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## Adoption of ISO 20022 Standards in the Global Payments Markets – What is the U.S. Doing?

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# Agenda

- **ISO 20022 overview**
- **U.S. market's journey to assess a business case for adoption of ISO 20022**
- **Why did the Federal Reserve, TCH , NACHA and X9 decide to participate in this initiative?**
- **U.S. business case – assessment, scope and timeline**

# ISO 20022 Overview

## What is ISO?

- The International Standards Organization
- The U.S. is a member and contributor through ASC X9

## What is ISO 20022?

- A harmonized set of messaging standards across major financial services domains – Cash, Securities, Trade, Card and FX
- Based on a shared data dictionary and business process model
- Freely available to all members of the financial services community
- Foundation of SWIFT's future standards development (SWIFT MX)

# ISO 20022 for Payments

## What is ISO 20022 for Payments?

- **Robust standard with room for additional payment-related information – addresses end-to-end communications – from the remitter through beneficiary**
- **Standard being adopted by an increasing number of the world's clearing and payment systems**
  - Europe/SEPA, Japan, Switzerland, China, Canada...and more
  - SWIFT's ISO 20022 adoption mApp for iPad - download from the App Store on <https://itunes.apple.com/app/iso-20022-adoption-mapp/id688197590?ls=1&mt=8>.
- **Growing interest from financial institutions, corporations and financial applications providers**
- **SWIFT Standards and the Payments Market Practice Group have developed global implementation guidelines for high-value payments with a cross-border leg**

# ISO 20022 –Preliminary Global Scan

## Key Takeaways –

- **Market infrastructures are at the center of the payments ecosystem and are supportive of a directional move to ISO 20022**
  - Driven by local timescales for infrastructure upgrades
- **Regulation has been a key driver of payment messaging innovation and has accelerated the uptake of ISO 20022 – at least in some key markets**
- **Long-term benefits depend on interoperability**
- **Multinational corporations need to contribute to the dialogue**

# U.S. Market Meeting with SWIFT – November 2011

*Doing nothing was not an option!*

- Other major markets had ISO 20022 adoption initiatives or plans
- USD is the leading global clearing currency – competitive impact?
- Bi-lateral agreements for translation/mapping are not long-term solutions
- Agreed that an ad-hoc group of global industry participants would develop a U.S. business case for adoption of ISO 20022 message standards

# The U.S. Business Case – Organization of the Stakeholders Group

- **Ad-hoc was not working - we needed to engage with a consultancy firm to assess the business case**
- **The Federal Reserve Banks, TCH, NACHA and ASC X9 – agreed to form a Stakeholders Group to provide resources for this initiative**
- ***Why did each of these organizations decide to invest time, staff and money in the ISO 20022 business case?***
  - *Let's ask....*

# ISO 20022 Business Case - Assessment

- **The goal of the industry Stakeholders Group is to objectively evaluate the business case for (or against) adopting ISO 20022 payment messages in the U.S. by:**
  - U.S. payments clearing & settlement participants market infrastructures
    - Wholesale (wire): Fedwire Funds Service & CHIPS
    - Retail (ACH): FedACH & EPN
  - U.S. based financial institutions & their corporate customers



# ISO 20022 Business Case - Scope

- **Current landscape of U.S. participants (*i.e.*, market infrastructures, financial institutions, corporates)**
  - Message formats used today, including areas where ISO 20022 is used
  - Specific gaps that ISO 20022 might address
- **ISO 20022 adoption activities in other jurisdictions**
  - Drivers/rationale that led to adoption decisions
  - Implementation costs, strategies, timelines, challenges
  - Benefits of adoption, lessons learned
- **Impact analysis for U.S. participants (adoption v. lack of adoption)**
  - Efficiency, interoperability, big banks v. small banks, domestic banks v. global banks, USD payments systems, offshore USD payment systems
  - Costs/benefit analysis by payment type (*i.e.*, cross-border, domestic, wholesale, retail) for each U.S. participant
- **Competitive impact analysis**
  - Competitiveness of U.S. dollar as a global settlement currency
  - Competitiveness of U.S.-based market infrastructures, financial institutions and corporates in a global market

# ISO 20022 Business Case - Timeline

- **Stakeholders Group signed contract with KPMG on October 1, 2013**
- **KPMG will conduct assessment over 10 weeks**
  - Includes on-line survey tool and in-depth interviews
  - Completion targeted for end of 2013
- **Stakeholders Group will review assessment/recommendation and determine the next steps in early 2014**

# ISO 20022 Business Case – Online Survey

We want to hear from you - - -

<https://www.goglobal.com/KPMG/ISO20022>

For additional information, please contact us - - -

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