

ISO20022: Supporting and Enriching Payments

ISO20022 Migration Market Study
Report Summary Prepared by Flmetrix for ANZ

2022



#1 In the Peter Lee Associates Large Corporate & Institutional Relationship Banking surveys, Australia and New Zealand Banking Group Limited was Rated No.1 Lead Institutional Bank & Most Reliable & Dependable for Funding in 2016 through to 2022.

ANZ Market Study – Overview

ISO20022 has the potential to enable new opportunities for the payments industry, removing further friction in the payments chain and leveraging data for enrichment and efficiencies

ANZ commissioned Flmetrix to conduct a study among a select representative sample of key clients across various geographies. Altogether, 26 responses were recorded using a survey questionnaire developed jointly by Flmetrix and ANZ.

SUMMARY OF REGIONS REPRESENTED

Region	# Sample	# Interviewed	% of Sample
Europe	13	10	38%
Asia	13	8	31%
North America	7	5	19%
Middle East/ Africa	5	3	12%
Total	38	26	100%

ABOUT THE REPORT

- Interviews were conducted by senior-level Flmetrix consultants from January 24 to March 4, 2022. A total of 26 one-on-one virtual interviews were conducted through MS Teams, Zoom, or WebEx, using a survey questionnaire developed jointly by Flmetrix and ANZ.
- All participants were provided a copy of the ANZ CBPR+ ISO migration plan to review in advance of the interview
- Flmetrix handled data collection, tabulation, and analysis for this report

REPORT SUMMARY

- 3 out of 4 clients will be capable of sending some ISO messages on Day 1, and nearly all key clients will be able to accept
- The vast majority will on-forward messages in the format that they receive
- Most key clients intend to use richer information in 2022, but implementation to send is likely to occur later
- Majority of key clients expect to send transaction messages (payments) on Day 1 with development of non-value messaging (statements / notifications / amendments / cancellations) occurring later during the coexistence period

ANZ ISO20022 Overview

Beginning in November 2022, ANZ will be supporting the industry wide migration of cross border messaging from the existing MT/FIN standard to the new ISO20022/MX standard

ISO20022 OVERVIEW

- ISO20022 is fast establishing to be a global language for payments messaging and as payments enter a new era with ISO20022, it creates flexibility to meet the changing needs of the payments ecosystem
- At present, there is a lack of harmonised standards and rules for the exchange of information between the global network of international payment parties, which often results in an inefficient payment process
- The International Organization for Standardisation (ISO) has created a standardised approach for electronic data interchange between institutions, providing consistency across methodology, process and repository globally. ISO20022 is becoming increasingly common in transaction message construction.
- ISO20022 has been used in local jurisdictions around the world for several years and commonly used in non-SWIFT based cross-border networks. ISO20022 is now being introduced into the SWIFT cross-border payments world from November 2022
- With the introduction into the SWIFT cross-border payments world, many local market clearing streams are also taking the opportunity to uplift existing domestic clearing networks to ISO20022

HOW IS ISO20022 RELEVANT TO ANZ AND OUR CUSTOMERS?

- In time, most of our customers' transactions (both domestically and internationally) will be made using ISO20022 standards
- By creating a common language, ISO20022 can provide richer and more structured data and facilitate automated transaction processing between participants domestically and across borders. The following benefits are envisaged:
 - ✓ Efficient sanctions screening and compliance reporting
 - ✓ Value added information can enable greater automation for customers
 - ✓ Enable higher straight through processing, simplified reconciliations and investigations
 - ✓ Greater opportunity to create insights, patterns and potentially new services to our customers

ANZ Market Study – Key Findings

All respondents said they will meet the minimum requirements of CBPR+ for November 2022 however full ISO readiness is mainly dependent on the banks local infrastructure

WHAT WE LEARNED

- **All participants confirmed a focus on value messages (pacs) for Day 1** with 77% confirming they would be focusing on non-value messaging (camt) throughout the co-existence period but not Day 1
- **All respondents suggested they will be able to comply with the receipt of CBPR+ messages** but responses were not consistent about who was going beyond the minimum requirements. (i.e. looking to send CBPR+ messages)
- European banks in general are more advanced due to their local infrastructure already being ISO ready so are starting to focus more on camt/exceptions and investigations etc. **~50% of transactions could be MX format from November 2022** with the bulk of these transactions initiated out of Europe.
- **23% indicated plans to send non-value messaging (camt) from Day 1 for Vostro services**, however were able to accommodate continuation of existing FIN message formats if that was required by the customer
- Based on the population studied, **~50% of the transactions through the network on Day 1 are expected to send CBPR+ ISO compliant formats with a potential for this to reach as much as 77%** dependent on market readiness and conditions. EU were the dominant contributor.
- North America expects largely to remain on FIN messaging for outward payments with a **suggested 60% of the flow from the study participants to remain in MT format**
- Of the respondents that already have native ISO enabled messages (81% of study participants), **95% of these will be aligning their native formats to CBPR+ guidelines**. The remainder are internal messages so are not considered necessary to align.
- Many institutions will be looking to convert FIN messaging into ISO messaging when onforwarding to the next party in the chain
- Not all local market infrastructures though are looking to align to CBPR+ standards

ANZ Market Study – Key Findings

ISO20022 is a standardised approach for electronic data interchange between institutions, providing consistency across methodology, process and repository globally

REGULATORY REPORTING

- Regulators are working to understand the impact of ISO20022 on the existing reporting frameworks
- Where local market infrastructures are uplifting their own messaging standards to an ISO20022 standard, they are applying a common timeline to be in line with the CBPR+ changes
- There remains **a risk of potential loss of data due to truncation**, but this is believed to be small. There is however an increasing concern around the impacts of this behaviour due to operational processes, straight-through-processing (STP) and regulatory considerations.

STRUCTURED DATA

- The use of structured data will feature indifferently in Year 1 with **47% of the responses indicating that they will be sending structured data on Day 1** with the remaining 53% not ready or unsure on timing
- Only **12% of the respondents suggested they would be looking to utilise richer data on Day 1** with 69% either planning for 2023 or no defined time period. The remaining 19% indicated they would be ready Day 1 but would implement based on client demand.
- Customer education and channel preparedness were commonly noted as areas requiring more investment of time in order to introduce structured data effectively, however not many organisations are well progressed as most are focused on compliance, i.e. meeting November 2022 deadline

OTHER CONCERNS/ISSUES

- The co-existence period could cause some concern around statements and advices with some respondents indicating they would like to stop receiving FIN versions of these messages pre November 2025
- No new formatting conditions were raised during the study as a result of local migrations therefore **the assumption is that standard CBPR+ guidelines will ensure a high level of STP**

ANZ ISO20022 Migration Timeline

ANZ'S ISO20022 PROGRAM

- ANZ has different initiatives across geographies migrating to ISO20022, each with their own local migration plan and delivery dates
- The ISO20022 migration creates systemic, operational and compliance challenges, each requiring a full assessment to determine the impacts and changes required
- ANZ has a number of working groups, design committees and regulatory oversight in place as we work through the ISO20022 migration across different geographies
- ANZ is also an active participant in various local industry migration programs

CO-EXISTENCE MODEL

- Many markets are undertaking a “co-existence” model, meaning, they will accommodate two different message standards for a period of time, potentially adding a level of complexity for customers and ANZ in the short term
- Both existing (FIN) and ISO20022 messages will be sent/received which constitutes a challenge as both formats will be required to be supported (e.g. Australia, New Zealand and SWIFT CBPR+ (30 countries))
- In most markets, including the CBPR+ requirements, ANZ must be able to at least receive ISO20022 structured messaging from November 2022

	2021	2022	2023	2024	2025
Q1					
Q2	✓ Implementation of Philippines PhilPaSS		Singapore SCRIPS		
Q3		Singapore MEPS+ L4L, Thailand BAHTNET			
Q4		AU HVCS, NZ HVCS, EU Target 2, SWIFT CBPR+	Implementation of Hong Kong CHATS	AU HVCS (end of co-existence)	NZ HVCS (end of co-existence)

ANZ's Day 1 Plan

BUSINESS SERVICE	MESSAGE FORMAT	INWARD	OUTWARD	INWARD-ONWARD
PAYMENT MESSAGES	pacs.008	Y	N	Y
	pacs.009	Y	N	Y
	pacs.009COV	Y	N	Y
	pacs.009ADV	Y	N	N
PAYMENT RETURN/ REJECT PAYMENT STATUS	pacs.004	Y	N	N
	pacs.002 (positives)	Y	N	NA
	pacs.002 (RJCT)	Y	Y	NA
CUSTOMER PAYMENT INITIATION	pain.001	N	N	NA
	pain.002	N	N	NA
	pacs.010	N	N	NA
PAYMENT CANCELLATION	camt.056	Y	N	Y
	camt.029	Y	Y	Y
ACCOUNT STATEMENTS (AND REQUEST)	camt.053	N	N	NA
	camt.052	N	N	NA
	camt.060	N	N	NA
PAYMENT NOTIFICATIONS	camt.054	N	N	NA
	camt.057	Y	N	NA

THANK YOU

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