



ISO 20022 - What you need to know

10 NOVEMBER 2020

As a leading provider of USD-Clearing services, as well as EUR and GBP payments, BNY Mellon seeks to help our clients navigate the transition of cross-border payments to ISO 20022. Our series of 12 monthly courses covers a broad range of topics, from basic information about ISO 20022 to the latest news on the progress made by the major RTGS systems (e.g. T2, the Fed, TCH or CHAPS) and SWIFT.

Module 2: Market Initiatives & Message Flows

Following the Module 1 session with respect to ISO 20022 catalogue of messages, naming convention, FIN MT / ISO 20022 equivalents, message structure, new terminology and maintenance process, this second module addressed the ISO 20022 RTGS migration initiatives including: Target2, The Federal Reserve, The Clearing House, CHAPS and SWIFT, and the orchestration of the exchange of ISO 20022 messages across key payments and cash flows.

ISO 20022 – Getting used to new terminology

As a refresher, the implementation of ISO 20022 standards will come together with a number of new terms that users will need to get familiar with:

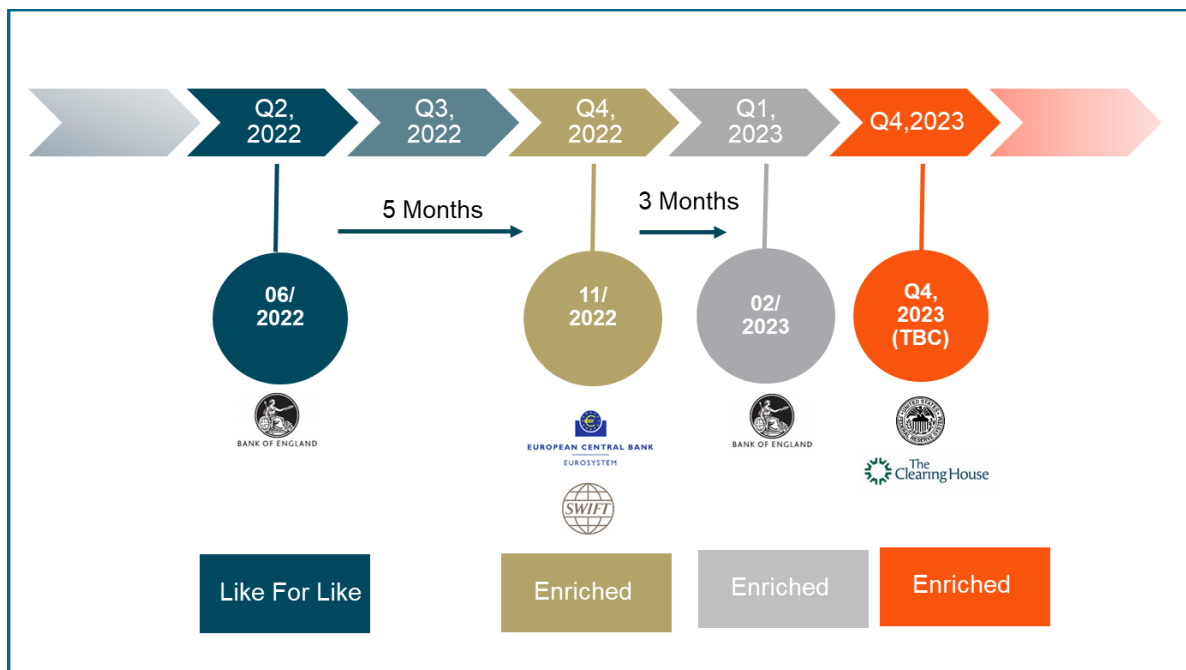
pacs

ISO message set for **PA**yments **C**learing & **S**ettlement Business Area supporting the exchange of payment instructions.

- camt** ISO message set for **CAsh Management** Business Area serving as notification of account entries and balances.
- Like for Like Usage** Set of restrictions applied to the Global ISO 20022 Standard to align fully with FIN MT. This allows smooth translation from MX to MT with no data truncation.
- Enriched Usage** Set of restrictions applied to the Global ISO 20022 Standard that go beyond the FIN MT. Examples include the Cross-Border Payments and Reporting Plus (CBPR+) group and High Value Payments Plus (HVPS+) Usage Guidelines.

ISO 20022 – Migration Timelines: Major Market Infrastructures

Major market infrastructures such as SWIFT, the Eurosystem, EBA, the Federal Reserve, The Clearing House and the Bank of England have communicated plans to migrate to ISO 20022 between 2022 and 2023.

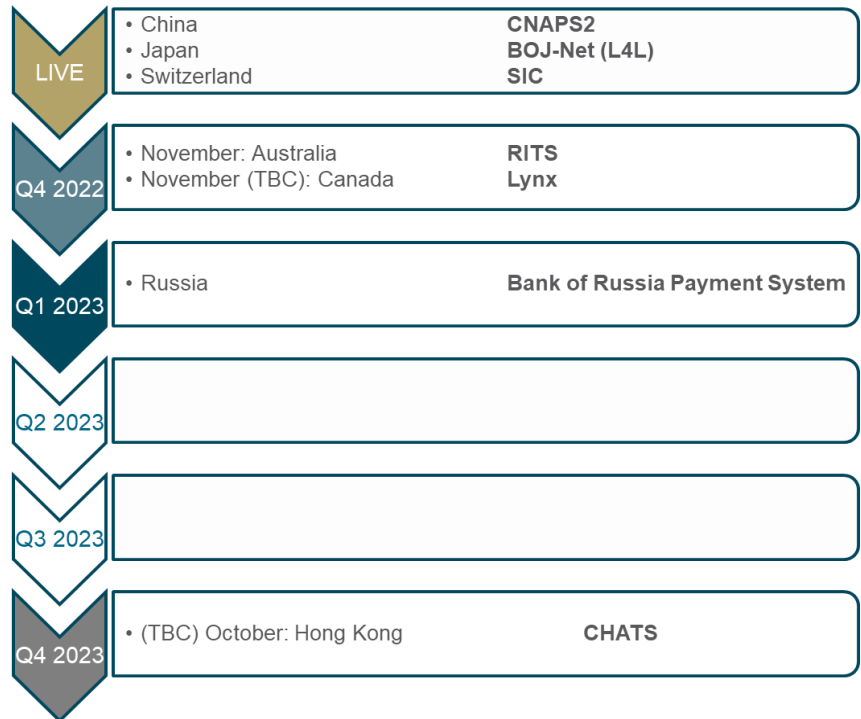


The overall migration of the industry is now expected to begin in the UK with the CHAPS like-for-like migration currently scheduled for the spring of 2022, and then to the fully enriched schemas in February 2023. The CHAPS changes are followed in short order by the migration of the EUR Payment Market Infrastructures (T2 and EBA Euro 1) and the go-live of the enhanced ISO 20022 messages on the SWIFT network in November of 2022. The USD clearing systems are expected to follow suit a year later, although firm dates have not been finalized yet. All of these major market infrastructures have adopted a big-bang migration approach.

The resulting staggered migration timelines create a multi-year coexistence phase that extends until 2025, thus challenging interoperability in the global payments networks for several years. Also at risk is therefore the ability for data to travel seamlessly with the payment from the instructing institution up to the beneficiary bank.

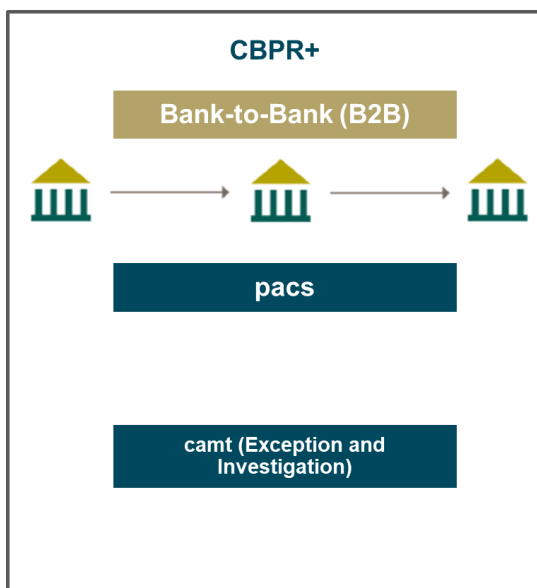
ISO 2022 – Migration Timelines: Other Major Market Infrastructures

Somewhat less prominently discussed, though certainly equally impactful, are the initiatives of other major market infrastructures migrating to the ISO 2022 format over the next three years. Indeed, some are already live and utilizing either the enriched or a like-for-like format, while others will continue to migrate until the end of 2023.



ISO 2022 –CBPR+ most common ISO2022 Message Flows

- The module 2 documents the message flows and orchestration of 9 messages covering the Payment Clearing and Settlement, Cash Management and Exception and Investigation set of messages.



- pacs.008.001.0X
- pacs.009.001.0X
- pacs.002.001.0X Positive (Bilateral Agreement)
- pacs.002.001.0X Negative
- pacs.004.001.0X
- camt.056.001.0X
- camt.029.001.0X
- camt.054.001.0X (Bilateral Agreement)
- camt.052.001.0X (Bilateral Agreement)
- camt.053.001.0X

- The ***pac.008.000.0X FI to FI Customer Credit Transfer*** is the equivalent to the MT ***103/MT103+/MT103 Remit***. CBPR+ allows single transactions only, therefore the MT 102 is not listed. As with FIN MT103, the pac.008 message can be used in a serial method or can be covered using the ***pac.009 COV*** message.
- The ***pac.009.000.0X - Financial Institution Credit Transfer*** is the equivalent to the ***MT202/MT202COV/MT200/MT205/MT205COV***. CBPR+ allows single transactions only, therefore the MT 203 is not listed. CBPR+ documents 3 flavors of the pac.009: the pac.009 ADV (advice), the pac.009 Core (serial) and the pac.009 COV (Cover). The pac.009 Advice message (new CBPR+ scenario) is sent by a debtor financial institution to advise the creditor financial institution that funds will be covered, using the pac.009 Core, through pre-defined reimbursement agents (as indicated in the pac.009 ADV).
- The ***pac.004.000.0X Payment Return (new)*** is used to return a pac.008 or a pac.009 (Core or COV) and should follow the same payment chain as the original payment instruction.
- Confirmations in the form of a ***pac.002.000.0X FI to FI Payment Status Report (new)*** can be exchanged between an instructed agent and the previous party in the payment chain, as a means of informing on the positive or negative status of an instruction. Any bank unable to process a payment message **must** reject the payment instruction and is obligated to notify the instructing agent with a ***negative pac.002***. This message will include the status RJCT, as well as a reason code and possibly additional explanation for the rejection in the form of free text.
- The exchange of a ***positive pac.002***, as a confirmation of settlement of payment messages, e.g. pac.004 (Payment Return), pac.008 and pac.009, is based on a bilateral agreement between the instructing agent and previous party in the payment chain.
- The ***camt.056.000.0X FI to FI Payment Cancellation Request*** is the equivalent to the FIN ***MT n92*** and gives the possibility to request the cancellation of a previously instructed and settled payment instruction (e.g. in case of duplicated instruction). The negative outcome of a camt.056 message would be communicated, using the ***camt.029 Resolution of Investigation*** message, with a negative status code, i.e. RJCR. The positive outcome of a camt.056 message would result in the generation of a ***pac.004 Payment Return*** message.
- The ***camt.054.000.0X Bank to Customer Credit Debit Notification*** is the equivalent to the FIN ***MT 900/MT 910*** and provides a credit advice (in case of credit transfer) or debit advice (in case of direct debit). Contrarily to FINMT where 2 dedicated messages are available, the camt.054 covers both the credit and debit advices.
- The ***camt.052.000.0X Bank to Customer Account Report*** is the equivalent to FIN ***MT 941/MT 942*** and is an optional intraday report for which a bilateral agreement is required between the customer and its account servicing agent.
- The ***camt.053.000.0X – Bank to Customer Statement*** is the equivalent to FIN ***MT 940/MT 950*** and is an end of day statement sent by the account servicing agent to its customer.

Please refer to module 2 presentation for message flows illustrations.

Save the date – Module 3 of ISO 20022 – What you need to know series

Join us for our next module focused on SWIFT's Transaction Management Platform (TMP), designed to enable end to end transaction management which will result in instant and frictionless domestic and cross-border payments. We will be pleased to welcome our special guest **Stephen Lindsay**, Head of Standards, SWIFT.

Monday, November 23

08:00 – 09:00 EST / 14:00 – 15:00 CET

Tuesday, November 24 (Replay)

15:00 – 16:00 HKT / 09:00 – 10:00 CET

For more information on ISO 20022, please do not hesitate to contact your BNY Mellon Relationship Manager.

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