



As an early adopter of the ISO standard, Citi has been a collaborative innovator across its network of internal personnel, governing bodies and corporate clients since 2012

Citi is creating a more efficient cross-border payments ecosystem with the adoption of ISO 20022

A need to improve our payments language

The adoption of ISO 20022 is crucial in overcoming challenges that the industry faces in a more demanding, globalised, and regulated world. It is also a critical shift in information flow, allowing institutions across the SWIFT network to take better advantage of new technologies and payments processes at a lower cost.

SWIFT created the current MT messaging standard in 1977 as a replacement for telex messages between banks. MT provided the industry with a globally consistent way of communicating across the network and went a long way in making cross-border payments more efficient. However, the creation of MT happened at a time when computing power and data exchange were young; what followed was, in their infancy, a long period of massive innovation and improvement.

Movement of information in a digitised way has become much less expensive and the design of MT messages as the data-light, space-efficient standard, built as much for human consumption as for machine readability, was in danger of becoming a restriction on the evolution of fast, transparent and secure payments.

What we see today is a bank data model that is still highly dependent on human interaction to interpret, repair and service cross-border payments, should going through STP not be an option. The current model can have its drawbacks, especially when it comes to points of

friction related to limitations in data fields and meeting regulatory requirements - two areas where the adoption of ISO 20022 has the potential to provide real value.

As a global bank, Citi, is helping to create a more efficient cross-border payments ecosystem with the adoption of ISO 20022. When it comes to overcoming challenges the industry faces in an increasingly globalised world, the adoption of ISO 20022 could not come at a better time. Citi is working collaboratively across the organisation on a strategy and execution roadmap that will ensure all areas of the bank are fully prepared for this transformational change. The bank is leveraging its close relationships with SWIFT as well as clearing systems in the US, Europe and across the globe, to stay informed on global implementation timelines and market updates.

From a data perspective, Citi is exploring how best to incorporate the benefits and efficiencies that ISO 20022 messages provide, with the objective of transitioning towards an upgraded data model that offers significant advantages to process payments faster and support new emerging digital business models. In doing this, Citi will capture and store new and rich data elements and be able to present this data in real-time across customer channels. Additionally, the bank is working to ensure it has the data storage and processes in place to build analytics, provide client advisory and offer new services.

Citi plans to adopt ISO 20022 as the default data model and standard for back office systems to support intermediary FI payments. This will not only enhance the overall client experience, but will also enable the bank to comply with potential, future regulatory requirements.

Though ISO 20022 will demonstrate a move away from the manual towards the automated, it is important for Citi to start preparing its people for this migration. Internally, Citi has already established dynamic global management and communication processes to ensure their teams will have the training and support needed. Teams across product, sales, technology and more have been participating in various training courses, workshops and seminars. The goals are to help staff fully grasp the significance of the changes and develop an understanding of ISO through action plans.

It is crucial for Citi to establish clear implementation guidelines for its employees as all areas of the bank will be impacted by ISO 20022, from the front office to the core infrastructure on which the interbank channels reside. Citi is actively developing and enabling shared utilities across the enterprise for accessing, validating, translating and enriching structured ISO 20022 data.

Summary of benefits

Under the ISO standard, financial institutions will have the ability to introduce greater levels of automation of processes and integrate new technologies

Adoption of ISO 20022 is crucial in overcoming challenges that the industry faces in a more demanding, globalised, and regulated world

While ISO 20022 provides the potential for reduced friction, it will be up to the industry and individual institutions to adopt this new paradigm

Reducing exceptions and case resolution

Adoption of ISO 20022 can generate benefits across the whole ecosystem if fully integrated into payments and payments-related processes. With a better data model that is standardised and harmonised across the industry, FIs can offer a more open and frictionless experience to all clients, and create a more efficient and less costly operating model.

The new standard will require messages to include standardised structured syntax and code words. Systems and technology can understand this “language” and efficiently process payments while increasing digital STP rates, making reconciliation easier, and

decreasing manual human-touchpoints that slow down processes.

SWIFT’s Case Resolution pilot as part of the SWIFT gpi programme is a good example of how SWIFT can leverage rich, structured data from ISO 20022 in creating a more efficient payment processes through standardisation. Additionally, this standardisation will also help to accelerate the adoption of application programming interfaces (API’s) as ISO 20022 can form the basis of data structures transmitted over API’s. This approach under pins the bank APIs already available to Case Resolution banks.

Case resolution is a redesign of how banks interact with each other when inquiring into and investigating payments. Today banks query each other across the SWIFT network using MT199 messages that have no ISO 20022 equivalent. As these messages are unstructured, they often require human intervention to review and respond, increasing response turnaround time and inefficiencies. Case resolution defines a structure based on inquiry type to allow banks to program their systems to read and react to these queries as efficiently as possible. It also leverages the technology built for the SWIFT gpi tracker to ensure the message goes directly to the bank in the chain that needs to provide a response rather than serially across the banking chain. The case resolution message structure is based on ISO 20022, incorporating the principle of a Universal Case reference number, similar to a UETR for a payment sent across the gpi network.

This new functionality currently in pilot for Unable to Apply queries has the opportunity to redefine a historically inefficient and expensive pain point for the industry. There is now agreement in principle to move to a common and uniform solution for investigations management. This will allow for real cost savings and operational efficiencies, and will ultimately provide a better end-user payments experience.

Time for action is now

The adoption of ISO 20022 is a challenging undertaking for the industry as a whole that will require an enormous amount of effort from every individual institution. This is not simply a movement from one messaging standard to the next, but rather, a shift in data models and a new language that needs to be learned by human partners as well as by machines. This new standard and language will need to be incorporated into all processes and procedures throughout the payments chain thereby making it a collaborative effort across the industry to move towards the ISO standard.

Within the next five years, ISO 20022 will dominate high-value payments, supporting over 80% of transaction values worldwide, and it is important for FIs around the world to begin thinking about how they can work towards full integration into their platforms. With that said, ISO will provide great benefits to the industry as a whole—pushing future technologies such as AI and ML even further and enabling more efficiency, digitisation and interoperability across the globe. As we enter an increasingly complex and digital world with greater demand for efficiency and a slew of new market entrants, it is important to remember that those who are well prepared will benefit most from ISO 20022 and will be best positioned to lead the industry moving forward.

About Citi

Citi, the leading global bank, has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management.

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About SWIFT

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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