

ISO 20022

Readiness Handbook:
FI Customers



HSBC

Together we thrive

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We have created this guide to support you through the transition to ISO 20022, and the significant changes this will bring across the payments industry, how and why these changes will happen, and the benefits they can bring.

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Be ready for Change:
ISO 20022 is coming
in November 2022

The Basics

ISO 20022 is an established and flexible standard for exchanging electronic messages between financial institutions, market infrastructures and end users, providing a structured format with room for additional payment related information.

Already the common language of choice for real time and low value / domestic schemes, ISO 20022 will become the de-facto standard for high value and priority payments in the domestic and international space. The migration will provide a new model for the global exchange of payment data, with richer and higher quality information than the existing standards. This will also be an enabler for future development and innovation in the payments ecosystem.

ISO 20022 is being adopted by SWIFT in their latest move to ensure optimal cross-border payment communication. The SWIFT ISO adoption programme begins in November 2022, and will take place over three years; all major global payment infrastructures plan to adopt the standard. SWIFT plans to migrate all Customer and Inter-bank payments, as well as related advice and statement messages from the MT1xx, MT2xx and MT9xx series of messages to, the new XML based pacs (payments clearing and settlement) messages and camt (cash management) statements and advices.



Existing Messaging Languages

Various non-unified message types. Often customised to cater for non-standard message content, with limited data capacity. Unable to keep up with the skyrocketing demand for data.



New ISO 20022 Messaging

Globally consistent messaging across the industry, unifying many existing standards and improving reconciliation and interoperability. Allows for a stronger structure around enriched data sets.

Potential Benefits

More than just a technology investment, ISO 20022 is the future of payment rails. Adoption of the standards aims to enable a better payment experience by driving a single industry-wide payment format with richer data, across various payment schemes. Although compliance is mandatory for all Financial Institutions, the migration brings with it a host of benefits and opportunities throughout the payments ecosystem.



Global Reach

Used for payments globally across different banks & countries, removing technology barriers



Harmonised Integration

Rationalised universal message type for all payments; ISO 20022 integrates smoothly with RTP schemes



Reconciliation

Enriched structured data supports identification and automated reconciliation



Automation

Standardised codes and dedicated message types facilitate the automation of exceptions & investigations



Security

Richer data can strengthen fraud and AML controls



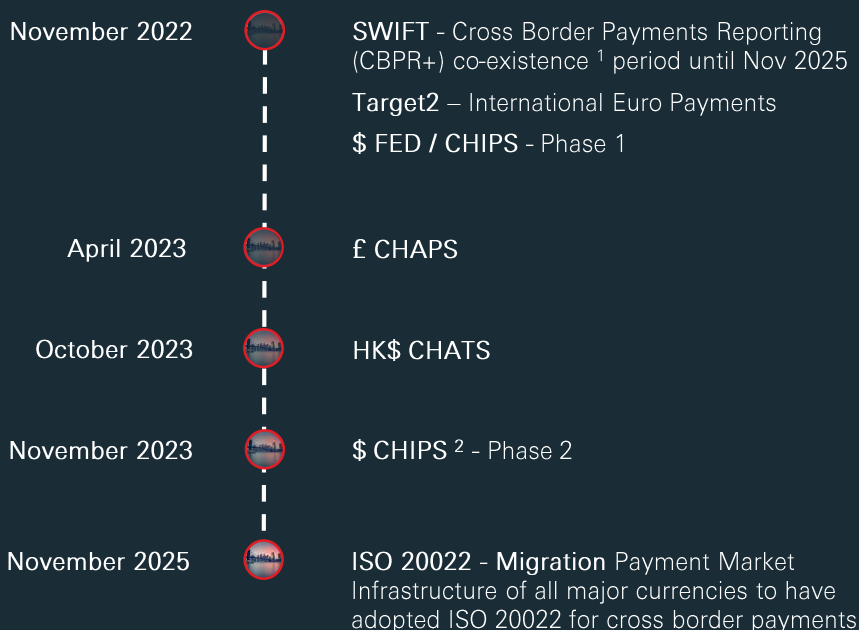
Transparency

Increased levels of transparency and efficiency of payments through better structured data

Migration Timeline

The adoption of ISO 20022 is due to take place over several years, with Payment Market Infrastructures (PMIs) of all major currencies either live or in the process of migrating to ISO 20022 by November 2025 for cross border payments. SWIFT are due to migrate existing message type series 1, 2 and 9 starting in November 2022, with adoption plans evolving in each market.

Adoption by major Real Time Gross Settlement (RTGS) market infrastructures / currencies are currently planned as follows:



¹ During the co-existence period, both MT and MX messages will be supported by the SWIFT infrastructure

² In early 2022, the Fed has indicated a revision to its full ISO implementation timeline for the Fedwire system from the current date of November 2023, based on feedback from the industry. The Clearing House had made no such announcement for CHIPS, which is scheduled to go live with full ISO in November 2023

How to Prepare

As published on [swift.com](https://www.swift.com/interact) in the '[SWIFT platform evolution: Connectivity guidance](https://www.swift.com/interact)' document, all Banks are mandated to upgrade their messaging interface to support InterAct (store-and-forward) by November 2022. For institutions planning to use the API channel, a message interface is not required. You can define channel and format preferences for the transactions you receive through SWIFTs Transaction Manager platform; the platform will ensure interoperability between users of different data formats and connectivity channels. Further considerations:

Industry Testing

Get ready to participate in industry testing as mandated by market infrastructures and SWIFT. If you use another Bank for clearing, please reach out to them.

Archive Data

Ensure that you are able to archive the rich ISO payments data as per your country regulations.

Data Availability

Create solutions to make enriched data available to your customers.

Process & Systems

Have processes and systems geared up to fulfil your Sanctions and AML controls based on new party fields in the chain.

Structured Data

Start preparing to provide structured name and address information for your customers (Debtors).

Training

Training and awareness for internal staff on the new language.



For Banks* Sending / Receiving Payments to / from...

Your Currency Provider

Speak with your Currency Provider. Agree roadmap / migration timelines and expectations on message formats. (Transmitted either through SWIFT or non-SWIFT based channels).

Clearing

Be ready to send / receive and align with the clearing market infrastructure based on their timelines

SWIFT

Minimum mandate to upgrade your messaging Interface to support InterAct (store-and-forward)

**Also includes NBFIs sending instructions via SWIFT*

HSBC's Adoption Plans

What are we doing?

HSBC are actively involved with SWIFT, and engaging with different market infrastructures as they migrate to ISO 2022. We will align ourselves with the market requirements and delivery timelines set by different market infrastructures, and ensure we are well placed to comply with their respective adoption strategies, including any message types in scope for domestic payment scheme migrations.

The Cross Border Payments and Reporting Plus (CBPR+) is a working group of experts nominated by the SWIFT community tasked with developing usage guidelines for ISO implementation by Banks for SWIFT cross border payments (find out more on SWIFT.com). The message implementation for Cross Border Payments will be driven by the scope of messages defined by CBPR+, baselined for November 2022

Implementation strategy - a two part approach

HSBC's adoption strategy will be driven by two different approaches:



Markets with domestic migration announced

ISO enablement of SWIFT cross border payments will be synchronised with domestic migrations in HSBC markets with domestic PMIs:

- If the country's ISO adoption starts before or at the same time as the SWIFT migration, we will first adopt ISO 2022 standards in the domestic scheme, followed by the country's SWIFT cross border traffic.
- If the PMI's adoption date is after the SWIFT migration starts, then we are exploring whether we can open up SWIFT cross border traffic in certain markets before the domestic migration / adoption of ISO 2022 standards (depending on the gap between the domestic and SWIFT migrations).



Markets with no domestic migration announced

- The approach is to complete SWIFT cross border traffic migration in all countries to be compliant by November 2025. If a market infrastructure announces a domestic scheme migration before 2025, our current migration strategies are flexible enough to adapt accordingly.

MT / MX Usage & Reporting

Messaging

From November 2022, HSBC will be ready to accept MX payment from Banks, and will continue to support Banks who want to send MT messages until the end of the SWIFT co-existence period in November 2025. During this co-existence period we may send either an MT or an MX message depending on what HSBC receives. However, once we have upgraded our systems in a particular country, we will deliver only MX messages.

Statements

Depending on our client's readiness in a particular country, HSBC will be able to support either MT or MX based reporting. Our current plans are to enable enriched data statements and advices in a phased manner from March 2023. As we enable countries with camt based statements and advices, we will advise our FI customers, allowing you to enrol depending on your readiness. If you are unable to accept camt based statements and advices, we will continue to deliver MT based ones until November 2025. In compliance with CBPR+ release plans, we intend to support the following MX messages post November 2022. The list will vary by market, but we will be able to accept the following:

| | | |
|--------------|----------|----------|
| Pacs.008 | Pacs.002 | camt.029 |
| Pacs.009 | Pacs.004 | camt.056 |
| Pacs.009 COV | Pacs.010 | camt.077 |
| Pacs.009 ADV | | |

We will enable receipt of camt.052/3/4 at a later date. As stated on [swift.com MyStandards](https://www.swift.com/standards) in the [SWIFT User Handbook](#), the exchange of these messages has to be bilaterally agreed.

MT / MX Usage & Reporting

In a few markets we offer the option for certain NBF/FI clients to receive an MT 103 / 202 even when the recipient themselves is the final beneficiary of the payment order i.e. no further third party. We understand the demand from clients to do so is due to the limited information that the current MT 910 advice offers. Given the rich nature of a camt.054, we are planning to deliver a camt.054 only, instead of the equivalent pacs.008 / 9 at the end of the co-existence period.

During the co-existence period we would like to provide a consistent experience for our FI clients sending us instructions in MT and ISO. For Banks providing instructions to HSBC using MX- pacs.008/9 please provide bilaterally agreed code-words as outlined in the table below.



ISO Format

Tag to be used

Max characters to be provided inc. / (slashes)

Location of tag in pacs.008

Location of tag in pacs.009

Instructions for Next Agent <InstrForNxtAgt>

210

Document/FIToFICstmrCdtTrf/CdtTrfTxlnf/InstrForNxtAgt
/Document/FICdtTrf/CdtTrfTxlnf/InstrForNxtAgt



Examples

– we have used /PRIO/ and /PPRO/ as examples of code words

:72: /PRIO/THIS PAYMENT IS A PRIORITY
//PLEASE CALL AND CONFIRM RECEIPT
/PPRO/THIS PAYMENT IS PROTECTED
//AND NO FURTHER CHARGES SHOULD BE
//DEDUCTED FROM THE PROCEEDS AND
//BENEFICIARY TO BE PAID IN FULL

<InstrForNxtAgt>
/PRIO/THIS PAYMENT IS A PRIORITY PLEASE CALL AND
CONFIRM RECEIPT /PPRO/THIS PAYMENT IS
PROTECTED AND NO FURTHER CHARGES SHOULD BE
DEDUCTED FROM THE PROCEEDS AND BENEFICIARY
TO BE PAID IN FULL
</InstrForNxtAgt>

Testing & Tools



Testing

We are in the process of finalising markets for early adoption, and are actively ramping up testing infrastructures in preparation for the SWIFT release. As we finalise our markets and testing strategy, we will be in a stronger position to communicate firm timelines and engage our FI clients for testing. As per our current plans, the earliest we will be able to engage with customers for testing in any country will be August 2022. Our ability to test will be driven by our technical readiness in each country.

We are actively engaging with SWIFT, will leverage the tools they provide to Banks for testing, and we recommend our clients adopt the same.



SWIFT Testing Tools

Find out more about SWIFT testing tools in this [video replay](#) (from 17mins 00secs). Here you will find out more about i) Self Testing, ii) Testing with SWIFT including Test Sparring, iii) Testing as a Community, and iv) the use of in-flow translation and Transaction Manager (TM).



Resources

Further SWIFT implementation resources can be found on [swift.com](#) > Knowledge Centre > ISO 20022 Programme > Ensuring ISO 20022 Readiness [here](#). This includes content such as Connectivity Guides, SWIFTSmart Training Modules, Interface and FINplus resources, as well as standards guidance on CBPR+ specifications and testing portals via MyStandards.

Further Information

For further information on ISO 20022 plans, please visit our dedicated website [here](#), where you will find our latest videos, as well as podcasts and answers to FAQs.

We appreciate your business, value our relationship, and look forward to working with you on the forthcoming implementation of ISO 20022 payment messages. Should you have any further questions, please engage your Sales or Integration contacts.

Yours sincerely,

**Global Liquidity and Cash Management,
HSBC**



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