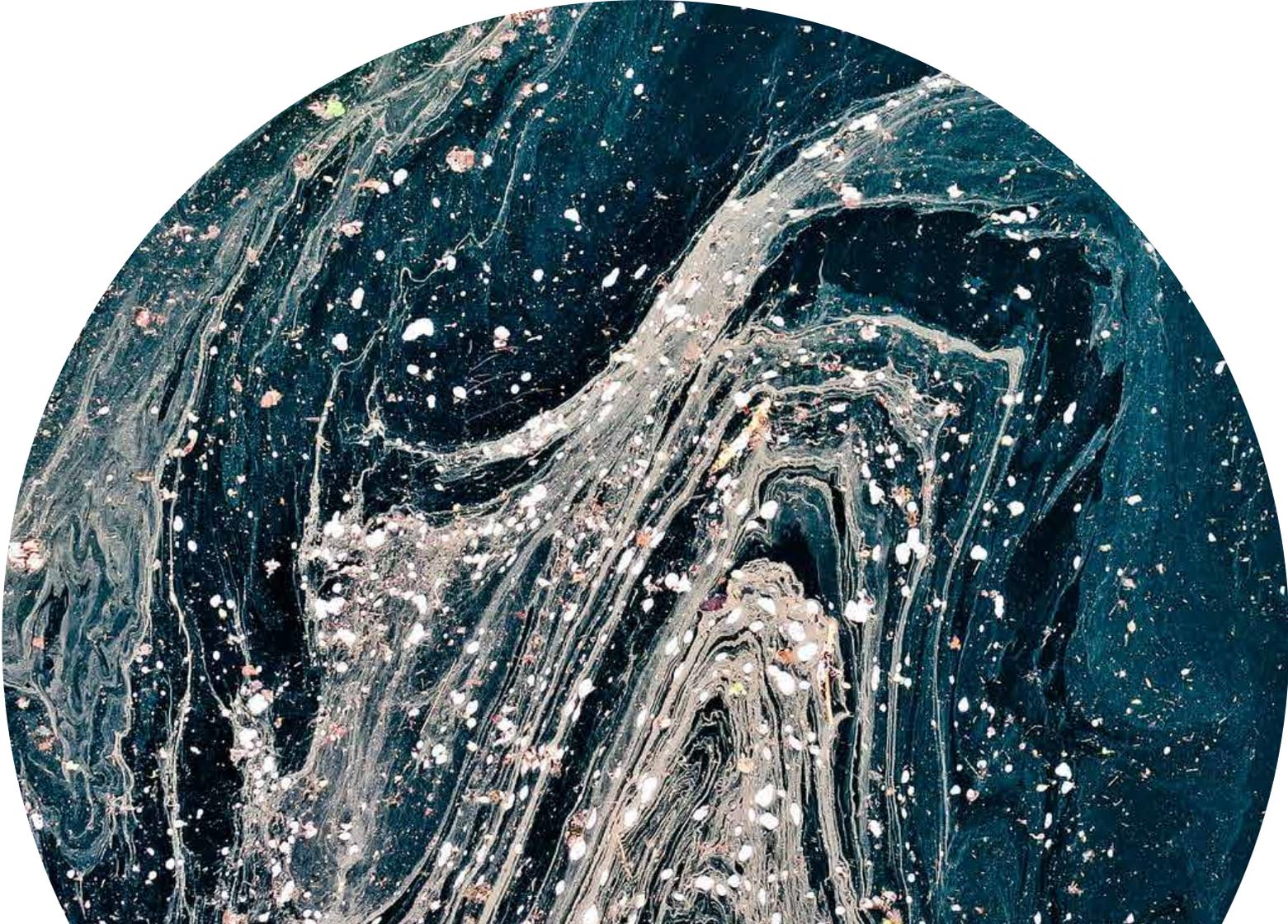




ISO 20022

2010 revisited:

A decade of ISO 20022 evolution



ISO 20022 is a multi-part international standard prepared by the ISO Technical Committee. It develops a common platform for message transmission.

It is a single standardization approach required to be used by all financial standards initiatives. It is considered to be an incremental efficiency opportunity for banks and a further step towards a multi enhanced end to end client experience. Financial institutions across different geographies and business areas have used different standards to exchange information with their customers and among themselves, some of which include ISO 15022, ISO 8583, and several proprietary domestic standards. With globalization and the ever-increasing need for end-to-end processing, there has been a need for an international standard that allows the sender and receiver of a message to have a common understanding of the structure of the message syntax. At present, there is no concise definition for common business concepts, making it difficult to have a common understanding across geographical and business domains. Therefore, the introduction of ISO 20022 will bring a seismic shift in international securities and payments.

ISO 20022 is a standard for electronic data exchange between financial institutions. It likens a metadata repository containing descriptions of messages and maintains processes for the repository content. The metadata is stored in Unified Modeling Language (UML) models with a special ISO 20022 UML profile.

Key features of ISO 20022 include:

Interoperability: ISO 20022 works with other standard bodies to promote interoperability. For example, its presentation of data using the universal markup language, Extensive Markup Language (XML) and others allows for modern computer software to read and manipulate the data.

Data carrying capacity: The payment system of ISO 20022 is richer in terms of data elements and controls. It allows for better identification of originators and end beneficiaries of the payment system.

Syntax: UML and XML are the formats used in ISO 20022. The syntax is inter-operable with other computer networks.

However, if the financial institutions do not follow the regulations, they may face the risk of being banned from international securities and payments. There are two ways to become compliant: central translation service or ISO 20022 payment, a central solution will be useful for smaller financial institutions, whereas ISO 20022 is useful for larger financial institutions and for those with an eye on the longer term.

ISO 20022 provides the following solution:



To resolve the semantic barriers, ISO 20022 has been developed and maintained as a standard which cuts across domains and geographies to reduce risk, contain costs, and deliver effective products and solutions, despite all the intricacies of business processes and transactions. F



The ISO 20022 dictionary provides concise definitions for common business concepts, thus promoting common understanding across geographical and business domains.

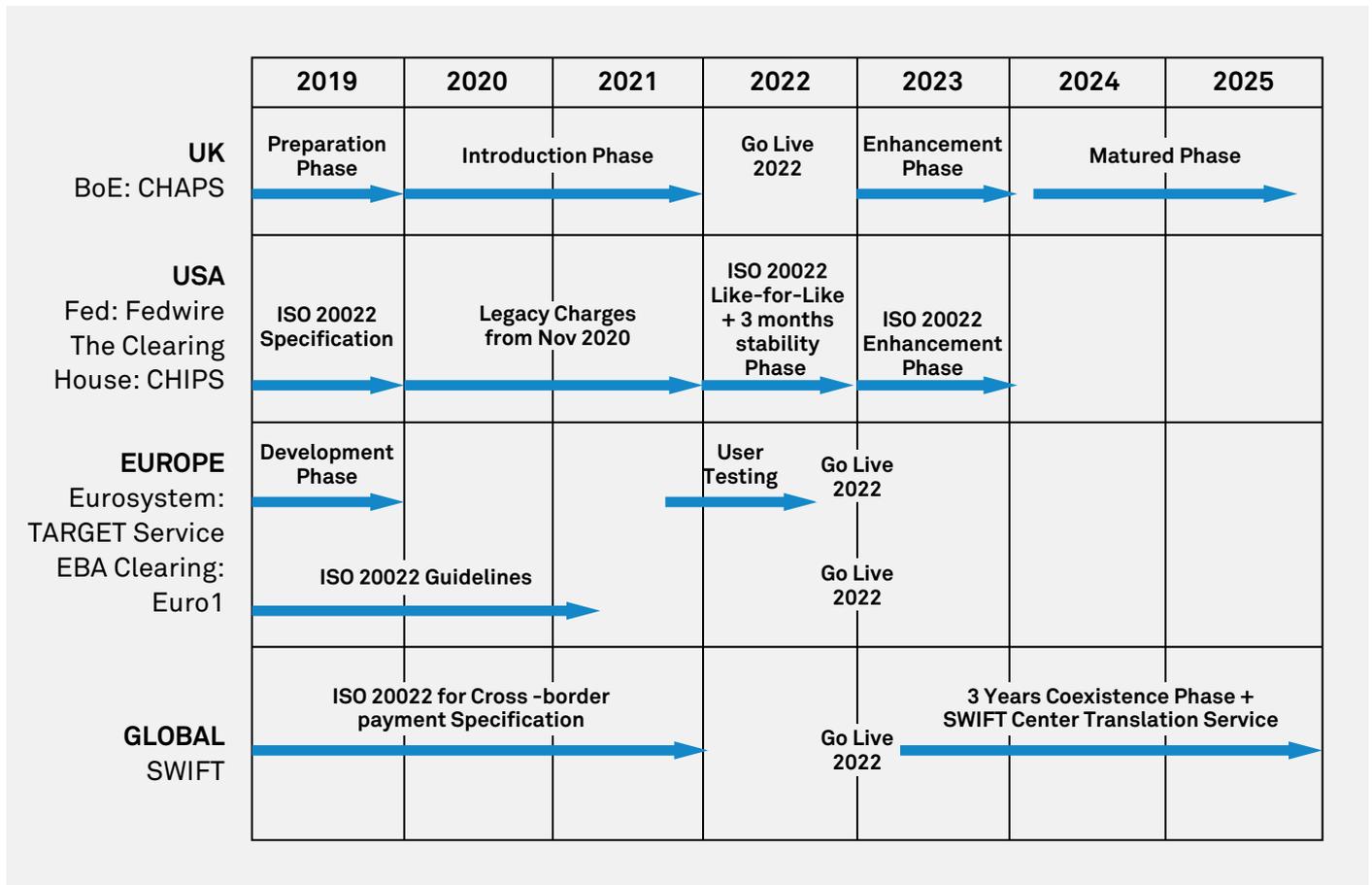


ISO 20022 messages are free for anyone to implement on any network. Thus, it reduces the cost which the earlier versions had to incur.

It allows the users to shape the development of messages they rely on. These definitions are collaboratively created by industry experts from around the world to ensure their completeness and accuracy. This process is open to anyone in the industry willing to participate and learn.

ISO 2022 migration timeline

Clearing systems around the are moving to the ISO 2022 standard and reporting messages across the SWIFT network will move from MT format to MX format. During this period, both formats will be accepted on the SWIFT network, until 2025 when ISO 2022 will become the sole globally recognized standard. The end date to enable full ISO 2022 for cross-border securities and payments is November 2025.



Business areas

Securities and Payments

ISO 2022 is a fast-emerging global benchmark for successful real time, low value securities and payments across the financial world. The scope includes financial instruments such as credit transfers, direct debits, and checks. The areas of business considered are the securities and payment initiation where communication between customer and bank takes place, whereas clearing and settlement is done through corresponding bank or ACHs.

The financial instruments included in securities and derivatives are equities, fixed income, funds, over-the-counter, and listed derivatives.

The areas considered are:

- Custody: income, corporate actions, proxy voting
- Collateral management
- Regulatory reporting
- Clearing and settlement

Cards

The business areas include:

- Between acquirers and card issuers
- Between merchants and acquirers & cardholders and issuers
- Between the host system and ATM for transaction authorization and processing

The financial instruments included are debit card, credit card, and prepaid card. ISO 20022 can capture any value of payment and can be applied to any transaction whether it a \$10 billion corporate payment or a €1 transaction made with a credit card.

Trade service

Trade services include business processes related to non-exhaustive list of products and services of the traditional trade finance business and the financial supply chain management. The business includes collections, documentary credits, guarantees, and e-invoicing.

In trade finance, reconciliation has always been a challenge as there are multiple parties involved in the ecosystem. ISO can offer rich and structured data which helps in reconciliation of trade to confirm

that it has been completed on the pain between the importer and the exporter.

ISO 20022 messages approved: invoice financing request, trade services management, factoring services, and invoice tax report.

Foreign Exchange

The scope of the FX SEG includes messages supporting transactions related to spot FX, forward FX (including non-deliverable trades), FX swaps, and currency options (vanilla as well as exotic). Parties involved in FX are investment managers and hedge funds, dealers, custodians, money brokers.

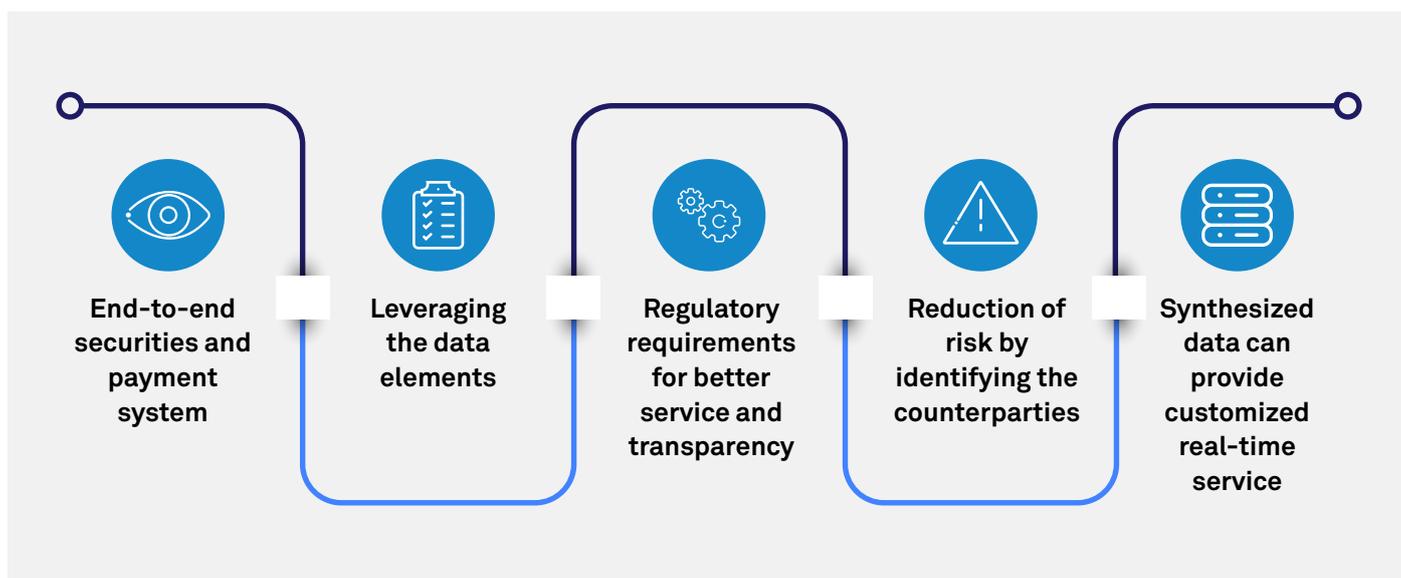
ISO 20022 messages approved: Post trade FX messages, FX post-trade confirmation, and FX post-trade capture

Benefits

As it is a financial messaging standard that encompasses the complete transaction sequence for securities, payments and certain trade transactions. It also includes a complete selection of data sets and messages for investment funds. ISO 20022-based transactions offer additional functionality, allowing for longer references, providing support for non-Latin alphabets, offering improved remittance and also permitting for extensions. Thus, an ISO 20022 transaction will always contain more information than any other type of transactions.

However, ISO 20022 is not just a series of messages. It goes far beyond that. It gives users the ability to harmonize formats that did not previously allow for cross-operation, which improves efficiency while reducing costs and exposure to risk.

ISO 20022 is also flexible. Not only it can be used on a global scale as a harmonious system, but it can also be adapted to meet the needs of local businesses and service



How Wipro helps

As global banks transform their payment mechanism to ISO 20022, Wipro can help them in their transformation journey. Wipro works with global banks to help undertake major and successful securities and payment system transformation as a part of wider technological preview.

Wipro helps them in achieving their goal of one global securities and payment engine, aligned with ISO 20022 migration. This helps banks to comply with the requirements of SEPA credit. Additionally, Wipro also helps banks in securities and payment simplification and transformation program process, thereby simplifying the system.

Wipro also helps banks in the infrastructure harmonization process to reduce the necessary knowledge base to operate, securities and payment system stability, and reduce production incidence.

Financial institutions can start with ISO 20022 with 2 options

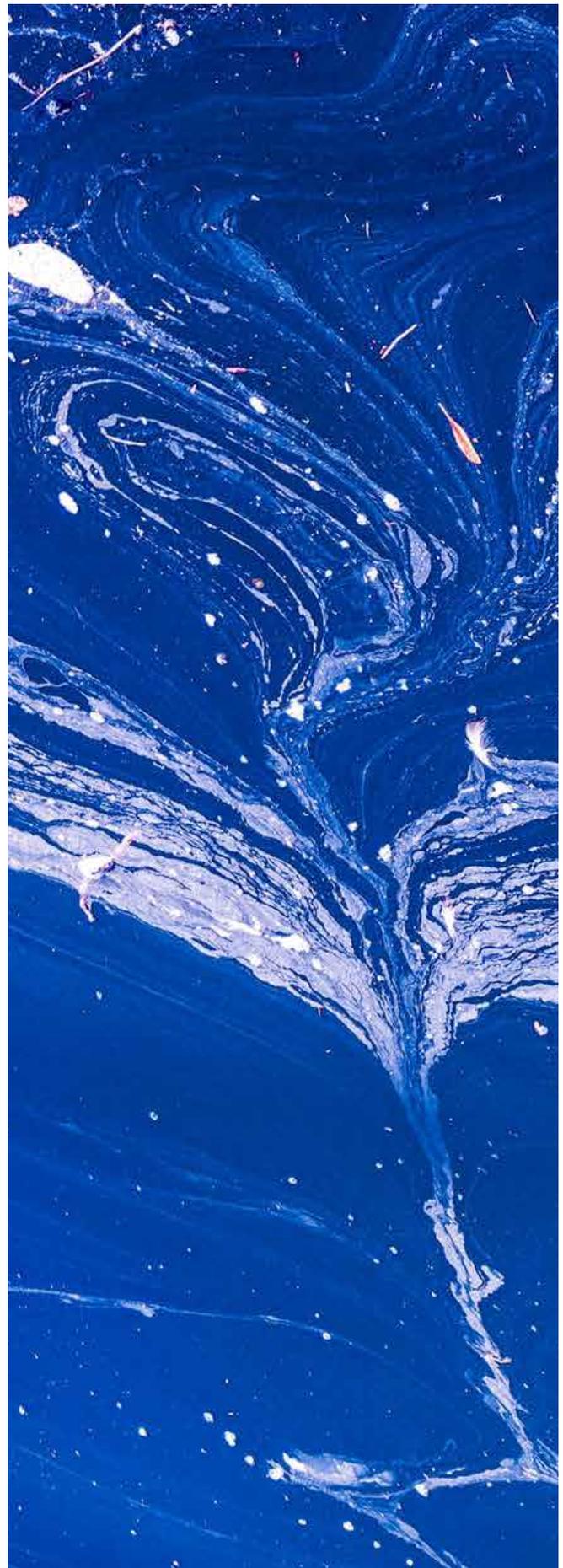
- Using a central translation on the cloud
- Implementing a native ISO 20022 payment processing system

Smaller financial institutions can opt for central translation service whereas for larger organizations looking to take a more strategic approach, ISO 20022 is a better approach. Native ISO 20022 is a permanent solution that addresses the problem holistically and includes consideration of peripheral systems such as screening systems, local reporting, regulatory reporting, archiving, etc.

Our recommendation is that financial institutions future-proof their architecture by adopting a platform approach. With this approach, there is no truncation of messages. Messages sent in ISO 20022 are received, read, and stored in that mode, which benefits the institutions. This makes native ISO 20022 processing a permanent solution.

It also offers benefits such as:

- Allows financial institutions to retain data as a strategic asset and use it for a variety of solutions, like providing customers with targeted products and services.
- Enhances compliance for financial institutions for future regulatory requirements in areas such as anti-money laundering and financial fraudulence.





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strong commitment to sustainability and good corporate citizenship, we have over 190,000 dedicated employees serving clients across six continents. Together, we discover ideas and connect the dots to build a better and a bold new future.

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