



EUROPEAN CENTRAL BANK

EUROSYSTEM

**AMI-SeCo Harmonisation Steering Group
Collateral Management Harmonisation Task Force (CMH-TF)**

2 December 2019

**Timeline for Wave 2 implementation of ISO20022 messaging for Corporate
Actions and Billing Processes – HSG proposal to AMI-SeCo**

HSG recommendation to AMI-SeCo on the timeline for Wave 2 and coexistence period for ISO 15022 and ISO 20022:

- **AMI-SeCo members endorse that the Wave 2 implementation deadline for ISO 20022 messaging would be November 2025:** AMI-SeCo Standards for Corporate Actions and Billing Processes on ISO 20022 messaging would become applicable for actors in Wave 2 as of November 2025, i.e. at the latest by then account servicers should offer / support ISO20022 messaging (to clients that have the capability to use the ISO20022 protocol).
- **AMI-SeCo members support that the AMI-SeCo chair (on behalf of the AMI- SeCo) would send a recommendation letter to SWIFT with regards to the end of the co- existence of ISO15022 and ISO20022 messaging standards which should be November 2028, explaining the importance of a consistent approach to deliver on the commitment of the global community to transition to a single global standard.** HSG members take the view that discontinuing one-to-one equivalency would be an important driver to motivate organisations to move from one (legacy) standard to another richer standard and thus it could be recommended to SWIFT that the MT standard should no longer be maintained as from November 2025. The recommendation letter would reflect that the coexistence period should be as short as possible, with a view to limiting industry costs, risks and complexity stemming from supporting two messaging standards in parallel and avoiding fragmentation in Europe. The HSG therefore proposes that the coexistence period should be three years resulting in the date for the end of co-existence being November 2028. NSGs would be consulted on the draft recommendation letter. The aim would be that the AMI-SeCo submits the recommendation letter to SWIFT in January 2020
- **This assumes that the endorsement of the Wave 2 timeline and related clear communication towards SWIFT will lead to decisions by SWIFT which are consistent with the timelines above as endorsed by AMI-SeCo. The AMI-SeCo will monitor related progress.**

AMI-SeCo is invited to endorse the HSG recommendation.

Annex 1: Background

AMI-SeCo endorsed the Collateral Management Harmonisation Standards on (i) Triparty Collateral Management, (ii) Billing Processes and (iii) Corporate Actions (CA). The AMI-SeCo's Collateral Management Harmonisation Task Force (CMH-TF) has, as part of the Standards, also specified the ISO20022 messaging formats for Triparty Collateral Management, Corporate Actions and Billing Processes.

AMI-SeCo agreed that adoption of the ISO 20022 messaging should take place in 2 waves for activities related to Corporate Actions and Billing Processes (i.e. Corporate Actions Standard 15 and Billing Processes Standard 1 will be implemented in two waves). The date for Wave 1 has already been agreed by AMI-SeCo.

- Wave 1: By November 2022, the Standards on messaging should be implemented by actors involved in Eurosystem credit operations, i.e. (I)CSDs, Eurosystem central banks and Eurosystem counterparties. The remaining Standards have to be implemented by November 2022 without a staggered timeline, i.e. (I)CSDs, TPAs and custodians should follow the CA Standards 1 to 14 and Billing Processes 2 to 4 to ensure the provision of consistent information down the holding chain.
- Wave 2: By the second wave, the Standards for messaging should apply to remaining actors.

The staggered approach (and Wave 2 date) should also be seen in view of the agreement of market stakeholders in AMI-SeCo to take a leading role in the efforts to harmonise the European collateral management processes. AMI-SeCo had provided their full support to the vision of a broader adoption of the ISO20022 standard for financial services (see [AMI-SeCo/Pay letter of 25 June 2018](#)) and suggested a coordinated implementation and binding end-dates. Implementation and preparations have started of the collateral management harmonisation Standards. Coordination and a clear timetable for ISO20022 implementation of collateral management is needed to provide planning certainty but should also take into account market considerations.

Annex 2: Considerations for Wave 2 timeline

The following considerations were identified by the CMH-TF and HSG as being important aspects to determine the timeline for Wave 2, i.e. (i) need to build upon the momentum for adoption of ISO20022, (ii) best practice for optimal co-existence period, (iii) need to take into account the work undertaken by the SWIFT community and lessons learnt from previous SWIFT migrations and (iv) need for sound planning assumptions.

1.1 Momentum for adoption of ISO20022

Ongoing changes in the field of payments, securities and collateral management will make ISO20022 the sole messaging standard to support business processes and regulatory requirements. The following should be taken into account:

Status of global adoption

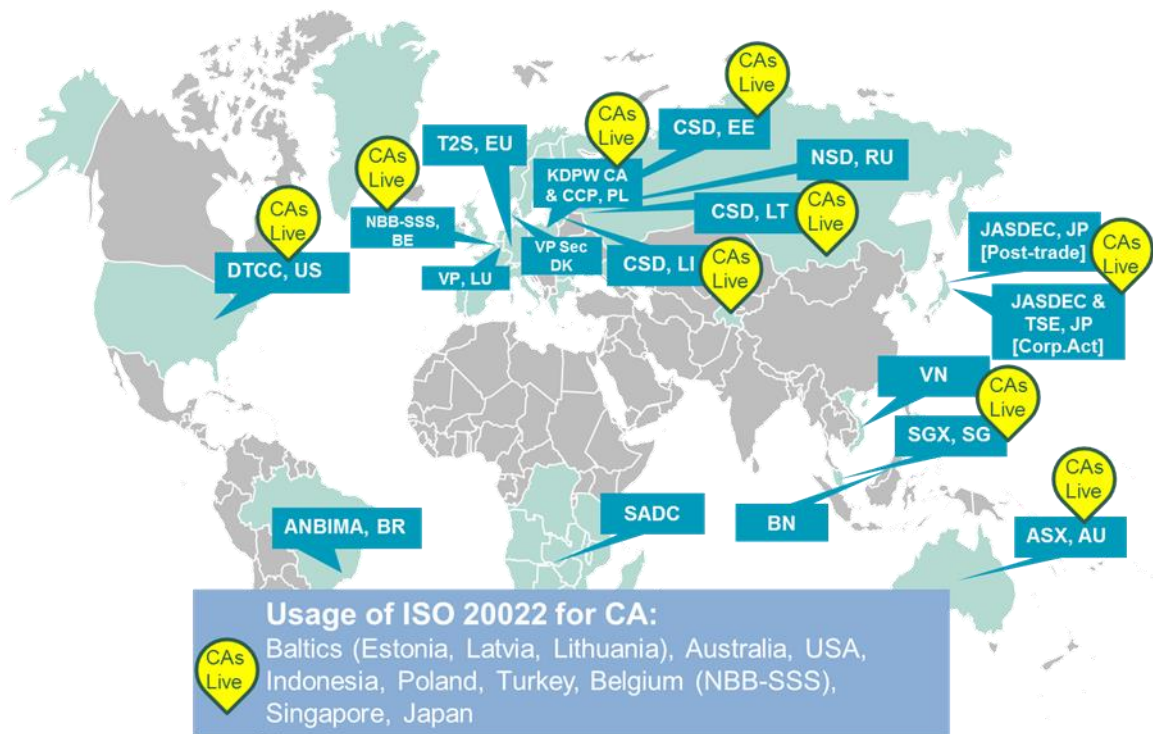
ISO 20022 adoption has already progressed in several countries across the globe (including major markets such as Europe, the US and Japan).

- In Europe key players in the **securities** industry have migrated to the usage of ISO 20022 messaging for settlement activities following the introduction of **T2S** in 2015.
- The **payments** industry in Europe will migrate to the usage of ISO 20022 messaging by 2021 (for euro payments) and 2022 (for other currency payments). The migration will cover cross-border payments of correspondent banks as well as other users of these messages in securities markets (e.g. ICSDs).

- **TARGET2 migration to ISO 20022 is in November 2021.** As part of the T2/T2S consolidation process, the SWIFTNet FIN messages (MT) which are currently used for payment transactions in TARGET2 will be replaced by ISO 20022-compliant MX messages. The change will be realised as a “big bang” on the 21st of November 2021.
- **EBA CLEARING is also migrating by November 2021.** EBA’s large-value payment system EURO1 migration to the ISO 20022 standard is scheduled to be completed by November 2021.

- **The RTGS renewal in the UK will go live early 2022.** Bank of England's RTGS Renewal Programme foresees that participants will go live in CHAPS with ISO20022 early 2022.
- **SWIFT announced that it will deactivate the MT payments messages by 2025.**

- In line with the harmonisation standards endorsed by the AMI-SeCo, as of November 2022 key **collateral management** related activities (e.g. triparty collateral management and corporate actions) will also be executed in ISO 20022 in Europe. In the field of corporate actions the markets highlighted in yellow below have already migrated to the usage of ISO 20022 messaging.



Regulatory context

- New messages are being exclusively developed in ISO 20022, e.g. proxy voting capability to support SRD2 is only supported in ISO 20022. SRD2 will be implemented as of September 2020 and some SRD2 processes will rely on the usage of ISO 20022 messaging (as also foreseen in the context of the AMI-SeCo Corporate Action Standard no.15).

Specific European / Eurosystem initiatives in the area of collateral management

- In December 2017, the Eurosystem announced that it would rely exclusively on the usage of ISO 20022 messaging for all Eurosystem collateral management related activities as of November 2022.

By November 2022, Triparty Agents will support ISO20022 for Triparty Collateral Management and (I)CSDs will support ISO20022 for Corporate Actions and Billing.

1.2 Approach for migration period and co-existence period

Best practice for market migration is (according to SWIFT recommendation) a 5 year lead time from agreement until full market migration. This would lead to a migration period until November 2024 (or November 2025 to allow extra buffer) for implementation/support of ISO20022 by remaining actors. In this light, the approach suggested by the HSG for migration towards ISO20022 is the following:

- First wave (by November 2022): Subset of users adopts ISO20022, i.e. (I)CSDs, TPAs, Eurosystem and their counterparties and other early adopters.
- Second wave (by November 2025): The remaining actors adopt ISO20022, i.e. account servicers should offer / support ISO20022 messaging (to clients that have the capability to use the ISO20022 protocol). Several HSG members noted that discontinuing one-to-one equivalency is an important driver to motivate an organization to move from one (legacy) standard to another richer standard and during a co-existence period. Accordingly the MT standard could no longer be maintained as from November 2025 (to be recommended to SWIFT).

- End of coexistence of ISO 15022 and ISO 20022 messaging as final step (by 2028): Full ISO20022 adoption, all users being able to send and receive ISO20022. The goal is that all European stakeholders on the SWIFT network traffic will use ISO 20022 messaging. MT messages would be deactivated by this date (to be recommended to SWIFT).

Regarding the duration of the **co-existence** period, the HSG considered the following:

- **Make phased migration period short:** The phased implementation (with maintenance of MT standards and coexistence with ISO20022 Standards) should be as short as possible¹. HSG members consider that clarity and determination is needed, i.e. the AMI-SeCo should inform SWIFT (and ISO) on its views on the duration of the maintenance period². Hence, the HSG members take the view that the SWIFT community should be informed and involved as early as possible on the organisation of the full migration to evaluate the impact.
- **Be clear on end of MT maintenance:** There should be a clear date to limit the maintenance for MT standard, i.e. a defined period for when the final step towards ISO 20022 starts and when the MT standard no longer will be maintained. HSG members consider that the discontinuation of the one-to-one equivalency of MT and ISO20022 should provide clarity as of when the use of ISO20022 expected (to avoid duplicative efforts and higher maintenance costs).
- **Reduce operational risk:** Limiting the maintenance period for MT and clear expectations on migration to ISO2002 would reduce operational risk for (I)CSDs and their direct participants in the use and unclear timing on the maintenance of different messaging formats for a prolonged period of time.
- **Avoid fragmentation:** Limiting the maintenance period for MT and full migration to ISO2002 would avoid fragmentation across Europe, as the implementation by market / by CSD (with some markets going quicker than other markets) is considered complex for providers (too piece-meal

¹ See Swift ISO 20022 Implementation Strategies: “How long should a phased implementation take? Although phased implementations aim to reduce risk, they can introduce risks of their own if they take too long. It is difficult to add new capabilities to a system while a migration is on-going; maintaining technical co-existence measures during a migration introduces cost and operational risk; and there is also the danger of simply losing community momentum. So although all projects will vary, the clear recommendation is to make phased migration periods as short as possible while still consistent with the goal of implementation risk reduction.”

² The ISO 20022 maintenance process is governed by ISO. SWIFT community’s needs are represented in SWIFT governed working groups, which formulate and agree the community’s position on changes and feed this into the ISO process.

and hampering interoperability). It would also be preferable for market participants to have clarity on the large scale migration project for all European markets.

1.3 Work of the SWIFT community and lessons learnt

The HSG considers that work undertaken by the SWIFT community should be taken into account, as well as the Lessons learnt from previous SWIFT migrations. In 2018 the following aspects were identified by SWIFT³ in the planning of migration towards ISO 20022 in the securities industry:

Drivers for Securities Business Domain

1. If payments traffic does migrate to ISO 20022, securities processing flows would then need to be adapted as well in order to generate ISO 20022 (rather than FIN MT) payment messages. This could potentially lead to a consolidation of business applications.
2. There is currently a clear regulatory trend in the adoption of ISO 20022 standards for reporting obligations, yet for this to work effectively, interoperability needs to occur between transactional data and regulatory reporting. ISO 20022 can assist organisations with the streamlining of their data models to help comply with reporting obligations.
3. Some ISO 20022 messages contain functionality that does not exist in ISO 15022, meaning adoption of the new standard could help reduce processing risk or errors. This is particularly true for certain areas of the securities business, such as asset servicing especially proxy-voting , collateral or liquidity management, in which either relatively low STP rates still exist or only a portion of processes have been fully standardised.
4. ISO 20022 supports some business processes not fully catered for by ISO 15022. Examples include account management, already used in the funds industry, which supports securities account opening. ISO 20022 also contains a full suite of messages for voting, clearing, and bilateral collateral management.

³ See <https://www.swift.com/resource/iso-20022-migration-study>

In summary SWIFT concluded that:

- ISO 20022 is established in the securities market infrastructure space and continues to grow. By the end of 2022, the largest securities MIs will specify ISO 20022 for part or all of their business processes. Securities players, connecting directly with those securities MIs are or will be ISO 20022-enabled.
- Securities players that need to generate payments will be required to develop ISO 20022 capabilities if cross-border payments traffic migrates to ISO 20022.
- There are securities processes that would benefit from the functionality offered by ISO 20022, particularly in the areas of asset servicing and collateral/liquidity management.
- The majority of new or upcoming regulations, especially in the European Union, require ISO 20022 for reporting.

Lessons learnt from previous SWIFT migrations

- Migrations that cover only certain aspects of messaging for financial transactions may create complexity and costs and risks. In particular, the limited/partial roll-out of ISO20022 messaging for Corporate Actions implementation towards ISO20022 in the US has focused on corporate actions announcements and their related cancellations (for distributions, redemptions and reorganisations), while it is foreseen that the remaining corporate actions life cycle processes, such as entitlements, elections and payments are tackled in upcoming future phases.
- In Europe, the migration to ISO20022 must be to take an all-encompassing approach to move to ALL corporate actions messages. This would avoid the complexity, risk and slow pace of migration in several steps. It would also reduce further the implementation costs for co-existence, for testing, maintenance, etc. and avoid fragmentation.

Annex 3: ISO 20022 usage in Europe

Region	Country	Segment	System owner and/or operator	System/service name	Business area	Status	Start year
Europe, Middle East & Africa	Austria	CSD	OeKB CSD GmbH		S&R	Planned	2018
	Belgium	ICSD	Euroclear Bank S.A./N.V.	FundSettle	Funds	Live	2009
		CSD	National Bank of Belgium	NBB-SSS (RAMSES)	CA, S&R	Live	2015
	Belgium, France, Netherlands	CSD	Euroclear ESES		Funds	Live	2011
					S&R	Live	2016
	Denmark	CSD	VP Securities A/S		Funds	Live	2013
					S&R	Planned	2018
					CA	Live	2015
	Estonia	CSD	Eastonian Central Register of Securities (ECSD) ⁹	ECSD	S&R, CA, Funds	Live	2011
	Estonia, Latvia, Lithuania	CSD	Nasdaq CSD Societas Europaea		S&R, CA, Funds	Live	2017
	Eurozone	SSS	European Central Bank	TARGET2-Securities (T2S)	S&R, Coll. Mgt, Acct	Live	2015
	Finland	CSD	Euroclear Finland	Infinity	S&R, CA	Live	2015
	Luxembourg	CSD	Clearstream Banking S.A.	Vestima	Funds	Live	2006
		CSD	VP LUX S.à r.l.		S&R, CA, Funds	Live	2015
	Norway	CSD	Verdipapirsentralen ASA (VPS)	VPO	Acct Mgt, Funds, Reporting	Live	2011
					CA, S&R	Planned	TBD
	Poland	CSD	KDPW S.A.		CA	Live	2013
		CCP	KDPW_CCP S.A.		Clearing	Live	2013
	Russia	CSD	National Settlement Depository (NSD)		Funds	Live	2017
					Proxy Voting		2015
					CA		2015
					S&R, Acct Mgt	Planned	TBD
	Switzerland	CSD	SIX SIS	SECOM	Funds	Live	2019
Asset servicing (SRDII)					Planned	2020	
S&R					Analysis started	TBD	
Sweden	CSD	Euroclear Sweden Ab	VPC	Funds	Live	2013	
				CA, S&R	Planned	TBD	
Turkey	CSD	MKK (Merkezi Kayit Kurulusu A.S.)	Central Dematerialized System	CA, S&R	Live	2012	
				Proxy voting		2016	
United Kingdom	CSD	Euroclear UK and Ireland	Funds Hub	Funds	Live	2009	
	CCP	LCH.Clearnet Limited		Coll. Mgt	Live	2013	