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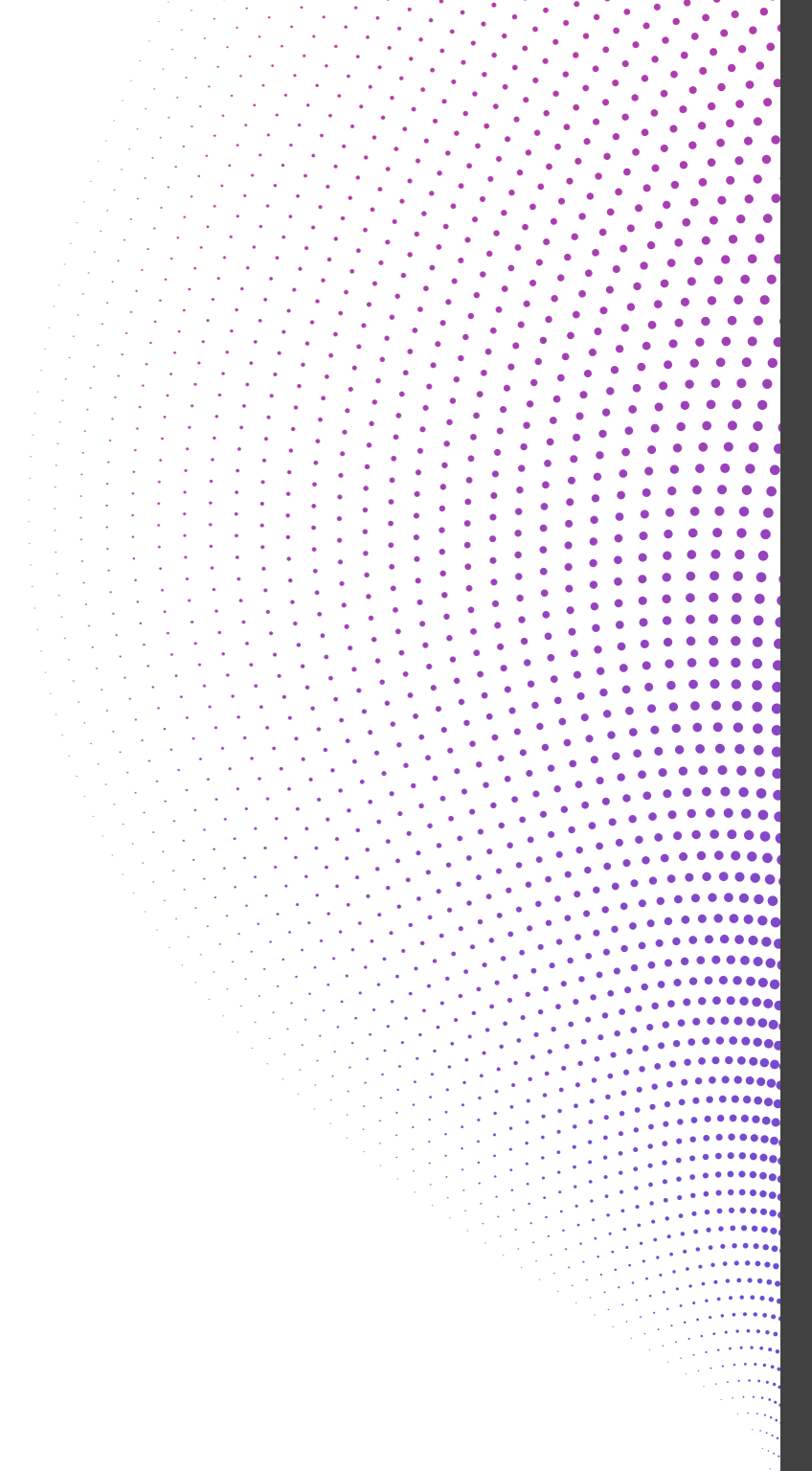
The future of payments is ISO 20022

How will you transition?



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Foreword

Digitalization comes to payments

In 1995, Don Tapscott wrote *The Digital Economy*. In this landmark work Tapscott accurately predicted the digitalization of business, at a time when most people still referred to the internet as the ‘information superhighway’. Twenty-five years on, and the payments industry is finally ready to go through the digitalization Tapscott predicted and which much of the business world started long ago. The catalyst is ISO 20022.

The current edition of the standard was published in May 2013, and it’s been clear since then that the standard represents the future of payments messaging. This is due to the rich information and process automation it enables. Indeed, Finastra’s payments hub is ISO 20022 native – built in readiness for the wider industry adoption that’s now gathering pace.

Once this adoption is complete, all stakeholders within the payments supply chain will benefit from truly digital payments messaging and, as a result, much more efficient payments processing. Corporates will benefit from data-rich messages that will provide them with all the information they need to automatically reconcile transactions the moment they happen.

Banks, meanwhile, will be able to get closer to their customers and offer better services.

As this happens, the nature of the entire payments supply chain will change: there will be no one owner. Instead, consumers, corporates, banks, software vendors, fintechs and other stakeholders will all play a part.

ISO 20022 messages will be the glue that binds this ecosystem together. Leveraging the structured data enabled by the standard – the first time such data has been available for payments – and drawing on credible partners like Finastra, all players in the payments supply chain will be able to work together, enrich their messages for new added-value applications, and enhance their business processes.

That’s not to say that the adoption of ISO 20022 will be plain sailing. One challenge is that the standard describes an asynchronous messaging process. For banks, which currently rely on return messages to confirm the successful completion of a payment transaction, this will cause significant upheaval, and is a change that underscores the need for everyone in the payments ecosystem to get ISO 20022 migration right. Banks will need to overhaul their business

processes and operations to adapt to asynchronous messaging. This will in turn require new systems, such as Confirmation of Payee and Request to Pay. ISO 20022’s global implementation will be the defining moment that empowers the industry to move forward with these standards.

Finastra and the wider payments industry is already working on solutions to this challenge, and it will be overcome. And as this white paper makes clear, the rewards of ISO 20022 make any temporary disruption more than worth it. We’re entering a new era of payments messaging that will drive competition, innovation and efficiency through interlinked partner ecosystems. For our part, we’re already helping a broad variety of stakeholders process and enrich their payments, and we look forward to continuing this work as digitalization takes hold in the wake of ISO 20022’s implementation.

Enjoy the report.

Paul Thomalla
Global Head of Payments, Finastra





Introduction

The future of payments is ISO 20022: How will you transition?

The changeover from the legacy FIN MT messaging standard to the data-rich ISO MX standard is a positive step forward for all participants in the payments value chain. It does, however, introduce a number of complications stemming from the significant differences between the two standards. So how are banks approaching this task?

Migration to ISO 20022 is moving at pace. What started off in the Automated Clearing House (ACH) world with the Single European Payments Area (SEPA) is increasingly becoming the de-facto standard for Instant payments (IP) and, in particular, for high value (HV) payments. Today, many clearing system users and operators recognize the benefit of moving away from proprietary formats to a global standard that facilitates interoperability, rich data and increased automation.

The approach to adoption varies, with one of two models being taken:

1. A one-step, or "big bang", migration
2. A multiple-step, or "like-for-like", migration (where data fields and messages are gradually moved over)

During a period of like-for-like support, only those ISO 20022 fields that correspond to the legacy format are used, which makes the migration simple and safe (this is the approach being taken by CHAPS, for example). Conversely, a big bang approach involves an immediate move to full ISO 20022 support with all the associated benefits (as is the case for TARGET2 and EURO1). The situation is more complex in the UK, as the country's planned New Payments Architecture (NPA) covers the transition of multiple retail rails to ISO 20022 alongside that of the Real-Time Gross Settlement (RTGS) system.

In the US market, both Fedwire and CHIPS initially planned a like-for-like transition period. However, given that the Eurozone systems are taking the

big bang route, Fedwire and CHIPS are now consulting around the merits of such an approach themselves – albeit with a longer timeframe. Hong Kong HV is another system moving to ISO 20022 in one big bang, so even given further debates on the like-for-like model, we envision that all these systems and currencies will have moved over to ISO 20022 by end of 2023.

In this paper, experts from [Finastra](#), [Infosys](#) and [SWIFT](#) provide perspectives around the challenges and opportunities around ISO 20022 adoption as the industry steps up its preparations for the new standard.

Section one

What are the operational considerations?

SWIFT is planning to introduce ISO 20022 messaging for the many-to-many service it operates by end of 2022. This will be implemented alongside the existing FIN MT service, giving institutions a window of time to adopt the new format. SWIFT is developing solutions to minimize or avoid data truncation, a consequence of conversion requiring a prioritization of which information from ISO 20022 payments is mapped into the condensed MT message. SWIFT works closely with its community of banks from around the globe to define clear usage guidelines and document common market practices to address these issues and bring the immediate benefits of enriched data to correspondent banking.

As part of the transition, there will be a three-year co-existence period where systems can continue to send and receive using MT format so long as they are prepared to receive and operate with the additional data coming from those institutions who adopt and implement ISO 20022 from the start.

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While migration to ISO 20022 isn't mandatory for corporates, it's likely that many will choose to adopt the standard to benefit from faster Straight Through Processing. In my experience, large enterprises are happy to get on board with ISO 20022 when they realize they can collect more data through MX messaging, which can then be applied to areas such as internal reconciliation and treasury management. //

Harcus Copper

Head of Integration and Information Services, Digital Banking, Barclays

SWIFT is further enhancing its message translation capabilities which can run in several modes (such as via an Application Programming Interface (API), or on-premise) to support institutions of all sizes in the adoption process.

A number of challenges exist that are mutually shared amongst financial institutions, such as the ability to transfer the full set of payment remittance details to the next agent. To help alleviate the total effort of its community and provide an efficient solution, SWIFT is employing new measures to assist with such scenarios. However, institutions must investigate their own situations and should assess this early within their project planning.

The good news is that from a sanctions screening perspective, ISO 20022 will provide immediate benefits to banks. This is because the enriched information enabled by the standard will help reduce false positives, which in turn will reduce costs for banks and help accelerate the Straight Through Processing (STP) rate.

It is also worth noting that the SWIFT gpi initiative will work across both MT and MX standards and so, for example, the gpi Tracker will be able to stitch together messages via the UETR for both message types.

For banks, it will not only be important to take the impact of adherence on their back-office into account, but also how the transition timelines impact their customer propositions. For corporate customers and Non-Banking Financial Institutions (NBFIs) that aren't directly connected to the clearing schemes and who want to move to the new standard, the transition should be largely invisible as the bank is already defining how the payment instruction is represented (through the online channel, for example), and does the necessary transformation into the messaging formats demanded by the clearing in the background.

From a bank's perspective, while there is initial heavy-lifting to do as today there is a wide mix of ISO, proprietary and MT-based channels, consolidation on ISO 20022 will ultimately result in great efficiency gains, with all payment types having a standard representation.

Also, while as already mentioned the impact should be low on customers

submitting payments through the bank's proprietary channels, Eurozone banks are now familiar with ISO standards through their use of FileAct, which supports the ISO 20022 format and has been widely used for these payments since the introduction of SEPA. To date, this use has tended to be limited to the payment files, and reporting has frequently remained the domain of MT9xx series messages (although this will likely change as corporates gain a better understanding of the benefits of enriched messaging data for reporting and other functions).

Some of the largest gains for banks can be expected from the introduction of better structured, granular party information supported by ISO 20022 that will be introduced to payment submission; this will have a major impact on STP rates and avoid false positive hits and the manual intervention arising from poor quality data.

ISO 2022 adoption: enriching the payments value chain

The adoption of ISO 2022 is part of a wider global trend towards payments processing standardization. Through standardization, banks across the world hope to drive business efficiencies and catch up with fast-changing market trends.

ISO 2022 has been around for nearly two decades, yet banks have mostly been reluctant to switch to the standard completely. The outdated yet still functional MT framework has therefore proved to be enduring.

Built in an era where it was necessary to use every single byte of message sparingly, MT had – and some think still does have – the advantage of being a no-nonsense format thanks to its underlying principle of sharing only what's absolutely needed. Moreover, given that banks have billions invested in MT-like architectures, a decision to switch is a board level issue with critical implications. It's little wonder therefore that MT is still with us.

However, change is required. This is because the payments landscape now operates on a scale not seen before. If a payment transaction in the 1980s can be equated to a single person riding a bicycle and carrying a single bag, today's payments transactions are like high-speed trains carrying thousands of passengers and a whole heap of luggage. Indeed, the total volume of payments data processed in the whole of 1980 is now processed every single hour.





Changing the face of payments

While barely noticeable to consumers, being able to transmit and receive a much larger set of data points within a single payment is a game changer for players in the payments value chain.

This is because additional data unlocks a range of benefits including:

- Deeper insights into customers and partners
- Better accounting and financial data
- More flexibility
- More transparent payments


These benefits can only be accessed through the MX format and there is no way to postpone the switch any longer.

We have seen three different transition models being deployed on the market:

1. The translation model


This approach involves translating incoming MX messages to the MT format and vice versa for outgoing messages. Doing so reduces disruption, as banks can keep on using their legacy internal systems. A range of IT providers and solutions are available to help enable this model.


 **Pros:** Less disruptive. Lower upfront cost.

 **Cons:** Heavy dependence on third parties. Less interoperability with fintechs. No new customer insight.

2. The complete overhaul model

In this approach, organizations prepare then execute a wholesale architecture transformation based on the latest payments and accounting systems.

 **Pros:** Able to leverage rich data across the business. New insights on the market and customers.

 **Cons:** Quite disruptive. Heavy upfront investment.

3. The hybrid model

Large banks that are present in dozens of geographies have opted for a hybrid approach where translation is used in some markets and complete overhauls in others. The choice varies according to the risk appetite or the regulatory situation in each market.

 **Pros:** Flexibility. Ability to localize strategic response.

 **Cons:** Added complexity.

Deciding which approach to take is only the beginning. Banks must also ensure their payments operations strategy is aligned with their chosen model. Here they have multiple choices varying from upskilling for MX (hybrid), hiring for MX (overhaul) or putting change off to a later date (translation). We are currently too early in the transition journey to determine which approach is best. That said, it does now seem clear that continued avoidance of the transition requirement is the least safe bet.

Section two

The view from Infosys

The challenges of MX migration are much more serious than some banks perceive. This is because the transition isn't as simple as a format change or a "tick box" compliance effort. Rather, the new format underpins a fundamental transformation of the payments world. Banks can either take a "wait and see" approach and do the bare minimum required of them, or they can use this opportunity to completely rethink their end-to-end payments service.

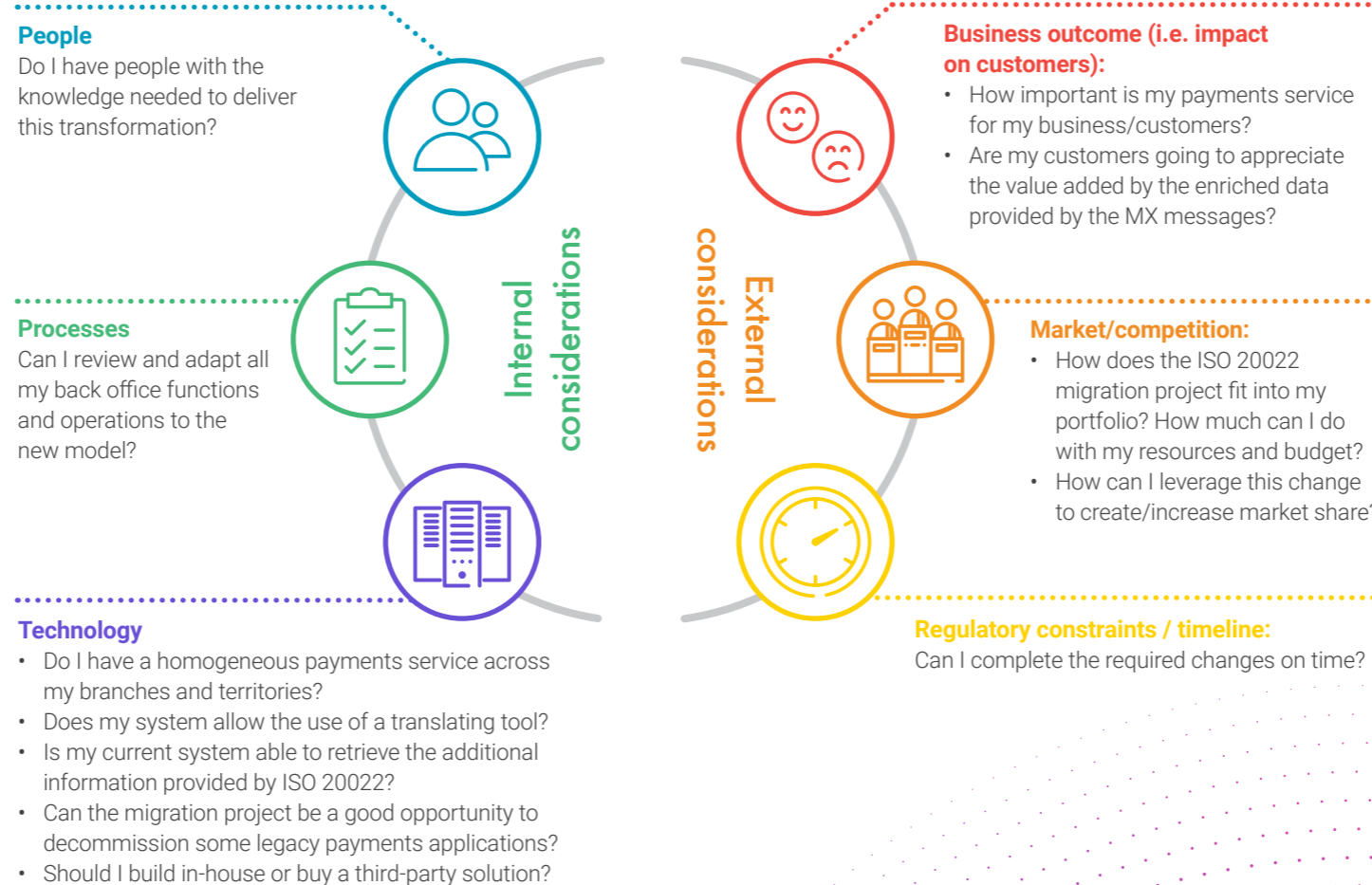
Opposite are some key questions banks must ask themselves to decide which approach to take. They can be framed using both internal and external considerations:



This is not only a format change project but a full change in the payments service paradigm.

Thierry Fezeu

Payments Principal, Infosys



The answers to these questions will help banks understand whether the translation model, complete overhaul or hybrid approach is best suited to their needs.

Overall, we believe that installing a translation application at the end of the payments channel is a good option for all banks as it reduces the risk of them failing to ready themselves in time. Such applications enable banks to decouple further internal change in their downstream applications from the mandatory migration dates.

However, implementing translation applications should not be seen as an end in itself: it is merely a stopgap to allow banks time to conduct a full assessment of their operations and back office applications. This assessment should be used to map the full potential of the new format to improve interbank operations and bank-to-customer interaction.

The many opportunities of data

As outlined earlier in this report, it's important for banks to consider the opportunities arising from the additional data generated by the new format. Banks are investing heavily in data management systems and the area has been identified as one of the hottest topics for banks and fintechs in 2020.

MX messaging unlocks a raft of new data that can be used by banks to better profile and target their customers and deliver enhanced customer experiences.

The MT to MX migration shouldn't be viewed as an onerous and resource-intensive compliance exercise. Rather, it should be welcomed as a great opportunity for organizations to:

- Explore the decommissioning of legacy applications
- Enhance current propositions with value added services that leverage the extended information provided by ISO 20022
- Consolidate the core payments service for the different payment schemes

Eurozone banks are well ahead of UK banks since they have already consolidated their domestic payments and direct debits

under SEPA and have gained experience in managing ISO 20022. Migrating TARGET2 to ISO 20022 should not, therefore, present much of a challenge.

Although UK banks have used SEPA for most of their cross-border payments, they will need additional effort to adapt TARGET2 as the format is deeply entrenched in legacy applications. UK banks should use this transition as an opportunity to learn important and relevant lessons for the future migration of the domestic schemes.

The TARGET2 migration from legacy MT to MX ISO 20022 is just another step in the path to standardization that the new scheme will provide. Globally, banks and corporates alike have been moving out of MT and into ISO 20022 for some years. A lot of work has already been done and a

lot of successful milestones have been achieved (with SEPA being one of the most important). Of course, there's still much work to be done and the transition will eat up a lot of resource and budget. But as long as they make the right choices, banks and corporates will experience a growing range of benefits associated with moving their payment schemes to ISO 20022.

A bright future of full integration between different payment schemes, more efficient sanctions screening, better knowledge of customer habits and needs, fraud reduction, more effective cash management, cross-border payments completed in minutes, easier and faster integration between banks and fintech companies, and much, much more is getting closer by the day.

The opportunities of ISO 20022 migration

ISO 20022 migration brings with it a range of benefits for all players in the payments value chain.

1

More structured data and standardization

Moving to the MX standard allows payments to carry significantly more structured data, and introduces standardization across previously different types of payments. Apart from standardization, the richer data capabilities of the ISO 20022 based messages allow for increasing the value delivered to customers of banks.

2

Greater efficiency

ISO 20022 will deliver major benefits for banks in terms of efficiency, cost and STP rates. The likelihood of errors is also lower, especially if the entire payment chain uses a uniform format. Finally, the extra information that's provided for in ISO 20022 messaging can be used to enable easier real-time tracking of a payment message across multiple banks and payment systems.

3

Openness and interoperability

ISO 20022 is an open standard. Anyone can contribute new candidate models and messages for approval by the ISO 20022 registration bodies, and the standard operates across both legacy and emerging technologies. SWIFT is leading cross-industry work to ensure implementations of the standard are harmonized.

4

Better customer service

With ISO 20022, complete remittance details may be carried with a payment so customers can more easily automate account reconciliation or manage payments "on behalf of" other entities. For gpi payments, rich data can be carried and viewed in the Tracker. ISO 20022 will also help to deliver the requirements of open banking by making it easier for data to be exchanged with other service providers, technology partners and customers. ISO 20022 messages can also accommodate non-Latin character sets.

The challenges of migration

The benefits of ISO 20022 can only be unlocked in full if banks are able to overcome several challenges around the migration.

First, banks will need to manage a number of complex changes to their IT environment. This not only includes back-office components, but also front-ends used for payment initiation, reporting and cash management (treasury) systems. All of these components must be adapted to the new field length, additional fields, character set, and the new message format that comes with ISO 20022. This complexity will be multiplied by the number of applications that need to be adapted, as different application components have different owners, users, roadmaps, priorities, and compliance procedures.

Second, the timeline to complete the transition is very challenging. The EU's migration from FIN to ISO in November 2021 is set to be followed by the US in 2023, with the full global switchover scheduled for completion in 2025. Within just five years, payments processing and reconciliation will need to be based fully on ISO 20022. While it might be possible to handle the overflow ISO data in the short term via workarounds, banks may find their ability to develop competitive and compelling services for

customers is constrained if they do not prepare for full alignment with MX by 2025.

There are also operational considerations to bear in mind. The migration to ISO 20022 not only affects IT systems, but also business rules and process workflows. Here, special attention should be paid to individual business and operating models, as there are different implications for banks that are direct clearing participants as opposed to those that process payments via correspondent banking.

These implications include communication methods and ISO 20022 usage guidelines, but also coverage to accommodate new operating hours. The IT migration will have an impact that goes far beyond core payments processing, affecting peripheral systems such as anti-financial-crime applications (especially embargo/sanctions screening as well as AML systems), liquidity management, billing, account reporting, nostro reconciliation and archive systems.

When it comes to infrastructure, banks will need to consider the fact that ISO 20022 contains substantially more data than

conventional legacy formats (two or three times the amount). Bank infrastructure (systems, databases, lines etc.) will need to be capable of processing these larger data volumes and also at faster speeds for real-time payments, intraday liquidity management, compliance checks, and fraud detection and prevention.

Given the significant impact on IT architecture, it is natural that some banks may consider workarounds. As mentioned earlier in this paper, one possibility is the use of translation applications at the inlet/outlets of the payments processing, or at the interfaces to other systems, in order to convert existing formats into ISO 20022 or vice-versa. However, with this approach there's a concern that important information might be lost in transmission which, in turn, may mean a competitive disadvantage or compliance problems.

Finally, there are broader challenges from ISO 20022 that all market participants will need to consider. The options and recommendations for market participants migrating to ISO 20022 will vary depending on whether they are bank or corporate,

global or regional, and depending on their level of involvement with payments. The impact will be greatest for global banks, affecting all aspects of the payment chain from their handling of structured payment-party information at the initiation stage to the provision of camt statements once the payment has been settled. As a result, global banks will need to establish a global project and assess the impact the migration will have on their commercial model and local entities.

Like their global counterparts, regional banks will be mandated to implement a number of changes across their payment chain – though with slightly enhanced optionality. As such, the impact of the migration will also be high for regional banks – particularly those in Europe which have a hard deadline in November 2021 for the RTGS renewal. Meanwhile, banks operating outside Europe will have more time and flexibility to complete their migration.

ISO 20022 implementation best practices

To make the most of the opportunities on offer with the transition while mitigating the challenges, it's clear that banks will need to come up with a robust migration strategy.

We believe there are four key areas that banks should consider when building their strategies:

1. Should the connections to the respective infrastructures (direct/indirect) be maintained or adapted? What are the consequences and risks associated with the respective changes?
2. Should the migration be carried out in phased steps, or should as much as possible be performed in a single step?
3. Should the entire architecture be migrated to ISO 20022 or should some tactical workaround solutions be integrated into the overall strategy?
4. Which IT changes are most appropriate: make, use or buy?

The answers to these questions should be clarified within the framework of a pre-transition evaluation. During this phase, it's important to involve clients and external partners (such as vendors) and other stakeholders. It will also be necessary to compile any information published by the respective payment infrastructures.

		2018	2019	2020			2021			
		Dec	Mar	Jul	Oct	Dec	Mar	Sep	Oct	Nov
Milestones	1. T2/T2S consolidation project set-up	•								
	2. Internal adaptation/assessment is started		•							
	3. Network Service Providers procured			•						
	4. Completion of the software development for the required adaptation changes to T2 (CLM and RTGS)				•					
	5. Completion of the internal testing before end-to-end market testing					•				
	6. Completion of network connectivity tests and ready to start the end-to-end market testing activities						•			
	7. Completion of user testing activities (including community and dress rehearsals for the migration)							•		
	8. Completion of contractual and legal adaptation							•		
	9. Internal staff trained							•		
	10. Completion of operational procedures adaptation							•		
	11. Ready to start migration activities on production environment								•	
	12. Completion of migration activities									•
	13. Go-live of T2									•

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In today's world, processing a transaction is becoming increasingly complex, competitive and commoditized. The challenge for banks is to harness information from the payment flows to provide intelligence and value-added services to clients."

Ryan McAuliffe

Payment Initiatives Expert, SWIFT

Section three

The view from SWIFT

First published in 2004, ISO 20022 has already been adopted in more than 70 countries, replacing domestic and legacy formats.

As banks and other financial institutions look to leverage payments data to drive value for clients, the key challenge will be to rationalize the current medley of standards and proprietary formats used around the globe in an efficient and strategic manner.

ISO 20022 directly supports this aim, as it prioritizes richness of data over message size and operational constraints of older systems. As technology advances, this change represents a natural evolution that will assist with efficient and successful transactions and enable data-driven insights gleaned from global payments businesses.

The timing has never been better for the global financial community to move forward with this new standard. Already, the Eurosystem and EBA Clearing have started taking measures to renew their Target2 and EURO1 payment schemes with the adoption of ISO 20022 as a fundamental component. Other major market infrastructures such as those operated by the US Federal Reserve, the Clearing House, Bank of England, the Hong Kong Monetary Authority and the Monetary Authority of Singapore are also planning their shift to the new standard.

The impact on the industry

Once these key payment systems have migrated to ISO 20022, approximately 80% of transactional volume worldwide will be utilizing the new standard. But more is to come.

In 2018, the SWIFT community resolved to adopt ISO 20022 for cross-border payments and cash reporting to enable banks to maximize their investment and further reap the benefits of better data. As recently announced, adoption will take place over a three-year coexistence period starting at the end of 2022. SWIFT is taking measures to help facilitate a harmonized experience as different 'legs' of a payment can happen across domestic systems and correspondent banking.

As discussed elsewhere in this paper, the adoption of ISO 20022 allows for additional, enriched data to be transferred within the payment instruction. This new format has more granular and better organized data elements, and a consistent data dictionary across the payments chain to speed processing and improve compliance. This prevents misinterpretation, and expensive manual interventions. All of this will facilitate improved processing and allow all agents in the payment to make more informed compliance decisions.

The applications of ISO 20022

The rich data enabled by ISO 20022 will feed into a wide range of new use cases for players in the payments value chain.

- In the short term, gains will quickly be realized through the ability to include additional party and remittance information to help reconcile transactions. For example, QR codes are being used more frequently within invoices to clearly identify the beneficiary and facilitate automation in their back office. The full details of the creditor reference derived from the QR code can now be maintained throughout the payment chain without fear of truncation.
- In the medium term, institutions will be able to limit the resources they have to dedicate to exception handling and one-off investigations due to missing information or unstructured input that cannot be easily integrated into automated workflows. In a world fully embracing ISO 20022, such exceptions can be easily avoided at the time of origination by leveraging the new standard's additional data elements and codification of inputs.
- In the long term, data that is properly structured and adhered to will support better regulatory compliance practices and financial crime monitoring. The ISO 20022 payment standards allow for end-to-end transparency and contain elements specifically designated for items such as purpose codes, regulatory reporting and tax identification. Additionally, ISO 20022 will enable a more comprehensive and actionable view of an institution's transactions based on these detailed data elements and will complement existing analytics tools such as payments tracking.

Which is the best deployment model?

Organizations can choose to adopt ISO 20022 either in a phased, "like-for-like" manner, or to do it all in one "big bang" approach.

From our perspective, the like-for-like model, which allows institutions to initially re-use current data elements from SWIFT MT or proprietary to the new format and then enable rich data at a later stage, is good for participants that can't process new data elements immediately. While less disruptive, this strategy requires two migrations towards rich ISO 20022-enabled data, which adds cost. However, when migrating a large and diverse community, this approach can be pragmatic to accommodate for the planning constraints and resource requirements of those impacted.

Given that there is a convergence of market infrastructures moving to ISO 20022 in coming years, we believe the big-bang approach, where institutions enable rich data from the start, may be more efficient. Market infrastructures and financial institutions should carefully consider the benefits and costs of either approach before making a choice.

Benefits for all

The new standard will bring with it a broad range of benefits that will be felt right across the payments community:

- Financial institutions can increase operational efficiency by leveraging new data elements and structured party identification details, as well as derive further intelligence on their transactions, extending those insights to their clients.
- Fintechs will be able to leverage their financial institution partners in a new way, working closely together to provide increasingly customized services to clients with the opportunity to synthesize data coming from multiple sources, or to explore multiple markets while leveraging a singular development effort.
- Clients will have a better experience in terms of Straight Through Processing for their payments and reduced complexity for the originating party, benefiting from a more comprehensive way to identify their counter-party for the transaction, helping to reduce errors and minimize manual tasks.

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Who benefits from ISO 20022: fintechs, banks or customers? Dare I say everyone?!

Ryan McAuliffe

Payment Initiatives Expert, SWIFT

Networks will benefit from harmonizing their local standards with a globally defined framework, and the enhanced structure of data to allow for centralized services to be redesigned to accommodate more of their users.

- Software providers will be able to extract learnings from the now structured data to provide business insights and create value-added services, which can be deployed widely without major additional developments for local format variations.

Use case: ISO 20022 Extended Remittance Information

Imagine a corporate sends an invoice for several items of different types. If some were damaged in transit, the amount of the payment might not reconcile with the invoice. Today, manual intervention on both sides – phone calls, emails, faxes – is required to resolve the discrepancy.

ISO 20022 Extended Remittance Information (ERI), on the other hand, will allow complete and detailed information about the transaction to be included with the payment, including structured references to linked documents, line items, etc., extending the potential for automated reconciliation. In recent research by Payments Canada and EY, the estimated five-year cost of low automated reconciliation rates ranges from \$7.4B to \$13.6B CAD in Canada alone, so the global potential for savings is huge.



The integration challenge for banks

One challenge facing many institutions is the necessity to adapt the structure of their current datasets, such as underlying client information (name, address, account information, etc.) to be aligned in a way that correlates to the standardized elements of ISO 20022.

This reorganization of client information may be from various internal sources and therefore require a project to aggregate or amalgamate data within these systems.

Financial institutions should establish a consistent data model for all financial transactions based on ISO 20022, whether instantiated as ISO 20022 XML messages, JSON formats over API or new data formats in the future.

What's clear is that there is every reason to overcome such challenges. ISO 20022 isn't a 'must do' obligation, it's a 'must have' asset. The beauty of ISO 20022 is that it will facilitate the industry creating new ways of addressing concerns as they occur in a mutually agreed global manner. The standard thereby promises to end the challenges of aligning different, unique information formats across geographies.

SWIFT, fintechs and industry innovation

As ISO 20022 provides a common, rich dictionary for the exchange of financial data across the payment ecosystem, traditional financial institutions and new fintech players will be better able to collaborate and innovate across multiple mediums.

Whether used in XML format for traditional messaging, JSON format for API exchanges, or within new technology yet to emerge, the payments community will have a more transparent and structured way to communicate and transact.

Fintechs will be able to maximize their ability to scale by implementing ISO 20022 from their foundation, thus allowing for a streamlined operational expansion into new markets where ISO 20022 is adopted as their business expands and new services are deployed.

SWIFT will continue to play a key role in this story as Registration Authority and we will continue to engage our community to help facilitate the global adoption of the standard in the cross-border payment space.

Driving innovation

As ISO 20022 standards continue to evolve to support a greater number of payments services for retail and small & medium enterprises, card and mobile payments to name a few, fintechs will play a role as part of a more diverse financial ecosystem.

Unifying standards can be an enabler to allow for innovative market entrants to speak the same language as banks and local payment systems, facilitating them to grow their operations, expand financial inclusion, help mobilize untapped assets and provide financing for un-banked and under-banked populations. To this end, wider and more inclusive community engagement and closer industry experimentation and collaboration are essential.

Entrenched as a common business language for the financial marketplace, ISO 20022 is firmly positioned as an element of coalescence for new and contrasting fintech innovations, such as DLT, smart contracts and APIs. Considered the de facto, universal business language for financial industry initiatives, ISO 20022 acts as an enabler for new and emerging innovations.

For example, one could imagine rich data mining solutions responding to regulatory requirements that are easily adaptable across multiple business lines for domestic, intra-regional, and international transactions. Similarly, such business alignment would make it easier to create universal web and mobile payments or machine learning solutions – all thanks to the robust and deep trove of information that can be distilled from the transaction details available in ISO 20022. Equally, adopting the prevalent financial services business standard would contribute to seamless deployment of a fintech solution, as they complement and build upon existing payments infrastructure with new value propositions and business models.

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Global Services for MT to MX transition



On-site subject matter experts

- Functional support, working closely with your delivery team
- Guidance for bank testing
- Transfer of solution expertise to business and operational teams



Technical support

- Dedicated support to optimize the integrated solution for best performance and efficiency



Project management

- Robust planning of project with routine status updates at various checkpoints throughout the implementation phase
- Comprehensive resource and deliverable planning
- Definition of the project providing scope, schedule, testing strategy etc. ensuring predictability, reduced risk and efficient delivery



Conclusion

ISO 20022 adoption represents a significant challenge for banks. The timelines are aggressive and the scale of the systemic transformation considerable.

The migration to ISO 20022 will require significant investment across the end-to-end payment chain. Many banks will need to completely overhaul their systems to ensure they have adequate data storage capabilities and the ability to leverage the data that will be provided by ISO 20022 interoperability. Organizations will also need to ensure that ISO 20022 adoption runs in parallel to and supports wider financial services transformation, such as the use of APIs to interact with partners and enable innovation.

But as we have seen, the new standard unlocks unprecedented opportunities for the payments community. Enriched data will fuel deeper insights, while standardization will improve interoperability and open the door to innovation.

With the ISO 20022 transition underway we can look forward to a much changed payments industry in the years ahead. Financial institutions that start soonest will put themselves in the best possible position to succeed in this new world.

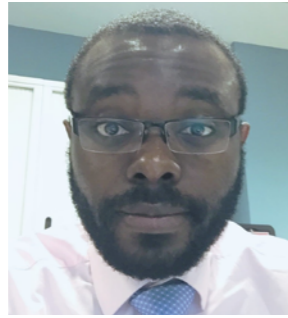
THE FUTURE OF FINANCE IS OPEN

Finastra is unlocking the power of finance for everyone by creating a platform for open innovation in the world of financial services.

Meet the authors



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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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