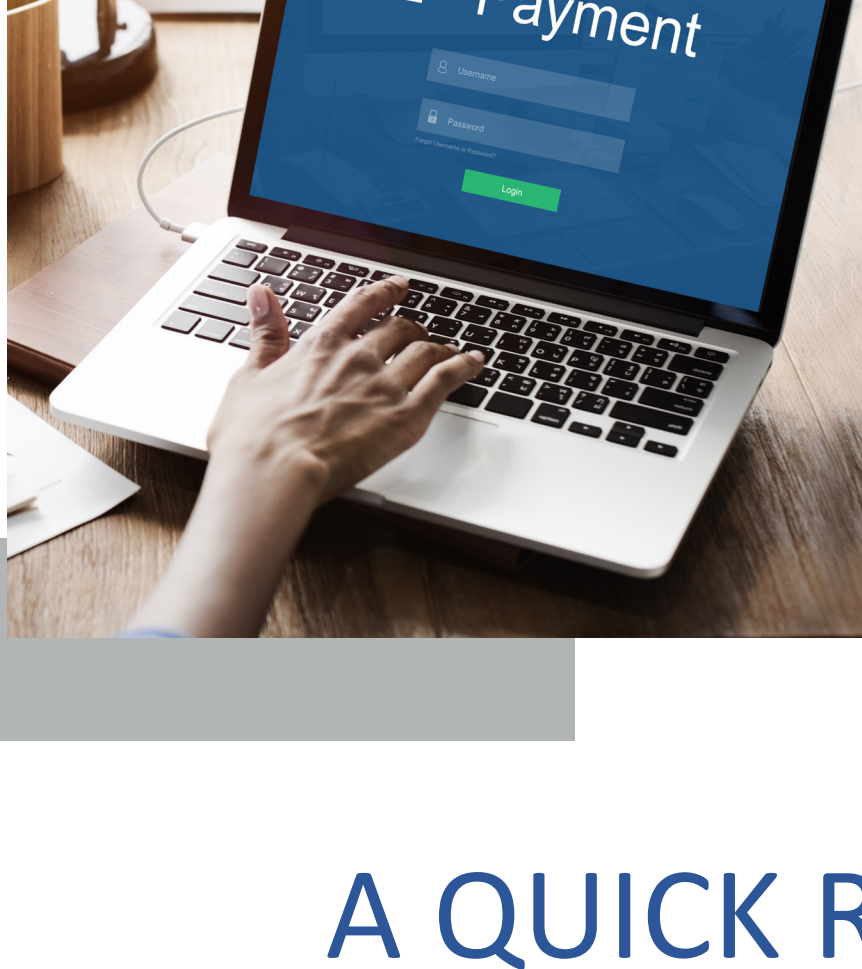


MT VERSUS MX

DON'T GET LOST IN TRANSLATION

WHAT'S CHANGING



- ISO 20022 will transform how banks communicate payments with a standardised global language. Even though it was first introduced in 2008, and banks are working very hard to meet the November go-live milestone, many banks are still not fully prepared.

- With banks adopting different strategies to support the new ISO 20022 MX format and some planning to use the full co-existence period, and with central banks following different migration roadmaps and approaches (like-to-like or enhanced data), it's going to be an awkward few years for banks.

A QUICK REFRESHER



MT

SWIFT's legacy format
Unstructured and limited data

Ingrained in bank systems



MX

ISO 20022's replacement for MT
Richer and better structured data

XML-based messaging
nested format

KEY DATES



June 2021

PhilPass (Philippines) migrated to ISO 20022



December 2021

SWIFT's In-flow Translation Service announced



June 2022

MEPS+ (Singapore) like-for-like go live



April 2023

CHAPS (UK) enhanced data go-live



November 2022

SWIFT ISO 20022 migration begins
T2 (Europe) ISO 20022 go-live



November 2023

Fedwire (US) go-live
SEPA ISO 20022 upgrade



November 2025

MT-MX coexistence period ends,
Mandatory Structured Customer Address

TIME TO ADOPT A NEW FORMAT

- Instead of modernising their legacy systems and adopting ISO 20022 as the canonical payment infrastructure format, many banks are opting to translate MX into MT and vice versa, leveraging payment translation solutions.

- You can think of it as Google Translate for banks.

- Translation services will last until banks can no longer justify the considerable ongoing costs, the coexistence period ends, or the solutions no longer meet regulatory requirements.

- However, translation services throw up all kinds of difficulties.

- Varying adoption timelines and approaches globally to the challenge.



CHALLENGES

The two standards are a complete mismatch in terms of data richness:

MX carries more data than MT, and also presents a hierarchy of fields



- Data truncation - as enhanced MX information finds no home in the legacy MT format.

- Double-conversion* risk - when messages travel from one market infrastructure to another, data could be lost, mis-placed or mis-interpreted.

**Double-conversion definition: A message moves from a given market infrastructure to another market infrastructure using two different sets of conversion rules: first the message is translated from MX to MT, using a first set of conversion rules, and to be delivered in the second market, the message is converted back from MT to MX but using a second set of conversion rules.*

- Missing data enrichment, not scanning all the data, or not strategically leveraging the new data structure to improve internal processes like FinCrime detection or to reduce false positives.

- Eroded competitiveness with product offerings that cannot leverage the new richness of the data, for example, in the cash management space.



SOLUTIONS



- Perform an impact assessment and understand how you can be ready on time, with the first set of requirements communicated by the market infrastructures you are in.

- List and analyse all your key payment scenarios, describing the end-to-end expected detailed results for each scenario.

- Create an MT to MX migration roadmap, ensuring that you cover the timelines for the various regulatory requirements, anticipated costs and dependencies on other change programmes.

- If you plan to use the translation libraries, make sure you don't solely rely on them, but instead embed them into a broader solution that can deliver the format required by the market infrastructures you operate in without any loss of data or impact on your STP rate.

Understand how the new data requirements, due to be mandated soon by many market infrastructures, will be captured and transited across the end-to-end payment flows, from channel through payment engine to core banking

BE STRATEGIC

- Adopt a broad translation solution suited to the market infrastructures you operate within, building capability that can be re-used across various geographical jurisdictions.

- Review your product portfolio and understand how the richness of the ISO 20022 data structure can be leveraged to offer better services to your customers.

- Describe a strategic infrastructure that can make the most of MX's additional data, and define a clear roadmap towards the delivery of this strategic payment architecture.



Translation services should only be considered as a tactical solution. However, adopting ISO 20022 as a native format for your whole end-to-end payments architecture is not an easy task. If you need any support in designing and delivering an optimal roadmap that allows you to remain compliant and competitive for the future, please feel free to reach out to RedCompass Labs. We have a team of experts, as well as a bespoke technology, that can help you achieve a smooth transition to ISO 20022.