

ISO 20022 migration related to the future RTGS service

14 February 2017

Ad-hoc Workshop on messages for the Future RTGS Services

Development of working packages for Future RTGS

Payment business



MTs => ISO 20022

TIPS

Basis: ISO 20022

Other business – Liquidity management, static/reference data, billing



XML messages related
to ICM (A2A) and AS



Basis: ISO 20022

TIPS

Basis: ISO 20022

Working package Payments

Approach Migration of MT to ISO 20022

- Identification of MT equivalent ISO 20022 messages
- Identification of further ISO 20022 messages as result of switch from Y-copy to V-shape mode
- HVPS+ implementation guidelines should serve as basis
 - ✓ Analysis of current status of HVPS+ usage guidelines
- Mapping of MT fields into equivalent ISO 20022
- Proposal for additional fields possibly be used (“fully fledged“)
 - ✓ Consideration/benefiting of experiences made by other market infrastructures
 - ✓ Consultation of limited number of banks on the proposal

Working package Other Business – Liquidity management, static/reference data, billing ...

- Analysis status quo in T2 and T2S
 - ✓ What is used as MX message and ISO 20022 message in those business fields
 - ✓ Identification of common points and differences
 - ✓ Harmonisation of existing usage guidelines
- Depending on the discussion on Future RTGS services
 - ✓ Check availability of ISO 20022 messages already in T2S for requested new functionalities (gap analysis) → reuse of messages
 - ✓ If not - update of T2 MX or definition of new ISO 20022 compliant messages

MX messages in T2

General overview

- Usage of SWIFTNet Services
 - ✓ InterAct – Real-Time messaging Mode (A2A for ICM, T2SI)
 - ✓ FileAct – Real-Time File Download Mode – pull (oversized data management)
 - ✓ InterAct – Store-and-Forward Messaging Mode (ASI, T2SI)
 - ✓ FileAct – Store-and-Forward File Transfer Mode (ASI)
- XML Messages used by TARGET2 for different purposes:
 - ✓ A2A for ICM, e.g. LiquidityCreditTransfer_PM (camt.050)
 - ✓ ASI, e.g. ASTransferInitiation (pain.998)
 - ✓ T2SI, e.g. BankToCustomerDebitCreditNotification_T2SI (camt.054)
- Source of all XML messages used in T2 is UDFS book 4

ISO 20022 Migration – Perimeter of different Approaches

“like-for-like“

- No change of T2 modular design
- Perpetuation of Y-copy mode
- Based on SWIFT services
- Limited message portfolio
- 1:1 mapping MT to MX

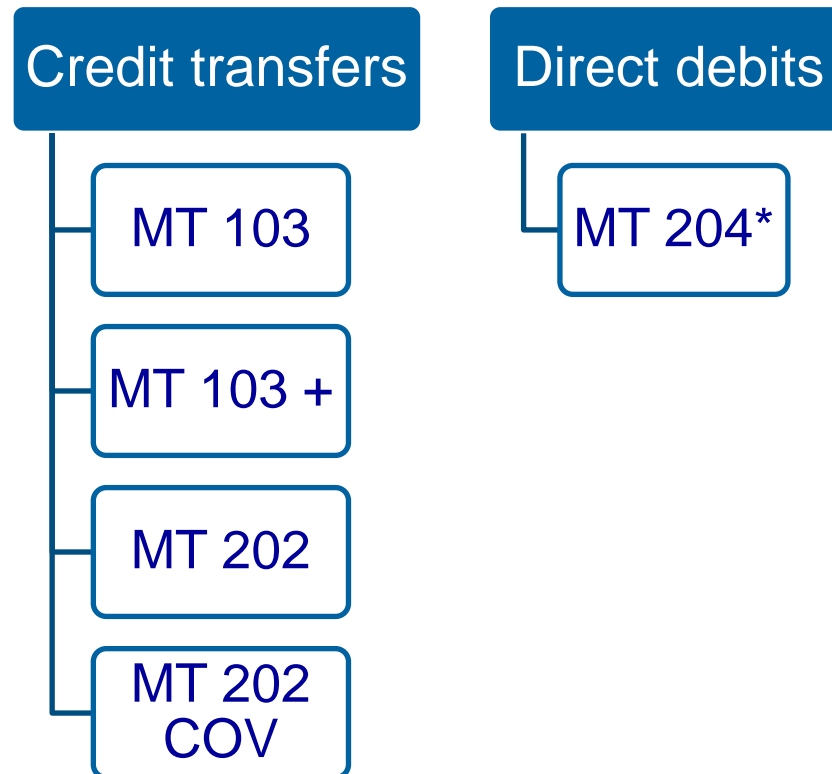
“fully fledged“

- Redesign of T2
- Switch to V-shape mode
- Network vendor agnostic
- Consideration of complete T2 message portfolio
- Mapping beyond “like-for-like“ approach

- ISO 20022 migration in the context of T2/T2S Consolidation will follow “fully fledged“ approach

MT messages used in T2 in the payments area

- T2 participants can submit/ issue the following payment types:



*Internet-based participant: only receiving of MT 204

MT Message portfolio

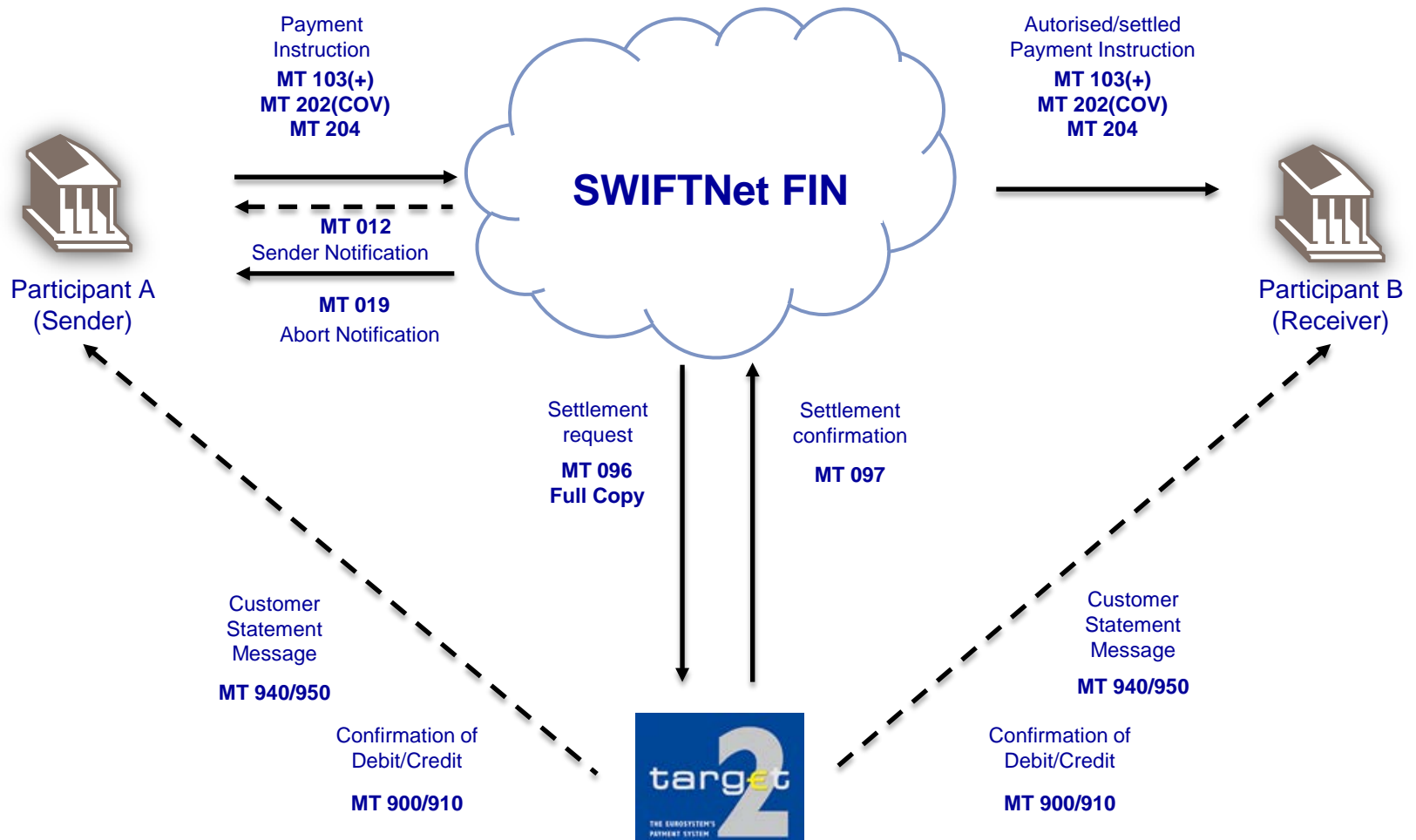
Overview I

- SWIFTNet FIN message types processed by TARGET2 in Y-copy mode:

Message Type	Description	Annotation
MT 103	Customer payment	Payment message
MT 103 +	Customer payment (STP)	Payment message
MT 202	Bank-to-bank payment	Payment message
MT 202 COV	Bank-to-bank payment with customer credit transfer details	Payment message
MT 204	Direct debit payment	Payment message
MT 096	Settlement request with full copy	FIN system message (Y-Copy)
MT 097	Settlement confirmation	FIN system message (Y-Copy)
MT 011	Delivery notification	FIN system message (Y-Copy)
MT 012	Sender notification	FIN system message (Y-Copy)
MT 019	Abort notification	FIN system message (Y-Copy)
MT 900	Confirmation of debit	Cash Management message
MT 910	Confirmation of credit	Cash Management message
MT 940/950	(Customer) Statement message	Cash Management message
MT 191/192/195/196	Interests and other charges	Are these still needed?
MT 291/292/295/296	Interests and other charges	Are these still needed?

Working package Payments (I)

Overall T2 Payment Message flow



ISO 20022 Message portfolio

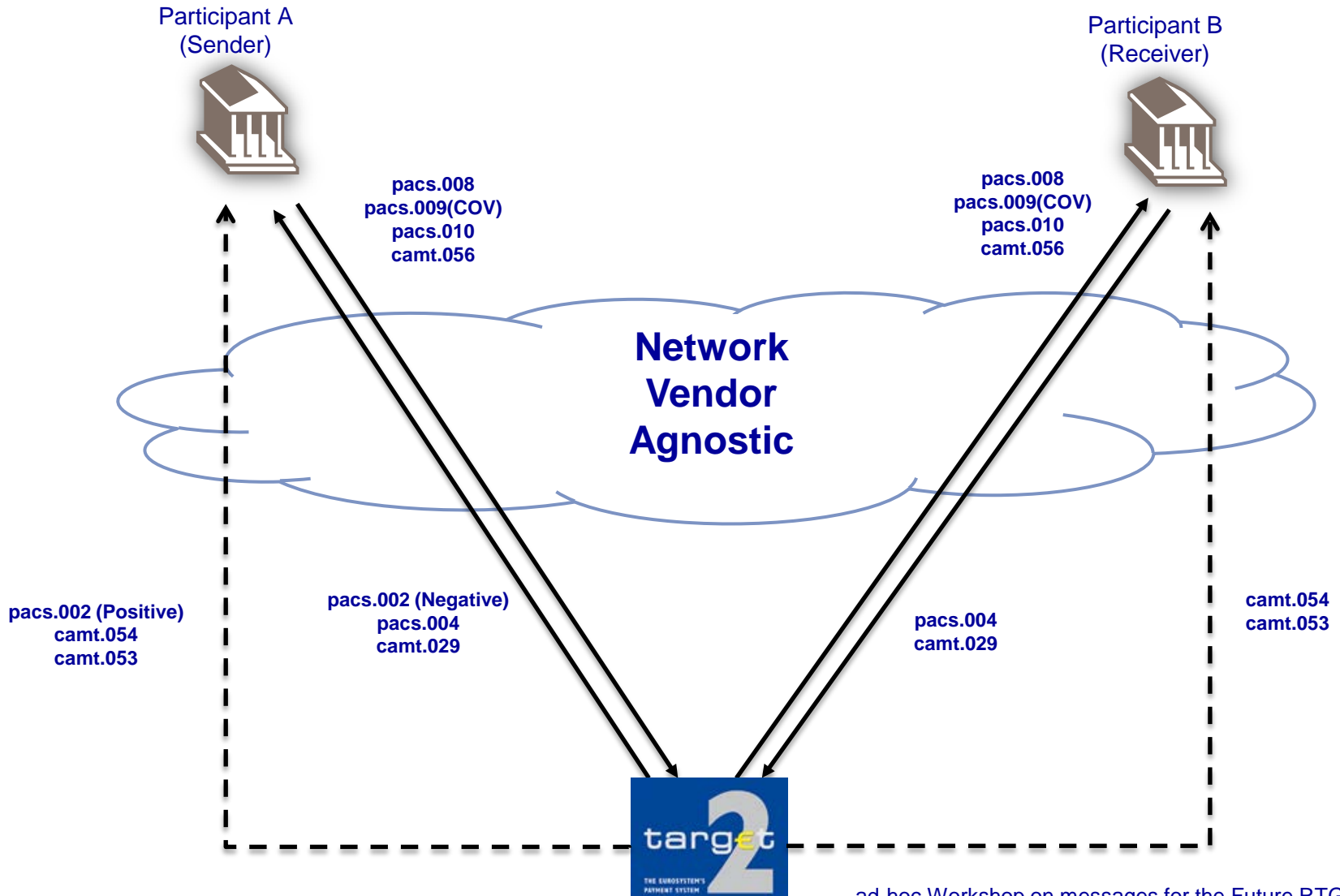
Overview II

- ISO-20022 message types processed by future RTGS in V-shape mode:

Message ID	Message Name	Replaced MT	Annotation
pacs.008	FItoFICustomerCreditTransfer	MT 103(+)	
pacs.009	FItoFICreditTransfer	MT 202	
pacs.009 (COV)	FItoFICreditTransfer (COV)	MT 202 COV	
pacs.010	FItoFIDirectDebit	MT 204	
pacs.002	FItoFIPaymentStatusReport	MT012/019	Used to inform a party about positive or negative status of an instruction
camt.054	BankToCustomerDebitCreditNotification	MT 900/910	Distinction by debit/credit indicator
camt.053	BanktoCustomerStatement	MT 940/950	
pacs.004	PaymentReturn	MT103/202 "RETN"	Used to undo a payment previously settled.
camt.056	PaymentCancellationRequest	-	Used to request the cancellation of an original payment instruction
camt.029	ResolutionOfInvestigation	-	Used to inform sender about cancellation of the underlying pacs.004

Working package Payments (I)

Overall Future RTGS service Payment Message flow



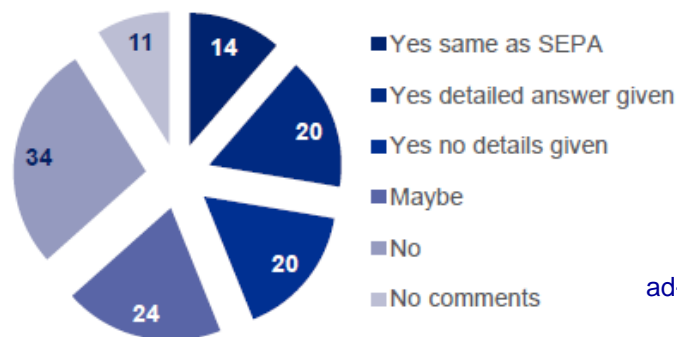
Market Consultation on T2 ISO 20022 migration approach

Consultation on the future of RTGS services – summary of feedback received

July 2016

Q5 - Would you expect your institution to use the **additional fields** that **ISO 20022** payment messages support? If so, please describe the types of additional payment fields, and the purpose for which they would be used

Possible short answers	Number	Percentage
Yes same as SEPA	14	11%
Yes detailed answer given	20	16%
Yes no details given	20	16%
Maybe	24	20%
No	34	28%
No comments	11	9%
	123	



Comments:

- 43% of respondents think that they will use additional fields available in ISO 20022.
- Among the reasons behind the “no” replies is sometimes the expectation that TARGET will not be used for retail payments any longer.
- Some respondents in the “no” category actually meant “not for the time being” but may reconsider using additional fields in the future.

Overview (I)

- Feedback received on RTGS services consultative report clearly shows
 - ✓ harmonised standards should be developed and used in cooperation with other key HVPS worldwide
 - ✓ usage of ISO20022 standards would be beneficial in the end-to-end transportation of richer payments information

Overview (II)

- Main objective is to offer ISO 20022 as the preferred standard both in T2S and in the future RTGS services
- It should be the mutually used standard both for outbound and for inbound communications
- All A2A messages should be based on XML
- Usage of already defined and standardised XML messages as far as possible
- The information given in the messages shall enable the participants to gain from standardised messages enriched by business oriented information
- Routing to the appropriate platform shall be allowed easily by extracting and presenting routing information

Capabilities and opportunities of ISO20022

- New opportunities to transmit and use enriched and detailed remittance and payments data
 - Better integration of the participants' internal (back-office) applications
 - Optimisation of the end-to-end processing
 - taking into account the evolving needs of FMIs and their members, such as more structured, accurate and richer end-to-end data.
 - ensure interoperability with FIN messages in the cross-border space
- ➔ Creating added business value

Mapping of MT information “fully fledged”

- Mapping tables stemming from former “like-for-like” approach serve as basis
- Approach:
 - ✓ Check and customisation of HVPS+ Usage Guidelines
- Possible impacts of “fully fledged” approach on:
 - ✓ Character set
 - ✓ Repetition of fields
 - ✓ Additional fields
 - ✓ Field length
 - ✓ Multiple References (Identification)

MyStandards - Current Usage in T2S

- Collaborative web platform where the T2S message portfolio and its related documentation is published
- Role governance for administration of privileges of different users
- Publication of T2S usage guidelines
- Centralised access point for T2S usage guidelines and T2S examples
- Download of documentation in different formats (xsd, xls, pdf, xml)
- Functionality for comparison of different message versions – impact analysis

(Readiness Portal currently not used, as the tool was not available at the time of T2S development)

MyStandards - Extension of the message portfolio

First considerations

- Centralised source for Future RTGS services and T2S messages
- Improvement of management of message evolution
- Consolidation and harmonisation of the message portfolio for the Future RTGS Services and T2S
- Usage of enhanced features
- Extension of MyStandards service portfolio according to the needs in relation to ISO 20022 migration and T2/T2S Consolidation
- Definition of requirements
- To be investigated: Use of Readiness portal (optional) to simplify customer onboarding and migration