

The great ISO 2022 adoption - an interview with Anne Levonen from Volante Technologies

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Anne Levonen, Director, Product Management at Volante Technologies, talks about ISO 2022, the benefits for the payments industry, and strategies for banks for ISO 2022 migration

What's happening in the industry around ISO 2022 for payments?

A number of ISO 2022 initiatives are either under way or scheduled to begin imminently. Of the 200 or so initiatives already across ISO domains globally, a significant number are in payments. Many of these projects are likely driven by SWIFT's mandatory migration of payments and related messaging to ISO 2022, and with this move to start in November 2021, SWIFT participants have just four years to complete their projects. Also, major payment market infrastructures are now in the process of adopting ISO 2022 messaging, including Europe with T2/T2S/TIPS consolidation into ESMIG and EBA Clearing Euro1 and STEP1; UK with FPS and BACS moving to New Payment Architecture (NPA) and CHAPS to ISO 2022; the US with Fedwire and CHIPS; Payments Canada's modernization program; Hong Kong and other domestic schemes; and real-time/instant payment rails, some already live, such as TCH RTP and EBA Clearing's RT1.



What are the benefits of ISO 2022 for the payments industry?

While for many the move to ISO 2022 is mandatory, there are several benefits to using the standard within payments, and adoption lays the foundation for future efficiencies. Firstly, ISO 2022 messages allow a significant amount of data to travel with the payment. Full information on payment parties and on remittance data give the potential to reduce errors in payment processing, sanctions screening, and reconciliation, thereby increasing automation. Furthermore, once cross-border and domestic

payments achieve interoperability using the same standard, our industry will be able to improve operational efficiency, transparency, and customer service as well as offer new products and services to end clients.

Those new products and services will also enable financial institutions to be more competitive and to differentiate, particularly when serving enterprise corporate clients. ISO 20022 will make it easier for corporations to enable straight-through processing of transactions and receive rich statement data from their providers and trading partners, reducing reconciliation and errors due to data loss or incorrect message translation.

What are some of the challenges banks are having with the mandated migrations to ISO 20022?

While ISO 20022 messages allow additional data, there is a risk of message truncation and data loss unless enrichment and transformation challenges are properly addressed. Complexity increases too as each payment market infrastructure has its own standards rulebook, migration plan, and timeframe which does not allow for immediate interoperability between cross-border and domestic payments - even if a financial institution were to be an early adopter of the SWIFT migration. Companies must also choose a strategy which complements clients' migration or translation needs.

Before embarking on a migration, it is important for financial institutions to ask themselves the following questions:

- What is the organisation's strategy for ISO 20022 adoption?
- Who is in charge of the various ISO 20022 initiatives, and how are they coordinated?
- What are the organisation's specific operational and/or technological complexities in relation to the processing of financial messages?
- Given companies have four years to migrate their SWIFT payment traffic and play various roles in the payment chain, should they be an early adopter, follower, or take a 'wait and see' approach?
- Should the migration be treated tactically or strategically?
- If tactical, what legacy application issues need to be considered? If strategic, understanding the holistic picture of the data architecture is recommended.
- Should a company consider upgrading and modernizing their entire end-to-end payments processing capabilities?

Are there any pitfalls banks should be aware of?

Before agreeing on the adoption strategy, a number of additional factors should be taken into consideration. For example, business operations and processes may need to be adjusted on the basis that there could be new messages and data flows not previously used. If choosing to "wait and see," delaying migration may increase costs and expose an institution to risks associated with unforeseen implementation issues, which in turn affects the delivery of products and services.

Balancing tactical versus strategic should also be considered. While feasible to implement a tactical solution for message transformation on a temporary basis while considering a longer-term strategic plan, such a tactical solution only works if the technology upon which the tactical solution is based supports the end strategic goal.

Should the migration to ISO 20022 be considered an IT-led or business-led project? Either way, ultimately the value lies in transforming an institution's infrastructure to be completely ISO 20022 enabled to ensure that customers can send and receive ISO 20022 messages to and from a bank, without data truncation, in real-time and via API integration if necessary.

What are some of the approaches banks are taking to address the strategies?

Each financial institution must decide on their migration approach, set up a program, and allocate a multi-year budget. Plus, they would be well advised to review their whole payment processing architecture in order to make decisions related to modernization and improvements. Once this review has been completed, there are several different options companies can choose from:

- Explore a consolidated, in-house payment processing solution that services all business lines
- Implement solutions based on message transformation and mapping technology to insulate existing systems from change located on premises or in the cloud
- Use a network provider solution to do translation

In addition to the above options, companies should do the following:

- Consider a microservice architecture for certain processing capabilities such as standards transformation and/or validation
- Use data repositories for additional data to ensure data is not lost in truncation

How do technology providers like Volante fit into the landscape?

Given the limited project resources and budgets at even large financial institutions, partnering with technology providers is key when implementing a successful ISO 20022 modernization strategy, whether upgrading payments processing engines to handle ISO 20022 or transforming legacy messages.

Volante's payment processing solutions, built on a business service ecosystem architecture underpinned by an ISO 20022 canonical model, are designed to accelerate financial institutions' payments modernization journeys, allowing them to deploy only the services they need.

Our library of hundreds of message standards and transformations also allows rapid incorporation of ISO 20022 and all its variants without the need for coding, simplifying integration complexity. Furthermore, Volante's solutions can be deployed on-premise or as a managed service in the cloud, providing institutions with greater agility and flexibility, all while lowering the cost and duration of implementations.

Volante has been in the financial messaging business for 20 years helping financial institutions with every step of their ISO 20022 journey, from point solutions to address translation needs, to strategic payments modernization programs. We have served as trusted partners to financial institutions of all sizes worldwide, allowing them to focus on what really matters - offering new products and enhancing the user experience for their end customer.

For more information about ISO 20022, read Volante Technologies' white paper entitled [ISO 20022 – A simple guide to a complex subject](#).

About Anne Levonen



Anne Levonen has worked in banks and technology companies during her career in Boston, Luxembourg, London, New York, and Jersey City. In July 2019 she joined Volante Technologies in Jersey City as a Director, Product Management focusing on ISO20022 adoption and related services. Most recently Anne was a Director of Financial Messaging at Credit Suisse New York. Since 2010 she advised senior management on financial messaging and standards compliance focusing mainly on payments and cash management and acted as a Global Adoption Lead for ISO20022.

About Volante Technologies



[Volante Technologies](#) is a global provider of technology and software as a service to accelerate digital transformation and modernization in financial services. Our clients include the world's largest banks, market infrastructures, exchanges, clearing houses, corporate treasuries, and card networks.

Volante's ecosystem of business services simplifies and automates complex systems and processes in payments, capital markets, and financial message integration. As a result, our clients are able to stay ahead of emerging market trends, become more competitive, deliver superior customer experiences, and grow their businesses through innovation.

Founded in Silicon Valley in 2001, Volante today serves as a trusted, strategic business partner to over 90 financial institutions in 35 countries.