



Family Office Integration with Wholesale Clearing & Settlement

Funding a Closed-loop stored value card system Utilizing

ISO 8583 Technical Implementation Guide XML Pain.001.001.03

ISO 8583 is an international standard for financial transaction card originated interchange messaging. It is the [International Organization for Standardization](#) standard for systems that exchange electronic transactions initiated by cardholders using [payment cards](#).

ISO 8583 defines a message format and a communication flow so that different systems can exchange these transaction requests and responses. In particular, the Mastercard, Visa and [Verve](#) networks base their authorization communications on the ISO 8583 standard, as do many other institutions and networks.

Purpose

HSC clears transaction with a non-connected BIC as the self-originator and the receiver for a closed-loop stored value card system, where the funds are settled to its acquiring bank account, under legal, operational, and regulatory requirements.

This is a common structure in stored value, prepaid, or digital wallet ecosystems where the HSC functions as a central operator.

Key Concept:

HSC facilitates closed-loop transactions and processes settlement by transferring funds **from its internal Treasury Bank ledger/platform** (self-originator) to its **external acquiring/settlement account** at a partner bank.

Flow Breakdown:

Role	Entity	Description
Self-Originator	HSC Captive Clearing Platform	Initiates a transfer from its internal value store (e.g., customer balances or merchant floats).
Receiver	Correspondent or Intermediary Bank Account	Receives funds at its acquiring or settlement bank.
BIC	Used in the message for identification , not for routing over SWIFT.	Used in the message for identification , not for routing over SWIFT.

Example Use Case:

HSC operate a closed-loop prepaid card system. At the end of day:

- You aggregate merchant acceptance or user reload balances.
- You initiate a credit transfer to **move settlement funds** into your own **clearing account at an acquiring bank** (e.g., Wells Fargo, JPMorgan).
- The transfer is submitted via **host-to-host, API, or a PSP aggregator** — not via SWIFT.
- The **non-connected BIC** is used for internal identification, not actual SWIFT messaging.

ISO 20022 (pain.001 or pacs.008)

```
<Dbtr>
  <Nm>HSC Captive Clearing Stored Value Platform</Nm>
</Dbtr>
<DbtrAcct>
  <Id>
    <Othr>
      <Id>INTERNAL-SV-POOL</Id>
    </Othr>
  </Id>
</DbtrAcct>
<DbtrAgt>
  <FinInstnId>
    <BICFI>CLRCUS33XXX</BICFI> <!-- Non-connected BIC -->
  </FinInstnId>
</DbtrAgt>

<Cdtr>
  <Nm> HSC Captive Clearing Acquirer Account</Nm>
</Cdtr>
<CdtrAcct>
  <Id>
    <IBAN>US00BANK0000012345</IBAN>
  </Id>
</CdtrAcct>
<CdtrAgt>
  <FinInstnId>
    <BICFI>WFBIUS6SXXX</BICFI> <!-- Example: Correspondent or Intermediary Bank -->
  </FinInstnId>
</CdtrAgt>
```

Regulatory & Compliance Conditions:

Area	Requirements
Stored Value Licensing	Must be authorized (e.g., as an MSB, EMI, or equivalent in your jurisdiction).
KYC/AML	Must maintain transaction-level audit and comply with monitoring rules.
Fund Segregation	Stored value funds (customer balances) must be held in trust/segregated form at the acquiring bank.
Reporting	Regulators may require transaction and float reporting for prepaid programs.

Key Limitations:

Topic	Risk
Not a true "clearing" event	Unless it involves third-party movement, it's effectively a ledger-to-bank movement , not interbank clearing.
Non-connected BIC	Can't be used for routing, only for identification in host-to-host messages.
Closed-loop status	No access to broader payment networks unless integrated with open-loop rails.

Summary:

Question	Answer
Can a non-connected clearing corp act as both ends in settlement?	Yes
Can it settle funds from a closed-loop stored value system to its own bank account?	Yes , through direct connection, not SWIFT.
Is using a non-connected BIC valid here?	Answer
Is using a non-connected BIC valid here?	Yes, for identification in non-SWIFT messaging.
What's required?	Proper licensing, clear audit trails, and compliance controls.