

ISO 20022 The New Language of Global Payments

Playbook for Corporate Treasury.

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INTRODUCTION

By 2025, 80% of the domestic high value clearing (RTGS) volumes will be ISO 20022- based with all reserve currencies either live or having declared a live date, as Swift are currently estimating¹. Furthermore, we are now witnessing the digital transformation of cross border payments through the global migration to the ISO 20022 global messaging standard across the Swift network. Combine these initiatives and it becomes clear why ISO 20022 XML is becoming the global language of payments.

This change will have wide-ranging impacts across messaging standards, operational models, market infrastructure, and payments capabilities. It is critical to addressing the challenges faced by the payments industry in a more demanding, globalised, and heavily regulated world.

At a global industry level, one of CPMI's (Committee on Payments and Market Infrastructures) primary objectives is to improve cross-border payments globally, with standardisation and data quality being key to enable efficient end-to-end processes. As regulators demand increasing transparency, compliance and security, the need for better quality structured data in payments will deliver significant benefits to all stakeholders in the payments ecosystem.

This migration to ISO 20022 is challenging for the industry and will require significant effort from all institutions. However, it should not be viewed as simply a shift from one messaging standard to another.

This change is necessary to create a payments ecosystem that is fit for purpose in this new digital first world.

We now have a major opportunity for the payments industry to address the current friction points. ISO 20022 provides the opportunity to significantly improve data quality through a more structured data-driven approach, which will increase payment automation, accelerate payment processing, elevate compliance checks in addition to improving the overall end-to-end reconciliation process.



Hopefully this introduction will help you understand why TIS and Zanders are so excited to present this Whitepaper on the industry migration to ISO 20022.

It considers the following three key questions:

- 1 WHAT IS CHANGING AND WHAT ARE THE BENEFITS?**
- 2 WHAT DO I NEED TO DO NOW, IF ANYTHING?**
- 3 HOW CAN DIGITAL SOLUTIONS AND CONSULTANCIES HELP ME?**

¹<https://www.swift.com/de/node/308978>

1

WHAT IS CHANGING AND WHAT ARE THE BENEFITS?

In 2018, the Swift community decided to adopt ISO 20022 for cross-border payments and reporting. This Swift migration to ISO 20022 XML (MT-MX), initially in the cash management space, is possibly the most significant disruption to global cross border payments since Swift first introduced electronic messages back in 1977.

The Swift MT-MX migration is initially focused on a limited number of Swift FIN messages within the cash management space. Basically, the migration will centre on cross border payments and the associated balance and transaction reporting messages.

The following table provides a simple comparison of the most popular Swift FIN messages and the corresponding replacement Swift MX message which will be used in the Swift interbank messaging space.

MT Number	MT Message Name	MX ID	MX Name
MT 101	Request for Transfer	pain.001	CustomerCreditTransferInitiation
MT 103	Customer Credit Transfer (Single)	pac.008	FiToFiCustomerCreditTransfer
MT 200	Financial Institution Transfer for its own Account	pac.009	FinancialInstitutionCreditTransfer
MT 202	General Financial Institution Transfer	pac.009	FinancialInstitutionCreditTransfer
MT 900	Confirmation of Debit	camt.054	BankToCustomerDebitCreditNotification
MT 910	Confirmation of Credit	camt.054	BankToCustomerDebitCreditNotification
MT 940	Customer Statement Message	camt.053	BankToCustomerStatement
MT 941	Balance Report	camt.052	BankToCustomerAccountReport
MT 942	Intraday Transaction Report	camt.052	BankToCustomerAccountReport
MT 950	Statement Message	camt.053	BankToCustomerStatement

Diagram 1: MT – MX Message Comparison. Source: Zanders.

Starting on the 20th March 2023, this MT-MX migration must be completed by the end of November 2025. At the time of writing, this provides the financial sector just over 1½ years to migrate all the payments and reporting messages to the MX equivalent within the interbank network. We are now in the co-existence phase, which means between now and November 2025, both MT and MX message formats will be supported in the interbank space. After November 2025, Swift MT messages will be decommissioned, and ISO 20022 will be the only acceptable standard for cross-border payments and reporting messages between financial institutions. So whilst there is a direct impact to the banking community, there is also expected to be a 'ripple' into the corporate domain.

However, the Swift MT-MX migration is only one of the industry changes for the corporate community to consider. We are also seeing an increasing number of domestic RTGS clearing systems also migrating onto an ISO 20022 XML platform. In Europe, both Target 2 and CHAPS went live in 2023, with the new HK RTGS scheduled for April 2024 and the US Fed by March 2025.



WHAT ARE THE BENEFITS OF ISO 20022 XML MESSAGING?

At a high level, the benefits of ISO 20022 XML financial messaging can be boiled down into the richness of data that can be supported through the ISO 20022 XML messages. You have a very rich data structure, so each data point should have its own unique XML field. But this benefit is magnified through the payment ecosystem's growing adoption of ISO 20022, which means the end-to-end payment journey is fully XML enabled – removing and reducing the risk of data truncation. This rich data structure presents the following material benefits to both the broader financial industry and the corporate community.

1

Acceleration and Elevation of Reconciliation Processes and Beyond.

The CAMT.053 end-of-day bank statement has almost 1,600 fields available, highlighting the richness of information that can be supported through a more structured format. The CAMT.052 intraday statement also offers much richer structured reporting. With structured fields available for key data elements like payment references, structured payment details, granular bank transaction codes, and clear FX information, this will present a clear opportunity to both accelerate and elevate existing reconciliation processes. Furthermore, as data is recognised as the fuel of artificial intelligence, ISO 20022 XML messages present a clear opportunity to truly harness the power of AI capabilities in terms of a predictive and prescriptive analytics that will redefine best in class.

2

Improved Regulatory Compliance

Again, linked to both the richness and structure of ISO 20022 XML messaging, it presents the opportunity for timely and accurate identification and validation of key information, like the ordering and beneficiary parties, address data, legal entity identifiers in addition to any regulatory information. The outcome – greater straight through processing (STP) as automated payment validation becomes more accurate, reducing false positives, which will in turn increase the speed of processing and reduce overall payment processing costs.

3

Standardised and Simplified Cash Management Architecture

ISO 20022 XML messaging provides the opportunity to both simplify and standardise the multi-banking environment, with the added benefit of providing a more portable messaging structure.





The work of the CGI-MP (Common Global Implementation – Market Practice) Group, which comprises over 350 members including banks, corporates, consultants, software vendors and market infrastructures, has published a new set of implementation guidelines that recommend a more prescriptive approach to supporting local country payment requirements.

Whilst we have to be realistic about the level of alignment across the banking community, the work of the CGI-MP does present a clear opportunity for a simplified and standardised cash management architecture.

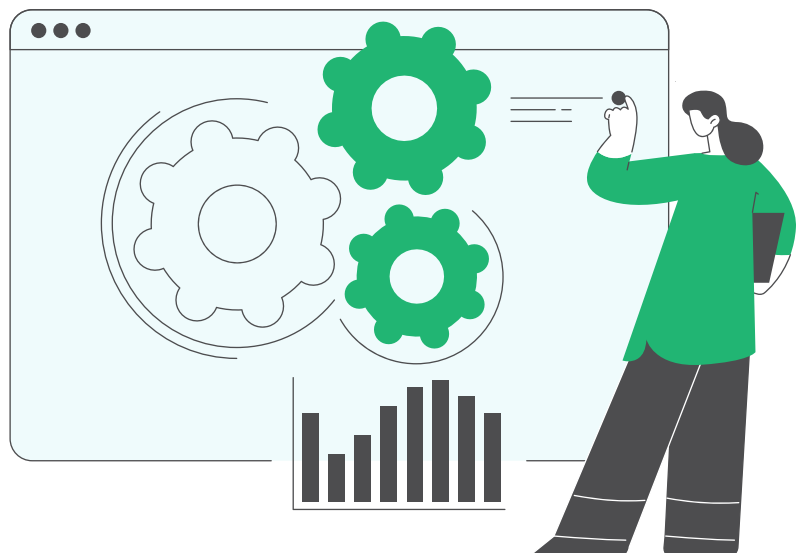
SUMMARY

Whilst the current industry migrations to ISO 20022 XML focus primarily in the interbank payment clearing space, there is a ripple into the corporate domain that will require some action. To view this change as simply another compliance request would actually limit the true opportunity that now exists to redefine the current cash management operating model to achieve greater automation, combined with an acceleration and elevation of existing cash management processes. In the next chapter, we consider what potential actions are required by the corporate community.

2 WHAT DO I NEED TO DO NOW, IF ANYTHING?

Businesses of all sizes need to assess the impact of the new message standards on their existing payment ecosystem – in terms of formats, workflows, and bank/system readiness, to determine whether and where they need to take action.

Whilst the actual Swift MT-MX migration is focused on the interbank messaging space, which means existing Swift SCORE, Swift MACUGs (member administered closed user groups) and of course proprietary host-to-host connections should not be directly impacted, there could be a knock-on impact in the key areas highlighted in the next pages.



1

CROSS BORDER PAYMENTS

The MT101/MT103 payment messages will be decommissioned over the Swift interbank network from the end of November 2025. There is currently no agreed industry date for decommissioning these payment messages in the corporate-to-bank space. However, given the initial requirements around the mandatory provision of the Town/City name and country code of the beneficiary combined with potential future requirements around the more structured provision of regulatory information like purpose of payment and even the LEI (Legal Entity Identifier), partner banks may start to define a roadmap around a potential end date for the unstructured Swift MT payment messages.

**ACTION
REQUIRED NOW:**



Engage your partner banks to understand whether they have an end date to supporting the MT payment messages in the corporate-to-bank space.

2

MASTER DATA

From November 2026, purely unstructured address data will not be allowed within the interbank space for cross border payments. It is also expected that some in-country RTGS market infrastructures will also take a similar position around allowing the use of purely unstructured data. After November 2026, the address information must be provided in either a full structured or hybrid only, or the payment message could be rejected by the originating partner bank for non-compliance.

**ACTION
REQUIRED NOW:**



Review the current data structure within your ERP/TMS and other relevant back-office systems to determine both the current address structure and also the system capabilities to ensure either the structured or hybrid logic can be supported from November 2026 at the latest.





**ACTION
REQUIRED NOW:**



Engage your partner banks to understand any support and timeframes for migrating onto either a full structured or hybrid address model.

3

STATEMENT REPORTING

Swift will decommission the MT9** series reporting messages within the interbank space from November 2025. This could be very relevant for any corporate that currently uses a bank proprietary statement consolidation service. Under this model, a corporate may currently elect to receive its MT940 end of day bank statements from third party banks via its core banking partner. Third party banks will not be able to send the MT940 statement across the interbank network from November 2025.

Where third party banks can send the CAMT.053 XML bank statement, core partner banks might offer to backward convert this statement to the MT940 message to limit the changes on the corporate side. However, if the third party bank has the capability to deliver a functionally rich structured CAMT.053, backward conversion to the original MT940 would result in a significant and potentially material loss of data truncation through the required mapping process.

**ACTION
REQUIRED NOW:**



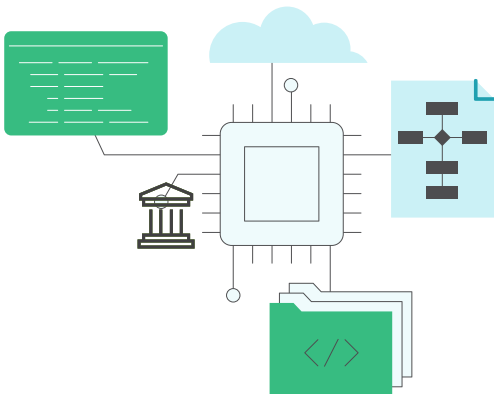
Engage your core partner banks to understand whether they have an end date for supporting the MT940 bank statement in the bank to corporate space.



If you are using a core partner bank statement consolidation service, engage to understand the options available from November 2025.



Engage your third party banks to understand if they are generating a CAMT.053 bank statement from a data repository or a native MT940 source.



4

EXISTING CUSTOMER TO BANK PAYMENT FILE FORMAT(S)

Bank proprietary file formats are typically CSV/Excel-based and predominately leverage unstructured free text fields for address information. Given the above comments around an end date for unstructured address data for cross border payments and potentially domestic urgent payments, there is now a risk that without change, these payments will possibly be rejected from November 2025.

**ACTION
REQUIRED NOW:**



If you are currently using a bank proprietary file format to make payments, engage your bank partners to understand the options available.

5

SYSTEM LANDSCAPE

The migration to ISO 20022 will be complex, linked to both the granular nature of XML and the associated higher data volumes. The analysis should always include the intricacies of any legacy infrastructure that will need to remain as well as detailed capacity planning for the impacted end-to-end processes.

**ACTION
REQUIRED NOW:**



Engage with your ERP and TMS providers in addition to any strategic software solution providers. It is important to understand system readiness for the required future state compliance in addition to identifying potential future value-added solutions that will underpin greater operational and financial efficiencies.

SUMMARY

Given the global scale of this industry migration, it is important for the corporate community to understand the potential friction points so a more informed decision can be made on the optimum solution approach. Timely engagement with both banking partners and key software vendors will provide the opportunity to drive maximum value from this industry change.

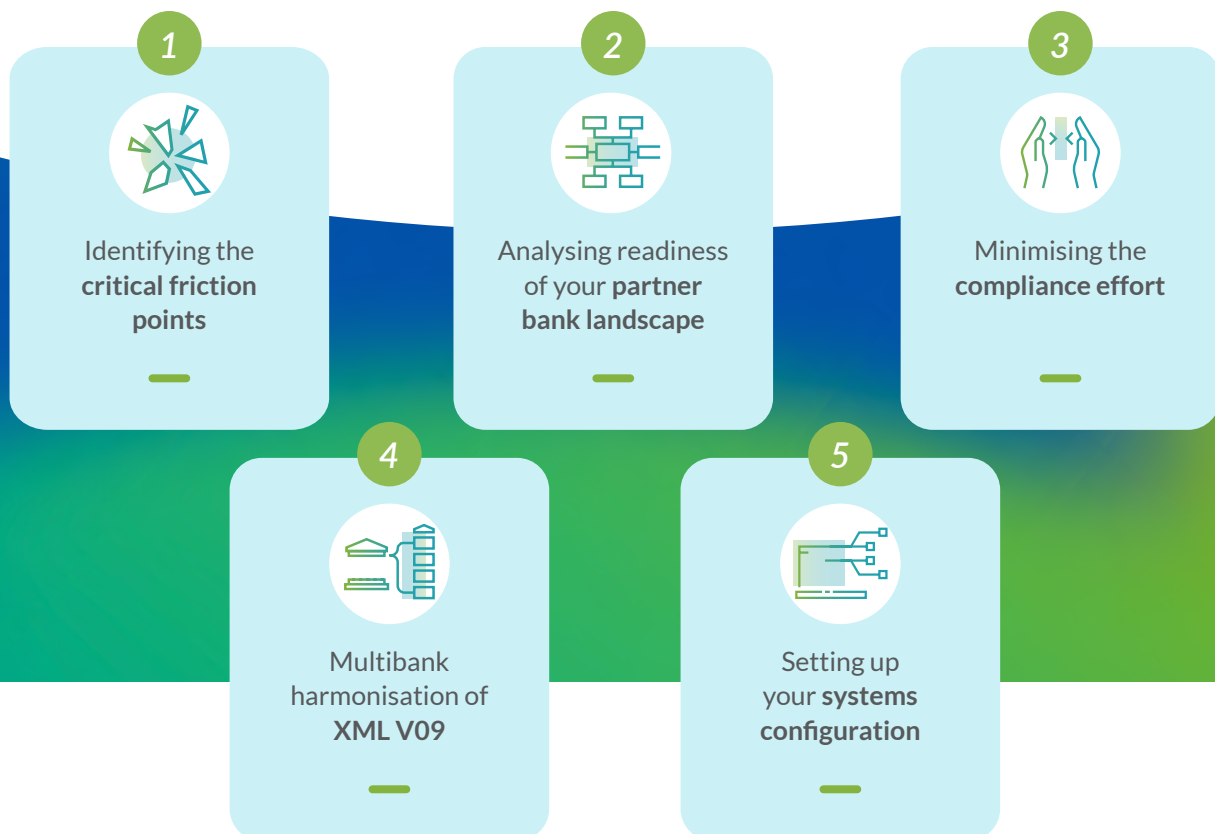
3

HOW CAN DIGITAL SOLUTIONS AND CONSULTANCIES HELP ME?

Whilst this industry migration primarily focuses on the interbank and local clearing system space, there is clearly a ripple into the corporate domain. **“Our experience shows that not all companies are getting equally prepared for the upcoming changes,”** says Dr. Jacques Yana Mbeni, SVP Solutions Architect at TIS. **“Large companies tend to be more active in this regard, while smaller and medium-sized enterprises unfortunately often remain in a waiting position. We therefore encourage our customers, as a first step, to inform themselves not only about potential impacts on their respective processes – such as adjustments in accounting, providing information for ISO 20022, and assessing their banks’ readiness –, but also about the potential benefits they can derive from this transition.”**

This industry change should be viewed as an opportunity to redefine what is possible and drive maximum value for the corporate community.

The following key points should be clarified rather sooner than later in order to strategically approach the ISO 20022 transition, guarantee frictionless continuation of business operations after November 2025 and to fully benefit from the chances the richer standardized format offers:



To be optimally prepared for a successful transition, we recommend companies start with a thorough analysis of their banking landscape to understand individual schedules, determine how the transition is being approached, what the deadlines are, and whether it has already begun. At the same time, they need to ensure that their back-office is adequately prepared and – if not – identify which processes and external implementation partners are required for this purpose. Implementation partners, both consultancies and vendors, can be of significant support here, as they bring in expertise from previous projects.

This global industry change presents a clear opportunity to redefine the optimum model and enable a more future-proofed design that supports operational and financial efficiencies.

Mark van Ommen, Partner, Zanders

Just like banks, vendors are in different stages of readiness when it comes to ISO 20022. The TIS platform, for example, is already capable of receiving and processing new ISO XML camt reports such as camt.053, camt.052, and camt.054, and can also handle exceptionally large volumes of these formats. Accordingly, a lot of customers already leverage the new standard for both collections and payments. And while most operate parallelly with MT- and camt.-formats at the moment, a company in the UK has already fully transitioned its collections processes.

Starting the ISO 20022 transition as timely as possible is not only advisable in order to ensure full readiness before the deadline in November 2025. The earlier the transition to richer formats takes place, the earlier the benefits that can potentially be derived from it.

Of course, it depends on the quality of the imported data, but the richer structured codes fundamentally offer various advantages within treasury systems. This is particularly true for cash forecasting, liquidity planning, and fee breakdowns. By better categorizing and organizing transactions according to their purpose, tracking cash flows, predicting liquidity needs, and identifying fees become easier within the system. This structured approach enables more informed decision-making in cash management strategies and the optimization of financial resources. At the same time, the precise information presented in the camt.-formats provides space for further new and deeper analysis possibilities. In short, it can help you make better use of your cash and to become more strategic.

We welcome the opportunity to discuss this important topic with you so you can make an informed decision on the optimum approach for you.

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ZANDERS
PERFORMANCE WHEN IT COUNTS



*This Whitepaper was made with valuable contribution from the authors and:
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