



The Bank of Russia Standard

STO BR NPS-11.0-2021

**FINANCIAL MESSAGES IN THE NPS.
SETTLEMENTS BY LETTERS OF CREDIT**

INTERACTION MODELS

Introduction date: 2021-11-29

**Moscow
2021**

Preamble

ACCEPTED AND ENACTED by The Bank of Russia's order of 19.11. 2021, No. OD-2295, "On the enactment of the Bank of Russia Standard STO BR NPS-11.0-2020 "Financial messages in the NPS. Settlements by Letters of Credit. Interaction Models".

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Introduction

This Standard describes financial message exchange in the national payment system (hereinafter, the NPS) related to settlements by letters of credit (hereinafter, LC Settlements) at the review and conceptual levels in accordance with Bank of Russia Standard STO BR NPS-1.1-2020 'Financial Messages in the NPS. General Terms'.

1. Scope

This Standard is recommended for the use by organisations exchanging financial messages related to LC Settlements inside the Russian Federation.

This Standard is intended for:

- LC Settlements Participants;
- Developers of information and program software, information systems.

Provisions of this Standard are applied on a voluntary basis, unless regulatory acts of the Bank of Russia or the terms of contracts make some provisions obligatory. This Standard may be supplemented with the roles and scenarios used in the international practices as proposed by LC Settlements Parties.

2. Terms and definitions

This Standard uses the terms defined in the Bank of Russia regulations on LC Settlements and Bank of Russia Standard STO BR NPS-1.1-2020 "Financial Messages in the NPS. General Terms" and terms below are used in this Standard.

Debtor	– Party (legal entity, credit organisation, individual entrepreneur, individual) giving the instruction to open a letter of credit (hereinafter, LC).
Creditor	– Party (legal entity, credit organisation, individual entrepreneur, individual) for whose benefit the LC has been opened.
Issuing Agent	– Financial institution\or its branch that opens an LC as instructed by the Debtor or on its own behalf.
Executing Agent	– Financial institution\or its branch authorised by the Issuing Agent to honour an LC as per its conditions.
Confirming Agent	– Financial institution\or its branch undertaking, together with the Issuing Agent, the obligation to the Creditor to honour an irrevocable LC (within the amount it has confirmed jointly with the Issuing Agent).
Advising Agent	– Financial institution\or its branch engaged by the Issuing Agent or the Executing Agent (as authorised by the Issuing Agent) to transfer the LC, amendments to its conditions, documents, notifications, applications, notices, and other LC-related information to the LC Settlements Participants with no obligation to honour the LC.
LC Opening Application	– an instruction to open an LC the Debtor gives to the Issuing Agent.
LC Amendment Application	– an instruction to amend the LC the Debtor gives to the Issuing Agent.
Interaction Model	– Model of financial messaging between Participants of LC Settlements.
Business Process	– Definition of the business activities undertaken by Business Roles within the NPS whereby each Process fulfils one type of business activity and whereby a Process may include and extend other Processes;
Participant	– Institution (or a person) participating in the Business Process, performing a certain Business Role or a task;
Business Role	– Groups of actions, responsibilities, and authorities performed by the Participant in the Business Process;

3. Rules of the Interaction Models description

Interaction Models used in LC Settlements shall be formed in accordance with the Civil Code of the Russian Federation,¹ the NPS Law² and documentation on international financial (payment) messages based on the ISO 20022 Standard, including the following:

1) For situations when a credit institution receives an LC, amendments to LC conditions, documents, applications, notices, and other LC-related information, the NPS Law stipulates a number of instruction acceptance procedures (verification of rights to use funds, control of the integrity, structure and details of the instructions, and other procedures additionally set by banks) given the features of LC-related information exchange including the submission of LC documents through IT systems.

2) This Standard does not address such matters as the procedure for payment of an LC, refund of amounts paid in relation to the covered (deposited) LC, reimbursement of amounts paid in relation to uncovered (secured) LC, or situations when the Issuing Agent is the Executing Agent and advising Agent at the same time.

3) The exchange of financial messages in the course of money transfers, including those within the payment of an LC, is similar to the exchange of financial messages in the NPS in relation to credit transfers as described in Bank of Russia Standard STO BR NPS-2.2-2020 'Financial Messages in the NPS. Credit Transfers. Interaction Models'. This exchange is beyond this Standard.

4) Based on clauses 1 through 3 hereof, this Standard describes the Interaction Model for LC Opening (Amendment).

¹ § 3 'LC Settlements' of the Civil Code of the Russian Federation (part two) No. 14-FZ, dated 26 January 1996 (as amended) (hereinafter, the Russian Civil Code).

² Chapter 6 'LC Settlements' of Bank of Russia Regulation No. 762-P, dated 29 June 2021, 'On Funds Transfer Rules'.

4. Interaction Model for opening (Amendment) Letter of Credit (LC)

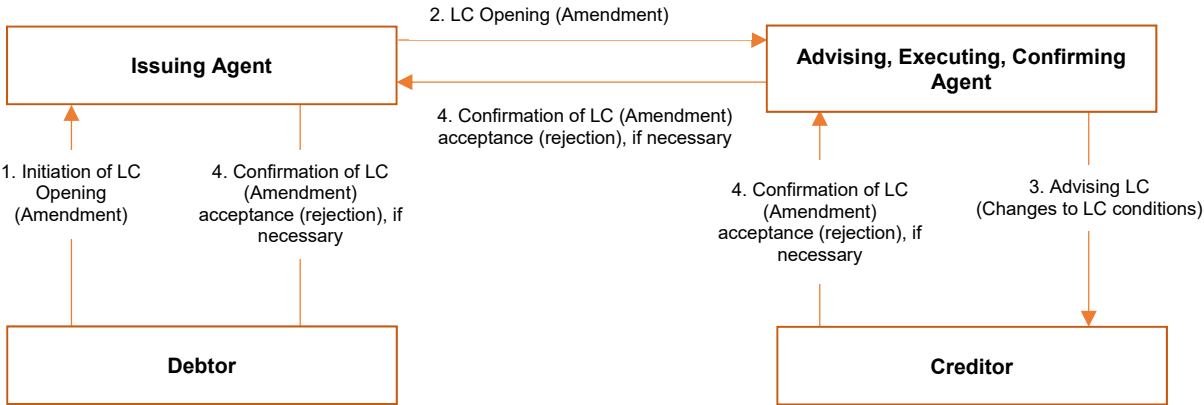
4.1. Review level

The LC Opening (Amendment) Interaction Model includes the following steps:

- Initiation of LC Opening (Amendment);
- LC Opening (Amendment);
- advising LC (Changes to LC conditions) ;
- Confirmation of LC (Amendment) acceptance (rejection), if necessary.

Figure 4.1 shows the LC opening (Amendment) interaction model workflow.

Figure 4.1. Interaction Model for LC opening (Amendment)



The Debtor is to send an LC Opening (Amendment) Application to the Issuing Agent. Upon its receipt, the Issuing Agent is to carry out the procedures for accepting the said application³ for execution. If the verification of the LC Opening (Amendment) Application has a negative outcome, the Issuing Agent sends to the Debtor a notice (status report) of rejection (indicating the reasons behind the rejection). Depending on these reasons, the Debtor may correct the LC Opening (Amendment) Application and send it again to the Issuing Agent.

If the verification of the LC Opening (Amendment) Application is positive, the Issuing Agent uses the instructions and data indicated in the Debtor’s message (including LC confirmation instructions, if any) to open (amend as proposed) the LC and send it to the Executing Agent, or the Confirming Agent (if necessary), or the Advising Agent. After that, the Debtor receives the notice of LC Opening (Amendment) from the Issuing Agent.

Upon receipt of the LC, the Executing Agent either accepts the authorisations to honour such LC, sends a message on the LC advising to the Advising Agent or directly to the Creditor, and informs the Issuing Agent accordingly; or rejects the said authorisations and sends to the Issuing Agent a notice (status report) on same.

To amend the LC conditions the Executing Agent either sends a message on advising the amendments to the LC conditions to the Advising Agent or directly to the Creditor and informs the Issuing Agent accordingly; or refuses to do so and sends to the Issuing Agent a notice (status report) of rejection of the authorisations specified herein; or sends a message on advising the amendments to the LC conditions indicating its rejection of the authorisations specified herein.⁴

Issuing Agent may request to have the LC confirmed by another Agent (the Confirming Agent). As part of the LC Opening, the Confirming Agent (if any) either undertakes to honour the LC, sends the message on the LC advising together with its confirmation to the Advising Agent or directly to the Creditor, and informs the Issuing Agent accordingly; or refuses to confirm the LC and sends to the Issuing Agent a notice (status report) of its refusal to confirm⁵ the LC; in the latter case, the Issuing Agent may forward the LC to another potential confirming Agent.

To amend the LC conditions the Confirming Agent (if any) either extends its confirmation to the amendments to the LC conditions,⁶ informs the Issuing Agent accordingly, and sends the message on advising the amendments to the LC conditions together with its confirmation of such amendments to the Advising Agent or directly to the Creditor;

³ If the Issuing Agent opens a letter of credit on its own behalf and at its own expense, it shall be deemed to be the Debtor.
⁴ Whether the Issuing Agent should be inquired about further actions and send the relevant instructions is to be determined based on the contractual relations between the Participants.
⁵ The Confirming Agent may advise an LC indicating that it refuses to give its confirmation.
⁶ If the amendment to the LC conditions is related to adding the confirmation to honour the LC under the LC not confirmed earlier, the Confirming Agent undertakes to honour the LC.

or refuses to confirm the amendments to the LC conditions and sends to the Issuing Agent a notice (status report) of its refusal to confirm the amendments to the LC conditions.⁷

As requested by the Issuing Agent or another advising Agent, the Advising Agent may advise an LC (amendments to LC conditions) to the Creditor directly or through another advising Agent. If there are several advising Agents, each of them forwards the message on the LC advising to the next participant in the LC Settlements chain, and the last advising Agent is to send such message to the Creditor. In this case, each advising Agent is to send to the preceding participant in the LC Settlements chain the information regarding the execution of instructions the former received from the latter. When advising an LC (amendments to LC conditions), the Advising Agent shall ensure that the message on the LC advising to be sent to the Creditor (next advising Agent) accurately describes the conditions of the opened LC (amendments to LC conditions) and is in line with the received instructions. If the Advising Agent refuses or is unable to advise the LC (amendments to LC conditions), it is to send to the preceding participant in the LC Settlements chain a notice (status report) of its refusal to perform the instructions it received from such participant.

After receiving the message on the LC Opening (amendment to LC conditions), the Creditor may inform the Issuing Agent about its acceptance or rejection of the opened LC (proposed amendments thereto) and indicate the reasons for such rejection, by sending a message via the same communication channels through which the Creditor received the above message on the LC Opening (amendment to its conditions). If such message is received by the Advising Agent, it is to send a notice thereof to the Issuing Agent, the Executing Agent, the Confirming Agent (if any) or another advising Agent in the chain of advising Agents.

The Issuing Agent is to inform the Debtor that the Creditor either accepts or rejects the opened LC (amendment to LC conditions).

The above Business Processes include the Business Roles indicated in Table 4.1 below.

Table 4.1. Business Roles

Business Processes	Business Roles
Initiation of LC Opening (Amendment)	Debtor Issuing Agent
LC Opening (Amendment)	Issuing Agent Executing Agent Advising Agent Confirming Agent
LC (Changes to LC conditions) advising	Executing Agent Advising Agent Confirming Agent Creditor
Confirmation of LC (Amendment) acceptance (rejection)	Debtor Issuing Agent Executing Agent Advising Agent Confirming Agent Creditor

⁷ If the Issuing Agent gives the relevant instructions, the Confirming Agent may advise the amendments to the LC conditions and indicate that it refuses to add its confirmation with regard to such amendments.

4.2. Conceptual level

4.2.1. Initiation of LC Opening (Amendment)

Figure 4.2. Communication of Business Roles

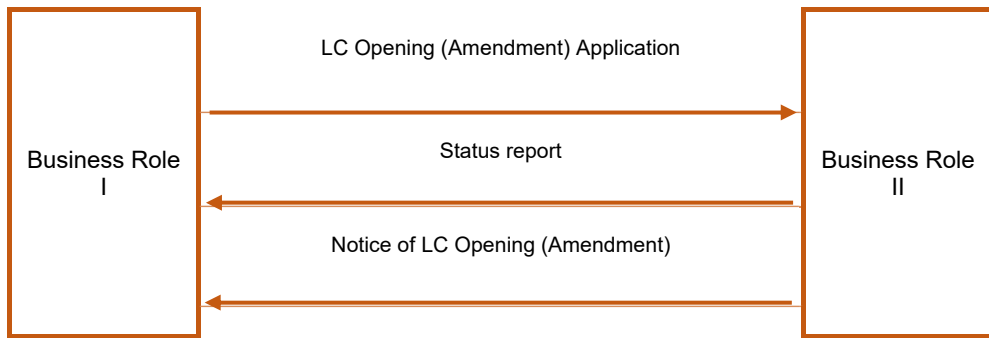


Table 2.2. Interacting Business Roles

Business Role I	Business Role II
Debtor	Issuing Agent

4.2.2. LC Opening (Amendment)

Figure 4.3. Communication of Business Roles

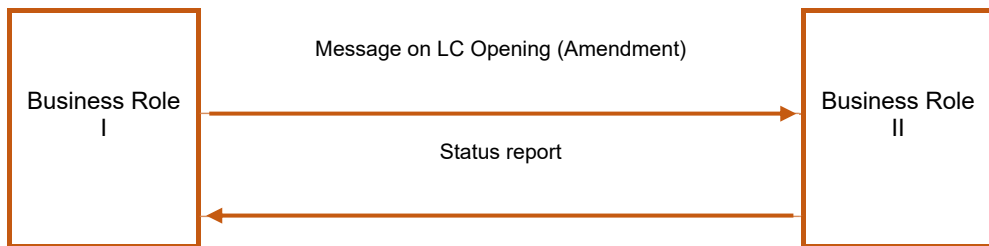


Table 4.3. Interacting Business Roles

Business Role I	Business Role II
Issuing Agent	Executing Agent Advising Agent Confirming Agent

4.2.3. LC advising (Changes to conditions LC)

Figure 4.4. Communication of Business Roles

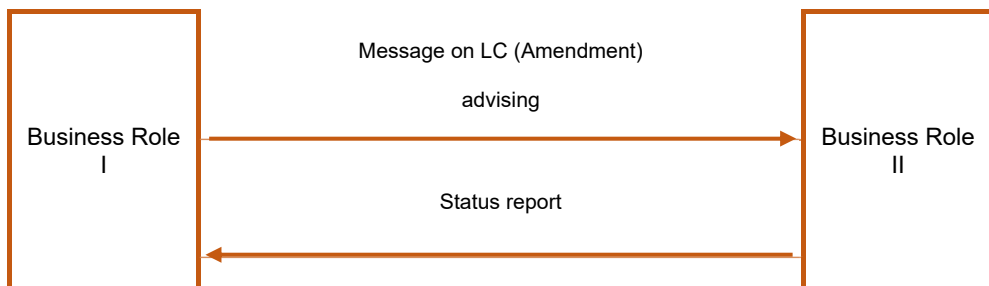


Table 4.4. Interacting Business Roles

Business Role I	Business Role II
Executing Agent Advising Agent Confirming Agent	Creditor Advising Agent

4.2.4. Confirmation of LC (Amendment) acceptance (rejection), if necessary

Figure 4.5. Communication of Business Roles

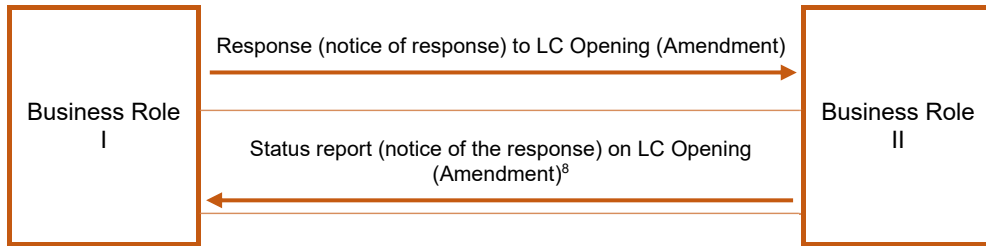


Table 4.5. Interacting Business Roles

Business Role I	Business Role II
Creditor Advising Agent Confirming Agent Executing Agent Issuing Agent	Advising Agent Confirming Agent Executing Agent Issuing Agent Debtor

4.2.5. Messages used in the Interaction Model

To perform actions between the two Business Roles in the LC Opening (Amendment) Interaction Model, the participants use the following financial messages from the set of messages developed based on the ISO 20022 Standard.

Table 4.6. Messages accepted for use in the NPS

Message	Action to take based on message
LC Opening Application	The Debtor sends to the Issuing Agent an LC Opening Application indicating applicable rules, timelines, and conditions of the LC to be opened
LC Opening	The Issuing Agent sends a message on the LC Opening to the Advising (Nominated, Confirming) Agent
LC Advising	The Advising (Nominated, Confirming) Agent sends the message on the LC advising to the Creditor either directly or through one or several advising Agents participating in the settlements chain
LC Opening Notice	The Issuing Agent sends the LC Opening Notice to the Debtor
LC Amendment Application	The Debtor sends the LC Amendment Application to the Issuing Agent
LC Amendment	The Issuing Agent sends the message on the LC Amendment to the Advising (Nominated, Confirming) Agent
LC Amendment Advising	The Advising (Nominated, Confirming) Agent informs the Creditor either directly or through one or several advising Agents participating in the settlements chain, about advising the LC amendment
LC Amendment Notice	The Issuing Agent sends the notice of the LC Amendment to the Debtor
Status Report	The originator sends to the recipient a report on acceptance or rejection of the messages (applications, inquiries, instructions) received from the recipient
	The Creditor replies whether it accepts or rejects the LC amendments
	The Advising (Nominated, Confirming) Agent sends to the Issuing Agent a notice regarding the acceptance or rejection of the LC amendments by the Creditor
	The Issuing Agent informs the Debtor about the acceptance or rejection of the LC amendments by the Creditor

⁸ Contractual relations between the Parties determine whether it is necessary to send the status report on the response (a notice of response) to LC opening (Amendment) in the course of confirmation of LC (Amendment) acceptance (rejection).

4.2.6. Main scenarios in the LC Opening (Amendment) Interaction Model

Scenario 1. LC Opening is subject to the positive outcome of all control procedures. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor. There is a response from the Creditor (positive/ negative).

Figure 4.6. Messaging, scenario 1

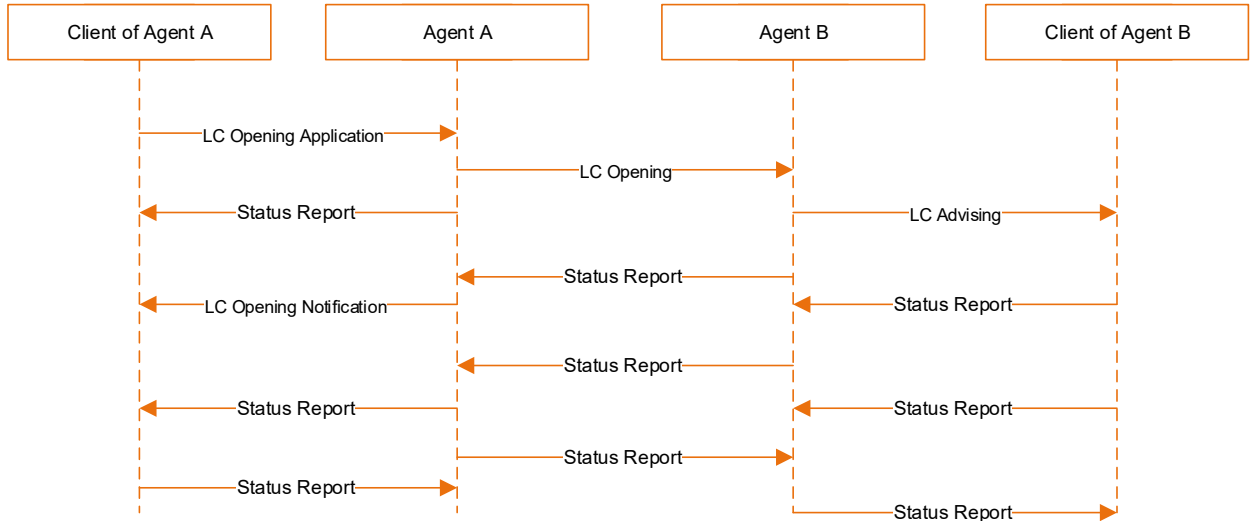


Table 4.7. Interacting business roles, scenario 1

Business Processes	Business Roles	Participants of the Messaging
LC Opening initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A
LC opening	Issuing Agent	Agent A
	Executing Agent Advising Agent Confirming Agent	Agent B
	Executing Agent Advising Agent Confirming Agent	Agent B
LC advising	Creditor	Client of Agent B
	Executing Agent Advising Agent Confirming Agent	Agent B
Confirmation of LC acceptance	Creditor	Client of Agent B
	Executing Agent Advising Agent Confirming Agent	Agent B
	Issuing Agent	Agent A
	Debtor	Client of Agent A

Scenario 2. The Issuing Agent rejects an LC Opening Application. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor.

Figure 4.7. Messaging, scenario 2



Table 4.8. Interacting business roles, scenario 2

Business Processes	Business Roles	Participants of the Messaging
LC Opening initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A

Scenario 3. The Confirming (Nominated, Advising) Agent rejects the authorisations indicated in the LC Opening message. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agent; a Client of Agent B is the Creditor;

Figure 4.8. Messaging, scenario 3

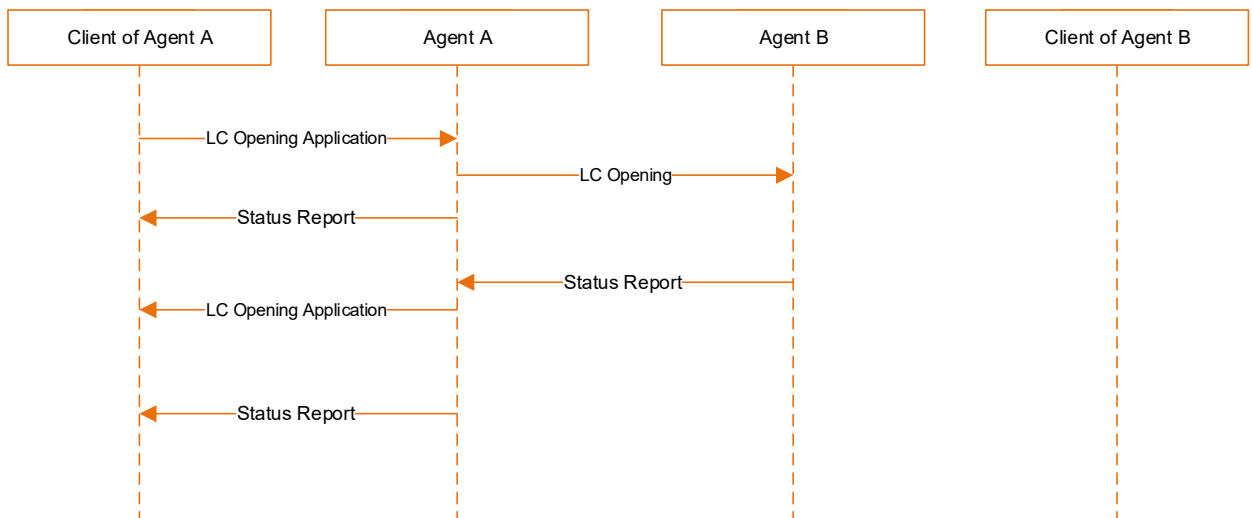


Table 4.9. Interacting business roles, scenario 3

Business Processes	Business Roles	Participants of the Messaging
LC Opening initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A
LC opening	Issuing Agent	Agent A
	Executing Agent Advising Agent Confirming Agent	Agent B

Scenario 4. The Creditor rejects the LC Advising message due to the negative outcome of the control procedures. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor.

Figure 4.9. Messaging, scenario 4

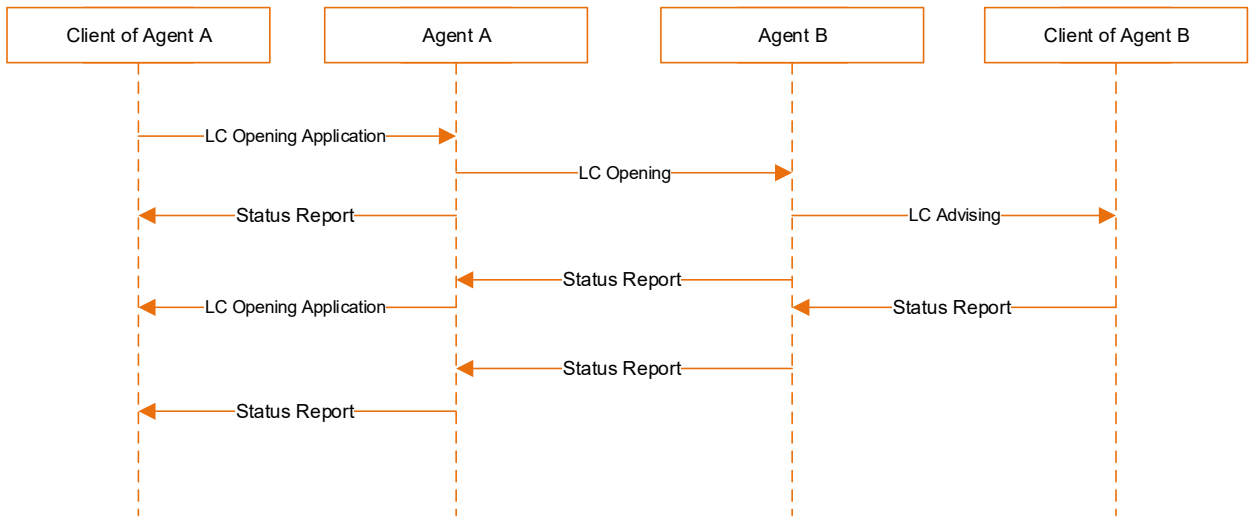


Table 4.10. Interacting business roles, scenario 4

Business Processes	Business Roles	Participants of the Messaging
LC Opening initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A
LC opening	Issuing Agent	Agent A
	Executing Agent Advising Agent Confirming Agent	Agent B
	Executing Agent Advising Agent Confirming Agent	Agent B
LC advising	Creditor	Client of Agent B

Scenario 5. LC amendments are possible if the outcome of all controls is positive. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor. There is a response from the Creditor (positive / negative).

Figure 4.10. Messaging, scenario 5

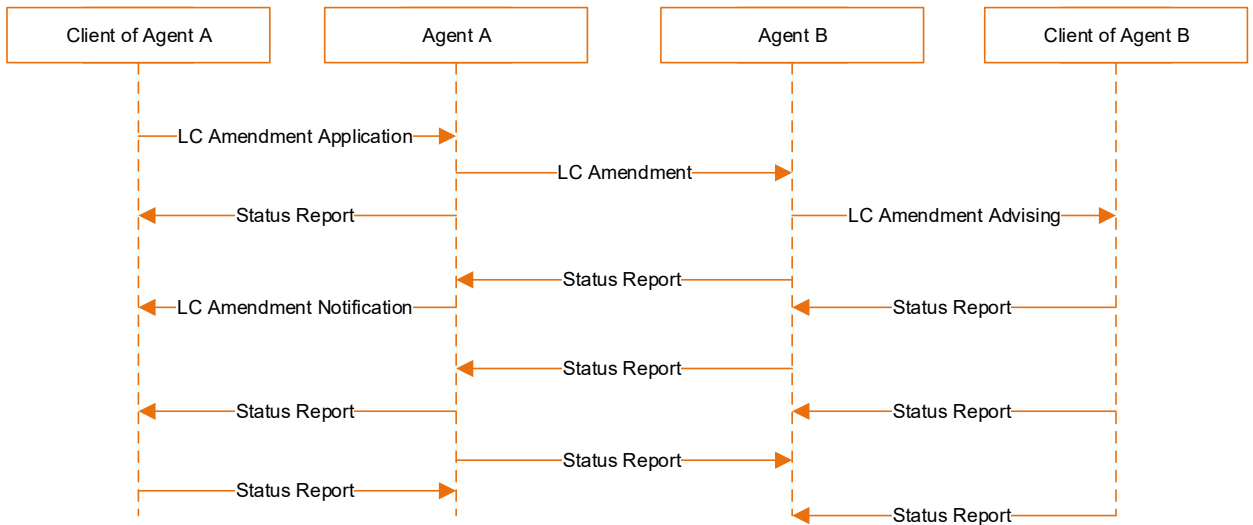


Table 4.11. Interacting business roles, scenario 5

Business Processes	Business Roles	Participants of the Messaging
LC Amendment initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A
LC amendment	Issuing Agent	Agent A
	Executing Agent Advising Agent Confirming Agent	Agent B
	Executing Agent Advising Agent Confirming Agent	Agent B
LC Amendment advising	Creditor	Client of Agent B
	Creditor	Client of Agent B
Confirmation of LC Amendment acceptance	Executing Agent Advising Agent Confirming Agent	Agent B
	Issuing Agent	Agent A
	Debtor	Client of Agent A
	Debtor	Client of Agent A

Scenario 6. The Issuing Agent rejects the LC Amendment Application. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor.

Figure 4.11. Messaging, scenario 6



Table 4.12. Interacting business roles, scenario 6

Business Processes	Business Roles	Participants of the Messaging
LC Amendment initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A

Scenario 7. The Confirming (Nominated, Advising) Agent rejects the authorisations indicated in the LC Amendment message. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor.

Figure 4.12. Messaging, scenario 7

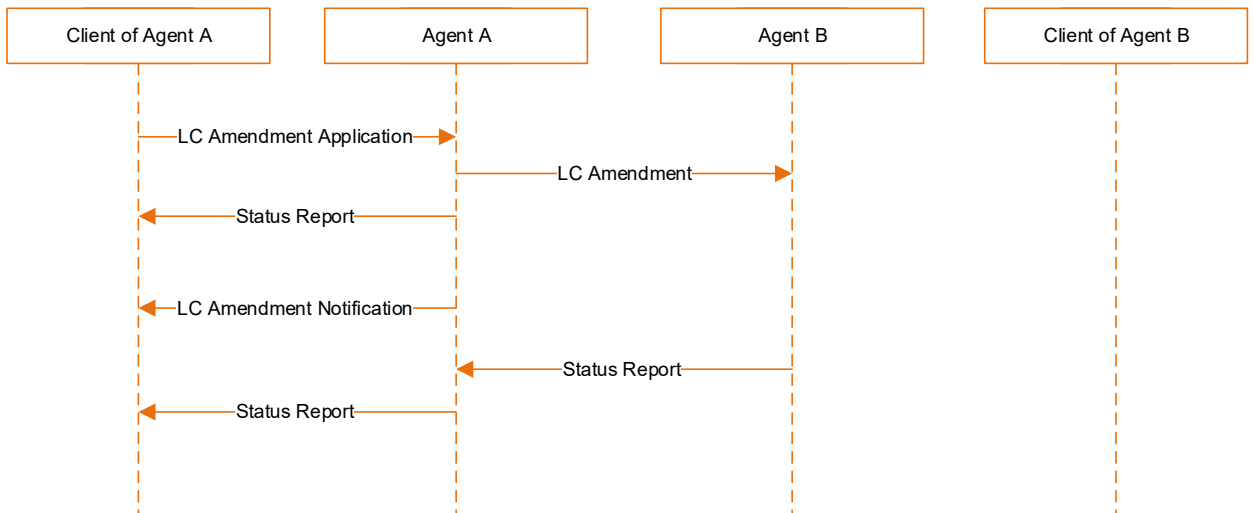


Table 4.13. Interacting business roles, scenario 7

Business Processes	Business Roles	Participants of the Messaging
LC Amendment initiation;	Debtor	Client of Agent A
	Issuing Agent	Agent A
LC amendment	Issuing Agent	Agent A
	Executing Agent Advising Agent Confirming Agent	Agent B

Scenario 8. The Creditor rejects the LC Amendment Advising message due to the negative outcome of the control procedures. A Client of Agent A is the Debtor; Agent A is the Issuing Agent; Agent B is the Nominated, Advising and Confirming Agents; a Client of Agent B is the Creditor.

Figure 4.13. Messaging, scenario 8

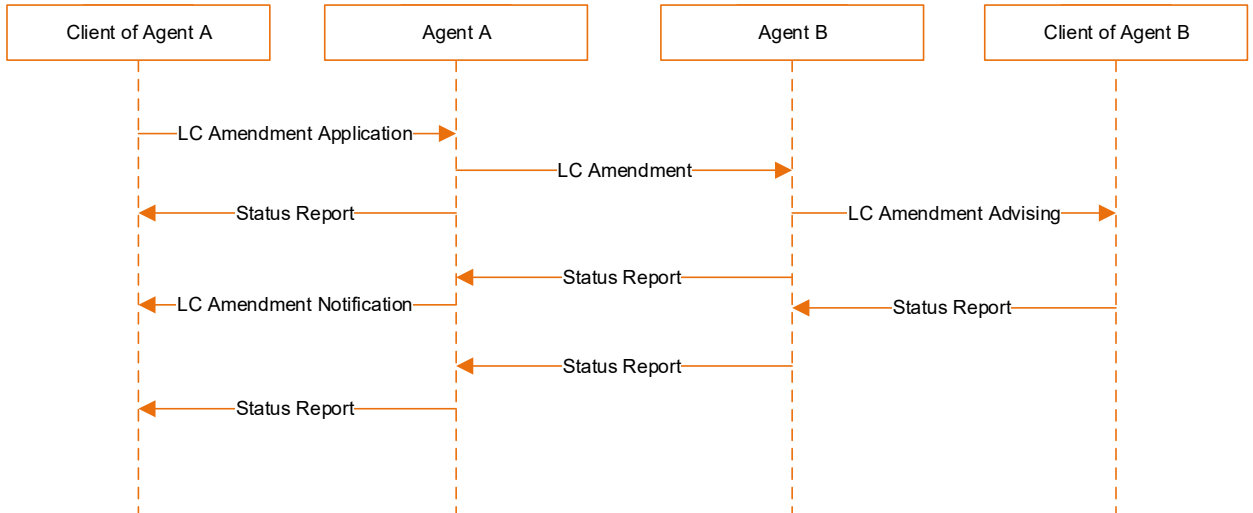


Table 4.14. Interacting business roles, scenario 8

Business Processes	Business Roles	Participants of the Messaging
L/C amendment initiation	Debtor	Client of Agent A
	Issuing Agent	Agent A
LC amendment	Issuing Agent	Agent A
	Executing Agent Advising Agent Confirming Agent	Agent B
	Executing Agent Advising Agent Confirming Agent	Agent B
LC Amendment advising	Creditor	Client of Agent B