



ISO 20022

JDX Payment Services

Overview

In non-technical terms ISO 20022 is the international standard that is designed to simplify global business communication, providing a global dictionary of common language that everyone can understand. It ensures that that information can be exchanged and processed worldwide, clearly and consistently, making it easier to communicate financial information between people and systems. More specifically, it streamlines communication for payments, securities, funds, trade services, foreign exchange trading and credit card sectors.

Adoption of the standard lays the foundation for vastly improved, regulatory compliant global payment processing with efficiency and interoperability. It provides for a new global payment landscape, reducing costs and giving access to a payments highway for all the opportunities that real time information, visibility and digitisation bring to market participants.



While ISO 20022 migration is not mandatory from a regulatory perspective, those banks that do not act now risk being excluded from future international payment systems. From November 2022 to November 2025, there will be a coexistence period where banks will be able to continue to use SWIFT's MT (legacy format) and start using ISO 20022 message formats and APIs. Consequently, between now and November 2022, financial institutions will need to ensure their interfaces are prepared for the coexistence period. After Nov 2025, SWIFT's MT legacy format will be decommissioned and no longer accepted.

Why is ISO 20022 critical?



In a world where banks are competing and collaborating with fintechs, emerging platforms and new business models, it is imperative for everyone to 'speak' the same 'language' so that new services can interoperate with the existing ones safely and securely.

Quality data is the key to safety and security. Today's movement of money, however, is adversely affected by flawed information – often reducing the efficacy of our control capabilities.

“ SWIFT data shows that more than 70% of payments from originating parties use unstructured fields to capture critical originator and beneficiary details. ”

Key Benefits

- 1 Data standardization & seamless integration
- 2 Improved service levels & optimized processes
- 3 Enhanced customer experience & new revenue

Short-term implications of ISO 20022



Operational considerations: This migration doesn't only affect IT systems; it impacts business rules and process flows as well. Hence, special attention is required for business operating models, i.e., payments processing flows and exception handling, which represents a significant challenge.

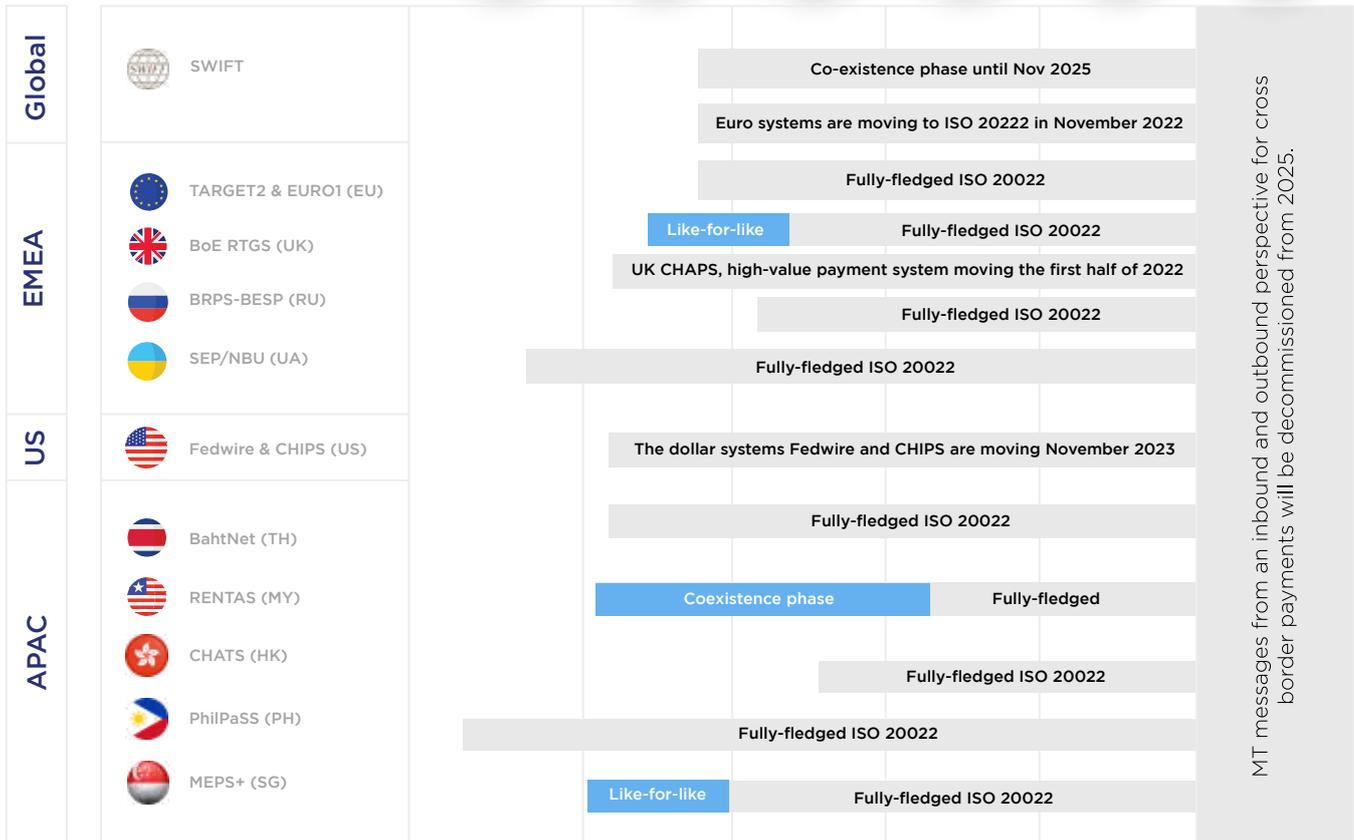


Impact beyond payment processing: The migration will reach far beyond core payments processing. It will affect peripheral systems such as anti-financial-crime applications (especially embargo/sanctions screening and AML systems), liquidity management, billing, account reporting, Nostro reconciliation and archiving systems.



Difference in options and recommendation: Options and recommendations vary based on the level of involvement with the organisation's payments. For instance, a bank with a global footprint will have a different approach to a bank that has a smaller regional focus. Similarly, the process will be different if a bank is a direct or indirect participant in payment creation and processing.

Key payment market infrastructure ISO 20022 approach timeline



How can JDX Consulting help you?

You can benefit from our vast experience in assisting multiple clients in adopting ISO 20022 while also supporting SWIFT to facilitate the adoption readiness activities of their community of banks and market infrastructures. Regardless of whether a fully native or bridged approach is taken, the following are some of the key characteristics that JDX can help with to lay the foundation of a successful migration to ISO 20022:



Our payments specialisms include:

Data standards

Education for financial market participants to be able to support transition to ISO 20022 format for cross-border payment messages.

- 1 Promoting understanding and readiness where transition can provide enhanced client experience as well as opportunities for improved post trade reconciliation and settlement processes, embracing fintech payment solutions.

Workflow, controls & thresholds

Modernization will aid in the mitigation of Financial and Reputational Risk due to legacy technology latency which can threaten resiliency and reputation. Focus on establishing the requisite workflow and controls to minimize the risk of erroneous payments leaving the organisation.

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JDX is a global consulting business focused on resource augmentation and domain consulting for investment banks, financial market infrastructure and technology acceleration, underpinned by a collaborative “Can Do” culture.