

FINASTRA

Solution Overview

ISO 20022: Paving the way for financial innovation

From compliance to opportunity



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Why financial institutions must adopt ISO 2022 native solutions?

ISO 2022 is emerging as a universal language for financial institutions to communicate worldwide. Driven by regulatory mandates, global markets are implementing ISO 2022, albeit with different timelines.

This adoption aims to eliminate the friction around instant and cross-border payments processing and bring uniformity in payment messages for both domestic as well as international payment schemes.

In the payments world, the quality of the data and the ability to derive value from this data is going to be a key differentiator for the existing and emerging financial players.

This represents a formidable challenge for traditional financial institutions that continue to rely on proprietary message formats and legacy core banking systems as they face the potential risk of ceding market share to agile and adaptable fintech firms.

Overview	Pitfalls	Finastra Global PAYplus	ISO 2022 Use Cases	Business Benefits	Time to act
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Pitfalls of the tactical approach

As the deadline for ISO 20022 implementation approaches, banks find themselves in a delicate balancing act. They are stretched between managing multiple priorities, from ensuring regulatory compliance to reducing operational complexity for the growing volume of digital payments, allocating budget for cloud-enabled payments technology, and identifying efficient business use cases that could unlock new revenue opportunities.

Relying on tactical maneuvering or using interpreters to merely meet the minimum compliance requirements can prove detrimental to a bank's business as they will struggle to be available in a 24*7*365 environment for their customers and will further limit their options to fully leverage the benefits of ISO 20022 within the broader context of a data-driven financial ecosystem. Establishing communication between disparate back-end systems using stopgap measures can lead to truncated data, frequent high manual efforts, and increased costs in operational maintenance.

Tactical solutions might provide a short-term compliance veneer, but they are typically engineered to meet immediate requirements and often lack the scalability required for an institution's future growth and the introduction of new ISO 20022 standards and versions. This limitation stifles an institution's ability to seamlessly manage parallel payment schemes and innovate value-added services.

Furthermore, tactical solutions expose financial institutions to long-term compliance risks and the possibility of substantial fines and data breaches. Customer choices are evolving, and they anticipate a more sophisticated payments experience that necessitates investing significantly in the underlying payments infrastructure and strengthening the value proposition of the overall payments supply chain.

The above concerns are further validated in a recent [survey report](#) by Datas Insights where 48% of financial institutions agreed navigating legacy applications a hurdle in adopting ISO 20022. Financial institutions in the correspondent banking ecosystem must not look at ISO 20022 as just a compliance monkey to get off their backs but as a critical step-change that will help them empower the next generation of payments and take full benefit of new paradigms like Open Banking and hybrid cloud payment solutions.

To fully realize the advantages of the ISO 20022 standard, institutions must adopt a forward-thinking approach and seek native payment hub solutions that offer a modernized banking experience.

Business plans around ISO 20022

38% of businesses are still waiting to learn more about ISO 20022 from their technology partners

34% of businesses have plans to utilize ISO 20022 in future

19% of businesses are already using the ISO 20022 messaging format

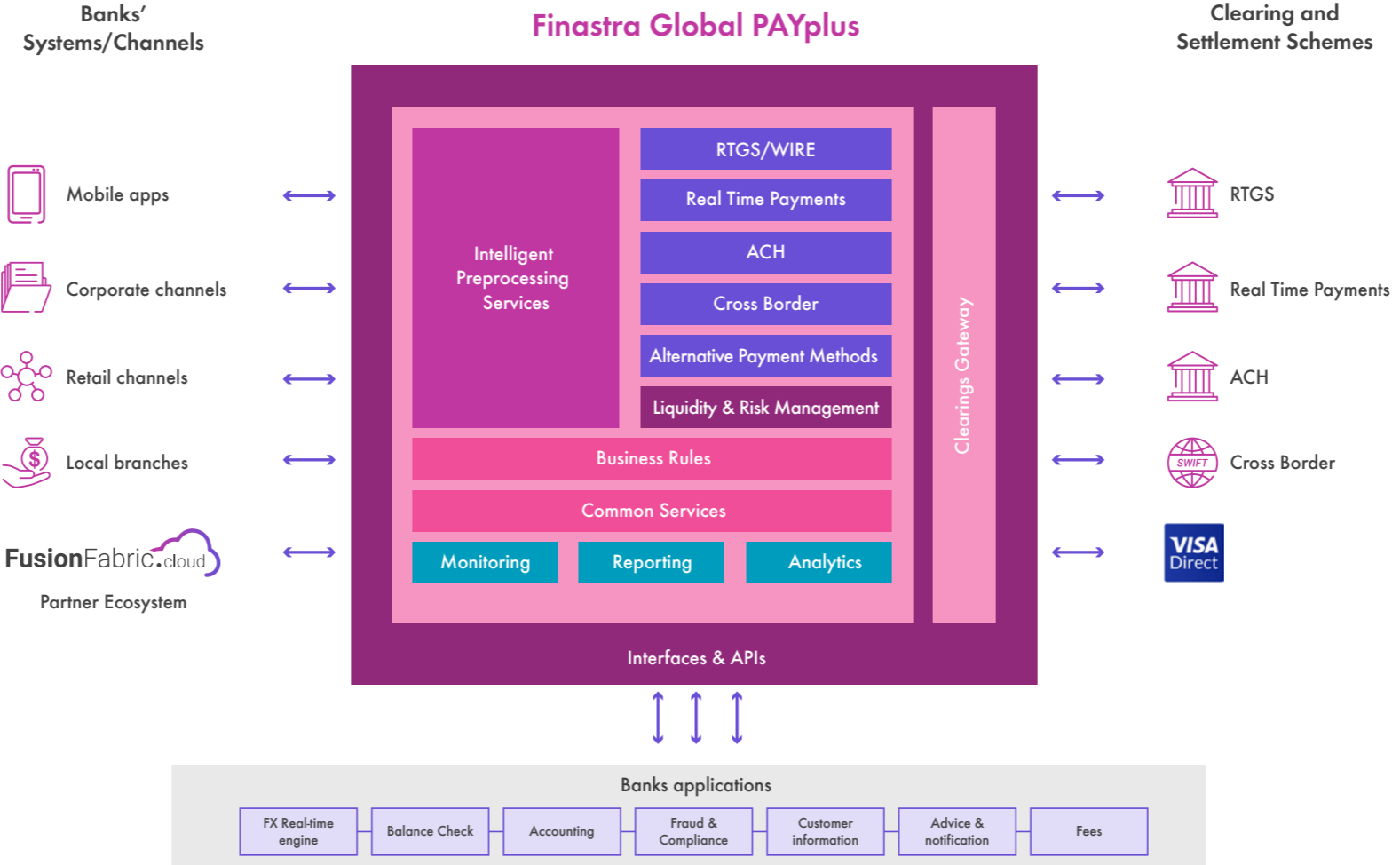
Source: **Datos Insights** survey of 1,037 midsize and large organizations, Q3 2023

Finastra Global PAYplus – An ISO 20022 native global payments hub

Finastra Global PAYplus is designed to help financial institutions enable end-to-end payments transformation while ensuring steadfast compliance with ISO 20022 regulatory standards.

Harnessing modern APIs and a microservice-enabled ISO 20022 data model, the solution is equipped to capture both structured as well non-structured data that can be used by financial institutions to gain a complete understanding of customers' payment activities and the purpose behind the different payments. Global PAYplus can utilize this granular payments data to analyze customer behavior and generate rich insights which can be further used by banks to create personalized value-added offerings to improve cross-selling and upselling opportunities.

In addition, an ISO 20022 native payments hub like Global PAYplus, consolidates siloed payments information into a single standardized view, reducing the number of interfaces and systems required to run parallel payment schemes, and saving staff time and maintenance costs.





As a long-term Finastra partner, and user of Finastra Global PAYplus, we know that we are in expert hands and that Finastra will help us meet all regulatory requirements and address new customer needs as they arise," said Babis Ermidis, Payments Sector Head at NBG. "We look forward to a seamless and successful migration to the new standard and to delivering the benefits of ISO 20022 to our customers, as well as optimizing our internal processes."

[Check out the press release](#) to learn more about our collaboration with National Bank of Greece for ISO 20022 migration.

Global PAYplus allows banks to develop centralized payments processing capabilities, ensuring that the data doesn't get lost in translation across various systems. Furthermore, Global PAYplus can leverage this rich data to facilitate end-to-end process automation, enhance data analytics capabilities, improve straight-through-processing rates, strengthen fraud and compliance measures, and deliver a frictionless downstream payments experience.

Deployable both on cloud or on-premise, the modular architecture design and flexible business configuration capabilities of Global PAYplus support reusability, automated upgrades, and extension of payment workflows, leading to a faster response time to market and clearing scheme changes, all necessary for the end-to-end implementation of ISO 20022. The layered architecture and integrated clearings gateway improves the last-mile connectivity and reduces the total cost of ownership.

Also, this provides banks with the required flexibility to run critical projects in parallel without downtime or impact on core infrastructure.

To support ISO 20022 use cases and deliver on Open Banking requirements, Global PAYplus integrates with our API-driven open innovation platform, [FusionFabric.cloud](#), providing access to a rich and growing marketplace of fintech solutions, from fraud management to AML and compliance scanning, payment initiation, corporate to ERP integration, and vital alternate cross-border payment methods like Visa Direct, essential for leading financial institutions to explore the possibilities of co-creation and co-innovation.



Instant/Real Time Payments

US RTP, FedNow, UKFP/NPA*, SCT Inst, NPP, HK FP, SG FAST, etc.



ACH Payments

NACHA, SEPA, etc.



High Value Payments

Fedwire, CHIPS, EBA EURO1/STEP1, TARGET2, CHAPS, etc.



Cross-border Payments

SWIFT, VISA Direct*



Intelligent Preprocessing

File Switch, Advising, Validations & Enrichments, Currency Conversion, Smart Routing, Warehouse, Orchestration, and STP.

Note: Finastra Global PAYplus supports 30+ payment clearing schemes.

ISO 20022 use cases enabled by Finastra Global PAYplus

Sanction screening, detecting and preventing fraud and AML

The ISO 20022 standard empowers financial institutions to handle and process vast volumes of data. The use of structured XML data in Global PAYplus eliminates ambiguity, and the inclusion of additional fields such as BIC (Business Identifier Code) and purpose codes enhances country-specific compliance, minimizes false positives, and fortifies the real-time sanction screening process. Banks can further boost operational efficiency by automating the AML (Anti-Money Laundering) and KYC (Know Your Customer) processes using ISO-native data fields.

Additionally, institutions can review sender and beneficiary payment details and cross-check them against various sanctioned lists, such as Politically Exposed Persons (PEPs) and Financial Action Task Force (FATF), to combat and prevent money laundering.

Advanced analytics and business intelligence

Financial institutions can utilize the MX data format to enhance their analytical capabilities and develop automated customer insights to improve the payments processing experience. This structured data can be employed by banks to design personalized dashboards, BI (Business Intelligence) reports, and reporting metrics, which aid in identifying emerging payment trends. Moreover, financial institutions can integrate these granular data sets within Global PAYplus to enable slicing and dicing operations for further insights.

By leveraging digital technologies such as Machine Learning (ML) and Artificial Intelligence (AI), they can improve regulatory oversight, generate recommendations, identify new revenue streams, and assist management in making informed choices.

API-driven payments ecosystem

API-driven platforms are at the forefront of the payments evolution. The flexibility of open frameworks and APIs enables traditional financial institutions to join forces with fintechs, paving the way for the development of value-added services and applications in key areas such as fraud investigation, instant payments, compliance, and cybercrime prevention. Global PAYplus supports Open APIs that allow institutions to securely share data with third parties and operate payment solutions as a one-stop shop for value-driven business demands. By natively embracing the ISO 20022 standard, banks can attain industry-wide interoperability, transitioning from simply being account-holding entities to becoming providers of next-generation cloud-enabled payment solutions.

Payments advising and notifications

Secure advisory services delivered via Global PAYplus's intelligent preprocessing underscore the importance of delivering a frictionless payments experience. Payment advice enables financial institutions to generate and transmit advice messages during the transaction processing workflow.

These advice messages help in establishing consistent communication between the involved parties and improve transparency throughout the payment process. Developing a full-fledged payment advisory can enable banks to identify commercial opportunities and monetize the services in areas like automated remittance, account management, invoice processing, and others.

Payments reconciliation

The manual reconciliation of debit and credit payment entries is error-prone and a time-consuming process. As the volumes of instant and cross-border payments continue to grow, the structured data provided by the ISO 20022 format enables institutions to automate the payments reconciliation process. This allows for the establishment of business rules for dynamic and real-time cash flow reporting. Such automation greatly improves the efficiency of traditional financial institutions that handle large volumes of transaction data. This leads to precise account information matching and an improved customer experience.

Overview	Pitfalls	Finastra Global PAYplus	ISO 20022 Use Cases	Business Benefits	Time to act
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Business benefits with Finastra Global PAYplus



Improved interoperability and openness between domestic and international payment schemes



Increased automation and high STP rates to support growing business volumes around real-time payment schemes



Consolidated view of customer messages in ISO 2022 format to improve visibility and deliver actionable insights for informed decision-making



Enhanced real-time sanction screening with superior data quality checks to reduce fraud and minimize compliance lapses



Augmented risk management and improved analytics with universal data flowing across the internal and external payment systems



Modernized banking experience with enriched data and the ability to develop new revenue streams by monetizing value-added services



Elevated operational efficiency and reduced maintenance expenses for legacy infrastructure leading to cost savings

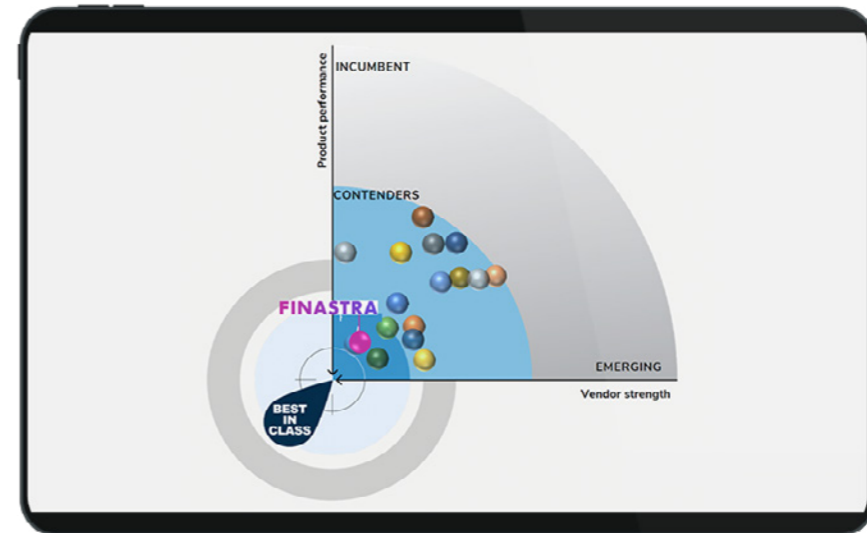
Innovation opportunities and customer value-add

From 2025 onwards, the ISO 2022 standard, recognized for its interoperability and openness, is anticipated to start fulfilling a majority of the dynamically evolving customer needs. For instance, features like Request-To-Pay in the UK or Request-for-Payment in the US will enable a payee to send a payment request to a payer. Upon verifying the legitimacy of such a request, the payer can approve the request, resulting in the funds being directly credited to the payee's bank account.

This process reduces the friction and develops a communication channel between debtor and creditor parties, leading to a more seamless transfer of funds.

Similarly, businesses can utilize the Request-To-Pay/Request-for-Payment feature to receive funds by issuing e-invoices and even consider embedding payment QR codes in these e-invoices. This approach enhances the transparency and visibility of payment transactions as involved parties can verify the transaction number, line items, discounts, and taxes, and even address any amount disputes in case of discrepancies by initiating a partial payment or rejecting the payment request.

All of this is possible by leveraging ISO 2022 beyond compliance and viewing the global messaging standard as a promise to innovate and deliver value-added services to customers thereby making payment transactions a modernized and hassle-free experience.



Finastra Global PAYplus named Best in Class Payment Hub by Datos Insights*

* Formerly Aite Novarica Group

[Check out the report here](#)

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We chose Finastra as our core payment platform provider because they have a proven track record of delivering reliable, scalable, and open solutions. They helped us modernize our international payments platform, leading to improved STP rates and compliance with ISO 20022. The flexible nature of our collaboration allowed us to create compelling propositions for our clients. Finastra is more than just a technology provider, they are a trusted partner who brings us insights and innovations from other markets

Steve Everett

MD, Cash Management and Payments
at Lloyds Banking Group.



Time to act now

As the Chinese proverb says *'The best time to plant a tree was 20 years ago. The second best time is now.'* The payment market infrastructure is witnessing rapid modernization and growth with the proliferation of Open Banking, API economy, digital technologies, cloud payment solutions, and the ISO 20022 open standard, all paving the way for a seamless banking experience.



Watch this video to learn how Lloyds Bank harnesses the power of ISO 20022 with Finastra Global PAYplus.

FINANCE IS OPEN

Finastra unlocks innovation across the world of financial services, through our trusted software and open platform.

Contact us

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial Banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by over 8,000 institutions, including 45 of the world's top 50 banks. For more information, finastra.com

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