ISO 20022 Payments Migration & Interoperability Considerations for the Global Community

Version 2

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Payments Market Practice Group

The Payments Market Practice Group (PMPG) is an independent body of payments subject matter experts from Asia Pacific, EMEA and North America.

The mission of the PMPG is to:

- Take stock of payments market practices across regions.
- Discuss, explain, and document market practice issues, including possible commercial impact.
- Recommend market practices, covering end-to-end transactions.
- Propose best practice, business responsibilities and rules, message flows, consistent implementation of ISO messaging standards and exception definitions.
- Ensure publication of recommended best practices.
- Recommend payments market practices in response to changing compliance requirements.

The PMPG provides a truly global forum to drive better market practices, which, together with correct use of standards, will help in achieving full straight-through-processing and improved customer service.

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1. Overview of ISO 20022 Payments Migration

The financial industry's payments and payment messaging systems are moving rapidly to adopt ISO 20022 - a rich, structured format for payments data that replaces a mixture of incompatible and inconsistent legacy domestic and international standards.

This program has been welcomed by the global regulatory community (CPMI and FSB included) as the convergence to a common format for payments and reporting, which promises many benefits, including for the industry's ability to detect and prevent financial crime, improve STP and support the needs of a more digital economy.

These benefits will not be realised all at once, particularly for international payments, which typically require multiple steps in both domestic and cross-border infrastructures.

The migration to ISO 20022 is proceeding at different speeds in different markets. We encounter a period of several years during which ISO 20022 and legacy standards will co-exist, and this brings some short-term challenges on the journey towards complete ISO 20022 data being available end-to-end.

The purpose of this document is to set guidance and provide clarity for agents in a multi-agent payment chain to:

- Determine if the data can be supported in the end-to-end payment chain;

- Identify whether any received data is incomplete;

- Utilise a standard process to enquire about the incomplete information if necessary;

- Be comfortable to process the data for onward credit to the next agent.

2. Key Timelines and Considerations

The Swift Cross-Border Payments Reporting (CBPR+) migration to ISO 20022 began in March 2023 and will end in November 2025.

During this period, data-rich ISO 20022 messages can be exchanged over the Swift infrastructure.

Legacy MT messages will remain in use for payments and cash reporting during this time.

A simultaneous migration of multiple Market Infrastructures (MIs) on the same day creates too much risk, hence the migration is taking place over several years, creating data integrity challenges during the migration period.

Market Infrastructures are outside the scope of the CBPR+ migration and will make decisions about implementing ISO 20022 on their own timelines as relevant to their local community.

An important tool to support the global community in its journey to ISO 20022 is the new Swift Transaction Manager (TM), which orchestrates the end-to-end processing of ISO 20022-initiated CBPR+ interbank payments at the centre and ensures maximum data integrity and full data delivery to all agents in the payment chain. The orchestration is based on a defined set of data integrity and validation rules. For more information, please refer to **Transaction Manager Support Page (swift.com).**

Access to the transaction copy (central record of transaction data) that is created with the first ISO 20022 message captured by the Swift network and its data integrity functionality helps to bridge message standard differences between CBPR+ and legacy MT formats that are currently used between banks.

In a rare scenario where an instructing agent behaves incorrectly, an ISO 20022-initiated payment may 'bypass' the TM, which leads to the payment being forwarded outside the TM via FINplus for any subsequent payment legs. As a result of a bypass, any future legs processed in MT may lead to potential data truncation.

Another potential data truncation may occur in case the first leg of an ISO 20022-initiated payment is processed via an MI and forwarded by the first agent after the MI via MT. Considering MIs are out of scope of TM, any potential data truncated by the instructing agent after the Clearing are lost.

3. Potential Truncation of Data

Should rich data elements be received by an agent, which, based on this agent's capability cannot be passed on with full data integrity, **CBPR+ Data Integrity Market Practice Guidance** must be followed for the next leg of the payment.

The aforementioned document outlines the roles and responsibilities, how the data is mapped when converting from ISO into MT, how to identify if a payment received in MT has missing or truncated data and the process on how to request missing data or truncated data from the Sending Bank.

4. Sending of Enhanced Data

With TM safeguarding the end-to-end data integrity, **customers can now leverage the full potential of ISO 20022 and start sending 'enhanced' data**.

Enhanced data consists of:
- ❖ Ultimate Debtor
- ❖ Ultimate Creditor
- ❖ Category Purpose
- ❖ Structured remittance information
- ❖ Related Remittance information

Out of these, the following two points require users' attention:

1. **Structured remittance information**

The TM can reinstate the original remittance information for payments originated over CBPR+ in an ISO format.

For payments originating over an MI, CBPR+ Data Integrity Market Practice Guidance mentioned above must be followed. The PMPG will publish a paper on Structured Remittance where the Market Guidance will be documented.

2. **Related Remittance Information**

Usage of reference information through hyperlinks to provide minimum remittance information requires feasibility checks in individual user communities. Although such

practice is currently uncommon in correspondent banking arrangements, an option to use hyperlinks to provide remittance information could fulfill specific needs to include additional data (e.g., trade data) as part of a payment message.

In practice, the possibility to use hyperlinks may require specific approval from relevant authorities or market-wide establishment of common standards in order to mitigate potential implications for security. Hyperlinks in payments cause information security concerns - activating the link without the proper information security infrastructure could lead to the download of malware or spyware.

Since the first publication of this document in July 2022, several MIs and important currencies have successfully migrated to ISO 20022, while more than 50 additional MIs have scheduled their migration projects for completion in the next 1 -3 years, including the USD starting with CHIPS in April 2024 and the Fed in March 2025.

Although this is very encouraging, the global payments industry and Market Infrastructures **must aim to migrate to rich ISO 20022 messaging standards as soon as possible and before November 2025** to drive consistency of information exchange across all payment participants. The lack of consistency will continue to increase transparency risk and may exacerbate the potential interoperability issues and reduction in data that can be transferred between cross-border participants.

5. Useful Links for Transaction Manager

The TM Operations Guide, which holds the Error codes for TM Rejects, can be found here: https://www2.swift.com/knowledgecentre/publications/trn_mgr_ops/3.0?topic=con_2377333267.htm

The Business Processing Rules document. which holds all of the data integrity, data visibility and bypass abort rules within, can be found here: https://www2.swift.com/knowledgecentre/publications/trn_mgr_bus_pro_r/3.0?topic=con_2358369520.htm

Knowledge Base tip on Aborts – Troubleshooting Guide: https://www2.swift.com/knowledgecentre/kb_articles/5025819

Knowledge Base tip on Bypass – Troubleshooting Guide: https://www2.swift.com/knowledgecentre/kb_articles/5026180

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