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DEMYSTIFYING ISO 20022: THE FUTURE OF PAYMENT FORMATS

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WHAT
Considering the opportunities offered by ISO 20022 and how to move toward embracing this payment format.

WHEN
Thursday, November 7, 2024
11:00 AM - 11:50 AM EST

WHERE
Live online presentation
Replays at StrategicTreasurer.com

Certified Treasury Professional®

This presentation is provided by Strategic Treasurer and Fides.

ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS

PATRIC LEONE

Fides

EDAR DOS SANTOS

Fides

CRAIG JEFFERY

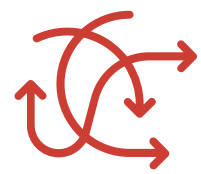Strategic Treasurer

THE MOVE TO ISO 20022

WHY UNDERSTANDING AND ACTING ARE ESSENTIAL

Progressively problematic formats

Different payment formats organically arose over time, introducing data mismatch issues

Better communication

ISO 20022 helps everyone speak the same language, eliminating many problems

Outmoded formats

Traditional formats are becoming obsolete

Global format

ISO 20022 is poised to be one global standard to rule them all

MIGRATION TIMELINE
WHAT IS HAPPENING AND WHEN?

Supported by Swift

Live
- Swift
- CBPR+
- Target 2 (EUR)
- Euro 1 – International (EUR)
- Fed (USD) (phase 1)
- CHIPS (USD)
- CHAPS (GBP)
- CHATS (HKD)

MT and MX

March 2025
- USD Fed (full ISO adoption)

November 2025
- All payment market infrastructures (PMIs) of major currencies for cross-border payments

MX

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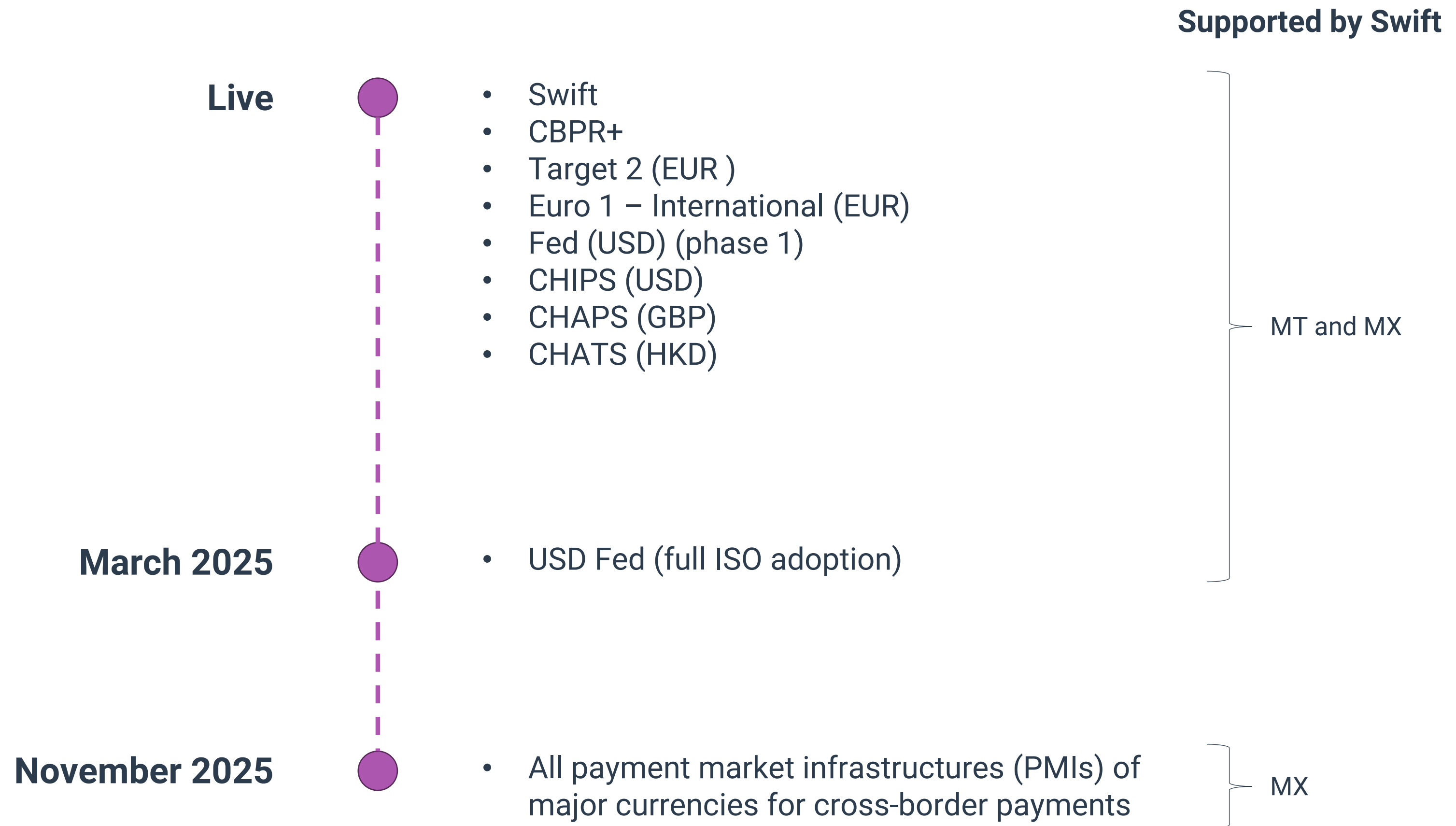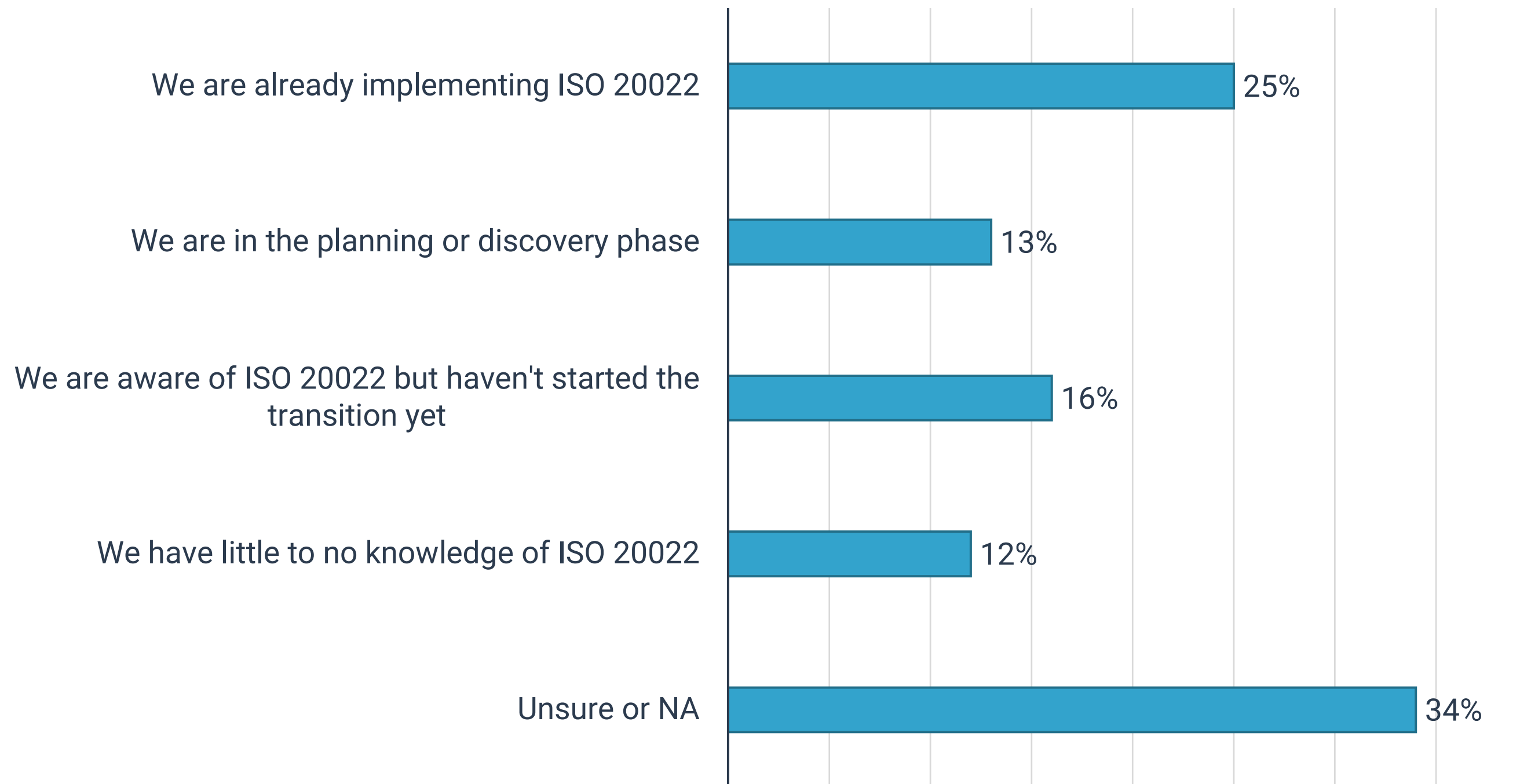
ISO 20022 AND XML

THEIR RELATION TO ONE ANOTHER

ISO 20022

XML

UBL

FpML

FIXML

XBRL

pain.001

pacs.008

camt.052

camt.053

camt.054

JSON

BAI2

MT101

MT103

MT940

MT942

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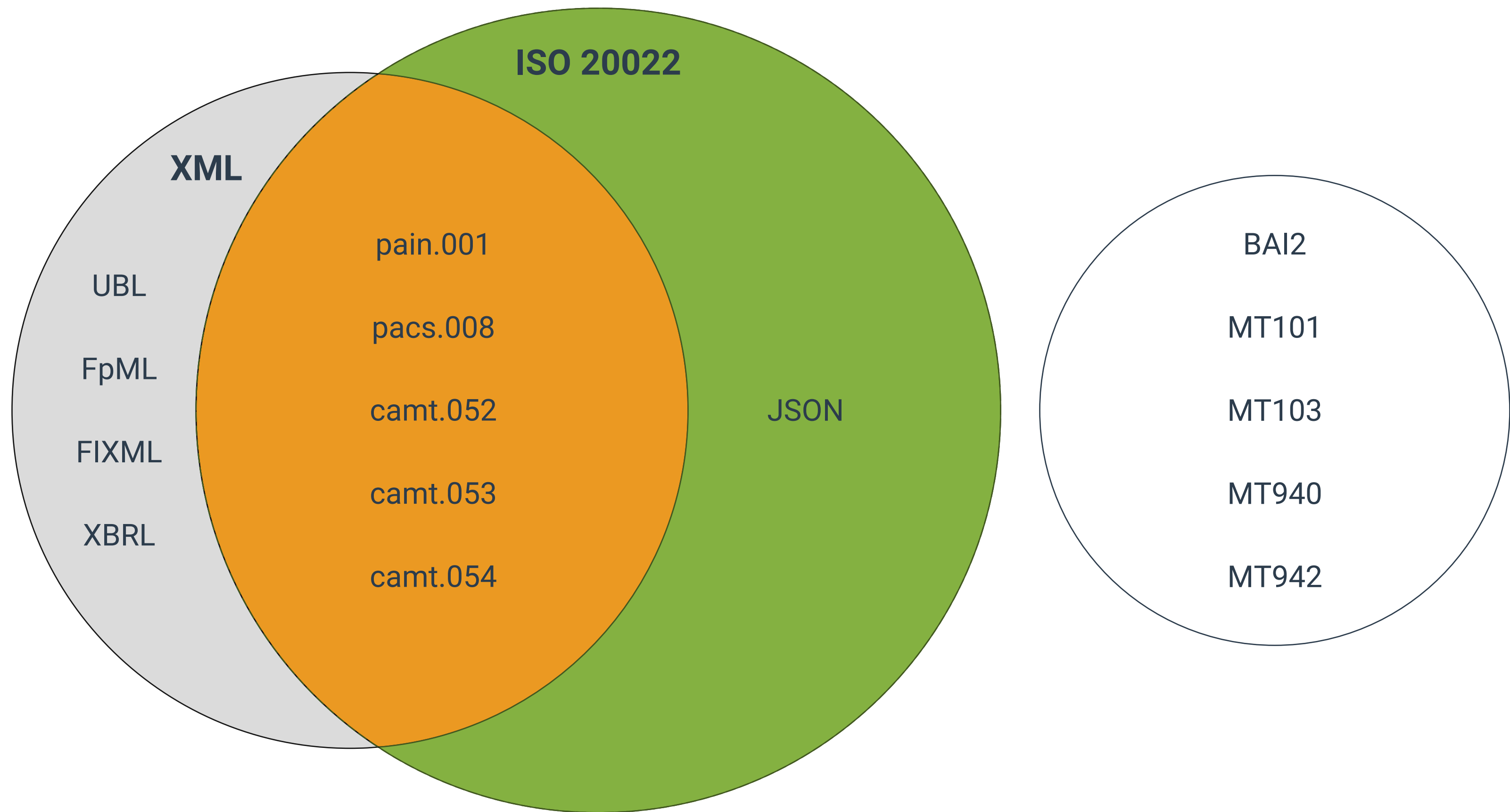
STRUCTURE OF XML

OFFERING ENRICHED DATA THROUGH A HOST OF MEANS

Pain.001 v9

```xml
<?xml version="1.0" encoding="UTF-8"?>
<Document xmlns="urn:iso:std:iso:20022:tech:xsd:pain.001.001.09">
  <CstmrCdtTrfInitn>
    <GrpHdr>
      <MsgId>MSG123</MsgId>
      <CreDtTm>2024-11-05T10:30:00</CreDtTm>
      <CtrlSum>100.00</CtrlSum>
    </GrpHdr>
    <PmtInf>
      <PmtInfId>PMT123</PmtInfId>
      <PmtMtd>TRF</PmtMtd>
      <DbtrAcct><IBAN>DE12500105170648489890</IBAN></DbtrAcct>
      <CdtTrfTxInf>
        <Amt Ccy="EUR">100.00</Amt>
        <CdtAcct><IBAN>GB29NWBK60161331926819</IBAN></CdtAcct>
      </CdtTrfTxInf>
    </PmtInf>
  </CstmrCdtTrfInitn>
</Document>
```
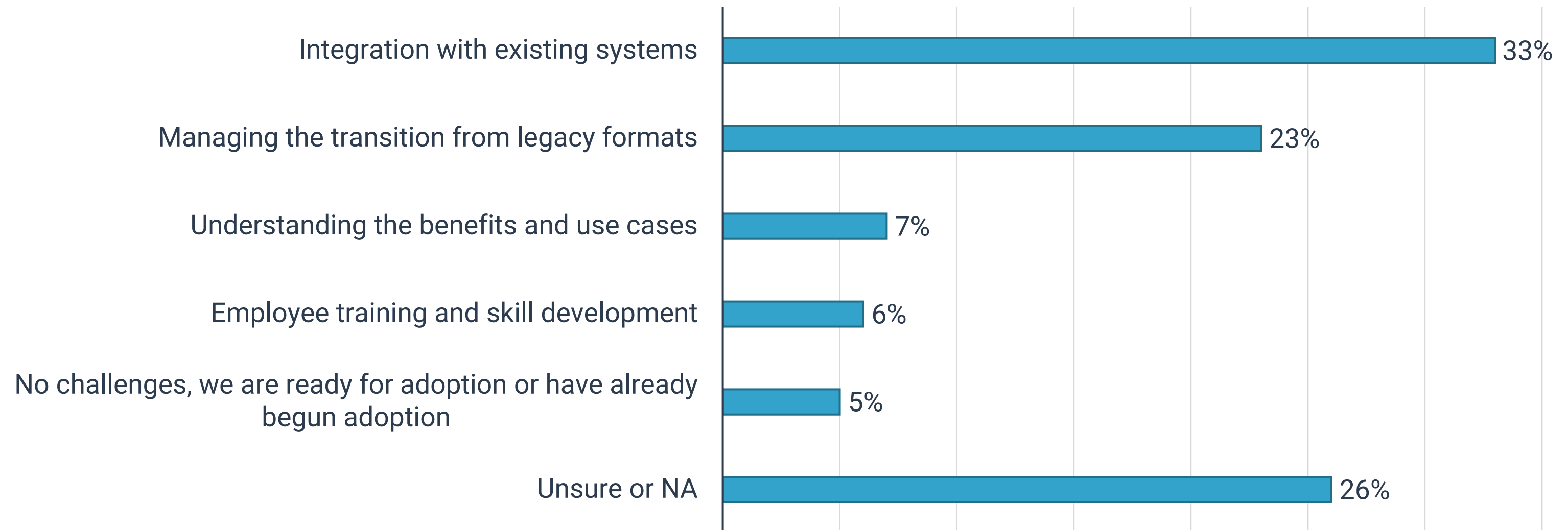
- Can add or remove lines and tags as needed

- Allows for inclusion of complex data elements and hierarchies

- Flexible and extensible structure enables addition of custom fields

- Structure supports transmission of extensive data sets in a single message, enabling more detailed transaction information

POLL QUESTION

Poll 2 - Which of the following do you see as the biggest challenge in adopting ISO 20022 in your organization?

| Challenge	Percentage
Integration with existing systems	33%
Managing the transition from legacy formats	23%
Understanding the benefits and use cases	7%
Employee training and skill development	6%
No challenges, we are ready for adoption or have already begun adoption	5%
Unsure or NA	26%

IMPACT ON YOUR BUSINESS

WHERE ACTION IS REQUIRED IF YOU USE THE CURRENT FORMAT

File format	Direction	Supported after November 2025	Comment
MT101	Outbound	• Via Swift FIN (FI to FI BIC): No • Corp BIC: Yes (for the moment) • Via alternative connectivity: Yes	• Affected by migration – disincentivized • Sunset pricing as of November 2025 + validation • Implementation of structured address – solve by November 2026 or migrate to XML • Banks will slowly push to replace MT101 with pain.001 • Conversion within end-to-end process is a given
Pain.001	Outbound	• Via Swift FIN (FI to FI BIC): No • Corp BIC: Yes (for the moment) • Via alternative connectivity: Yes	• Already ISO 20022 compliant, but pay attention to versioning • Keep eye on conversion/integration of structured address data • Check respective version acceptance with bank – advised is version 9 • Version 9 via FINplus for single transactions only
MT940/942	Inbound	• Via Swift FIN (FI to FI BIC): Yes (for the moment) • Corp BIC: Yes (for the moment) • Via alternative connectivity: Yes	• Deprecated but supported after November 2025 on Swift FIN • Banks will slowly replace with camt • Check roadmap with bank
Camt.053/052	Inbound	• Via Swift FINplus: Yes (only version 8) • Corp BIC: Yes (can participate in FINplus as of November 2024) • Via alternative connectivity: Yes	• Already ISO 20022 compliant, but pay attention to versioning • Check respective version acceptance with bank – advised is version 8

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ADVANTAGES OF ISO 20022

MOVING BEYOND TRADITIONAL FORMATS
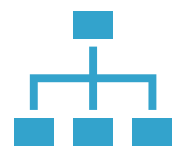
Richer structured data
- Greater transparency and flexibility
- Better compliance and security
- More detailed descriptions of transactions

Future-proofing operations
- Long runway for technology and procedures

Interoperability
- Domestic
- Cross-border
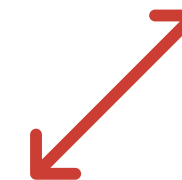
Extensibility
- Accommodates new data fields and transaction types

Cash management
- Enhanced data quality and insights offer better liquidity management, forecasting and cash flow optimization

Operational efficiency
- Automation and straight-through processing
- Reduced manual processing leads to fewer errors and delays

Reporting and analytics
- Standardized format allows for better aggregation and analysis of financial data

DEMYSTIFYING THE ADVANTAGES

TREASURERS' USE CASES

Pain.001 v3 vs. pain.001 v9 and structured data elements

- Pain.001 v3 needs adjustments, converters or mappings to provide structured data elements
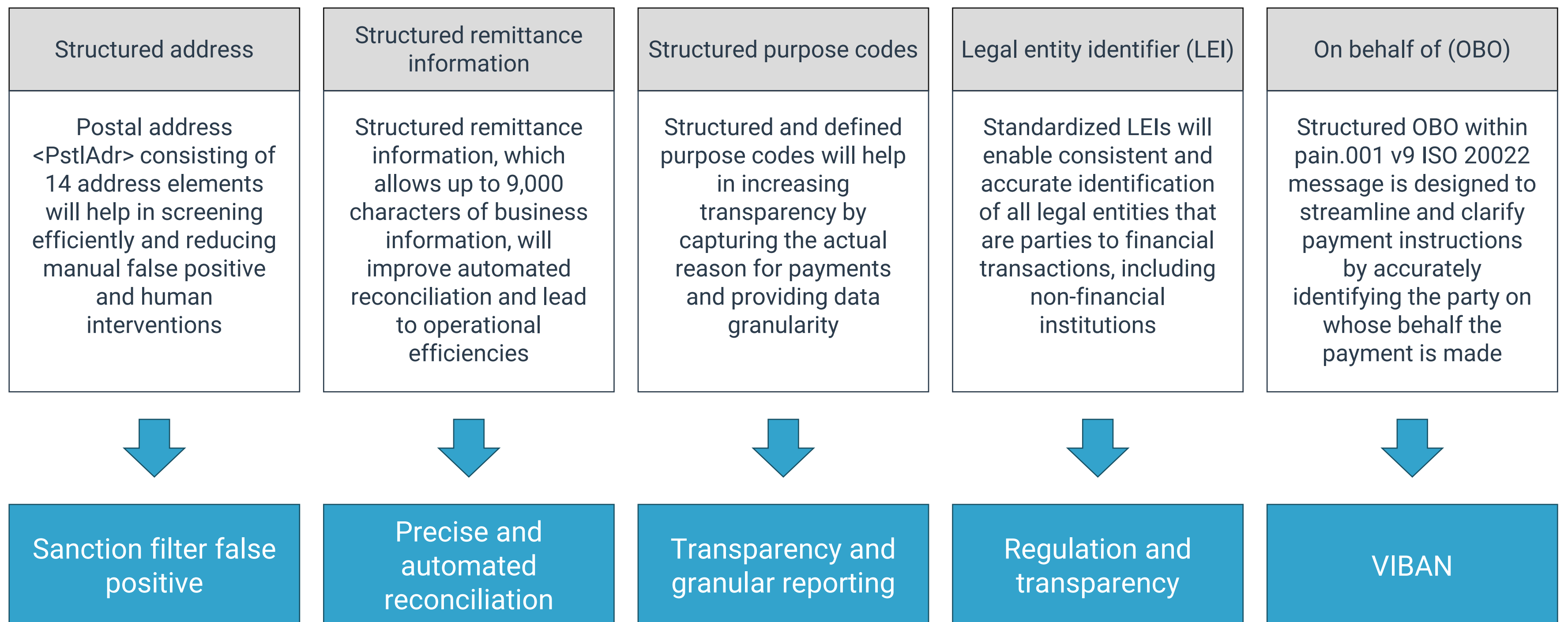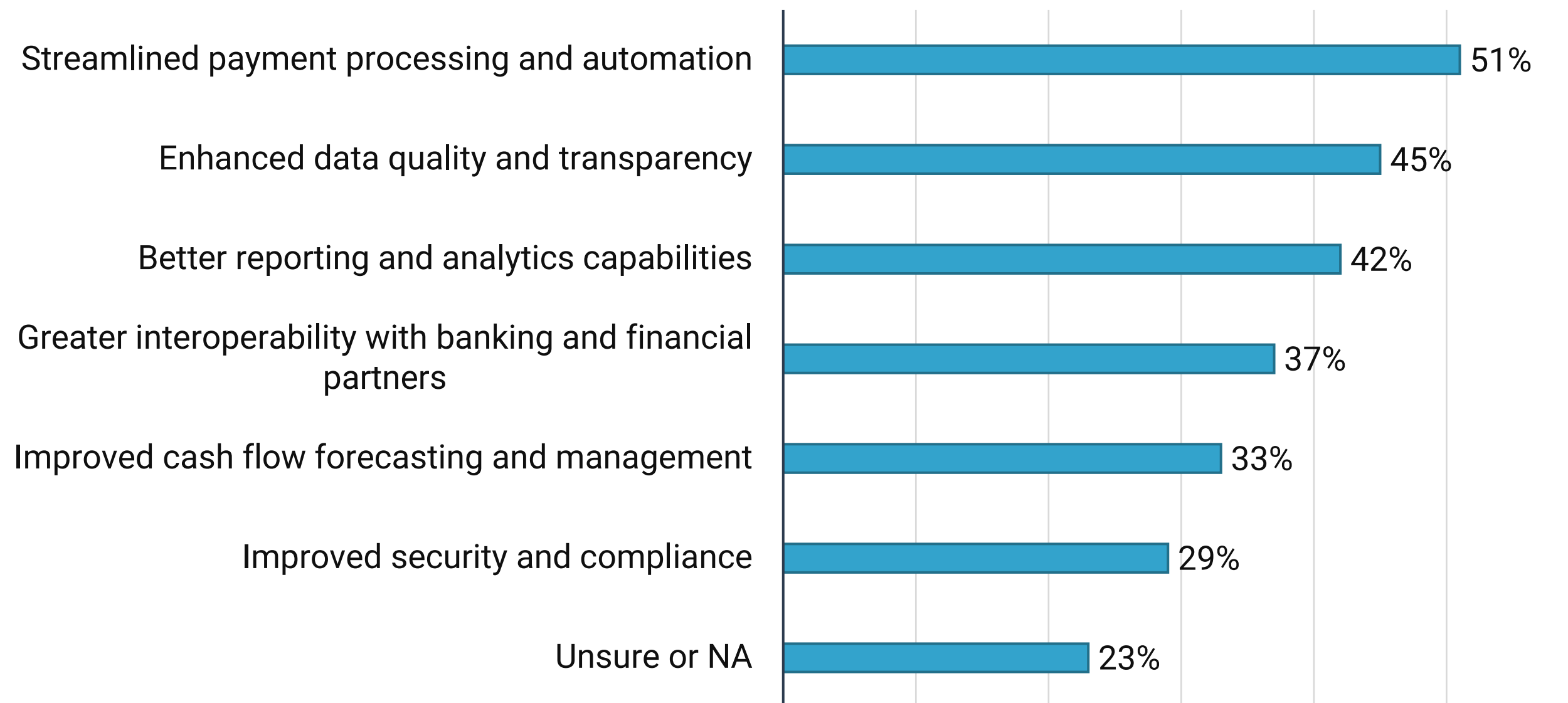- Camt.053/052 v8 only to reflect natively structured data elements

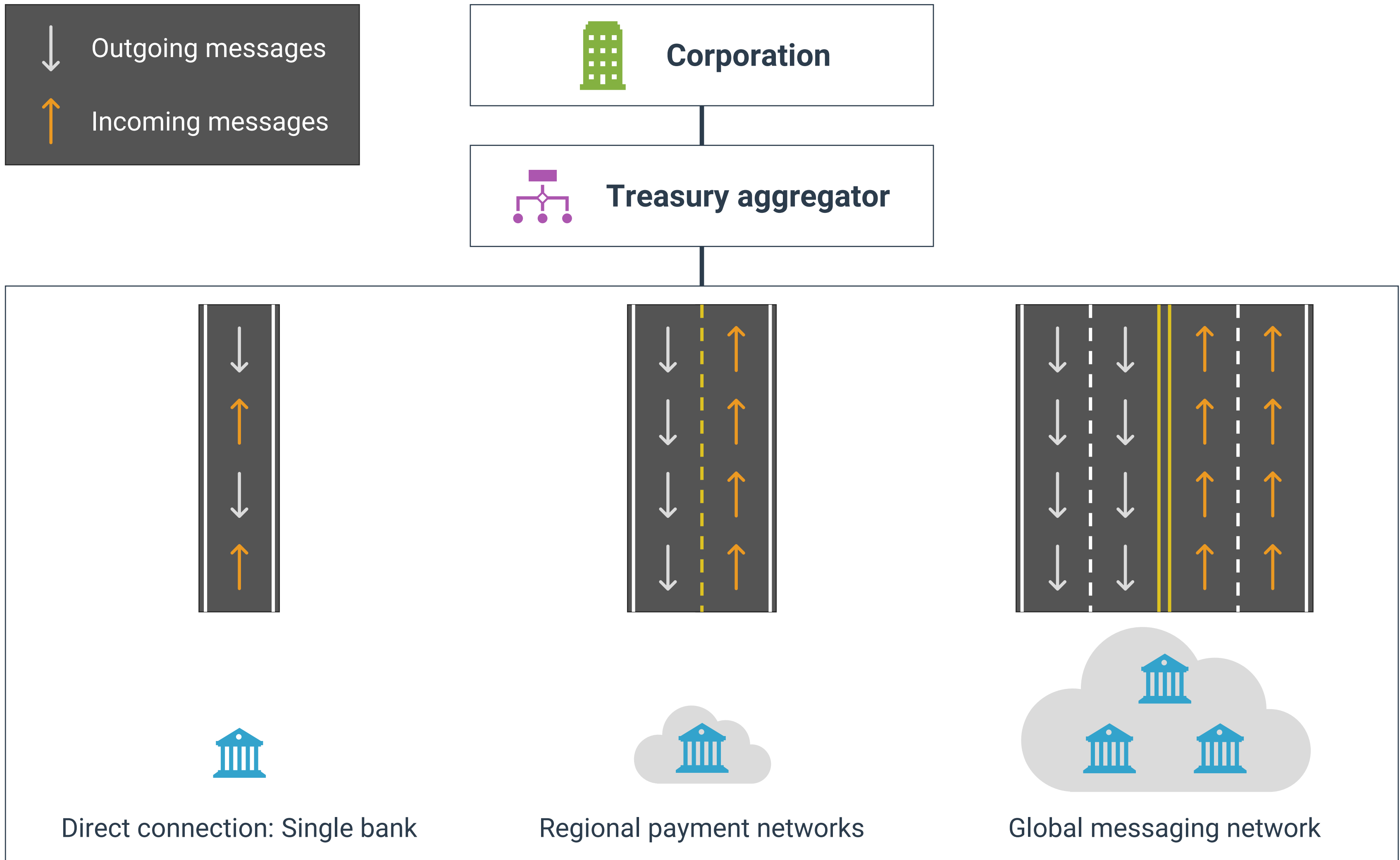| Structured address	Structured remittance information	Structured purpose codes	Legal entity identifier (LEI)	On behalf of (OBO)
Postal address <PstlAdr> consisting of 14 address elements will help in screening efficiently and reducing manual false positive and human interventions	Structured remittance information, which allows up to 9,000 characters of business information, will improve automated reconciliation and lead to operational efficiencies	Structured and defined purpose codes will help in increasing transparency by capturing the actual reason for payments and providing data granularity	Standardized LEIs will enable consistent and accurate identification of all legal entities that are parties to financial transactions, including non-financial institutions	Structured OBO within pain.001 v9 ISO 20022 message is designed to streamline and clarify payment instructions by accurately identifying the party on whose behalf the payment is made
Sanction filter false positive	Precise and automated reconciliation	Transparency and granular reporting	Regulation and transparency	VIBAN

POLL QUESTION

Poll 3 - What specific benefits would you like to achieve from implementing ISO 20022 in your treasury operations? (all that apply)

- Streamlined payment processing and automation — 51%
- Enhanced data quality and transparency — 45%
- Better reporting and analytics capabilities — 42%
- Greater interoperability with banking and financial partners — 37%
- Improved cash flow forecasting and management — 33%
- Improved security and compliance — 29%
- Unsure or NA — 23%

SUCCESSFUL IMPLEMENTATION
LEADING PRACTICES

1 Assess current systems, processes and messaging standards to understand scope and impact of migration

2 Involve relevant stakeholders early to gather requirements and ensure alignment
- Treasury, IT, compliance and external partners

3 Plan to implement in phases to manage complexity
- Begin with pilot projects to test before full-scale deployment
- Determine overall timeline

4 Identify your ISO touchpoints
- Impact on existing processes, systems and stakeholders

5 Be prepared to make updates to existing systems and processes

6 Train relevant staff on new standards and changes in processes to mitigate resistance and ease transition

7 Map existing data formats to ISO 20022 structures

8 Finalize plans for migration and begin executing them

9 Test, retest

10 Maintain documentation of processes, mappings and testing results to support compliance, troubleshooting and future reference

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FINAL THOUGHTS
HOW TO PROCEED

ASSESS

- Evaluate your needs and where you're going

- Are you positioned to migrate?

- Be ready

INEVITABLE

- Cost of implementation today or opportunity cost tomorrow?

- Future language will be ISO 20022

- Consider the first mover advantage

- Changing later delays or misses benefits

CONSIDER TRADING PARTNERS

- Working with them requires using a better language in a better way

- Align your treasury language to the coming global language

LET'S CONNECT

DON'T LET THE LEARNING END HERE...
CONTACT US WITH ANY FUTURE QUESTIONS

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.

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Craig A. Jeffery,
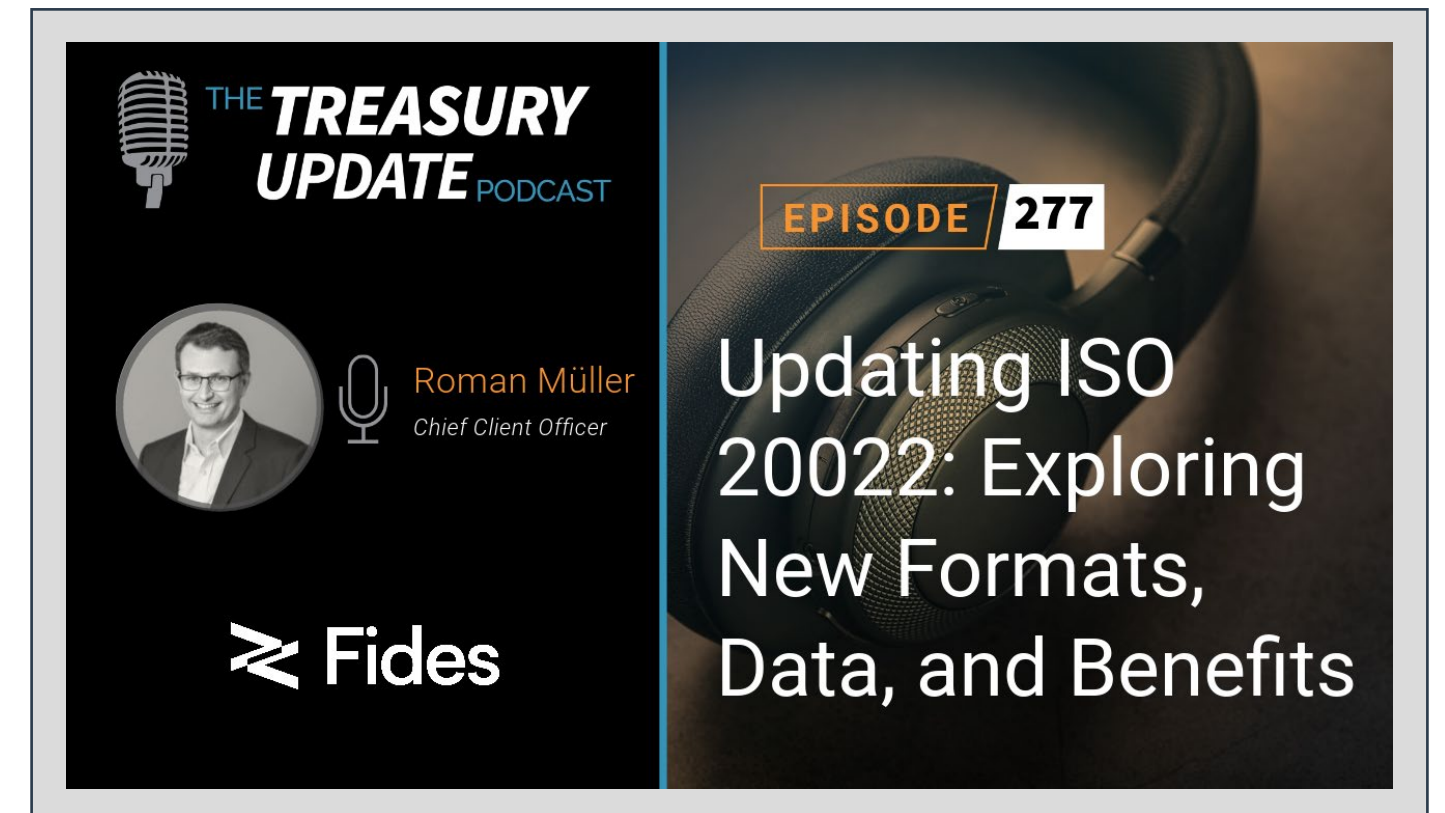*Managing Partner*

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Mark O'Toole,
Head of Sales and Partnerships, Americas

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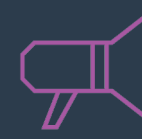- Banking Services
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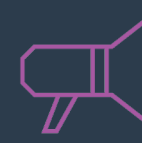- Investment Validation

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