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
- 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
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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