ISO 20022

Readiness Handbook:
FI Customers (including Banks and NBFIs)

Sep 2023

Version 2

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.

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 on 20 March 2023, and will take place until November 2025; by which 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
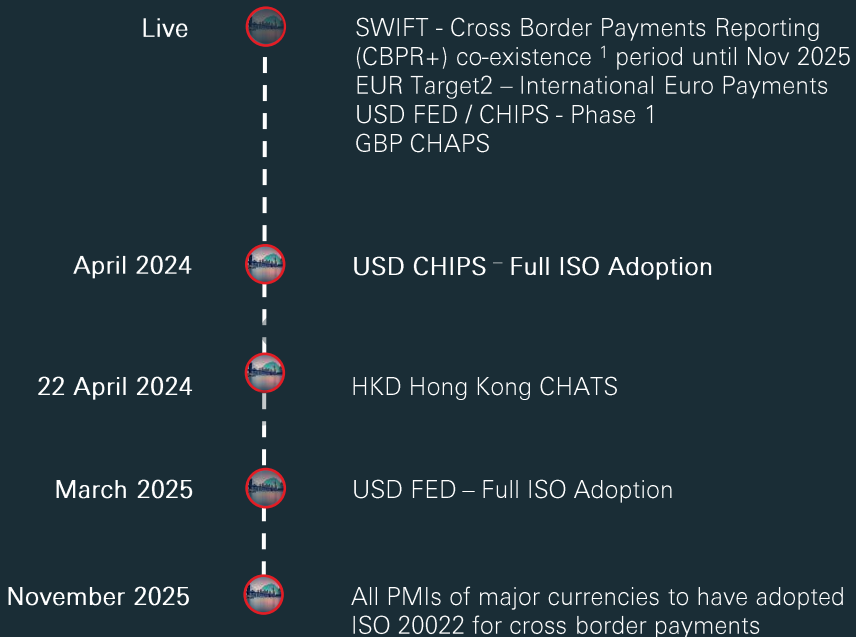Richer data can strengthen fraud and AML controls

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

Market Infrastructure 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. This commenced from SWIFT migration of the existing message type series 1, 2 and 9 starting in March 2023, with adoption plans evolving in each market.

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

Live
SWIFT - Cross Border Payments Reporting (CBPR+) co-existence [1] period until Nov 2025
EUR Target2 – International Euro Payments
USD FED / CHIPS - Phase 1
GBP CHAPS

April 2024
USD CHIPS – Full ISO Adoption

22 April 2024
HKD Hong Kong CHATS

March 2025
USD FED – Full ISO Adoption

November 2025
All PMIs of major currencies to have adopted ISO 20022 for cross border payments

Remarks :
[1] During the co-existence period, both MT and MX messages will be supported by the SWIFT infrastructure
[2] Timelines are subject to be changed

How to Prepare

As published on swift.com in the 'Swift platform evolution: Connectivity guidance' document, all Banks have already mandated to upgrade their messaging interface to support InterAct (store-and-forward). You can now define channel and format preferences for the transactions you receive through SWIFT's 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

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 20022. HSBC has successfully enabled its global network to receive and forward SWIFT CBPR+ messages in all its 50+ locations and to exchange ISO messages in the newly migrated domestic markets. 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 is driven by the scope of messages defined by CBPR+.

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 is prioritised in HSBC markets with domestic PMIs. This is targeted to enable ISO for both domestic and cross-border payments together for customers to adopt in one go.

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

HSBC has successfully enabled its global network to receive and forward SWIFT CBPR+ messages in all of its 50+ locations and to exchange ISO messages in the newly migrated domestic markets. HSBC 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.

HSBC currently accepts the below MX messages.

Pacs.008	Pacs.009 ADV	Pacs.010	camt.057
Pacs.009	Pacs.002	camt.029	
Pacs.009 COV	Pacs.004	camt.056	

At this time HSBC is not accepting pain.001 relay messages over SWIFT FINplus and clients should continue to send MT101 over FIN. Once HSBC is ready to do so in a particular location, we will communicate our readiness to your Bank.
For SWIFT FileAct clients, there is no impact and clients can continue submitting pain.001 to HSBC.

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 statements and advices in a phased manner from November 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

We will enable receipt of camt.052/3/4 at a later date. As stated on swift.com MyStandards 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 NBFI/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 on the next page.

Message Format

ISO Format

Tag to be used	Instructions for Next Agent <InstrForNxtAgt>
MinLength (Min number of characters to be provided inc. / (slashes) per line	1
MaxLength (Max number of characters to be provided inc. / (slashes) per line	35
Multiplicity	[0...6]
Location of tag in pacs.008	/Document/FIToFICstmrCdtTrf/CdtTrfTxInf/InstrForNxtAgt
Location of tag in pacs.009	/Document/FICdtTrf/CdtTrfTxInf/InstrForNxtAgt

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

How you send today

/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

How you will send during co-existence

```
<InstrForNxtAgt>
        <InstrInf>/PRIO/THIS PAYMENT IS A PRIORITY PL</InstrInf>
</InstrForNxtAgt>
<InstrForNxtAgt>
      <InstrInf>EASE CALL AND CONFIRM RECEIPT</InstrInf>
</InstrForNxtAgt>
<InstrForNxtAgt>
     <InstrInf>/PPRO/THIS PAYMENT IS PROTECTED AND</InstrInf>
</InstrForNxtAgt>
  <InstrForNxtAgt>
      <InstrInf>NO FURTHER CHARGES SHOULD BE DEDUCT</InstrInf>
</InstrForNxtAgt>
  <InstrForNxtAgt>
       <InstrInf>ED FROM THE PROCEEDS AND BENEFICIAR</InstrInf>
  </InstrForNxtAgt>
  <InstrForNxtAgt>
       <InstrInf>Y TO BE PAID IN FULL</InstrInf>
  </InstrForNxtAgt>
```

The line containing the code word must be exactly 35 characters in order for the next line to be considered as continuation of the last. If the length is less than 35 characters the next line will be treated as new information and code word /REC/ will be added at the start.

New code word must start in the new occurrence of <InstrForNxtAgt>. The length of the line must be exactly 35 characters in order for the next line to be considered as continuation of this one.

NB: If the payment is not formatted as per our requirements, it may be delayed and we may not be able to honour the existing agreements, nor be liable for any fees etc. that may result.

Testing & Tools

Testing

We are currently engaged in community testing in a few markets. 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.

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,

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 Payments Solutions,
HSBC