Making the Most of ISO20022 Standards
CGI (Common Global Implementation), SEPA and You

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Standards - Banking Initiatives
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Jayna Bundy, Group Treasury Manager, Microsoft

- Responsible for global cash and investment operations
- Optimization of bank account structure, driving straight-through processing, risk management through automation
- Use of ISO XML 20022 v2 CAMT messages
- Use of ISO XML 20022 v3 PAIN messages

Robert J. Blair, Managing Director, J.P. Morgan

- Vice convener of the ISO20022 RMG
- Vice convener of the Payment SEG
- Member of the SWIFT Corporate Advisory Group
- Board alternate with ASC x9

James Wills, Standards - Banking Initiatives, SWIFT

- Market/standards representative for the North American Market for SWIFT Americas
- Works closely with standards-setting bodies, trade associations and member communities on standardization issues
Juggling Multiple Bank Relationships Can Be A Handful
Agenda

• Introductions
• Background
• Microsoft Best Practices
• Tips and Tricks
• In-Depth Discussion
• Q&A
• Appendices - Resources
Current State of Affairs

• Award winning efforts to apply standards to corporate-to-bank connectivity

• Key corporates are utilizing best practices in applying standards
  – EG. Microsoft

• Standards as the basis for multibank connectivity
Current State of Affairs

- **Corporate-to-bank connectivity**
  - Increasingly automated
  - Increasing use of standards
  - Increase focus on standards challenges, improvement opportunities

- **SWIFT MT and MX, ISO20022 and CGI**
  - SWIFT
  - ISO20022’s growing use
  - CGI’s normalization of ISO20022 standards adoption amongst banks, techcos, corporates
Market Forces Drive Standards Use

SEPA

- Forced march: Feb 2014
- The destination: A single payment instrument and currency
- 17 Euro area countries - Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Slovakia, Slovenia, Spain
- 10 EU Member States with currencies other than the euro - Bulgaria, Czech Republic, Denmark, Hungary, Latvia, Lithuania, Poland, Romania, Sweden, United Kingdom
- 5 Non-EU countries - Iceland, Liechtenstein, Monaco, Norway, Switzerland
Conversion of Legacy Formats into ISO 20022 XML

- Conversion mentioned in EU Reg 260, but not in SEPA guidelines

- Banks must ensure that customers send XML when using files for payment initiation

- Banks likely to do conversion for some time as many corporates are not ready for Feb 2014
  - This may be a temporary service, and probably will come at a higher price
The Standards Response – ISO 20022 - CGI Drivers

- CGI is driven by customer demand for multibank coordination of implementations
  - Intended specifically for global, multi-country, multi-bank and multi-instrument implementations
  - Focused on general message structure and then successful creation of individual transactions
  - Published and endorsed from appropriate communities
  - Engaged through active corporate partnership

A corporate can use the same message structure for all their payments with all of their transaction banks reaching any payment system across the globe.

*Common Global Implementation (CGI) initiative
Payment Flows Addressed by CGI

Debtor (Payer) -> Customer Credit Transfer -> pain.001
Debtor (Payer) -> Customer Payment Status Report -> pain.002
Debtor (Payer) -> Account Reporting -> camt.052 / camt.053 / camt.054

Debtor Agent (Payer’s Bank)

Customer Direct Debit -> pain.008
Customer Payment Status Report -> pain.002
Mandate Initiation / Amendment / Cancellation -> pain.009 / pain.010 / pain.011
Mandate Acceptance Report -> pain.012
Account Reporting -> camt.052 / camt.053 / camt.054

Creditor (Payee)

Creditor Agent (Payee’s Bank)

Interbank Clearing & Settlement

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AFP® Annual Conference
Financial Institution Members

In total 35 FI members (Contributing & Observers)

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AFP® Annual Conference
Non-Financial Institution Members
In total 45 Non-Fi members (Contributing & Observers)

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Microsoft Case Study: Simplifying the Complexity of Connectivity
Microsoft Banking Infrastructure

- >200 subsidiaries
- 118 countries
- >85 global banking partners
- ~85 currencies
- ~1,300 bank accounts
- ~600 concentrated daily
- Visibility to cash via MT messages and other local statements
- Multiple bank-specific VPN connections

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Complexity!
Managing Global Cash with CGI

Reduce Costs: Simplify infrastructure and process

Visibility
- Banks (MT or XML CAMT)
- SWIFT Cloud
- MSFT SWIFT Environment
- MSFT BizTalk
- ERP

Electronic Bank Statements

Mobility
- ERP (MT or XML)
- MSFT BizTalk
- MSFT SWIFT Environment
- SWIFT Cloud
- Banks

Global Risk Management: Move from visibility to mobility
## Costs and Benefits

### Costs
- Implementation, project management & operations
- Infrastructure development of messaging
- New monitoring systems and dashboards

### Benefits
- Single data pipe
- Lower IT support costs
- Easier maintenance and troubleshooting
- Increased STP and visibility into cash balances globally
- Enables mobility of cash across banks and regions
Win-win solution for corporate and banks

Prepare, plan, and plan again!

First ever ISO-XML 20022 v2 implementation

Build partnerships with banks and SWIFT

Industry recognition:
- Pinnacle
- Alexander Hamilton
- EuroFinance
- Adam Smith

Implementation may vary due to different practices:
- Market
- Banks
- Corporates

Collaboration Drives Innovation
Corporate-to-Bank Connectivity Tips and Tricks
Corporate-to-Bank Connectivity Tips and Tricks

• Use standards to achieve multibank reach

• Harnessing new industry developments, value and issues

• Implications for core systems

• CGI standardization and potential areas for further improvement
Key Learnings

• ISO20022 provides the “next new thing” in financial services standards

• CGI has made corporate to bank standards easier to implement, more standardized

• Dependencies on core systems bank network and capabilities still drive design and deployment considerations

• Heavy lifting remains. Astute strategies can help
In-Depth Discussion

- Our overall XML strategy and roadmap as it relates to SWIFT & XML including SEPA, DD’s and eBAM
In-Depth Discussion

- Additional points on our cost/benefit & ROI analysis in our decision to move to XML
In-Depth Discussion

• The importance of implementing these key standards to make the most of moving from data to business intelligence
What’s On Your Mind?
Resources

Microsoft News and Awards Received for this work:
• 2011 AFP Pinnacle Finalist  www.afp.org
• 2011 Treasury & Risk - Silver for ISO 20022/SWIFT & Overall Excellence Award  www.alexanderhamiltonawards.com
• 2013 Treasury Today Top Treasury Team  www.treasurytoday.com/adamsmith/2013/winners

ISO and Related:
• ISO 20022  www.iso20022.org  ISO20022 standards committee
• ISO  www.iso.org  International Standards Organization
• CGI  http://www.swift.com/corporates/cgi/index  Common Global Implementation

Others:
• EPC  http://www.europeanpaymentscouncil.eu/  European Payment Council, SEPA
• NACHA  www.nacha.org  US ACH
• ASCX9  www.x9.org  US national financial standards
• X12  www.x12.org  US national EDI standards
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