



ISO 20022 INSIGHTS

HARMONISATION



Since cross border payments and several Market Infrastructures (Australia included) went live with the migration to ISO 20022 in March this year, attention has turned to the question of “now what?” writes Rob Magee, Program Director for the Australian ISO 20022 Industry Migration Program.

It has been well noted that this step was the beginning, not the end, of the payments community’s ISO 20022 journey.

Of course, there will be discussion about structured data, including, or perhaps, in particular, structured postal address. And for those taking a coexistence approach (including Australia, Canada, New Zealand, and cross border), there will also be consideration of managing and driving completion of the full migration to ISO 20022 and then how to manage the end of coexistence and the eventual decommissioning of MT Closed User Groups.

The other hot topic, and the topic of this article, is harmonisation. There are two aspects of harmonisation currently being considered by the global payments community:

1. Harmonisation between HVPS+ and CBPR+.
2. Harmonisation of Market Infrastructures’ ISO 20022 versions, with each other and with CBPR+, including harmonisation of future version changes.

HVPS+ and CBPR+ Harmonisation

HVPS+ is a template for Market Infrastructures (MIs) to base their ISO 20022 message usage guidelines (MUGs) upon. CBPR+ is the ISO 20022 variant or specification used by Swift in the FINplus Closed User Group, i.e., the cross border message specification.

In practice, MIs have developed their MUGs aligned to HVPS+ or CBPR+, or somewhere in between. There might be a variety of reasons for this, but one is certainly timing. The HVPS+ template existed first, and some early movers commenced development based upon it before CBPR+ was fully developed.

There are some necessary differences between the two but, with the benefit of seeing both in live operation, work is now underway to identify, assess and correct any unnecessary differences. Today, some of these differences create operational challenges and processing friction.

In Australia, we will continue to identify improvements that can be made to our MUGs to improve harmonisation with CBPR+ as, in practical terms, that delivers a more tangible benefit to our Participants than alignment with HVPS+. However, that distinction will diminish as those two standards themselves align more closely.

We plan to next update the Australian MUGs in 2025, which brings us to the second aspect of harmonisation.

Version Harmonisation Between Market Infrastructures

As described above, there are variations between ISO 20022 MUG standards and between the message collections used by MIs.

There are various ISO 20022 implementations in use (or planned) within Australia. These include the High Value Clearing System (HVCS, based on both HVPS+ and CBPR+), CBPR+ for cross border, AUSTRAC (Australia's Government financial intelligence agency), NPP (the local retail real-time payments scheme) and ASX/Austraclear (stock exchange). This may not be a complete list.

Overseas, each MI also has its own message collection.

Many Participants operate globally in several MIs, and/or locally in HVCS and NPP, ASX, etc. Fragmentation or variation in version between these implementations creates operational cost and risk overheads for those Participants, as well interoperability challenges. This is an area already under scrutiny by the Committee on Payments and Market Infrastructures (CPMI) cross border payments initiative, which sees greater harmonisation as an objective to reducing friction and cost and increasing speed and transparency.

Currently, HVCS is running the 2020 version of ISO 20022, HVPS+ and CBPR+ the 2019 version, and NPP the 2015 version. These differences in version can increase the difficulty of achieving close harmonisation and add complexity to maintenance of Participant systems. The future interlinking of domestic fast payment systems also adds to the need for effective harmonisation.

Some level of harmonisation of versions is desirable, but it needs to be balanced against the overheads of frequent version changes.

One consideration is that an annual change would become a familiar BAU activity, to be funded and resourced as an ongoing operational overhead within Participant institutions, as opposed to less frequent changes that would require funding and resource approvals for distinct projects to be stood up each time. Less frequent changes would also mean that Participants would have less familiarity with the tasks involved in supporting a version upgrade.

ISO will publish a new version of the ISO 20022 standard every year, but the incremental differences may sometimes be minimal or have little relevance to high value payments and/or real time gross settlement systems. Could it, therefore, sometimes be acceptable to skip a version or two?

Each change in version would involve analysis and assessment of the new version as published by ISO, then assessment of how those changes are picked up in the HVPS+ and CBPR+ standards.

Re-building of the Australian HVCS message collection would then follow, then publication, Participant system build, coordinated industry testing, and managed re-certification and implementation by all Participants, in unison. This will come with significant cost and a need to manage operational risk.

Although not the focus of this article, it should also be acknowledged that changes to the standard used between banks may also lead to flow on effects to their interfaces and messaging used by their corporate customers.

Annual version upgrades, however, would present an opportunity to implement MUG changes and improvements more often, rather than waiting two or three years to get beneficial pending improvements or corrections into the specification.

What Next?

Locally, we are encouraging discussion on these topics with our Participants and inviting them to share their views and preferences.

Within the global community, similar discussions are also taking place. Questions being considered include:

- Should a change management framework be introduced to coordinate timing and consideration of change requests across CBPR+, HVPS+ and others?
- How often do MIs plan to change ISO 20022 versions? (e.g. every year, every two or three years, or ad hoc.)
- Would a harmonisation charter be useful, to encourage commitment to a common approach across MIs?
- Are there other pros and cons; for example, from the point of view of a bank operating in multiple markets, would many MIs making changes at the same time create an infeasible challenge?

Perhaps there is light at the end of the tunnel: In time, CBPR+ and HVPS+ will grow to better align, the messages themselves will become stable, and the extent of year-to-year change will be minimal. With that hope in mind, a practicable compromise might be for MIs to each manage two or three version changes between November 2025 and November 2030, with a vision of moving to annual, aligned, harmonised changes from 2030 once all have developed some expertise in implementing version changes and when year-to-year changes might be less impactful.

This is a broad topic, and the best outcomes will rely on many opinions and preferences being heard and considered. I invite any reader to share their thoughts via iso20022@auspaysnet.com.au or, if you are reading this on LinkedIn, share your thoughts with the community via 'Comment'.