In focus with ACI: Delivering value beyond compliance with ISO 20022

Financial institutions are aware of the benefits of the new ISO 20022 standards, and the various migration deadlines for cross-border and high-value payments networks. Where many banks struggle is identifying a clear path to ISO 20022 compliance that also delivers the promised benefits. ISO 20022 forms part of the bank's wider payments modernisation strategy, and therefore a strategic approach to compliance with network and scheme requirements should prevail. Tactical add-ons may meet the basics of the mandates, but they inhibit a bank's ability to leverage the benefits of the new rich, highly structured data format. Although there is a clear need for an ISO 20022-native usage, end-to-end approach within a financial institution, this does not necessitate a high-risk rip-and-replace approach from banks. The right solutions can be deployed as incremental improvements aligned to the strategic objectives of the bank.

20022

The purpose of the new ISO 20022 format is to provide richer, more consistent, structured data upon which banks can provide value-added services such as stronger remittance features, liquidity management or automated reconciliation. Tactical workarounds and translators risk data truncation, reformatting, or complete data loss. An ISO 20022-native solution is essential to support capabilities beyond payment initiation. Banks must natively submit ISO 20022 payment instructions and transfers (e.g. PAIN.001, PACS.008, PACS.004, PACS.009 and more) and associated payment ecosystem meta data to enrich the data flowing with their transactions and through cross-border payment systems.

An end-to-end approach to ISO 20022 is particularly important in facilitating compliance and risk management, as scanning must be done on the complete ISO messages received, both for the bank itself and for all downstream banks. Tactical translation workarounds inhibit performing these checks on the entire ISO data.

ISO 20022 might be the new common standard for payment schemes, but the individual schemes will choose to leverage different data fields in different ways. CBPR+ and HVPS+ vary from each other in how they choose to structure the data. Schemes may choose to make updates based on best practice or learnings from other schemes. It will be a continuous evolution, for which native ISO 20022 solutions are essential.

Manage the risk of migration and support the creation of new value

Capitalise on rich data across multiple payment types in various ISO formats

Leverage a need for a common UI to work on high-value, real-time payments, cross-border, ACH, batch and individual messages

Support the real-time flow of information via APIs into digital channels and relevant downstream applications

“Industry-leading financial institutions will look at the implementation of ISO 20022 as a multi-phased journey, culminating in enabling the rich data to support real-time updates across all bank systems and connected applications.”

Head of Product Management, High Value Payments

To leverage the benefits of richer, more structured data, that data must flow into all bank applications associated with payments. This spans fraud and AML, digital channels for customer self-service, as well as any database or interface extracts that feed other systems.

In this way, efficiency benefits can be realised in greatly improved straight-through-processing (STP) rates, removal of manual intervention, fields being overloaded of usage or payment remediation costs. Research from SWIFT shows that despite the availability of structured data fields in MT messages, the vast majority of messages do not take advantage of this, leading to manual interventions and associated costs.

Additionally, ISO 20022 in combination with other modern standards, such as APIs, can be combined to feed transaction updates into digital customer portals to reduce inquiries, improve customer experience and ultimately customer retention rates. By leveraging an incremental implementation approach for an end-to-end ISO 20022 solution, ACI customer Bank of Montreal was able to reduce its overall costs for the adoption of ISO 20022-enriched data formats, connectivity to real-time rails, and migration to the new ISO 20022 standards for SWIFT gpi.

2017-2019, 85-94% of SWIFT correspondent banking traffic data consistently shows unstructured ordering and beneficiary customer field options being used. Up to 10% of payments requiring manual interventions.

Managing ISO 20022 deadlines and leveraging the value the new standard promises is not a case of a quick add-on. Even if banks choose to make tactical decisions about which peripheral systems to connect to their ISO engine, they must approach the migration with a strategic mindset. Particularly as high- and low-value payments converge around this interoperable ISO 20022 standard. It does not have to be a big-bang change internally. A carefully orchestrated porting plan from legacy applications to modernised engines can mitigate the risk of compliance, whilst opening the doors to innovation and growth.

About ACI

ACI Worldwide is a global software company that provides mission-critical, real-time payment solutions to corporations. Customers use our proven, scalable and secure solutions to process and manage digital payments, enable omni-commerce payments, present and process bill payments, and manage fraud and risk. We combine our global footprint with local presence to drive the real-time digital transformation of payments and commerce.

About SWIFT

SWIFT is a member-owned cooperative, providing secure financial messaging services to more than 11,000 organisations across the financial ecosystem, in almost every country in the world. For nearly five decades we have delivered certainty, continuity and excellence by constantly evolving in an everchanging landscape. In today’s fast moving, increasingly connected and challenging world, this approach has never been more relevant.

57497 - January 2021