

# ISO 20022: The journey towards standardization of cross border payments

After years of intense preparation by the global financial community, the migration to ISO 20022 for cross-border payments and reporting (CBPR+) officially began on March 20, 2023.

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***The transition from ISO 15022 to ISO 20022 is a significant milestone in the financial industry, primarily because it enhances the efficiency and interoperability of financial messaging systems."***

This marked the beginning of a significant change, and the industry is currently in a three-year coexistence period that will last until November 2025. During this transition period both MT and ISO 20022 messages will be supported, enabling financial institutions to migrate to the new standard at their own pace.

As the deadline approaches, Finastra is committed to ensuring that banks are fully informed about the latest developments and the additional data included in the SWIFT MX messages. When planning to transition to a new messaging format, there are several operational questions to consider. This document highlights a few essential questions, and answers, that banks should be aware of.

### **Why was SWIFT MX created?**

MX is the new SWIFT message standard, using an XML format based on ISO 20022. It created to replace SWIFT MT messages and meet the ISO 20022 requirements. The scheme includes five financial business domain, payment, securities, Trade services, cards and foreign exchange.

### **When is the deadline for migration to SWIFT MX messages?**

The deadline is for organizations to migrate from SWIFT MT to ISO 20022 SWIFT MX messages is November 2025. Cross-border payments and domestic settlement systems such as TARGET2, T2S are moving to the MX format as well.

### **What benefits does ISO 20022 bring?**

ISO 20022 is the standard for financial service messaging covering electronic data interchange between financial institutions. Its format provides consistent, rich, structured data. It serves as common language and contributes to modernize payment processes, supporting instant payments.

ISO 20022 offers a more flexible and comprehensive framework, allowing for more detailed transaction information. This standard supports a wide range of financial services, including payments, securities, trade services, and foreign exchange, making it a universal language for financial communication.

Additionally, ISO 20022's XML-based format is more adaptable to evolving technological advancements, ensuring long-term sustainability and scalability.

By adopting ISO 20022, financial institutions can improve straight-through processing (STP), reduce operational risks, and enhance regulatory compliance, ultimately leading to more streamlined and transparent financial operations globally.

# Moving from data to information in Kondor: a fundamental change

## What are expectations for an ISO 20022 solution?

The solution should not impact current SWIFT MT message generation while implementing the new MX message format. MT and MX messages need to coexist until 2025 for cash settlement, and all other areas of processing. This enables you to migrate to MX according to your own timeline.

Kondor delivers market standard template tools so that you can modify MX formatting templates on your own if required, to cover your Real-time Gross Settlement (RTGS) requirements. The static data is enriched to maintain all the required information for SWIFT MX.

Kondor has been enhanced with static data that allows users to define a transition date based on multiple criteria, such as currency, agent, and entity message type, and based on the defined date,

## When are MX messages configured?

If set to generate MX, Kondor triggers the MX instead of MT messages.

Finastra provides an XSLT template library adapted to SWIFT MX messages.

The advantage of generating MX messages directly and not applying translation from MT to MX message is that it is a long-term solution. It also allows the integration and linking of related incoming MX messages into Kondor.

Kondor supports cash and security SWIFT MX settlement messages covering both outgoing and incoming messages. In terms of cash settlements, as an example, it includes the following messages PACS 008, PACS 009, CAMT.056, and CAMT.057.

Kondor also supports securities market requirements such as sese.020, sese.023 for outgoing messages generated by Kondor and the sese.024, sese.025, sese.027 for messages imported into Kondor.

Please refer to the documentation for a full list of supported messages.

## How long does it take to implement the SWIFT module?

Estimated time required to implement the SWIFT MX module is from 2 to 6 months. Back-office users, accounting, and IT teams are likely to be involved in the implementation. The first step is to define your transition approach. This means defining when and under which conditions MT messages will transition to MX. For example, the Euro TARGET2 cash settlement transitioned to MX already, starting in November 2022.

The next step is to adjust the Kondor setup to trigger MX messages going forward.

The static data SWIFT MX transition date definition is the key one to create, and some static data must be enriched, as it now covers both MT and MX messages.

Once the setup is done, you can generate and validate MX messages from Kondor on the same principle as MT messages.

As additional data is required for the structured addresses, more migration effort might be required. Banks must review their static data approach if they plan to enrich the messages and use the data.

## Kondor ISO 20022 Advantages



Out-of-the-box modules are built on market standards and working group guidelines.



Structured addresses (static data) are standard and there are no unstructured address lines.



LEI systematization. The global LEI code is made accessible, to identify all companies operating in the financial markets.



***The ISO 20022 SWIFT MX solution is ready in Kondor. If your MX project hasn't started, don't wait any longer. You can start migrating to SWIFT MX right now.***

Isabelle Perron-Morineau, Product Manager, Kondor

### Why is the Kondor solution recommended?

- All settlement messages that were available as MT messages in Kondor are now available SWIFT MX messages.
- It is a fast implementation which is based on existing Kondor document generation architecture on workflow.
- There is full auditing of MT and MX messages.
- The solution is scalable. It is not a translation from MT messages.

### What's next?

Kondor generates MX messages natively. It's much easier to maintain and evolve moving forward. The design and workflow is compatible with the next phases that will come after November 2025.

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### About Finastra

Finastra is a global provider of financial services software applications across Lending, Payments, Treasury and Capital Markets, and Universal (retail and digital) Banking. Committed to unlocking the potential of people, businesses and communities everywhere, its vision is to accelerate the future of Open Finance through technology and collaboration, and its pioneering approach is why it is trusted by ~8,100 financial institutions, including 45 of the world's top 50 banks. For more information visit [finastra.com](https://finastra.com)

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