X9extra

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ISO 20022 & X9

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Dear X9 Members:

Welcome to another edition of *X9 Extra*. This time we're featuring an article on ISO 20022.

Many people have heard the name ISO 20022, and understand that it has something to do with standardized financial transaction messages. But unless you're deeply involved in the detailed development of messages, or you participate in evaluating new and modified messages, then ISO 20022 is likely to be rather mysterious, even for X9 members that hear the term ISO 20022 frequently.

There is often confusion between the ISO 20022 standard and ISO 20022 messages. Unlike many U.S. standards that define a message format, ISO 20022 is a standard for developing messages. Messages developed using the ISO 20022 approach may be approved as ISO 20022 messages, published in the ISO 20022 repository, and made freely and openly available to all. X9 plays an integral role in this process.

Our feature article is written by Debra Hjortland of the Federal Reserve Bank of Minneapolis and is intended to demystify the ISO 20022 process It's an enlightening read that will give anyone new to ISO 20022 a better appreciation of the standard, the processes that support ISO 20022 message development, and the specific services that X9 provides.

Enjoy the read, and thanks for your interest in *X9 Extra*.

Best Regards,

Brian

Brian Salway, Symcor Inc.
Chair, X9 Membership and
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The ISO 20022 standard began in the early 2000s to facilitate the development of coordinated financial messages using newer technologies like the extensible markup language (XML). The first ISO 20022 message was adopted in 2005. Since then, almost 300 messages have been developed and approved as ISO 20022 messages. ISO 20022 is used for a range of financial activities and is no longer limited to XML. In this article, I'll describe what ISO 20022 is, how messages are developed and approved, the current state of ISO 20022 message development and adoption, and the important role that X9 plays in the process.

The ISO 20022 Standard

The ISO 20022 standard defines a development methodology for creating financial messages. This methodology lays out (1) The organizational structure for managing the ISO 20022 standard and message development, (2) The process for creating and changing ISO 20022 messages, and (3) The repository structure for storing ISO 20022 messages and components.

ISO Organizational Structure

Reporting directly to the ISO Technical Committee 68 (TC68, the committee responsible for international financial industry standards), the Registration Management Group (RMG) manages the ISO 20022 registration process for ISO 20022 messages. X9 serves as Secretariat to TC68 and the ISO 20022 RMG.

The X9 Technical Advisory Group (TAG) casts the U.S. vote on RMG ballots, solicits the U.S. positions on ISO 20022 matters, and selects experts and delegates to ISO 20022 groups. The X9 TAG is the X9 Board of Directors.

A Registration Authority (RA) provides administrative services for ISO 20022, including maintaining the ISO 20022 website, www.ISO20022.org, and the ISO 20022 repository. ISO contracted with SWIFT to serve as the RA for ISO 20022.

The Standards Evaluation Groups (SEGs) are made up of industry experts representing future users of ISO 20022 messages. SEG members review candidate ISO 20022 messages and changes to existing messages to ensure that they address the needs of the future users. The X9 TAG selects the U.S. experts for the five SEGs, representing five financial

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industry domains - payments, securities, trade, card, and foreign exchange.

Creating a New Message

Any organization may originate a request to create an ISO 20022 message by initiating a business justification (BJ).

The RA reviews each BJ and forwards them to the RMG and appropriate SEG for comments. The X9 TAG develops the U.S. comments.
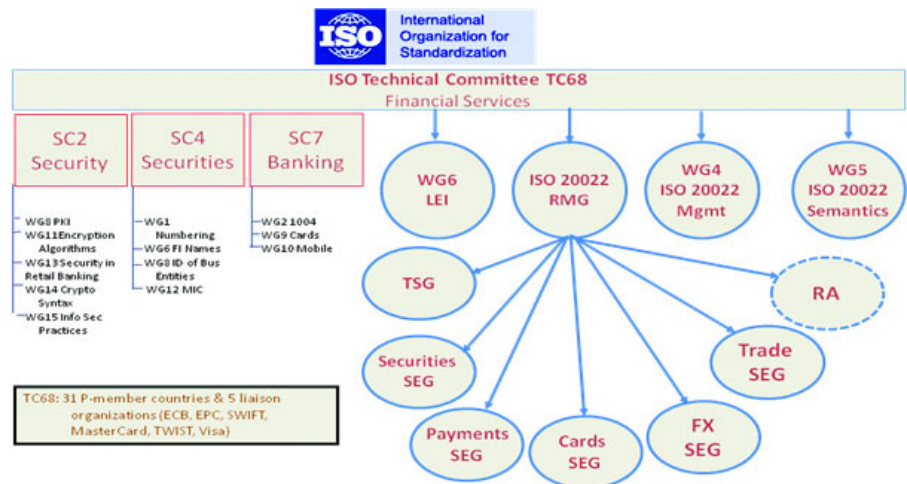
All comments must be addressed, and following this process, the RMG votes to approve or reject a BJ. The X9 TAG casts the U.S. vote.

The submitting organization develops the messages described in the BJ. When the messages are ready, the SEG evaluates them for approval, modification, or rejection. Once the SEG approves a new message, the RA registers it in the repository and publishes the schema to the ISO 20022 website.

Changing a Message

Any organization may request a modification to an existing message. This process is conducted annually, although urgent requests can be accommodated. Changes are evaluated for approval, modification or rejection by the appropriate SEG. Once approved, the RA registers the revised message and publishes the schema to the ISO 20022 website.

Quarterly, changes to values maintained in external code lists are evaluated and published, since these changes do not require schema modifications.

The above schematic outlines the makeup of the TC 68 committee. The work of the RMG 20022 is under TC 68's program.

ISO 20022 Messages

One advantage of ISO 20022 is that for the most part, messages are "harmonized" in the sense that a data element has a single definition, regardless of the message where used and all messages used together are designed so that data is not lost. Currently all messages are XML, but this may change as other technologies are adopted.

ISO 20022 Adoptions

The success of ISO 20022 can be attributed to technology and timing. In the early 2000s, not only was there a desire for a successor technology to EDI (i.e., XML), the introduction of the Single Euro Payments Area (SEPA) led to the need for a single message format to replace the domestic message formats used through-

out Europe. The global nature of corporations and banks has led to ISO 20022 adoption extending beyond the European borders, and as developing and developed countries undertake major new initiatives, ISO 20022 uptake is extending even further. For example:

- China, Japan, Brazil, South Africa, Russia and Canada have announced plans to implement certain ISO 20022 messages in their financial infrastructure.
- The International Payment Framework uses ISO 20022 as the gateway format defining translations to & from local formats.
- ERP, A/P, and A/R vendors are building ISO 20022 into their products.
- Corporations with global treasury functions are leading an effort to

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define a "common global implementation" guide for ISO 20022 messages.
- Most large global banks support ISO 20022 & are involved in its development

ISO 20022 in the U.S.

Many large U.S. banks and corporations are planning support and/or use of ISO 20022. This however, does NOT mean that existing U.S. infrastructures will convert to ISO 20022. For the most part, existing U.S. formats can be translated into ISO 20022 messages or carried as an attachment.

For example, Fedwire and CHIPS have been modified to carry the remittance fields in ISO 20022 payment messages. NACHA is evaluating whether ISO 20022 messages should be carried in an ACH addenda. The International Payment Framework, used by Federal Reserve's FedGlobal service successfully translates ACH messages into ISO 20022 for delivery within Europe as SEPA transactions.

X9 and ISO 20022

In May 2012, TC68 is meeting in Chicago, and plans to host an event on the topic of ISO 20022. Entitled "A Primer on ISO Financial Industry Standards ISO 20022 & Global Initiatives around Implementation," this event is an excellent opportunity to hear U.S. and international experts speak on the current state of ISO 20022, global adoption, and current and planned U.S. use. Persons interested in attending should contact X9 for more details at admin@x9.org.

X9 plays an instrumental role in making ISO 20022 a global success. As Secretariat to TC68 and the ISO 20022 RMG, X9's Cindy Fuller has responsibilities for the development & management of ISO 20022. The X9 TAG ensures that the U.S. selects qualified experts to ISO 20022 groups and casts well thought out U.S. votes. There are a variety of ways that X9 is influencing the direction of ISO 20022.

ONE DAY WORKSHOP

Using 20022 in North America

MAY 11, 2012 | CHICAGO

10:00 AM to 3:00 PM at the Federal Reserve Bank, Chicago

Join us for an industry forum on implementing 20022 in the North American market where international and domestic financial experts will reveal the benefits of using and implementing 20022.

CLICK HERE for Complete Agenda and Details
or Online Registration