

CBPR+ ISO 20022 Status Update – November 2022

INTRODUCTION

As all impacted institutions will be aware, there is a mandatory requirement to be ready to receive ISO 20022 messages by March. We then enter a co-existence period until November 2025, during which time institutions will move over to ISO 20022 and start to adopt enhanced data and format. For our clients we have offered 3 strategies: Native (full adoption of ISO 20022, replacing FIN), Market Ready (outwardly ISO 20022 but with internal translation) and Connectivity Only (being ready to receive but continuing FIN and using in-flow translation). Projects have been engaged against these strategies.

MARKET SENTIMENT

It has always been clear that the market would not all move at one single pace. Some currency clearing and settlement banks would follow Market Infrastructure's ISO 20022 adoption, while other institutions would be guided by cash bank and counterparty readiness.

However, what is a common denominator is that the adoption of enhanced data should be scheduled from November 2023 and not before to avoid complexity in data handling through payment chains. This has been supported by Market Infrastructures, SWIFT and Cash Banks alike.

Market Data from SWIFT shows us that 25% of institutions are testing ISO 20022 messages. This percentage will increase before March, but we can be confident that a sizable proportion of institutions will go into the Co-existence period being ready to receive ISO 20022 as mandated, but still sending and receiving MT. The strategy being to move to ISO 20022 later next year when strategic road-maps are less busy.

GUIDANCE

In line with our earlier advice to clients, it is critical that you engage with your correspondents and cash banks to understand their adoption of ISO 20022. The following information is guidance aligned to key influencers:

SWIFT

'Not being ready will mean a break in the continuity of your business operations, with payment instructions coming from your correspondents that cannot be processed.' – SWIFT Quote, LinkedIn, Aug 22.

SWIFT messaging is clear. Technical readiness for March. Start sending and receiving ISO 20022 when you can. Avoid enhanced data until November 2023.

SPECIFICALLY ON ISO 20022 REPORTING MESSAGES

Unless you pro-actively opted in, then your 'bootstrap' enablement on SWIFT for FINPlus will not have included the RMA (Relationship Management Authorization) to receive ISO 20022 statements. This will require a separate RMA. SWIFT guidance is to not rely on in-flow translation for reporting messages but to plan for when they can be processed natively. We support this approach from SWIFT unless you are looking to leverage the specific truncation management options that Bottomline can support via the Transformation and Enrichment Service (speak to your account manager for more details).

MARKET INFRASTRUCTURES

For direct participants, they have been given clear guidance, migration timelines are known, in most cases, this is a hard cutover to ISO 20022. For indirect participants and those offering accounts in impacted currencies, you will need to send and receive in ISO 20022 from the time the market infrastructure moves to ISO. Cash banks are unlikely going to want to translate ISO to MT.

CASH MANAGEMENT BANKS

Guidance is coming out from banks on their preferred adoption timelines. Whilst most are ready to support ISO 20022 from March, there is some advice against using ISO 20022 until November 2023. It is critical that you speak to your bank to understand and clarify fully their individual position.

"Not being ready will mean a break in the continuity of your business operations, with payment instructions coming from your correspondents that cannot be processed."

- SWIFT Quote, LinkedIn, Aug 22

MANAGING YOUR PROJECT

Whilst you may need to move at the pace of our correspondents and banks, the preference is to move at your own pace. Where possible, use ISO 20022 as soon as you can, to close out your market facing migration. This means managing any translation requirements internally.

Next Steps

- Initial projects continue to complete in the lead up to the March deadline. However, planning for 2023 is needed now to boost your competitive advantage. Be assured that many institutions are not going to be 'Native' in March.
- There will be increasing requirements for ISO 20022 and enhanced data in 2023 and beyond.
- Bottomline are running a series of webinars in early January 2023 to investigate these areas in more detail:
17th January, 3PM Singapore Time – ASEAN, 18th January – 3PM UK Time – UK, 19th January – 3PM CET - Europe.
- Stay close to your cash management banks and correspondents to understand their position and any planned change to their adoption strategy.

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