

ISO20022: an opportunity and a challenge

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ISO20022: an opportunity and a challenge

- ◆ What
- ◆ Benefits
- ◆ Registration and maintenance
- ◆ Adoption
 - ◇ Market Infrastructures
 - ◇ Banks
 - ◇ The NBB case

What is ISO20022?

- ◆ Universal financial industry message scheme
- ◆ International open industry standard
- ◆ To exchange electronic messages between institutions
 - ◇ Payments, securities, ...
- ◆ Transported over any network (network agnostic)
- ◆ Common definitions and structures
- ◆ Not dependent from SWIFT
- ◆ Different versions can co-exist

What?

An example of a XML from T2S

◆ <SwInt:RequestHeader>

◆ <SwInt:Requestor>ou=snlid31652,o=nbbebebb,o=swift</SwInt:Requestor>
<SwInt:Responder>cn=interact,ou=tet,o=trgtxepm,o=swift</SwInt:Responder>

DN: Distinguished Name

◆ <SwInt:Service>trgt.sfpapss!p</SwInt:Service> Service to address the XML

◆ <SwInt:RequestType>camt.050.001.03</SwInt:RequestType> Message type

◆ <SwInt:RequestRef>Exchange</SwInt:RequestRef>

◆ <SwInt:Priority>Normal</SwInt:Priority>

◆ </SwInt:RequestHeader>

◆

◆ DN Structure

◆ A DN follows a hierarchical naming principle in order to route the message to the correct recipient.

◆ DNs consist of LDAP (Lightweight Directory Access Protocol) attributes like cn (common name) ou (organizational unit) uid (user identifier) and o (organization). These are given in comma separated order of hierarchy whereby the left value is the lowest most local and specific identifier moving up to the value on the right which is the top level parent. All values should be written in lowercase.

◇ cn=patrick-heyvaert,ou=payments,o=nbbebebb,o=swift

```

<SwInt:RequestPayload>
  <AppHdr xmlns="urn:swift:xsd:$ahV10">
    <To>
      <Type>NAME</Type>
      <Id>T2SI</Id>
    </To>
    <MsgRef>ABC</MsgRef>
    <CrDate>2014-07-12T12:00:00</CrDate>
  </AppHdr>
  <Document xmlns="urn:swift:xsd:camt.050.001.03">
    <LqdyCdtTrf>
      <MsgHdr>
        <MsgId>20140903A03</MsgId>
      </MsgHdr>
      <LqdyCdtTrf>
        <LqdyTrfId>
          <InstrId>20140903B03</InstrId>
          <EndToEndId>20140903C03</EndToEndId>
        </LqdyTrfId>
        <CdtrAcct>
          <Id>
            <Othr>
              <Id>BENBBEBEB04P3PM0001</Id>
            </Othr>
          </Id>
          <Tp>
            <Cd>SACC</Cd>
          </Tp>
        </CdtrAcct>
        <TrfdAmt>
          <AmtWthtCcy>2.01</AmtWthtCcy>
        </TrfdAmt>
        <DbtrAcct>
          <Id>
            <Othr>
              <Id>CBEEURNBBEBEB04P3ACC01</Id>
            </Othr>
          </Id>
          <Tp>
            <Cd>CASH</Cd>
          </Tp>
        </DbtrAcct>
        <SttlmDt>2014-09-03</SttlmDt>
      </LqdyCdtTrf>
    </LqdyCdtTrf>
  </Document>
</SwInt:RequestPayload>

```

Benefits of ISO20022

◆ Rich and comprehensive information

- ◇ Full end-to-end cycle
- ◇ More and structured data
- ◇ Extra functionalities
 - Enhanced remittance
 - Longer references
 - Non-latin characters

◆ Efficiencies for global banks

- ◇ Same standard in multiple MFIs
 - interoperability
- ◇ Robust end-to-end processes
 - No loss of data
 - No misinterpretation

Benefits of ISO20022

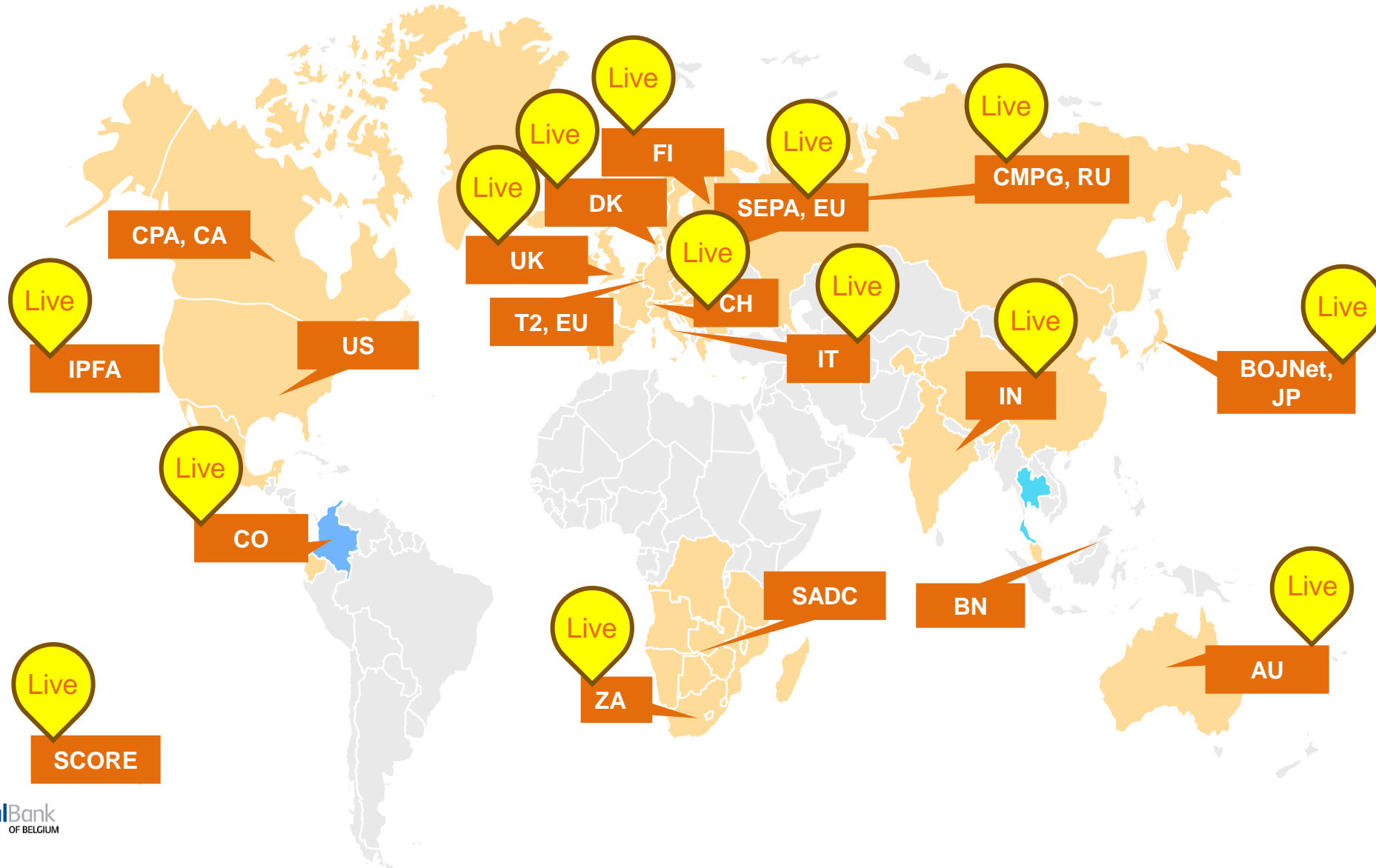
- ◆ Future proof
- ◆ Regulation demands
- ◆ AML and sanctions screening
 - ◇ Enhanced data
- ◆ Reporting
- ◆ Reducing costs and implementation effort
 - ◇ e.g. Harmonisation of formats
- ◆ Global and domestic use
- ◆ Easy data consumption

ISO20022 - Registration

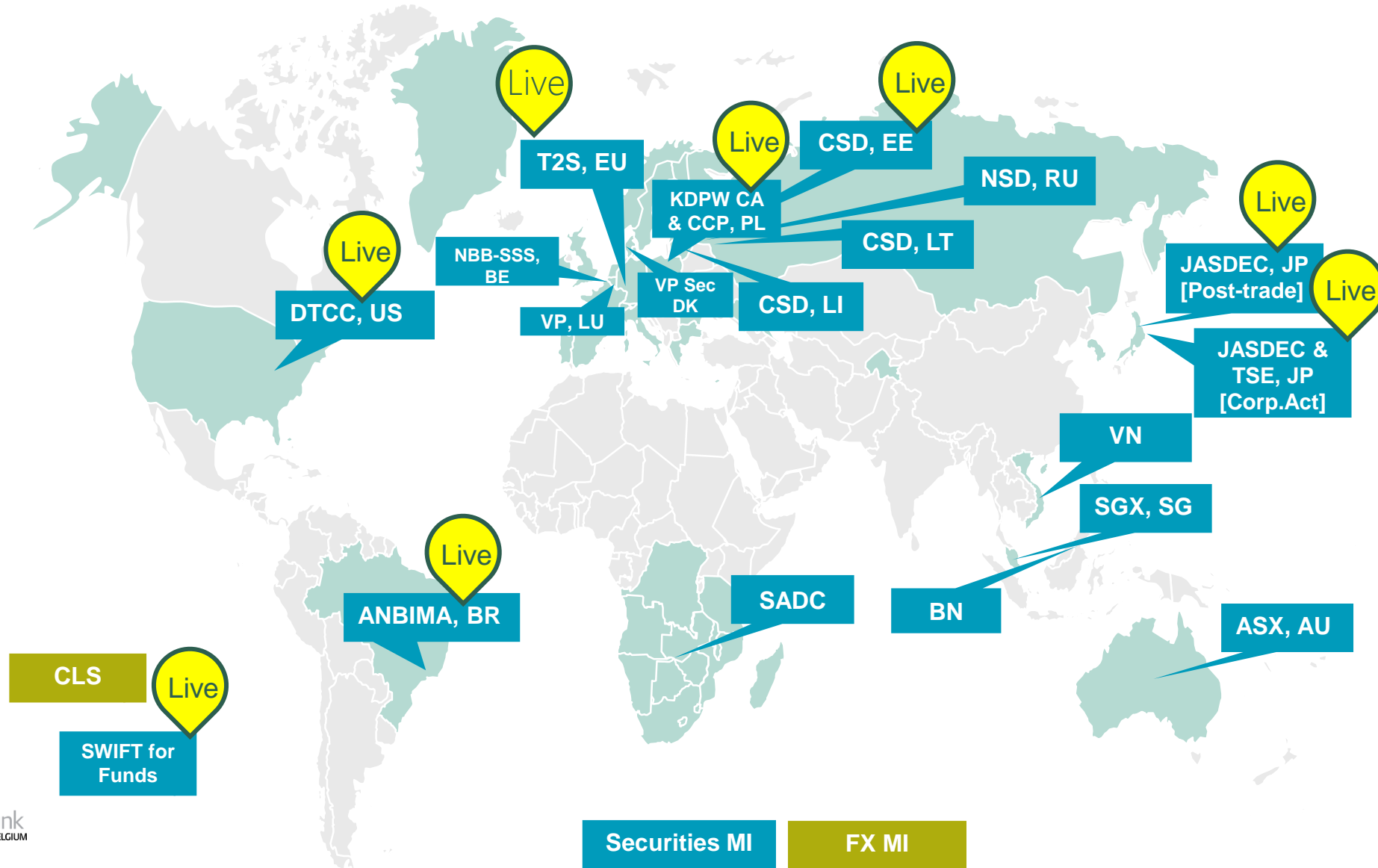


ISO 20022 Adoption – Payments initiatives – Global view

From discussion to implementation (July 2018)



ISO 2022 Adoption – Securities & FX Initiatives – Global view - From discussion to implementation (July 2018)



ISO20022 – Moving a global community

The SWIFT proposal

MT

Legend:

ISO 20022 like-for-like

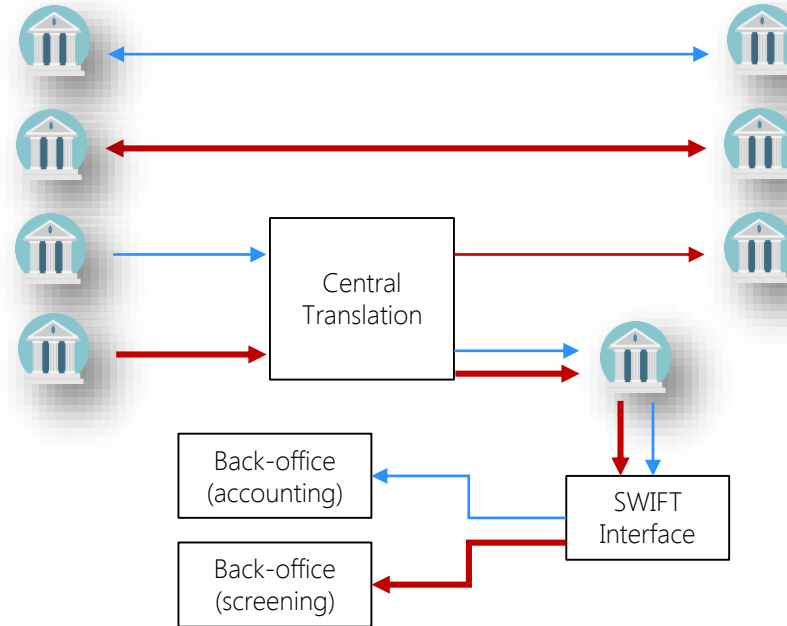
ISO 20022 full feature

- Phase 0**
CUG
- ISO 20022 over InterAct
 - For early adopters opt-in-only



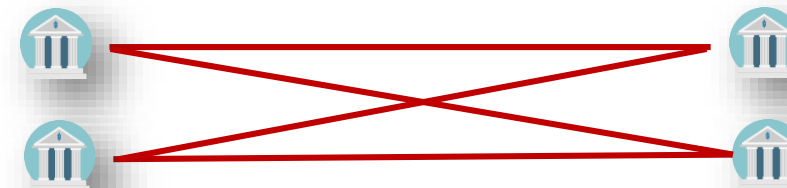
Phase 1
COEX

- ISO 20022 over InterAct/MT over FIN
- Central Translation:
 - MT to ISO 20022/ISO 20022 to MT
- MT to ISO 20022 *all data available*:
 - ISO 20022 data available to MT receiver
 - MT format provided as *a convenience*
 - ISO 20022 can be screened



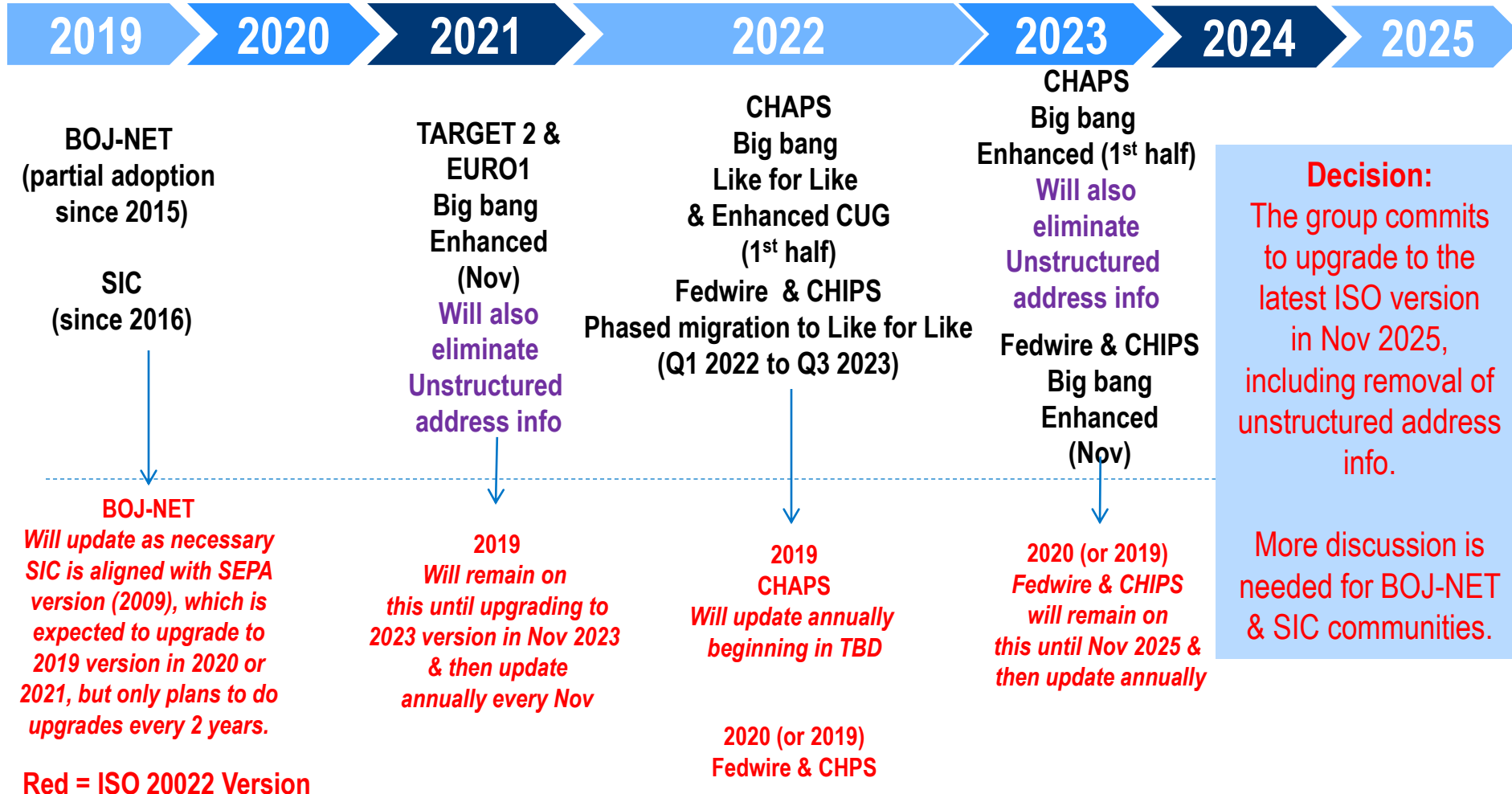
Phase 2
FULL

- ALL waves migrated
- Translation decommissioned
- MT no longer maintained



ISO 20022 Implementation Timeline & Version

SWIFT ISO 20022 Migration (Nov 2021 through Nov 2025)



ISO 20022 Comparison Network & Model

	Fed Fedwire	TCH CHIPS	Eurosystem Target 2	EBA Clearing EURO1	Bank of England CHAPS	Bank of Japan BOJ-NET	Payments Canada LYNX	SNB SIC
Network	Proprietary	Proprietary	SWIFT SIA COLT	SWIFT	SWIFT	Proprietary	SWIFT	Proprietary
Model	V shape	V shape	V shape	Y Copy	Y Copy	V shape	Y Copy	V shape

ISO 20022 Adoption - MFIs

- ◇ Like-for-like
 - ◇ Replicating existing business functionalities
 - ◇ Intermediate step
- ◇ Full implementation
 - ◇ Use richness of ISO20022
 - ◇ Additional/improved services

ISO 20022 Adoption - MFIs

◆ Big Bang approach

- ◇ Mandatory migration at fixed deadline
- ◇ No co-existence
- ◇ Risk customer/community not ready on time
- ◇ E.g. T2

◆ Phased approach

- ◇ Multiple migration phases/waves
- ◇ Different deadlines per wave
- ◇ Co-existence new and legacy formats/services
- ◇ Risk lower
- ◇ More costly

ISO 20022 Adoption - MFIs

◆ Free transition period

- ◇ Each customer on individual pace
- ◇ End date for migration all customers
- ◇ Co-existence new and legacy formats/services
- ◇ Risk lower
- ◇ More costly

◆ T2

- ◇ Full implementation
- ◇ Big-bang scenario
- ◇ Go-live November 2021

ISO 20022 Adoption - Banks

◆ External drivers

- ◇ Market Infrastructures like T2S, RTGS, IP

◆ Internal drivers

- ◇ Platform renewal/modernisation
- ◇ Centralisation
- ◇ New services
- ◇ Regulatory requirements
- ◇ Optimisation internal databases

ISO 20022 Adoption - Banks

◆ Translation

- ◇ ISO20022 translated into legacy/proprietary formats
- ◇ No changes to own applications
- ◇ No modernisation
- ◇ No new services
- ◇ Risks
- ◇ Costs

ISO 20022 Adoption - Banks

- ◆ Infrastructure/applications adapted to ISO20022

- ◇ Connection to MFI
- ◇ New services
- ◇ Streamlining processes
- ◇ Costs
- ◇ Risks
- ◇ "future proof"

- ◆ Combination of translate and ISO20022

ISO 20022 Adoption – Banks

◆ Impact assessment

◇ Business impact

- Dependencies
- Business flows
- Message types

◇ External counterparties

◇ Internal

◆ Technical assessment

◇ Impacted applications

◇ New/enhanced services

◇ Translator or full or combination

ISO 20022 Adoption – Banks

◆ Roadmap

- ◇ All organisation
- ◇ Business flows
- ◇ Technical impact
- ◇ External counterparties
- ◇ Benefits
 - Cost savings
 - Revenues

ISO 20022 Adoption – Banks

◇ Costs

- One-off
- Recurrent costs

◇ Budget

◇ Resources

◇ Timeline

ISO 20022 Adoption – The NBB Case

- ◆ Steering committee
 - ◇ Representatives from IT, business, audit
 - ◇ Sponsored by Board member
- ◆ All business flows listed
 - ◇ Not only payments
 - ◇ Not only EURO
 - ◇ Flows: mandatory migration
 - ◇ Flows: optional migration

ISO 20022 Adoption – The NBB Case

◆ Certain applications driven by MFI's

◇ Mandatory migration

- T2S, T2 Consolidation, €CMS
- No option to opt-out
- Strict deadline
- Separate project

◇ Shielding of our clients

- Temporary
- Higher price
- Risks

ISO 20022 Adoption – The NBB Case

◆ Other flows

- ◇ New application or current application upgraded
- ◇ Counterparties migrating?
- ◇ Costs and benefits listed
- ◇ Resources
 - Availability
 - knowledge

Sources

Information on the previous slides is taken from the following sources:

www.iso.org

www.swift.com

www.ecb.eu