

Sending out a global message

Banks, corporates and vendors are working together to override local payment difficulties.

A common global implementation of anything sounds like a proposition fraught with difficulty from the outset. We may live in an increasingly globalised world where business flows freely across national borders, yet most countries still seem to pride themselves on doing certain things differently. Voltage requirements and railway gauges still vary between countries, and domestic payment infrastructures continue to support a wide range of messaging formats. For large, multinational companies trying to do business with multiple banks and counterparts across the world, the lack of a globally standardised messaging format for payments remains a major pain point.

"It's a massive headache," explains Fiona Hamilton, vice president, EMEA and Asia for financial messaging and data integration solutions provider Volante Technologies, referring to the host-to-host links and interfaces that large multinationals have had to maintain to communicate with their payment banks. "Companies need to move to a more flexible infrastructure so every time they choose to change payment banks they know it's not going to be a huge multi-year project."

Help may be at hand with the ISO 20022 messaging framework starting to enjoy widespread adoption by banks, corporates and payment market infrastructures as the common XML standard. In the euro-zone, the European Commission's end-date regulation for the Single Euro Payments Area (SEPA) stipulated that corporates sending payments in the region must adopt the ISO 20022 XML standard. "SEPA changed the goal posts as a lot of the world's largest corporates had to move

quickly to ISO 20022," says Hamilton. Elsewhere, Brazil and China have announced support for ISO 20022 XML, and it is also the basis for Russia's new debit card scheme.

Yet, like any standard, ISO 20022 is open to interpretation and has the potential to support many different processes and practices. That is where the Common Global Implementation Market Practice group (CGI-MP) comes in. The group was initially established in 2009 by large multi-banked corporates which boasted highly centralised treasury operations but wanted to rationalise the number of messaging formats they had to deal with on a global basis. "Now within CGI-MP you see a much broader footprint of corporates



remit is to broker agreement between banks, end-users and vendors through consultation and collaboration on common implementation templates for ISO 20022 financial messages in the payments domain. "We want to maintain the integrity of the standard and avoid fragmentation," says Harri Rantanen, manager, formats and standards at SEB Merchant Banking, and co-convenor of the CGI-MP.

CGI-MP's current scope is divided into five working groups: credit transfer & payment status; cash management reporting; direct debit and mandates; electronic bank account management; and bank services billing. The working groups develop harmonisation guidelines for each message incorporating feedback from members. Four times a year, CGI-MP plenaries vote whether to accept these guidelines. "It is a democratic approach," says Rantanen. "We have dedicated people working on the specific aspects of the message and then we have the

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that have grown in size and global reach, and really need to standardise their banking interfaces," says Tom Durkin, global head of integrated channels at Bank of America Merrill Lynch, a founding member of CGI-MP.

Democracy in action

CGI-MP is facilitated by SWIFT and comprises approximately 130 members, including more than 40 financial institutions and around 80 non-banks including corporates like Nike, IKEA, General Electric, Merck and vendors such as SAP, Volante and SunGard. CGI-MP's main

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dates," says David Blair, who has 25 years of management and treasury experience in global companies such as Nokia and Huawei, and has followed the CGI-MP closely since its inception. "That is not a CGI-MP problem, but it will require changes to market infrastructure."

Bank services billing could also be an area where CGI-MP finds it difficult to build consensus.

ment of the banks' and ERP vendors' ability to support the globally harmonised use of ISO 20022 in corporate-to-bank integration. It also forms the basis of many countries' efforts to define and document national and regional guidelines for the same purposes. "These guidelines should not be in conflict with those of the CGI-MP, otherwise the global use is jeopardised from the corporate point-of-view," he explains.

Blair believes that the CGI-MP, under the auspices of SWIFT, is corporates' best hope of achieving standardisation. "Corporates benefit from using the same messaging across different banks and vendors have less complexity to handle," he says. But more corporates should get involved, he adds, to ensure their voice is heard. "There's clearly a need in the corporate market place for more education and we want to leverage greater acceptance both on the bank and the vendor side," says Durkin of BofAML.

With so many varied and competing interests, reaching consensus between all parties in CGI-MP can be difficult at times. However, Rantanen says it still manages to get things done. "In the 25 years I've worked in the area of standards, I haven't experienced this kind of collaboration. Banks and vendors can still compete on service but not on ISO 20022 implementation."

Participation in CGI-MP is voluntary and its shared benefits are sometimes hard to quantify for individual participants, making its work vulnerable at a time when banks and corporates must contend with heightened regulatory demands. "How do you continue to justify the importance of this [CGI-MP] when you're competing for investment dollars with regulatory-driven initiatives?" asks Durkin. "There needs to be a more cohesive message as to the importance of initiatives like this." ■

Local nuances

Although CGI-MP is focused on harmonising the way the ISO 20022 messaging format is used in payments, Hamilton says domestic nuances are unlikely to disappear altogether. "It is the role of the market practice group to help corporates and banks understand these nuances," she says. "As long as they know what they need to do in terms of the formatting and content of the message, then they can build a more flexible infrastructure that allows them to send a payment to a country without having to hard code these nuances into back-end processes."

Rantanen says CGI-MP documentation is referred to in many corporate request for proposals as a requirement and measure-

