

ISO 20022

Frequently Asked Questions

ISO Overview

Q: *What is ISO 20022?*

ISO 20022, developed by the International Organization for Standardization (ISO), is the global messaging standard for financial business transactions, including payments. ISO 20022 is actually a recipe for making financial messaging standards (i.e., messages between financial institutions and between their customers to help interpret information). ISO 20022 can also take advantage of a repository that stores information that can be used in payment or other financial messages. This helps parties consistently use various types of information needed within a message.

Message definition using ISO 20022 can be looked at logically as a description of what data is exchanged in the message, its structure, and what it means. Such a “logical” message definition can be mapped to the business definitions of ISO 20022. The definition of the business process includes the business roles and actors involved in the activity and the business information needed in order for the activity to take place. Thereby, the message plus the definition of the business model helps to support an activity, such as a payment between two parties.

(Reference: *ISO 20022 for Dummies*)

Q: *What is NOT implied by ISO 20022?*

Although XML is the most widely used syntax in ISO 20022, ISO 20022 does not automatically mean XML or vice versa. ASN.1 syntax is also used with ISO 20022 messages – and another proprietary syntax could be used, if agreed to by parties. The syntax is needed as the physical representation of the logical message.

The ISO 20022 standard itself does not speak to the “speed” of the payment. Not all real-time payment systems are being developed with ISO 20022, and not all ISO 20022 payment systems are real time. For example, SEPA ACH payments utilize ISO 20022 and the UK Faster Payments real time system uses ISO 8583.

ISO 20022 does not address the full roles and responsibilities of players in a payment ecosystem, as this is defined by the rules of a payment network or a payment scheme. Network rules support more detailed payment requirements, warrants, guarantees, or liabilities of parties, and the rules may also include more specificity around how information is used by parties within the network itself.

U.S. Stakeholders Overview

Q: What is the U.S. ISO Stakeholder Group?

The U.S. ISO Stakeholder Group is a small group of organizations that felt it was important to assess the potential utilization of ISO 20022 for both the high-value (wire) and low-value (ACH) payment systems in the U.S. The group includes participants from the Federal Reserve (Wholesale Product Office and Retail Payments Office), X9 standards organization, The Clearing House (wire/CHIPS and ACH/EPN) and NACHA – The Electronic Payments Association. These organizations have been working together for several years researching, educating, and engaging in dialogue with the payments industry conferring ISO 20022.

ISO Mapping Guide

Q: What is the ISO Mapping Guide?

NACHA's ISO 20022 Mapping Guide enables financial institutions to support businesses that leverage the ISO 20022 standard by providing standardized guidance to facilitate translation of ISO 20022 pain.001 credit transfer and pain.008 debit payment messages into ACH transactions. To assist financial institutions supporting early ISO 20022 adoption, NACHA developed a Mapping Guide to help corporate customers translate ISO 20022 payment instructions into ACH payments. By using a standardized way to translate ISO 20022 payment messages, there will be more consistency and standard processes, which will ultimately enhance and improve operational processes.

Utilizing the ISO 20022 Mapping Guide, financial institutions can receive a single ISO 20022 pain.xxx payment file, which may include instructions for multiple payment types, and translate the payment messages to corresponding ACH Network B2B and consumer transactions, including CCD, CTX, PPD and IAT. The ISO 20022 Mapping also supports the use of camt.053 and pain.002 for ACH payment-related messaging such as rejects and returns.

Integration vs. Conversion

Q: What does “integration” mean vs. “conversion?”

By “integration,” we mean that the ACH Network will support industry tools and solutions that allow ACH users to leverage the ISO 20022 payment message standard for both electronic payments initiation and remittance using the current U.S. ACH formats with the support of the *NACHA Operating Rules*. This means entities that want to use ISO 20022 will have a way to translate “ACH to ISO” and “ISO to ACH” for both incoming and outgoing payments based on integration parameters provided in ISO Mapping Guides.

By “conversion,” we mean that the current U.S. ACH file formats are converted to ISO 20022 payment messages for all ACH payment types to all endpoints, while being supported by the *NACHA Operating Rules*. Since current ACH SEC codes would not be utilized, the codes would be replaced by ISO standards which provide new information fields and formatting all of which are supported by a repository to identify the content of information in the ISO message.

ACH and ISO 20022 Relationships

Q: Will the ACH Network move to ISO 20022?

Unlike the U.S. high-value (wire) timeline, the U.S. ACH Network does not plan to convert to ISO 20022 by 2020. The current focus of the ACH Network surrounds support for ISO 20022 integration.

Q: Why is ACH not converting to ISO 20022, but wire is?

The business case to convert the ACH Network to ISO 20022 has produced more questions on whether converting would be beneficial when compared to the reasoning and assessments made for high-value. The decision to convert wire to ISO 20022 was made based on the unique characteristics of wire payments:

- Wire currently has a higher percentage of cross-border traditional bank-to-bank payments when compared to the percentage of cross-border ACH, which is very small as a percentage of all ACH payments. Other countries' wire systems or RTGS systems are also converting to ISO. Therefore, the wire systems will gain more synergy with other countries by moving to a more compatible ISO standard.
- Additionally, wire systems within banks handle both domestic and cross-border wire payments – so if cross-border wire payments are preferred in ISO, it made sense to support domestic wires in ISO as well.
- Evolving AML and regulatory requirements for international wire can be met by the structured fields in the ISO standard. In contrast, these requirements are already being met within the ACH Network in the U.S. with the IAT SEC code.
- The wire format is primarily used for transfers exchanged between banks and is generally not integrated with software packages used by corporations. ACH is integrated with many other systems and software packages within banks and corporations that have options to leverage the extensive amount of information that can flow with an ACH payment.
- The ACH Network has also evolved in many ways, supporting a wide variety payment types. ACH supports payments exchanged between a variety of

parties, uses, and applications (i.e., consumer WEB, TEL, PPD; check conversion; payment messages; business CCD, CTX with a variety of ways to hold remittance information; government and healthcare specific payments). All of these types contribute to a robust set of payments and information which are supported today. The work to convert all of these payment types will take time to analyze to ensure functionality is not lost with a conversion to ISO 20022.

ACH Present and Future

Q: What else is happening on this topic as it pertains to the ACH Network?

At this time, financial institutions should review the two phases of the mapping guides already published as the guides can help to support the early adopters of ISO 20022 in the U.S. Because the wire plans to convert to ISO 20022 for high-value, the ACH low-value participants will work closely with the high-value participants to ensure evolving formats can be leveraged to the extent possible. We will also explore where changes may be needed in existing ACH formats to help with integration. Dialogue with the industry will also continue to support greater education on ISO 20022, engage in specific conversations with Network participants to develop ISO 20022 usage case studies, and assess industry needs on an ongoing basis.

Q: What does all of this mean to my organization as a financial institution in the U.S.?

As a financial institution in the US, you can take steps to better understand the ISO 20022 standard and associated messages. As wire decisions are made, more information will become available to help you assess the impact on your organization. For ACH, today you can learn how to utilize the Mapping Guide and prepare for customers who may be interested in utilizing ISO 20022. If you support ISO 20022 early adopters, you can become involved by sharing your case studies and by providing feedback on the Mapping Guide. You can also access the NACHA website that has an ISO 20022 Resource Center: <https://www.nacha.org/ISOResources>.

Q: *What does this mean to my organization as a corporate ACH user in the U.S.?*

With greater adoption of and utilization of the Mapping Guide, corporate ACH users should be able to consistently utilize ISO 20022 formats regardless of the financial institution they might be associated. In addition, work of the combined low-value and high-value ISO groups should help to ensure that corporate clients using both wire and ACH can have as much consistency as possible in the initiation or receipt of both of these types of payments. As software providers of ERP systems migrate more to ISO 20022, we will also work with these parties and provide consistent ISO 20022 integration support.

Q: *Will the U.S. ever convert its ACH Network to an ISO format?*

Dialogue with the industry will continue to ensure the following as we continue to explore the needs of the ACH in the U.S.:

- Gaps created by ISO 20022 ACH integration will be documented and assessed. Perhaps not all ISO messages can appropriately be supported by integration with ACH. We will determine where issues may exist, and determine how these could best be addressed.
- Integration of ACH and ISO will be supported in a way that allows end users and financial institutions to cost-effectively support early adoption of ISO 20022.

- Software providers and financial institutions will work with each other to help provide businesses with straight-through processing. Case study illustrations that help to show how integration works for all will be helpful.
- Identification of gaps or opportunities that impact users and the changing payments landscape will be documented in a way to help assess future steps and conditions that may trigger the decision to convert to ISO 20022.

Q: *What is the timeline for wires converting to ISO 20022?*

Current ISO 20022 wire efforts surround industry education, development of mapping documents and usage guidelines, and establishing an implementation rulesbook. To coincide with these ongoing efforts, a 2020 conversion target has been set.

Q: *How will wires and ACH work together in the future?*

Continue to have joint work with wire and ACH in an effort to:

- Identify synergies and document differences with wire ISO format and ACH ISO format mappings.
- Provide industry education about case studies on ISO adoption, lessons learned and discuss drivers of world markets moving to ISO 20022.

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For more ISO 20022 resources, please visit www.nacha.org/ISOResources.

