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Bridged Translation Platform for ISO 20022

Management Summary

International payments are a global network business that involves at least three (but usually more) parties. It goes without saying that standardization and rules for the exchange of payment messages and data are critical.

There have been several initiatives and organizations that have worked to achieve this standardization over the years, but the decision by major central banks and SWIFT to migrate to ISO 20022 represents the most significant breakthrough to date.

With a globally recognized standard, banks and their customers can process payments much more efficiently and economically, accompanied by more voluminous and granular data. As a result, customer satisfaction should skyrocket, compliance requirements should be met more digitally, and new services or regulatory requirements should be implemented or deployed more quickly and with greater flexibility.

To make the most of ISO 20022, however, a significant and complex migration is required, affecting not only core payments processing but also many other banking systems and departments.

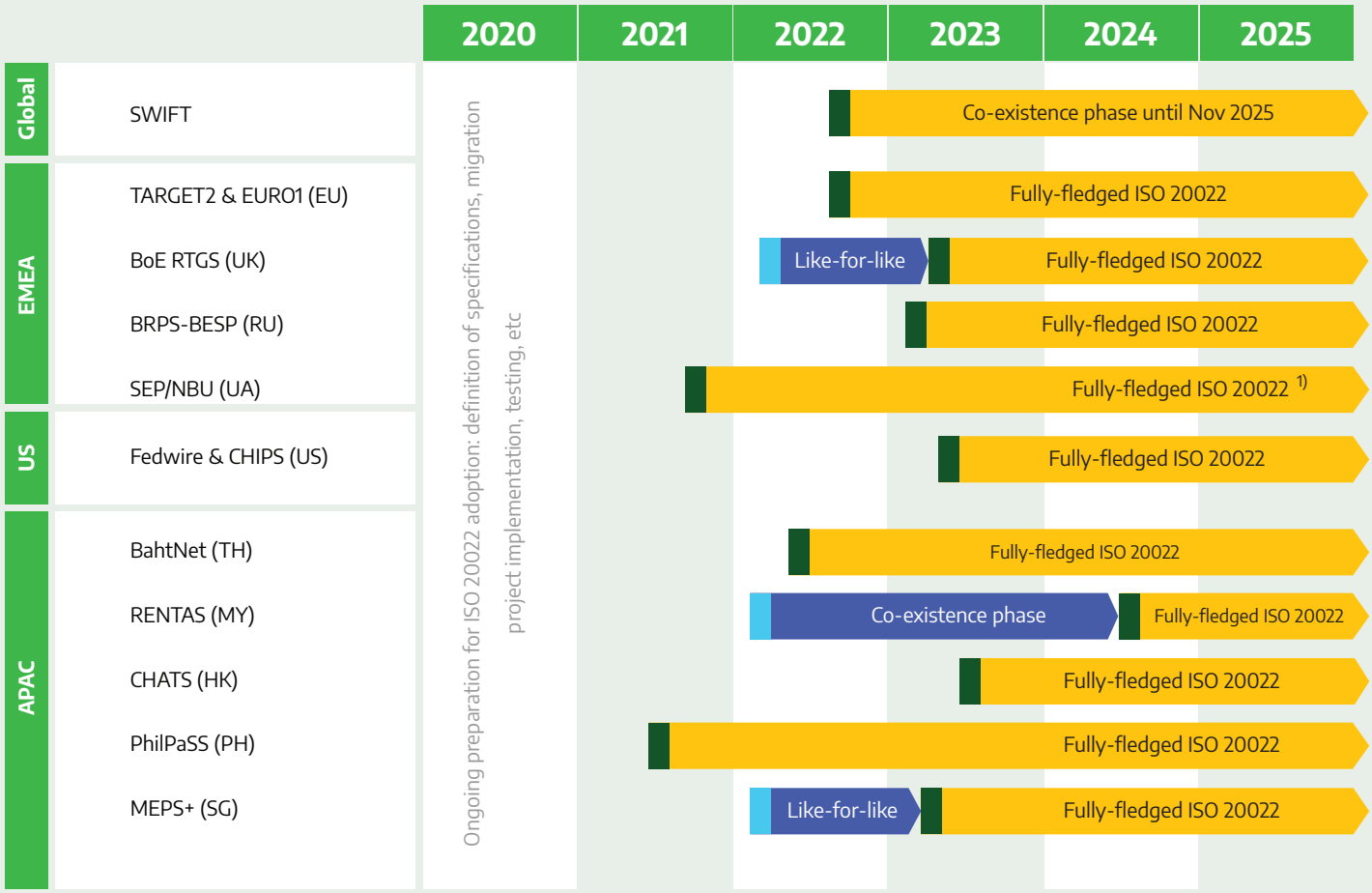
Granularity of information in an MT103 vs ISO 20022 credit transfer

	MT 103	pacs.008.001.02
Example 1: Identification of the debtor agent	:52A:EXABNLU	<DbtrAgt> <FinInstnId> <BIC>EXABNL2U</BIC> </FinInstnId> </DbtrAgt>
Example 2: Account number of the debtor **Example 2: Name and Contact details of the debtor**	:50K:/8754219990 ACME NV. AMSTEL344 AMSTERDAM, NETHERLANDS :50K:/8754219990 ACME NV. AMSTEL344 AMSTERDAM, NETHERLANDS	<DbtrAcct> <Id> <Othr> <Id>8754219990</Id> </Othr> </Id> <DbtrAcct> <Dbtr> <Nm>ACME NV.</Nm> <PstlAdr> <StrtNm>Amstel</StrtNm> <BldgNb>344</BldgNb> <TwnNm>Amsterdam</TwnNm> <Ctry>NL</Ctry> <PstlAdr> </Dbtr>

The migration to ISO 20022 affects not only IT systems, but also business rules and process workflows. Individual business and operating models should be given special consideration, as the implications differ for banks that participate in direct clearing versus those that process payments through correspondent banking. These include communication methods and ISO 20022 usage guidelines, as well as coverage for new operating hours.

The impact of the IT migration will extend far beyond core payments processing, affecting peripheral systems such as anti-financial-crime applications (particularly embargo/sanctions screening and AML systems), liquidity management, billing, account reporting, nostro reconciliation, and archive systems.

Global ISO 20022
adoption timeline overview



[1] "Earliest" go-live date in Nov 2023, the exact timeline to be confirmed by the end of 2020

Birchford Translation Platform offers banks to keep up with the migration timeline during co-existence period until their back office and core systems are 100% ready. Attention should be paid to proper translation as per standards, data truncation and compliance issues during co-existence period.

Points of Attention

Particular attention should be paid to the truncation of party information in translated MT messages.

While MX messages can have up to 140 characters for the name element, MT messages can only have 35 characters per line. Because the name length in this example exceeds 35 characters, the name is written on two lines in the MT format. The street name, along with the floor, post box, and building number, is exceeding 35 characters, it is truncated – as indicated by the '+' character.

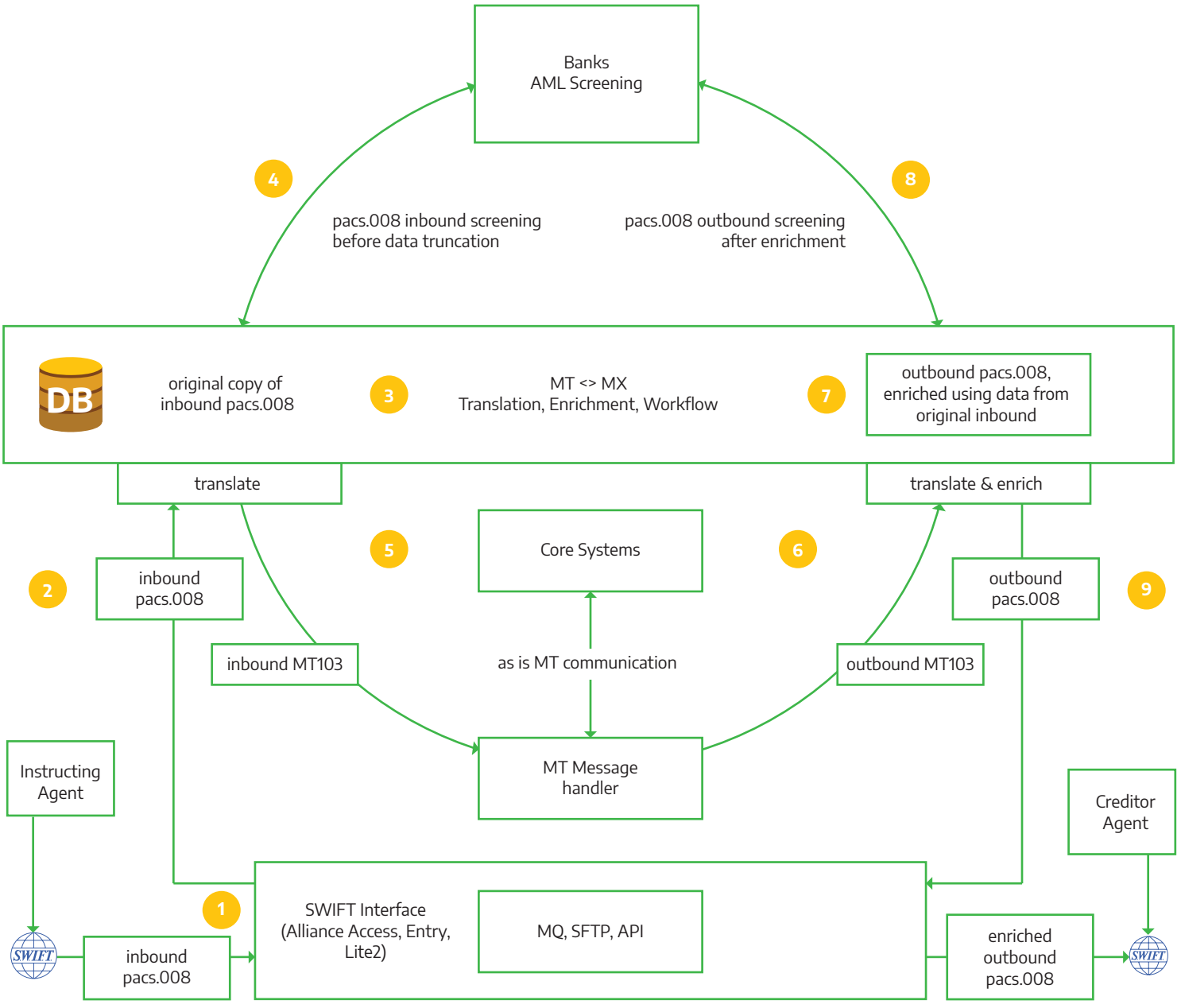
ISO 20022 CBPR+ pacs.008 - Debtor element	SWIFT FIN MT103 - Field 50F
<Dbtr> <Nm>ACMEBANK AUSTRIA UNIVERSAL INTERNATIONAL TRADE AG</Nm> <PstlAdr> <StrNm>Stradun Obere Bahnhof STRASSE</StrNm> <BldgNb>12</BldgNb> <BldgNm>PRIME TOWER</BldgNm> <Flr>3</Flr> <PstBx>1234</PstBx> <PstCd>5678</PstCd> <TwnNm>ZURICH</TwnNm> <Ctry>CH</Ctry> </PstlAdr> </Dbtr> <DbtrAcct> <Id> <IBAN> <Id>CH1111111111111111111</Id> </IBAN> </Id> <DbtrAcct>	:50F:/CH1111111111111111111 1/ACMEBANK AUSTRIA UNIVERSAL INTERNAT 1/IONAL TRADE AG 2/Stradun Obere Bahnhof STR+ 3/CH/ZURICH,5678

Particular attention should be paid to pollution of designated ISO 20022 fields when translating from MT.

Only 35 characters are allowed per line in MT messages. Because the name length in this MT103 exceeds 35 characters, the name is written on two lines. Because the designated ISO 20022 name element is not complete when translated into ISO 20022, the address line information becomes polluted with incorrect information that does not belong there. This could have an impact on sanctions screening and other anti-financial crime analytics.

SWIFT FIN MT103 - Field 50F	ISO 20022 CBPR+ pacs.008 - Debtor element
:50F:/123456789 ACME LIMITED ENERGY SERVICES CORPOR ATION P.O. BOX 12345 123 WEST BEACH ROAD GEORGIA CITY AB1-123, VIRGIN ISLANDS	<Dbtr> <Nm>ACME LIMITED ENERGY SERVICES CORPOR</Nm> <PstlAdr> <AdrLine>ATION P.O. BOX 12345</AdrLine> <AdrLine>123 WEST BEACH ROAD</AdrLine> <AdrLine>GEORGIA CITY AB1-123, VIRGIN ISLANDS</AdrLine> </PstlAdr> <CtryOfRes>BV</CtryOfRes> </Dbtr> <DbtrAcct> <Id> <Other> <Id>123456789</Id> </Other> </Id> </DbtrAcct>

Birchford Translation Platform High Level Flow Diagram for Intermediary Agent



1. Incoming pacs.008 received by the SWIFT interface.
2. Transfer pacs.008 to Birchford translation platform
3. Store original copy for future use (step 7)
4. Screen before possible data truncation (**Wolfsberg Guiding Principles for Screening**)
5. Translate inbound pacs.008 to MT103 and transfer to MT Message Handler or directly to Core Systems (depending on scenario). MT communication will stay as is in both scenarios.
6. Insert outbound MT103 from to translation management platform
7. Translate, enrich using data from original copy of inbound pacs.008 stored in step 3. Manual enrichment via user interface is available
8. Screen enriched outbound pacs.008, before inserting to SWIFT interface
9. Send to network via SWIFT interface
10. Translate pacs.008 ACK/NACK to MT103 ACK/NACK for reconciliation and update status the of sent message from MT message handler (flow not shown in the diagram)

Features

1. Elements truncated (store and provide the truncated information as an additional file to receiving application).
2. Copy/preserve the block from the incoming MX counterpart in the case of pacs.009COV only.
3. Validate MX messages received from the host application against the Network Validated Rules (NVR).
4. Define routing rules as per your correspondents ISO 20022 migration status. Send/receive specific message category in MT or MX depending on their capabilities.
5. Capability to route messages in MX or MT format, depending on the requirements of the integrated Host Application.
6. Support for the MX Equivalent of the MTn95/n96 Question and Answer Input GUI.
7. Check for duplicate MX messages.
8. SWIFT Local Authentication (LAU) – sign outgoing MX messages prior to transmission to SAA and validate received LAU for incoming MX messages.
9. Verification and Authorization – enables the verification and authorization of MX messages.
10. Payment Cover Enrichment – Extend the switchable MT202 Cover Enrichment feature to MX pacs.009 Cover by populating the "Underlying Customer Credit Transfer" block with values from the associated pacs.008.
11. Nostro Reconciliation - Route messages in MT or MX format, depending on the capability of the Nostro Reconciliation system.
12. Support for UETR in MX messages (generation and validation).
13. RMA validation – enable the inclusion of MX message types in the existing RMA validation feature.