



ISO 20022 Harmonisation Charter

Frequently Asked Questions (FAQs)

About the ISO 20022 Harmonisation Charter

Why did SWIFT create this charter?

As ISO 20022 implementations proliferate, variability in the ways in which ISO 20022 is deployed, in terms of message versions, market practice rules and release cycles, threatens to undermine its value as a means to reduce industry cost and risk and to enable interoperability. By its nature, the challenge posed by this fragmentation cannot be addressed piecemeal; only co-ordinated action at an industry level can provide a solution.

SWIFT, a financial industry owned cooperative and standards organisation, has agreed to play the coordinating role, bringing FMIs together in dialogue, and providing a roadmap and technology to facilitate harmonisation.

What is the objective?

The purpose of this charter is twofold:

- To outline SWIFT's proposal to work with the FMI community to co-ordinate and facilitate the rollout of ISO 20022, for those institutions who decide to do so
- To allow as many FMIs as possible to express their formal support and willingness to implement its recommendations according to their individual circumstances and the maturity of their ISO 20022 implementation plans; wide industry cooperation and alignment are critical to the success of the harmonisation approach

What is the scope?

The scope of the charter is to agree on the principles around which ISO 20022 deployment harmonisation should take place. The charter applies to any business segment where FMIs have adopted or plan to adopt ISO 20022 messaging

(payments, securities, foreign exchange, etc).

What is not in scope?

The charter does not mandate participating FMIs to implement ISO 20022 across the board. Discussions and initiatives related to ISO 15022 co-existence are also not part of the charter's scope.

What are the principles?

The ISO 20022 harmonisation framework for FMIs is based on four principles:

- Share information between FMIs about ISO 20022 usage
- Adhere to global market practice where it exists and contribute to new global market practice initiatives
- Introduce stricter message version control and release management process and timing
- Publish up-to-date information about standards on a common platform, including market practice compliance, messages and versions used and message release timeline

All principles complement each other, with the aim to achieve more consistent adoption across different market initiatives, for the ultimate benefit of financial institutions who participate in these market infrastructures.

What are the benefits for market infrastructures and financial institutions?

By taking a standardised, global approach to ISO 20022 implementation, the industry as a whole will be in a much better place to manage and lower costs, ensure efficient implementation, and most importantly, keep the focus on serving our customers.

For market infrastructures

Market infrastructures today are very much in the driving seat for ISO 20022 adoption.

Over the past years, the lack of transparency and awareness of what and how individual FMIs were starting to use ISO 20022 messaging as a means to deal with new requirements and regulatory changes, has led to individual, fragmented approaches. However, FMIs share a lot of common base requirements and business flows and rules, which should obviously be harmonised as much as possible. Other than that, it is just far more efficient for the industry at large if operational procedures (such as release and version management) can be streamlined as well.

A shared best practice operational framework will obviously ease multilateral communication between FMIs as well, and facilitate interoperability.

For financial institutions

Financial institutions who participate in multiple market infrastructures and who are exposed increasingly to ISO 20022 adoption initiatives, have a lot to gain from a more disciplined and structured approach.

It will allow them to reduce cost and increase efficiency in multiple areas:

- Reduce implementation cost and timelines by re-using knowledge and development code across MI implementations based on same global market practice, by implementing a single repository for standards specifications, highlighting local market practice, and by enabling shared infrastructure implementation across regions
- Reduce running cost because of reduced exception handling based on shared global market practice

- Reduce maintenance cost as version upgrades will be synchronised and there will be a more controlled standards change process and timeline

Who is involved – and who is not?

The list of FMIs that have endorsed the charter to jointly implement a global governance and operational framework enabling ISO 20022 harmonisation across the industry, is available on www.swift.com/standards/iso-20022-harmonisation-programme.

An increasing number of other market infrastructures is very supportive and going through the charter endorsement process, in line with their specific adoption plans and status.

Can any FMI join and endorse the charter?

As SWIFT is working to turn the programme into operational reality, it welcomes the engagement from additional FMIs. SWIFT will set up an awareness and endorsement campaign and reach out to all relevant FMIs in the course of 2016, to ensure maximum participation across business segments and geographies.

What if my FMI cannot yet endorse?

The harmonisation framework should not be seen as “mandatory” for everyone. The charter recognises that there may be commercial, legal or other constraints that make full implementation impractical. This could for instance come from regulatory or industry rules that are incompatible with the charter’s principles.

It is expected that some FMIs will be unable to move towards closer compliance with the charter’s principles initially, but will be in a better position to do so after going through a transition period and when they and their community are ready. At that point, the FMI will likely embrace the discipline and structure that the charter wants to introduce.

How can banks contribute?

As SWIFT is working to turn the programme into operational reality, it welcomes the engagement from banks. SWIFT will share with the financial community its plans to turn the charter into reality, seeking support and feedback from financial institutions, to ensure that scope and priorities are in line with FI needs.

How does this Harmonisation Charter link to initiatives, such as RTPG, HVPS, CGI?

Market practice is being harmonised within several industry groups. Some examples are:

- Payments Market Practice Group (PMPG)
- ISO 20022 for Real Time Payments Group (RTPG)
- Common Global Implementation (CGI) initiative, harmonising the use of ISO 20022 in the corporate-to-bank space
- Securities Market Practice Group (SMPG)

Governance and Adherence

The Harmonisation Framework needs global market practice as much as it needs messaging and operational processes. For SWIFT, it is not important who “owns” ownership of specific market practice can and should lie with the relevant organisations; the key is to establish market practice where needed in an ISO 20022 context, and then to make sure it is globally known and used but rather to create awareness that market practice is important. SWIFT is working with all market practice setters, such as RTPG, HVPS, CGI, etc.

Are the principles mandatory rules?

No, the principles should be seen as best practices that should be applied when possible and appropriate. Deviations from these best practice guidelines can be required to accommodate specific local market requirements, legal or regulatory constraints or commercial requirements.

The purpose of the principles is to provide FMIs who are implementing similar solutions in similar market/business segments with a solid common basis from which to start. Deviations and refinements on top of these basics can then be done in a controlled and managed way, as such removing unintentional or unnecessary variations on ISO 20022 implementations in different FMIs.

Is the charter legally binding?

The aim of the charter is to promote harmonisation; endorsement does not imply any obligation to implement ISO 20022 in new business segments. The charter is not a legally binding document. FMIs endorsing the charter shall not have any liability towards SWIFT or any third-party for the execution or non-execution of the steps described in this document.

For each principle defined in the charter SWIFT has now prepared an implementation roadmap, to make sure that the required tools and processes are made available to participating communities as from 2016. In addition, SWIFT will ensure there is sufficient governance and coordination of the harmonised adoption framework, ensuring global communication and information sharing with all relevant stakeholders

What is the timeframe for FMIs to implement the principles?

The timeframe to implement the charter's principles will most likely vary per business segment, and be determined by market's maturity, level of international activity and business priorities. This will then be directly linked to the availability or creation of the required global market practice guidelines for each business segment.

Actual alignment between implementations and the charter depends on the specific context for each business segment and on the actual level of compliance with the charter principles that is already used by each individual FMI. With each FMI, we will analyse where, why and how he deviates from the best practice recommendations, and what would make sense in terms of evolving towards a higher level of compliance (both content and timing).

Justified and required deviations from the principles will continue to exist for the reasons mentioned before.

Harmonisation Charter Principles

Is MyStandards the only way of sharing information?

The MyStandards platform is the most appropriate way to share information, to publish consistent publication and to allow for comparison of specifications, and this not only for FMIs but also for Fls. Other ways of sharing information will be facilitated when required.

Participating FMIs will publish their standards information in the area of MyStandards that will be created in support of global ISO 20022 harmonisation. This information will include: market practices adhered to, messages and versions used, and message release timelines.

Global market practice

Global market practice is an important part of the scope of the Harmonisation Charter.

SWIFT works with the financial community to identify candidate business areas for establishing global market practice, and may facilitates and/or contribute to this work. It is not SWIFT's purpose to "own" market practice. Relevant stakeholders, including other standardisation bodies, will also be involved. It is essential that international financial institutions have an important responsibility, to provide guidance and to ensure adoption.

For some business areas no global market practice exists yet. If it becomes clear that such market practice should be defined because of high levels of international activity involving adoption of ISO 20022, SWIFT will liaise with the key stakeholders in this business to ensure global market practice is defined.

SWIFT will then encourage organisations involved in this business to endorse the charter. At the same time, the purpose is not to create new Global Market Practice groups, if this can be avoided.

Will the charter help to address the proliferation of variants?

Yes. As market practice will be further harmonised, the number of variants allowed will be streamlined to a maximum extent. FMIs should always adhere as closely as possible to global market practice, where this exists. However, to cater for specific service- or regulatory-specific requirements, FMIs may define and document further guidelines to define how each ISO 20022 message should be formatted.

Version and release management

The following principles are envisaged:

- FMIs adopt the latest message version for any new project.
- FMIs align publication of advance information and standards cutover dates to SWIFT's MT/FIN maintenance cycle which is already entrenched in industry practice and aligned with budget and software development cycles.
- FMIs upgrade regularly to the latest version of changed messages, which should naturally result over time in convergence to the latest release for all players.

Publication

FMIs will publish their standards information in the area of MyStandards that will be created in support of global ISO 20022 adoption harmonisation. This data will include market practice adhered to, messages and versions used, and message release timeline. This will allow Fls to view the information about the FMIs they are connected to.

For more information, contact your SWIFT account manager or visit www.swift.com.