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Banking — Nostro accounts reconciliation

Banque — Procédures de rapprochement de comptes

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

International Standards are drafted in accordance with the rules given in the ISO/IEC Directives, Part 2.

Draft International Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an International Standard requires approval by at least 75 % of the member bodies casting a vote.

Attention is drawn to the possibility that some of the elements of this International Standard may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights.

ISO 7341 was prepared by Technical Committee ISO/TC 68, *Financial services*.

This third edition cancels and replaces the second edition (ISO 7341:2000), of which it constitutes a minor revision.

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Introduction

A financial institution that services an account on behalf of an account owner financial institution sends statements of that account at regular intervals to the account owner financial institution. Reconciliations (i.e. the matching and verifying of entries) of such statements by the account owner financial institution can be carried out manually, but increasing use is now made of automatic aids to assist in the reconciliation process.

Successful reconciliation of the data provided in statements requires that the data concerned be both accurate and complete. Moreover, the use of a standardized format for the transmission of data facilitates the use of automatic aids to reconciliation. The application of rules for the transmission of references unique to a particular transaction also minimizes the occasions when matching cannot be accomplished.

This International Standard is designed to provide a basis for agreements on the preparation of account statements between correspondent financial institutions. It is based on S.W.I.F.T. message type MT 950.

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Banking — Nostro accounts reconciliation

1 Scope

This International Standard specifies the data to be contained on a loro account statement (also known as vostro account), and the format of such data. It also provides rules for the creation, transmission and reconciliation of statements, and for the handling of references.

2 Normative references

The following referenced documents are indispensable for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 4217, *Codes for the representation of currencies and funds*

ISO 8601, *Data elements and interchange formats — Information interchange — Representation of dates and times*

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

3.1

account identification

identification assigned by the account servicing financial institution to identify the account of the account owner financial institution

3.2

account owner financial institution

financial institution for which an account is serviced at another financial institution that is the depository for an account

3.3

account servicing financial institution

financial institution that is the depository for an account

3.4

advice (debit or credit)

confirmation that a funds transfer has been executed

NOTE An advice does not contain payment order instructions.

3.5 Balances

3.5.1

available balance

balance at the disposal of the account owner at the close of the statement period

3.5.2

closing balance

balance of entries posted to the account at the close of the statement period

3.5.3

intermediate closing balance

balance of entries posted to the account at the end of the statement page or message

3.5.4

intermediate opening balance

intermediate closing balance of the previous page or message

3.5.5

opening balance

closing balance of the previous statement

3.6

bulking

practice of totalling the amounts of a number of transactions to provide a single accounting entry

3.7

entry

any debit or credit posted to an account

3.8

entry date

date on which entries are made in the records of an account

3.9

loro account

vostro account

account serviced by a financial institution on behalf of an account owner financial institution

NOTE The account servicing financial institution sends the statements of account to the account owner financial institution.

3.10

nostro account

record kept by an account owner financial institution of an account serviced on its behalf by an account servicing financial institution

NOTE The account owner financial institution receives the statement of account from the account servicing financial institution.

3.11 References

3.11.1

account servicing financial institution's reference

reference assigned by the account servicing financial institution to identify the transaction

NOTE This is the reference to which the account owner financial institution refers in cases of enquiry to that financial institution.

3.11.2

reference for the account owner financial institution

reference which identifies the transaction to the account owner financial institution

3.11.3

reference for the beneficiary

reference which enables the beneficiary to identify the transaction

3.11.4**sending financial institution's transaction reference**

reference assigned by the sending financial institution which uniquely identifies the transaction

3.11.5**supplementary details**

information for the account owner financial institution which may be added to individual statement entries

3.12**transaction amount**

funds transferred between two parties in a transaction

3.13**value date**

date on which the funds are at the disposal of the account owner financial institution

3.14**sending financial institution**

financial institution that inputs a message to a service

3.14.1**sender**

party authorized to send a message

4 Data to be included in statements**4.1 General**

The data (both mandatory and optional) to be included in statements are described under two main headings:

- a) data related to statements as a whole (see 4.2);
- b) data related to each entry (see 4.3).

Mandatory data elements known to the financial institution sending the statement shall always be included; optional elements are included at the discretion of the sending financial institution.

4.2 Data related to statements as a whole**4.2.1 List of data elements****4.2.1.1 Mandatory elements**

The following elements shall be included in all statements.

- a) Account identification.
- b) Account owner financial institution's identification.
- c) Balances:
 - 1) opening balance: date (as at the closing of the previous statement period), amount and nature (debit or credit);
 - 2) closing balance: date (as at the close of the present statement period), amount and nature (debit or credit).

- d) Currency identification (and fund type if needed).

NOTE If a code is used, this shall be taken from ISO 4217.

- e) Sequence number of the statement.

NOTE Methods of sequence numbering are given in 4.2.3.

- f) Statement sender identification.

- g) Transaction reference number.

4.2.1.2 Optional elements

The following elements may be included in the statements.

- a) Balances:

- 1) available balance: date (optional), amount, nature (debit or credit);
- 2) intermediate closing balance: date (optional), amount, nature (debit or credit);
- 3) intermediate opening balance: date (optional), amount, nature (debit or credit).

- b) Entries.

NOTE The sequence for listing entries is shown in 4.2.2.

4.2.2 Method of listing the entries

To facilitate manual reconciliation the sequence for listing entries within statements shall be by entry date and, within entry date, by value date. Debits and credits shall be shown separately in ascending order of amounts in each case. As a consequence of using this convention, charges will not usually appear together with their principal amount.

4.2.3 Numbering of statements and pages within statements

Statements (and pages within statements, if these are used) shall be numbered using one of the following methods:

- a) unbroken sequential numbering of all statement pages;
- b) sequential numbering of statements and numbering of individual pages within them.

EXAMPLE The second page of the twenty-third statement would be numbered 23/2.

4.3 Data related to each element

4.3.1 List of data elements

The data elements for each entry shall be as follows.

- a) Amount (mandatory): maximum length 15 digits.

- b) Dates:

- 1) entry date (optional) (see 5.6): the format shall be month-day (e.g. 07-10);
- 2) value date (mandatory) (see 5.7): the format shall be in accordance with ISO 8601, e.g. year-month-day (e.g. 1999-07-10).

c) Entry type identification (mandatory):

- 1) indication of a credit (code C), or indication of a reversal of a debit (code RD);
- 2) indication of a debit (code D), or indication of a reversal of a credit (code RC).

d) Funds type (optional), if applicable, to consist of the third character of the currency code (ISO 4217).

e) References:

- 1) account servicing financial institution's reference (optional) (see 5.8.3);
- 2) reference for the account owner (mandatory) (see 5.8.2): maximum length 34 characters;
- 3) supplementary details (optional) (see 5.8.4).

f) Transaction type identification code (mandatory).

NOTE For the explanation and list of codes see 4.3.2.

4.3.2 Transaction type identification code

4.3.2.1 Explanation of code

The transaction type identification code comprises four characters.

a) The first character is a code indicating the means by which advice of the transaction has been transmitted if it is a credit, or means by which the instruction was transmitted by the account owner if it is a debit. Currently allocated codes are as follows.

F: The first time that the entry is made known to the account owner financial institutions [for example charges previously unadvised (see 4.3.2.3 and 5.3)].

N: The corresponding advice or transfer was not routed by S.W.I.F.T. or where an "alpha" description is preferred (see 4.3.2.4 and Table 1):

S: The corresponding advice or transfer was routed by S.W.I.F.T. (see 4.3.2.2).

b) The last three characters indicate the type of transaction. Where the first character is 'F' or 'N', numeric and alphabetic codes are allowed. A list of alphabetic codes is available and defined in Table 1. Where the first character is 'S', the last three characters shall be the three-digit S.W.I.F.T. message type indicators (see 4.3.2.2).

4.3.2.2 Code S (optional — depending on the system used)

For entries related to S.W.I.F.T. transfer instructions and subsequent charge(s) messages, the last three characters shall be the three-character message type indicator of the S.W.I.F.T. message which resulted in the entry made in the statement.

4.3.2.3 Code F (optional — depending on the system used)

For entries being first advised by the statement (items originated by the account servicing financial institutions), the code used must be an appropriate code indicating the reason for the entry (see codes listed in Table 1).

NOTE Other numeric or alphabetic mutually agreed codes may be used.

4.3.2.4 Code N (optional — depending on the system used)

The alphabetic codes shall be as shown in Table 1.

NOTE Other numeric or alphabetic mutually agreed codes may be used.

5 Rules for the creation and transmission of statements

5.1 Statement frequency

It is recommended that statements be sent daily when one or more movements to the account have occurred.

5.2 Transaction amount

The amount transferred shall always appear unchanged on a statement.

5.3 Entries for expenses, charges or commission

The entries relating to the settlement of expenses, charges or commissions advised to the account owner financial institutions by the statement only, shall be identified by the reference of the entry relating to the principal transaction. The code for the nature of the expenses, charges or commissions shall then be F (see 4.3.2.3).

5.4 Bulking of entries

The account servicing financial institutions when issuing a statement may bulk entries with the agreement of the account owner.

5.5 Code MSC (miscellaneous)

The code MSC shall only be used when none of the other codes applies.

5.6 Entry date

The entry date for each entry shall be illustrated in the statement. However, it need only appear when different from the previous entry (implicit).

5.7 Value date

The value date for each entry shall be specified in the statement. However, it need only appear explicitly when different from the entry date.

Table 1 — Transaction type identification codes

Alphabetic code	Transaction name & description
BOE	BILL OF EXCHANGE Entry relates to a bill of exchange.
BRF	BROKERAGE FEE Entry relates to charges levied by a broker.
CHG	CHARGES AND OTHER EXPENSES Entry relates to the payment of charges or other expenses involved in the transaction.
CHK	CHEQUE(S) Entry relating to the payment of a cheque or cheques.
CLR	CASH LETTER/CHEQUE REMITTANCE Entry relates to a payment resulting from transmissions from one financial institution to another of a financial instrument grouping cheques/items.
CMI	CASH MANAGEMENT ITEM — NO DETAIL
CMN	CASH MANAGEMENT ITEM — NOTIONAL POOLING
CMS	CASH MANAGEMENT ITEM — SWEEPING
CMT	CASH MANAGEMENT ITEM — TOPPING
CMZ	CASH MANAGEMENT ITEM — ZERO BALANCING
COL	COLLECTIONS (USED WHEN ENTERING A PRINCIPAL AMOUNT) Entry relates to an amount of money resulting from collections.
COM	COMMISSION Entry relates to the payment of a fee for executing a transaction.
DDT	DIRECT DEBIT(S) ITEM Entry relates to a direct debit or direct debits.
DIV	DIVIDENDS - warrants Entry relates to the payment of a sum of money paid to a shareholder.
ECK	EUROCHEQUES Entry relates to a payment resulting from Eurocheques.
EQA	EQUIVALENT AMOUNT Entry relates to an equivalent amount relative to a currency conversion.
FEX	FOREIGN EXCHANGE Entry relates to the settlement of a foreign exchange deal.
INT	INTEREST Entry relates to the payment of interest.
LBX	LOCK BOX Entry relates to payments resulting from a lockbox service.
LDP	LOAN DEPOSIT
MSC	MISCELLANEOUS To be used when no other code applies or when no other code is available.
RTI	RETURNED ITEM Entry relates to a returned or unpaid item.
SEC	SECURITIES (used when entering a principal amount) Entry relates to the payment of securities.
STO	STANDING ORDER Entry relates to a standing order.
TCK	TRAVELLERS CHEQUES Entry relates to a payment resulting from travellers cheques.
TRF	TRANSFER Entry relates to a transfer of funds.
VDA	VALUE DATE ADJUSTMENT An entry made to reverse a previously incorrectly value dated entry.

5.8 References

5.8.1 General

References shall be quoted for each statement entry, whether related to a debit or a credit.

5.8.2 Reference for the account owner financial institution (for definition see 3.11.2)

Maximum length: 16 characters.

This reference shall be quoted in all cases when available (see 6.2.1.1 and 6.2.1.2). It shall not be changed in any way (for example by adding extra data, giving only a part of the reference, changing or omitting separator characters, giving only the last digits of cheque numbers, etc.). In the case of transactions passing through several financial institutions, care shall be taken always to forward the original reference unchanged.

This reference shall also be quoted against any charges debited by the account servicing financial institutions. Debits against standing instructions shall show the reference of the standing instruction. Interest charges shall refer to the loan in respect of which the debit is being applied.

5.8.3 Account servicing financial institution's reference (for definition see 3.11.1)

Maximum length: 16 characters.

For the method of use, see 6.1.

5.8.4 Supplementary details (for definition see 3.11.5)

When no reference for the account owner is available (i.e. NONREF; see 6.2.1.1 and 6.2.1.2), the account servicing financial institution shall insert the best available alternative information as supplementary details, for example the name of the originator. Supplementary details may also be given when an advice has not been provided for a transaction or to provide additional information to facilitate reconciliation.

6 Rule for the handling of references

6.1 Assignment of references to a transaction

Every transaction shall contain an individual identification (the sending financial institution's transaction reference) which is assigned by the sending financial institution.

When a transaction is created as a consequence of a related transaction, it shall carry the related reference (reference for the beneficiary) in addition to the sending financial institution's transaction reference.

6.2 Use of references on statements to identify transactions

An item on a statement may contain several references and the purpose of each reference shall be clearly identified in the "supplementary details" (see 5.8.4).

6.2.1 Reference for the account owner financial institution

6.2.1.1 Debits

The sending financial institution of the original transaction to debit is either the account owner financial institution itself or its known authorized agent (for example a subsidiary of the account owner financial institution). The purpose of this reference is to identify to the account owner financial institution the instruction causing the debit.

Content: the sending financial institution's transaction reference of the original instruction.

If no sending financial institution's reference is provided, then the code NONREF shall be used. The account servicing financial institution will then supply what it considers to be the best available information in the supplementary details field (see 5.8.4).

6.2.1.2 Credits

There are two possible situations.

- a) The account servicing financial institution is identifying to the account owner financial institution the receipt of funds to its credit as a consequence of a related transaction.

Content: the reference for the beneficiary of the related transaction.

If no reference for the beneficiary was provided, the code NONREF shall be used. The account servicing financial institution will then supply what it considers to be the best available alternative information in the supplementary details field (see 5.8.4).

- b) The account servicing financial institution has issued a payment instruction to the account owner financial institution and the credit being identified is for that payment. No related transaction is involved.

Content: the sending financial institution's transaction reference of the payment instruction issued by the account servicing financial institution (see 5.8.4).

NOTE In cases where a mutually agreed alternative reference exists (for example in a foreign exchange or money market transaction) this reference should be used.

6.2.2 Account servicing financial institution's reference

This is the account servicing financial institution's identification of the transaction (see 3.11.1).

Content: the account servicing financial institution's reference to the transaction.

Where the transaction has been initiated by the account servicing financial institution (for example a credit as in 6.2.1.2 b), the account servicing financial institution's reference will be identical to the reference for the account owner financial institution. Where the two references are the same, the account servicing financial institution's reference may be omitted.

6.2.3 Supplementary details

The use and content of this field are given in 5.8.4.

6.2.4 Examples

Examples illustrating the application of these rules for the handling of references are shown in Annex A.

Annex A (informative)

Examples showing methods of handling references

Example 1:

Bank A — Florence sends a bank transfer to bank B — New York requesting bank B to debit bank A's Milan head office account in the amount of USD 150 000, in cover of a customer transfer from bank A — Florence to bank C — London.

In turn, bank B debits bank A's Milan account, credits bank C's London account and sends bank C a credit advice reflecting this credit.

See Table A.1.

Table A.1

	Bank transfer	Credit advice
Sending bank	BANK A — FLORENCE	BANK B — NEW YORK
Receiving bank	BANK B — NEW YORK	BANK C — LONDON
Sending bank's transaction reference	39/C127	BANK B — 123
Reference for the beneficiary	66/D346	66/D346
Value date / currency code / amount	19990710USD150000,	19990710USD150000,
Reimbursement	BANK A — MILAN	
Originator		BANK A — FLORENCE
Beneficiary	BANK C — LONDON	

Subsequently, bank B will send both bank A — Milan and bank C — London account statements which will reflect the debit and credit to their respective accounts. The statement entries pertaining to the example illustrated above will be as shown in Table A.2.

Table A.2

	Code	Reference for the account owner bank	Account servicing bank's reference	Supplementary details	Value date	Credit	Debit
Entry:	S202	Statement from bank B to bank A — Milan 39/C127	BANK B — 123	B / O BANK A — FLORENCE	19990710		150 000
Entry:	S910	Statement from bank B to bank C — London 66/D346	BANK B — 123	B / O BANK A — FLORENCE	19990710	150 000	

Example 2:

Bank A — Milan sends a bank transfer to bank B — New York requesting them to debit bank A's account in the amount of USD 200 000 and credit bank C — London in favour of their Singapore branch in settlement of a foreign exchange transaction between bank A and bank C — Singapore.

See Table A.3.

Table A.3

	Bank transfer	Bank transfer	Credit advice
Sending bank	BANK A — MILAN	BANK B — NEW YORK	BANK C — LONDON
Receiving bank	BANK B — NEW YORK	BANK C — LONDON	BANK C — SINGAPORE
Sending bank's transaction reference	BANKA-1	BANKB-2	BANKC-2
Reference for the beneficiary	BANAIT1234BANCSG	BANAIT1234BANCSG	BANAIT1234BANCSG
Value date/currency code/amount	19990710USD200000,	19990710USD200000,	19990710USD200000,
Originator		BANK A — MILAN	BANK A — MILAN
Beneficiary's bank	BANK C — LONDON		
Beneficiary	BANK C — SINGAPORE	BANK C — SINGAPORE	

Subsequently, bank B will send both bank A — Milan and bank C — London account statements which will reflect the debit and credit to their respective accounts. In addition, bank C — London will send their Singapore branch an account statement which will reflect the credit to their account.

The statement entries pertaining to the example illustrated above will be as shown in Table A.4.

Table A.4

	Code	Reference for the account owner bank	Account servicing bank's reference	Supplementary details	Value date	Credit	Debit
Entry:	S202	Statement from bank B to bank A — Milan BANKA-1	BANKB-2		19990710		200 000
Entry:	S202	Statement from bank B to bank C — London BANAIT1234BANCSG	BANKB-2	B / O BANK A — MILAN	19990710	200 000	
Entry:	S910	Statement from bank C — London to bank C — Singapore BANAIT1234BANCSG	BANKC-2	B / O BANK A — MILAN	19990710	200 000	