



**SWIFT's response to the European Supervisory Authorities' consultation on “Draft Joint Guidelines under Article 25 of Regulation (EU) 2015/847 on the measures payment service providers should take to detect missing or incomplete information on the payer or the payee, and the procedures they should put in place to manage a transfer of funds lacking the required information”**

[Subject]

**SWIFT**

**05 June 2017**

**Confidentiality: Public**

SWIFT thanks the European Supervisory Authorities for the opportunity to provide comments on the Draft Joint Guidelines under Article 25 of Regulation (EU) 2015/847 on the measures payment service providers (PSPs) should take to detect missing or incomplete information on the payer or the payee, and the procedures they should put in place to manage a transfer of funds lacking the required information.

SWIFT is a member-owned, cooperative society headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholding Users, comprising more than 3,000 financial institutions. We connect more than 11,000 connected firms, in more than 200 countries and territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

If you wish to discuss any aspect of our response please do not hesitate to let us know.



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**Q1: Do you agree with the general considerations in Chapter 1? In particular, do you agree that these are necessary to ensure an effective, risk-based and proportionate approach to complying with Regulation (EU) 2015/847?**

The ESAs have clearly documented that to benefit from the exemptions for transfers of funds that do not exceed EUR 1 000, PSPs must put in place systems and controls to detect transactions that appear to be linked. In the guidelines, linked transactions are defined, at least, as those transactions that are sent from the same payment account or the same payer to the same payee and within a short time-frame, for example within six months.

SWIFT believes that a time-frame of six months will have a consequential impact on the performance of payment systems. On a daily basis, financial institutions typically process millions of messages. Storing, indexing, searching and tracing every such qualifying payment message back against a six-month backlog will significantly impact transaction processing times and associated costs.

**Q2: Do you agree that the expectations on intermediary PSPs and PSPs of the payee in Chapter II are proportionate and necessary to both comply with Regulation (EU) 2015/847 and ensure a level playing field?**

In the Guidelines the ESAs have documented the obligations on the intermediary PSPs and PSPs of the payee. We understand that when a PSP chooses to suspend the transfer of funds, it should ask the sending PSP to supply the information on the payer or the payee that is missing, or to provide that information using admissible characters or input. Also when asking for missing information the PSP should set a reasonable timeframe within which the sending PSP should respond.

SWIFT believes it would be beneficial to the payment industry if requesting the missing information would happen in a standardised and automated fashion. This would allow the sending PSPs to automate any incoming requests and required action, for example contacting the payer and asking for the relevant information. Equally such standards and automated processes would help the PSPs to automatically administer outstanding requests and reconcile responses.

We also believe that the applications checking and monitoring the quality of outgoing and incoming transactions should be able to store the transactions that fail to comply, along with the related rationale, allowing for easy retrieval. Additionally, such applications should be able to generate user-friendly reports and statistical information across transactions and PSPs.

**Q3: Do you agree with the provisions for intermediary PSPs in Chapter III?**

The ESAs oblige PSPs to only use payment or messaging systems that permit the onward transfer of all information on the payer or the payee, irrespective of whether this information is required by the regulation (EU) 2015/847 (article 10). It should be noted some domestic payment systems restrict the data which can be entered into their system, for example some only allow for the inclusion of the account number and account name of the payee, and no additional information about the payee. In such situations the PSPs must have alternative mechanisms to pass on relevant information to the final PSP. A potential solution would be to use a tracker system which allows all payment information for each transaction to be stored at the payment initiation stage allowing any intermediary PSP or the PSP of the payee to retrieve this information if and when needed.