



EUROPEAN CENTRAL BANK

EUROSYSTEM

AMI-SeCo ISO 20022 Migration Strategy Task Force (ISO 20022 TF)

Presentation to AMI-SeCo

AMI-SeCo
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Background

The aim of today's presentation is to:

1. Give an overview of Task Force activities since the last AMI-SeCo meeting
2. Debrief on the preliminary recommendations reached by the TF
3. Present the working plan for H2 2024



1.

Overview of Task Force activities

AMI-SeCo ISO20022 Migration
Strategy Task Force

ISO20022 TF progress

- The ISO 20022 Task Force was established to create a collaborative strategy for the migration/adoption to ISO 20022 for Corporate Actions, Triparty Collateral Management and Billing.
- The ISO 20022 TF have met four times since the last AMI-SeCo meeting, plus two ad hoc calls on specific topics.
- During these meetings, the TF outlined the scope of the TF, the problem statements, where the main pain points are now due to fragmentation of standards or what the incentives would be for the different layers in the custody chain to migrate/adopt ISO 20022
- The TF has worked on some preliminary recommendations. The TF will draft a report covering the following points:
 - 1. Objectives of the TF**
 - 2. Description of the current situation and challenges**
 - 3. High level options**
 - 4. Concrete recommendations**



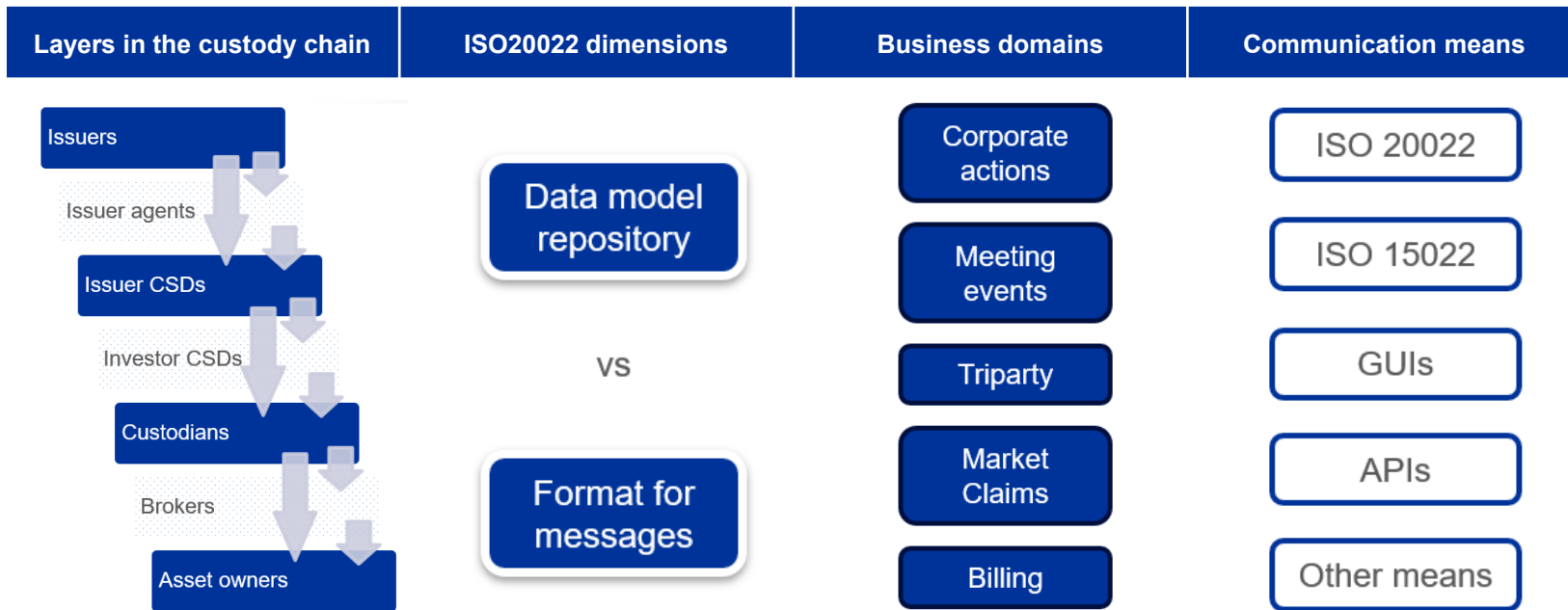
2.

Problem statements and preliminary recommendations

AMI-SeCo ISO20022 Migration
Strategy Task Force

Intermediary conclusions and recommendations

Discussions in the TF revealed that the current situation is not homogeneous; therefore, any recommendation or roadmap should address the current complexity due to different:



Intermediary conclusions and recommendations

TF discussed four main dimensions according to the different problem statements

- 1. End-to-end consistency of information**
- 2. STP level**
- 3. Interoperability**
- 4. Promotion of ISO20022 messaging**

Intermediary conclusions and recommendations

End-to-end consistency of information

Problem statement: Information is not always structured in a consistent way across the custody chain or between parties in the same layer. Proprietary data or free-text format are still used in some flows. These elements deteriorate STP and consistency of information, creating risks of misinterpretation

Discussions: ISO20022 as a data model structures information in consistent way throughout the custody chain. On the communication means, ISO20022 as message format covers all required data elements, but some actors are not ready to use. ISO15022 cannot convey properly some data elements, works well for others. Other means/protocols could comply with data elements but require alignment with the standards and yearly maintenance

Provisional recommendations:

- Enforce the usage of ISO20022 compliant data regardless the communication protocol (ISO messages, screens, forms, APIs)
- Promote usage of ISO messages to transport ISO20022 compliant data

Points to be further discussed: The recommendation to use/impose ISO 20022 messaging may not apply to everyone. If usage of ISO 20022 messages is imposed, many parties will not be ready. Some actors, depending on the layer, do not use messages at all. A solution should be reached in terms of imposing ISO 20022 data model and promote ISO 20022 messages as the best way to communicate ISO 20022 compliant data, as well as recommending that for some actors it makes more sense to migrate (e.g. CSD/participants).

Members agreed that compliance with SCoRE data elements on issuers' side will greatly improve data quality throughout the custody chain. Acknowledging that issuers/issuer agents are not heavily users of messages, the TF agreed to explore how to promote compliance of issuance prospectuses with ISO20022 data elements, without imposing an excessive burden on their side

Intermediary conclusions and recommendations

STP level

Problem statement: For the mayor part of the industry, ISO messaging is needed to achieve a high level of STP. Nevertheless, STP could be broken by, 1) inappropriate messages, 2) narrative fields or 3) proprietary formats or tailored solutions. For some domains, there is no equivalence between ISO20022 and ISO15022

Discussions: ISO20022 ensures the highest level of STP for all the domains. Nevertheless, for some areas, such as corporate actions or -partially- Triparty, there is a close equivalence with former ISO15022 messages, which, in combination with coexistence rules could maintain good STP levels. Other communication means could work and be used but not considered standards

Provisional recommendations:

- Enforce the usage of ISO20022 messages when there is no proper/standard equivalent in ISO15022: General meetings, Triparty flows based on '*reda*.' messages and billing messages.
- A roadmap will be agreed taking into account whether or not there are equivalent messages and the support of key actors (FMIs, CSDs, custodians) to these messages

Points to be further discussed: There is general agreement that key actors should foster ISO 20022 messages. Discussion is ongoing whether to keep the support of ISO15022 (and to what extent, i.e. which layer). In particular actors down the custody chain may use ISO15022 when equivalent messages exist. Other actors (CSDs/participants) see benefits on moving to one format.

Market claims require further work on definitions. In the current situation, it is not clear if they are settlement or corporate action instructions and whether new messages are needed.

Intermediary conclusions and recommendations

Interoperability

Problem statement: Some fields are larger in ISO20022 than in ISO15022. Using the full length could hamper interoperability, as translation will not be fully possible between standards, leading to inconsistencies and truncations

Discussions: Extended field length on ISO20022 does not respond to an immediate need but to a long-term view. Lack of interoperability rules in the transition period will have a huge impact, forcing an early migration to ISO20022 messages, with some players not ready to address the changes. ISO20022 variant 2 ensures backward compatibility but will require migration to variant 1 in the future to unlock the full potential of ISO20022. Coexistence rules based on market practices could be applied, although they are not subject to validations (neither by the schemas nor the network)

Points to be further discussed: There is a general agreement about that using the full size of the fields is currently not needed. Nevertheless, potential new data needs/requirements could make use of extended fields; in such a case, interoperability rules and to what extent it is feasible to maintain should be revisited

Intermediary conclusions and recommendations

Promotion of ISO20022 messaging

Problem statement: FMI and larger players are already able to use ISO20022. A single standard, instead of two, is more efficient and generate savings compared to dual maintenance. Obstacles to migrate to ISO20022 when relevant should be removed

Discussions: CSDs and, in general, direct participants, are already adapted to ISO20022 due to the upcoming entry into force of SCoRE Standards and ECMS go-live. In this vein, ECSDA recommended full migration by 2027 for general meetings and by 2030 for corporate actions. Nevertheless, on custodian-to-client layer, preparedness to ISO20022 is rather limited. System modernisation initiatives could leverage ISO20022 adoption

Provisional recommendations:

- Each actor modernising its infrastructure should make it ISO20022 enabled (even if other communication means are also offered)
- CSD participants to adopt ISO20022 when enforced by CSD and/or market infrastructure.

Points to be further discussed: CSDs role is considered of utmost importance; in the absence of a governance body forcing migration, it should be further explored how CSDs, as key actors, could contribute to generate *momentum* and how they could help in the transition period



3.

Working plan for H2 2024 and next steps

AMI-SeCo ISO20022 Migration
Strategy Task Force

Working plan for H2 2024

- The ISO20022 Task Force will consolidate discussions in a report including concrete recommendation and a roadmap for migration. **The report will be presented to AMI-SeCo in the December meeting for endorsement**
- **Subject to AMI-SeCo approval**, a letter will be sent to the relevant authorities to foster the enforceability of the recommendations
- Four more meetings are scheduled for the period July-November, when work is expected to be concluded. **Co-chairs will report to AMI-SeCo again in the December meeting**

Next steps

AMI-SeCo is invited to:

- **Provide guidance about the intermediary recommendations**
- **Take note of the working plan for H2 2024**