ISO 20022 STANDARDS AND SWIFT

Introduction

The T2S User Requirements Document (URD) states that "The T2S Interface shall use ISO 20022 as its single standard for all communications, both inbound and outbound". Therefore messages have to be either ISO20022 registered, or at least compliant with the methodology of ISO20022[1]. SWIFT plays an important role in the registration process of ISO 20022standards and in the development of messages for T2S. Therefore, at its meeting of 9-10 October, the AG agreed that clarification was needed on the relationship between ISO 20022standards and SWIFT[2]. Section 1 explains the registration process for ISO 20022standard messages, whilst section 2 describes the role of SWIFT. The involvement of SWIFT in the workstreams of the T2S project is detailed in Section 3.

1. ISO 20022standards for messages and the registration process

International Standard ISO 20022 provides the financial industry with a common platform for the development of messages in a standardized way. It was prepared by Technical Committee ISO TC68 Financial Services. This flexible framework allows communities of users and message development organizations to define message sets according to an internationally agreed approach and to migrate to the use of common XML-based syntax. This methodology is fully in line with harmonisation industry initiatives such as Giovannini, and supports the increasing pressure on the securities industry to go from proprietary to ISO 20022standards.

The ISO 20022 Standards approval and registration process of new messages involves three kinds of registration bodies: the Registration Authority (for ISO 20022 Standards, this role is performed by SWIFT) and the Standards Evaluation Groups validate and process the registration requests under the supervision of a supervision entity, the Registration Management Group. The latter is made of senior industry experts nominated by ISO TC68 Participating-member countries and category A liaison

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[1] The decision to seek ISO20022 registration was confirmed by the T2S Advisory Group in July 2007 and in April 2008.

[2] http://www.ecb.europa.eu/paym/t2s/pdf/t2s_summary_october08_ag.pdf

organisation[3], and is the highest ISO 20022 Standards registration body: it monitors the overall registration process and reports directly to ISO TC68. The Standards Evaluation Groups are made up of industry experts in specific business domains of the financial industry as defined by the Registration Management Group, and their members are nominated by ISO TC68 member countries and liaison organisations.

Box 1 - The process of registering new messages broadly goes as follows:

1) The entry point of the registration process is the preparation of a 'Business Justification' by the submitting organisation. It must describe the high level scope of the messages to be developed and the reason why they are needed (potential communities of users, expected benefits). In the case of T2S, submission will be done jointly by 4CB[4] and SWIFT Standards.[5]

2) The registration management group reviews the business justification, who decides whether the proposed development fits into the ISO 20022 spectrum, does not duplicate the already existing messages and is indeed beneficial to the community.

3) If approved, the business justification is then forwarded to the assigned Standards Evaluation Group(s) which reviews and endorses the scope, and checks that the right organisations are involved in the development.

4) The submitting organisation starts developing ISO 20022 compliant business and message models. The RA closely assists the submitter during this phase. When the development is completed, the Registration Authority generates the XML schemas and with the submitter prepares a comprehensive documentation for the Standards Evaluation Group(s).

5) Based on this documentation, the Standards Evaluation Group(s) evaluates the (now called) candidate ISO 20022 messages. The main goal of the Standards Evaluation Group(s) review is to get the buy-in of the future users from a business perspective. The submitting organisation is participating to the evaluation to help the Standards Evaluation Group understand the proposed solution and address any question that would be raised.

6) When/if the Standards Evaluation Group(s) approves the messages, the Registration Authority changes the provisional registration status to an official registration status in the ISO 20022 Data Dictionary and publishes the new 'ISO 20022 messages' in the Business Process Catalogue on www.iso20022.org.

7) When messages are first piloted or implemented, first users are invited to comment on the 'technical implementability' of the messages and the accuracy of the documentation published on the website. Possible changes or corrections requested by

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[3]   A "A" Liaison Organisation is an organisation that has established a direct liaison with an ISO Technical Committee or Sub-Committee, usually because its international nature prevents it to go through a specific country. It is also actively involved in the life of the (sub-)committee. It can propose new work items (for new ISO standards), may participate in Working Groups, and can comment on new standards. They can also participate in the ISO 20022 registration bodies described in section 1 at the same level and with the same rights as a country.

[4] Formally, the submission will be done by Bundesbank on behalf of 4CB, as indicated in the draft business justification (http://www.ecb.int/paym/t2s/progress/pdf/ms_mtg2_T2S_2008_002345.pdf)

[5] A first draft of this document may be consulted on:
   http://www.ecb.europa.eu/paym/t2s/progress/pdf/ms_mtg2_T2S_2008_002345.pdf

first implementers will be evaluated by the Standards Evaluation Group(s), the Registration Authority and the submitter and may lead to changes to the messages and/or documentation.

All along, the Registration Management Group monitors the work and if need be, arbitrates any disputes.

For already existing messages, that require an update/adaptation, a simpler version of this procedure is followed (change request).

2. The specific role of SWIFT for ISO 20022

SWIFT is involved in the development of new standards in several capacities: as a registration authority in the registration process, and as a standards authority for the benefit of a community of users.

Development of new standards

As a developer of standards, SWIFT accompanies the evolution of its community's business requirements. These requirements go from the development of an end-to-end approach, to the use of new technologies or, ultimately, a single industry standard in the long term. For this purpose, the working approach integrates the financial institutions at each stage of the development process, such as the scope, modelling, building or validation.

Registration authority

As the ISO 20022 registration authority, SWIFT is the guardian of the ISO 20022 Financial Repository on behalf of ISO. Its mission is to ensure compliance of candidate ISO 20022 messages with the ISO 20022 technical specifications and to publish the Financial Repository and the Catalogue of approved ISO 20022 messages on www.iso20022.org. Although the Registration Authority is not resourced to undertake or participate in the development of the candidate ISO 20022 models, it plays a pivotal role at every stage of the process, as seen in box 1.

Business reverse-engineering leader

In addition, SWIFT plays an important role in the transition between ISO 15022 and ISO 20022 standards, the so-called business reverse-engineering. SWIFT Standards was requested by its community to develop ISO 20022 messages equivalent to ISO 15022 to allow 'newcomers' to directly adopt ISO 20022. To limit the impact on existing ISO 15022 users, the ISO 20022 messages will be directly reversed engineered from ISO 15022 messages. SWIFT will ensure to design the ISO 20022 messages with mapping to ISO 15022 in mind to ensure the same levels of STP as today, limit the ISO 20022 functionality to the functionality available in ISO 15022 during the coexistence period, synchronise the maintenance between the 2 standards in terms of timing, review process and content, and provide coexistence support.

3. The framework for the T2S messages

After the decision of the ECB Governing Council to launch the T2S Project on 17 July 2008, the ECB/4CB started working on messages, in accordance with the URD, and with strong support by the SWIFT Standards Department.

The work on the messages used by T2S can be divided into two work-streams: (i) the specification and development/maintenance of messages and (ii) obtaining ISO20022 registration. From a timing aspect the two work-streams overlap with each other.

Concerning the first work-stream, three categories of messages may be distinguished:

- Pillar I messages are existing standard messages for which maintenance requests may be submitted to ISO 20022 registration bodies for the purpose of their use by T2S.

    Pillar II and III are those messages that will need to be developed:

- Pillar II messages are those messages that fulfil the need of a community of users, and therefore will be developed chiefly by SWIFT Standards.

- Pillar III messages, ie messages that are T2S-specific, will be developed principally by ECB/4CB, with the support of SWIFT Standards.

The sub-group on message standardisation formally set up by the AG at its meeting of 25 November 2008 will provide its expertise in all categories, for instance by validating the detailed list of messages. 4CB and SWIFT Standards are currently working on an allocation of messages between Pillars II and III.

In the second work-stream, ISO20022 registration will be secured, following the standard procedures (the one for the registration of new messages is described in box 1).

The registration process foresees that co-submitters of a business justification are represented in the Evaluation Team(s) of the Standard Evaluation Group(s) (see Box 1, step 5). In order to further support the registration process, the ECB applied for A-liaison organisation status to TC68 for the purpose of participating in the ISO 20022 Registration Management Group and Standard Evaluation Group(s).

The approach described above takes into account the need of T2S to follow an efficient and time-saving way of working on T2S related messages. The T2S stakeholders will be involved from the very beginning and can contribute to the process. This will help to smooth the ISO20022 registration process itself.