

HOW TO UNLOCK TRUE VALUE OF ISO 20022?

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What Is ISO 20022?

"A single standardisation approach (methodology, process, repository) to be used by all financial standards initiatives"

New Challenges Created

Remittance data tied to payments

As part of Payments Modernisation and move to ISO20022, business and personal clients will have the ability to send/receive detailed and structured remittance information(s) along with a payment.

Complex data model

The remittance data model is complex and nested into many levels (One payment – Many related remittance Info – Many Remittance (For example, PO, invoice, airway bill)).

Impact on bank payments ecosystem

With the move to ISO20022 across 3 payment systems (RTR, SOE and Lynx), banks' payment systems and origination channels will have to support ISO20022 data model for not just payments but also remittance information -- a major impact for many systems within a bank's payment ecosystem.

Increased data storage across multiple applications

The ISO data flowing through multiple systems in a Bank calls for increased storage and duplication of the rich remittance information.

Key Market Drivers

A market drive to enhance payments messages with richer and relevant data (traditional formats like MT do not provide this today, or provide a very limited scope).

Ability to use the same data standard across multiple types of payment rails, in fact, creating use cases for automatic routing of the same message across payment types like ACH and wires, for example

Richer quality of payment data invariably means efficiency in transaction processing and reduced exceptions, which lead to reduced costs and risks.

What Banks Want To Implement ...



Support the full set of Payments & Cash Management message catalog – Send, receive, advice and report



Leverage the power of ISO 20022 rich data by allowing clients to send structured remittance information along with payment. Support for a wide-range of industry, country-specific codes and tags



Split remittance data from a payment right at the entry into the Bank, while maintaining a link at all times. This makes the payment lighter and easier to process by the Bank's payment systems



Store remittance data separately. Data to be retrieved by Bank internal applications as well as by a client's counterparty/recipient



A solid ISO data strategy allows Banks to use AI and ML tools and deliver analytics. These can help the Bank in various areas such as AML, fraud, cross-sell, risk profiling, comparative analysis etc

What The Clients Are Asking For...



Ability to send structured remittance information along with the payment that can flow through the payment life cycle all the way to the recipient



Customised products and better access to credit products based on their payable/receivable information



Reminders, insights and recommendations on invoices, suppliers and buyers



Leverage rich remittance information to automate receivable reconciliation



Consolidated and structured payments & cash reporting to efficiently manage working capital

Capabilities Expected By ISO “Enabled” Solutions



Full support for ISO 20022 message set

Support the full set of payments, trade and cash management ISO 20022 message library. Offer ISO 20022 benefits beyond payment initiation and exchange. Support for customer-specific variations of ISO 20022 messages



Store remittance data separately

Store remittance data in a separate repository to minimise impact to the transactional database. Ability to query and retrieve remittance information easily without affecting core transaction processing. Ability to store invoices ahead of a payment or any stand-alone remittance information to be exchanged using open APIs, EDI or advices



Provide data extracts for analytics

Remittance or payment information can be extracted and published to bank reporting/analytical tools in order to provide value-added services, insights and recommendations online that are contextual to a customer



Split payment and remittance data

Separate remittance data upon entry to the bank, and store with a unique identifier. Provide the ability for upstream and downstream systems to access invoice or remittance data via APIs. Splitting of payment and remittance data upfront at receipt will improve processing speed



Translate to/from ISO 20022

Continue to support the exchange of data with customers/correspondent banks//financial institutions using legacy formats. Launch ISO 20022 capabilities as a no-regret foundational platform ahead of the market or regulatory mandates



Change remittance data without affecting the payment

Modify or delete one or many of the remittance data associated with a payment at any stage of the payment lifecycle. Avoids clients having to recall a payment to correct the remittance information

Measurable Benefits For The Bank And Its Clients – Revenue Increase

01 OFFER WORKING CAPITAL SOLUTIONS

Understand client sales, collections, aging, etc. Offer payables/receivables finance based on payables/receivables information

02 CASH FLOW FORECASTING

Provide invoice and remittance data to the bank's existing tools to enhance the accuracy of cash flow forecasting. In an open banking world, principal banks of SMEs/corporates could combine internal data with info from other banks to provide such a service

03 PAYABLES AND RECEIVABLES RECONCILIATION

Leverage remittance information received with payment and stand-alone to reconcile payables and receivables invoice information. Offer reconciliation service to reduce manual efforts and DSO of companies

04 CONSOLIDATED REPORTING SERVICES

Replace payment rail-wise reporting, lockbox, and AR statements with a single structured rich payment reporting

05 INDUSTRY BENCHMARKING

Industry/SIC code level benchmarks with respect to supply chain and financial indicators

06 SUPPLY CHAIN INSIGHTS

Identify concentration risk and vendors in hardship. Provide insights on currency, markets and offer cross-sell/upsell products

07 ENABLING ON-BEHALF OF PAYMENTS

Launch virtual accounts to support on-behalf of payments and collections. ISO 20022 supports initiating party different from the originator/client. Allows payments to be made and collected from virtual accounts thereby centralising/de-centralising payment operations at the client end

Various possibilities to leverage and monetise ISO 20022 data – offers cross-sell and up-sell opportunities

Measurable Benefits For The Bank – Decrease In Costs

01 PROJECT AND RUN RATE COSTS

Reduces cost related to changes to channels/payments/core systems to augment their data model to store ISO20022 based remittances/payments and invoices. Having a centralised ISO 20022 platform as a single, shared source of invoice and other trade data for bank LOBs (such as payments, cash management, trade & supply chain and lending) reduces significant project and infrastructure costs. Reduces on-going run rate costs

02 SERVICING COSTS WHILE ENHANCING CUSTOMER EXPERIENCE

Splitting payments and remittance data upfront allows for parallel processing of data -- minimal impact on current payment SLAs. Support customer efforts to increase straight-through-reconciliation (STR) of their receivables and reduce efforts in a manual reconciliation. Provide richer information to customers and their trading partners with respect to invoices and remittances

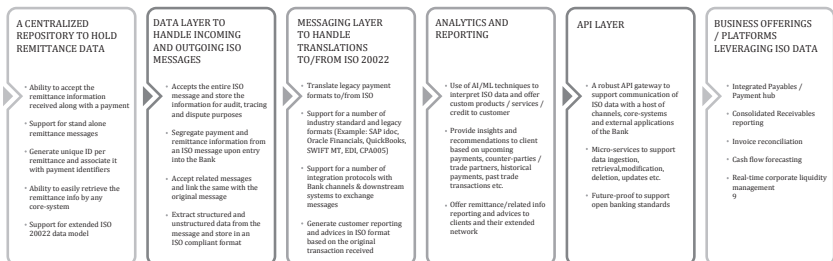
03 COSTS RELATED TO RISK MANAGEMENT

ISO 20022 data provides detailed information for better payment tracing, screening and risk identification related to AML, Fintrac, CTF etc. Rich payment and remittance information also allows the Bank to risk profile clients and thereby offer credit products accordingly. Helps reduce overall funding costs associated with the transaction and operational risk

Reduce a variety of operational and infrastructure costs to maximise internal benefits while at the same time enhancing customer experience

What Banks Demand From A Full ISO 20022 Solution?

RECOMMENDED CAPABILITIES**



****NOTE:** The MVP or a target ISO solution can vary from Bank to Bank and depends on the underlying business case, industry mandates and regulatory use cases. Intellect recommends components based on global industry requirements and mandates