

**Bank of England**

# ISO 20022: Reaping the benefits for the payments ecosystem

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# ISO 20022: Sowing the seeds of innovation

- We will continue to see considerable changes in the way that we pay.
- By renewing our Real Time Gross Settlement (RTGS) service, the Bank is creating the right conditions for the payments industry to grow and innovate.

## The Renewed RTGS will deliver four core benefits.

### Increased resilience

Strengthened resilience of RTGS to ensure prompt and secure settlement in a world of evolving threats.

### Wider interoperability

Enhanced cross-border payments and resilience by increasing harmonisation and interoperability between critical domestic and international payment systems.



### Greater access

Facilitating direct access to central bank money settlement for a wider range of participants. This will help reduce tiering risks and promote competition and innovation.

### Improved user functionality

Support emerging user needs in a changing payment environment.

# Migration to the ISO 20022 messaging standard



In June 2023, the Bank of England implemented ISO 20022 messaging for **CHAPS**.

Next year, our core RTGS **settlement engine** will become ISO-native.



ISO 20022 facilitates **richer data in a more structured** format than the disparate legacy messaging standards.

It is an **open international** standard, giving the potential to create a single common language for most payments globally.

**Many other payment system operators**, including cross border, high value and faster payments are currently busy implementing ISO 20022.



Early adopters of ISO 20022 are **updating to a newer version** of ISO 20022 to support additional functionality.

Many systems speaking the same language drives towards one of our key goals of **wider interoperability** across the payments chain, not just within the UK and but worldwide too, and is an important tenet of the **G20 cross-border payments roadmap**.

# Benefits of ISO 2022 in the payments ecosystem

- To fully realise the benefits of ISO 2022 the industry needs to enter enhanced and structured data consistently.
- To start seeding the payments ecosystem with enhanced data, the Bank of England is mandating enhanced data such as **purpose codes and Legal Entity Identifiers** for certain CHAPS payments from November 2024, and **structured addresses and structured remittance** from November 2025.



Transmission of **enriched data** – both  
(1) more data, and  
(2) better structured data



**Compliance and regulation**  
benefits through enriched  
data, e.g. structured  
addresses reducing AML and  
sanctions false positives



**Global:** improving  
harmonisation across  
global payment systems



**Improved straight through  
processing**  
due to less need for manual  
intervention as more room for  
data in structured format



**Improved analytics** through  
enriched data, purpose codes,  
LEIs - e.g ability to identify and  
prioritise time-critical  
payments after an outage



**Interoperable:**  
increasing resilience  
through the potential  
for substitutability



More flexibility,  
interoperability and data  
enables more **competition  
and innovation**



**Open:** to changes in the  
economy and emerging  
technologies like  
synchronisation, APIs &  
CBDCs

# Harmonisation is key to unlocking the benefits of ISO 20022

The Bank of England collaborates globally to harmonise across payments systems: enhancing interoperability and improving Straight Through Processing.



International collaboration to select common cross-border elements through **CPMI requirements**



Continue our joint work with Pay.UK on a harmonised implementation of ISO 20022 with the New Payments Architecture



Active participant in HVPS+, creating:

1. Model Usage Guidelines
2. Best market practice and
3. Financial Market Infrastructure charter

# Benefits for everyone – including corporates and SMEs

The benefit of the ISO 20022 format goes beyond the payment journey: properly cultivated ISO 20022 messages can have a second bloom.

**Corporate**

**SME**

**Financial  
Institution**

## First order benefits

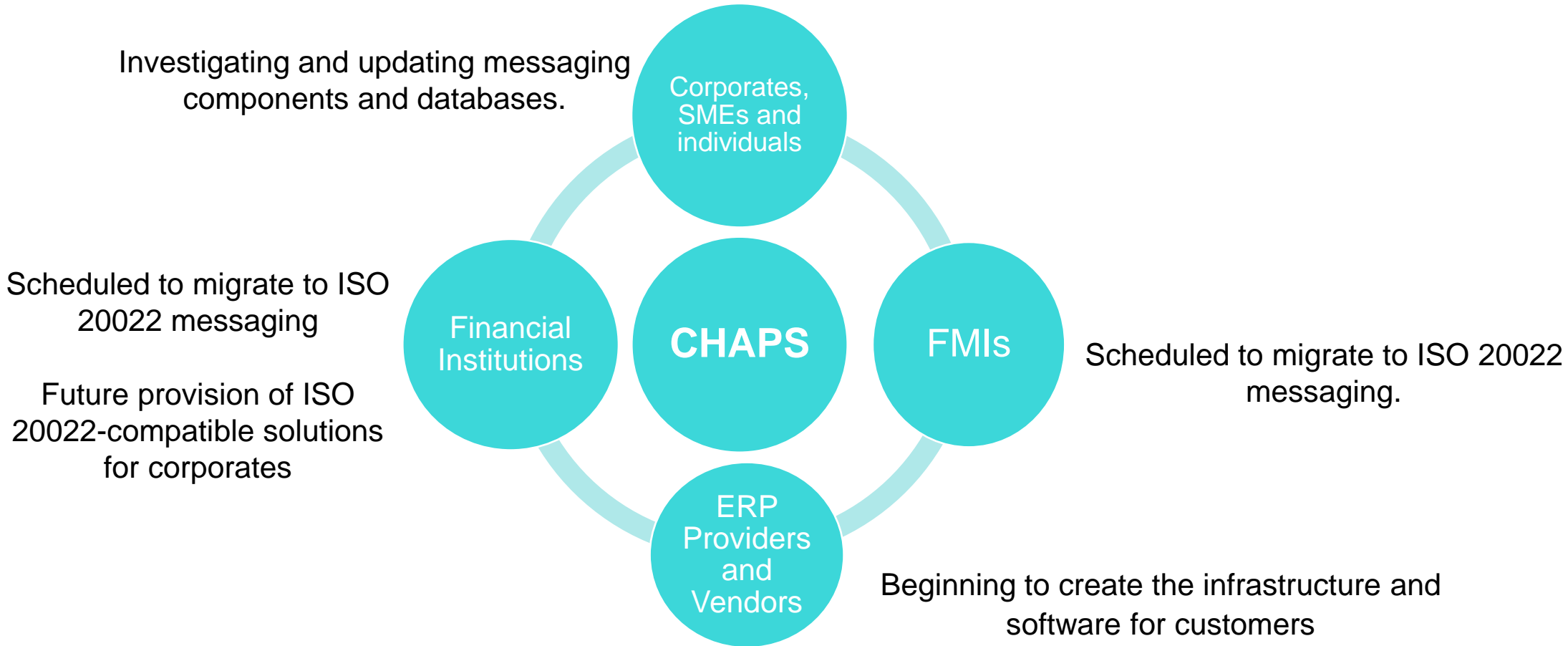
- Improved reconciliation processes
- Better view of cash positions
- Heightened ability to control intraday liquidity in several currencies
- Improved STP
- Cost savings
- Ability to track payment

## Second order benefits

- Understanding of 'good payers'
- Ability to extend credit to suppliers/supply chain
- Improved cash forecasting accuracy

# ISO 2022 messages need to be cultivated by a range of players

A combined effort throughout the payments chain to reap the benefits of ISO 2022.



# Thoughts to plant with the payments industry

## **1. Assess how ISO 20022 can benefit your organisation.**

- What are you doing to place ISO 20022 in your longer-term data strategy?

## **2. Harmonisation is key to success**

How can your organisation collaborate to support this? For example:

- Implementing ISO 20022 messaging
- Populating globally standardised ISO 20022 enhanced data, like purpose codes
- Driving ISO 20022 improvements through harmonised procedures for remittance

## **3. ISO 20022 benefits spread far wider than financial institutions**

- Benefits extend to end users, including corporates and SMEs.



# Nurturing the success of ISO 20022

As the Ideathon has shown, by unearthing the full potential of ISO 20022 we can make the most of its benefits.

***“What we plant in the soil of  
contemplation, we shall reap in the  
harvest of action.”***

Meister Eckhart  
14<sup>th</sup> century German theologian

