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ISO 20022: The journey towards standardization of cross border payments

After years of intense preparation by the global financial community, the migration to ISO 20022 for cross-border payments and reporting (CBPR+) officially began on March 20, 2023.

This marks the beginning of a significant change, with the industry currently in a three-year coexistence period lasting until November 2025. During this transition period, both MT and ISO 20022 messages will be supported, allowing financial institutions to migrate to the new standard at their own pace.

As the deadline approaches, Finastra is committed to keeping banks fully informed about the latest developments and the additional data included in SWIFT MX messages. When planning the transition to a new messaging format, several operational questions need to be considered. This factsheet outlines key questions and answers that are crucial for banks to review.

Why was SWIFT MX created?
MX is the new SWIFT message standard, using an XML format based on ISO 20022. Designed to replace SWIFT MT messages and comply with ISO 20022 requirements, the scheme includes five financial business domains: payments, securities, trade services, cards, and foreign exchange.

When is the deadline for migration to SWIFT MX messages?
The deadline for organizations to migrate from SWIFT MT to ISO 20022 SWIFT MX messages is November 2025. Cross-border payments and domestic settlement systems, including TARGET2 and T2S, are also transitioning to the MX format.

What are the benefits of ISO 20022?
ISO 20022 is the standard for financial service messaging, facilitating electronic data interchange between financial institutions. Its format provides consistent, rich, structured data, serving as a common language that modernizes payment processes and supports instant payments.

ISO 20022 offers a flexible and comprehensive framework, enabling more detailed transaction information. This standard supports a wide range of financial services, including payments, securities, trade services, and foreign exchange, making it a universal language for financial communication.

Additionally, ISO 20022's XML-based format is adaptable to evolving technological advancements, ensuring long-term sustainability and scalability.

By adopting ISO 20022, financial institutions can improve straight-through processing (STP), reduce operational risks, and enhance regulatory compliance, ultimately leading to more streamlined and transparent financial operations globally.

Moving from data to information in Opics Plus: a fundamental change

What are the expectations for an ISO 20022 solution?

The solution should not impact current SWIFT MT message generation while implementing the new MX message format. MT and MX messages need to coexist until 2025 for cash settlement, and all other areas of processing. This enables migration to MX according to an individualized timeline.

Opics Plus delivers market standard templates, allowing for the modification of MX formatting templates independently if required, to meet Real-time Gross Settlement (RTGS) requirements. The static data is enriched to maintain all the required information for SWIFT MX.

Opics Plus has been enhanced with static data that allows users the flexibility to define multiple criteria, such as customer, currency, agent, and message type, for generating MX messages.

When are MX messages configured?

- When set to generate MX, Opics triggers MX messages instead of MT messages.

- Finastra provides an XSLT template adapted to SWIFT MX messages.

- Opics generates MX messages using a hybrid approach, applying the translation from MT to MX followed by an enrichment engine for customizations.

- Opics supports cash and security SWIFT MX settlement messages for outgoing transactions.

- For cash settlements, as an example, it includes the following messages PACS 008, PACS 009, CAMT.055, CAMT.056, CAMT.057, and CAMT.058.

- Opics generates customers statements like CAMT.052, CAMT.053 and CAMT.054 for cash movements in the Opics Call & Notice module.

- Opics also meets securities market requirements, supporting outgoing messages such as SESE.020 and SESE.023.

Please refer to the documentation for a full list of supported messages.

How long does it take to implement the SWIFT module?

The estimated time required to implement the SWIFT MX module ranges from 1 to 6 months. Back-office users, accounting, and IT teams are likely to be involved in the implementation. The first step is to define the transition approach, specifying when and under which conditions MT messages will transition to MX. For example, the Euro TARGET2 cash settlement transitioned to MX starting in March 2023.

Next, adjust the Opics setup to trigger MX messages going forward.

The static data setup is important to ensure Opics generates MX messages instead of MT messages. If the required static data is not available, then Opics will default to generating MT messages.

Once the setup is complete, MX messages can be generated from Opics.

Additional data is required for structured addresses, which may require increased migration for banks. If a structured address is unavailable, Opics will generate an unstructured address in MX messages.

Why is the Opics solution recommended?

- All settlement messages previously available as MT messages in Opics are now available as SWIFT MX messages.

- Implementation is fast, leveraging the existing Opics plus architecture and workflow.

- Minimum static setup is required.

- Full auditing of MT and MX messages is provided.

- The solution is scalable.

What's next?

Opics generates MX messages using a hybrid approach of translation and enrichment. This method is easier to maintain and evolve moving forward. The design and workflow are also compatible with the next phases that will come after November 2025.

Opics Plus ISO 20022 Advantages

Out-of the-box modules are built on market standards and working group guidelines.

Structured addresses (static data) are standard and flexible to populate in instructions from customer static.

Opics supports both DATA PDU and AMP format MX messages for cash settlements.

" Unlock the future of payments with the in-built Opics MX ISO20022 solution! Start your migration to stay compliant, efficient, and ahead of the curve!"

Praveen Kumar Varaganti
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Contact us

About Finastra

Finastra is a global provider of financial services software applications across Lending, Payments, Treasury and Capital Markets, and Universal (retail and digital) Banking. Committed to unlocking the potential of people, businesses and communities everywhere, its vision is to accelerate the future of Open Finance through technology and collaboration, and its pioneering approach is why it is trusted by ~8,100 financial institutions, including 45 of the world's top 50 banks. For more information visit **finastra.com**

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