

ISSA

International Securities Services Association

ISSA ISO 20022 Report

Summary Presentation

What ISSA are and do

- ISSA is an established and active Trade Association spanning CSD's, Custodians and Technology companies involved in all aspect of the post trade value chain. We effect change through collaboration and communication to make the Securities markets more efficient and effective whilst reducing the risk for all participants.
- We do that through a series of Working Groups (WG) that address present issues within the market place and equally importantly address the forward looking strategic agenda of our members.
- The ISO 20022 Working Group is one of the active WG.

Introduction

- The remit of the ISO 20022 WG was to gain insight on
 - the willingness of Securities sector actors to adopt the standard
 - identify any possible opportunities for, or barriers to, adoption.
 - Make recommendations
- The Working Group convened to explore:
 - Current usage levels of ISO 20022
 - The extent of current and planned investments
 - Assessment on whether there is a clear business case around adoption
 - An approach to possible migration paths
 - How the industry can collaborate to encourage and facilitate adoption
- ISSA reached out to other industry bodies; and surveyed its members - for other inputs

Key Findings

Overall the survey insights were consistent across different segments (Banks, FMIs, and Technology Providers)

Nascent technology could be a driver for usage of ISO 20022.

- *Adoption of ISO 20022 data model in securities markets could help bridge the old world with the new.*

Today, there is limited adoption of ISO 20022 across global Securities markets

- *Under existing trajectories and developments ISO 20022 will not become the preferred standard within the next five years.*

Investment in ISO 20022 adoption is primarily driven by the requirements set by regulators or FMIs

- *Industry participants are only adopting ISO 20022 when they have to rather than as a strategic choice.*

The Industry does not see the business case for a full adoption of ISO 20022

- *There is no global business case to migrate to ISO 20022, the case will depend on an individual firm's strategy, their own systems, Market Infrastructure requirements and customer needs.*

Key Findings [cont.]

Asset Owners (AO) and Investment Managers (IM) will not drive adoption of ISO 2022

- *Interoperability is a key feature which the securities market must enable, for the good of the whole market, and not expect 'client demand' to be the driving force.*

There is no industry appetite for a big bang adoption of ISO 2022 within 5 years

- *ISSA members need to prepare for prolonged co-existence.*

Co-existence and co-maintenance are required during any transition

- *Any plans made to move a set of products onto an ISO 2022 paradigm must allow for interoperability and a transition period.*

Although there is a clear level of support and opportunities for adoption of the ISO 2022 standard, there is also a need to focus on resolving some of the barriers that exist to both encourage a path towards greater adoption and gain wide industry support

ISO 2022 Opportunities

- **Early adoption** of ISO 2022 is key to benefiting from future market innovations
- ISO 2022 is critical to enabling Securities to integrate with **future payments infrastructure**
- Regulatory & FMI instigated change provides an opportunity to consider a more **holistic approach**
- **Technology providers have the capability** to support migration
- **Platform upgrades** provide the opportunity to adopt a more flexible standard in ISO 2022
- Turning unstructured messages into a structured and **machine readable format**
- **Corporate Actions automation** appears to be the biggest opportunity for ISO 2022 adoption
- Due to lack of appetite for a big-bang migration, we must drive adoption momentum via **selected high-benefits areas** (e.g. proxy)

Challenges

- The **business case** for a wholesale adoption of ISO 2022 **is unfavourable**
- **Client demand** from end investors and asset managers **is nascent**
- **Migration approach** and timing not aligned or clear
- ISO 2022 is **constrained by ISO 15022**
- Long term, it is possible that Artificial Intelligence (**AI**) **may make «messaging migrations» obsolete**
- Many Securities transactions **are cross-border** and **no single regulator** oversees these flows

Recommendations - Summary

- 1. ISSA should help educate** and inform the Securities industry on issues related to ISO 20022 adoption and business drivers
- 2.** The industry should focus on **developing ISO 20022 capabilities in areas that are sub-optimal in current operating models** (rather than attempting to force a holistic migration agenda)
- 3.** ISSA should look to **promote interaction between ISO 20022 and other key industry standards**
- 4.** The Industry should collaborate to define a set of **standardized «utility APIs»**

Proposed Next Steps to explore

Based on these core recommendations, ISSA will pursue the following next steps:

- A. The WG will start work in 2021 with ISO and others to **improve and promote the available educational materials** to facilitate the adoption of ISO 20022, including the developer tools to enable easier access
- B. At the next call the ISSA DLT groups will extend the WG focus on Standards to actively consider ways to **leverage ISO 20022 for digital asset interfaces and DLT** workflow solutions
- C. Form a **WG on API standards** to consider the paths to harness the existing fragmented API models that are rapidly evolving (Q2 2021)
- D. The ISO 20022 WG will consider approaches to improve interoperability with different leading industry standards (Q4 2021)
- E. Create an **ISO 20022 best practices paper** that looks to advise firms and industry bodies on the benefits and drivers of ISO 20022 adoption, especially in regard to Corporate Actions (Q2 2022)
- F. **Sponsor an annual survey** to measure ISO 20022 adoption rates and provide feedback to the industry (Q1 2022)

Q&A