



flow briefing



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Topic

Cross-Border Payments,
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The future of exceptions & investigations

Over the past few years, the banking industry has invested in various initiatives in an effort to enhance cross-border payment processing. This includes the introduction of rich and structured ISO 20022 messages and the Transaction Manager, which aim to remove friction, increase straight-through processing, and improve the speed of end-to-end payment delivery.

Yet as some areas have taken significant steps forward, others have been left behind – and continue to frustrate customers and cost banks an enormous amount of time and effort. We are, of course, talking about the handling of exceptions & investigations (E&I). This process occurs when a payment cannot be completed and requires additional information or a correction. The most common scenarios include:

- **Request for cancellation.** A message is sent to request cancellation of the original payment
- **Unable to apply.** A message is sent when a payment received cannot be applied due to missing or incorrect information
- **Request for information.** A message is sent to request additional information on the original payment
- **Creditor claims non-receipt.** A message is sent to initiate investigation for missing funds

Why is this process so time consuming? To answer this, we must first take stock of how investigations are managed today. With a lack of industry-agreed processes, most investigations are currently handled

through free-format MT messages that are exchanged point-to-point – i.e. the request is passed from one bank to another down the payment chain (see Figure 1).

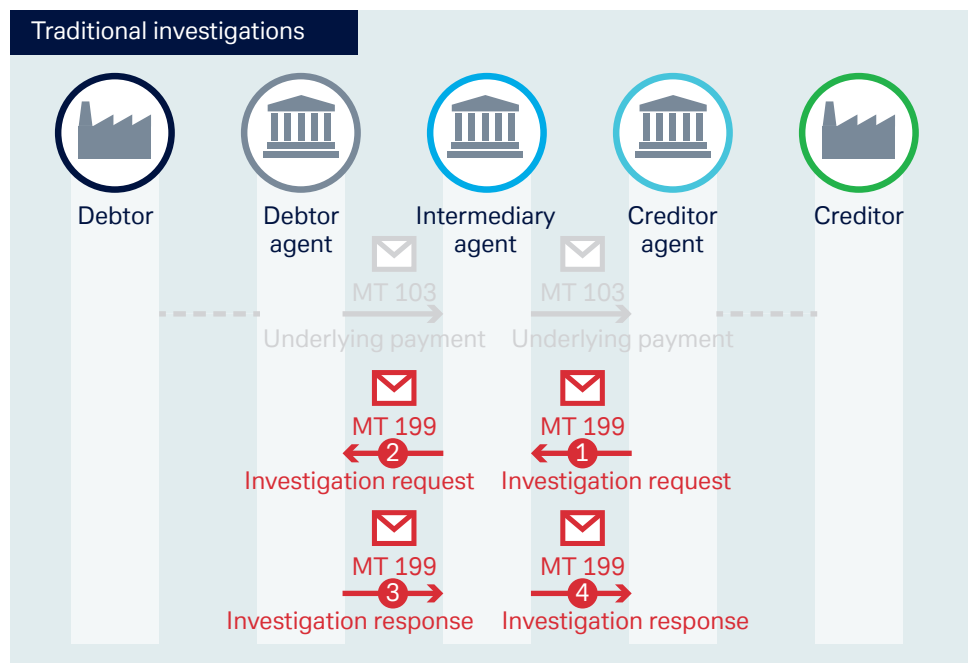


Figure 1: Traditional investigations (Source: Deutsche Bank)

The reason this becomes time consuming and costly is because:

- Point-to-point processing implies the involvement of every single bank in the chain, even if the bank is only acting as a messenger, which, in turn, causes delays
- The nature of free-format MT messages allows very limited automation if any, which translates into greater costs

These challenges have not simply been ignored. There have been several efforts by the industry to establish standards and introduce innovation and standardisation into several investigation scenarios. This includes gpi Stop & Recall Payment (SRP) or gpi Case Resolution, which introduced a rulebook and a central handling process. However, while well intentioned, these solutions addressed a limited number of use cases and did not achieve the necessary reach to have an impact – in part a result of budget constraints stemming from conflicting industry projects.

With the ongoing global migration of cross-border payments to ISO 20022 now forcing the industry to invest, the global community did not want to squander a unique opportunity to address existing E&I pain points. As a result, the industry has not only decided to revisit and revise the customised legacy process by leveraging the potential of ISO 20022, it also looks to benefit from the possibilities introduced through gpi and the Transaction Manager.

The following steps will help to achieve this:

- 1) **Structured E&I messages.** The introduction of structured ISO 20022 messages as a replacement for free-format MT messages. For this purpose, two ISO 20022 messages have been developed – investigation request message (camt.110) and investigation response message (camt.111) – that include an investigation type element to specify the nature of the investigation (e.g. UTAP=Unable to Apply) and limit the associated set of data elements that need to be provided with the message. This creates an opportunity to streamline and standardize the investigations handling across the entire ecosystem.

- 2) **Central orchestration of E&I cases.** Leverage Transaction Manager functionalities and gpi intelligence to optimise the efficiency. This is achieved by delegating tasks to the central engine for data provision and smart routing, which removes the need to involve intermediaries for specific use cases (see Figure 2):

- **Pre-check.** Central engine to check if any other investigation is ongoing with respect to the same transaction, which will remove duplication efforts
- **Pre-population.** Central engine to fill out certain data elements (e.g. original references) of the response message (camt.111) based on the request message (camt.110), which will reduce the manual work involved
- **Smart routing.** Central engine to route the E&I flows to the most appropriate agent – e.g. an unable to apply request will come from the creditor agent directly to the debtor agent. This means the intermediary agent is bypassed – removing the need for “messengers” to be involved in the process
- **Automatic status updates and replies.** Central engine to send automated status requests if no response is received within the defined timeframe, which will reduce the manual work involved
- **Graphic User Interface (GUI) and API.** Introduce an option to capture investigation request/response through a central online solution. This will remove the need for the implementation of new messages

With the structure provided by ISO 20022 messages and the orchestration applied by the central engine, this initiative has the potential to significantly improve the world of E&I and the speed involved in these processes. While the details of the centralised investigations management are yet to be defined – including the implementation strategy (at the time of writing, November 2024 is envisaged as a go-live date) – one aspect remains clear: with the MT messages coming to their end, the future of E&I is just around the corner. It is now time to get ready.

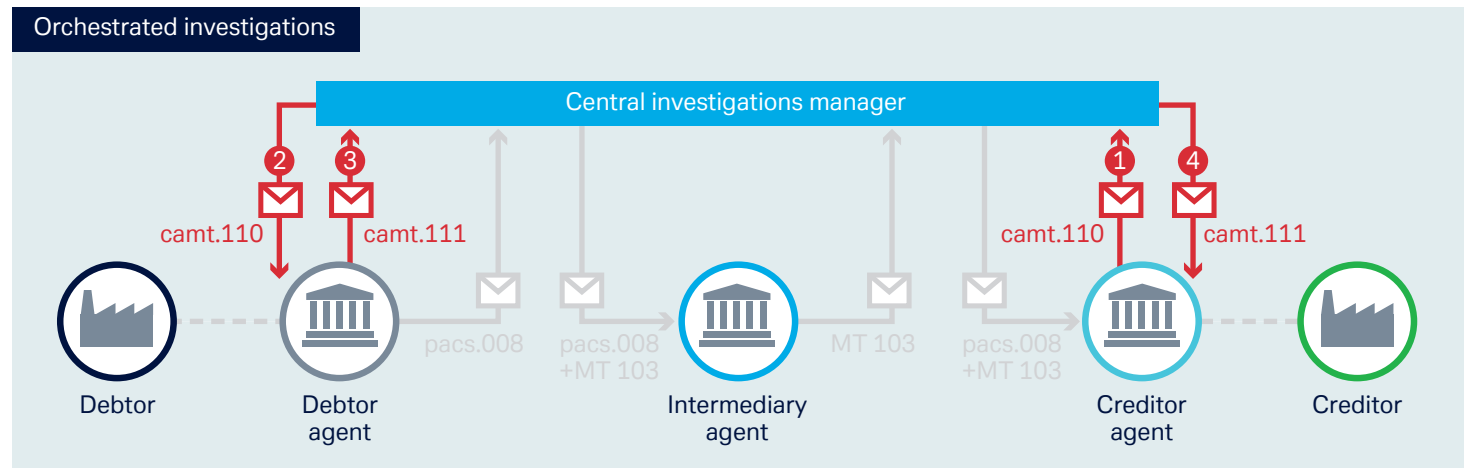


Figure 2: Orchestrated investigations (Source: Deutsche Bank)

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