

Introduction to ISO 20022

WHAT IS IT?

- › A global standard for data exchange between financial institutions
- › Transition to modern XML message formats for bank statements, payments and payment status reporting

WHY THE FOCUS?

- › Consistent standards and communication protocols don't exist for financial transactions
- › Inconsistency creates a variety of challenges and inefficiencies
- › Quality and security of financial data is of increasing importance



Timelines

- › For **bank-to-bank communication** via the SWIFT network, the transition must be completed by **November 2025**.
- › Banks, financial institutions and payment market infrastructures working on determining their own adoption timelines for corporates.

Benefits

- › Richer, more meaningful data will support greater STP and better decision making.
- › Structured nature of ISO 20022 payment messages will aid in fraud prevention and detection.
- › Enhanced data will improve liquidity visibility.
- › Simpler onboarding of or migration between connectivity and technology solutions.

New concepts

- › Structured addresses and remittance information
- › Purpose of payment (PoP) codes
- › Legal entity identifiers (LEIs)

Transition

- › SWIFT co-existence period in place until **November 2025** for bank-to-bank communication.
- › **MT message formats (series 1, 2 and 9) will eventually be retired.**
- › Corporates need to prepare for and plan the transition ahead of time.

PREPARATION CHECKLIST



Understand the Transition

- > Identify the current messaging formats your organization uses for processing bank statements and payments
- > Coordinate with your banks to understand their specific timelines and milestones for ISO 20022



System Readiness

- > Verify whether your Treasury Management System (TMS) and other financial systems are compatible with ISO 20022 messaging formats
- > Work with system vendors to understand any upgrade timelines and the availability of necessary updates or patches



Data Management

- > Identify the sources of and review all master data related to bank statements and payments
- > Separate address details into the necessary components for a structured format
- > Obtain and record new data needed for ISO 20022, including purpose of payment (PoP) codes and legal entity identifiers (LEIs)



Training and Awareness

- > Stay informed about the ISO 20022 transition and any future updates or changes to the standards
- > Identify changes to processes and workflows, and plan for the provision of necessary training and support for staff



Communication with Stakeholders

- > Keep all stakeholders, including treasury staff, IT teams, and banking partners, informed of the transition's progress
- > Secure budgets and resources from both internal sources and banking partners to support the migration effectively



Testing and Validation

- > Create a comprehensive plan outlining testing objectives, scope, and methodologies for ISO 20022
- > Identify and document specific scenarios and use cases to be tested, ensuring all aspects of the migration are covered
- > Develop contingency plans for potential issues identified during testing to mitigate risks