ISO 20022 Payment Migration Update & New Many-to-Many Interact Service

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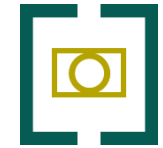
The SWIFT ISO 20022 programme

A community agreement

In 2018, the global financial community agreed to **migrate from the MT (FIN) payment message standard** to ISO 20022

The move to ISO 20022 will begin in **November 2021** and coexistence with MT (FIN) will run **until November 2025**



All FI to FI payments and cash reporting messages will move to ISO 20022

All players need to **start preparing** for the migration now to be ready for November 2021

What is CBPR+?

Objective	**Create global ISO 20022 Market Practice and Usage Guidelines (UGs) for selected messages from the Fin Cat 1, 2 & 9 set of messages, which will be validated on the SWIFT Network in the many to many space.**

Approach consistent with the programme objectives :

- **Enhanced ISO 20022 guidelines** -> move away from the Like for Like principle
- **Interoperable with HVPS+ Guidelines**. Differences should be justified and documented
- **Incorporate gpi** requirements -> e.g. UETR
- **Incorporate securities requirements for the cash-leg of a securities transaction**
- **May include new messages/new functionalities** -> e.g. Return & Status messages
- **Validated on the SWIFT Network** -> not necessarily the case for HVPS+
- **Maintained on a yearly basis** -> governance to be developed by the group

Note: Corporate to Bank UGs (pain set of messages) are currently not part of the CBPR+ scope.

CBPR+ Translation role

SWIFT will prepare CBPR+ compliant translation rules from MT to ISO to MT. CBPR+ members will be invited to review and comment the rules progressively as of end Q2 2019

Translation rules approach

- **Built on « Enhanced » ISO 20022 CBPR+ guidelines -> truncation required when translating ISO 20022 CBPR+ messages to MT.**
- **Truncation Flag will be used on FIN during co-existence period, i.e. 2021 -> 2025**
- **Usage Guidelines and Translation Rules documentation will be made publicly available on MyStandards (format to be confirmed), and available for testing in the Readiness Portal H2 2019**

Standards adoption supporting tools

Solution Components and access

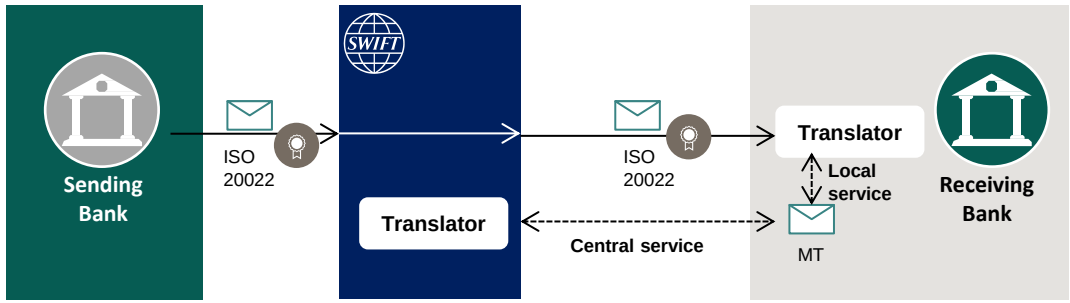
	Features	Access
MyStandards	Consult CBPR+ guidelines when they are published Consult other ISO guidelines if approved by administrator Consult Translation Rules	Default user profile
	Compare guidelines across communities	Premium license users
"Online Mapping Sandbox"	Online U2A conversion tool using CBPR+ translation rules (from/to MT/MX)	Default user profile (free of charge)
Readiness portal	Test payment against CBPR+ guidelines	Default user profile (community deal)
	Test payment against other guidelines	Default user profile but Readiness Portal license to be paid by the publisher. Eg. BundesBank for T2

Translation services

Central translation services

API

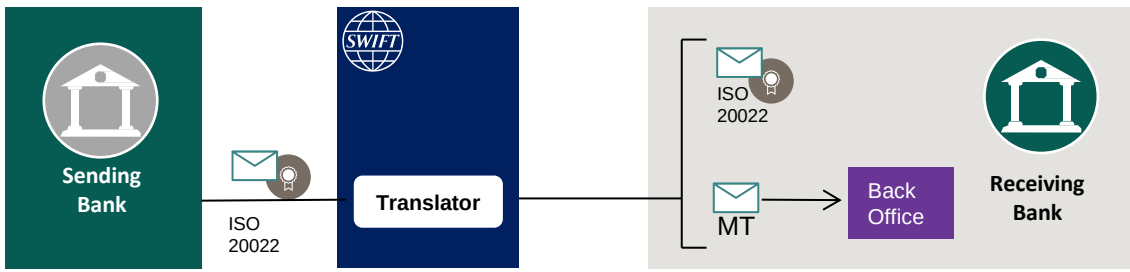
For more advanced users and scenarios



- Integration managed by the user
- Translation can be in either direction
- Send or receive side
- Two options:
  - Centrally managed service exposed using the SWIFT API platform
  - Local (on premises) API

In-flow

Emphasis on simplicity and minimal disruption



- Sender signs and sends ISO 20022
- Both original and MT formats are delivered
- MT format is routed according to the routing logic already configured for MT messages
- SWIFT interface changes required; available 2020 *

Limitations

Translation from ISO 20022 to MT risks truncation or loss of data:

- SWIFT Sanctions screening will be able to screen ISO 20022 before translation
- Particular concern for *intermediaries*

Pricing principles

In-flow

- Free in first year of coexistence; chargeable after

API

- *Central*: free in first year; chargeable after
- *Local*: standard SWIFT Translator pricing

*Requirements for third party interfaces will be shared by SWIFT with all registered interface vendors in H2 2019.

New InterAct Service

Deployment of a new service - Objectives

To support the migration of x-border payments to ISO 20022, SWIFT seeks

- To deploy a many-to-many service supporting ISO 20022 messages (for payments and beyond)
- That offers an equivalent level of features as FIN and include the validation of industry guidelines such as CBPR+

The new service will be

- Deployed progressively for securities, gpi and Payments
- First, for securities and gpi confirmation on opt-in basis in 2020
- Second, for CBPR+ relevant request types in 2021

As part of the deployment, SWIFT aims to

- Reduce to a minimum the effort to join the service
- Support in-flight translation, gpi tracker, Inform and FCC copy based products

Mapping the FIN features and the future S&F service

	FIN	InterAct Store and Forward
Data	FIN message types	XML-based data, supports ISO20022
Non-Repudiation	The message storage enables users to prove the origin and contents of a received message	
Retrieval	Messages can be retrieved for 124 days	
Closed User Group	Only authorized users can exchange traffic	
Delivery Monitoring	Delivery notification, queue status report, undelivered message reporting facility	
Message validation	Mandatory	Mandatory (see next slides)
User Restriction Rules	Restriction rules are set between member categories (SUPE, CORP,…), reviewed by the board	Restriction rules are set between member categories, reviewed by the board
RMA	Allows to control which counterparties can send you which messages	Activated and enforced as of May 2020
Message copy	Full or partial copy, Inform copy	Full copy already available. Partial and Inform copy will be delivered.
Analytics	Traffic volumes and key business data	Traffic volumes available, key business data will be deployed together with many to many
Maximum size	2 or 10 Kbytes, depending on MT	100 Kbytes

Suggested rules to build Distinguish Names out of registered BIC11

Production BIC11

PPPP CC PP | BBB

Prefix Country Suffix | Branch

Identifies an entity | a unit

Test BIC11

PPPP CC P0 BBB

For the new service, there will be no need to use the 0 identifier to differentiate test and production. A dedicated SWIFTNet many-to-many test service will created and marked as such (!p). eg. “ServiceName”!p

To Distinguish Names

Distinguish names for production traffic will be derived from the registered BIC11 as follows:

- Always level 3 DN:
  ou=Branch,o=BIC8,o=SWIFT
  (3) (2) (1)
- A valid DN would be: ou=bbb,o=ppppccpp,o=swift

For test traffic, same rule unless test BIC cannot be derived by replacing 8th character by 0.

- By default, DN will be similar to production and have a level 3
- By exception, if there are multiple test BICs for a single production BIC, or if multiple live BIC exist with same 7 first characters, each linked to a different test BIC, a level 4 will be used:
  [cn=ZTESTBIC,]ou=branch,o=BIC8,o=SWIFT
  (4) (3) (2) (1)
- A valid DN would still be: ou=bbb,o=ppppccpp,o=swift

Default provisioning

Current proposal from SWIFT is to include each relevant BICs in at least one window of readiness and to provision each relevant BIC on the new service whether following specific requirements or by default.

Window 1:
- **All relevant BICs of a large intermediary banks should be included in the plan**

Window 2:
- **Default provisioning of all relevant BICs will be performed**

Although SWIFT is working on reducing the number of steps to be taken for window 2 BICs, it is important to note that an action on the customer side will always be required even with a default provisioning option.

Connectivity testing

- **SWIFT will provide features similar to FIN for testing purpose:**
  - Pilot services: future and current. Customer can test by sending messages to themselves.
  - ITB for vendors ahead of pilot for banks (to cater for certification process)
  - Tank file like feature whereby:
    - Set of sample messages can be sent to a given BIC for integration purpose
    - They are organised in batch described in operational guidelines
    - Current thinking is to build those by types and – maybe – level of richness
  - If applicable we could investigate some more sparring partner features where a given trigger would generate a specific response
- **Targeted Availability for CBPR +: September 2020**

Other enhancements

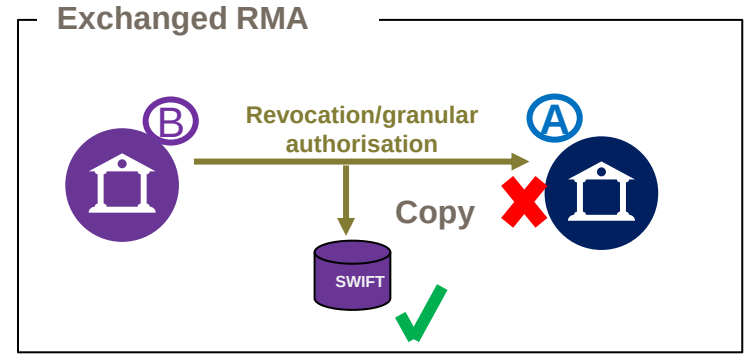
- **Copy**
  - Full copy available
  - Partial copy will be delivered as part of the adoption release
- **Inform**
  - Will be delivered as part of the adoption
- **Screening**
  - Provisional availability Q1 2021
- **PCS/DVR**
  - Provisional availability Q1 2021
- **BI**
  - Enhancements scheduled with same General Availability
- **GPI**
  - New service will support ISO20022 based confirmation
  - New service will be integrated with tracker and reflected in all other GPI features
- **Scaling**
  - Will be addressed as part of the guidelines

Relationship Management Application (RMA)

A glance on RMA history

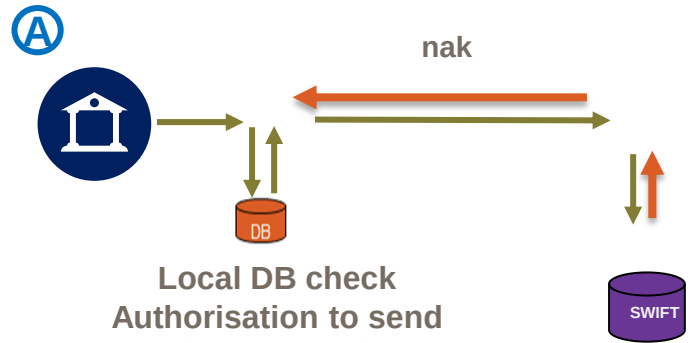
	Evolution	Driver for change
2004	RMA service concept was introduced in ER 939 "SWIFTNet FIN Migration Phase 2 - Replacement of BKE and new Relationship Management Application", issued in March 2004	
2008	Migration from BKE (bilateral key exchange) to RMA	UNI-directional, more granular, easier to use , Covers Swiftnet and FIN
2015	Central enforcement of **revocations** is introduced, as part of the service enhancement	Sanctions / fines → Immediate effect, no risk of synchronisation issues and exposure to sanctioned entities
2019	Next step of the service enhancement. Central enforcement of all Authorisations	RMA used as compliance tool → Customers could take compliance decisions that would not be processed by their counterparts.

Central RMA enforcement

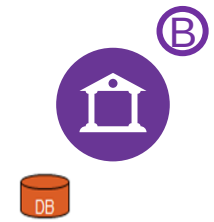


Revised Case 3: Non-Authorised message – Central enforcement

Sender (A) RMA DB not in sync or has not processed the latest RMA status send by (B)



Local DB check Authorisation to send (out of sync)



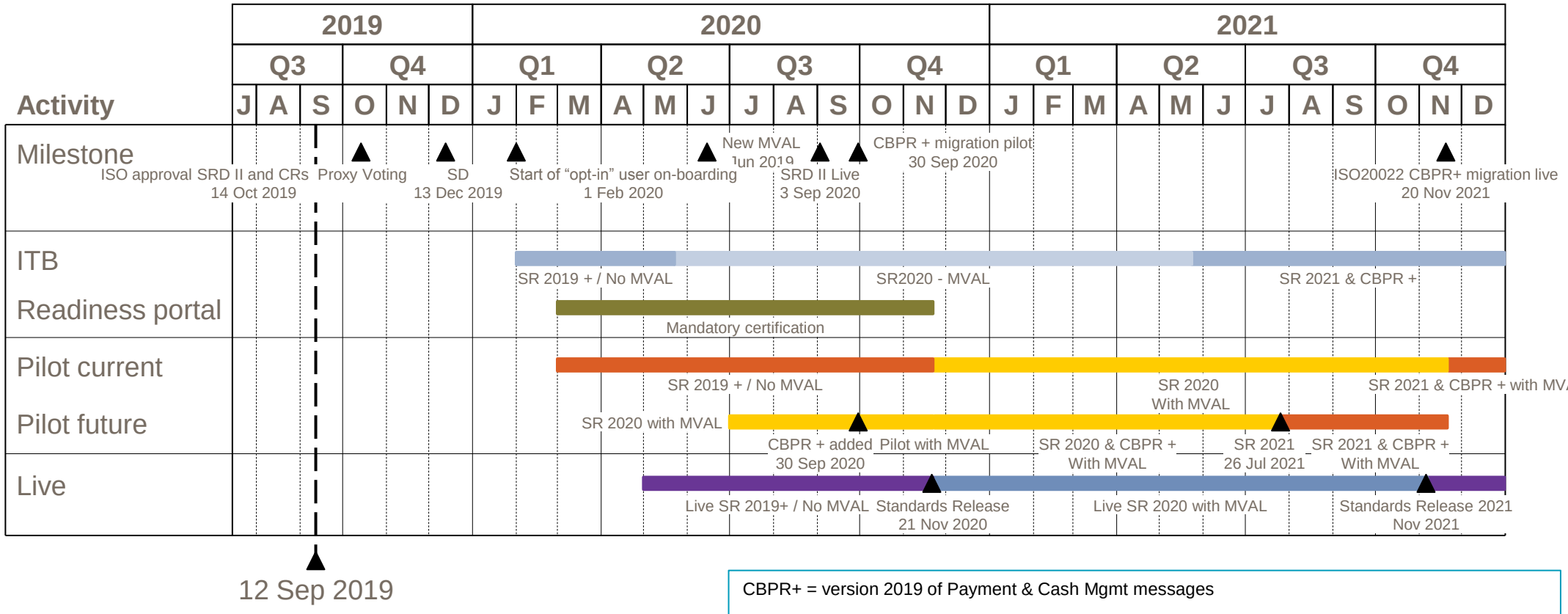
1. Non- Authorised message send
2. Local RMA check at sender interface
3. Message Authorised and send to correspondent

4. Central RMA check
5. Message NAKed and NOT delivered

Even though the message is locally authorised at the sender, thanks to the central check, the receiver is not exposed to an unwanted transaction

Interact many-to-many service

Multi-years timeline



CBPR+ = version 2019 of Payment & Cash Mgmt messages

SR 2019 + = version 2019 of Settlement & Reconciliation + Corporate Action messages + new Shareholder Identification messages + updated proxy voting messages

SR 2020 = version 2020 of Settlement & Reconciliation + Corporate Action messages , including Shareholder Identification and proxy voting messages

SR2021 = version 2019 of "CBRP+" + version 2021 of the other securities messages

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