



Bulletin: ISO 20022 and the Travel Rule

This bulletin does not constitute legal advice. Banks and other entities subject to the Travel Rule should consult their own counsel when determining their Travel Rule obligations with respect to funds transfers in ISO 20022 format. The views herein are those of The Clearing House based on laws and regulations as they exist at the time of publication.

I. Introduction

The International Organization for Standardization is a worldwide federation of national standards bodies that prepares international standards and has developed the ISO 20022 messaging format. In recent years banks and payment system operators in many countries have determined to adopt ISO 20022 as a common payment message format to improve the efficiency of international payments. The industry also believes there is benefit to adopting ISO 20022 because it enables more information in a more structured format to be included in payment messages than current message formats.

The Clearing House (“TCH”) is adopting the ISO 20022 messaging format for CHIPS[®], and many other wholesale payment systems throughout the world have begun converting to ISO 20022. Global banks have realized that the timelines and processes for conversion may create interoperability issues between systems that use ISO 20022 and legacy messaging systems. For example, during the time period in which banks must convert ISO 20022-formatted messages to smaller, legacy messages, banks may not be able to fit all information from an ISO 20022 message into a legacy format. Moreover, ISO 20022 contains more messaging fields than many legacy systems, thus some uncertainty exists as to how banks should manage information received in ISO 20022 messages that is not contemplated in legacy messaging systems.

To assist banks, TCH is issuing this bulletin to address compliance with the primary U.S. federal anti-money laundering requirement that applies to data messaging—the Travel Rule.¹ During the interoperability period it will be helpful to know which information the Travel Rule requires to be included in a payment message in the event there is a need to choose which information from an ISO 20022 message to include in a legacy message. And while it is

¹ This bulletin is intended to address solely the Travel Rule, which sets the minimum legal requirements for information that must be included in a payment message. TCH acknowledges that transparency guidance and expectations, such as those issued by the Wolfsberg Group, the Financial Action Task Force and the Bank for International Settlements, exist that banks may take into account in transmitting information in payment messages. Similarly TCH acknowledges that sanctions compliance is another important factor that banks may take into account when determining what information should be included in payment messages. Hence, even if information is not required to be included in a payment message under the Travel Rule there may be other reasons banks may need to include (or receive) the information in their payment messages.

expected that once all wholesale payment systems have implemented ISO 20022 there will be fewer concerns about interoperability issues, it remains useful for banks to know how the Travel Rule applies to ISO 20022 formatted messages.

It is important to note that CHIPS and the Fedwire[®] Funds Service are funds transfer systems. Under U.S. law a funds transfer is a series of payment orders beginning with a bank customer (the originator) and ending with a beneficiary bank.² In contrast and as further discussed in this bulletin, under certain circumstances the Travel Rule applies to a broader set of entities than funds transfer parties: namely, certain non-bank financial institutions and their customers (or other entities) on whose behalf such financial institutions instruct payment to or receive payment from a bank. The current practices in the industry for identifying these entities in legacy funds transfer formats vary. While ISO 20022 enables the identification of more entities in a more structured format than legacy formats, the industry has not yet developed a common understanding for how these additional ISO 20022 entities relate to the Travel Rule. Hence, certain questions raised in this bulletin require further industry collaboration to determine if common practices can be developed to clarify when ISO 20022 entities are Travel Rule entities.

II. Overview of the Travel Rule

A. *Background*

In 1995, the Financial Crimes Enforcement Network (“FinCEN”) issued regulations under the Bank Secrecy Act (“BSA”) related to information requirements for payment messages, commonly referred to as the “Travel Rule.”³ The Travel Rule was intended specifically to help remedy difficulties being encountered by law enforcement due to the absence of originator and beneficiary names and other identifying information in many payments orders. The Travel Rule requires banks⁴ and other financial institutions involved in “transmittals of funds” to include information in their transmittal orders to assist law enforcement investigations of money laundering involving funds transfers.

B. *Defined Terms*

The defined terms applicable to banks and other financial institutions in the Travel Rule are generally based on terms for funds transfers under Article 4A of the Uniform Commercial Code (“Article 4A”).⁵ These terms are complicated, yet contain substantive information crucial to understanding the parties and their obligations under the Travel Rule.

² Uniform Commercial Code § 4A-104 (a).

³ 31 C.F.R. § 1010.410(f).

⁴ A “bank” is each agent, agency, branch or office within the United States of any person doing business in one or more of the capacities listed below: (a) a commercial bank or trust company organized under the laws of any State or of the United States; (b) a private bank; (c) a savings and loan association or a building and loan association organized under the laws of any State or of the United States; (d) an insured institution as defined in section 401 of the National Housing Act; (e) a savings bank, industrial bank or other thrift institution; (f) a credit union organized under the law of any State or of the United States; (g) any other organization (except a money services business) chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a State; (h) a bank organized under foreign law; or (i) any national banking association or Edge Act corporation. 31 C.F.R. § 1010.100(d).

⁵ See, e.g., 60 *Fed. Reg.* 220, 221 (Jan. 3, 1995).

The Travel Rule contains one set of terms that applies to funds transfers (i.e., a series of payment orders involving only an originator and banks). However, because the Travel Rule applies to other types of financial institutions, the Travel Rule contains a second, comparable set of terms that applies when non-bank financial institutions receive a payment instruction from their customer and/or receive a transmittal of funds for a customer. Because this bulletin focuses on Travel Rule requirements for originating and intermediary banks that send and receive ISO 20022 formatted payment messages, it generally refers to funds transfers though there are other types of payments that are transmittals of funds and fall under the Travel Rule.

Annex 1 contains a list of the applicable defined terms.

C. Requirements

The Travel Rule imposes obligations both on an originator's bank and any intermediary bank to include certain information in a payment order for a funds transfer that is covered by the Travel Rule. More specifically, under the Travel Rule, any originator's bank or intermediary bank located within the United States must include in any payment order at the time it is sent to a receiving bank for a funds transfer in the amount of \$3,000 or more the following information:

- (i) The name and, if the payment is ordered from an account, the account number of the transmittor;
- (ii) The address of the transmittor;
- (iii) The amount of the payment order;
- (iv) The execution date of the payment order;
- (v) The identity of the recipient's financial institution;
- (vi) As many of the following items as are received with the payment order:
 - (a) The name and address of the recipient;
 - (b) The account number of the recipient;
 - (c) Any other specific identifier of the recipient; and
- (vii) Either the name and address or numerical identifier of the transmittor's financial institution.⁶

In the case of an intermediary bank, it must only include in the payment order that it sends to the next receiving bank in the funds transfer chain required information that is received from the previous bank in the payment chain.⁷

D. Exemptions

1. Funds Transfers of Less than \$3,000

By its terms, the Travel Rule only applies to funds transfers in the amount of \$3,000 or more. Consequently, any funds transfers below \$3,000 are not subject to the Travel Rule.

2. Transactions Between Regulated Institutions

Another set of exemptions from the Travel Rule applies to transactions for which the transmittor and recipient are both regulated institutions in the United States. The Travel Rule

⁶ 31 C.F.R. § 1010.410(f)(1) (emphasis added).

⁷ 31 C.F.R. § 1010.410(f)(2).

does not apply to a funds transfer in which both the transmitter and the recipient are any of the following:

- (i) A bank;
- (ii) A wholly-owned domestic subsidiary of a bank chartered in the United States;
- (iii) A broker or dealer in securities;
- (iv) A wholly-owned domestic subsidiary of a broker or dealer in securities;
- (v) A futures commission merchant or an introducing broker in commodities;
- (vi) A wholly-owned domestic subsidiary of a futures commission merchant or an introducing broker in commodities;
- (vii) The United States;
- (viii) A state or local government; or
- (ix) A federal, state or local government agency or instrumentality; or
- (x) A mutual fund.⁸

Moreover, the Travel Rule does not apply to a funds transfer in which (i) the transmitter and the recipient are the same person, and (ii) the originator's bank and the beneficiary's bank are the same bank, so-called "on-us" transactions.⁹

3. Electronic Fund Transfer Act

A third exemption applies to certain funds transfers that involve consumers. Specifically, the Travel Rule does not apply to a funds transfer that is an "electronic fund transfer" as defined in section 903(7) of the Electronic Fund Transfer Act (the "EFTA")¹⁰ or any other funds transfers that are made through an automated clearinghouse, an automated teller machine or a point-of-sale system. The EFTA definition of electronic funds transfer excludes consumer transfers that are made over a system that "was not designed primarily to transfer funds on behalf of a consumer."¹¹ Commentary to Regulation E, which implements the EFTA, further provides that an electronic funds transfer does not include funds transfers through the Fedwire Funds Service ("Fedwire") or similar systems including CHIPS, SWIFT, and transfers made on the books of correspondent banks.¹² Thus, consumer transfers conducted through CHIPS, Fedwire, SWIFT, or book transfer are subject to the Travel Rule because they are not electronic funds transfers.

E. Funds Transfers that are Subject to the Travel Rule¹³

Funds transfers are subject to the Travel Rule, if (i) they are \$3,000 or more, (ii) the transmitter and recipient are both not regulated institutions, and (iii) they are conducted through CHIPS, Fedwire, SWIFT, or book transfer.

⁸ 31 C.F.R. §§ 1010.410(e)(6)(i), 1010.410(f)(4), and 1020.420(a)(6)(i).

⁹ 31 C.F.R. §§ 1010.410(f)(4), and 1020.420(a)(6)(ii).

¹⁰ 15 U.S.C. § 1693a(7).

¹¹ *Id.*

¹² Regulation E, Official Interpretation 3(c)(3).

¹³ As noted above, other types of payments are also subject to the Travel Rule. This bulletin focuses on funds transfers.

III. Application of the Travel Rule to ISO 20022

In the course of our industry outreach, TCH has received some questions about the how the Travel Rule applies to wires (i.e., CHIPS, Fedwire, and SWIFT messages) that are formatted in ISO 20022. These questions are addressed below.

A. Does the Travel Rule require that information about an “Ultimate Creditor” or “Ultimate Debtor” be included in a payment order?

It depends on the circumstances of the payment and how the ISO 20022 elements are populated.

Where a customer instructs its bank to send a payment to the customer of another bank, and neither of the customers is a financial institution, the relationship between the Travel Rule terminology and the ISO 20022 terminology is straightforward. The sending bank’s customer is a transmitter or originator in Travel Rule terms and would be identified in the Debtor element of an ISO 20022 message. Similarly, the receiving bank’s customer is a recipient or beneficiary in Travel Rule terms and would be identified in the Creditor element of an ISO 20022 message. In such a transaction, information about other entities that have some manner of interest in the transaction – entities identified as Ultimate Creditors and Ultimate Debtors – is not required to be included in a payment order under the Travel Rule.

However, where either the customer that instructs the bank to send the payment or the customer that receives the payment is itself a financial institution (as such term is defined in the FinCEN regulations) acting on behalf of some other entity, that other entity is the transmitter or recipient and its relevant Travel Rule information must be included in a bank’s payment order to the extent the bank, which is an intermediary bank for Travel Rule purposes, receives the information. Whether information that is included in the “Ultimate Debtor” or “Ultimate Creditor” element must be included as Travel Rule information in the outgoing payment message will depend on whether those elements identify the transmitter or recipient. Currently there is no common industry view as to which ISO 20022 elements should identify a non-bank financial institution (as such term is defined in the FinCEN regulations) and entities on whose behalf the financial institution instructs or receives a payment. Until such a common industry view is developed, there cannot be a general rule as to whether the Travel Rule requires information about an Ultimate Debtor or Ultimate Creditor to be included in a bank’s payment order.

B. Is an originator’s bank required by the Travel Rule to transmit all of the information about a transmitter or a recipient that is contained in an ISO 20022 payment message with a payment order?

In the case of the transmitter, no. In the case of the recipient, it depends on the information contained in those fields. ISO 20022 includes data fields for parties identified in a payment order that would facilitate transmission of the data set forth on Annex 2, which includes some optional remittance data fields.

The Travel Rule requires transmission of only specific information for a transmitter—the name, account number, address of the transmitter and the name and address or numerical identifier of the transmitter’s financial institution. Therefore, any additional information that appears in the optional remittance data fields would not be required to be transmitted.

On the other hand, the Travel Rule requirements regarding recipient information are broader. The Travel Rule requires transmission of both specific information—identity of the recipient’s financial institution and, if received, name and address of the recipient and account number of the recipient—as well as any “other specific identifier” of the recipient that is received in a payment order. We are not aware of any guidance that FinCEN has issued clarifying the meaning of an “other specific identifier.” However, it is reasonable to interpret this phrase to mean a term or code that *by itself* can be used to identify a recipient. This would include, for example, in the case of an individual, a Social Security Number, or, in the case of an entity, a BIC or LEI code. It would not include information that can be used in combination with other information to identify a recipient, but that does not, on its own, identify a recipient. Examples of such information are a date of birth, location of birth and postal address, each of which are data points that might be shared with others and thus might not be unique to one recipient.

- C. *Under the Travel Rule, may an originator’s bank or an intermediary bank retain information about a transmitter or recipient received with a payment order in the cloud in lieu of transmitting it with a payment order?*

If the information regarding the transmitter or recipient is not required to be transmitted with a payment order, then the Travel Rule does not prohibit a bank from retaining that information in the cloud or otherwise. If the information is required to be transmitted with a payment order, then there is no exception under the Travel Rule that would allow a bank to retain the information in the cloud or otherwise in lieu of transmitting it with the payment order.

Annex 1
Defined Terms¹⁴

Terms Applicable to Funds Transfers

- (i) “*Beneficiary*” is the person to be paid by the beneficiary’s bank.
- (ii) “*Beneficiary’s bank*” is the bank or foreign bank¹⁵ identified in a payment order in which an account of the beneficiary is to be credited pursuant to the order or which otherwise is to make payment to the beneficiary if the order does not provide for payment to an account.
- (iii) “*Funds transfer*” is the series of transactions, beginning with the originator’s payment order, made for the purpose of making payment to the beneficiary of the order. The term includes any payment order issued by the originator’s bank or an intermediary bank intended to carry out the originator’s payment order. A funds transfer is completed by acceptance by the beneficiary’s bank of a payment order for the benefit of the beneficiary of the originator’s payment order. Electronic fund transfers as defined in section 903(7) of the Electronic Fund Transfer Act (15 U.S.C. § 1693a(7)), as well as any other funds transfers that are made through an automated clearinghouse, an automated teller machine, or a point-of-sale system, are excluded from this definition.
- (iv) “*Intermediary bank*” is a receiving bank other than the originator’s bank or the beneficiary’s bank.
- (v) “*Originator*” is the sender of the first payment order in a funds transfer.
- (vi) “*Originator’s bank*” is the receiving bank to which the payment order of the originator is issued if the originator is not a bank or foreign bank, or the originator if the originator is a bank or foreign bank.
- (vii) “*Payment order*” is an instruction of a sender to a receiving bank, transmitted orally, electronically, or in writing, to pay, or to cause another bank or foreign bank to pay, a fixed or determinable amount of money to a beneficiary if:
 - (a) The instruction does not state a condition to payment to the beneficiary other than time of payment;
 - (b) The receiving bank is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and
 - (c) The instruction is transmitted by the sender directly to the receiving bank or to an agent, funds transfer system, or communication system for transmittal to the receiving bank.
- (viii) “*Receiving bank*” is the bank or foreign bank to which the sender’s instruction is addressed.

Terms Applicable to Transactions involving Non-Bank Financial Institutions and Their Customers

- (ix) “*Financial Institution*” is, in general, each agent, agency, branch, or office within the United States of any person doing business, whether or not on a regular basis or as an organized business concern, in one or more of the following capacities: (a) a bank (except bank credit card systems); (b) a broker or dealer in securities; (c) a money services business; (d) a telegraph company; (e) a casino; (f) a card club; (g) a person subject to supervision by any state or federal bank supervisory authority; (h) a futures commission merchant; (i) an introducing broker in commodities; or (j) a mutual fund.

¹⁴ Terms are defined in 31 C.F.R. § 1010.100.

¹⁵ A “foreign bank” is a bank organized under foreign law, or an agency, branch or office located outside the United States of a bank. The term does not include an agent, agency, branch or office within the United States of a bank organized under foreign law.

- (x) “*Intermediary financial institution*” is a receiving financial institution, other than the transmitter's financial institution or the recipient's financial institution. The term intermediary financial institution includes an intermediary bank.
- (xi) “*Receiving financial institution*” is the financial institution or foreign financial agency to which the sender's instruction is addressed. The term receiving financial institution includes a receiving bank.¹⁶
- (xii) “*Recipient*” is the person to be paid by the recipient's financial institution. The term recipient includes a beneficiary, except where the recipient's financial institution is a financial institution other than a bank.
- (xiii) “*Recipient’s financial institution*” is the financial institution or foreign financial agency identified in a transmittal order in which an account of the recipient is to be credited pursuant to the transmittal order or which otherwise is to make payment to the recipient if the order does not provide for payment to an account. The term recipient's financial institution includes a beneficiary's bank, except where the beneficiary is a recipient's financial institution.
- (xiv) “*Sender*” is the person giving the instruction to the receiving financial institution.
- (xv) “*Transmittal of funds*” is a series of transactions beginning with the transmitter's transmittal order, made for the purpose of making payment to the recipient of the order. The term includes any transmittal order issued by the transmitter's financial institution or an intermediary financial institution intended to carry out the transmitter's transmittal order. The term transmittal of funds includes a funds transfer. A transmittal of funds is completed by acceptance by the recipient's financial institution of a transmittal order for the benefit of the recipient of the transmitter's transmittal order. Electronic fund transfers as defined in section 903(7) of the Electronic Fund Transfer Act (15 U.S.C. 1693a(7)), as well as any other funds transfers that are made through an automated clearinghouse, an automated teller machine, or a point-of-sale system, are excluded from this definition.
- (xvi) “*Transmittal order*” includes a payment order and is an instruction of a sender to a receiving financial institution, transmitted orally, electronically, or in writing, to pay, or cause another financial institution or foreign financial agency to pay, a fixed or determinable amount of money to a recipient if:
 - (a) The instruction does not state a condition to payment to the recipient other than time of payment;
 - (b) The receiving financial institution is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and
 - (c) The instruction is transmitted by the sender directly to the receiving financial institution or to an agent or communication system for transmittal to the receiving financial institution.

¹⁶ A “foreign financial agency” is a person acting outside the United States for a person (except for a country, a monetary or financial authority acting as a monetary or financial authority, or an international financial institution of which the United States Government is a member) as a financial institution, bailee, depository trustee, or agent, or acting in a similar way related to money, credit, securities, gold, or a transaction in money, credit, securities, or gold.

- (xvii) “*Transmittor*” is sender of the first transmittal order in a transmittal of funds. The term transmittor includes an originator, except where the transmittor’s financial institution is a financial institution or foreign financial agency other than a bank or foreign bank.
- (xviii) “*Transmittor’s financial institution*” is the receiving financial institution to which the transmittal order of the transmittor is issued if the transmittor is not a financial institution or foreign financial agency, or the transmittor if the transmittor is a financial institution or foreign financial agency. The term transmittor’s financial institution includes an originator’s bank, except where the originator is a transmittor’s financial institution other than a bank or foreign bank.

Annex 2
ISO 20022 Data Fields

Data Elements	Account Elements
<ul style="list-style-type: none"> • Name • Postal Address <ul style="list-style-type: none"> ○ Department ○ Sub Department ○ Street Name ○ Building Number ○ Building Name ○ Floor ○ Post Box ○ Room ○ Post Code ○ Town Name ○ Town Location Name ○ District Name ○ Country Sub Division ○ Country • Identification <ul style="list-style-type: none"> ○ Organization (for an entity) <ul style="list-style-type: none"> ▪ BIC ▪ LEI ▪ Other (generic organization identification) ○ Private Identification (for a natural person) <ul style="list-style-type: none"> ▪ Date and place of birth ▪ Other (generic person identification) • Country of Residence 	<ul style="list-style-type: none"> • Account ID • Account Name • Proxy