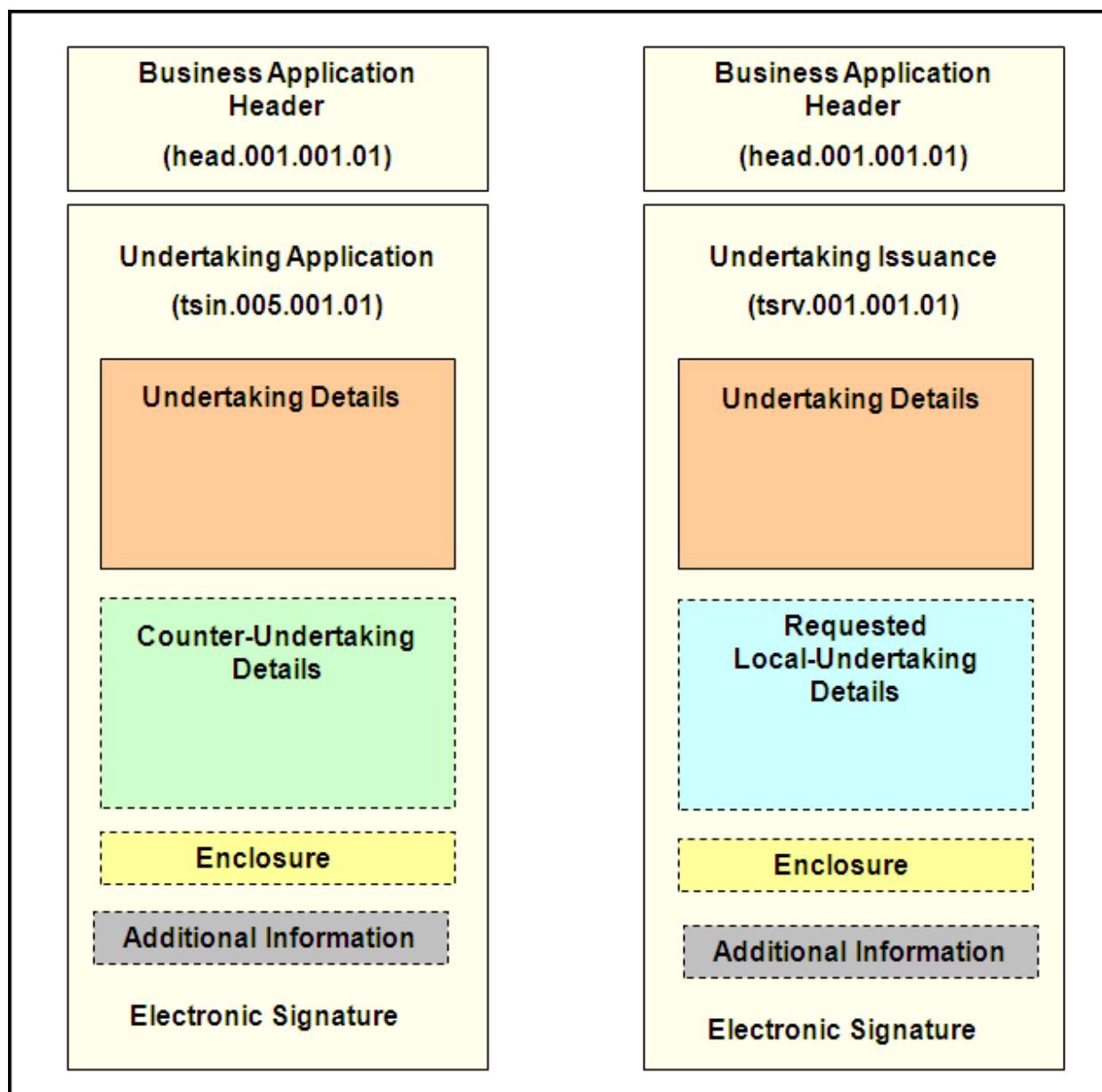
6.1 Message Flows

The following section provides a summary of the message flows.

Message Flow Summary - Guarantee / Standby - 1/2							
Message	Sub-Function	Applicant / Obligor	Issuer	Advising Party	Beneficiary		
Issuance / Advising / Confirmation							
tsin.005.001.01		UndertakingApplication					
tsrv.019.001.01	Reject	UndertakingStatusReport					
tsrv.001.001.01			UndertakingIssuance		UndertakingIssuance		
tsrv.003.001.01		UndertakingIssuanceNotification					
tsrv.002.001.01					UndertakingIssuanceAdvice		
tsrv.002.001.01	Confirmed				UndertakingIssuanceAdvice		
tsrv.019.001.01	Non-confirmation		UndertakingStatusReport				
Amendment							
tsrv.004.001.01	From Applicant	UndertakingAmendmentRequest					
tsrv.019.001.01	Reject	UndertakingStatusReport					
tsrv.005.001.01			UndertakingAmendment		UndertakingAmendment		
tsrv.007.001.01		UndertakingAmendmentNotification					
tsrv.006.001.01					UndertakingAmendmentAdvice		
tsrv.006.001.01	(not) confirmed				UndertakingAmendmentAdvice		
tsrv.019.001.01	Non-confirmation		UndertakingStatusReport				
tsrv.008.001.01					UndertakingAmendmentResponse		
tsrv.009.001.01			UndertakingAmendmentResponseNotification		Or		
tsrv.008.001.01					UndertakingAmendmentResponse		
tsrv.009.001.01		UndertakingAmendmentResponseNotification					
Termination (treated as amendment)							
tsrv.012.001.01		UndertakingTerminationNotification					
Non-Extension							
tsrv.010.001.01		UndertakingNonExtensionRequest					
tsrv.011.001.01			UndertakingNonExtensionNotification				
tsrv.011.001.01					UndertakingNonExtensionNotification		
Message Flow Summary - Guarantee / Standby - 2/2							
Demand							
tsrv.013.001.01					UndertakingDemand		
tsrv.013.001.01			UndertakingDemand				
tsrv.018.001.01	Receipt		TradeStatusReport		TradeStatusReport		
tsrv.018.001.01							
tsrv.014.001.01		ExtendOrPayRequest					
tsrv.015.001.01	Extend or Pay	ExtendOrPayResponse					
tsrv.016.001.01	Refusal		DemandRefusalNotification		DemandRefusalNotification		
tsrv.016.001.01	Refusal						
tsrv.017.001.01					DemandWithdrawalNotification		
tsrv.017.001.01							
tsrv.019.001.01		UndertakingStatusReport					
tsrv.019.001.01	Withdrawn		UndertakingStatusReport		UndertakingStatusReport		
tsrv.019.001.01	Withdrawn						
Status Reporting							
tsrv.018.001.01		TradeStatusReport					
tsrv.018.001.01			TradeStatusReport				
tsrv.018.001.01					TradeStatusReport		
Counter-undertaking							
tsin.005.001.01		UndertakingApplication					
tsrv.019.001.01	Reject	UndertakingStatusReport					
tsrv.001.001.01			UndertakingIssuance				
tsrv.003.001.01		UndertakingIssuanceNotification					
tsrv.019.001.01	Response		UndertakingStatusReport				
tsrv.001.001.01					UndertakingIssuance		

6.2 Message Structures

The following section provides further elaboration the structure of the key messages.



Business Application Header (BAH) Structure

head.001.001.01 (BusinessApplicationHeader) is comprised of the following elements:

- **Character Set** contains the character set of the text-based elements used in the message.
- **From** (Mandatory) identifies the message sender.
- **To** (Mandatory) identifies the message recipient.
- **Business Message Identifier** (Mandatory) unambiguously identifies the message.
- **Message Definition Identifier** (Mandatory) contains the published on the ISO 20022 website, e.g. tsrv.001.001.01
- **Business Service** specifies the business service under which the message is exchanged.

- **Creation Date** (Mandatory) specifies the date and time when the message was created.
- **Copy Duplicate** indicates whether the message is a copy.
- **Possible Duplicate** is a flag indicating if the message is possibly a duplicate.
- **Priority** provides a relative indication of the processing precedence of the message.
- **Signature** contains the digital signature of the business entity authorised to sign the message.
- **Related** specifies the BAH of the message to which the message relates.

Business Message Structures

While the *tsin.005.001.01*(UndertakingApplication) and *tsrv.001.001.01* (UndertakingIssuance) messages follow a similar structure, the use of the mandatory Undertaking Details component within the messages may differ. This depends on whether the *tsrv.001.001.01* message constitutes an undertaking in favour of the end-beneficiary or constitutes a counter-undertaking to induce the issuance by another party of an undertaking in favour of the end-beneficiary (or the issuance of another counter-undertaking).

The following description and schematics articulate this distinction.

- **Undertaking Details** is mandatory (indicated by solid box border).

In *tsin.005.001.01* it represents the contents of the requested undertaking to be issued to the end-beneficiary.

In *tsrv.001.001.01* it can take one of two forms:

- it represents the contents of the undertaking issued to the end-beneficiary
- it represents the contents of the counter-undertaking issued to another party to induce the issuance of an undertaking or counter-undertaking.

- **Counter-Undertaking Details** is optional (indicated by dash box border).

When a counter-undertaking is requested to be issued, this component may be used in *tsin.005.001.01* by the Applicant to provide details of the requested counter-undertaking.

- **Requested Local-Undertaking Details** is optional.

For a counter-undertaking, this component may be used in *tsrv.001.001.01* to provide details of the local-undertaking requested to be issued to the end-beneficiary.

- **Enclosure** is optional.

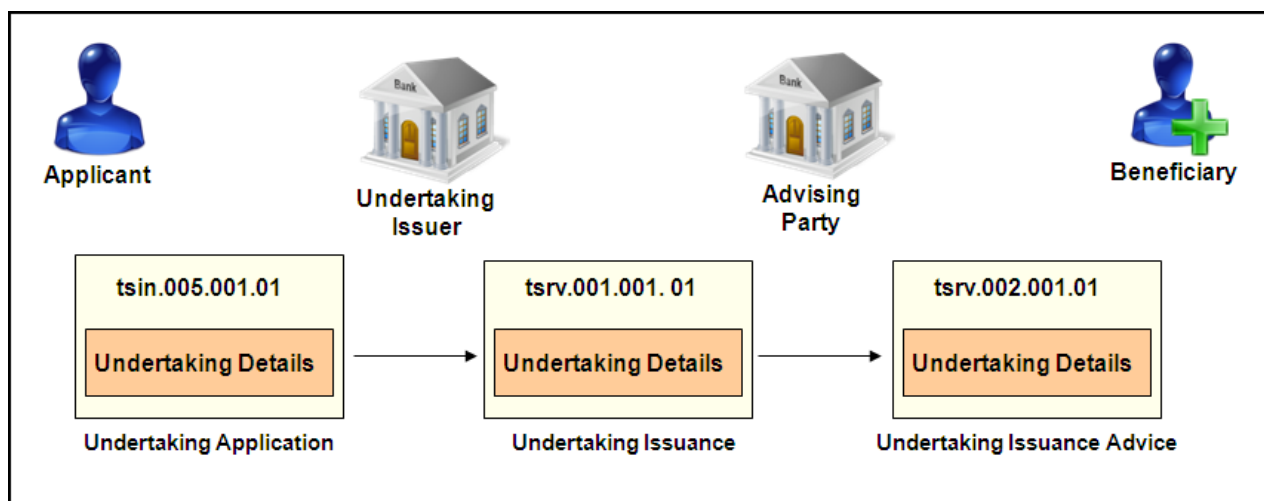
Imbedded file such as a PDF document or image.

- **Additional Information** is optional.

Information not otherwise captured in the message.

- **Electronic Signature** is optional.

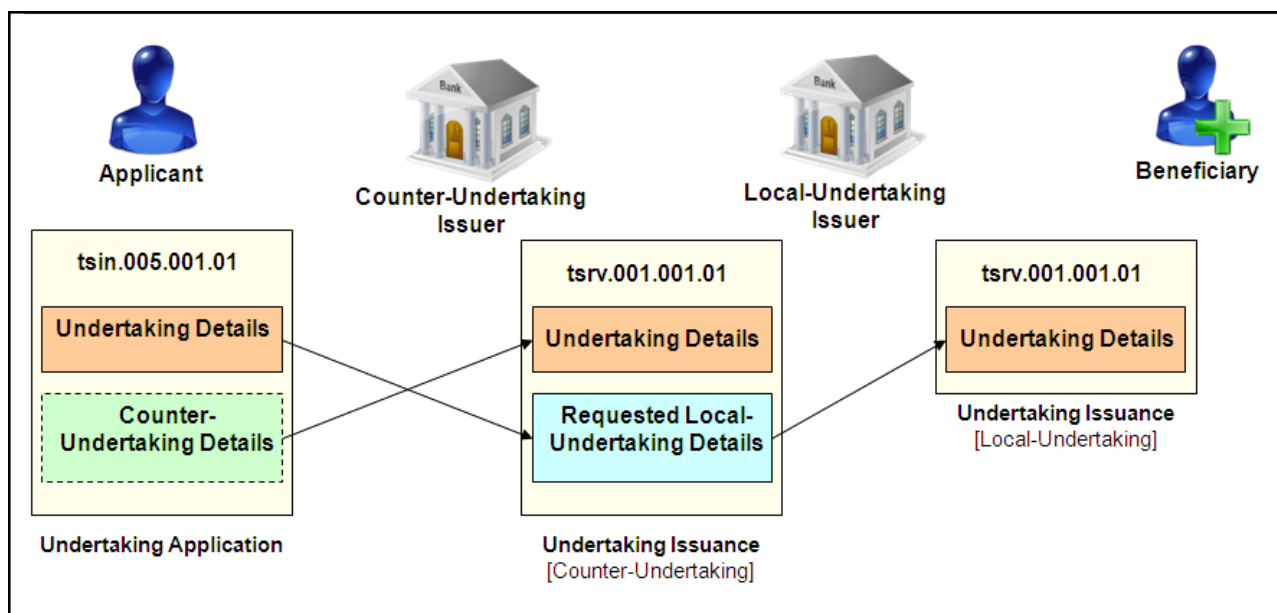
In the scenario where the undertaking is issued directly to the beneficiary, or as in the case illustrated below where the undertaking is issued and advised by another party, the Undertaking Details component is used consistently across the *tsin.005.001.01*, *tsrv.001.001.01*, and *tsrv.002.001.01* (UndertakingIssuanceAdvice) messages.



However, in the scenario involving a counter-undertaking, as in the case illustrated below, the information contained in the *tsin.005.001.01* is transformed into the *tsrv.001.001.01* (counter-undertaking):

- Undertaking Details in *tsin.005.001.01* is used to construct the Requested Local-Undertaking Details in *tsrv.001.001.01*
- Counter-Undertaking Details, if present, in *tsin.005.001.01* is used to constructing Undertaking Details in *tsrv.001.001.01*

On the receipt of the *tsrv.001.001.01* (counter-undertaking) by the Local-Undertaking Issuer, the Requested Local-Undertaking Details in the *tsrv.001.001.01* can be used to construct the Undertaking Details in the *tsrv.001.001.01* (local-undertaking) to be issued to the beneficiary (this may be via one or more advising parties).



tsrv.001.001.01 in all instances constitutes an operative financial undertaking.

7. Scenarios

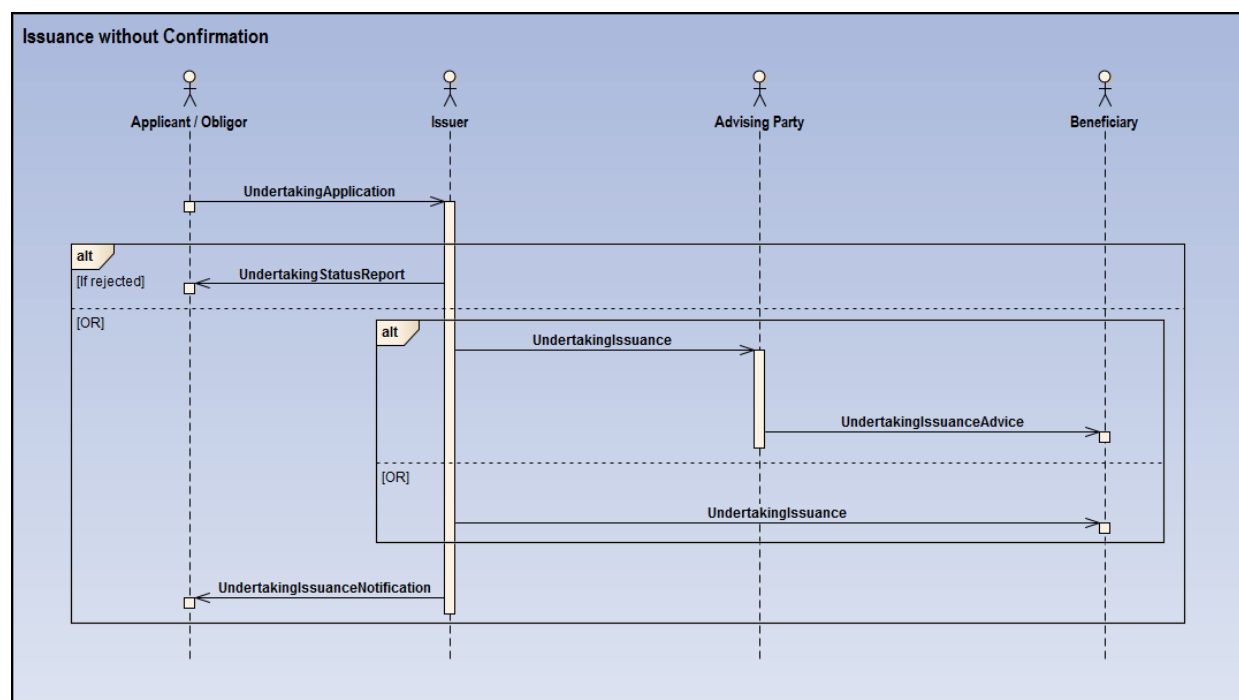
This section describes the message flows based on the activity diagrams documented above. It shows the typical exchanges, including exception exchanges, of information in the context of a transaction.

Optional flows are termed “opt” and alternate flows are termed “alt”.

The scenario diagrams that follow depict flows that may not involve a counter-undertaking, but could also be applicable to such flows.

7.1 Application and Issuance

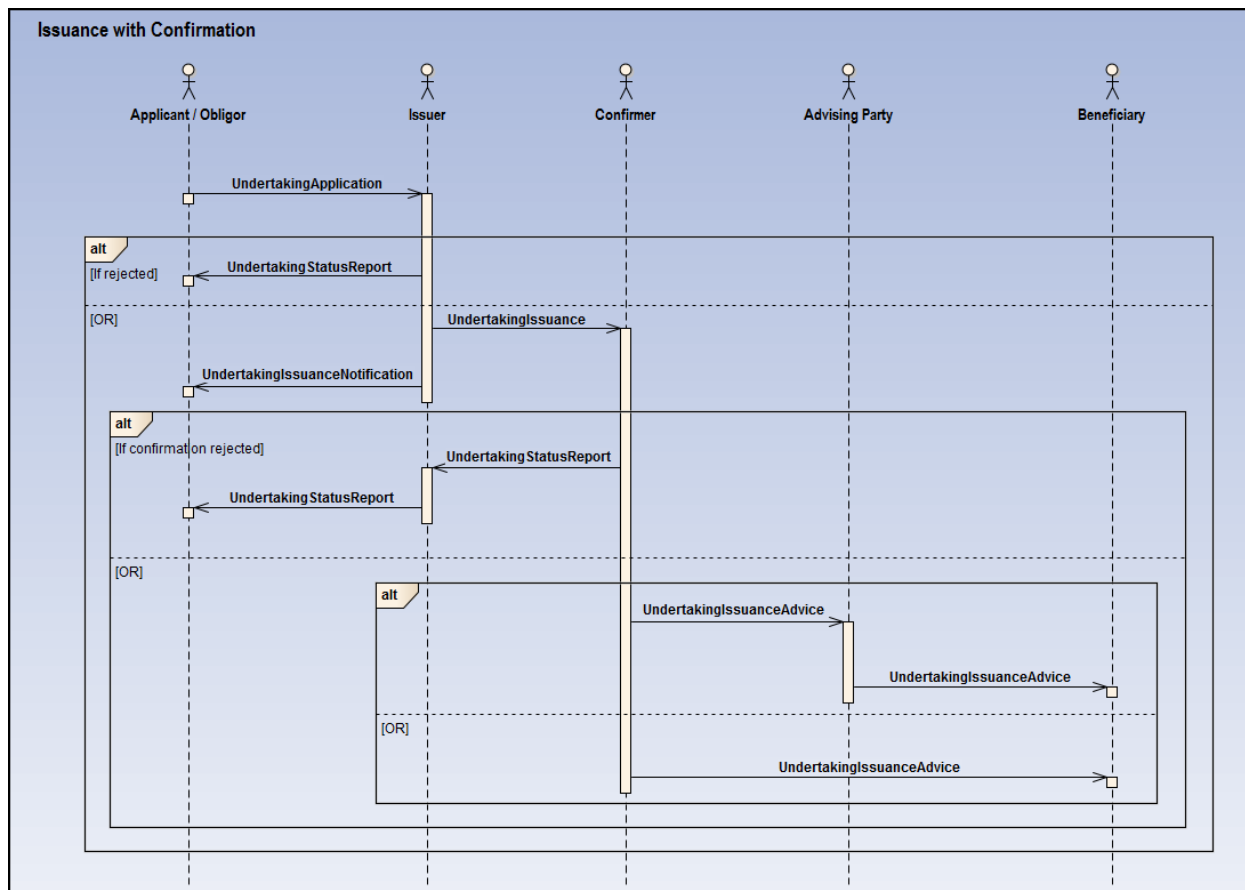
Issuance without Confirmation



- The applicant/ obligor (normally a corporation) sends an *UndertakingApplication* message to the issuer (normally a financial institution) to request the issuance of an undertaking (demand guarantee or standby letter of credit). The received message is syntactically validated on receipt and is subsequently content checked, including authentication if a digital signature is present. During this verification process one or more errors may be detected (e.g. invalid BIC, undertaking amount exceeds line of credit maximum, etc.) that cause the message to be rejected and not processed by the receiver's system. If rejected, an *UndertakingStatusReport* message is sent to the applicant as an advice of rejection and when necessary, the reasons for rejection. Depending on the reasons for rejection, the applicant may choose to correct and resubmit the *UndertakingApplication* message. There are additional factors taken into account in deciding whether to issue an undertaking, including credit factors, country and currency risk, and sanctions.
- On making a decision to issue of the *UndertakingApplication* message, the issuer uses the instructions and information contained in the message to issue the undertaking in favour of the beneficiary and to send it as the *UndertakingIssuance* message either directly to the beneficiary or to an advising party. Where one or more advising parties are involved, the first advising party transforms the *UndertakingIssuance* message into the *UndertakingIssuanceAdvice* message and forwards it to the next advising party in the chain or to the beneficiary. With multiple advising parties, each advising party forwards the *UndertakingIssuanceAdvice* message to the next advising party, the last advising party forwards it to the local beneficiary.

- When the issuer has sent the *UndertakingIssuance* message, the issuer notifies the applicant of the issuance in the form of an *UndertakingIssuanceNotification* message that reflects the contents of the undertaking as issued.
- For each *UndertakingApplication* message submitted to an issuer by an applicant, the applicant will receive in response either the *UndertakingStatusReport* message (rejection) or the *UndertakingIssuanceNotification* message.
- The business rejection of a message may occur any stage of the process. This rejection is reported back to the message sender using the *UndertakingStatusReport* message.

Issuance with Confirmation

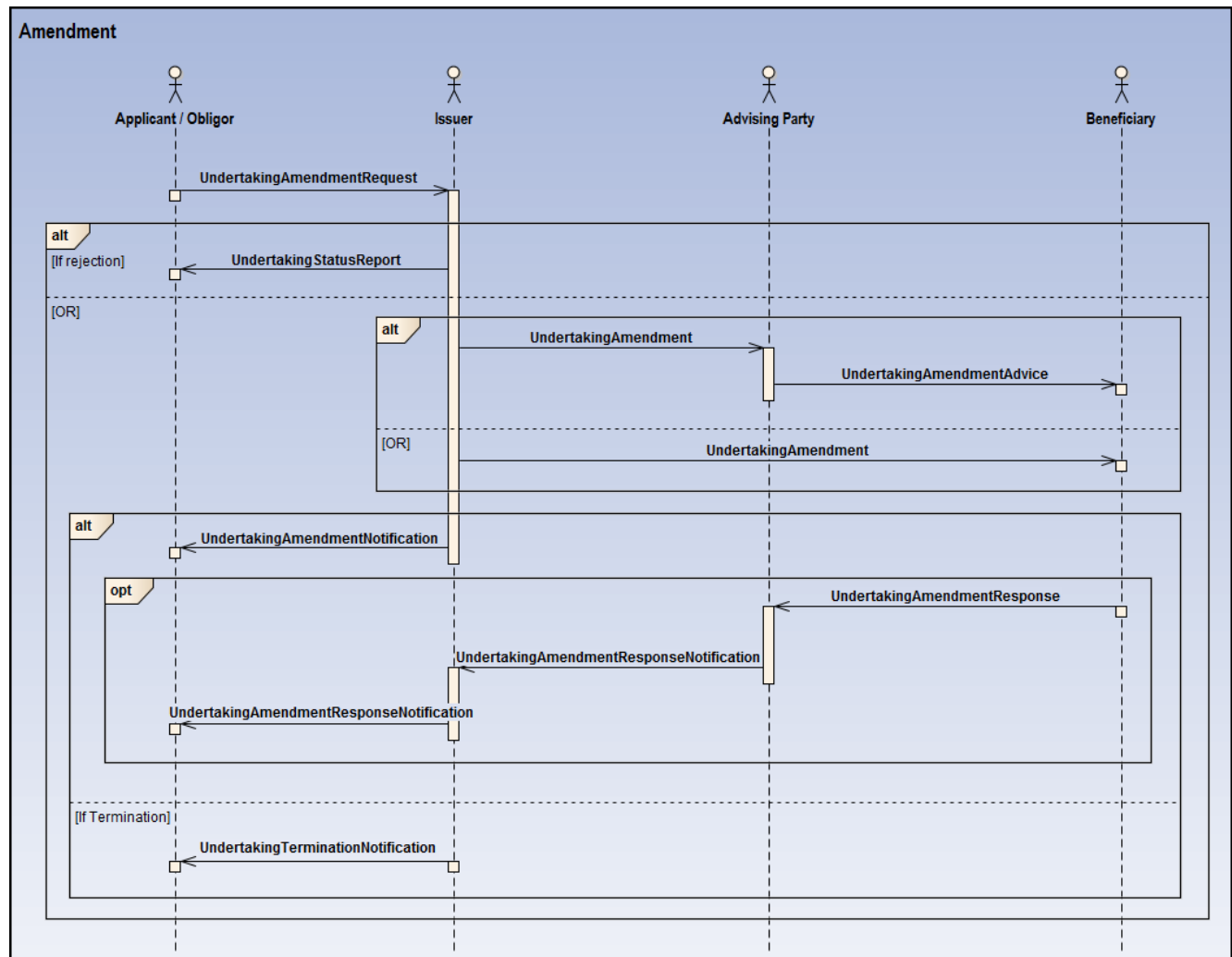


This scenario extends the core application and issuance functionality to cover confirmation for standby letters of credit.

- The applicant (normally a corporation) sends an *UndertakingApplication* message to the issuer (normally a financial institution) to request the issuance of a standby letter of credit indicating that it requests confirmation by another financial institution. The received message is syntactically validated on receipt and is subsequently content checked, including authentication if a digital signature is present. During this verification process one or more errors may be detected (e.g. invalid BIC, undertaking amount exceeds line of credit maximum, etc.) that cause the message to be rejected and not processed by the receiver's system. In this case an *UndertakingStatusReport* message is sent to the applicant as an advice of rejection and when appropriate, states the reasons for rejection. Depending on the reasons for rejection and the expiration date, the applicant may choose to correct and resubmit the *UndertakingApplication* message.

- After deciding to act on the *UndertakingApplication* message, the issuer uses the instructions and information contained in the message to issue the undertaking in favour of the local beneficiary, including details of the confirmation requirements. The issuer sends the *UndertakingIssuance* message to directly to the designated confirmer (normally a financial institution) or through the use of an advising party.
- If requested, the confirmer either adds its confirmation to the undertaking, or exceptionally declines to confirm and returns an *UndertakingStatusReport* message to the issuer as an advice of confirmation rejection. In these circumstances, the absence of confirmation may negate the validity of the underlying contract and the issuer may resend the undertaking to another potential confirmer.
- For confirmation, the confirmer extends the *UndertakingIssuance* message by adding its confirmation details, including confirmer's signature as appropriate, to create an *UndertakingIssuanceAdvice* message. It forwards the *UndertakingIssuanceAdvice* to an advising party or directly to the local beneficiary. With multiple advising parties, each advising party forwards the *UndertakingIssuanceAdvice* message to the next advising party in the chain, the last advising party forwards it to the local beneficiary.
- When the issuer has sent the *UndertakingIssuance* message, the issuer notifies the applicant in the form of an *UndertakingIssuanceNotification* message that reflects the contents of the undertaking as issued.
- For each *UndertakingApplication* message submitted to an issuer by an applicant, the applicant will receive in response either an *UndertakingStatusReport* message (rejection) or an *UndertakingIssuanceNotification* message.
- The business rejection of a message may occur any stage of the process. This rejection is reported back to the message sender using the *UndertakingStatusReport* message.

7.2 Amendment

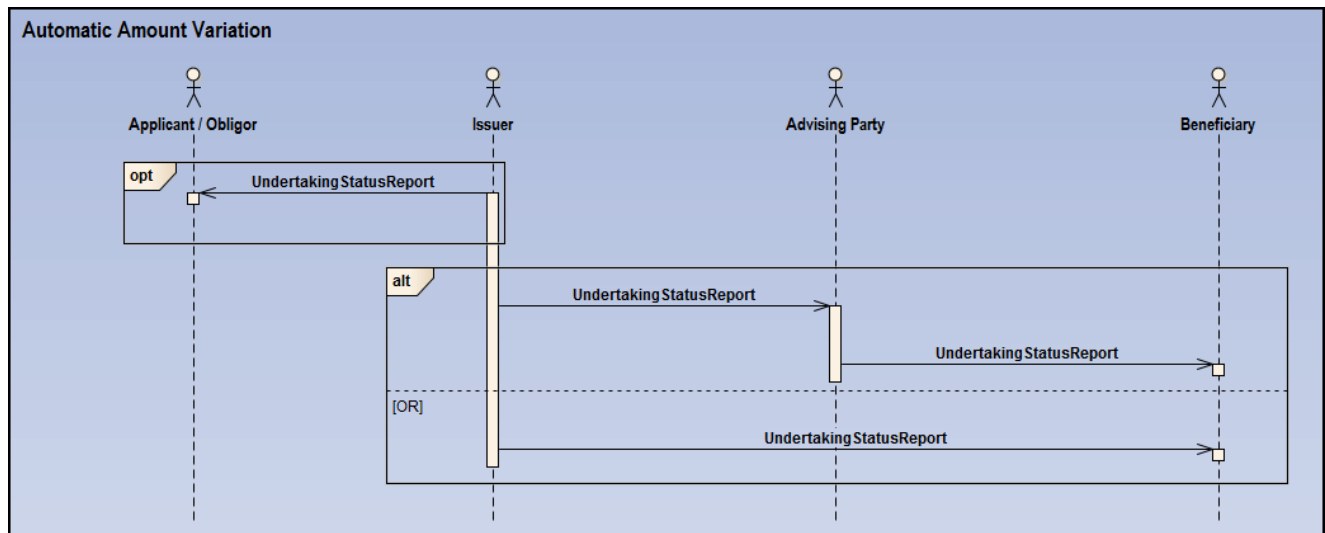


This scenario covers the process for the handling of amendments to the original undertaking that are initiated by the party at whose request the undertaking was issued (applicant or obligor). An amendment initiated by the beneficiary is outside the scope of the message flows. An amendment may include a change to the expiry date, amount, required documents, and terms and conditions of the undertaking and may also be used to terminate or cancel the undertaking.

- The applicant (normally a corporation) sends an *UndertakingAmendmentRequest* message to the issuer (normally a financial institution) to request the issuance of an amendment to the undertaking. The received message is syntactically validated on receipt and is subsequently content checked, including authentication if a digital signature is present. During this verification process one or more errors may be detected (e.g. invalid BIC, invalid termination date, etc.) that cause the message to be rejected and not processed by the receiver's system. In this case, an *UndertakingStatusReport* message is returned to the applicant as an advice of rejection and when appropriate, the reasons for rejection. Depending on the reasons for rejection, the applicant may choose to correct and resubmit the *UndertakingAmendmentRequest* message.
- After deciding to act on the *UndertakingAmendmentRequest* message, the issuer uses the instructions and information contained in the message to generate the proposed undertaking amendment and to send this message as the *UndertakingAmendment* message either directly to the local beneficiary or to an advising party. When one or more advising parties are involved, the first advising party transforms the *UndertakingAmendment* message into the *UndertakingAmendmentAdvice* message and forwards it to the next advising party in the chain or to the local beneficiary. With multiple advising parties, each advising party forwards the *UndertakingAmendmentAdvice* message to the next advising party, the last advising party forwards it to the local beneficiary.

- When the issuer has sent the *UndertakingAmendment* message, the issuer notifies the party who requested issuance of the amendment (applicant or obligor) of the transmission in the form of an *UndertakingAmendmentNotification* message that reflects the contents of the undertaking amendment as issued.
- For each *UndertakingAmendmentRequest* message submitted to an issuer by a party who requested issuance of the undertaking (applicant or obligor), a response will be sent; either the *UndertakingStatusReport* message (rejection) or the *UndertakingAmendmentNotification* message.
- On receipt of the *UndertakingAmendment* or *UndertakingAmendmentAdvice*, the local beneficiary may inform the undertaking issuer of acceptance or rejection of the proposed amendment, including the reasons for rejection. The *UndertakingAmendmentResponse* message is used for this purpose and is sent either to the advising party that advised the proposed amendment or to the undertaking issuer. In the case of the advising party being the recipient, the advising party transforms the *UndertakingAmendmentResponse* message into the *UndertakingAmendmentResponseNotification* message and forwards this message to the undertaking issuer or to another advising party in a chain of advising parties.
- The undertaking issuer on receipt of either the *UndertakingAmendmentResponse* or *UndertakingAmendmentResponseNotification* message would notify the applicant in the form of an *UndertakingAmendmentResponseNotification* message. This process informs the applicant of the acceptance or rejection by the local beneficiary of the proposed amendment and in the case of rejection, provides the party requesting issuance of the proposed amendment with notification information to potentially request the issuance of a revised proposed amendment.
- In the case of termination the *UndertakingTerminationNotification* message will be sent to the applicant giving notification of the termination or cancellation of the referenced undertaking. Termination can be the consequence of an amendment but also can occur on maturity of the undertaking.
- The business rejection of a message may occur any stage of the process. This rejection is reported back to the message sender using the *UndertakingStatusReport* message.

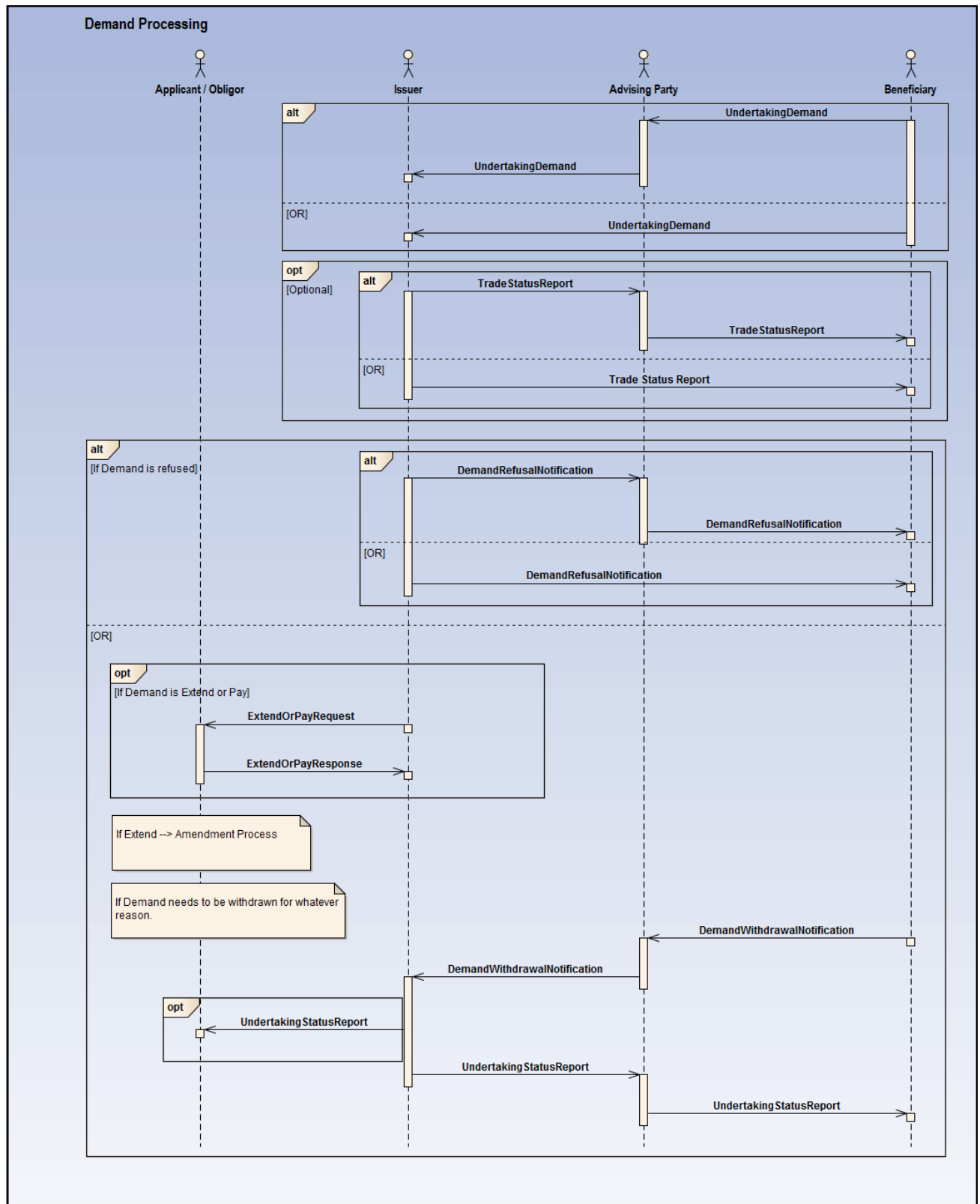
7.3 Automatic Amount Variation



This scenario covers the process for the handling of automatic amount variations specified in the undertaking to occur when a specified event happens, such as the presentation of a specific document, or when a specified date is reached. Automatic amount variations may be specified on a schedule and are either for a reduction or increase in the undertaking amount.

- The issuer may notify the applicant when an automatic amount variation occurs using the *UndertakingStatusReport* message.
- The issuer may also notify the local beneficiary when an automatic amount variation occurs, either directly or through an advising party, using the *UndertakingStatusReport* message.
- The effectiveness of an automatic variation does not depend on sending the message.
- The business rejection of a message may occur any stage of the process. This rejection is reported back to the message sender using the *UndertakingStatusReport* message.

7.4 Demand Processing



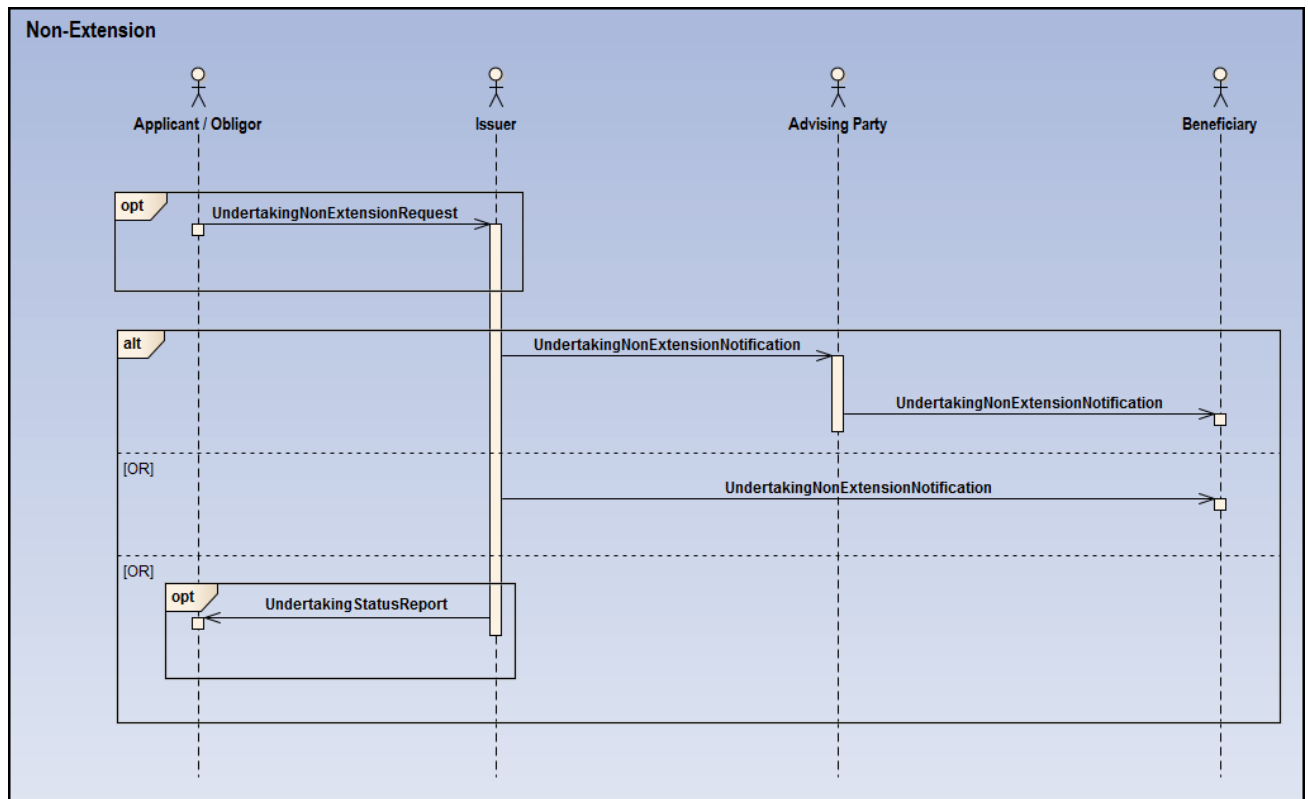
The scenario covers the handling of a presentation which contains a demand or claim for payment under the undertaking by the local beneficiary which may include a request to extend the undertaking expiry date.

- The local beneficiary (normally a corporation) sends an *UndertakingDemand* message to the undertaking issuer (normally a financial institution, and in the case of confirmation possibly the

institution that confirms the undertaking) demanding payment under the referenced undertaking. The demand itself must be contained in an enclosed file(s) within the *UndertakingDemand* message or must be specified as narrative text within the message. The received message is syntactically validated on receipt by the issuer and a *TradeStatusReport* message may be generated as a technical acknowledgement of receipt (i.e. it is not an indication of business acceptance or rejection).

- The institution issuing the undertaking (issuer or confirmer) examines the documents presented for compliance with the terms and conditions of the undertaking. For the purposes of compliance, the demand itself and other required documents are represented as an enclosed file(s) or as designated narrative text within the *UndertakingDemand* message. In the case where the demand includes, as an alternative, a request to extend the expiry date, the issuer or confirmer may seek the decision of the applicant on whether to extend or pay within the scope of the applicable rules. This process is accomplished by the issuer sending the *ExtendOrPayRequest* message to the party requesting the undertaking (applicant or obligor) and the applicant responding with the *ExtendOrPayResponse* message. A confirmer would forward the message to the issuer for instructions.
- When the demand is refused by the undertaking issuer for being non-compliant, the issuer or confirmer sends a *DemandRefusalNotification* message to the party that presented the demand, a presenter or the local beneficiary itself. The presenter would in turn advise the local beneficiary using the *DemandRefusalNotification* message.
- Before sending a notice of refusal, the issuer may first seek applicant waiver of the discrepancies. Currently there are no messages that support such a request nor for the applicant to indicate its waiver consent or refusal.
- In circumstances where the *UndertakingDemand* message does not request that the expiry date be extended, the parties (local beneficiary, applicant, issuer) may subsequently come to an agreement to extend in lieu of payment. In this case the local beneficiary could send a *DemandWithdrawalNotification* message to the undertaking issuer, either directly or via a presenter, to inform the issuer that it has elected to withdraw its demand under the referenced undertaking or could initiate a request for an amendment or issuance of a new undertaking.
- In the event that an extension of the expiry date is requested and agreed to, it operates as an amendment to the undertaking. Refer to the preceding amendments process.
- The business rejection of a message may occur any stage of the process. This rejection is reported back to the message sender using the *UndertakingStatusReport* message.

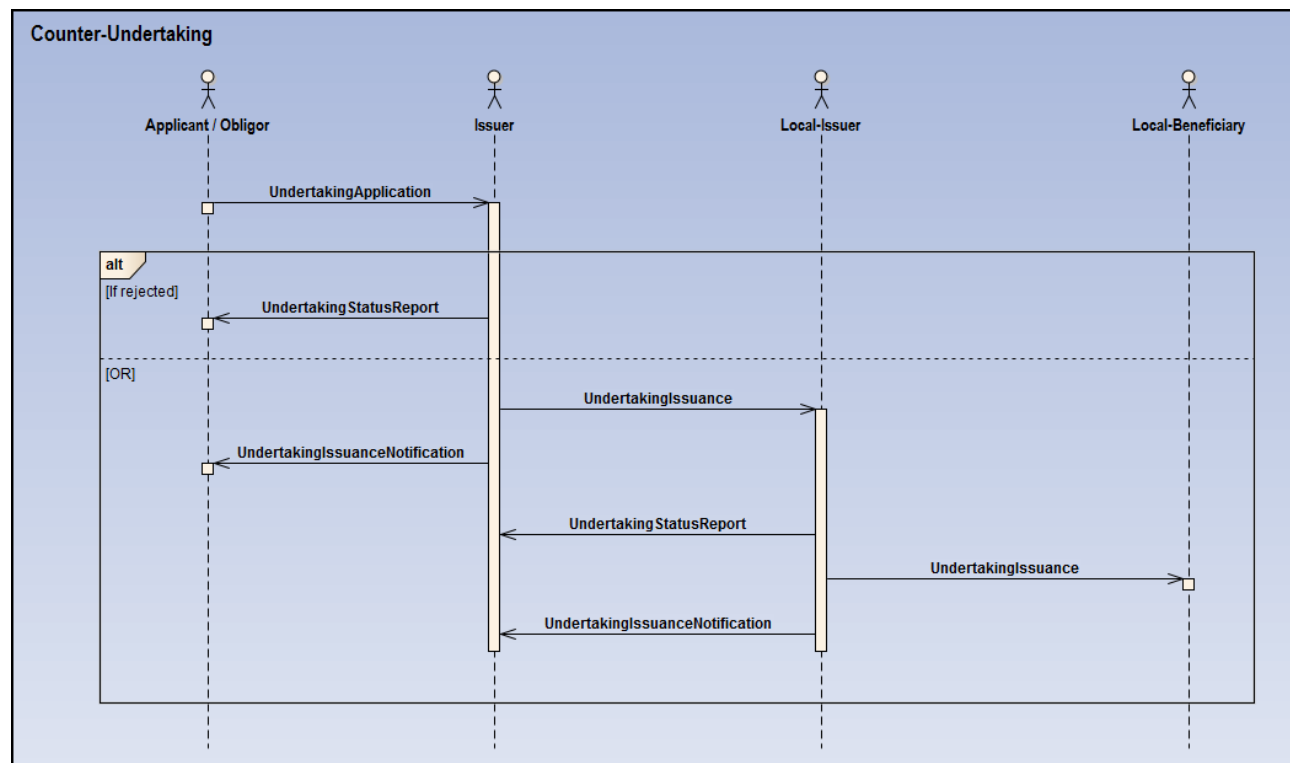
7.5 Non-Extension



The scenario covers the process for requesting that the party issuing the undertaking send a notice of non-extension of any further automatic extensions to the expiry date.

- An applicant may request the undertaking issuer to refuse to extend the undertaking in the future using the *UndertakingNonExtensionRequest* message.
- If the issuer decides not to extend the expiration further, it must notify the non-extension to the local beneficiary directly or through an advising party, using the *UndertakingNonExtensionNotification* message.
- If, notwithstanding the request not to extend its undertaking, the issuer elects to do so, it need do nothing in relation to the local beneficiary but should send a notification of its decision to the applicant.

7.6 Counter-Undertaking



This scenario covers application and issuance when a counter-undertaking is involved.

- The applicant (normally a corporation) sends an *UndertakingApplication* message to the counter-issuer (normally a financial institution) to request the issuance of a counter-undertaking (counter-guarantee or counter-standby) in order for a local-bank (typically located in another country) to issue a local undertaking. The received message is syntactically validated on receipt by the counter-issuer and is subsequently content checked, including authentication if a digital signature is present. During this verification process one or more errors may be detected (e.g. invalid BIC, undertaking amount exceeds line of credit maximum, etc.) that cause the message to be rejected and not processed by the receiver's system. In this case, an *UndertakingStatusReport* message is returned to the applicant as an advice of rejection and as necessary, including the reasons for rejection. Depending on the reasons for rejection, the applicant may choose to correct and resubmit the *UndertakingApplication* message. The counter-issuer can decline to issue such an undertaking for credit or other substantive reasons in addition to technical ones.
- If the counter issuer decides to act based on the instructions and information contained in an accepted *UndertakingApplication* message, the counter-issuer generates the counter-undertaking in favour of the local issuer and sends this as the *UndertakingIssuance* message to the local issuer.
- When the counter-issuer has sent the *UndertakingIssuance* message, the counter-issuer notifies the applicant in the form of an *UndertakingIssuanceNotification* message that reflects the contents of the undertaking as issued.
- For each *UndertakingApplication* message submitted to a counter-issuer by an applicant, the applicant will receive in response either the *UndertakingStatusReport* message (rejection) or the *UndertakingIssuanceNotification* message.
- Based on the instructions and information contained in the counter-undertaking *UndertakingIssuance* message as sent between the counter-issuer and the local issuer, the local issuer may send the local undertaking as an *UndertakingIssuance* message to the local beneficiary. The local undertaking may

be in the form of an accessory or suretyship undertaking and not constitute an independent undertaking.

- The local issuer will send an *UndertakingIssuanceNotification* message to the counter-issuer to confirm this issuance of the local guarantee.
- The business rejection of a message may occur any stage of the process. This rejection is reported back to the message sender using the *UndertakingStatusReport* message.

8. Revision Record

Revision	Date	Author	Description	Sections affected
1.0	08/03/2013	ISO 20022 RA	Initial version	All

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