



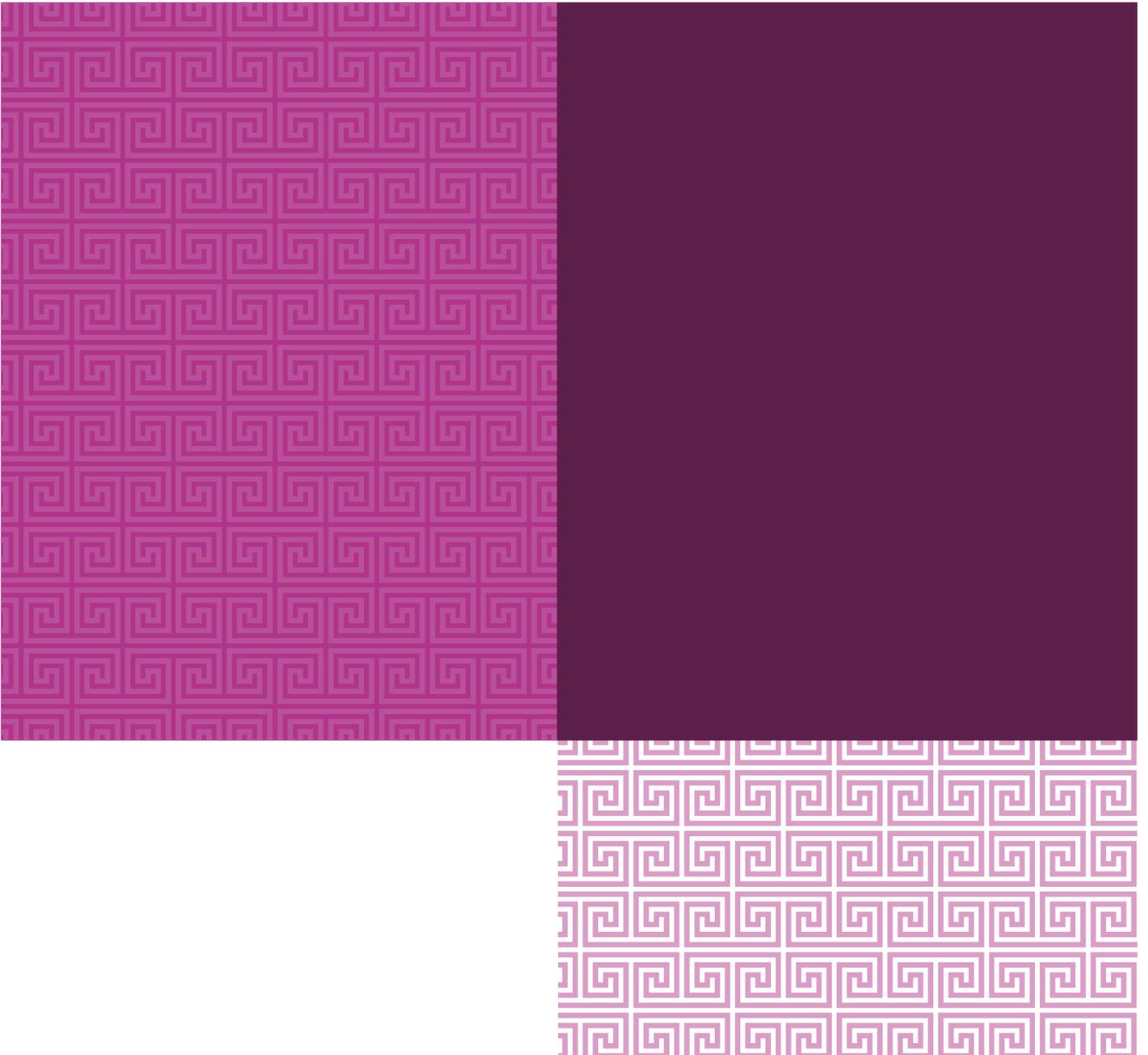
BANK OF ENGLAND

RTGS Renewal Programme



Policy Statement: Implementing ISO 20022 Enhanced data in CHAPS

December 2020



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Executive Summary

This publication summarises the responses to the policy questions under Section II of the July 2020 Industry Review¹, which followed on from the November 2018 consultation response document². It sets out in full the Bank of England's (the Bank) updated policy positions for the implementation of enhanced data in CHAPS through the ISO 2022 messaging standard. This includes where the Bank has adapted its approach after reflecting both on responses received from the industry, and the recently-updated ISO 2022 migration timelines³. We are grateful for the organisations that replied to the Industry Review.

The document also includes a roadmap for how the Bank intends certain policies around enhanced data to evolve in the years following implementation of ISO 2022 in CHAPS. By setting out the roadmap now, the Bank aims to give a clear steer for payment service providers (PSPs), technology providers and other stakeholders, allowing them to make more informed strategic decisions about their own systems and processes.

In summary, for CHAPS payments:

- From the **February 2023** go-live for enhanced data in CHAPS, the Bank will **encourage** the use of Purpose Codes and LEIs and **expect** the use of Structured Addresses and Remittance Data for domestic payments, once the Direct Participant is capable of sending enhanced data.
- From **spring 2024**, the Bank will **mandate** the use of Purpose Codes and LEIs for payments between financial institutions. It will also mandate Purpose Codes for property transactions.
- From **November 2025** (i.e. when SWIFT retires MT messaging for payments), the Bank will **mandate** the use of Structured Addresses and Remittance Data for all payments.

The Bank considers it important to mandate certain key enhanced data fields to ensure the benefits of ISO 2022 messaging standard can be realised across the payments industry. However, it recognises the impact that automatically rejecting any payments containing inaccurate or incomplete enhanced data could have on wider payment system operations. **Therefore, the Bank will make the completion of data mandatory via the CHAPS rulebook first, before mandating later at a technical schema level** (i.e. a "hard" technical rule). The Bank does not expect to mandate any enhanced data at a technical schema level before end 2025. This publication also details how the Bank will seek to ensure participants supply high quality data. From spring 2024, the Bank will review compliance against its rules as part of its assurance process and will take appropriate follow-up actions where there are breaches of the Bank's expectations on completing mandatory enhanced fields.

The Bank has continued its close collaboration with Pay.UK on implementing the ISO 2022 messaging standard to ensure interoperability between CHAPS and the New Payments Architecture (NPA) where appropriate. In particular, to facilitate the introduction of Purpose Codes, **the Bank and Pay.UK have jointly developed a UK list of Purpose Codes** for all payments made via CHAPS or the New Payments Architecture. The draft list is included in this publication, along with a questionnaire on the list. **The Bank and Pay.UK would welcome feedback via the Bank's website by 31 March 2021.**

The Bank does not intend to publish further policy papers on the implementation of enhanced data within CHAPS in the near term, as the Bank recognises the need for industry to have certainty over the future direction of policy. In the event of major developments impacting the implementation of enhanced ISO 2022 data in CHAPS, the Bank will consider whether there is a net benefit to industry of updating its approach and will utilise existing forums to communicate to relevant stakeholders.

¹ [Bank of England CHAPS Enhanced ISO 2022 Messages Industry Review](#)

² [Consultation Response: A Global Standard to Modernise UK Payments, ISO 2022](#)

³ See [CHAPS & RTGS ISO 2022 migration: revised approach and final schemas](#)

1. Background and Overview

Background

In May 2017, the Bank announced its vision for a renewed Real Time Gross Settlement (RTGS) service to enhance resilience and promote innovation. As part of this vision, the Bank confirmed it was basing the renewed RTGS service, including CHAPS payments, on the global ISO 2022 messaging standard. Using the ISO 2022 messaging standard will help underpin the Programme's objectives of higher resilience, broader access, wider interoperability, better user functionality and improved end-to-end risk management in the renewed RTGS system, alongside improved harmonisation with global payment systems.

Box 1: Potential benefits from the adoption of the ISO 2022 messaging standard



Improved analytics through enriched data



Flexibility to respond to changes in the economy, emerging technologies and innovation



Compliance and regulation benefits through enriched data



Transmission of **enriched data** – more data and better structured information



Improved straight through processing due to less need for manual intervention



More flexibility and better data means improved levels of **competition and innovation**



Improved **harmonisation** across global payment systems



Higher resilience through improved interoperability

We expect the benefits of ISO 2022 to be largely delivered through the enhanced data that ISO 2022 enables. Network benefits and benefits for those along the payment chain – including PSPs and end-users - will begin to develop from when CHAPS Direct Participants (DPs) are able to send enhanced, richer data from February 2023.

However many of these benefits are contingent on the data contained within the payments being sufficiently rich and high quality. The Bank therefore needs to ensure that the data enabled through the CHAPS messages is of sufficient quality and comprehensiveness, while also ensuring the implementation costs and migration timelines are manageable for industry stakeholders.

This document is broadly split into the following sections:

- Background and broader information and the benefits of the implementation of the ISO 2022 messaging standard, including our collaboration with Pay.UK and other FMI operators. (Sections 1 and 2)
- Policy Topics – The Bank's detailed approach for specific enhanced fields, including a summary of responses to the July 2020 Industry Review and the future policy approach. (Section 3)
- How the Bank intends to ensure data correctness, including the intended approach to enforcement. (Section 4)
- An update on the development of additional Market Guidance. (Section 5)

Alongside stating our approach for the industry's use of Purpose Codes (and Category Purpose Codes), the Bank (in conjunction with Pay.UK) is consulting on a draft list of codes for the UK industry. The consultation is detailed at the end of this publication and the proposed draft list is being published at the same time (Section 6).

Who should read this publication?

- Payment service providers who are current or prospective CHAPS Direct Participants or indirect participants.
- Users who make or are otherwise responsible or involved in the initiating or processing of CHAPS payments.
- Technology vendors who provide financial institutions or corporates with solutions for initiating, processing or reconciling CHAPS payment messages.
- Any other stakeholder, such as trade associations, industry groups and regulatory bodies with an interest in the future of UK payments.

Policy on enhanced data

The Bank has previously set out its proposed policy objectives and position relating to the CHAPS ISO 20022 enhanced messages, first in the June 2018 consultation⁴ and November 2018 consultation response document⁵. Most recently, the Bank published detail on these in the July 2020 Industry Review. The Bank received a good response to its request for feedback on the policy topics covered in Section II of the July 2020 Industry Review, with 21 responses in total, the majority from CHAPS DPs, along with one from an indirect participant. Among respondents there was clear support for the Bank's proposed direction for implementing its policy objectives. The Bank is therefore not proposing significant changes to its implementation approach, but has made certain updates in places to reflect the feedback received, and recent changes to the ISO 20022 implementation timelines for CHAPS. The updated timelines reflect specific feedback received as part of the consultation is covered in the relevant part of Section 5 below.

The Bank is publishing its detailed policy position now, together with, in certain cases, a roadmap for how the Bank intends for its policies to evolve in the future following implementation. This is to give a clear steer for PSPs, technology providers and other stakeholders for the future direction of the Bank's ISO 20022 policy, to allow them to make more informed decisions as they seek to implement ISO 20022 in their own systems and processes.

The Bank does not intend to publish further policy papers on the implementation of enhanced data within CHAPS, as the Bank recognises the need for industry to have certainty over the future direction of policy. It will however publish further detail on how the data quality review processes will be incorporated into the CHAPS rulebook and assurance process. In the event of major developments impacting the CHAPS implementation of ISO 20022, the Bank will consider whether there is a net benefit to industry of updating its approach.

Box 2: Examples of richer data within the ISO 20022 enhanced schemas



Purpose
Code



Legal Entity
Identifier



Remittance
Data



Structured
Addresses



Extended
Character Set

⁴ [ISO 20022 Consultation Paper: A Global Standard to Modernise UK Payments](#)

⁵ [Consultation Response: A Global Standard to Modernise UK Payments, ISO 20022](#)

October 2020 publication: schemas and revised timelines

The July 2020 Industry Review sought feedback on the near-final enhanced schema and on the Bank's high-level approach to implementing the Bank's ISO 20022 policy objectives. In October 2020, the Bank published the CHAPS & RTGS ISO 20022 migration: revised approach and final schemas⁶. The October document formed a new baseline for all of the Bank's ISO 20022-related documentation relating to the Bank's ISO 20022 approach and schemas publication.

The Bank announced its revised migration approach and timelines for adopting ISO 20022 messaging for CHAPS and RTGS in October 2020. This has been in response to external events and the concerns raised to us during dialogue with industry. The Bank confirmed in October that whilst all CHAPS DPs will be required to send and receive payment messages using the enhanced schemas from February 2023, the sending of enhanced data will be optional at that point.

⁶ [CHAPS & RTGS ISO 20022 migration: revised approach and final schemas.](#)

2. Working with Pay.UK and other operators

The Bank remains committed to collaborating closely with Pay.UK, other Payments System Operators (PSOs) and FMIs to help support access and wider interoperability between payment systems to help foster greater resilience, efficiency, innovation and competition. This has included proactive engagement and collaboration with domestic operators and international operators for both technical and policy aspects of the ISO 20022 messages.

In particular, the Bank has continued its close collaboration with Pay.UK on implementing the ISO 20022 messaging standard in the UK for both wholesale and retail payments. This includes shared resources and expertise dedicated to the design of the technical schemas and developments on policy across the two organisations. This is to support alignment on the usage of fields throughout different messages across both schemas, including the pacs.008 message (also known as the 'Common Credit Message'), which forms the basis of technical development and collaboration. This work seeks to ensure we are aligned on a common UK approach, where appropriate, to deliver interoperability between CHAPS and the New Payments Architecture (NPA). Our aim is to align with Pay.UK on artefacts and technical collateral as far as possible (aside from where the different role, remit or end-users for each organisation suggests a divergent approach), and will look to provide further detail on this in due course.

Where possible the Bank will align with Pay.UK in the development of our policy objectives on enhanced data fields for CHAPS (as described in Section 3) against Pay.UK's strategic direction on standards. Alongside this publication, Pay.UK are also publishing their strategic approach on standards. The Bank and Pay.UK have also worked together in developing a joint draft Purpose Codes list for wholesale and retail payments in the UK, and are jointly consulting on the draft list.

The Bank and Pay.UK have worked collaboratively in developing a strategy and high-level approach to market guidance and best practice on the usage of specific data fields for CHAPS and the NPA (as described in Section 5). The Bank will continue to work closely with the wider industry and Pay.UK on the development of market guidance for UK domestic and cross-border payments.

3. Policy Areas

a. Purpose Codes



Purpose
Code



Legal Entity
Identifier



Remittance
Data



Structured
Addresses



Extended
Character Set

Introduction to Purpose Codes

Within the new ISO 20022 payment messages, the Bank will introduce Purpose Codes and Category Purpose Codes for CHAPS payments. These are four letter codes which are carried across the payment chain, providing information to all users in the payments chain to indicate the reason a payment is being made. The set of all possible codes are defined internationally, and PSPs are required to use one of the predefined codes.

The pacs.008 and pacs.009 messages contain the fields:

- ‘**Category Purpose Code**’ primarily for use by sending PSPs to signal to receiving PSPs some specific high level properties of a payment instruction to help with processing
- ‘**Purpose Code**’ a specific code for use by the originator of a payment to denote the reason for the payment

These codes (referred collectively as Purpose Codes) provide a range of different benefits to PSPs, operators and end-users:

- A richer source of information for use by **financial crime controls** such as **fraud prevention**;
- The ability for PSPs and (in extremis) FMIs to **identify critical and other important payments** in an outage scenario. This would allow the prioritisation of those payments **where the real economy impact of disruption would be greatest**, for example: housing completion payments, salaries.
- Easier **identification of specific or groups of payments** for identification of exceptions and investigations on specific payments.
- Reducing inefficiencies in the payments chain by providing a further point of reference for which PSPs can develop more efficient **straight-through-processing (STP)**.
- Additional information to assist in **reconciliation processes** and **addressing queries**.
- **Richer contextual and market intelligence data**, providing greater opportunities for creating additional value for various stakeholders. More granular data on payments will allow PSPs to innovate and provide additional services to their users, facilitate more useful internal analytics on their services and provide regulators and other third parties with up-to-date and informative data sources.

These benefits however can only be realised when Purpose Codes are used widely and appropriately throughout the payment chain. Therefore the Bank has considered how to implement Purpose Codes such that the benefits of doing so are balanced against the cost to industry of implementation.

Feedback received

Responses to the high-level implementation approach set out in the July 2020 Industry Review were generally supportive of the Bank's approach to introducing Purpose Codes. Respondents in general supported the aims of the approach and agreed with the Bank's assessment of the benefits that implementation would bring to industry. In addition, the Bank received specific feedback on their implementation including:

- One respondent noted that introducing Purpose Codes into CHAPS payments would be a step-change and would therefore require momentum following implementation to ensure the quality of data remains sufficiently high. The Bank is very conscious of the need to ensure the quality of data reported and more details of the approach we will take to ensure data correctness is included below in Section 4.
- One respondent suggested additional examples or guidance to guide users towards the most appropriate code to use. The Bank is already considering whether additional user-focused guidance on Purpose Codes would assist the industry in encouraging users to select appropriate codes. The Bank-commissioned additional Market Guidance currently being produced for industry for certain use cases will also provide further support to industry.

More generally, there was mixed support for the Bank implementing the mandatory use of Purpose Codes, with some respondents feeling that mandatory requirements were necessary to ensure a sufficient uptake of codes. For others, the challenge of implementing codes was particularly difficult for certain use cases, particularly payments originating overseas or from other PSPs. The Bank is particularly mindful of the challenges that mandating the usage of Purpose Codes for all payments would bring, particularly for cross-border payments where the implementation of the ISO 2022 message standard for CHAPS runs ahead of some jurisdictions. Nevertheless the Bank agrees with those respondents who are concerned that without the mandatory element there is a risk that the quality and completeness of purpose code data included within CHAPS payments will not be sufficient to realise the intended benefits.

Policy approach

From Phase 2.1 (February 2023):

Purpose Codes will be introduced into the CHAPS ISO 2022 payment messages from February 2023 on an 'optional to send' basis. The Bank encourages all CHAPS DPs to start using Purpose Codes as early as possible, once the Direct Participant is capable of sending enhanced data. However this will not be made mandatory until spring 2024. This allows DPs time to introduce Purpose Codes and capabilities based on this data gradually, without the risk of incorrect Purpose Code usage. The Bank will however monitor the use of Purpose Codes in payments during this optional send period.

From Phase 4 (Spring 2024):

The Bank will start mandating Purpose Codes to be used by types of organisations, and certain purposes, with a **vision to widen the requirement to all CHAPS payments over time.** In spring 2024, the Bank will initially mandate the use of the Purpose Code for two specific transaction types in CHAPS:

- **Where the payment involves a transfer of funds between Financial Institutions.** This will be defined by a CHAPS payment made via a pacs.009 payment message or via a pacs.008 payment message where the ultimate sender and ultimate beneficiary are both PRA authorised deposit-takers or broker-dealers, or a Financial Market Infrastructure supervised by the Bank of England.
- **Where the payment involves a property transaction.** This is to be defined as a payment where the Purpose Code selected would be one of the specific set of Purpose Codes linked to property transactions. As the list

of Purpose Codes is under consultation (see Section 6) the Bank will confirm the full list of codes falling under this category following the publication of the final UK list of codes.

Although Purpose Codes will not be mandatory for other CHAPS payments at this stage, the Bank **plans to further expand the requirements for Purpose Codes in 2025 beyond the above two transaction types**. The Bank therefore **strongly encourages organisations to prepare** and implement necessary changes, particularly where firms may be planning system changes to support enhanced data, in anticipation of the Bank extending its requirements on Purpose Codes. The Bank notes that the earlier firms use Purpose Codes, the sooner both they and other key stakeholders will derive the intended benefits. The Bank will monitor the uptake and use of Purpose Codes for CHAPS payments and will use this information to review and determine how the mandatory requirements to include Purpose Code data should be extended to all CHAPS payments. The Bank will provide industry with at least 18 months' notice in advance of extending any mandatory requirements for Purpose Codes beyond what is already outlined in this document.

In reaching this policy approach, the Bank and Pay.UK have aligned their approach as far as possible. The Bank will take into account Pay.UK's approach for the NPA when considering whether to extend the mandatory requirements for the use of Purpose Codes in the future. The Bank will also continue to monitor international ISO 20022 transitions to ensure our use of Purpose Codes remains consistent.

The Bank and Pay.UK have collaborated to produce a joint list of codes appropriate for the CHAPS payments system and NPA, and are consulting with stakeholders on this list alongside the publication of this policy statement. Section 6 contains more information on the joint list and the accompanying consultation. Some respondents to the July 2020 Industry Review gave specific feedback on codes missing from the international Purpose Code list. The Bank and Pay.UK will consider previous feedback and consultation responses when finalising the recommended UK Purpose Code list for CHAPS and the NPA.

b. LEIs



Introduction to LEIs

The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric, code based on a global standard to uniquely identify any legally distinct entity that is party to a financial transaction. The global database of LEIs is free of charge and publically available. It contains a rich source of contextual information about a legal entity such as name, address, company numbers, and information on the ownership structure. By making available consistent and accurate identification of legal entities on a global basis, LEIs can aid in a range of areas including making efficiency and productivity improvements in the areas of compliance and fraud screening, risk reporting and payments processing. A widely used global identifier also offers possibilities for the creation of innovative new products and services.

For these benefits to be realised there needs to be a critical mass of firms with an LEI. In addition to including the LEI in CHAPS payment messages, the Bank is taking action to support the wider uptake of the LEI - beyond the financial sector - to corporates. As set out in the Bank's response to the 2019 Future of Finance Report^[1], the Bank believes wider uptake of the LEI could unlock a number of key benefits and is working with Government and national and international stakeholders to promote LEI use cases. These include their potential role in enhancing cross-border payments as part of the Financial Stability Board's roadmap, as well as the role the LEI can play to help tackle financial crime.

Feedback received

The Bank has consistently noted its intention to introduce the LEI into the CHAPS payment message standard when migrating to ISO 20022, in line with industry views and international consensus, including HVPSplus and CBPRplus guidance. The Bank has communicated plans to make LEIs mandatory for a certain subset of payments, including most recently in the July 2020 Industry Review.

The Bank received general support for its approach. Making the inclusion of the LEI mandatory in CHAPS payment messages was seen as positive for its uptake and use, though seen as a challenge for some CHAPS DPs due to the reliance on clients. More broadly, respondents noted the need for clear guidance on how the LEI is to be used, who is responsible for inputting and what to do if an LEI is missing. The Bank recognises the need for guidance here and has engaged with the Standards Advisory Panel on this topic, and intends to engage with other stakeholders to draw up some guidance.

A small minority of respondents noted the difficulty of including the LEI given current formats and data systems. The Bank recognises this, and that it also applies to other enhanced data fields, which is why the Bank is giving a sufficient period of time for this change.

^[1] <https://www.bankofengland.co.uk/research/future-finance>

Policy approach

From Phase 2.1 (February 2023):

Along with Purpose Codes, LEIs will be introduced into ISO 20022 standard CHAPS payment messages from February 2023 on an 'optional to send' basis. The Bank encourages all CHAPS DPs to start using LEIs as early as possible, once the Direct Participant is capable of sending enhanced data. However this will not be made mandatory until spring 2024. This allows DPs time to introduce LEIs and capabilities based on this data gradually, without the risk of incorrect LEI usage. The Bank will however monitor the use of LEIs in payments during this optional send period.

From Phase 4 (Spring 2024):

The Bank will start mandating LEIs to be used in by certain circumstances, with a vision to widen out the requirement to all participants over time. **The Bank will mandate the use of the LEI where the payment involves a transfer of funds between Financial Institutions.** This will be defined by a CHAPS payment made via a **pacs.009 payment message or via a pacs.008 payment message** where the ultimate sender and ultimate beneficiary are both PRA authorised deposit-takers or broker-dealers, or a Financial Market Infrastructure supervised by the Bank.

Most institutions that make these payments already possess LEIs. Although not mandatory for others at this stage, the Bank strongly encourages other institutions to apply for an LEI, and to prepare and implement necessary changes, particularly where firms may already be planning system changes, in anticipation of the Bank extending its LEI mandate. The Bank notes that the earlier firms adopt the LEI, the sooner they will derive its benefits. The Bank will monitor the use of LEI for all transactions and will keep under review whether the mandatory requirement to include LEI data should be extended to all CHAPS payments.

In reaching this policy approach, the Bank and Pay.UK have aligned their approach as far as possible and the Bank will take into account Pay.UK's approach for the NPA when considering whether to extend the mandatory requirements for the use of Purpose Codes in the future.

As LEIs become more prevalent, the Bank will expand their requirement in CHAPS payment messages to more users. As mentioned above, the Bank is working with stakeholders to progress the uptake and implementation of LEIs in the UK. The Bank also recognises CHAPS as a useful mechanism to extend the uptake of LEIs in the UK. The Bank will monitor the uptake and use of LEIs for CHAPS payments and the rate of adoption across the wider UK economy and will use this information to review and determine how the mandatory requirements to include Purpose Code data should be extended to all CHAPS payments. The Bank will provide industry with at least 18 months' notice in advance of extending any mandatory requirements for LEIs.

c. Remittance Data



Purpose
Code



Legal Entity
Identifier



Remittance
Data



Structured
Addresses



Extended
Character Set

Introduction to Remittance Data

The Bank has previously outlined its intention to introduce Structured Remittance information by CHAPS DPs in the CHAPS ISO 20022 payments messages. We continue to work internationally to ensure that our approach aligns – or does not create unnecessary challenges – with international operations.

In the July 2020 Industry Review, we set out that the Bank would likely enforce the use of Structured Remittance information, through a hard technical requirement from November 2025. However, the Bank believes that (as with the approach for other enhanced data) waiting this long to enforce structured remittance data in CHAPS risks a delay to and potential dilution of the benefits of migrating to ISO 20022 structured data. The Bank is therefore looking at creating an appropriate framework to incentivise and mandate the use of structured data before this.

The Bank's intention is to move to structured remittance data, as this will facilitate easier reconciliation and other back-office processes, and allows for potentially much more effective integration of payments information into purchasing and analytical systems and applications, enabling the provision of innovative financial products better suited to user needs.

Feedback received

In response to the Industry Review, we received further support for our overall approach and high level timelines on remittance data. In particular, there was support for the Bank to ensure the network benefits are realised.

We recognise that there is further international work to be done to standardise this piece of work and we remain engaged in international forums to ensure our approach is consistent.

In addition, we heard from DPs that Structured Remittance information would be difficult to incentivise for their customers. However, the Bank considers it important to mandate changes in order to achieve the intended benefits. The feedback from industry was that we should provide enough time to allow industry to prepare.

Policy approach

From Phase 2.1 (February 2023):

The Bank will expect CHAPS DPs to use Structured Remittance information for domestic, UK-to-UK, payments, once they are capable of sending enhanced data. Specifically, this means that when the CHAPS DP is the originating PSP of the payment, the Bank expects Structured Remittance information to be used. We also expect CHAPS DPs to work with their indirect participants to ensure that when the indirect participant is the originating PSP, they input Structured Remittance information.

As with other enhanced data, we will not reject payments where structured addresses are incomplete or incorrectly completed, however we will be monitoring and reporting against the use of Structured Remittance information to inform any future policy decision making (See Section 4).

There will be a period of dual running Structured and Unstructured Remittance Information until SWIFT switches off MT Messages.

As SWIFT switches off MT Messages (expected November 2025):

The Bank will mandate CHAPS DPs to use Structured Remittance information for all payments when SWIFT switches off MT messaging for payments.

Our intention is to enforce this through a hard technical rule eventually (i.e. this would be a change to the schemas and payments would be rejected if not conforming to the rule). However, in order to inform our decision we will seek to align internationally and will, from Phase 2.1, monitor and report against whether CHAPS DPs are using of Structured Remittance Information. This will inform whether the use of hard, technical rules (i.e. mandating structured remittance information in the schemas) will be required. We expect to give CHAPS DPs firm timelines and details on whether this will be a hard technical rule by November 2023.

d. Structured addresses



Purpose
Code



Legal Entity
Identifier



Remittance
Data



Structured
Addresses



Extended
Character Set

Introduction to Structured Addresses

Since the June 2018 ISO 20022 consultation paper, the Bank has outlined its intention to align with other operators to mandate the use of Structured Addresses by CHAPS DPs in the CHAPS ISO 20022 payment messages.

Most recently in the July 2020 Industry Review, we restated our intention to mandate Structured Addresses from November 2025, but added that this will now follow a period of dual-running structured and unstructured addresses. We noted that the dual-running approach will accommodate for the challenges with mapping inbound payments from unstructured address to structured address, where applicable.

Overall, the Bank's policy is that eventually only structured data should be used for addresses and that we shall remain aligned with international and domestic market practice. This approach will enable more efficient screening of payments by PSPs to mitigate financial crime, as well as reducing the processing time and cost of transactions to industry.

Feedback received

In response to the July 2020 Industry Review, respondents agreed that the Bank's role as the operator of CHAPS was to enable these network benefits as they are often gained by the beneficiary bank. We also heard that the implementation of Structured Addresses will result in significant build costs for CHAPS DPs and other PSPs, for example, changes to customer entry and internal data bases.

Alongside this, we continue to engage internationally on the development of structured addresses with other operators, including through the HVPSplus group and their intention to advocate switching off unstructured address optionality once SWIFT switches off MT messages (expected November 2025).

The current CHAPS MT messages include both structured and unstructured address fields for the originating customer (Debtor) and the beneficiary customer (creditor). In the ISO 20022 like-for-like and enhanced schemas, these fields currently also have structured and unstructured options in the ISO 20022 like-for-like and enhanced schemas. However, for new ISO 20022 fields with no MT equivalent – i.e. Ultimate Debtor and Ultimate Creditor – there will only be structured address fields and no dual-running in order to encourage structured adoption.

In line with the Bank's overall ambition to enrich payments data, and the specific tangible benefits Structured Addresses will deliver, our continued intention is to mandate the use of Structured Addresses in the enhanced CHAPS ISO 20022 payment messages. We recognise that this is an ambitious plan when the industry already has a great deal of change to contend with. This is why the Bank has provided a period of dual-running structured data with unstructured data. We strongly believe this is the right approach in order to achieve network benefits. The provisional timeline set out below takes into account the challenges that have been raised to us, and the Bank's revised ISO 20022 migration timeline.

Policy approach

The Bank will phase out the use of unstructured remittance data, however this must be done at the right time to ensure industry migrates effectively.

From Phase 2.1 (February 2023):

The Bank will expect CHAPS DPs to use Structured Addresses for domestic, UK-to-UK, payments, once they are capable of sending enhanced data. Specifically, this means that when the CHAPS DP is the originating PSP of the payment, the Bank expects Structured Addresses to be used. We also expect CHAPS DPs to work with their indirect participants to ensure that when they are the originating PSP, they provide Structured Addresses. This means that at this point, as with other enhanced data, we will not reject payments where addresses are not inputted in a structured format

This will be enforced through the CHAPS rulebook. As with other enhanced data, we will not reject payments where structured addresses are incomplete or incorrectly completed, however we will be monitoring and reporting against the use of Structured Addresses to inform any future policy decision making (Section 4)

There will be a period of dual running Structured and Unstructured Addresses until SWIFT switches off MT Messages. This means that Direct Participants will be able to use unstructured addresses if there is no option otherwise.

As SWIFT switches off MT Messages (expected November 2025):

The Bank will mandate all Direct Participants to use Structured Addresses for all payments when SWIFT switches off MT messaging. This is currently anticipated in November 2025.

Our intention is to enforce this through a hard technical rule (i.e. payments would be rejected if not conforming to the rule). However we will be looking to align internationally, and will be monitoring and reporting against the use of Structured Addresses from Phase 2.1 to confirm when the Bank should move from enforcement via the CHAPS rulebook to hard, technical rules. We expect to give DPs firm timelines and confirm whether this will be a hard, technical rule (from November 2025) by November 2023.

e. Extended Character Set



Purpose Code



Legal Entity Identifier



Remittance Data



Structured Addresses



Extended Character Set

Policy Approach

The Bank outlined its approach to the use of an extended character set within the ISO 20022 message in the 2018 Consultation Paper. The Bank has not changed its policy on the implementation since the consultation and intends to expand the available character set for certain fields. It deems an extended Latin character set to be beneficial, for example the '@' symbol for email addresses, and will be introduced for appropriate fields.

To keep in line with CBPRplus/HVPSplus guidelines, the following extended characters will be permissible: FIN X plus the following: !#\$%&'*+,-/=/?^_`{|}~"(),;:<>@[\]

Non-Latin character sets are, at this moment, not viable due to the challenges it would present for AML/sanctions screening. But this functionality will be built into the renewed RTGS, and the Bank will keep under review whether to introduce them based on the level of demand received through the Bank's industry engagement channels and international market practice for cross-border payments. The Bank will provide industry with at least 18 months' notice in advance of a decision on the introduction of non-Latin characters.

Box 3: Summary of implementation approaches	
Purpose Codes	The Bank encourages the use of Purpose Codes for all CHAPS payments from February 2023, once the Direct Participant is capable of sending enhanced data. From spring 2024, the Bank will mandate the use of Purpose Codes for CHAPS payments between Financial Institutions and property payments. The Bank will keep the decision as to whether to extend the requirement to include a Purpose Code to other CHAPS payments under review.
LEIs	The Bank encourages the use of LEIs for all CHAPS payments from February 2023, once the Direct Participant is capable of sending enhanced data. From spring 2024, the Bank will mandate the use of Purpose Codes for CHAPS payments between Financial Institutions. The Bank will keep the decision as to whether to extend the requirement to include a LEIs to other CHAPS payments under review.
Remittance Data	The Bank will expect all CHAPS DPs to use Structured Remittance information for domestic payments from February 2023, once the Direct Participant is capable of sending enhanced data. From November 2025, the Bank expects to mandate the use of Structured Remittance Data for all CHAPS payments.
Structured Addresses	The Bank will expect all CHAPS DPs to use Structured Addresses for domestic payments from February 2023, once the Direct Participant is capable of sending enhanced data. From November 2025, the Bank expects to mandate the use of Structured Addresses for all CHAPS payments.
Extended Character Set	The following extended characters will be permissible: FIN X plus the following: !#\$%&'*+,-/=/?^_`{ }~"(),;:<>@[\]. If significant demand for non-Latin character sets emerges, the Bank will consider introducing them.

4. Approach to enforcement

The Bank aims to maintain a balance between the cost of requirements incurred by the sender of a CHAPS payments and the benefits accruing to the receiver. There is a risk that, in the absence of any intervention, the full benefits of high quality, richer payments data would not be realised. As such, the Bank intends to take an active role in monitoring compliance, working together with other FMI, regulators and industry stakeholders. Maintaining a culture of high-quality, rich data will ensure the industry achieves the intended benefits arising from the significant investment it is making in the new data standard.

In terms of the end-user experience, the Bank is mandating enhanced data only where it deems the benefits outweigh the challenges posed by delivering such data. Therefore, the Bank intends to work with industry to develop benefit cases for all parts of the payment chain, to help to demonstrate the benefits for end-users. The Bank is also looking to work with other authorities and industry to develop guidelines for responsibilities of different parts of the payment chain. The Bank will work closely with industry to discuss how the benefits arising from the implementation can be realised and passed on to CHAPS DPs and other parts of the payments chain. We expect to start this discussion in January 2021.

The requirements for mandating data quality standards falls on CHAPS DPs as the organisation submitting payment messages to CHAPS. The Bank recognises that Direct Participants will rely to a certain extent on indirect participants and correspondents (in the UK and in other jurisdictions) and end-users for the quality of the payments data they are submitting to the CHAPS system. In this publication, the Bank has set out its expectations on CHAPS DPs but not how it expects such data to be submitted, that will be for each CHAPS DP to work with their customers to achieve the standard of data completeness and quality the Bank is requiring. The Bank will start to engage with CHAPS DPs in January 2021 on how CHAPS DPs can work with their users and technology providers to ensure the data submitted is of a sufficient standard.

Timeline for enforcement

The benefits of richer data resulting from the implementation of the ISO 20022 messaging standard rely on the enhanced data sent being of sufficient quality. To achieve these aims the Bank has detailed how it will mandate the sending of enhanced data from Phase 4 of the ISO 20022 implementation from spring 2024.

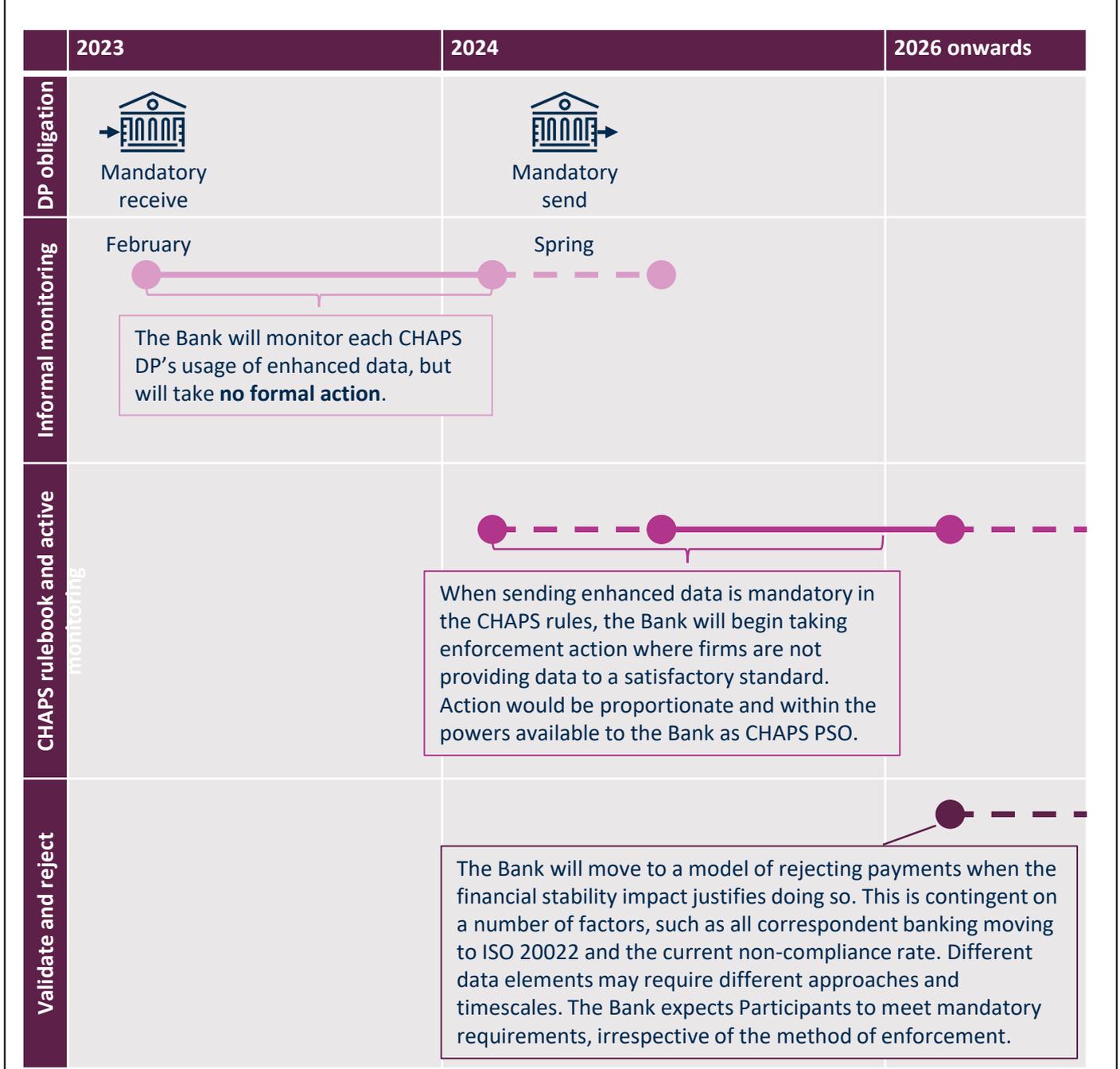
The Bank will mandate sending CHAPS DPs to include certain enhanced data in specified fields from spring 2024. However, the Bank will not initially automatically reject payments where the enhanced data is inaccurate or incomplete given the impact this would have on end-users and the wider financial system at this stage. The Bank considers that potentially significant values and volumes of critical payments not being completed (due to having been rejected) by the end of the intended value date could pose a risk a financial stability (as well as disruption to users). Initially, there may be challenges in completing data accurately, particularly for payments originating overseas in territories with later migration dates to the ISO 20022 messaging standard.

Whilst the Bank does not initially intend to reject payments featuring incomplete enhanced data, the Bank will instead make the completion of the specified data mandatory through the CHAPS rulebook. This will allow the Bank to review compliance against its rulebook as part of its broader assurance process and consider follow-up actions where there are significant breaches of the Bank's expectations on completing mandatory enhanced fields, for example by not including an LEI where expected or where the LEI specified is not valid or up-to-date. The Bank expects to take a proportionate approach to non-compliance on completing enhanced data initially but will expect the quality of data submitted to improve over time (and for CHAPS DPs to have plans in place to do so).

The Bank intends to move to a model of rejecting payments where mandatory enhanced data is incomplete or inaccurate in due course. The date for moving to this model will depend on certain external factors such as:

- International progress on transitioning to the full implementation of the ISO 2022 messaging standard, such that payments originating overseas will no longer require the same level of intervention from CHAPS DPs
- Data quality being sufficiently high and trending upwards, such that the financial stability impact of moving to a rejection model is minimal
- Engagement with industry stakeholders, both CHAPS and other industry stakeholders, indicating that the industry as a whole is supportive of such a model due to the positive impact on data quality and overall the impact of such a movement is manageable
- The approach of other FMIs, including Pay.UK, to ensure the Bank remains as aligned as possible in its approach to enforcement

Box 4: Approach to enforcement



5. Market Guidance

In the July 2020 Industry Review, the Bank provided an update on joint plans to develop additional market guidance to supplement the published schemas and associated technical guidance. The Bank is working with industry to develop a set of best practice guides, capturing existing conventions as well as providing user friendly instructions on the new enhanced data fields in the ISO 20022 messages. Market guidance will be developed for specific transaction types for the most important use cases.

The Bank has been working with Pay.UK on a joint strategy for delivering market guidance. This includes developing an aligned overall approach for producing market guidance, although the outputs of the respective work streams may not look identical.

The market guidance documents are not intended to be comprehensive or cover all CHAPS payment types, rather they will focus on use cases where the value of guidance being produced would be felt the most. For the first guide the Bank is considering guidance that will be most useful for payment use cases involving property transactions. The Bank then intends to produce two or three additional guides for use cases involving wholesale payments over the course of 2021.

The Bank aims to produce this guidance in collaboration with the payments industry and, while the Bank is commissioning the guides, it is intended that they will eventually be owned and maintained by industry. For the development of the guide, the Bank is working with a specialist consultancy in the production of this guidance. The Bank is clear of the importance that representatives of the whole of the payments chain are involved in drafting, reviewing and maintaining these guides.

More information on the development of the first guide and subsequent strategy will be shared with industry from January 2021.

6. Consultation on the draft UK Purpose Code list

To facilitate our work to introduce Purpose Codes to UK payments, the Bank and Pay.UK have been working to develop a single joint list of UK relevant Purpose Codes to cover both wholesale and retail payments made over CHAPS and the NPA following the implementation of the ISO 20022 messaging standard.

To maximise harmonisation with internationally recognised Purpose Codes, the UK draft list is based on the existing ISO 20022 External Code set, which currently contains 33 Category Purpose Codes and 298 Purpose Codes. Due to the fact these lists contain a wide variety of codes originating from various international territories, there are certain instances where the existing codes do not serve a purpose in the UK, and other instances where we believe certain UK-specific transactions are not covered by the international list.

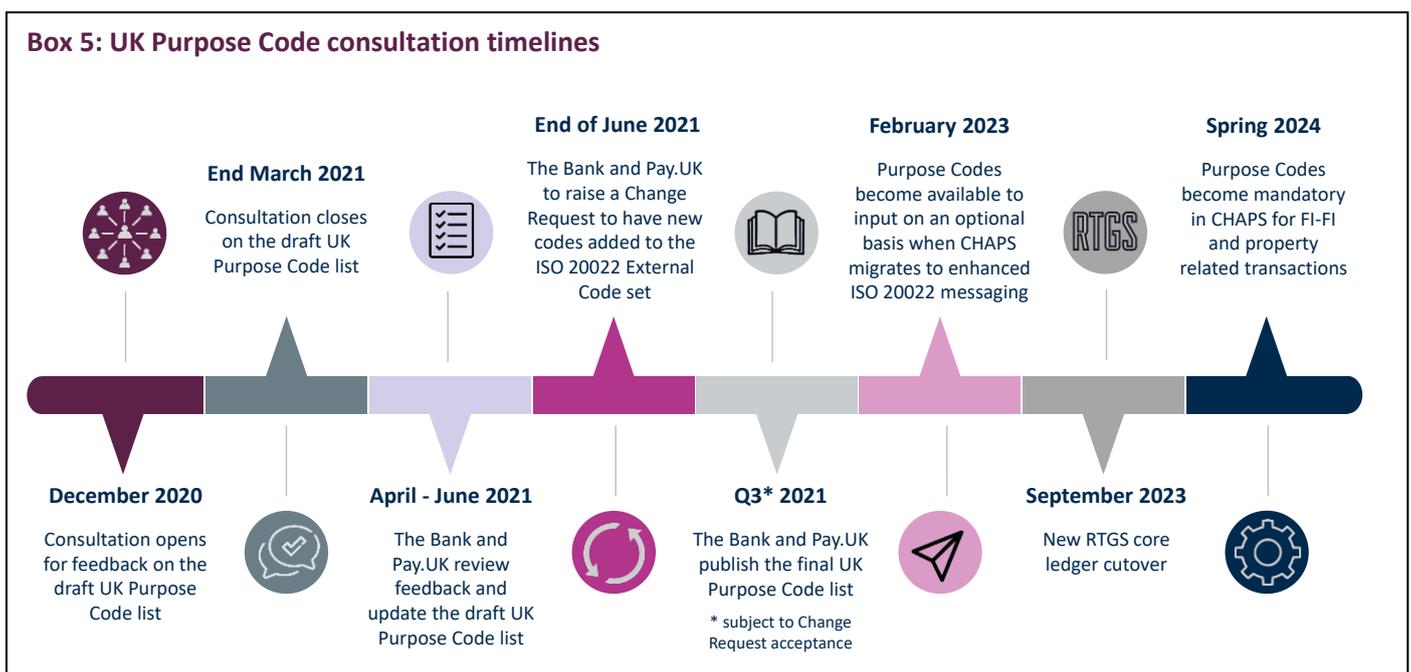
To make the Purpose Code list as accessible as possible, the Bank and Pay.UK aim to make it as short and clear as possible for users. To achieve this the Bank and Pay.UK have proposed a joint list of UK codes as a subset of the international list. The reason for producing this subset of codes is to limit codes to those that could realistically be made in UK payments.

It should be noted that any Purpose Codes not kept in the UK joint list could still be used in exceptional circumstances and the Bank will not reject payments which include these codes. However it is the Bank and Pay.UK's intention that using a Purpose Code on the international but not UK list should be a very rare event, and the relevant operators may investigate regular anomalies to ensure the use of specific codes is not an indication of a data quality issue.

To achieve this UK-specific subset, the Bank and Pay.UK are consulting on the inclusion of specific codes within the draft list. We are therefore publishing an [online questionnaire](#) accompanying the draft UK Purpose Code list, which can be found at the end of this section. The outcome of this consultation will assist us further refine and develop the final UK Purpose Code List, which will hold the codes needed to be entered in payments from February 2023.

Following this consultation the Bank and Pay.UK will review the draft list in light of feedback received. We will then take any proposed amendments and additions to the international list through the defined change process.

Following this, the Bank and Pay.UK intend to publish the final list of UK codes later in 2021.



To respond to the consultation please download the draft UK Purpose Code list from the [Bank's ISO 20022 technical resources webpage](#) and complete the [associated online questionnaire](#) on the website by 31 March 2021. Alternatively, you can also email your answers to the below questionnaire to ISOPurposeCodeConsultation@bankofengland.co.uk. The draft UK Purpose Code list and questionnaire will also be published on Standards Source in due course.

Box 6: UK Purpose Code consultation questionnaire

1. Section 1: Existing international Purpose Codes – For these questions, please refer to the draft UK Purpose Code list, which you can access on the Bank's Technical Resources webpage [here](#).
 - a. Please identify and list below all codes that you consider your organisation would use, if you were to enter Purpose Codes into every payment made by your organisation. This will help us identify the most commonly used and most important Purpose Codes.
 - b. Please identify and list below any Purpose Codes that you / your organisation do not believe would be beneficial to use in the UK context, and that you / your organisation consider should not be included in the final UK Purpose Code List.
2. Section 2: Proposed use of existing international Purpose Codes – please refer to the furthest right column of the draft UK Purpose Code list, where the Bank and Pay.UK have indicated the potential use of each code in the UK context.
 - a. Please identify and list codes that you / your organisation believe are wrongly identified as 'Do not use', and which you believe would be beneficially used in UK payments:
 - b. Please identify and list any codes that you / your organisation believe are incorrectly classified with either the 'CHAPS' (wholesale) or future 'NPA' (retail) payment systems, or 'Both'.
NB: Purpose Codes will be commonly available across both systems without limitation, and these distinctions are mainly indicative which will help develop respective market guidance.
3. Section 3: New Purpose Codes – The Bank and Pay.UK have identified a limited number of payments not covered in the list, but which we believe may provide benefit for future UK payments.
 - a. Please provide feedback on any relevant proposed Purpose Codes, if you agree or disagree with any of these codes being used in UK payments, including any suggestions or amendments.
 - b. Please list any payments made by your organisation which you cannot closely match with an existing Purpose Code in the draft UK Purpose Code list, along with a short description. This can include either wholesale or retail, domestic or international payments. The purpose of this question is to ensure the final UK Purpose Code list comprehensively covers all UK payments.
4. Other questions:
 - a. Do you foresee your organisation deriving any direct or indirect benefit from the introduction of Purpose Codes, in addition to those listed in Section 3a:
 - b. Do you have any other any suggestions to further improve the UK Purpose Code list?