**Business Justification**

**for the development of new ISO 20022 financial repository items**

1. **Name of the request:**

Fund Adjustment Notification Message

1. **Submitting organisation(s):**

Cross-Border Interbank Payment System (CIPS Co., Ltd.)

The Bund Square, 100 South Zhongshan Road,

Shanghai 200010,

China

1. **Scope of the new development:**

This submission is concerned with a message related to the fund adjustment and to inform participants of any fund change.

The following table outlines the financial instruments, business area and business process of this request.

|  |  |
| --- | --- |
| Financial Instruments | Cash |
| Business Area | Cash Management (camt) |
| Business Process | Fund Adjustment |

In order to send the fund adjustment message to participants, we will submit the Fund Adjustment Notification Message.

FundAdjustmentNotification message is sent from a market infrastructure to a participant about any fund change. After a participant has completed any fund adjustment such as prefunding, closing out, fund reduction and frozen fund reduction, a market infrastructure sends this message to inform the participant of the fund change.

The following diagram depicts the Fund Adjustment Notification Message flows:



CIPS proposes that the Payment SEG should be assigned the evaluation of the candidate ISO 20022 messages.

CIPS has considered not to use the ISO 20022 Business Application Header (BAH) and intends not to adopt the BAH with all of the proposed messages.

CIPS intends to deploy the future messages in the ISO 20022 XML syntax.

1. **Purpose of the new development:**

The purpose of developing new messages is to fulfil the lack of corresponding ISO 20022 messages for fund adjustment notification. Currently, the need to get the notification of participant status cannot be satisfied because there is no corresponding ISO 20022 message to inform participants of any fund change which also prohibits the implementation of ISO 20022 in the payment and settlement field. Thus, CIPS decides to pursue standardized and transparent messages to better manage fund adjustment in the system.

Generic benefits to the industry are highlighted as follows:

* Standardise business process of fund adjustment notification
* Satisfy the needs for specific business scenarios
* Develop ISO 20022 messages which can be implemented by market participants more easily and at a lower cost
* Ensure efficiency, accuracy and consistency of participant account management
1. **Community of users and benefits:**

This message is designed to address the needs of CIPS to inform participants of fund adjustment but are designed to be capable of adoption in similar contexts by other organisations as well.

Benefits and savings:

* Participants: use of a common nomenclature and terminology among participants by adopting a single standard will enhance the efficiency and transparency of fund adjustment in the field of payment and settlement.
* Market Infrastructure: mediates communication between participants by providing fund adjustment message notice. Standardized format and business information will improve the efficiency and security of participants account management.

Adoption scenario:

Proprietary Fund Adjustment Notification Message is designed and successfully put into operation in CIPS system since 2015. It is currently being used by all CIPS participants. After this ISO 20022 submission has been approved, participants will continue to use this message and the commonality of this message will be improved.

Volumes:

As of December 2020, CIPS has more than a thousand participants using CIPS system for payment and settlement. More than 10,000 trades had been executed and use CIPS system for message transmissions on a daily basis. It is expected to be continued growth as the expanding scale of cross-border business and the growing demand for cross-border transactions.

Sponsors and adopters:

The adoption is advocated and designated as mandatory by CIPS and it is already deployed to all participants.

1. **Timing and development:**

CIPS plans to complete the message develop and registration process in Q1 2022.

The Business Justification will be submitted to the RA in April 2021 and seek approval by the RMG.

Candidate ISO 20022 message models and Message Definition Report will be developed and submitted to the RA in Q3 2021.

A pilot will be organized with CIPS participants to test the candidate message in November 2021. The purpose is to ensure that the documentation of the messages is accurate and consistent and to verify that the approved messages can be implemented with no adverse effects on communication infrastructures and applications.

Candidate ISO 20022 message models and Message Definition Report will be submitted for SEG(s) review and approval in December 2021.

We know that there is no other standard initiative involved in an effort to submit a Business Justification relating to fund adjustment notification.

After the whole process is completed, this message can better serve participants and can be used in a more unified way.

1. **Commitments of the submitting organisation:**

CIPS confirms that it can and will:

* undertake the development of the candidate ISO 20022 business and message models that it will submit to the RA for compliance review and evaluation. The submission must be compliant with the [ISO 20022 Master Rules](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) and include a draft Part 1 of the Message Definition Report (MDR) compliant with the [template for MDR part 1](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) provided by the RA, the [ISO 20022 Message Transport Mode](http://www.iso20022.org/documents/general/MessageTransportModes.xls) (MTM) that CIPS recommends to consider with the submitted message set, and, examples of valid instances of each candidate message;
* address any queries related to the description of the models and messages as published by the RA on the ISO 20022 website.

CIPS confirms that it will promptly inform the RA about any changes or more accurate information about the number of candidate messages and the timing of its submission to the RA. If CIPS does not submit the candidate messages within the timing announced in section F and does not inform the RA beforehand, the business justification may lapse and require re-submission of a new business justification for approval by the RMG.

CIPS confirms that it intends to organize any testing of the candidate messages once they have been reviewed and qualified by the RA and before its submission to the SEG(s) for approval. The testing is expected to complete in November 2021 and the candidate message will be re-submitted to the RA for SEG(s) approval. CIPS confirms that it will promptly inform the RA about any changes or more accurate information about the timing of this re-submission to the RA. If CIPS does not re-submit the candidate messages as announced and does not inform the RA beforehand, the business justification may lapse and require re-submission of a new business justification for approval by the RMG.

CIPS confirms that it is committed to undertake the future message maintenance.

CIPS confirms its knowledge and acceptance of the ISO 20022 Intellectual Property Rights policy for contributing organisations, as follows.

*“Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free licence to use the published information”.*

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1. **Comments from the RMG members and relevant SEG(s) or SubSEG(s) and disposition of comments by the submitting organisation:**

This section will include the comments received from RMG members and the SEG(s) or SubSEG(s), if any, and the response given to each of these comments by the submitting organisation.