Full implementation of ISO 20022
## Overview

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>Why are we migrating to ISO 20022?</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Who is “the industry”?</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>How is the industry migration to ISO 20022 messages progressing?</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>How will SWIFT’s transaction manager support correspondent banks until they have migrated to ISO 20022?</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td>What will this mean for the T2-T2S consolidation project?</td>
</tr>
</tbody>
</table>
Why are we migrating to ISO 20022?

- **Common data dictionary** across various business domains
- **One message and communication standard** for all TARGET Services
  - **TARGET T2**
  - **TARGET T2S**
  - **TARGET TIPS**
  - **TARGET ECMS**
- **Removal of restrictions** regarding **network choice** and **message richness**:
  - Network service provider agnostic
  - More structured address information
  - More granular remittance information
  - Additional party and agent information
  - Additional business flows
- **Global standard** adopted by major market infrastructures (MIs)
Who is “the industry”? Bank to MI

Market Practice HVPS+

HVPS+: High Value Payments Systems Plus
Who is “the industry”? Bank to Bank

Bank C → Bank A → MI → Bank B → Bank D

Market Practice CBPR+

CBPR+: Cross-border Payments and Reporting Plus
Who is “the industry”? Corporate to Bank

Corporate A → Bank C → Bank A → MI → Bank B → Bank D → Corporate B

Bank to MI
Bank to Bank
Corporate to Bank

CGI: Common Global Implementation - Market Practice

Market Practice CGI-MP
Bank to MI – Update MI Migration Plans

- Significant number of MIs announcing plans to migrate to ISO 20022 by Nov 2025
- MIs which are already life on ISO 20022 consider upgrade of ISO maintenance release versions

Source: Payments Market Practice Group (PMPG) - MI Migration Strategy Sept 2021
Bank to MI – Update
MI Migration Approaches

- **Multiple migration approaches** will be applied by MIs:
  
  - **“Like-for-like”** maps existing FIN MT message fields like-for-like into new ISO 20022 message elements **inheriting legacy restrictions**
  
  - **“Fully-fledged”** allows banks to **make full use of ISO 20022 enhanced elements** which cannot be mapped to current FIN MT message fields fully, e.g. structured postal address elements
  
  - **“Co-existence”** allows banks to send both **FIN MT or ISO 20022 messages in parallel**. This approach entails the use of “like-for-like” ISO 20022 messages during the co-existence phase
Bank to MI – Update

Enhancing cross-border payments

• **G20** made *enhancing cross-border payments* a priority

• **Cross-border payments** are to become **faster, cheaper**, more **transparent** and more **inclusive** in the near future

• G20 expects *widespread benefits for citizens and economies worldwide*, supporting economic growth, international trade, global development and financial inclusion

• **FSB** (Financial Stability Board) in coordination with the **CPMI** (Committee on Payments and Market Infrastructures) **established** a **roadmap** in October 2020

• Roadmap provides **high-level plan** of ambitious but achievable goals **structured across five focus areas**

Source: [Enhancing Cross-border Payments: Stage 3 roadmap](https://www.ecb.europa.eu)
Focus Area D - Data and market practices

Goal: Promote adoption of common data formats, including rules for conversion and mapping from legacy formats, as well as protocols for information exchange to reduce costs and improve the scope for straight-through data processing in existing payments systems and arrangements inter alia via:

Building Block 14: Adopting a harmonised ISO 20022 version for message formats

Source: Enhancing Cross-border Payments: Stage 3 roadmap
Bank to Bank – Update

- Majority of markets is aware of cross-border payments co-existence phase between November 2022 until November 2025
- Support of community implementation is to follow the awareness campaign
- In-flow translation end-to-end pilot testing completed with 7 banks in June 2021
- In-flow translation community testing is expected to commence in November 2021
- TM to start pilot testing in March 2022 and community testing as of late Q2 2022

Awareness Level as of September 2021

- Awareness: 90%
- Informed: 6%
- Not aware: 4%

Attendance to SWIFT awareness webinars, Consumption of Connectivity Guidance
Attendance to webinars (before March 2021), Consumption of CBPR+ documentation
Corporate to Bank – Update

• CGI-MP agreed to adopt ISO 20022 maintenance release version 2019 by November 2022
• Webinars hosted to highlight the benefits of ISO 20022 to corporate clients

Source: 33rd CGI-MP Meeting Minutes from the 21 April 2021
In-flow Translation

- **Built into FINplus messaging service and switched on by default**
- **Provides the key interoperability capability for ISO 20022 adoption**
  - Senders can send ISO 20022 to any bank; receivers can process as MT if not ready for ISO 20022
- **Available live in production August 2022:**
  - Opt-in, bilaterally agreed basis for ‘penny testing’, familiarization, early adopters
- **General go-live November 2022**

Source: SWIFT Information Report (IR) 864: ISO 20022 Adoption and Transaction Manager Activation
Transaction Manager

- TM brings **additional functionality on top** of FINplus messaging and **In-flow Translation**:
  - API access
  - Transaction data integrity (transaction copy)
  - Integration with value-added services

- Latest surveys indicate **over 50% of cross-border payments will switch to ISO 20022 in November 2022** already
  - Activate TM at original date November 2022
  - Progressively move ISO 20022 payments over 6-9 months
  - Prioritizing transactions with rich data
  - Keep MT on FIN and re-evaluate mid-2023

**Source:** SWIFT Information Report (IR) 864: ISO 20022 Adoption and Transaction Manager Activation
What will this mean to the T2-T2S Consolidation Project?

- In-flow translation go-live August 2022:
  - In-flow translation decoupled from TM go-live making CSLD-CR0048 on “like-for-like” fallback solution obsolete
  - Opportunity for banks to test ISO 20022 in production prior T2 go-live

- TM gradual volume build up:
  - Increased confidence in timely adoption of ISO 20022 globally
  - Ensure payment message flows over T2 migration weekend and beyond

- De-risking big bang migration weekend in November 2022

Source: ECB internet site - MIP News 1 July 2021

The Market Infrastructure Board has decided to move forward with fully-fledged ISO 20022 message implementation in the T2-T2S consolidation project and to not further pursue a “like-for-like” fallback solution. The decision is based on SWIFT’s confirmation that an in-flow translation solution will be available, which will allow the conversion of ISO 20022 messages to multi-format MT/MX messages for correspondent banks until they have migrated to the ISO 20022 message standard. The like-for-like solution was under consideration following the rescheduling of the global rollout of ISO 20022 for cross-border payments in 2020. Its objective was to prevent any potential risk to the go-live of the T2-T2S consolidation project in November 2022.
Different meanings of “Full implementation of ISO 20022”

• From European market perspective:
  • The market is migrating to ISO 20022 “fully-fledged” which allows European banks to make full use of ISO 20022 enhanced elements from November 2022

• From industry perspective:
  • The whole industry has embarked on the ISO 20022 migration journey and implementations have commenced. The aim is to fully migrate to ISO 20022 by November 2025
Thank you for the attention!

www.ecb.europa.eu/paym

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ECB: market infrastructure and payments