THE PLAY CLOCK IS TICKING

OCTOBER 2017.
THERE ARE NEW SIGNALS AND RULES OF THE GAME.
WHERE DOES ISO 20022 FIT INTO YOUR TEAM’S PAYMENTS GAME PLAN?
Just in time for fall football, a new season in the payments industry is kicking off. The international messaging standard ISO 20022 is set to change the game of payments transformation in North America.

This is no time to be a spectator in the payments arena. Those who understand the new rules of the game, develop strategies for offense and defense, and seize upcoming opportunities will outscore flat-footed competitors.

While our soccer-loving friends in Europe have been acquainted with ISO 20022 for some time through market initiatives like SEPA, the standards are not as well known or understood in North America. ISO 20022 is, in essence, a global messaging standard and business process model that connects organizations and systems with a common “language.” This enables real-time payments—a business priority for most every payments industry player—but it will also apply to securities, trade, cards, and foreign exchange.

**HOW ARE THE RULES CHANGING?**

First, ISO 20022 will help overcome geo-dependent jargon in which terms like “payor” or “debtor” may not have common meanings. Second, it allows for far greater granularity and richness of transaction data. This common global standard coupled with richness of data is a potent combination in an increasingly data-driven world and a game-changer for the North America market and beyond.

In the coming months, business and technology imperatives will pressure banks across North America to begin their migrations to ISO 20022 compliance. The U.S. and Canada have a series of efforts underway driving the change timeline impacting game plans in payments.

For example, the Clearing House (TCH) is currently running its Real-Time Payments pilot program with plans to go live before the end of the year, and the language of the new rail is ISO 20022. NACHA has an opt-in program for ACH Corporate Trade Exchange Addenda information and a resource center with format mapping guides and other tools to support the adoption of ISO 20022. The Fed and TCH are expected to release key implementation timing and other announcements for Fedwire and CHIPS this fall amid the flurry of upcoming banking industry conferences such as Sibos, AFP, and Money20/20.

Likewise, Payments Canada has outlined an ambitious agenda to both introduce a new Real-Time Rail and overhaul its high-value and batch payments systems with timelines anticipated this fall. However, in Canada the change will be based on a combination of market forces and mandatory adoption. Players in that market will need to be prepared for “Canadian rules” that will likely make for some interesting scrimmages as incumbents tussle for share with up-and-coming challengers.

The adoption of ISO 20022 underpins nearly all national payments modernization efforts with the Fed, NACHA, TCH, and Payments Canada—not to mention other national and supra-national bodies committed to using it to modernize the industry.
While their approaches may vary, these bodies have a shared goal: to enable rich data in the customer experience and create opportunities for banks to develop new products and services. In Canada and the U.S., where current messaging formats are rigid and “data light,” the benefits of ISO adoption at an ecosystem level will be transformative, enabling strategic business cases that transcend the technical function. The key will be how banks unlock winning strategies to harness the benefits of the standard, which may include new revenue streams, greater personalization, collaboration with FinTechs, and advanced analytics.

What if adopting ISO 20022 could enable more than compliance with regulation and industry standards? What if it could unleash the innovation needed to make new products and services that better meet the needs of customers, from small businesses to corporations to governments and even regulators?

The adoption of ISO 20022 messaging standards can provide banks with the foundation they need to develop new products, tailored to the customer’s needs, while also providing a mechanism to better manage cost and risk. If approached thoughtfully, it is an opportunity for banks to stand out as change agents and innovators, driving market share in this competitive field of established banks and emerging players.

Success requires moving beyond the old playbook, and instead looking at ISO 20022 migration as a series of offensive plays and defensive maneuvers that banks can study, develop, and execute. Where to play offense and where to defend is an important strategic question requiring the business and technology sides of the bank to work as one team to identify and prioritize customer use cases to deliver digital solutions. Banks need to think offense to develop a winning strategy for ISO 20022 that can support business, technology, and operations. For example, a bank might enable open APIs that allow small business customers access to ISO 20022 messages to integrate the information into their accounting software. Meanwhile, a defensive maneuver might involve making tactical vendor decisions to future-proof organizational agility.

**WHAT IF ADOPTING ISO 20022 COULD UNLEASH THE INNOVATION NEEDED TO MAKE NEW PRODUCTS AND SERVICES THAT BETTER MEET THE NEEDS OF CUSTOMERS?**

Gaining the full benefit of ISO 20022 will require banks to take a fresh, customer-centric data strategy—making data accessible, intuitive, and ubiquitous in customer-facing channels. This empowers the bank to better understand market-driven requirements, specific customer challenges they are trying to solve, and the technical and operational obstacles they need to overcome. Articulating and understanding these trade-offs is essential to prioritizing ISO 20022 capabilities.

For many banks, the major challenges will be breaking through communication silos, upgrading multiple interconnected systems (along with the hefty price-tag of those upgrades), and aligning leadership priorities around data governance, risk management, and compliance. At scale, the challenges may seem daunting, but the opportunities created by ISO 20022 could begin the digital transformation rally your organization needs for a championship season now and for years to come.
AUTHORS

CONRAD SHEEHAN
Managing Director—Payments, Accenture
conrad.m.sheehan@accenture.com

STACY ROSENTHAL
Senior Manager—Payments, Accenture
stacy.a.rosenthal@accenture.com

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 411,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

www.accenture.com/payments

@bankinginsights

Copyright © 2017 Accenture
All rights reserved.
Accenture, its logo, and High Performance Delivered are trademarks of Accenture.