ISO 20022 Newsletter

Financial Industry Value Creation – Adopting Common Standards

By Gerard Hartsink, *Convenor*
ISO 20022 Registration Management Group

IN THIS EDITION

FOR MORE INFORMATION on ISO 20022, consult the ISO 20022 website at www.iso20022.org and get access to:

- Two scripted Powerpoint presentations on the home page to understand the ISO 20022 value proposition, the role of the various registration bodies, and what has been developed so far
- How to become an ISO 20022 'submitting organization' and develop new ISO 20022 messages or how to submit updates to existing messages.
- Who is representing your country or organization in each of the ISO 20022 registration bodies: the Registration Management Group (RMG), the five Standards Evaluation Groups (SEGs) and the Technical Support Group (TSG)
- Which are the current development projects and their status
- The catalogue of ISO 20022 messages including the latest version of ISO 20022 messages and the archive of previous versions. In October 2009, there were 203 ISO 20022 messages and 95 candidate ISO 20022 messages under evaluation.

If you have questions, please send them to the ISO 20022 Registration Authority at iso20022ra@iso20022.org.

The financial industry is often criticised for not contributing enough to the delivery of its services to customers and to society at large. In this second newsletter, you will find reports on how the financial industry cooperates with others to support innovation and efficiency for the benefit of its customers.

The objective of this newsletter is to make a broad audience aware of the progress of the ISO 20022 work efforts, and of the challenges to create and implement standards. The articles in the ISO 20022 newsletters are developed by individuals representing ISO 20022's nearly 300 experts. Additional information about the ongoing work is available on www.iso20022.org.

INCLUSION OF ALL STAKEHOLDERS

The objective of the ISO 20022 methodology is to create, within a single standard all standardisation initiatives that enable communication interoperability between financial institutions, their market infrastructures, and their customers. The ISO 20022 standard is only part of the puzzle. Other standards may become key building blocks for delivery of financial services in the payments, cards, and securities industries.

It is important that suppliers of financial services agree on the ISO 20022 standards for transactions that business and public administrators are able to implement in their processes. An "end to end" approach with inclusion of buyers next to the suppliers of services, as well as the market infrastructures that support the securities and the payments industries and their technology suppliers are required for the creation of the ultimate ISO 20022 standards.

BENEFITS OF ISO STANDARDISATION

In many jurisdictions, the public sector urges financial institutions to deliver convenient, secure, and efficient payments

and securities services that are innovative and valuable to their customers. Payment services are the oil for the economy and the securities services takes care that issuing institutions – corporate and public sector – efficiently receive access to societal savings for their investments.

The financial institutions benefit from standardisation because it makes it possible for them to deliver their services to targeted customer segments in multiple markets without technical barriers. The value propositions in the securities and payments industry based on common message standards result in more competition and create a greater choice for customers. The suppliers of technology or processing services to financial services and/or their customers benefits all standards developers and users because they are able to deliver their technology and services to a larger market. This creates better options for innovation and reduced processing costs, becoming benefits for suppliers and buyers of financial services.

VISION AND REALITY

Between the vision on the preferred standard and the current status quo there are many technical and legal obstacles to overcome and realise payments and securities services based on the common message standards. The ISO 20022 organisation has an objective that convergence of various standard processes into one ultimate standard is the long term goal and, for the present, standards need to co-exist to enable quick response to competitive pressures and regulatory demands.

> "THE ISO 20022 ORGANISATION HAS AN OBJECTIVE THAT CONVERGENCE OF VARIOUS STANDARD PROCESSES INTO ONE ULTIMATE STANDARD IS THE LONG TERM GOAL AND, FOR THE PRESENT, STANDARDS NEED TO CO-EXIST TO ENABLE QUICK RESPONSE TO COMPETITIVE PRESSURES AND REGULATORY DEMANDS."

In many jurisdictions the public authorities stress that payments and securities industries should take care in the removal of technical barriers in order to create more value for the benefit of customers. Public authorities (policy makers and central banks with support of competition authorities) in several jurisdictions are recommending that ISO 20022 standards are implemented in order to capture the benefits for society and support innovation based on these standards. Public administrations and central banks are large market participants in the payments and securities industry.

A growing number of requests for a proposal of public administrations and businesses for payment services include a condition that the services should be delivered based on the ISO 20022 message standards. The customers have started to acknowledge the benefit of these standards.

The challenging questions remains in many communities how long the interim period with more than one standard is acceptable. It is clear that in a growing number of jurisdictions the regulator is taking a position on the length of the migration period. It may be expected that the regulator will intervene in cases when the benefits for society are not realised, either by self regulation by the financial institutions or the lack of implementation by their customers.

The ISO 20022 organisation has the objective of convergence into ONE message standard for each type of transaction service. The realisation of this objective is a task for market participants by self regulation. The public sector may consider a regulation if self regulation does not lead to this objective and a market failure is a reult of inadequate self regulation. ●

Rules are Not Sacred…

By Kevin Wooldridge, *Chairman, ISO 20022 RMG Rules Subgroup*

. . . Or to complete the quote, from Franklin D. Roosevelt, "Rules are not sacred, principles are". The role of the Rules Subgroup in the ISO 20022 Registration Management Group (RMG) is to take the principles that have been defined in the standard itself, and turn them into operational rules that can be followed by members of the RMG and other ISO 20022 created bodies. In the early days of the creation and organization of the RMG, activity centred on the RMG 20022 membership criteria and creating the first draft of the registration process for new business justification submissions to the standard. Later topics have included the mechanisms for RMG officer elections, achieving consensus in the other created registration management sub-bodies such as the Standards Evaluation Groups (SEGs), and defining the details of the maintenance process. The rules subgroup is also called in to deliberate on occasional or exceptional issues that affect the procedures or governing bodies for the standard, such as the RMGs creation of the Technical Support Group (TSG) last year.

RULES PROCESS

The rules process is simple in concept. The rules subgroup membership is derived from voting members of the RMG. It allows a degree of focus to be brought to the issues before it which would not be possible in a meeting of the entire RMG. The rules subgroup (as with other subgroups created by and reporting to the RMG) is not recognised by the ISO standard, and has no official voice. This is distinct from the other registration bodies set out by the standard such as the SEGs, where membership is open to representatives of P-member countries or Category A Liaison organisations, and which have specific responsibilities set out by the standard. Once the rules subgroup has discussed an issue, and has reached a conclusion, it makes a recommendation to the RMG. It is the RMG that decides the resolution to the issue, which may or may not follow the rules subgroup's recommendation.

RULES NEEDS AND REQUIREMENTS

So why do we need a separate rules subgroup? Let's look at the ISO 20022 standard. Part 7 of the standard states that "the SEG will validate and approve any additions and/or modifications to and/or deletions of registered ISO 20022 Repository (see www.iso 20022.org) items before the Registration Authority (RA) applies those requests into the Repository". This is an excellent and clear principle, but it is not detailed enough to tell an expert of the SEG what he or she must do, and how it should be done. It is symptomatic of a volunteer body, such as ISO, that experts will change assignments within their own organisations, or will change jobs, or may experience varying levels of availability for ISO standards development work. The membership of the registration bodies is likely to rotate over time. Each new member is entitled to a clear and precise set of rules that will help him or her understand not just the principles, but also the details, the 'nitty gritty', of the registration process. To this end, the rules subgroup authored two documents which are freely available on the ISO 20022 website, covering registration body governance and procedures. These were approved by the RMG and are continually maintained.

CONCENSUS DECISIONS IMPROVE MANAGEMENT

Because the RMG is a grass roots organization and loosely applies the ISO directives the RMG "organization" attempts to arrive at decisions by consensus. In most cases this works well, but in some instances, a different type of l consideration needs to be applied. In the case of officers elections for the RMG, for example, it was noted during 2007 that a simple voting process fell short of what
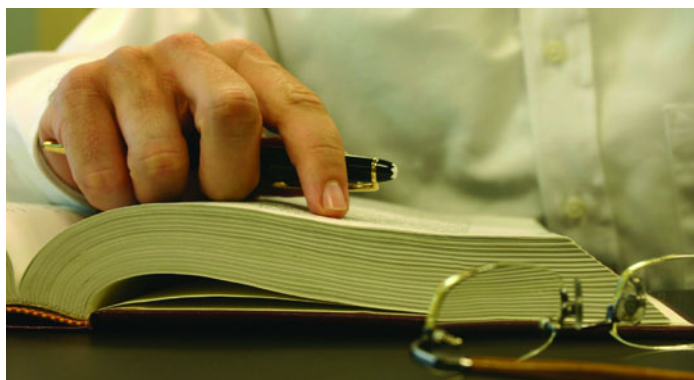
Bringing ISO20022 Payments to the Corporate Community: A Joint Effort

By Len Schwartz, *Convenor, ISO 20022 Payments SEG*

During 2009, an unprecedented set of workshops have been held by corporates with their multiple banks to launch the implementation of ISO20022 payments for their global payment activity. These customers are particularly multi-banked, multi-country, and multi-transaction type customers. The corporate-driven workshops have been held with the goal of ensuring a consistent, common implementation of ISO20022 by the group of primary transaction banks each specific company deals with.

WORKSHOPS BENEFITS

Two things became clear during the year. First, ISO20022 adoption by a number of global corporates was underway! Second, banks were participating in multiple workshops. This also brought the banks, many of whose members also participate in the ISO20022Payment SEG (Standards Evaluation Group), and the corporate community together to refine how the messages would be used to make sense in a consolidated effort.

The CSTP/ISTH, an original submitter of the customer to bank payment messages, discussed the opportunity to coordinate all the players engaged in the ISO20022 payment landscape for the global corporate community. Included in this landscape are a number of banks, the major ERP systems they use which generate the payments, SWIFT (as RA for ISO20022) and the global corporate community. Although the major ERP's have already built ISO20022 support for SEPA, further work has been needed to support the type of global implementations these represent. Extending that support in a common way to, for example make sense of a global payables scenario.

Efforts were initiated to create a Common Global Implementation (CGI), based on version 3 of the ISO20022 payment messages, for all players participating in this market segment. The Common Global Implementation, which will effectively become a variant of the ISO20022 payment messages, intends to:

- Create common implementations for the credit, debit, status and account reporting messages;
- Publish the results through the CRG, SWIFT and the major ERP's for global corporations building a global payment files using ISO20022; and

- Develop a comfort level with the EPC that any SEPA transactions contained in the broader payment file from the corporate to the bank, will contain the right transaction level content for the banks to create proper, SEPA-compliant, transactions from the instructions in the multi-payment instrument file for the customer.

It is important to understand that the CGI represents one simple implementation of ISO20022 payment messaging. The global corporate market segment is very important to a number of banks; however, there are also implementations that will be appropriate for purely domestic files or files of a single type of instruction. However, this variant implementation should shorten the time and effort required each time a bank implements a global company wishing to use ISO20022 payment messaging. Today this has been a complex, lengthy, task using legacy standards.

AGREEMENT ON PAYMENT MESSAGES

During October 2009, SWIFT hosted the workshop that grew from the work of these banks and had representatives from 13 banks, SWIFT, bankers associations, major ERP vendors, and 8 global corporates. The goals of this workshop were to create consensus on how the ISO20022 payment messages will be implemented. In particular, the group has set gaining consensus with the Corporate Reference Group of UN/CEFACT's TBG5. The CRG, which represents about 20 major global corporates and defined the most common use of EDIFACT by corporates, is represented in the Payment SEG by the chair of TBG5 of UN/CEFACT.

Alongside, the banks engaged in this effort have already launched specific meetings with major ERP vendors individually.

The early work prepared for the CGI, the initial meetings with major ERP vendors and the workshop recently hosted by SWIFT puts ISO20022 messaging well on the road toward an easier implementation. The group hopes that work around the credit transfer, direct debit and status messages will be completed by year end. ●

The Registration Authority Perspective

By Jean-Marie Eloy, SWIFT, *Registration Authority Representative to RMG 20022*

The last few years have seen a steady increase in the level of community engagement and discussion around the adoption of ISO 20022.

TARGET2 went live in 2007 using ISO 20022 for cash management. Since then, many European banks have joined SEPA, where ISO 20022 messages are the recommended format for all euro payments. We are also seeing a growing number of initiatives across the globe to abandon domestic payment standards in favour of ISO 20022.

In the securities world, TARGET2-Securities (T2S) announced their intention to go live in 2012 using ISO 20022. Euroclear has also announced that their new platform will go live, offering a mix of ISO 15022 and ISO 20022 messages, and have shown their commitment to ISO 20022 by taking the lead in the creation of new standards to complete the gaps in the securities space.

The adoption of ISO 20022 is also extending beyond Europe to Asia and the US. JASDEC and DTCC now both have concrete plans to offer ISO 20022 in addition to their proprietary standards. And we are seeing growing interest from other entities such as STRATE in South Africa.

But perhaps one of the clearest indications of the success of the new standard is that, for the first time, so many standardisation bodies are working together towards a common goal that will enable ISO 20022 to become a global multi-syntax standard that will continue to increase automation and lower both risk and cost in the industry. True interoperability is now within reach as more of these standardisation bodies work on harmonisation of the business model and repository elements which will support messaging in multiple syntaxes.

SWIFT, in its role as the guardian of the ISO 20022 standard (the 'Registration Authority' role which SWIFT formally began in 2004), is at the heart of the development and maintenance activity with more than 200 messages delivered and over 300 in the pipeline. The Registration Authority has received submissions from more than 15 different organizations and is seeing a keen interest from a growing number of firms (financial institutions and vendors) to integrate the repository components within their own applications and services.

XBRL's continued interest and participation in the ISO 20022 process serves to highlight that ISO 20022's influence is now extending beyond the transaction lifecycle into the accounting and reference data domains. Alignment of our respective elements and components to ensure the interoperability of data is another important step in the journey of ISO 20022 community adoption. ●

Rules are Not Sacred (*Continued from page 3*)

was required. The voting RMG members were not clear if officer positions must be shared around the various global participating regions, or even among the financial functional domains (to ensure equal representation for payments and securities, for example). What would be the procedure in the case of a tie? The rules subgroup discussed and proposed a set of rules around officer terms and voting procedures. We now have staggered terms, to smooth succession, and a set of clear guidelines to deal with all possible outcomes of the vote. These rules are recorded in the ISO 20022 Registration Bodies Governance document.

The Registration Management Group will be five years old in January 2010. And like any five-year-old, it is encountering new stimuli and having to learn to adapt. In 2009, the rules subgroup was asked to define: rules to help the SEGs achieve a good level of consensus; the maintenance process for change requests; and rules to help further define the role of the Registration Authority. We have been well supported by a core of dedicated members who provide sage advice on sometimes emotive topics, and by SWIFT, in its role as the Registration Authority, who continues to keep the ISO 20022 website up to date with the relevant procedures and rules. ●

Evolving out of the Galapagos Islands
A Migration to ISO20022; Japanese Case

By Takahito Yamada, *RMG Member Delegate for Japan*

Japan's National Committee for ISO/TC68—Financial Services, is paving the way for the nation's migration of the ISO 20022.

LONG HISTORY

Although Japan is a relatively new player in the ISO 20022 community, we have a long history in the electronic payments arena. The Zengin System, a Japanese system equivalent to CHIPS or Euro1 whose network is now expanding throughout the country, started operation in 1973, four years before SWIFTNet was launched.

OUT OF GALAPAGOS

In the course of the nation's steady economic recovery from the aftermath of World War II, Japan's services sector consistently focused on the expanding domestic markets. Among others the financial sector met domestic clients' needs in a sense too successfully: we had swiftly built up the above-mentioned telex-based network, for a relatively reasonable cost, a system that could be operated using a Japanese character-set (Katakana). Such partial optimization resulted in Japan's recent confrontation with certain challenges, sometimes compared analogously with the isolated evolution occurring in the Galapagos Islands.

After the banking crisis and a decade of prolonged recession in the 1990s, followed by global competition in the new millennium, Japan is now faced with a flood of cross-border financial transactions that must be handled on a tighter budget. Whether we like it or not, this has led Japan to seek enhanced message interoperability.

PROJECTS IN THE PIPELINE

First, the Japanese Bankers Association, which is upgrading the Zengin System into its 6th generation, is catching up to implement ISO 20022 for migration in November 2011. Second, in the securities arena, JASDEC (Japan's national CSD) is now fueling momentum for refurnishing their Matching and Settlement system. JASDEC has decided to implement ISO 20022 for the systems scheduled to go live in 2014. In the meantime, the Bank of Japan (BoJ-Japan's cen-

The next RMG meeting venue: The Bank of Japan Inauguration Ceremony in 1896

tral bank) is carefully watching developments in the private sector in preparation for the establishment of a new BOJ-NET to be migrated in 2015.

INNOVATION IN THE PAYMENTS AREA

Another following wind is blowing to sail off for the innovation in payments arena. The Payment Services Act was passed last June. This modern legal infrastructure, together with remarkable innovations in IT such as IC smart cards and gigabit networks, is the new driving force for expanding the payment business in such domains as retail payments as well as cash management services for the corporate treasury.

UNIQUE STRUCTURE OF THE JAPANESE ISO/TC68 COMMUNITY

Financial institutions in Japan are outsourcing IT system maintenance and development to their business partners in the IT industry, which are the main drivers of technological innovation and are backed by accumulated operational skills. This is why Japan's national committee has an extraordinarily variety of members, from Payment/ Settlement business leaders to IT architects and academics.

Leveraging this talent, we would also like to contribute to the ISO 20022 community from perspectives like the IT security handled under TC68/SC2, as well as the XBRL (Extensible Business Reporting Language) and financial reporting architectures in TC68/SC4--Securities.

SEE YOU IN TOKYO!

We are honored to host the ISO 20022 RMG delegations at their next semi-annual RMG meeting in May 2010, together with various ISO/TC68 meetings scheduled back-to-back. ●

Reactive or Proactive?

By Kevin Wooldridge, *Convenor, ISO 20022 Securities SEG*

2009 has so far been a busy year for the Securities SEG. Two business justification submissions from SWIFT were received , one covering corporate actions processing and the other covering settlement and reconciliation, represent not just a large amount of committee work for those involved in the experts evaluation, but are also fundamental to the post-trade securities domain. The equivalent messages in ISO 15022 are widely used in Europe, while it can be hoped that their ISO 20022 equivalents will quickly gain traction for use and implementation in the Asia Pacific and American regions. Support from key infrastructures such as Japanese Securities Depository Centre, Inc. (JASDEC) and The Depository Trust Clearing Corporation (DTCC) will be instrumental in the eventual successful implantation, adoption and widespread use of ISO 20022.

SECURITIES SEG REVIEWS SPECIFIC MESSAGES

The Securities SEG is also looking at crucial developments in the areas of investment funds and in pre-trade/trade. The Funds Processing Passport will allow key data about an investment fund to be communicated in standard format throughout the world, while the joint business justification submission from FIX Protocol Limited and SWIFT for pre-trade/trade messages is the first ISO 20022 business justification submission to support multiple syntaxes, a basic tenet of ISO 20022.

So the Securities SEG expert members have been very active. But the evaluation of submissions is a reactive process. The impetus is provided by the business justification submitter (or the submitter's market), and the SEG responds as necessary. Should the SEG take on a more proactive role? As a global body comprising business experts from all securities domains, the SEG is arguably a unique repository of messaging standards expertise. As ISO 20022 implementations worldwide increase, the impacts of changes will become more and more significant, and the SEG is the 'quality gateway' through which those changes must pass. Institutions which require change would do well to 'socialise' such changes among the SEG membership to smooth their passage through the maintenance process. There is little point modelling and designing a new component only to find that SEG members disagree with the business concept, or are not accepting of the implementation. Institutions that are not sure whether a change is necessary, or where there might be a choice of implementations, may well seek out the advice of the SEG membership before choosing a course of action.

HOW DO THE SMPG AND SECURITIES SEG CO-EXIST?

The Securities Market Practice Group (http://smpg.webex-one.com) has for over ten years debated many of the same topics and issues; should the SEG seek to replace it? The answer to this is a resounding 'No'. The SMPG has delivered a great deal of business process harmonisation and automation in that time, and will remain a critical forum for further global harmonisation, a necessary pre-requisite to standardisation. If anything, the SEG should view the SMPG as a potential 'submitter' of changes. But there should certainly be a very strong overlap in the membership of the two bodies, so that the business rationale behind such changes can be supported in the later stages of approval. In some countries this is already the case, but in others the lists of 'market practice' experts and 'standards' experts are entirely different. So a first step would be for each country to encourage greater cohesion between these two bodies.

How could it work in practice? The Securities SEG has already been asked to voice an opinion on a change request, in order to provide guidance to the submitter. As the ISO 20022 message maintenance process becomes more established, change requests will naturally

WHO ARE THE SMPG?

The Securities Market Practice Group (SMPG) was conceived and organised over ten years ago to help resolve differences in national market practices in the use of the ISO 15022 Scheme for Messages. SWIFT provides secretarial services to the SMPG, but the group is fully independent and meets on a voluntary basis twice a year. Feeding into the global group are over 30 national groups, who discuss and document local market practices, with a view to eventual global harmonisation. Visit the SMPG website at www.smpg.info for more information.

CBI to Adopt ISO 20022, and Become Active in the Initiative

By Liliana Fratini-Passi, *Italian Bankers Association, Italian Member to RMG 20022*

The CBI (Customer to Business Interaction) Consortium, established by the Italian Banking Association (ABI), holds the governance of the CBI Service (Interbank Corporate Banking), provided in Italy by around 690 financial institutions, which are members of the Consortium and (account for about 95% of the Italian banking system and Poste Italiane Plc). The CBI now stands for certain capacities:

- network available to corporates (and in the future to the P.A. /Public Administration) to convey multibank payments, collections and statements, as well as to exchange electronic documents, e.g. E-invoices;
- standardization body of the Corporate-to-Bank domain in Italy;
- widespread community of cash management services, reaching approximately the number of 800,000 corporates, among which enterprises of every size, chartered accountants and trade associations.

CBI FOR ALL ENTERPRISES

By means of the standards and CBI interbank infrastructure, an enterprise of any size can work with all the banks where it has current accounts, therefore centralising on a unique remote front-end all the relations with the banking system in a secure and efficient way. The CBI is now a system focused solely on the domestic area, but it is looking into internationalisation, both in terms of legislative evolution and in terms of the cross-border spread of services like exchanging E-invoices with foreign B2B communities.

Considering the latest evolutions in the field of international payment systems, the CBI has decided to turn to ISO particularly in the area of its own multi-banking channel (payment initiation Corporate-to-Bank domain). The globalisation of markets makes even more relevant the respect of interoperability among the actors who are involved in different capacities in the business process. This activity involves banks, which need to streamline the management of financial flows not only against a national backdrop, but also in cross-border situations, in order to knock down operational barriers that prevent process integration. By doing so, customers would be provided with even more efficient and competitive services.

INTERATIONAL STANDARDS KEY TO SUCESS

The keystone for maximizing interoperability is represented by the subsequent adoption of international standards, capable of ensuring semantic and syntactic consistency of exchanged information, as well as the sharing of rules governing communication processes among the parties. In confirmation of the value related to the use of an internationally recognised standard, the European financial community is adopting the standard ISO 20022 in order to define service models – and the related messaging system – included in the SEPA (Single Euro Payments Area) project. The main goal of SEPA is the harmonisation of payment and collection systems of the European market.

ISO 20022 provides banks with a common process architecture that enables them to enhance the level of service while cutting costs and therefore helping to cope with the current global financial crisis.

An additional value provided by the ISO approach is the fact that a community willing to develop a specific financial service can make reference to the specifications published on the ISO20022 Repository, regarding that particular function. By doing so, the community is allowed to adopt recognised message formats, capable to ensure international interoperability.

The CBI, for the above mentioned reasons, has fully and confidently joined the ISO20022 project, focusing its offer of new services (in XML language) on the data dictionary defined by ISO, e.g. for implementing SEPA Credit Transfer and SEPA Direct Debit, based on ISO20022. Obviously, the very same standards have been implemented on national clearing/settlement platforms.

CBI ROLE IN ISO 20022

Further than the adoption of ISO20022 as a common platform for developing new services, the CBI has played an

active role as Submitting Organisation for the registration of new service types.

The Invoice Financing Request function has been registered in the ISO20022 Repository – Trade Services Initiation Area – during November 2007, and has been active on the CBI infrastructure since March 2009, through the definition of ad hoc operational guidelines.

This function supports the optimisation of corporate treasury management – especially in the case of small enterprises – facilitating not only cash flow management in order to make potential profitable investments, but also the automation of internal processes. In particular, the business value provides the company with the opportunity to change the invoice into current assets, while allowing to stay true to payment obligations as well as to cover management costs before the invoice is collected.

> "FURTHER THAN THE ADOPTION OF ISO20022 AS A COMMON PLATFORM FOR DEVELOPING NEW SERVICES, THE CBI HAS PLAYED AN ACTIVE ROLE AS SUBMITTING ORGANISATION FOR THE REGISTRATION OF NEW SERVICE TYPES."

Upon the premises of this positive experience and of the added value that the adoption of an ISO20022 standard brings to its own community, the CBI Consortium has launched the registration of the Credit Payment Activation Request (CPAR), based upon the current international payment standards adopted by the SEPA project.

The main features of the service are:
- the possibility for the Creditor to submit to the Debtor a pre-filled Credit Transfer order (with the information in possess of the Creditor, e.g. account information)
- the function of pay me request, i.e. payment reminder;
- the authorisation for the automatic reconciliation of orders and payments, and the possibility to enter cross-references between documents (e.g. invoices) and related payments.

CPAR BECOMES A BUSINESS JUSTIFICATION

The RMG ISO 20022, acknowledging the value of the CPAR function for the international community, has approved the related Business Justification in June, 2008, launching the in depth analysis of the service in order to define the corresponding UML model and its evaluation by the ad hoc Standard Evaluation Groups (SEG Payments as SEG leader, assisted by the Trade Services SEG for the interconnections with document management/B2B); by doing so, the RMG ISO 20022 has laid the foundations for the success of the registration initiative and the subsequent launch of the domestic service offer. The CBI Consortium foresees to conclude the registration process by February/March 2010.

Once implemented in the CBI infrastructure, this, this service will be able to also support the efficiency of P.A. to give instructions with regard to payments for services supplied to citizens/ enterprises.

By means of sending to the Creditor a pre-filled Credit Transfer order, the P.A. will have the possibility to enter appropriate information supporting automatic reconciliation, which will be subsequently included in the status report message and in the corresponding statements.

According to the value assigned to the creation of a common international repository on financial services, as well as on the standardization activities that have been carried out, the Consortium is constantly monitoring the ongoing ISO work through the direct participation in RMG and Payments/Trade Services SEG meetings. This commitment will go on, with the deep hope that the currently ongoing harmonisation process will be able to fully develop and deploy, through an even greater involvement of vendors, final users and other market forces. ●

Reactive or Proactive? *(Continued from page 7)*

come to the SEG in the first instance, to review the business case. But again, this is reactive. To move to a more proactive model, SEG members would need to identify at an early stage that there might be a standards or business practice issue to debate, and to bring this to the attention of the SEG. We might also expect other bodies discussing harmonisation to invite opinions from the SEG. The more integration there is between different streams of standardisation, the more likely those streams are to make progress. As a global body covering all aspects of the securities industry, it would seem that the Securities SEG is in a good place to provide that integration. ●

Standardising the message

Collaboration, clarity and flexibility key to current and future success of global messaging standards

The Investment Roadmap, a guide created through a collaboration between the world's leading messaging standards, to provide consistent and clear direction on messaging standards usage was released in May 2008. A year later, FPL's Operations Director, Courtney Doyle asked the authors of the roadmap for their assessment of its impact on the industry and how they saw its future evolution.

FPL's Courtney Doyle spoke to:

Genevy Dimitrion, Chair, International Securities Association for Institutional Trade Communication (ISITC)

Jamie Shay, Head of Standards, Society for Worldwide Interbank Financial Telecommunication (SWIFT)

Karel Engelen, Director and Global Head Technology Solutions, International Swaps and Derivatives Association (ISDA)

Scott Atwell, FIX Trading and Connectivity, American Century Investments & Global Steering Committee Co-Chair, FIX Protocol Ltd

Courtney Doyle: What was the motivation and purpose behind this Investment Roadmap collaboration?

Genevy Dimitrion (ISITC Chair): Today, Market Practice and Standards are inextricably linked and yet for all our efforts, Market Practice exists as a mere documented recommendation. However, we see convergence between the two areas to the point where market practice can be encapsulated directly into the standards themselves. The roadmap has a role to play in this evolution, and we see it as critical for the next generation of standards. It also helps to provide future users direction on which messaging standards should be used throughout the trade lifecycle.

Jamie Shay (Head of SWIFT Standards):
Our involvement was driven by clear market demand from our customers. They needed clarity about which syntax to use in which space and, more importantly, they wanted a way to make these standards interoperable. SWIFT and FIX have been working together for a number of years towards a single business model in ISO 20022. The decision to work together on an Investment Roadmap was a natural progression.

It provides clear direction with regard to messaging standards usage as it visually "maps" industry standards protocols, FIX, ISO and FpML, to the appropriate asset class and underlying business processes.

Karel Engelen (Director and Global Head Technology Solutions, ISDA): Similar to SWIFT, ISDA felt it was important to map

Investment Roadmap – FIX, ISO, FpML syntax

	Cash Equities & Fixed Income	Forex[2]	Listed Derivatives	OTC Derivatives[2]	Funds
Pre-Trade					
Trade					
Post-Trade					
Clearing/ Pre-Settlement					
Asset Servicing		N/A			
Settlement					
Pricing/ Risk/ Reporting					

FIX ISO[1] FpML
FIX, ISO ISO, FpML

[1] Represents ISO 20022, ISO 15022 and SWIFT MT messages
[2] See OTC Derivatives breakout for details:
  - Syndicated Loans, Privately Negotiated FX, and OTC Equity, Interest Rate, Credit, and Commodity Derivatives
  - FpML payload may be used in combination with FIX business processes in dealer to buy side communication

out the coverage of each of the different standards so people could get a complete view of the industry standards at a glance. We also thought it would be a useful tool for determining where we had duplication of effort or functional gaps to complete.

Scott Atwell (FPL Global Steering Committee Co-Chair): As the others have pointed out, we needed to provide greater clarity as to how the various standards 'fit together'. We sought an approach that recognizes, leverages, and includes the financial industry standards without re-inventing and creating redundant messages that generate cost and confusion for the industry. The effort was named 'Investment Roadmap' as its founding purpose was to aid industry firms' technology investment decision making.

Courtney Doyle: The roadmap was released over a year ago. Is the community referring to it and using it as a guide on how to invest in standards? How should firms use it and what does it mean for them?

Scott Atwell: FPL has found the roadmap useful as a tool for standards investment. However, the roadmap benefits are multi-faceted. It has driven an even greater level of collaboration and cooperation amongst our standards organizations. Discussing it often serves as a 'conversation starter' that leads to healthy discussion and debate. It has also served to facilitate key changes to the ISO 20022 process such as the ability for FIX to feed the ISO 20022 business model and to be the recognized syntax for the Pre-Trade/ Trade model.

Genevy Dimitrion: ISITC consistently refers to the roadmap when presenting to our members as the guidelines on message standards to be used within the trade lifecycle. It has become an extremely helpful tool for our members in understanding the key standards available and how and when they should be used.

Karel Engelen: The Finance domain has always been well represented in the standards arena, but too much choice is often confusing. The roadmap helps you navigate by showing the standards likely to become dominant in a particular space so that you can align your own system development strategy with them.

Jamie Shay: To add to the previous comments, I don't think the community is referring to the map per se but they are benefiting from it. One of the key things to remember is that it provides clarity about which syntax should be used in which space and that by working together we are making very concrete progress towards achieving interoperability among syntaxes, which

leads to certainty and increasing STP – so there are real business benefits.

The roadmap has also meant increasing cooperation among standardization bodies. For example we are working in a much more collaborative fashion with FPL than before, in particular in the area of pre-trade where we've defined a common business model that is in the process of being evaluated by ISO.

Courtney Doyle: Some areas of the roadmap allow for multiple syntaxes as indicated by the cross hatching. Why is this and what should firms do in this case?

Jamie Shay: As stated previously, the roadmap provides clarity around which 'syntax' is appropriate for which space. The single 'standard' is the common data model and common underlying dictionary – ISO 20022. The actual message representation may remain different depending on the syntax chosen to represent that common business model.

In some areas, we have more than one syntax represented in a given space because there may not be a "dominant" syntax. In this case, firms should choose the syntax most suited to their environment or need.

Scott Atwell: As Jamie has stated, our objective is to feed and share a common business model, in which case having more than one syntax is not that significant as the core data and approach should not differ. In the Post-Trade / Pre-Settlement portion of the roadmap, for example, there is cross hatching of the FIX and ISO syntaxes and usage will depend on whether a firm's STP initiatives are being driven more from the front or back office. Firms may choose to use FIX when automating from the front office forward (e.g. adding allocation delivery to an OMS), or may choose to use the ISO syntax when automating from a back office perspective forward (e.g. building upon existing custodial communication).

Genevy Dimitrion: What is most important to our members is the business process.

Although there are overlapping syntaxes, ultimately the business process behind each of them is the same. It is not practical to expect all financial communities to adopt a single syntax.

The roadmap is a framework that reflects the reality of the world we live in, underpinned by a common standard data model. From an organizational perspective, the services you provide tend to drive the standard you use which is clearly highlighted in the roadmap. In the cases where the cross hatching exists, firms should look at their key areas of focus to select the appropriate standard to develop.

Karel Engelen: The world of finance is not a set of segregated business lines to the degree it once was. Securities dealers trade in OTCs, derivatives dealers use securities to create structured products or hedge their positions and everyone dabbles in foreign exchange.

infrastructure and knowledge base was more cost effective than developing a parallel solution using a different standard for a new business problem.

Courtney Doyle: Are there thoughts of expanding this group to other standards bodies?

Jamie Shay: Yes, very much so. We are looking to collaborate with other standards organisations, such as XBRL. XBRL is involved in the financial 'reporting' end of the business and includes securities and transaction 'issuers'. Capturing information at the site of the 'issuer' in the life cycle of a securities transaction will allow STP to flow throughout the entire chain of events, including the transaction life cycle and eventual reporting related to instruments, positions and statements. The roadmap is a living document. It should evolve as the industry evolves.

The end goal should be a set of interoperable standards covering the entire financial process and product space, unified by a common underlying business model whilst still allowing each to be attuned to the needs of the market it addresses.

Scott Atwell: This is an ongoing collaborative effort. I agree with Karel's description of the end goal, however, there is a lot of work for us to complete before reaching it. FPL has committed significant technical resources to industry collaboration and the ISO process. ISO 20022's Pre-Trade/Trade model is represented by FIX, and FPL is currently working with others to complete the Post-Trade model. In addition, FPL actively contributes to ISO WG4 and other areas focused on enhancing the ISO 20022 process. The roadmap will evolve over time. An example might be a previously over-the-counter product shifting to trading in a more listed nature.

Genevy Dimitrion: To follow on from Karel's and Scott's comments, we see the roadmap as an evolving document that will be revisited frequently as new products are introduced in the marketplace. We are looking to start addressing CFD's and the best standards for them.

> ## " The world of finance is not a set of segregated business lines to the degree it once was. "

Implementing firms often want to maximize the return on their existing software investment by having each of their systems cover more of the trade lifecycle. As a consequence, the standards that support these businesses have had to expand into other domains to support their user base.

As mentioned by the others, the roadmap recognizes that in some functional areas there is more than one standard that can fulfil a particular function although there could be differences in the characteristics of each implementation. Some may be better for high trade volumes of relatively simple products, while others may excel at precise definition of complex financial products or structures traded with low volumes.

We feel that it is up to each community of users to choose the right solution for itself as this may depend on its existing standards usage and technology base. An established messaging community, for example, might decide that leveraging its existing technical

Karel Engelen: There is still plenty of scope for automation in finance, much of it outside the areas traditionally covered by FpML, FIX and SWIFT. We would be happy to see other standards integrated into the roadmap to further broaden the coverage to new product areas or processes.

Scott Atwell: Yes, I believe additional standards bodies will join the effort in the near future, and we are discussing reconstituting the group as 'The Standards Coordination Group.'

Courtney Doyle: What are the next steps? How will the roadmap be maintained and updated?

Karel Engelen: The roadmap should not be seen as a static document. Each of the standards involved continues to evolve to meet the demands of its user base. The group that created it will need to periodically meet to review and update it.

Jamie Shay: The next steps are twofold: on the one side, we need to continue to work with FPL and FpML to agree on the common business models and get them approved by ISO. We also need to encourage other standards organisations to work with us to expand the scope to cover other instruments, other business processes and other business domains.

We also need to find an easier way to be able to "automatically" produce a chosen syntax from the single business model. Work is ongoing to ensure multi-syntax representations of ISO 20022 compliant messages.

Courtney Doyle: How does the roadmap fit in with ISO 20022 and the goals of interoperability among standards?

Scott Atwell: I believe the roadmap has already paved the way to improving ISO

20022, especially in terms of its ability to leverage and include existing, de facto standards. A key issue in years past was that the process required the creation of a new, ISO 20022 XML-specific message syntax for any messages added to the ISO 20022 data model. Now, the ISO 20022 process has been improved to the point that alternate syntaxes, such as FIX, can be recognized. This enables FIX and other messaging standards to contribute to the overall process, and more importantly allows users of these protocols to continue to leverage their current investment while achieving longer term benefits from the harmonization and collaboration of multiple standards.

The most important part of interoperability is that one can easily transition, in an automated fashion, from one stage of the trade lifecycle to the next. The roadmap facilitates a focus on these 'peering points' and the ISO 20022 data model provides a common model to reflect the data used throughout.

Jamie Shay: The roadmap provides clear direction about which syntax to use in which space, and building a common business model means these syntaxes will be interoperable. Interoperability will be possible once all the appropriate business models have been created in ISO 20022, and the industry embraces this standard.

Genevy Dimitrion: The roadmap clearly shows how 20022 provides a framework for binding multiple syntaxes together into a single standard and thereby achieving semantic interoperability. The business process and modeling is key to the success of these standards and their interoperability. The focus on the business functions and the interactions will allow for standards to be developed vs. the past in which standards were created and the business functions were integrated into existing formats. It allows firms to focus on the interactions among the industry players and the key data needed to successfully communicate in an automated way and increase STP within their organizations.

Karel Engelen: There are still areas where standards based messages are yet to be defined. In some cases these areas will be a natural fit with one of the existing standards but, if they are not, then proposing that they be developed within the ISO 20022 framework, rather than creating another standard, is a good route to follow.

To follow on with the thoughts around interoperability, this is a longer term goal and the key to it will be a common business model that captures and integrates all the different perspectives each standard has on the underlying business information. ISO 20022 has made a good start on this but there is still a long way to go.

Confucius said "A journey of a thousand miles begins with a single step." It's a good job we have a Roadmap.

The Investment Roadmap is available at: www.fixprotocol.org/investmentroadmap.