



Modernising the Philippines Financial Markets through ISO 20022

March 2016

This paper sets out to address:

- Why the Philippines should adopt ISO 20022?
- Why are other markets adopting ISO 20022?
- What are the benefits ISO 20022 will bring to the Philippines?
- What are the challenges for the Philippines to adopt ISO 20022?
- How to adopt ISO 20022 for the Philippines community?

Executive Summary

The Philippines is one of the fastest growing markets around the world with ambitions to renew its market infrastructures and position itself as a regional marketplace with global access and to better prepare itself for ASEAN integration. These ambitions require robust and modern infrastructures that use international standards for better interoperability with domestic and overseas systems.

Legacy payments systems in the Philippines are up for renewal. ATM networks have recently been consolidated, and the PhilPaSS high value payment system and a much-discussed real-time retail payment system (the National Retail Payment System or NRPS) are next on the agenda.

In securities markets, the global trend is shifting towards cross-market infrastructures collaboration and corporate mergers for better efficiency and cost optimisation in order to remain competitive in today's global markets.

In supply chain finance, banks are also moving towards new standards to allow

interoperability, and regional initiatives are flourishing in the ASEAN region as financial integration is becoming imminent.

ISO 20022 brings an answer to many of these challenges. Widely recognised as the global standard for financial messaging, it covers all financial business domains, is not controlled by a single interest and is open to anyone in the industry. ISO 20022 is the agreed methodology used by the global financial industry to create consistent message standards across all business processes as it is information-rich, supports interoperability and harmonisation, accommodates both global standards and local usage, allows for easy data consumption and enables new services.

This paper covers the benefits of ISO 20022 across all business areas, the drivers behind its adoption worldwide and how the standard can be used to modernise the Philippines financial market infrastructures. Over 200 initiatives worldwide have adopted or are planning to adopt the standard, many of them driven by Financial Markets Infrastructures in payments or securities for reasons

that are relevant to the Philippines today: regulation, financial inclusion, regional integration, global interoperability, replacement of aging legacy systems, efficiency gains, cost reduction and new end-to-end services.

In parallel to the market infrastructures, multi-national corporations are exerting pressure on their banks to implement ISO 20022 for payments and cash management purposes in order to simplify their relationships with them. Implementing ISO 20022 in the Philippines would enable corporates to gain better control and auditability, hence saving costs and mitigating risks.

ISO 20022 implementation can take different forms depending on the objectives of the market infrastructures, especially when it comes to participants rollout. A number of best practices have to be respected to find the best implementation approach. SWIFT is the registration authority of ISO 20022, and has been involved in over 100 ISO 20022 initiatives globally. This paper aims to give insights into these best practices.



The Philippines financial market infrastructures require urgent modernisation

Current Philippines market infrastructures landscape

Today, in order to make payments in the Philippines, consumers, businesses and government bodies go to commercial banks, thrifts, rural banks, or non-banking financial institutions for their payment services.

To answer these payment needs, the financial institutions offer various ways for their customers to make payments in the Philippines today, such as: cash, mobile money, cards, cheque, interbank transfer and cross-border payments. These different payment methods are facilitated by the Philippine Payment Settlement System (PhilPaSS) from the Bangko Sentral ng Pilipinas (BSP), the Electronic Check Clearing System and the Electronic Peso Clearing System from the Philippine Clearing House Corporation (PCHC), the national ATM switch from BancNet, and in future the National Retail Payment System (NRPS). Cross-border payments typically go through correspondent banking via the SWIFT network, the BSP offers a cross-border remittance service called PhilPaSS REMIT that allows the use of PhilPaSS as a settlement arm for overseas Filipino remittances.

Similarly, in the securities world, the Philippine Dealing & Exchange (PDEX) and the Philippine Stock Exchange (PSE) are facilitating the trade of OTC products, government & corporate bonds, and exchange traded equities. These trades are then settled in the Bureau of the Treasury (BTr) and the Philippine Depository & Trust Corp. (PDTC).

The retail payment systems, BTR-RoSS and PDTC eventually settle their payments through the BSP high value payment system PhilPaSS for settlement finality.

The below diagram shows how the market infrastructures work in the Philippines, where the boxes in green indicate the market infrastructures that are planning to adopt ISO 20022.

Modernising the financial market infrastructures in the Philippines

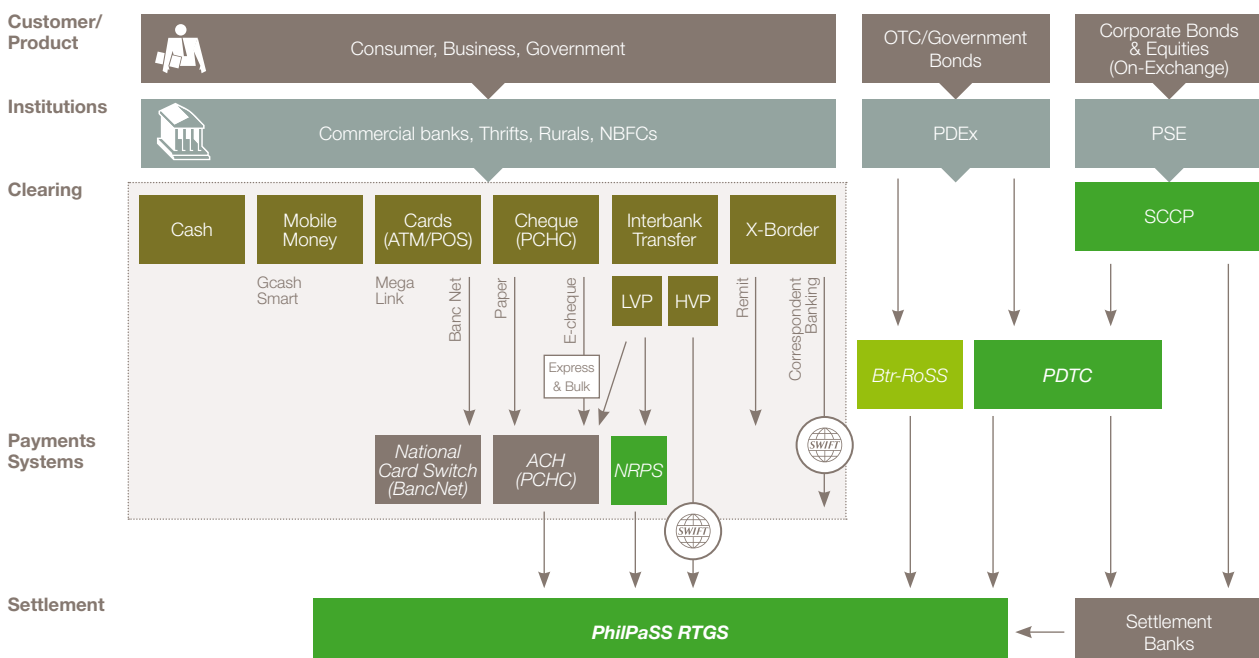
The Philippines is one of the fastest growing markets around the world, with increasing levels of foreign direct investment (FDI). Further increasing the FDI will require strong and modern market infrastructures that can support the economic activities through the following:

1. the modernisation of banks and financial processes using international standards and practices can support the modernisation of the current financial market infrastructures;
2. digitisation of trade processes to accelerate movement of goods and enhance processes that stimulate trade business growth;
3. a sound and efficient payment system that helps corporates benefit from faster movement of money. In turn, this frees working capital for their business growth.

The above needs recently led to initiatives in the financial services industry to modernise their infrastructures.

Payment initiatives

In the payments markets, legacy systems are being renewed and new enhanced systems are on their way. In the past few years, BSP has enhanced its current high value payment system PhilPaSS to expand participation access for larger number of banks to be able to instruct and receive payments in real-time. The BSP is next planning to renew their current RTGS to adopt ISO 20022, with a targeted go-live by 2019.



In the retail payment space, in the last few years, the Philippines have consolidated its ATM network. The next plan will be introducing a new real-time retail payment system under National Retail Payment System (NRPS). The NRPS should move the country from being cash-heavy to being “cash-lite”. The NRPS is expected to improve transparency, security, and efficiency and reduce costs in financial transactions.¹

Financial inclusion is high on the agenda of the Philippines government, and has become one of the top priorities when it comes to introducing a new market infrastructure. In fact, the BSP leads a national financial inclusion strategy. The rural banks and the thrifts are well positioned to support the financial inclusion agenda due to their far reach to the rural areas.

Securities initiatives

In the securities markets, there is a global shift trending towards cross-market infrastructure collaboration and corporate mergers to achieve cost efficiencies, leverage operational synergies and enhance the capability to cater to market demands with a more comprehensive suite of value added products and services.

The Philippines market is no exception. The two domestic securities market infrastructures – the PSE and the PDEX were in discussions to consolidate their operations to remain competitive in today’s global markets and to offer additional value to issuers, investors and their market participants.

Concurrently, market participants and the domestic securities market infrastructures alike have been proactively improving their awareness of ISO 20022 and assessing the benefits it can bring to their operations and market.

Although ISO 15022 has been dominant in the securities market, ISO 20022 is rapidly becoming the preferred standard for most new initiatives and is emerging as the clear choice for market infrastructures across the globe, both domestically and regionally. For instance, one of the regional initiatives that the Philippines is actively involved in is

the Cross-Border Settlement Infrastructure Forum (CSIF) and their effort to establish a regional settlement intermediary in the region for bond markets, through central securities depository – real time gross settlement linkages. Currently co-chaired by the BSP and membered by ASEAN + 3 countries, members appreciate the benefits of ISO 20022 and have agreed for ISO 20022 to be the preferred international financial standard to be used for this initiative. Concurrently, efforts across the region to establish National Market Practice Groups (NMPGs)² have been well received with the strong support of both the financial community and market infrastructures, and have significantly contributed to the adoption, documentation and consistent usage of international standards. On this note, discussions are on-going to launch a NMPG in the Philippines in 2016.

Trade & supply chain

In supply chain finance, banks have also decided to develop new legal and technology standards to address interoperability challenges and grow the size of this emerging market. In 2013, the International Chamber of Commerce (ICC) and SWIFT implemented the inter-bank Uniform Rules for BPO (URBPO), a new industry-owned legal and technology standards for supply chain finance.

Known as the Bank Payment Obligation (BPO), the new trade settlement instrument offers buyers and suppliers a new payment method to secure and finance their trade transactions.

In order to offer BPO-based services, banks need to implement the inter-bank URBPO as well as the underlying messaging standards. This is facilitated by SWIFT’s ISO 20022-compliant inter-bank messaging and transaction matching cloud application Trade Service Utility.

By introducing such standards, banks aim to move the market from the 3-corner (or single-bank closed model) to the 4-corner model (or two-bank interoperable model). Banks also intend to extend their offerings beyond the current early payment services. The 4-corner model can reach

out to a larger number of suppliers including SMEs by relying on local banks that can best assess their clients’ performance risks. This also eliminates the need for the buyers’ banks to on-board suppliers, as well as the related KYC costs as the two-banks model relies on the relationship between the supplier and its own local bank.

Banks now have the opportunity to extend their supply chain finance services from invoice-based processing services (e.g. factoring and early payment services) to purchase order-based services, such as payment assurance, pre-shipment and receivables / payables finance. By promoting the BPO payment term to trading counterparties, banks will accelerate the financial supply chain and become better financial partners.

Regional initiatives

The financial integration for ASEAN countries has been moving along to support the whole ASEAN economy, one of the world’s top 5 economies. The benefits of the financial integration for ASEAN countries are not negligible:

- serving corporate demand: meet corporate requirements for XML based financial messaging;
- retaining banks’ relevance: banks ensure ongoing relevance in a rapidly changing payments landscape;
- enabling regulatory reporting: both regulatory and tax compliance reporting;
- increasing efficiencies: higher efficiencies will improve international competitiveness and standing of ASEAN banks.

The ASEAN Working Committee on Payment and Settlement System (ASEAN WC-PSS) has endorsed ISO 20022 as the financial standard to support the financial integration in ASEAN, including payment integration and CSD-RTGS linkages in ASEAN+3. A successful introduction and implementation of ISO 20022 are key to support the Philippines financial community with the financial integration in ASEAN.

¹ Amando M Tetangco, Jr: Philippines in 2016 - sustaining resilience amid headwinds, Manila, 23 Feb 2016, <https://www.bis.org/review/r160224d.htm>

² Senior professionals gather and agree how to support specific business processes in specific markets. The collective intelligence of these experts has been captured in a series of recommendations managed by Market Practice Groups (MPGs). The Market Practice Groups exist at the local level (National Market Practice Groups) as well as at the Global level with groups like the Securities Market Practice Group (SMPG) or the Payments Market Practice Group (PMPG). <https://mystandards.swift.com/market-practice-groups>

ISO 20022 to modernise the Philippines financial markets

Financial messaging standards and ISO 20022

Financial messaging standards sit at the heart of the financial services industry. Financial market infrastructures, financial institutions and corporates need to exchange massive amounts of information messages to be able to do business with each other. The sender and receiver will need to have a common understanding of how to interpret information in order for such exchange to work. To eliminate the need for human intervention to interpret the data, the financial industry has created message definitions to exchange data in structured formats and meaning. Messaging standards have evolved over the years and some of the widely used standards include SWIFT MT messages, ISO 15022 for securities transactions, ISO 20022, FIX for electronic trading and FpML for OTC derivatives.

ISO 20022 is not a new standard. It was first published in 2004 and is widely recognised as the standard of the future. It is a global and open standard that can cover all financial business domains, is not controlled by a single interest, is open to anyone in the industry who wants to participate, and is free for anyone to implement on any network. In addition, it has mature and fully established processes for maintenance, evolution and governance.

ISO 20022 is the agreed methodology used by the financial industry to create consistent message standards across all business processes. ISO 20022 is also a body of 'content' – meaning it consists of a collection of 'message definitions' and a process of how these can be applied to specific business domains.

Drivers of adopting ISO 20022

There are currently over 200 initiatives around the world that have either implemented, or are planning to implement ISO 20022. The vast majority of these are driven by financial market infrastructures in the payments and securities businesses. As a result of this growth, ISO 20022 has become the industry's preferred standard for new

initiatives, and the clear choice for market infrastructures around the world.

Typically, the adoption triggers and drivers for financial market infrastructures to migrate to ISO 20022 are based on the following:

- **Regulatory reform**
Market infrastructures may need to align or respond to anticipated changes or priorities in the regulatory landscape.
- **Pan-regional market integration**
The Southern African Development Community (SADC) has also adopted ISO 20022 as the basis for defining financial messages in retail payments, further moving towards payments-system integration. In Europe, the European Payment Council (EPC) drove the SEPA payment integration initiative. Last but not least, in Asia Pacific, the Working Committee on Payment and Settlement Systems (WCPSS) under the remit of ASEAN Central Bank Governors has chosen to promote ISO 20022 for future payments systems in the ASEAN region.
- **Global interoperability**
ISO 20022 can support a country's ambition to expand internationally and increase and open up foreign participation within financial markets domestically. One example is the China International Payments System (CIPS), where ISO 20022 is used to accelerate RMB internationalisation and improve foreign access to RMB, as well as support the use of Chinese characters. For ASEAN market infrastructures such as PSE, PDTC and BSP, an ISO 20022 adoption plan could support the Philippines' strategic intent to position itself as a regional marketplace with global access and to better prepare itself for ASEAN regionalisation and infrastructure linkage initiatives. In Americas, the Fedwire and Chips are adopting ISO 20022, and the preliminary timeline targets the rollout of ISO 20022 messages for Fedwire Funds Service and CHIPS participants to begin in 2020.

- **Replacement of aging legacy systems or introducing new systems**

This could be part of the market infrastructure's commitment to be equipped with state-of-the-art systems and technology. This can be seen in Australia where ISO 20022 was selected as the messaging standard for the New Payments Platform that will allow domestic retail payments to be made instantly between financial institutions and their customers' accounts. Similarly Singapore introduced their new real-time retail payment system FAST using ISO 20022 standards. In the high value payment system space, we see RTGSs use ISO 20022 standards such as China and India in Asia, and Brunei introduced a new RTGS which went live in 2015 using ISO 20022.

- **Efficiency gains and cost reduction**

Adopting a global standard such as ISO 20022 can help drive automation and straight-through processing (STP) as well as efficiency as this standard is used globally with harmonised market practices available, therefore reducing costs and risks.

- **New end-to-end services**

Adopting ISO 20022 will enable financial market infrastructures to send and receive better automated reconciliation through more or better structured remittance information.

Benefits of adopting ISO 20022 for the Philippines

For the financial community

ISO 20022 can bring a wide range of benefits to the financial industry in the Philippines. This includes:

- **Availability of rich and comprehensive information**

ISO 20022 is a financial message standard that covers the end-to-end transaction cycle for payments, securities, investment funds and specific trade transactions. In addition, ISO 20022 offers extra functionality, such as enhanced

remittance information, longer references, support for non-Latin characters and the possibility for 'extensions'. As a result, ISO 20022 transactions are comprehensive and information-rich.

— **Enables interoperability and harmonisation**

ISO 20022 is not just a set of standards. It is a methodology that allows for harmonisation of previously non-interoperable formats. This drives operational efficiency and reduces risks and costs. ISO 20022 is a way to unify the many existing standards of the industry.

— **Accommodates both global standards and local usage**

ISO 20022 allows communities to define global market practice and use this as a basis to define further local implementation guidelines. It is a global standard that can meet local needs.

— **Allows for easy data consumption**

ISO 20022 uses structured XML as its underlying syntax, making implementation and data consumption easier with the availability of cost-effective and advanced XML capabilities in modern IT platforms. ISO 20022 is future-proof; it uses a modern, well-supported technology and is adaptable to new technologies as they emerge.

— **Enables new services**

ISO 20022, because of its rich data, enables financial institutions to better serve their corporate customers by innovating and providing new services (such as extended remittance information, detailed intraday reporting and invoice financing). Financial institutions are also able to introduce new services in the supply chain finance market to their corporate clients like the Bank Payment Obligation, the new trade settlement instrument that offers buyers and suppliers a new payment method to secure and finance their trade transactions.

For the corporates

In parallel, corporates are also exerting pressure on financial institutions to implement ISO 20022 for payments and cash management purposes. Large international corporations often have multi-banking relationships across various geographies. This poses a problem as financial institutions servicing corporates use a variety of proprietary messaging standards and formats for incoming and outgoing transactions. This leads to a high level of fragmentation with a lack of a common standard in the corporate-to-bank and bank-to-corporate space. In Europe, with the introduction of SEPA, ISO 20022 was used as the standard for all end-to-end business processes in all euros denominated payments across 34 countries. The use of ISO 20022 extends to corporate-to-bank and interbank payment messages to exchange SEPA transactions.

The Common Global Implementation (CGI) initiative provides a platform for financial institutions and non-financial institutions to progress various corporate-to-bank implementation topics on the use of ISO 20022 messages to drive global harmonisation in the corporate-to-bank space. The goal of CGI is to simplify implementation for corporate users and promote wider acceptance of ISO 20022 as the common XML standard used between corporates and banks.

Local corporates in the Philippines looking forward to automate their accounts payable and accounts receivable operations with a single set of standard across all their multiple banking partners will find ISO 20022 the perfect solution for all their payments and cash management business for credit transfers, direct debits, account reporting, account management and billing. Using ISO 20022, corporates can save cost and manage risk better by gaining better control and auditability on the processes. Corporates can also gain the flexibility to select the best banking partners based on their business requirements, pricing and risk appetite. In addition, corporates can also leverage ISO 20022 to receive richer data in their bank statements, easing the reconciliation process. Moreover, local corporates with overseas operations will be able to centralise their processing in the

Philippines and enable their back-office systems to generate similar messaging standards and formats in the Philippines and in their overseas branches. Finally, ISO 20022 is based on XML which is already supported by the majority of the market's ERP systems eliminating the need for the corporate to custom-build their own solution.

Currently, more than 700 corporates are exchanging ISO 20022-based transactions with their banks on SWIFT. Many large corporates are already using the ISO 20022 standard in the rest of the world and would like to roll it out in Philippines to have consistent standards and remain in line with business processes globally.

Examples of ISO 20022 adoptions

Below are some highlights of financial market infrastructures that are already live on ISO 20022 or have adoption plans for their respective securities and payments systems.

Australia

The Australian Payments Clearing Association (APCA) has selected ISO 20022 as the messaging standard for its New Payments Platform (NPP) that will allow domestic retail payments to be made instantly between financial institutions and their customers' accounts. SWIFT was selected to provide the infrastructure for the new payments infrastructure. The Australia New Payments Platform is expected to go live in 2017.

Brunei

When Brunei was setting up an RTGS, it selected ISO 20022 to align with international standards and best practices, facilitate straight-through processing and to support Brunei's preparation for ASEAN financial integration. Brunei has developed its new RTGS system using the high-value payment guidelines developed by the Payments Market Practice Group (PMPG), and uses SWIFTNet Copy service to exchange its high-value payment transactions in the most secure and efficient way.

India

The New Generation-RTGS in India opted for ISO 20022 as a contemporary, open payments standard, listing a common syntax for fast and straight-through processing as one of its main requirements. SWIFT benchmarked the performance of ISO 20022 messages against the existing Structured Financial Messaging System (SFMS) in terms of size, storage and processing. In addition, SWIFT conducted a technical review of ISO 20022 formats and advised on alignment with global market practice and usage conventions.

Single Euro Payments Area (SEPA)

SEPA is the European Union payment-integration initiative. It aims to build a single market, removing barriers for cross-border payments and furthering EU integration. ISO 20022 for SEPA was imposed by the European Commission and European Central Bank and is supported by the European Payment Council Rule Books. SWIFT has been instrumental in the development of corporate-to-bank and interbank payment messages used to exchange SEPA transactions.

Southern African Development Community (SADC)

The SADC Payment System Project has adopted ISO 20022 standards as the basis for defining financial messages in the retail payments environment. It aims to adopt international standards and to ensure that interoperability between banks throughout the region can be achieved at the lowest cost possible. SADC partnered with SWIFT for advice and expertise on the ISO 20022 standards.

Canadian Payments Association (CPA)

The CPA has decided to adopt ISO 20022 to increase interoperability and improve operational efficiency, especially related to enhancing remittance information passed to end-user clients and corporates. This will result in better performance within CPA's clearing and settlement systems, and more broadly, will benefit the Canadian payments systems as a whole. The CPA adoption plan includes both low-value and high-value payment systems in Canada.

Japan Securities Depository (JASDEC)

In 2007, recognising the benefits of ISO 20022, the Japanese Financial Services Agency called on JASDEC to support the use of ISO 20022 in order to increase international competitiveness, strengthen interoperability, improve straight-through processing and enrich service functionality. JASDEC went live with ISO 20022 in January 2014, becoming a pioneer and the world's first major central securities depository to go live with ISO 20022 on SWIFTNet for clearing and settlement with its participants. All market participants will migrate to ISO 20022 by Dec 2018.

Singapore Exchange (SGX)

As part of its on-going Post-Trade System enhancement efforts, SGX offers its trading members, clearing members and depository agents an ISO 20022 settlement API that will cover all SGX settlement and reconciliation activities. By adopting international standards and best practices like ISO 20022, SGX aims to enable its members to achieve greater straight-through processing by making the securities settlement process more standardised and consistent across customer segments, thereby reducing the risk of errors. All this is in conjunction with developing a robust infrastructure that can easily adapt to new anticipated business requirements. In addition, SGX has also transformed its corporate announcement processing and reporting methodology for all listed companies, with the objective of establishing direct and efficient channels of communications from issuer to investor. ISO 20022 standards are applied to the corporate actions data at the point of issuer submission thus, eliminating the need for further interpretation and translation.

Australian Stock Exchange (ASX)

ASX offers its standardised corporate action information service in ISO 20022 format. Using ISO 20022, ASX was able to expand its offering to potential stakeholders in other countries. The service offers an automated straight-through process for ASX's new announcement service, with the issuer as the source of information, combined with enriched,

structured data aligned with ISO 20022. The ISO 20022 messages are delivered by ASX to customers via SWIFTNet and proprietary channels in near real time.

TARGET2-Securities (T2S)

T2S is a European initiative to establish a single platform for the settlement of securities using ISO 20022. The main driver of T2S is to contribute to financial integration and to create a single harmonised European market for securities settlement. This goes along a single set of rules, standards and tariffs being applied to all transactions in Europe, dramatically reducing the complexity of the current market infrastructure landscape. To date, 90% of the CSDs and Central Banks have selected SWIFT as a service provider.

U.S. Depository Trust & Clearing Corporation (DTCC)

The DTCC, as the U.S. premier post trade market infrastructure, embarked on a multi-year transformation initiative of its corporate action business in 2011, with the objective to upgrade its platform to ISO 20022 and be fully compliant with global and U.S. market practices. To address the challenge of ensuring compliance with best practices, the DTCC implemented structured XML extensions in their messages, to help bridge the gap between legacy and new standards. It is envisaged that the DTCC's legacy corporate announcement files will be completely phased out by the end of 2015.

Federal Reserve Banks' Fedwire and The Clearing House CHIPS Fund Systems

The Federal Reserve Banks' Fedwire® Funds Service and The Clearing House's CHIPS® funds-transfer system will adopt ISO 20022 for their payments clearing and settlement for their systems. This will cover both domestic and cross-border wire payments, as well as all inputs and outputs from their wire transfer systems and enhancements to their existing wire transfer services.³

³ The Fed's Resource Center for Adoption of ISO® 20022 for Wire Transfers and ACH Payments - <https://fedpaymentsimprovement.org/payments-efficiency/iso-20022/?elqTrackId=5>

Implementing ISO 20022 for the Philippines

To ensure successful implementation, global best practices and experience prescribe the need to start with a strategic roadmap for both market infrastructure and financial institutions, and then implement according to the roadmap with the guidance of global best practices.

Develop a market infrastructure roadmap

As market infrastructures define their ISO 20022 roadmaps, they may choose, based on the end-goal to be achieved, different adoption approaches which impact their participant communities in different ways. There are two principal approaches:

- Like-for-like adoption replicates existing business functionality but does not enhance it to ensure an end-to-end transaction interoperability as participants may move at different speed. Typically, this approach is seen as an intermediate step towards full implementation of ISO 20022.
- Full implementation is the approach taken by market infrastructures that want to leverage the full richness of ISO 20022 messages with the goal of offering additional and/or improved services. Typically, this approach will require more time as it takes advantage of additional message flows and data elements that are inherent with ISO 20022.

Another important factor that will impact the implementation is the MI's approach to customer rollout. The timing of customer rollout is either a 'big bang', where all participants migrate at the same time, or 'phased' where participants migrate in separate batches, or 'free' where participants can choose when to migrate during a limited period of coexistence of the old and the new format.

The market infrastructures often spend significant time with their communities and industry experts to assess the impact of ISO 20022 adoption, and to define the best approach for adoption for both the market infrastructure and its community to enable their strategic long-term business

goals. This step is crucial to make sure the whole community understands the strategy and the implications of the adoption.

Develop a financial institution roadmap

Based on the choices made by their market infrastructures, and taking into account local regulatory requirements or commercial constraints, financial institutions should examine the optimal way to implement ISO 20022 within their messaging, transaction processing and back-office environments. Their adoption plan needs to cater for different dimensions to ensure that all stakeholders in their organisations are involved and ready to adapt their environments to process transactions in ISO 20022 formats.

A clear conceptual and technical understanding of the ISO 20022 standard is key to leverage the benefits of ISO 20022 within the financial institutions. For instance, the ISO 20022 'business model' allows different parts of a financial institution to align on common business concepts and enable easier integration. In addition, improved STP through shortened processing time and reduction of errors is achieved by using a uniform format for payments across the processing chain to satisfy operational and data requirements.

ISO 20022 is not just a messaging standard. It offers a wide range of business benefits that can only be realised if the financial institutions' internal processes are adapted to them. Roy DeCicco, Managing Director at J.P. Morgan Chase and Chairman of the Accredited Standards Committee X9 Board, commented: "ISO 20022 are newer formats. They are data rich. They solve some immediate issues the entire industry has around structuring fields, around screening, around remittance information, and the ability to build priority payments. These formats also offer other benefits and advantages like enabling new industry initiatives and new solutions that can be developed on the ISO 20022 standard".

Invest in the implementation of best practices

With the strategic roadmap to define the timeline and milestones of ISO 20022 adoption for both market infrastructures and their participants, a number of industry best practice principles need to be observed by the financial institutions to make the right decisions for their implementations:

- Develop a holistic and global view of all ISO 20022 initiatives, regulatory requirements and related projects, to understand how they impact the businesses and operations; analyse current and projected ISO 20022 requirements across different business lines within the institution. Collaboration with internal and external stakeholders is therefore crucial and will facilitate future innovations based on ISO 20022.
- Define the impact of process changes on the enterprise architecture, and analyse how they can be implemented throughout the different systems. A financial institution needs to select an integration solution that meets its needs: either integrate ISO 20022 natively in their environment or opt for translation-based approach.
- Put in place an education and training program from the beginning and involve the different stakeholders to ensure that business, technical and operations staffs have a good and common understanding of the new ISO 20022 environment.
- Finally, successful implementations share a common feature: a centralised organisational approach. Establishing a centralised management team helps ensure that tasks are streamlined and best practices are documented and shared across different business domains within the financial institution.

How can SWIFT help

SWIFT supports its customer community by standardising financial transactions, thereby lowering costs, reducing operational risk and eliminating inefficiencies from operations. It also acts as the catalyst that brings the financial community together to work collaboratively on shaping market practice and defining standards. SWIFT has a wealth of ISO 20022 experience, having delivered over 100 standards consulting projects and having implemented the ISO20022 message exchanges between market infrastructures and their communities.

SWIFT has packaged this deep expertise and experience into a unique combination of specialised tools, products and services that share best practice, increase automation and drive efficiencies. This packaging approach allows market infrastructures and their communities to benefit from proven solutions for all their ISO 20022-related requirements, reducing project complexity, risk, cost and timelines.

For the market infrastructures

SWIFT can assist them to build their roadmap and implementation approaches through ISO 20022 impact assessment. SWIFT also helps design and document the ISO 20022 content that is most suitable to their local business requirements, and to publish this information on a single portal called MyStandards for their participants to access easily.

For the financial institutions

SWIFT can also help them to understand the impact of ISO 20022, and build their implementation roadmap through ISO 20022 impact assessment. The financial institutions can access different messaging specifications from various market infrastructures in one portal MyStandards, and test their adherence to these specifications on the Readiness Portal easily at their convenience.

The market infrastructures and their participants can leverage SWIFTNet, the leading ISO 20022 value-added network and messaging solution, currently used by BSP PhilPaSS, with the highest levels

of security and resilience built-in, to communicate between each other and also with market infrastructures globally. SWIFT provides different messaging interface (SWIFTAlliance) to meet the connectivity and integration needs of all financial institutions at different volumes and costs.

Enabling ISO 20022 for all systems within financial institutions can be time consuming and costly in the Philippines, SWIFT can provide a conversion module for all the Philippines financial institutions to enable ISO 20022 at one go for all of the banks' back office systems. SWIFT is a not-for-profit organisation, and usually such community enablement modules are offered at a cost sharing basis between the whole community reducing the total cost of ownership for the community as a whole, and minimising the cost for individual financial institutions.

Way forward

Today in the Philippines, new roads and airports are built to facilitate better transportation, new schools and hospitals are built to provide better education and better healthcare, and similarly, the Philippines financial market is going through an infrastructure modernisation to support and sustain its economic growth.

As the ISO 20022 registration authority, and with experience in hundreds of financial market infrastructures projects, SWIFT is committed to work with the Philippines regulatory bodies, financial institutions, corporates and consumers to modernise the financial market infrastructures in the most cost effective, operationally efficient, global best practice compliant way.

To learn more about modernizing the Philippines financial markets through ISO 20022 or anything else related to SWIFT, contact:

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