

# Agent of change

In Asia Pacific, and globally, ISO 20022 is becoming the *de facto* standard for renewal and innovation across financial services.

The current rate of change and renewal of market infrastructures across financial services is unprecedented. The global drivers include: a more transparent and harmonised international regulatory environment (for example, the regulation of the OTC derivatives market); changing market practices (such as migration to T+2 settlement for securities, and the introduction of real-time payments services); the continuing search for processing efficiency; and replacement of ageing domestic legacy systems.

And when decisions are made about infrastructure renewal, ISO 20022 is very often the choice for the underlying messaging schemes and messages because it offers very significant, business-friendly advantages: an internationally agreed approach, a common vocabulary and a common set of syntaxes using XML<sup>1</sup> – as well as richer content.

## From the Baltics to Brazil

The adoption of this international standard is indeed completely international. The ISO 20022 Adoption Initiatives

Report<sup>2</sup> lists some 77 implementation projects, from the Baltics to Brazil. In Asia Pacific, projects are under way covering both infrastructure renewal and process improvement across payments and securities, and are delivering real change and innovation.

Real-time gross settlement system (RTGS) implementations in India and Brunei have been among the first movers. In Brunei, for example, a new RTGS went live in November 2014 as a key plank of a modernisation programme begun by the central bank, Autoriti Monetari Brunei Darussalam (AMBD). Due this year are a new automated clearing house (ACH) and a central securities depository (CSD). All are based on ISO 20022 standards, as mandated by AMBD to enhance financial stability as well as expanding the financial services industry in Brunei.

The Reserve Bank of India (RBI) is also continuing to promote ISO 20022 for infrastructure upgrades in India. When, in 2012, RBI invited the National Payments Corporation of India (NPCI, a banking industry body with 10 core promoter banks) to replace the existing ACH infrastructure for Indian



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rupee payments with a new, 'future-ready' system, ISO 20022 was the obvious choice for the messaging. "There was consensus among the banks," says NPCI managing director Abhaya Prasad Hota. "ISO 20022 was being widely adopted internationally at the time; it also allows for much more information to be carried with a payment instruction." The new batch-based system is now up and running and settles on a T+0 or T+1 basis, with T+1 largely used for bulk payments. For the time being, however, India's banks are sending their ACH payments in simple text file formats over a proprietary



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network to NPCI, where they are converted to the ISO 20022 formats. The ACH system processes on average four million transactions per day, with volumes growing rapidly.

RBI has mandated the banks to be ISO 20022 ready by the end of 2015. Meanwhile, a small pilot has tested the messages over SWIFT, an innovation that would allow the banks to use their existing SWIFT infrastructure for domestic ACH payments.

## Early movers

The securities industry in Asia Pacific has also been quick to seize the transformational advantages of ISO 20022. An early mover here was Japan Securities Depository, which went live with ISO 20022 in 2014 for clearing and settlement of securities transactions.

The Singapore Exchange (SGX) has adopted ISO 20022 to automate corporate actions notifications, updating its issuer portal, SGXNet, to enable "issuer to investor straight-through processing". As well as now delivering notifications in real time, the service is also providing significant improvements in data quality and ease of processing right across the processing chain. According to Tinku Gupta, head of market data and access at SGX: "Issuers benefit from clearer communication of their announcements and lower risk of misinterpretation; custodian banks receive the data conveniently and in a language they can distribute directly; data vendors get much more efficient extraction of data." The data can be delivered either over SWIFT or via an XML feed, as well as via the SGX website. The benefits for SGX itself are greatly reduced manual processing on receipt of corporate actions event notifications, and automated delivery of the information for internal processing and to their website.

SGX worked with the Singapore National Market Practice Group to define best

practice for downstream delivery of the corporate actions information and took this into account in the message design. "Because ISO 20022 is so flexible, we were able to add the required market extension relatively easily," comments Gupta.

## Change management

For all the technology benefits, the project demanded a considerable change management and education process with the issuer community – some 3,000 users across 800 issuers – to ensure content delivered was of high quality and complete (previously, the issuers simply submitted



unstructured pdf documents when making announcements). Gupta says higher levels of end-to-end automation will yield valuable opportunities to provide the corporate actions data to front-office users. SGX is also working on streamlining a number of activities in post-trade processing using these standards, including settlement and reconciliation.

So far in Asia Pacific, the benefits of ISO 20022 are mainly being realised in domestic implementations. But the ASEAN+3<sup>3</sup> Cross-Border Settlement Infrastructure Forum, is working to establish a regional settlement intermediary for bond market transactions, initially via bilateral linkages. ISO 20022 is being recommended for the messaging. "We believe the introduction of ISO 20022 will provide a solid basis for further market integration and innovation for easier, faster and more efficient intra-regional bond transactions. Particularly, CSDs and central banks in the region are considering linkages via ISO 20022 messages," says Satoru Yamadera, principal financial sector specialist at the Asian Development Bank and a spokesperson for ASEAN+3 Bond Market Forum.

In India, NPCI's Hota also recognises the importance of international interoperability and the role ISO 20022 can play in easing its path: "As Indian companies internationalise, it's going to be important for them to be able to use the same standards in different countries," he says. ■

## TO LEARN MORE ...

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Monday 12 October – 09:00-09:45

<sup>3</sup> The Association of Southeast Asian Nations (ASEAN) and the People's Republic of China, Japan, and the Republic of Korea.

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