ISO 20022 (r)Evolution – Standardisation and Harmonisation

BSK’s ISO 20022 event in Oslo, 2015-09-15
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- Head of Client Data Services
  - SEB Merchant Banking, Transaction Services, Product Management
  - Formats & Standards, Initiation & Reporting and Big Data

- Finnish representation at the ISO Technical Committee 68 for Financial Services standardisation, including ISO 20022 Registration Management Group

- Vice convenor of the ISO 20022 Payments Standards Evaluation Group

- Co-Convenor (Financial Institutions) of the Common Global Implementation Market Practice Group

- And most of all: almost 30 years experience of implementing large international corporate group cash and liquidity management solutions and processes
Agenda

1. ISO 20022 governance
2. SEPA case study
3. ISO 20022 trends and benefits
4. Global expansion and market collaboration
ISO TC68 and ISO 20022 Governance

ISO Technical Committee no 68 (Financial Services), www.iso.org/tc68
- Governs a total of 29 standards (ISO 20022 one of them)
- 29 participating countries and 52 observing countries
- Supported by its Sub Committees (SCs) like SC7 for core banking
- Liaison with ANNA, ECB, EPC, MasterCard, SWIFT, TWIST and VISA

- Registration Management Group as the main governance body supported by Registration Authority (RA) that SWIFT facilitates
- Standard Evaluation Groups (SEG) for business requirements specifications
  - One SEG for each five ISO 20022 Domains: Payments, Securities, FX (Foreign Exchange), Trade Services, Cards and related retail Financial Services
- Technical Support Group (TSG) gives support for RMG, RA and SEGs
- Refinement of the governance model ongoing and will be ready by the 3Q 2015 with even more open membership model
Latest ISO 20022 activities

Business justifications

• Ongoing
  – Payment Pre-Authorisation (Early Warning Services), in evaluation phase
  – Securities Market Claims (SWIFT), ballot phase delayed

• Approved (during the year 2015)
  – Cross-border Transactions Currency Control Reporting
  – Money Market Statistical Reporting
  – Payment Tokens Management Exchanges
  – ISO 15022 variants
Latest ISO 20022 activities, continued

ISO 20022 schema variants’ registration
• Not mandatory but made possible

Real Time Payments Group
• An ad-hoc working group created by the Toronto (May, 2015) RMG meeting
• Safeguarding the ISO 20022 harmonisation in various international initiatives
• Common guidelines for standard (existing) ISO 20022 message scheme use in RTP context
• Finalisation by the end of year 2015

PSD2 / XS2A / API ad-hoc group
• An ad-hoc working group created by the Toronto (May, 2015) RMG meeting for exploring of the ISO 20022 development needs in the PSD2 mandated Access to Accounts using Application Programming Interfaces
ISO 20022 in practice – SEPA use case
ISO 20022 based Straight Through Processing

Debtor’s Bank

Payment initiation / pain.001 C2B
- Payment Id
- EndToEndId
- Remittance Id
- Ultimate Parties

Account reporting / camt.05x B2C
- Statement & Transaction Id
- EndToEndId
- Payment Id

Creditor’s Bank

account reporting / camt.05x B2C
- Statement & Transaction Id
- EndToEndId
- Remittance Id
- Ultimate Parties

Note!
Ultimate parties’ info delivery is depending on clearing mechanism capabilities. In SEPA it is fully guaranteed.

Ultimate Debtor

Debtor (SSC)

Invoice

Ultimate Creditor

Ultimate Parties

Ultimate Debtor (SSC/Financing)

Purchase
SEPA is much more than another payment scheme

Payment processing in past / today

Domestic Payments  Crossborder Payments

New payment process

SEPA Payments
If you seize the opportunity!

Payment processing today / tomorrow

Domestic Payments | Crossborder Payments | SEPA Payments

ISO 20022 XML
Initiation, clearing and reporting

One format
One Euro account
One shared service centre
One process
ISO 20022 message implementation documentation “Case: SEPA in Norway”

Payment Initiation: pain.001 V3

- Bank-specific guidelines like SEB Message Implementation Guideline
- SEPA Rulebook Implementation Guideline for SEPA Credit Transfer
- Norwegian debtor bank account based payment initiations according to BSK
- Full harmonised payment initiation with the Common Global Implementation Market Practice group documentation
- ISO 20022 pain.001.001.03 schema and Message Definition Report
Example: Finnish Tax Agency Real Estate payment slip
ISO 20022 and the current trends and benefits
SEPA extended

- Euro liquidity concentration:
  - Realise with cash pool solutions

- SEPA compliance:
  - Payment initiation in ISO 20022 standard

- Automated reconciliation in ISO 20022 standard

- “Living in SEPA”:
  - Using all product features

- “SEPA advanced”:
  - Consolidate accounts, efficient bank relations, ISO 20022 beyond SEPA

2015-09-15 | STANDARDISATION AND HARMONISATION
Corporate payments trends
Focus on structure and efficiency

Treasury and cash management

**Working Capital**
After the financial crisis an increased focus of optimising the cash conversion cycle times. Break down and increased focus on underlying DSO, DIO, DPO using and applying metrics and follow-up.

**Treasury governance and responsibilities, risk management**
Establishing treasury policy and guidelines and finding the optimal balance between central and local responsibilities. Make cash/liquidity “a corporate asset.” Establish the risk management framework.

**Strategic liquidity position and capital structure**
Establishing optimal level of liquidity at operational units and central functions. Cash buffers needed etc. Applying metrics, comparing to peers/competitors etc

**Efficient processes**
- Shared service centers: How to build the optimal operational efficiencies.
- In-house banking: Rise and fall and rise again, Scope can vary e.g. netting, cross-border → local payments etc. Readiness and organisation at treasury?
Corporate payment trends
Focus on Channels and distribution

Channels and distribution

**Standardisation based on ISO 20022 format**
- Standardisation: ISO 20022 for payments, direct debits, reporting and electronic Bank Account Management (eBAM) as global market practices
- Next: Bank Services Billing (BSB)

**Integration between physical and financial value chains**
Initiatives to integrate value chains in order to offer an end-to-end solution. Includes processes from order to payment and delivery.

**Consolidated channel offerings**
Multi-channel and integration of online services and personal meetings. Treasury management and Risk management systems are converging. - Bring-your-own device and mobile interfaces for employees.

**Business Networks and cloud-based solutions**
A number of initiatives in the market to create generic solutions using ERP/TMS-systems as alternative to proprietary Bank solutions.
Customer benefits

Most ERP and middle-ware vendors have direct support for ISO 20022 standard payment and direct debit messaging

Support with same standard for a vast variety of payment types
  • Makes payment and collection processing at customer more harmonised

Industry (financial messaging) standardisation is currently focused on ISO 20022 business model
  • Collaboration between banks, ERP-vendors and end-customers on standardisation forums

SEPA as one of the key drivers for the Cash Management standardisation

Higher level of Straight Through Processing than with other universal standard frameworks
ISO 20022 success factors

Common, standard language for the business abstracts

Huge amount of market experts in the standard design

End Date regulation and SEPA

Market practice collaboration
  • Involvement of the application vendors and the end-customers

Globalisation and a clear need for a global standard

Usage of XML (eXtensible Markup Language)

Used in financial infrastructures
  • SEPA clearing, Target2Securities, Trade Services Utility
ISO 20022 challenges

ISO 20022 Business Model adaptation is not easy and needs investments

National and legacy practices
  • Hard to argument a business case for a new standard on a technical basis only

ISO 20022 scope is really large
  • Difficult to manage the full scope also beyond Payments Domain

ISO 20022 version management
  • Need to support of multiple parallel versions

National or market player specific interpretations
  • National drivers may be so urgent and quick that they cannot wait for ISO 20022 harmonisation process results
ISO 20022 – Global expansion
ISO 20022 global coverage beyond SEPA
Setting the payment infrastructure readiness and support

- Denmark: Fully ISO 20022 based clearing running for Same Day payments
- Sweden: SWISH payments clearing and settlement with standard ISO 20022 messages
- Japan: Clearing system with normal and high value local payments running on ISO 20022
- Qatar: National Automated Clearing House (ACH), live in 2010
- Egypt ACH: real time direct debit processing with ISO 20022
- Southern African Development Community: clearing and settling their cross-border payments with ISO 20022
- Canada: Vision 2020 - upcoming fully ISO 20022 based clearing for local payments
- USA: Investigating other countries’ ISO 20022 clearing system projects for preliminary local payment transformation analysis
- Target2: High value payment clearing systems to be migrated to ISO 20022 (from MT) on year 2016 – 2017
- Brunei: Real Time Gross Settlement (RTGS) and ACH go live 4Q 2014 being first Asian country to adopt future Asian countries central bank inter-linkage with ISO 20022
- Malaysia: introducing the next generation RTGS system based on ISO 20022 aiming for year 2015 deployment
- Australia: multiple upcoming ISO 20022 based payment clearing implementation projects
- Discussion on how to replace the Bank-to-Bank reporting from MT-messages to ISO 20022
ISO 20022 beyond Payments domain

- Electronic management of bank accounts (eBAM) and Exceptions and Investigations
- eInvoicing
- Trade Services Utility and Bank Payments Utility and StandBy Letters of Credits and Guarantees messages
- New Factoring message set (April 2015)
- Target2 Securities
- Proxy voting
- DTC (Deposit Trust Company) Corporate Actions ISO 20022 transformation project
- Bank Services Billing (BSB)
- Liquidity reporting industry standards guidelines
- New card transaction platforms
- A total of 300+ ISO 20022 messages

http://www.iso20022.org/adoption.page
CGI-MP = Common Global Implementation Market Practice

Market Collaboration
Mission & Objective

- Provides a forum for financial institutions (banks and bank associations) and non-financial institutions (corporates, corporate associations, vendors and market infrastructures) to progress various corporate-to-bank implementation topics on the use of ISO 20022 messages and to other related activities, in the payments domain.

- Simplify implementation for corporate users and thereby promoting wider acceptance of ISO20022 as the common XML standard used between corporates and banks.

- Achieved through consultation, collaboration and agreement on common implementation templates for relevant ISO 20022 financial messages, leading to their subsequent publication and promotion in order to attain widespread recognition and adoption.
Financial Institution Members
In total 48 FI members (Contributing & Observers)

- Bank of America Merrill Lynch
- Bank of China (HK)
- Barclays
- BBVA
- BNP Paribas
- BSK, Bankenes Standardiseringskontor
- Citibank
- Commerzbank AG
- Danish Bankers Association
- Danske Bank
- Deutsche Bank
- DnB NOR
- Erste Group Bank
- First Gulf Bank
- HSBC
- ING Bank
- JACCOO
- J.P. Morgan
- Nordea Bank
- Payments Council (UK)
- Raiffeisen Bank International
- Royal Bank of Scotland
- Santander
- SEB
- Standard Chartered Bank
- Swiss Re
- Sydbank A/S
- UniCredit Bank
- Wells Fargo

Common Global Implementation – Market Practice (CGI-MP) initiative
Non-Financial Institution Members 1/2

In total 94 Non-FI members (Contributing & Observers)

- AITI
- Alsyon
- BBP
- Bottomline Technologies
- CBI Consortium
- e5 Solutions
- EFiS
- Exalog
- Fiserv
- Flux
- General Electric
- IKEA
- KPMG
- Nasarius
- Netilys Consulting
- Nets
- NIKE
- Online Banking Solutions
- OpenText GXS
- OpusCapita
- Professional Answer
- PwC
- SAP AG
- Siemens
- SIX Interbank Clearing
- Sungard
- SWIFT
- Tembit
- Tipco
- TIS
- UTSIT
- Verband Deutscher Treasurer
- Visma Software International AS
- Wall Street Systems
- XMLdation
- Zanders

Common Global Implementation – Market Practice (CGI-MP) initiative
Non-Financial Institution Members 2/2
In total 94 Non-FI members (Contributing & Observers) - continued

- AccessPay
- ACI Worldwide
- AFTE
- AFP
- Axletree
- bfinance
- Deutsche Post
- Dion Global
- Dovetail
- Hanse Orga
- Horváth & Partners
- Info
- Merck
- Nordson
- SBB
- Storck
- SunTec
- ThyssenKrupp
- UNIFITS
- Volante
- Vorwerk

Common Global Implementation – Market Practice (CGI-MP) initiative
Work Group deliverables

- Credit Transfer (*pain.001*) template to include ACH and wires (domestic and international) and cheques/drafts
- Appendix A – Clearing system classifications
- Appendix B – Country specific data requirements
- Appendix C - Country specific Purpose codes
- Payment Status Report (*pain.002*) template with process flow

- Bank Services Billing Statement (*camt.086*) *

- Bank Account Management (*acmt*) messages covering account opening, account maintenance, account closing, mandate management

- Account Report (*camt.052*) template to include intra-day bank account activity
- Statement (*camt.053*) template to include end of period bank account activity
- Debit/Credit Notification (*camt.054*) template to include detail notification reporting
- Appendix A – Uses cases and examples

- Direct Debit (*pain.008*) template to include any electronic debit transaction
- Appendix B – Country specific data requirements
- Appendix C – Country specific Purpose codes
- Mandate Initiation Request (*pain.009*)
- Mandate Amendment Request (*pain.010*)
- Mandate Cancellation Request (*pain.011*)
- Mandate Acceptance Report (*pain.012*)

* Under Review
Further Information

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- Five Working Groups
  - Credit Transfer /Status Report (Peter Hoogervorst – Standard Chartered Bank)
  - Account Reporting (Neil Clarke – Volanté Technologies)
  - Direct Debit (François Lemaire – UTSIT)
  - electronic Bank Account Management (Glen Solimine – JPMorgan Chase)
  - Bank Services Billing (Selina Bolton – Deutsche Bank)
• Questions?

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