

Fedwire[®] Funds Service
Market Convention for Cover Payments
Effective November 21, 2009

I. Background

Cover payments are used in correspondent banking, usually to facilitate international transactions. They are payments made through a chain of correspondent banks to settle (“cover”) a credit transfer message that travels a more direct route to the ultimate beneficiary’s bank.

Although the use of cover payments creates efficiencies for banks, current messaging standards do not ensure full transparency of the ultimate originator and beneficiary involved in the transaction. As a result, regulators have raised concerns that cover payments could expose intermediary banks involved in the transaction to an increased risk of unknowingly facilitating illicit activities.

To improve the transparency of underlying customer details related to cover payments, both SWIFT and the Federal Reserve Banks will be implementing the following message format changes on **Saturday, November 21, 2009**.

- SWIFT will implement a new message for cover payments (i.e., MT202 COV). Banks will use the MT202 COV message to order the movement of funds between banks related to an underlying customer credit transfer that was sent with the cover method. The MT 202 COV message will contain Sequence A for basic payment and routing information and Sequence B for underlying customer credit transfer details.
- The Reserve Banks will implement changes to the Fedwire Funds Service customer transfer (CTR) message to support a market convention for carrying the underlying customer details related to cover payments when settling cover payments via the Fedwire Funds Service.

II. Description of the Fedwire Funds Service Market Convention for Cover Payments

The Fedwire Funds Service market convention for cover payments includes guidelines for mapping a SWIFT MT202 COV message to a Fedwire CTRCOV message. Key features of the market convention are as follows:

- Banks should use the [Mapping Table](#) below to map the fields from an incoming SWIFT MT 202 COV message to specific tags in an outgoing Fedwire CTRCOV message.
- To distinguish a “cover payment” from a classic “customer transfer”, Banks should enter “**COV**” into the **Transaction Type** data element of tag **{3600} Business Function Code**. When tag {3600} = CTRCOV, the Fedwire Funds Service will apply new edits to support cover payments.
- In general (exceptions noted in Mapping Table), banks will be able to map Sequence A of the MT202 COV message to the Fedwire CTRCOV message using the same mapping routines as used to map the MT202 message to the Fedwire bank transfer (BTR) message.
- Banks will map Sequence B of the MT202 COV message to the Fedwire FI to FI Information {6100} through {6410} tags.

Note: Sequence A information mapped to the Fedwire CTRCOV message will be the operative Fedwire information. Sequence B information will be for information purposes only.

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Mapping Table
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Banks should use the mapping table below to map the fields contained in an incoming SWIFT MT202 COV message to specific tags in an outgoing Fedwire CTRCOV message.

Note: Sequence A information mapped to the Fedwire CTRCOV message will be the operative Fedwire information. Sequence B information will be for information purposes only.

(M) = Mandatory Field Tag

Incoming SWIFT MT 202 COV Received by a Fedwire Participant	Outgoing Fedwire CTRCOV Sent by a Fedwire Participant
MT202 COV Header	
MT202 Header Field 119 – Indicate a “cover payment” using the codeword COV	{3600} Business Function Code Enter CTRCOV (M)
MT202 COV Sender (M) (See Below)	(See Below)
MT 202 COV Receiver (M)	{3100} Sender FI (M)
MT 202 COV Sequence A	
:20: Transaction Reference Number (M)	{3320} Sender Reference (See Note1) Note 1: SWIFT field 20 is similar to Fedwire {3320}. However, field 20 will <u>not</u> be mapped to Fedwire {3320}. Instead, the Fedwire Sender FI will create a new reference number for tag {3320} to refer to the Fedwire CTRCOV message.
:21: Related Reference (M)	{4320} Reference for Beneficiary (M)
:13C: Time Indication	N/A – SWIFT 13C does not map to Fedwire.
:32A: Value Date, Currency Code, Amount (M)	{2000} Amount (M)
MT 202 COV Sender (M) :52a: Ordering Institution :53a: Sender’s Correspondent	Map the SWIFT fields to the following Fedwire tags the same way as when mapping an MT 202 message to a Fedwire BTR message. While approaches vary slightly among institutions, a common approach is illustrated below. {5000} Originator (M) {5100} Originator’s FI {5200} Instructing FI <u>If MT 202 COV Sender, 52a and 53a are present</u> <ul style="list-style-type: none"> ▪ Map :52a: to {5000} ▪ Map MT202 COV Sender to {5100} ▪ Map :53a: to {5200} <u>If only MT 202 COV Sender is present</u> <ul style="list-style-type: none"> ▪ Map MT202 COV Sender to {5000} <u>If only MT 202 COV Sender and 52a are present</u> <ul style="list-style-type: none"> ▪ Map :52a: to {5000} ▪ Map MT202 COV Sender to {5100} <u>If only MT 202 COV Sender and 53a are present</u> <ul style="list-style-type: none"> ▪ Map MT202 COV Sender to {5000} ▪ Map :53a: to {5100}

Incoming SWIFT MT 202 COV Received by a Fedwire Participant	Outgoing Fedwire CTRCOV Sent by a Fedwire Participant
:54a: Receiver's Correspondent	N/A – SWIFT 54a does not map to Fedwire.
:56a: Intermediary :57a: Account with Institution :58a: Beneficiary Institution (M)	<p>Map the SWIFT fields to the following Fedwire tags the same way as when mapping an MT 202 message to a Fedwire BTR message. (See Note 2)</p> <p>{3400} Receiver FI (M) {4100} Beneficiary's FI {4200} Beneficiary (M)</p> <p>If 56a is present, then map:</p> <ul style="list-style-type: none"> ▪ 56a to {3400} ▪ 57a to {4100} ▪ 58a to {4200} <p>Otherwise, if 57a is present, then map:</p> <ul style="list-style-type: none"> ▪ 57a to {3400} ▪ 58a to {4200} <p>Otherwise, map 58a to {3400} <u>and</u> {4200}. (See Note 2)</p> <p>Note 2: SWIFT field 58a should <u>always</u> be mapped to Fedwire tag {4200} (even if it's also being mapped to tag {3400}) because tag {4200} is mandatory in a Fedwire CTR message.</p> <p>Note 3: At each bank's discretion, Fedwire tag {4000} could be used for correspondent bank information for SWIFT 56a.</p>
:72: Sender to Receiver Information (All codewords including /INS/)	<p>{6500} FI to FI Information (See Note 4)</p> <p>Note 4: Even though SWIFT field 72 of the MT202 maps to various 6xxx tags in the Fedwire BTR message, field 72 in Sequence A the MT202COV message in its entirety will map to Fedwire CTRCOV tag {6500}.</p>
MT202 COV Sequence B	The following Fedwire tags will be used to carry MT202COV Sequence B data for information purposes only (See Note 5)
:50a: Ordering Customer (M)	{6100} Receiver FI Information (M)
:52a: Ordering Institution	{6200} Intermediary FI Information
:56a: Intermediary If 56a present, 57a required	{6210} Intermediary FI Advice Information
:57a: Account with Institution	{6300} Beneficiary's FI Information
:59a: Beneficiary Customer (M)	{6310} Beneficiary's FI Advice Information (M)
:70: Remittance Information	{6000} Originator to Beneficiary Info
:72: Sender to Receiver Information (All codes including /INS/)	<p>{6400} Beneficiary Information {6410} Beneficiary Advice Information (for any overflow data that doesn't fit into {6400})</p>
:33B: Currency/Instructed Amount	{3710} Instructed Amount

Note 5: The {6100} through {6410} tag “names” are not relevant to the market convention; however, they are listed in the Mapping Table because they will appear on the screen in the FedLine Advantage FedPayments Manager Funds application.