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ISO 20022: *The New Language of Global Payments*

What does it really mean to corporate treasury?

citi

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Introduction

The cross-border payments ecosystem is undergoing a digital transformation to deliver significant improvements to data quality, through a more structured data-driven approach. The migration to the ISO 20022 global messaging standard across the SWIFT (Society for Worldwide Interbank Financial Telecommunications) network will be a key driver for achieving inter-operability, certainty, compliant and secure payments which can be tracked and traced enabling better decision-making.

Adoption of a common standard format across industries in cards and mobile payments has been very successful in achieving a seamless user experience across the globe as the speed of payments digitalization continues to accelerate. While forays have been made in the cash management space, the universal adoption of ISO20022 across international payments and many domestic high-value payments clearing systems around the world will be key in the drive to digital. Increased payment automation, accelerated payment processing, in addition to improving the overall end-to-end reconciliation process are some of the significant opportunities that stakeholders can benefit from across the payments ecosystem.

In this paper we explore the potential benefits of these up-and-coming changes for corporates through a number of key use cases, and the driving factors behind this current wave of ISO 20022 adoption across the global payments industry and the SWIFT network. We take a look at what the banks have to implement over the next two years on the road to building a more interoperable ISO 20022-based payments ecosystem, and how that potentially impacts corporate treasuries; and finally we present a simple five point evaluation plan that will guide any corporate into making an informed evaluation of how they should prepare for the changes that will be consolidating this new language of global payments.

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Why now?: The Impact on Customers: Expectations and Benefits

The payments industry has witnessed significant change over the past twenty years, which has seen growth in terms of the number of electronic payment methods available and how these transactions can be initiated. At the industry level, there has been a much greater focus on cross-border payments since G20 leaders endorsed the *Roadmap for Enhancing Cross-border Payments*[1] in 2020. The G20 made enhancing cross-border payments a priority — specifically making cross-border payments, including remittances, faster, cheaper, more transparent and inclusive, while maintaining their safety and security. The migration to the ISO 20022 XML (MT-MX) standard on the SWIFT (Finplus[2]) network, initially in the cash management space, is possibly the most significant change to global cross-border payments since SWIFT first introduced electronic messages in 1977 (MT messaging). However, this next stage of payments transformation aims to deliver on one of the key building blocks identified by the Committee on Payments and Market Infrastructures (CPMI[3]) in July 2020[4] — "Data and Market Practices." Better quality data will improve the overall efficiency, speed and compliance of payments. In this first chapter, we focus on the impact to the corporate community and will demystify the potential benefits through a series of use cases, addressing the key question — Why now?

Use case 1: Compliance and regulatory

One of CPMI's primary objectives is to improve cross-border payments globally, with standardization and data quality being key to enable an efficient end-to-end process. This includes the due anti-financial crime (AFC) due diligence on the flight of a payment (such as sanction and embargo screening, anti-money laundering (AML) and counter-terrorist financing (CTF)). Importantly, regulatory requirements apply beyond cross-border payments and vary among countries. For domestic payments, regulatory requirements can change depending on the payment method, amount and purpose. As regulators demand increasing transparency, compliance and security, the need for better quality structured data in payments will deliver significant benefits to all stakeholders in the payments ecosystem.

ISO 20022 XML messaging is functionally rich, with structured data elements designed to facilitate the clear identification and validation of key information, like the ordering and beneficiary parties, including address in addition to any regulatory and purpose of payment information. Ultimately, better, more structured data will help reduce friction in the end-to-end data processes connected with payments.

Considering legal certainty, the European Central Bank (ECB) has recognized the potential benefits that legal entity identifiers (LEIs)[5] could play in the context of screening checks both within the European Union and as a global identification standard.[6] This would facilitate straight through processing (STP), reducing costs, enhancing accuracy and increasing speed of processing in addition to helping market participants satisfy know your customer (KYC) requirements.

In terms of corporate impact, we are starting to see some countries mandate the provision of some address information to support compliance checks. While this is currently limited to international payments to Canada and the U.S., large real-time gross settlement (RTGS) operators, with the support of the SWIFT Payment Market Practice Group are now taking the lead toward mandating certain elements of the structured address (town/city name and country code). The latest guidance also indicates that the street name field cannot contain a building number or street number, only the pure street name can be provided in this structured address field. This means where a corporate currently merges building numbers, street numbers and street names, going forward, the first line of the address will need to be provided in the unstructured address field. However, to support the coexistence phase[7] between MT and MX and to provide sufficient time for global industry to prepare for the change, the required structured and hybrid address elements will be mandated by November 2025.

Depending on the current master data setup and how this information is supported in your current payment format, this might require some action before the proposed November 2025 deadline.

Use case 2: In-house bank operating model

In-house banking helps corporate treasury increase the efficiency of cash management processes. An extension of this model is the inclusion of payments on behalf of entities (POBO), which helps drive further cost efficiencies. The challenge today is that most clearing systems do not support the essential ultimate party information, which helps the vendor complete their own reconciliation processes.

In addition to the SWIFT ISO 20022 XML migration, which will support international transfers, we are also seeing an increasing number of domestic payment market infrastructures also adopting ISO 20022 XML messaging. As the underlying language of global payments is now changing, this presents a clear opportunity for the corporate community that are looking to leverage POBO to include the ultimate party information, which will be carried through the payment chain to the beneficiary, improving transparency and automation through the use of a clearly defined field in the XML message.

Use case 3: Accelerated and automated reconciliation processes and beyond

Today, the corporate community faces a number of challenges around the timely automation of the cash application process due to a number of friction points including data truncation, information which is not structured or in many cases simply insufficient information to support an automated process. The current process is typically manual, costly and inefficient. However, one of the key benefits of ISO 20022 XML messaging is the richness of structured data supported in the payment message. The camt.053 end-of-day bank statement has almost 1,600 fields available highlighting the richness of information that can be supported through a more structured format. The camt.052 intraday statement also offers much richer and potentially real-time reporting. With structured fields available for all the associated payment references, structured payment details, granular bank transaction codes, and clear FX information, adoption of XML statement messaging provides the opportunity for a more automated and accelerated bank statement reconciliation process.

Considering the current SWIFT ISO 20022 XML migration, this will soon allow the support of up to 9,000 characters within the structured payment remittance information block. This means key information like invoice number, invoice amount and date can be provided by the originating customer which will be carried through the payment chain to the beneficiary. But this benefit is not limited purely to cross-border payments. SWIFT is currently estimating that by 2025, 80% of the Domestic High Value Clearing RTGS volumes will be ISO 20022-based with all reserve currencies either live or having declared a live date. As more local market infrastructures migrate to XML messaging, there is the potential to provide richer and more structured information around the payment to assist in the timely account receivables reconciliation process.

There is also the untapped potential of richer and more structured data provided throughout the payment message. Analyzing richer payments data will not only help companies gain greater visibility in areas that can reduce costs, but it can also provide insights into revenue growth opportunities. Timely data also ensures advanced visibility around “peak periods” which help optimize the underlying operational processes, from staffing to product availability in the supply chain, ensuring that the company can support demand and not miss any opportunities to increase sales.

One final point around untapped data is linked to the corporate digital transformation agenda. To truly harness the power of artificial intelligence (AI) and machine learning (ML) technology, data — specifically structured data — will be the fuel that powers AI. It’s important to recognize that ISO 20022 XML will be an enabler delivering on the technologies potential to deliver both predictive and prescriptive analytics. This technology will be a real game-changer for corporate treasury not only addressing a number of existing and longstanding pain-points, but also redefining what is possible.

Use case 4: Standardized and simplified cash management architecture

Today, there is still friction in the multi-banking space as a result of the complexity, inefficiency, and cost of corporates having to support proprietary bank formats and indeed, in some cases, nonstandard implementations of the earlier versions of ISO 20022 XML messaging.

However, the adoption of ISO 20022 XML messaging provides the opportunity to simplify and standardize the multi-banking environment, with the added benefit of providing a more portable messaging structure. The Common Global Implementation – Market Practice (CGI-MP)Group,[8] which comprises over 350 members including banks, corporates, consultants, software vendors and market infrastructures, has recently published a new set of implementation guidelines that recommend a more prescriptive approach should be taken around the local country requirements including where the information should be provided by the corporate customer. This revised approach reflects on the lessons learned from the original implementation guidelines released back in 2009.

The standardization and simplification in the multi-banking environment will also serve as a real enabler for corporates to switch processing from one institution to another. This portability could be particularly relevant in a contingency scenario, with potentially minimal to no changes required in the payment file as industry adoption becomes more universal.

> "Adoption of ISO20022 in the cash management space enables inter-operability across payments, improving operational efficiency and compliant, secure payments and *enhancing overall resiliency in the industry.*"
>
> – Artie Ambrose, Global Head TTS Operations, Citi

So, while we have to be realistic about the potential level of alignment across the banking community due to possible legacy system limitations, the potential for the corporate to simplify and standardize the multi-banking environment is now looking like a real possibility.

Use case 5: Reduced complexity within the in-country market infrastructures

One of the challenges today is the plethora of different payment file formats required to make payments around the world through the different clearing systems. The growing global industry adoption of ISO 20022 provides the opportunity to have greater alignment in terms of the payment file format, regardless of whether it's a domestic urgent payment in the UK or a cross-border payment from the U.S., ISO 20022 will deliver operational and financial efficiencies through greater interoperability. This translates into reduced development, reduced data mapping and more importantly, a reduced risk of data truncation.

Use case 6: Greater competition for software providers and solutions

As ISO 20022 becomes the language of payments and reporting, globally, this provides a real opportunity for both the banking and fintech community to develop value-added solutions to the corporate treasury market. One of the original barriers to entry was linked to the proprietary nature of in-country clearing system file formats and the underlying processes. This barrier has been removed with the industry adoption of ISO 20022. With new and emerging technologies now available, the digital transformation journey will continue to redefine what is possible as solution providers leverage the enhanced interoperability across payments systems combined with enhanced structured data that is easier to search, analyze and support better and more timely decision-making.

Chapter summary

While the SWIFT ISO 20022 migration does not directly impact the corporate community until November 2025, this migration does present material opportunities to accelerate, automate, and elevate existing processes throughout the end-to-end payment process linked primarily to the enhanced structured data available within the XML messages.

Corporate treasury should now have the SWIFT ISO 20022 XML migration deadline on their own radar in addition to understanding the broader global market infrastructure adoption of ISO 20022. This will ensure corporate treasury can make timely and informed decisions around any future migration plan.

Notes:

[1] Source: https://www.fsb.org/2020/10/enhancing-cross-border-payments-stage-3-roadmap/, Financial Stability Board, 2020.

[2] *FINplus* Service enables financial institutions to exchange the ISO 20022 messages for securities and payments in a secure, cost effective and reliable way.

[3] The CPMI is a member of the Financial Stability Board (FSB) and participates in the FSB's work to coordinate and promote the implementation of effective regulatory, supervisory and other financial sector policies. In the context of its activities the CPMI maintains contact with many global payment system providers, industry associations and regulatory authorities.

[4] Source: https://www.bis.org/cpmi/publ/d193.htm, Bank for International Settlements, 2020.

[5] The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code developed by the ISO. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure and thus answers the questions of "who is who" and "who owns whom."

[6] Source: https://www.ecb.europa.eu/pub/pdf/other/en_con_2023_4_f_sign~8f163f3826..pdf, European Central Bank,2023.

[7] March 20, 2023, marked a significant milestone for the payments industry and the start of a coexistence period until November 2025, where both MT and ISO 20022 messages will be supported. This approach enables financial institutions to migrate to the new standard at their own pace.

[8] Source: https://www.swift.com/standards/market-practice/common-global-implementation, SWIFT, 2023.

SWIFT Migration to ISO 20022: Key Factors Driving this Industry Change

In 2018, the SWIFT community decided to adopt ISO 20022 for cross-border payments and reporting. With the new standard used in over 70 countries, and forecast to be used in 80% of domestic clearing and settlement of high-value payments by 2025, financial institutions gave SWIFT the mandate to facilitate the move to this new language of payments. SWIFT commenced the much talked about and much publicized ISO 20022 migration (MT to MX) on March 20, 2023. The financial sector now has just over two years to complete this migration plan, which will focus on selected financial messages within the interbank space. This means SWIFT will be moving from the traditional MT (FIN)-based messages, initially in the cash management space, onto ISO 20022 XML messages (MX). In this second chapter, we consider why ISO 20022 is becoming the language of payments, what is driving the new payment rails and importantly, where is the motivation to change for the corporate community.

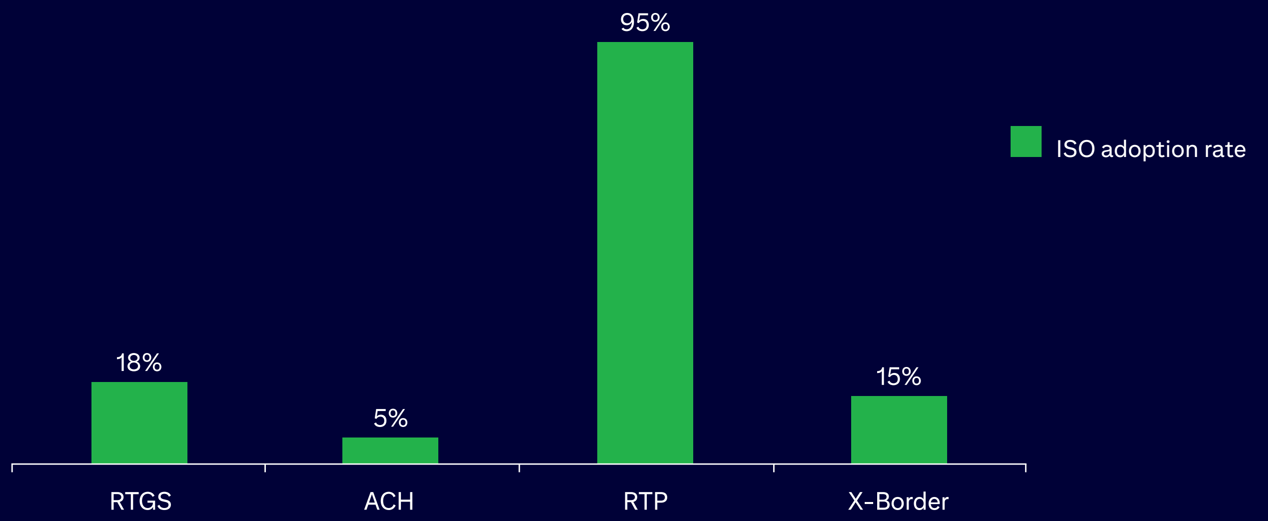
Why ISO 20022 for cross-border payments?

While SWIFT had already recognized the challenges around cross-border payments linked to unstructured, incomplete and inconsistent data, the G20, during the Saudi Arabian Presidency (2020), also made enhancing cross-border payments a priority. The *Stage 1 report to the G20*[9] identified a number of frictions including fragmented data standards and a lack of interoperability; complexities in meeting compliance requirements and outdated legacy technology platforms. This added pressure highlighted a clear need for change.

At a technical level, ISO 20022 is an open global standard for financial messaging, based on a business dictionary and syntax independent business model. However, in terms of the benefits it can deliver to the financial industry, this can be boiled down into the richness of data that can be supported through the ISO 20022 XML messages. ISO 20022 XML provides the opportunity to significantly improve data quality through a more structured data-driven approach, which will increase payment automation, accelerate payment processing, elevate compliance checks, and improve the overall end-to-end reconciliation process. The migration to structured data will also provide the opportunity for innovation. As highlighted in the opening chapter, banks and fintechs now have a real opportunity to design new value-add solutions around the payments ecosystem, that will unlock the full potential of this digital transformation of global payments.

At this point, it's important to note that ISO 20022 XML is not new within the financial sector. In 2008, SEPA adopted ISO 20022 XML as the clearing format and other payment market infrastructures like real-time payment schemes, which were introduced in the last decade, have mostly adopted ISO from the onset. The graph below provides a directional view of the current state of adoption of ISO 20022 across the various payment market infrastructures.

Diagram 1 – ISO 20022 adoption trend across payment market infrastructures.



Source: Citi, June 2023

What is driving the digital transformation of payments?

We are now witnessing an increasing momentum around the digital transformation within the payments ecosystem. Accelerated by the COVID-19 pandemic, we are seeing significant growth in the total number of cashless payments[10] as the innovation in payments underpins the broader digital agenda. Simply put, the acceleration of digital payments across its various forms is at the center of this broader development of the digital economy.

The acceleration of the payments digital transformation really kick-started with the birth of the world wide web, which was launched in 1991. This technology backbone provided the foundation for the growth in e-commerce, introducing new business models which would also require new payment rails to support the new payment methods. But what are the main drivers behind this digital transformation of the payments ecosystem? We now provide the following insights into the main forces of change:

Regulators: Regulators are increasing the pressure on market infrastructures to strengthen the current platforms, improving the use of structured data to help with both compliance and the requirement to fight financial crime.

Governments: Governments are focused on increasing financial inclusion, increasing competition to drive further innovation and reduce the use of cash.

Consumers: Driven by the increasing convergence and integration between e-commerce and mobile technology, consumer expectation is around payment choice; frictionless, fast and secure buying experiences.

Technology: There is clear evidence of the payments ecosystem harnessing the power of technology as we have already moved from traditional branch banking to e-banking and now real time including mobile money. Advances in technology, combined with the adoption of global standards like ISO 20022, will continue to provide a major force in the continued evolution of the payments ecosystem by delivering a more standardized and structured data experience.

Real Time: Finally, we should not forget the world is continuing its journey toward real-time operations as digital transformations redefine what is possible. The reality is legacy payment methods will no longer meet the needs of today's stakeholders, so the forces of change are inevitable as digital becomes ubiquitous.

Where is the motivation to change?

ISO 20022 XML has a very rich data structure, so each data point has its own unique xml field which translates into a more elegant way of providing information, like bank party and on-behalf-of information. Additionally, it can support local language requirements and has been designed to support virtually all electronic payment method types globally. The diagram below highlights the key benefits of ISO 20022 XML messaging.

Diagram 2: Key benefits of ISO 20022 XML messaging.

Source: Zanders

This rich and structured data has the potential to help all stakeholders in terms of compliance, automation, reconciliation and overall improved visibility. From a corporate lens perspective, receiving more structured data around receivables flows, primarily around invoice information, provides the opportunity to accelerate the cash application process, which then reduces the days sales outstanding (DSO) — a key treasury working capital metric. So more structured and overall richer data will help remove the current friction in the account receivables process enabling greater operational and financial efficiencies. Another important benefit to corporate treasury is greater straight through processing (STP) as the payment message will be structured and standardized , reducing the risk of costly manual repairs from the banking community. It's these benefits which will drive greater operational and financial efficiencies in addition to enhancing the overall customer experience that will ultimately provide the motivation to change.

"ISO provides a *unique opportunity to drive convergence* across payment methods and schemes allowing corporates and institutions to capture meaningful commercial information to *drive exponential innovation across use cases and digital commerce.*"

– Debopama Sen, Global Co-Head, Payments & Receivables, TTS, Citi

Chapter summary

The current SWIFT FIN MT messaging model no longer satisfies the needs of the various stakeholders (governments, regulators, corporates and banks), with multiple friction points linked primarily to poor quality unstructured and incomplete data. The ISO 20022 standard brings a number of improvements over the current MT messaging, linked to a richer structured data set which will deliver significant benefits in terms of automation, payment processing, compliance, and overall reconciliation. The SWIFT migration to ISO 20022 XML is just the latest step in the broader digital transformation of payments, which will ultimately position ISO 20022 as the universal language of payments.

For corporates, ISO 20022 XML will deliver material benefits. However, there is never a one-size-fits-all approach and the recommendation remains to engage with your banking partners to understand the real opportunities and considerations that will need to factored in to any future migration plan.

For banks, adoption of ISO 20022 will help in the simplification of technology architectures and potential to converge payment methods to allow for intelligent routing of payments based on the structured data elements. The move to the new ISO standard is pushing organizations to upgrade and "modernize" their technology to support the new formats which is ultimately creating more stability.

Notes:

[9] Source: https://www.fsb.org/2020/04/enhancing-cross-border-payments-stage-1-report-to-the-g20/, Financial Stability Board, 2020.

[10] Global cashless payment volumes are set to increase by more than 80% from 2020 to 2025, from about 1 trillion transactions to almost 1.9 trillion, and to almost triple that amount by 2030, according to analysis by PwC (Strategy & Global payments model 2021).

SWIFT ISO 20022 Migration: Focus on the Roadmap & Relevance to Corporate Treasury

Formed on the May 3, 1973, by 239 banks from 15 countries, SWIFT started providing messaging services in 1977. Today, SWIFT serves more than 11,000 institutions operating in over 200 countries with 44 million messages processed daily in 2022. The SWIFT migration to ISO 20022 XML (MT-MX), initially in the cash management space, is possibly the most significant disruption to global cross-border payments since SWIFT first introduced electronic messages back in 1977. In this third chapter, we take a closer look at this industry migration, considering the timeline, scope and impact to the financial sector in addition to highlighting the relevance to corporate treasury.

What is actually changing?

The SWIFT MT-MX migration is initially focused on a limited number of SWIFT FIN messages within the cash management space:

- SWIFT MT 1 series – Customer payments
- SWIFT MT 2 series – Financial Institution payments
- SWIFT MT 9 series – Reporting - Statements & Advices

This can be translated to cross-border payments (e.g., MT103, MT202) in addition to the associated balance and transaction reporting (e.g., MT940, MT942) within the interbank messaging space. The following table provides a comparison of the most popular SWIFT FIN messages and the corresponding replacement SWIFT MX message which will be used in the SWIFT interbank messaging space.

Diagram 3: MT – MX Message Comparison.

MT Number	MT Message Name	MX ID	MX Name
MT 101	Request for Transfer	pain.001	CustomerCreditTransferInitiation
MT 103	Customer Credit Transfer (Single)	pacs.008	FIToFICustomerCreditTransfer
MT 200	Financial Institution Transfer for its own Account	pacs.009	FinancialInstitutionCreditTransfer
MT 202	General Financial Institution Transfer	pacs.009	FinancialInstitutionCreditTransfer
MT 900	Confirmation of Debt	camt.054	BankToCustomerDebitCreditNotification
MT 910	Confirmation of Credit	camt.054	BankToCustomerDebitCreditNotification
MT 940	Customer Statement Message	camt.053	BankToCustomerStatement
MT 941	Balance Report	camt.052	BankToCustomerAccountReport
MT 942	Intraday Transaction Report	camt.052	BankToCustomerAccountReport
MT 950	Statement Message	camt.053	BankToCustomerStatement

Source: Zanders

Timeline for the migration from MT to MX

Having started the industry ISO 20022 migration (MT to MX) on March 20, 2023, the financial sector now has just over two years to complete this migration plan. This means between now and November 2025, both MT and MX message formats will be supported in the interbank space and will coexist. After November 2025, SWIFT MT messages will be decommissioned, and ISO 20022 will be the only acceptable standard for cross-border payment instructions and reporting messages between financial institutions.

The potential impact and relevance to corporate treasury

While the actual SWIFT ISO 20022 migration is focused on the interbank messaging space, which means existing SWIFT SCORE, MACUGs (member administered closed user groups) and of course proprietary host-to-host connections should not be directly impacted, there could be a knock-on impact in a couple of key areas:

- Firstly, cross-border payments , which are linked to the address information that is required in the interbank payments space. As the financial industry is looking to leverage more structured information, this could create a friction point as both the MT101 and MT103 SWIFT messages that are used in the corporate-to-bank space only supports unstructured address data. This problem could also exist where a legacy bank proprietary file format is being used, as these have also typically just offered unstructured address data. This could mean corporates will need to update the current address logic and possibly the actual file format that is being used in the corporate-to-bank space. In terms of key data points, both the town/city name and country code will need to be provided in a structured address format by the end of November 2025, from a compliance standpoint, or the payment instruction could be rejected.
- Secondly, while banking partners are expected to continue providing the MT940 end-of-day balance and transaction report post November 2025, to its corporate client, there is now a risk where a corporate is using a proprietary bank statement consolidation service. This means today, the corporate could maintain 30+ banking relationships, but elect to receive the MT940 bank statement from their consolidator banking partner or technology provider only. Post the migration phase, all banks will only be able to send the MT940 equivalent end-of-day statement — the camt.053 over the SWIFT interbank network. If the existing consolidator bank cannot offer a backward conversion from XML (camt.053) to FIN (MT940), this will require the corporate to also migrate onto the camt.053 end-of-day bank statement or consider other possible alternatives.

Moving onto the relevance to corporate treasury, it is important to note that ISO 20022 is now the de-facto standard globally within the financial messaging space. This highlights a real benefit around standardization and harmonization in the payments space with ISO 20022 becoming the global language of payments.

From a SWIFT MX messaging perspective, the initial migration implementation does not currently include some key features, like central bank reporting, local language and the ability to include multiple accounts in the camt.053 end-of-day statement reporting. The CBPR+[11] guidelines and SWIFT FINplus network currently limit the camt.053 to just one bank account per message.

However, the current design does include supporting the ultimate debtor and creditor parties which are required by corporates that operate an in-house bank structure. There is also some good news on the horizon. The CBPR+ guidelines have now included that up to 9,000 characters can be supported in the structured remittance block subject to bilateral agreement. This important enhancement is expected to take effect on November 2023, at the earliest. Given this will be subject to bilateral agreement, and the potential that richer structured data will provide in terms of both acceleration of processes and greater overall visibility, we would expect the corporate community to view this as a key requirement from banking partners.

The impact on banks

March 20, 2023, marks a significant milestone for the payments industry and the start of a coexistence period until November 2025, where both MT and ISO 20022 messages will be supported, enabling financial institutions to migrate to the new standard at their own pace. Possibly the greatest challenge that most banks will encounter is around their legacy payment messaging platforms. This migration to ISO 20022 will place additional pressure on banks to upgrade their systems, and their own bank proprietary file formats that are currently used within the corporate-to-bank space. However, it is critical that banks do not view this simply as another industry compliance exercise. This industry migration provides the following significant opportunities to the banking community:

- ISO 20022 offers richer and more structured data that can drive greater operational efficiencies as payments achieve straight through processing (STP) due to fewer data problems and improved compliance checks.
- More structured data will help improve and accelerate the identification of customer trends, which can present opportunities for the banking community to deliver new and relevant value-add solutions in addition to providing enhanced customer analytics reporting.
- Establish a new global payments core infrastructure recognizing the ISO 20022 migration goes beyond SWIFT to a significant and increasing number of local market infrastructures around the world. The opportunity to standardize and simplify the banks payments infrastructure presents the opportunity for greater innovation — leveraging the latest AI/ML technologies to support more predictive and prescriptive analytics.
- Also linked to the global core payments infrastructure is the associated faster global deployment of both regulatory change and new value-add solutions.

The final point to note on the bank side is that under the current migration plan, financial institutions are not required to begin sending ISO 20022 messages in March 2023; but full compliance is required by the November 2025 deadline.

Chapter summary

While the SWIFT ISO 20022 migration is currently focused on the interbank community, the adoption of ISO 20022 financial messages offers significant benefits to the corporate treasury community in terms of more structured and richer data combined with a more globally standardized and interoperable design. However, the current MT-MX design, which is based on the CBPR+ guidelines, limits the materialization of some of these potential benefits. It's important the CBPR+ community looks at enhancing the current implementation guidelines, so they create a more compelling migration proposition for the corporate community at large. Notwithstanding these limitations, corporate treasury should now have the MT-MX November 2025 migration deadline on their own radar so they can make timely and informed decisions around any future migration plan.

Notes:

[11] Cross-border Payments and Reporting Plus (CBPR+) is a set of specifications for ISO 20022 financial messages over the SWIFT network. In essence, it refers to the types of ISO 20022 messages that will be used over SWIFT. CBPR+ messages over SWIFT are also referred to as "MX" messages, as they differ in format from the traditional MT messages used over SWIFT.

"ISO20022 is more than a compliance requirement for banks. *ISO at its core enables banks and the clients they serve to derive value through the standardized and structured data elements as the payments ecosystem is being fundamentally impacted."*

– Ashish Bajaj, Global Head,
TTS Financial Institutions, Citi

Next Steps: Analysis Blueprint

We are now witnessing an increasing momentum around the digital transformation within the payments ecosystem. Simply put, the acceleration of digital payments across its various forms is at the center of this broader development of the digital economy. Governments want faster, cheaper, more transparent and more inclusive payment services. Regulators want to remove the complexities around meeting compliance requirements, including anti-money laundering and countering the financing of terrorism (AML/CFT). There is significant friction around existing fragmented data standards and lack of interoperability which collectively, underpins the emergence of ISO 20022 as the de-facto standard globally within the financial messaging space. In this concluding chapter, we focus on the practical considerations of this seismic global industry shift through the lens of corporate treasury.

Five point evaluation plan

Irrespective of your size or country coverage, the below considerations will help all corporates make a more informed decision on the optimum approach for their organization. A one-size-fits-all approach will not work in this case.

1. Do I actually need to change?

While the SWIFT ISO 20022 migration is primarily focused in the interbank messaging space, there will be a ripple in the corporate treasury domain in terms of the structured address requirements and also possibly the multi-bank statement reporting. But SWIFT is only part of the story — a number of in-country RTGS clearing systems are also migrating onto an ISO 20022 XML platform — Target 2 (T2) (March 23, 2023), UK CHAPS (June 23, 2023) and the new HK RTGS is scheduled for April 2024. By March 2025, the U.S. Fed is also targeting full ISO 20022 XML adoption. So the corporate treasury analysis also needs to consider any changes to the information they currently send to these payment clearing systems in order to remain fully compliant.

A second important consideration linked to this opening key question is whether my banking partner(s) will continue to support my existing payment format. So while SWIFT FileAct, SCORE, proprietary host-to-host and even bank proprietary browser-based solutions are out of scope in terms of the SWIFT ISO 20022 migration, some banks have already indicated they will not be accepting the SWIFT FIN MT101 message from November 2025. Furthermore, some banks proprietary payment file formats may also not support the new structured data requirements, which could also force customers onto a more compliant payment file format.

While we typically talk about the payments migration, corporate treasury should also not lose sight of the statement reporting as banks might also be looking to encourage a migration off the existing MT940 statement message to ensure corporates receive the enhanced structured data which will be available in the camt.053 statement message. There will be data truncation and data omission in the MT940 statement as it does not support the structured data richness of the approximately 1,600 fields available in the camt.053 statement.

2. Do my systems and master data need updating?

Corporate treasury must assess their current end-to-end payment systems capabilities including any messaging platforms, the underlying data flows, and associated reporting capabilities in order to establish the ability to support ISO 20022. It's important to note that ISO 20022 involves processing significantly larger data volumes compared to legacy formats, so the analysis must also determine if these systems and databases can process the increased data volumes.

This analysis should also consider both the new data requirements and the future enhanced data requirements that are already in plan for some domestic clearing systems. For example, the structured address covering both the town/city name and country code will be mandatory from November 2025. Is this information already maintained in a structure field within your ERP/TMS or is this currently maintained in an unstructured free format field?

Moving onto the enhanced data, clearing systems like the UK (CHAPS) have indicated they will require the following in the future:

- Purpose codes
- Legal Entity Identifiers (LEIs)
- Structured Remittance data
- Extended character set

By including known additional data requirements, corporate treasury can help "future proof" their payment systems and mitigate the risk of noncompliance.

A logical extension of this question also relates to existing planned software upgrades, for example, a migration to the new S/4 HANA system for existing SAP ECC users. This type of ERP system upgrade also provides the opportunity to future proof this system landscape migration — clearly subject to the ERP or TMS providers' compliance with the new ISO 20022 XML formats.

3. What are my partner banks adoption plans?

Corporate treasury should engage with all their banking partners to understand their strategy and roadmap for the migration to ISO 20022. Some banks have already been supporting corporate clients with the earlier 2009 ISO maintenance release, which included the version 3 payment message (pain.001.001.03). This will remain fit to purpose for corporate clients that are already using this standard, as the Common Global Implementation – Market Practice (CGI-MP) Group have produced a series of agreed-upon industry workarounds in an effort to ensure that all enriched data points are supported.

However, for corporate clients using bank proprietary formats, this migration might now provide the motivation to migrate onto an ISO 20022 payments model. Discussions with banking partners should include an understanding of what new value-add capabilities will be available — with structured data being recognized as a major benefit.

4. What are my software system partners adoption plans?

Engaging with ERP and TMS providers, as well as any strategic software solution providers, will help assess both the system readiness and potential future value-add solutions that will drive greater operational and financial efficiencies.

5. Will corporates take a strategic or reactive approach?

While a migration to ISO 20022 may present significant challenges and cost, ISO 20022 is now the language of payments and provides real opportunities to both accelerate and elevate current processes. As discussed within this paper, the benefits span improved structured data, faster payment processing, and reconciliation, and better end-to-end visibility. The work of the CGI-MP also provides the potential for a more standardized and simplified multi-banking payment architecture. Depending on the detailed analysis, we anticipate some corporates will opt for the strategic approach, looking to implement the latest ISO 20022 XML messaging version that aligns to the SWIFT ISO 20022 industry migration. Alignment provides the potential for a more future proofed design, but this is certainly not a prerequisite for industry compliance at this stage.

Considering the typical adoption curve, we expect the majority of corporates to take a more reactive approach.

Develop a migration plan

Once the detailed analysis has been completed, the next step is to create a detailed migration plan, that covers the following areas:

- Scope – which countries, clearing systems, payment methods, additional functionality and more
- System changes – ERP, TMS and other related systems within the end-to-end process
- Operational processes should be reviewed and updated
- Phased approach or Big Bang and associated timings
- Resourcing requirements
- Partner bank testing support
- System changes, resourcing requirements plus the supporting implementation plan

The detailed end-to-end testing phases will provide the opportunity to validate the benefits of richer structured data through improved and accelerated reconciliation in addition to overall visibility.

"We have gradually introduced ISO 20022 over the past few years in collaboration with some of our banking partners. While the complete implementation is still ahead of us, *we are already observing the advantages of adhering to this global standard*. As a result, we will continue with necessary switches and have already launched subsequent initiatives that build upon these benefits.

Roche clearly benefits from the enhanced information flow regarding ultimate debtor information in the on-behalf payment approach, as well as the availability of customer information facilitating a significantly higher level of automation. Moreover, we utilize GPI tracking for our international cross-border payments, following the ISO 20022 standard. This results in our own created analytics dashboard, which allows for additional insights and increased efficiency opportunities (cost, processes, etc.).

In essence, ISO 20022 offers businesses the opportunity to enhance end-to-end processes from various perspectives, and that is why we are in full support of this standard."

– Stefan Windisch, Senior Cash Manager, Roche

Final summary

While there is no set migration deadline for corporates in terms of the adoption of ISO 20022, it's important that corporate treasury has the broader industry adoption of ISO 20022 firmly on their radar. There is now an opportunity to engage and take a more proactive stance around adoption given at some point, the negative impact to the business will actually outweigh the original perceived benefits!

The global industry migration, which will make ISO 20022 the language of global payments, has been a significant exercise for the global banking community as they upgrade their systems from legacy to ISO 20022 compliance. This is also expected to be a potentially sizeable project for the corporate community. It is therefore important to understand all the considerations in order to make an informed decision on the optimum approach that aligns with your own strategy. Engaging with bank partners that understand both the changing payments landscape and how to drive greater value out of this industry initiative will help establish this optimum approach.

Finally, at an industry level, SWIFT has now initiated discussions with the banking community around opening up the new SWIFT FINplus network to the corporate community, which would be in addition to the existing FileAct network. Additionally, this could include more granular network validation, which would mean all banks follow the same core message guidelines for the same payment method in each country. This potential global industry standardization will enable simplicity of design combined with greater portability. This is definitely an area to watch closely as the discussions evolve.

About Zanders

Zanders is a global independent treasury and risk consulting firm with almost 30 years of experience in providing innovative solutions to multinational corporations, financial institutions, public sector entities and NGOs. The company specializes in treasury strategy and optimization, technology selection and implementation, financial and non-financial risk management, risk modelling, validations, and regulatory compliance, and have developed its own suite of innovative SaaS solutions. The company has grown strongly to become a leading global independent treasury and risk consulting firm with about 300 employees across ten offices in Europe, Middle East, US, and Asia.

Zanders is committed to ESG (environmental, social, and governance) principles and practices, and supports its clients in achieving their ESG goals. They believe that diversity, equity, and inclusion (DE&I) are essential to building a strong, sustainable business and are committed to fostering a culture that values and respects diversity in all forms.

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