



SWIFT ISO 20022
Migration Study -
Summary of responses

Overview

SWIFT received more than 100 responses, including country level feedback from 19 of its top 20 National Member Groups, and individual input from 38 of its top 50 users (financial institutions).

The responses have been consolidated in the present report to provide an overview of the community feedback; the results of the consultation will be used to deliver a final report to the SWIFT Board by the end of 2018.

Next steps

Further detailed analysis of the input is ongoing and SWIFT will be discussing the feedback with key internal and external stakeholders to formulate a recommendation to the SWIFT Board. The final report will be shared with the SWIFT community via the National Member/ User Groups in December 2018.

ISO 20022 is a global success. The growing adoption of ISO 20022 in payments systems and other market infrastructures (MIs), combined with its inherent functional and technical advantages, have triggered a demand to use the same standard cross-border. To address this need strategically, SWIFT, with the support of the SWIFT Board, initiated a study to review the timing and practicalities of a migration of cross-border MT traffic towards ISO 20022 for both payments and securities business.

Following the initial analysis, we launched a large scale community consultation in April, to seek feedback on all aspects of such a migration, including timing, implementation strategy and phasing, community readiness, technology, market practice, interoperability with MIs, new messaging capabilities and value-added features, and tools and support.

Payments

The consultation paper laid out a number of drivers for a migration of MT payments traffic to ISO 20022 and asked respondents to validate these drivers and confirm whether they indeed justify a migration. The proposed timeline for the migration of cross-border payments would start in 2021 or 2022 and end in 2025 or 2026, depending on progress in the market infrastructure space.

The growing adoption of ISO 20022 in the payments market infrastructure space and the need to maintain transparent interoperability with cross-border payments, together with compliance concerns regarding completeness and structure of data, are the two drivers most often mentioned.

The responses indicate that the community is broadly supportive of the migration of payments and the proposed timeline. The need for alignment with the timelines of the migration of key market infrastructures such as Target and Fedwire is a recurring comment. Furthermore, there are a number of comments regarding the duration of the coexistence period, with some respondents indicating that it should be shorter than the four years currently proposed.

| | Yes | No |
|--|-------------|------------|
| Does the combination of drivers justify a migration of cross-border payments to ISO 20022? | | |
| All responses | 87% | 13% |
| Financial institution responses (top 50 SWIFT users) | 97% | 3% |
| Country responses (top 20 NMG) | 100% | - |

Securities

ISO 20022 messaging is steadily growing in Securities Markets, particularly domestically because the standard has already been adopted by a number of Market Infrastructures, including T2S and DTCC. In addition, respondents described other drivers that will lead to more use of ISO 20022 in securities, including the fact that new or upcoming regulations, especially in the European Union, require ISO 20022.

While it was acknowledged that there is a growing need to be able to use ISO 20022 in some areas of the securities lifecycle, such as collateral management, regulatory reporting, specific asset servicing areas, as well as in the context of market infrastructure upgrades, at this stage there are fewer immediate drivers that would warrant an actual migration to ISO 20022.

This is because the ISO 15022 standard is relatively recent compared to MT and meets existing business needs.

Overall, the response is that we should not to plan for a migration from ISO 15022 to ISO 20022 now, but rather to continue to make ISO 20022 available on an opt-in basis and to deliver new capabilities required to facilitate adoption and coexistence.

| | Yes | No |
|--|------------|------------|
| Do the drivers described in the securities section justify migration to ISO 20022? | | |
| All responses | 60% | 40% |
| Financial institution responses (top 50 SWIFT users) | 51% | 49% |
| Country responses (top 20 NMG) | 50% | 50% |

Trade Finance

A significant overhaul of the Category 7 interbank MTs will be implemented in MT Standards Release (SR) 2018 and SR 2019. Because this maintenance represents a significant investment into the improvement of existing MT standards, we believe that there is currently no appetite to envisage a migration of Category 7 messages to ISO 20022 in a similar timeframe to the one being proposed in other business domains.

Respondents broadly agree with this statement that there is no immediate appetite and most often quote the investment in the current MT standards as a reason. A number of respondents do however highlight the link between payments and trade finance and would potentially consider a migration to ensure interoperability, but only at a later point in time.

| | Yes | No |
|--|------------|------------|
| We believe that there is currently no appetite to envisage a migration of Category 7 messages to ISO 20022 standards in a similar timeframe to the one being proposed in other business domains. Do you agree? | | |
| All responses | 84% | 16% |
| Financial institution responses (top 50 SWIFT users) | 80% | 20% |
| Country responses (top 20 NMG) | 84% | 16% |

FX and Treasury

While ISO 20022 message sets have been developed, implemented and used by members of two major FX Market Infrastructures (CLS Bank International (CLS) and China Foreign Exchange Trade System (CFETS)), the use of Category 3 and 6 messages remains widespread. We believe there is no industry driver requiring the Category 3 and 6 messages to move to ISO 20022 standards in a similar timeframe to the one being proposed in other business domains.

Respondents broadly agree with this statement that there are not enough drivers established to migrate, but some respondents mention the link between payments and FX processing as a potential reason to revisit a migration of the category 3 messages after the payments migration.

| | Yes | No |
|---|------------|------------|
| We believe there is no industry driver requiring the Category 3 and 6 messages to move to ISO 20022 standards in a similar timeframe to the one being proposed in other business domains. Do you agree? | | |
| All responses | 83% | 17% |
| Financial institution responses (top 50 SWIFT users) | 80% | 20% |
| Country responses (top 20 NMG) | 78% | 22% |

Migration strategy

The strategy described in the consultation paper foresees that any migration will be phased, by business domain, to ensure that early adopters are able to take advantage of the features of ISO 20022, while ensuring that the entire community remains interoperable. We foresee the following phases, each with well-defined preconditions:

- Closed User Group – for early adopters, opt-in only; non-members not affected
- Coexistence – all users may send ISO 20022; coexistence measures such as central translation ensure interoperability
- Full – all users have migrated to ISO 20022 and MT is no longer maintained

Respondents broadly agree with a phased migration but request more detail on the practical implementation of the coexistence measures, in particular with regards to translation, liability and practical implications.

SWIFT is currently addressing these questions with internal and external stakeholders and will refine the current proposal based on these discussions.

| | Yes | No |
|---|------------|------------|
| Do you support the phased approach: CUG-Coexistence-Full? | | |
| All responses | 87% | 13% |
| Financial institution responses (top 50 SWIFT users) | 82% | 18% |
| Country responses (top 20 NMG) | 89% | 11% |

Migration support

SWIFT aims to provide a number of resources to facilitate migration. The community was asked to provide feedback on the need and preferred implementation approach of the following:

- Directory services that will identify for each destination BIC the standard to be used for a given business domain or message category: Respondents point out the need for sufficient data granularity such as BIC 11 vs. BIC 8 to make accurate routing decisions.
- Formal market practice definitions, created in collaboration with the community: Respondents acknowledge the need to implement market practice validation to enforce consistent usage and guarantee interoperability.

The responses confirm the need to create such usage guidelines. Based on the feedback received, SWIFT proposes to create new working group for correspondent banking, composed of commercial banks, including gpi pilots, and central banks.

A central translation service that implements the standardized and published rules for MT –ISO 20022 offered by SWIFT: There is consensus on the need for SWIFT to implement such a service centrally but more information will need to be provided as mentioned in the previous section.

| | Yes | No |
|--|-------------|-----------|
| Do you agree that formal market practice is required to facilitate translation, and therefore coexistence? | | |
| All responses | 99% | 1% |
| Financial institution responses (top 50 SWIFT users) | 97% | 3% |
| Country responses (top 20 NMG) | 100% | - |

Maintenance and Release management

The majority of respondents agree that the proposed combination of formal usage guidelines, SWIFT community engagement with the ISO 20022 process and the provision that a new message version will only be implemented if agreed by the community provides appropriate control over the evolution of ISO 20022 for the many-to-many business on SWIFT.

| | Yes | No |
|---|-------------|-----------|
| Do you believe that the proposed combination of formal usage guidelines/ SWIFT community engagement with the ISO 20022 process/ the provision that a new message version will only be implemented if agreed by the community provides appropriate control over the evolution of ISO 20022 for the many-to-many business on SWIFT? | | |
| All responses | 92% | 8% |
| Financial institution responses (top 50 SWIFT users) | 95% | 5% |
| Country responses (top 20 NMG) | 100% | - |

SWIFT is a member-owned cooperative, providing secure financial messaging services to more than 11,000 organisations, across the financial ecosystem, in almost every country in the world. For nearly five decades we have delivered certainty, continuity and excellence by constantly evolving in an everchanging landscape. In today's fast moving, increasingly connected and challenging world, this approach has never been more relevant.

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