ISO 20022 IS HERE— ARE YOU READY?

A quick guide to ISO 20022 for organisations seeking to adopt the standard or in the process of adopting the standard in 2023/24.

In the past, many different financial messaging standards and syntaxes were used to transfer money. These fragmented message standards have presented a productivity constraint for organisations seeking to play a larger role in the global economy.

In response to this, many organisations have made the switch to ISO 20022, which is rapidly becoming the go-to standard for financial messaging globally, driven in part by the Bank of International Standards.

Australia has been at the forefront of ISO 20022 adoption, with the standard underpinning the New Payments Platform since its launch in 2018. More recently, we have seen ISO 20022 implemented for domestic RTGS transactions, and work underway on cross border payments under CBPR+. Similar projects are underway in New Zealand.

In South East Asia, despite ISO migration being planned, it suffered from a shift of priorities towards domestic payment schemes and wallets because of the pandemic. Currently, the first priority for Financial Institutions is stabilising their technical estate. With ISO 20022 migration moving in next or in combined priority, CTOs and their teams are starting to understand that it is more than just a change in message format, and may affect workflows all the way from message origination.

WHY IS ISO 20022 SUCH A GAMECHANGER?

DAVID MARSH, PRINCIPAL INDUSTRY CONSULTANT

ISO 20022 is rapidly becoming the international standard for payment messaging, yet many banks and large corporates continue to struggle with older, proprietary message formats. On the surface, payments continue to flow through older systems, but behind the scenes there is a risk that truncated data bypasses risk controls or creates inefficiencies in reconciliation processes. As the world shifts towards standardisation, those organisations that have adopted ISO 20022 will enjoy better oversight of payment flows, have greater scope to automate and be better equipped to plug and play.

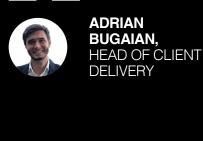|	ENRICHED DATA	TRANSPARENCY	HARMONIZATION
CHALLENGES OF IMPLEMENTING ISO 20022	• **Infrastructure** will need to be capable of processing additional data traveling with transactions, plus STP (Straight-Through Processing). • **Transactions** will need to be translated and orchestrated into non-ISO native payment engines, unless the organisation adopts ISO 20022 holistically.	• **Customer channels** will need to be updated to provide the required transaction statuses and details, and offer the ability to associate more information with a payment. • **Support for FIs' business and corporate customers** will be necessary to aid implementation of the new host to host environments.	• **Co-existence** will pose a challenge during the migration. Support for "old" and "new" messages will be required. • **Implementation timelines will vary** depending on the region and type of payment. • **Discussions are ongoing** in relation to a globally verifiable identifier for legal entities.
BENEFITS OF IMPLEMENTING ISO 20022	• **Facilitates reconciliation processes** through the use of richer data. • **Improves decision-making** with analytics based on transactional data.	• **Improves transaction monitoring** and communication. • **Provides transparency** to the customer with improved remittance information. • **Reduces manual work** when coupled with automation.	• **Provides a common language** to exchange information about financial services. • **Facilitates interoperability** by creating an open international standard. • **Creates the potential** to replace proprietary messaging formats with a standardised industry format.

CHALLENGES AND OPPORTUNITIES ASSOCIATED WITH TRANSFORMATION

Over the next couple of years, some industry-wide projects are scheduled to hit key milestones that will finalise ISO 20022 adoption for many financial institutions. More broadly, opportunities exist to implement ISO 20022 into corporate ERP systems. For those organisations impacted, implementing this message standard will not only bring the complexity of being compliant, but it will also present the opportunity to leverage the change to better serve customers and realise productivity gains.

ADRIAN BUGAIAN, HEAD OF CLIENT DELIVERY

Companies are discovering that ISO 20022 migration is more than a message format transformation. In some cases, they have to break down a monolith and use the migration project as an opportunity to transition to a Microservice Architecture. In others, they discover that some of the data needed for the message is missing and a change is required from the originating system to the business units. That said, the opportunities from the data-rich messages outweigh the challenges – be it less calls to external systems, a much quicker decision process or the ability to offer extra services to your customers.

WE CAN HELP YOU NAVIGATE ISO 20022

No matter where you are in your ISO 20022 journey, we're here to help. Learn more about how our experts can make your compliance a success—and a benefit to your organisation.

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