

What is ISO 20022?

ISO 20022 is a flexible standard for financial messages that enables interoperability between financial institutions, market infrastructures and the Banks' customers. All banks must be ready to support the new language/standard to continue processing payments and customers should also prepare for changes.

The ISO 20022 standard supports the inclusion of richer, better structured transaction data in payments messages, and aims to deliver a better customer experience by enabling less manual intervention, more accurate compliance processes, higher resilience, and improved fraud prevention measures.

Benefits and Timeline

What are the benefits of ISO 20022?

ISO 20022 adoption will provide benefits to the entire payments ecosystem i.e. Banks, Market infrastructures and to the Banks customers:

- Rich structured party data and increased field size will provide greater levels of transparency and create efficiencies by reducing delays caused due to unstructured, incomplete, or inconsistent data.
- By adopting dedicated returns and investigation messages and using standardized return codes, the current delays in applying returned funds back to the customers and responding to inquiries from other Banks will be drastically reduced.
- By maintaining dedicated reference fields that remain unaltered in the end to end payment journey and introducing structured remittance data, customer's reconciliation capabilities will be augmented.
- Greater message harmonisation across the entire payments industry, with a universal message type for all payments will help integrate with many more schemes on a faster basis.

What are the timelines for migrating to ISO 20022 standards in different markets?

ISO 20022 adoption will take place over multiple years. Payment Market infrastructures (PMIs) of all major currencies are either live or in the process of adopting ISO 20022 by November 2025 for cross border payments. SWIFT has published a roadmap to migrate the existing message type 1,2,& 9 series over a period of three years starting March 2023. Adoption plans are still evolving in each market and further clarity will be provided over time. Adoption by major Real Time Gross Settlement (RTGS) market infrastructures/currency is currently planned as follows*:

Scheme / Currency	 Cross Border	£ CHAPS	€ TARGET2	\$ FED/CHIPS	HK CHATS
Adoption Date	20 Mar 2023 (Co-existence period until 2025)	19 Jun 2023	20 Mar 2023	20 Mar 2023 Nov2023 - CHIPS full ISO Adoption Mar2025 - FED full ISO Adoption	Apr 2024

* Following the ECB decision (published on 20 October 2022) to delay the ISO 20022 migration of the Eurosystem to 20 March 2023, SWIFT announced (on 27 October 2022) that they too are delaying the start of the ISO 20022 migration to March 2023 (from the originally scheduled 20 November 2022 date). You can read the full statement on [SWIFT website](#). Subsequently, FED, CHIPS and Bank of England have also announced they are deferring their respective migrations.

Impact, Adoption, and Strategy

Which SWIFT messages are impacted by the ISO 2022 migration?

SWIFT plans to migrate all Customer and Inter-bank payments, as well as related advice and statement messages (the MT1xx, MT2xx and MT9xx series of messages).

What is Hang Seng Bank's plan to adopt ISO 2022?

Hang Seng Bank is actively involved with SWIFT and the different market infrastructures that are migrating towards ISO. We will align ourselves with the market requirements and delivery timelines set by different market infrastructures and ensure we are well placed to comply with the adoption strategies set forth by the market infrastructure.

What are the common adoption strategies?

The common adoption strategies are:

- 'Like for like', where the message format will be replaced from MT to ISO 2022 XML format that has comparable elements and character lengths to the existing SWIFT MT messages.
- 'Full/enhanced ISO', where additional and enhanced existing elements are available. In order to ensure consistent usage and inter-operability, guidelines are defined by the industry.

Market Practice Guidelines

What are the current market practice guidelines being followed by the industry for ISO 20022 adoption?

Two guidelines are available for the payment market infrastructures:

- i. High Value Payments Plus (HVPS+) market practice guidelines followed by certain Market infrastructures
- ii. Cross Border Payments and Reporting plus (CBPR+) guidelines. The CBPR+ group are experts nominated from the SWIFT community tasked with developing usage guidelines for ISO implementation by Banks for SWIFT cross-border payments.

While HVPS+ and CBPR+ are almost fully aligned with a few minor differences, Hang Seng Bank will provide updates to the possible impacts they may have on our customers in the respective markets.

How to Prepare for ISO 20022

What should banks* be preparing for?

** Also includes NBFIs sending instruction via SWIFT*

As published in SWIFT's connectivity guidance document it is mandatory that all Banks are required to upgrade their messaging interface to support InterAct (store-and-forward) by 20 March 2023 - (For institutions that plan to use the API channel, a messaging interface is not required).

Institutions can also define the channel and format preferences for the transactions they receive through SWIFT's Transaction Manager (TM) platform. SWIFT's TM platform will ensure interoperability between users of different data formats and connectivity channels.

Here are some further considerations that banks should be looking at:

- **Industry Testing:** Get ready to participate in industry testing as mandated by market infrastructures and SWIFT. If you use another bank for clearing, please reach out to that bank
- **Process & Systems:** Have processes and systems geared up to fulfil your Sanctions and AML controls based on new party fields in the chain
- **Archive Data:** Ensure that you are able to archive the rich ISO payments data as per your country regulations
- **Data Availability:** Create solutions to make enriched data available to your customers
- **Structured Data:** Start preparing to provide structured Name and address information for your customers(Debtors)
- **Training:** Training and awareness of internal staff on the new language

For banks* sending Payments to:

Clearing / SWIFT

- Clearing: Be ready to accept and align with the clearing market infrastructure based on their timelines
- SWIFT: As a minimum you are required to mandatorily upgrade your messaging interface to support InterAct (store-and-forward)

Your Currency Provider

- Have conversations with your Currency Provider
- Agree the roadmap/migration timelines and expectations on message formats

For banks* receiving Payments from:

Clearing / SWIFT

- Clearing: Be ready to accept and align with the clearing market infrastructure based on their timelines
- SWIFT: As a minimum you are required to mandatorily upgrade your messaging interface to support InterAct (store-and-forward)

Your Currency Provider

- If you use non-SWIFT based channels have a discussion with your provider

* Also includes NBFIs sending instruction via SWIFT

What should Corporate customers be preparing for?

We recommend our Corporate customers understand the potential of XML for your business and make the most of the opportunity.

Here are some considerations for Corporate customers:

- **Preparing for the future:** A few market infrastructures already mandate corporates to provide XML as a standard while communicating to their Banks. With the increased adoption of ISO 20022 as a standard by SWIFT and major market infrastructures worldwide it is possible that more market infrastructures may recommend ISO as a messaging standard for communicating. Considering this in your technology plans will support preparation for these requirements from market infrastructures in the future.
- **Structured Data requirements:** SWIFT and all major market infrastructures have mandated structured addresses as a requirement for party fields that are not currently supported in MT, i.e. Initiating Party, Ultimate Debtor, Ultimate Creditor. We strongly recommend you, as our corporates, start looking at the data you currently provide to banks, and work closely with your Enterprise Resource Planning (ERP) and Treasury Management System (TMS) providers to start making required updates to the static data, to ensure you are prepared for ISO adoption.
- **Capitalising on rich standards:** ISO offers multiple benefits that will help streamline end to end processing. Early adoption will allow you to capitalise on the information that is supported in remittance information and enhanced end to end references, which will be available through ISO based cash management(camt) statements/advises.

What can you expect from us?

Hang Seng Bank is eager to work with our clients to assist in their migration to ISO 2022. We has been a strong advocate for XML and a key driver in the evolution of the ISO 2022 XML standard. Customers will be able to leverage our experience gained from our implementation of various RTP schemes.

We've established a global program with a central governance model, delivering technology solutions aimed at providing a consistent customer experience. Hang Seng Bank is an active participant in the TM platform initiative and we are engaged in industry collaboration to drive the direction and design of the TM via the Platform User Group (PUG), Cross-Border Payments and Reporting Plus (CBPR+) market practice working group, National Member User Groups and as members of the SWIFT Boards in both the UK and HK.

As market infrastructures finalize specifications, our team of experts will reach out to you and provide the details of changes to our existing offerings, and information on any new value added services that we will be able to offer leveraging the richer data elements that ISO 2022 offers.