

UNLOCK THE POTENTIAL

Stand Out with ISO 20022

FIS

ARTICLE

What Changes to ISO 20022 Can Mean for Your Business

What Changes to ISO 20022 Can Mean for Your Business

Financial market infrastructures for high-value payments are being reworked around the world. Changes are already in place in Switzerland, Japan, China and India. By 2022, the United States (US), Europe, United Kingdom (UK), Australia, Hong Kong and Canada will have followed suit.

In these markets, the ISO 20022 standard is or will become the new standard for exchanging payments. For cross-border payments, SWIFT has proposed a migration period to transition from SWIFT MT to ISO 20022 that will begin in 2021 and conclude in 2025. SWIFT's global payment innovation initiative (SWIFT gpi) will also fully support ISO 20022.

ISO 20022 is already the default standard for real-time payments and central infrastructure projects in the UK (New Payments Architecture), the Nordics (P27) Australia (NPP), Singapore (G3) and Malaysia (RPP).

These moves toward a global common language for financial communication will increase interoperability and enable message data richness for enhanced regulatory reporting and more extensive remittance information, but also usher in a new era of data handling. Banks must now determine how to manage, use, process and store data they've not previously had to handle. This requires a sound strategy and action plan for how to embrace the new data capabilities that can create added business value, while also dealing with the new demands of processing and storing it.

Here's a closer look at how the world is moving toward ISO 20022, and what banks need to consider as their own region's deadline for adoption approaches.

What Is ISO 20022?

ISO 20022 is an international messaging standard that will facilitate electronic data exchange between financial institutions, and with customers, users, market infrastructures and regulatory bodies. This global common language for all financial communication across various financial industry domains spans payments, securities, trade services, cards and FX. The standard describes financial business processes and its transactions in a business way, irrespective of how they are implemented. All ISO messages follow a similar construct and share a common lexicon of data. The field is consistent, whether it's a card payment or a securities transaction.

ISO 20022 messages use XML, which has become the de facto standard for many institutions, vendors and computer manufacturers. ISO 20022 is also adaptable to emerging requirements which may include changes to regulatory reporting, market infrastructures and new legislation.

Benefits ISO 20022 Can Offer

The use of ISO 20022 enables the exchange of richer data, including longer references, a detailed name and address descriptor and extensive remittance information. This common standard also simplifies message exchange between international and domestic payments.

In turn, ISO 20022 can offer these important benefits:

- Enhanced data quality
- Improved regulatory compliance
- Optimized payment reconciliation by the beneficiary
- Increased straight-through processing
- Easier/simpler cross-border payment
- Improved efficiency
- Lower costs

Some research indicates that ISO 20022 adoption could yield cost savings of more than \$4 billion over a five-year period in Canada, simply through reduced check volume.

Challenges to Consider

While moves to the ISO 20022 standardized message will provide greater interoperability throughout the payments infrastructure and can drive operational efficiency for banks, corporates and other business domains, it does put new data demands on banks. For example, the ISO 20022 format is verbose, and every data field is preceded by the description. The data may consume more bandwidth in a network and requires that banks determine how they'll deal with heightened data storage demands.

To reap the benefits that ISO 20022 can offer, banks must ensure they have the technology that enables them to search, store, correlate and mine the data. Banks that adopt technology that's based on a native ISO 20022 data model, rather than adapting an existing system to work with ISO 20022, will find it easy to adapt to new ISO schemes, improve straight-through processing and reconciliation, and gain efficiency through automation and lower costs. Those that do not may find themselves with a short-term solution that doesn't address the scope of change that moves toward standardization will continue to present.

ISO 20022 Migration Plans by Region

Over the next five years many of the major market infrastructures (Fedwire and CHIPS – US, TARGET2 and EBA EURO1 – EU, CHAPS – GB, CHATS – HK and Lynx – CA) will be renewed. Many of the market infrastructures (SIC – CH, BOJNet – JP, CIPS/CNAPS – CN and NG-RTGS – IN) have already been reworked. More than 120 countries will soon use ISO 20022 as the standard.

As more and more payment systems adopt it, resilience will be improved through the multiple routing of messages. Further, the enhanced data capability could serve as a catalyst to more competition and accelerated innovation.

You cannot control whether ISO 20022 will become the norm for payments messaging in your region, but you can choose what it means for your business. Now is the time to chart your course to strategically determine what opportunities enhanced data capabilities will bring to your business.

Turn ISO 20022 Questions into Solutions with FIS

With more than 10 years' experience running ISO 20022 schemes and over 60 clients using the ISO 20022 native FIS Open Payment Framework (OPF) platform, FIS is the perfect partner to ensure you meet compliance deadlines and reap benefits like frictionless straight-through processing and enhanced data capabilities. In 2008 our first client went live on the ISO 20022-based SEPA scheme. Today FIS has 25+ real-time payments clients across 10+ different ISO 20022-based schemes. And now, 2 years ahead of the official deadline FIS' OPF is ready for RTGS and correspondent banking with SWIFT MX.

Learn More

To learn more about how you can stand out with ISO 20022, **click here** or contact us at **getinfo@fisglobal.com**.

Sources

<https://www.cashbook.com/canada-changing-payments-landscape-with-iso20022/>

<https://www.bankofengland.co.uk/payment-and-settlement/rtgs-renewal-programme/consultation-on-a-new-messaging-standard-for-uk-payments-iso20022>

About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index. To learn more, visit www.fisglobal.com. Follow FIS on **Facebook**, **LinkedIn** and **Twitter @FISGlobal**.



www.fisglobal.com



twitter.com/fisglobal



getinfo@fisglobal.com



[linkedin.com/company/fis](https://www.linkedin.com/company/fis)

©2019 FIS

FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries. Other parties' marks are the property of their respective owners.

657825

