



BUSINESS

ISO 20022

Preparing for November 2022





Are you ready?

This is the second brochure in the series to help you prepare for ISO 20022. It will cover more detail on the new formats, how and when the changes are happening and how The Royal Bank of Scotland are here to support and help.

ISO 20022 is a regulatory requirement, but there are also many benefits to ISO 20022, which we'll take you through along the journey to implementation.

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**What ISO 20022
means for customers**

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- CHAPS
 - TARGET2
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**Customer testing
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**What you can expect
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Contact and support

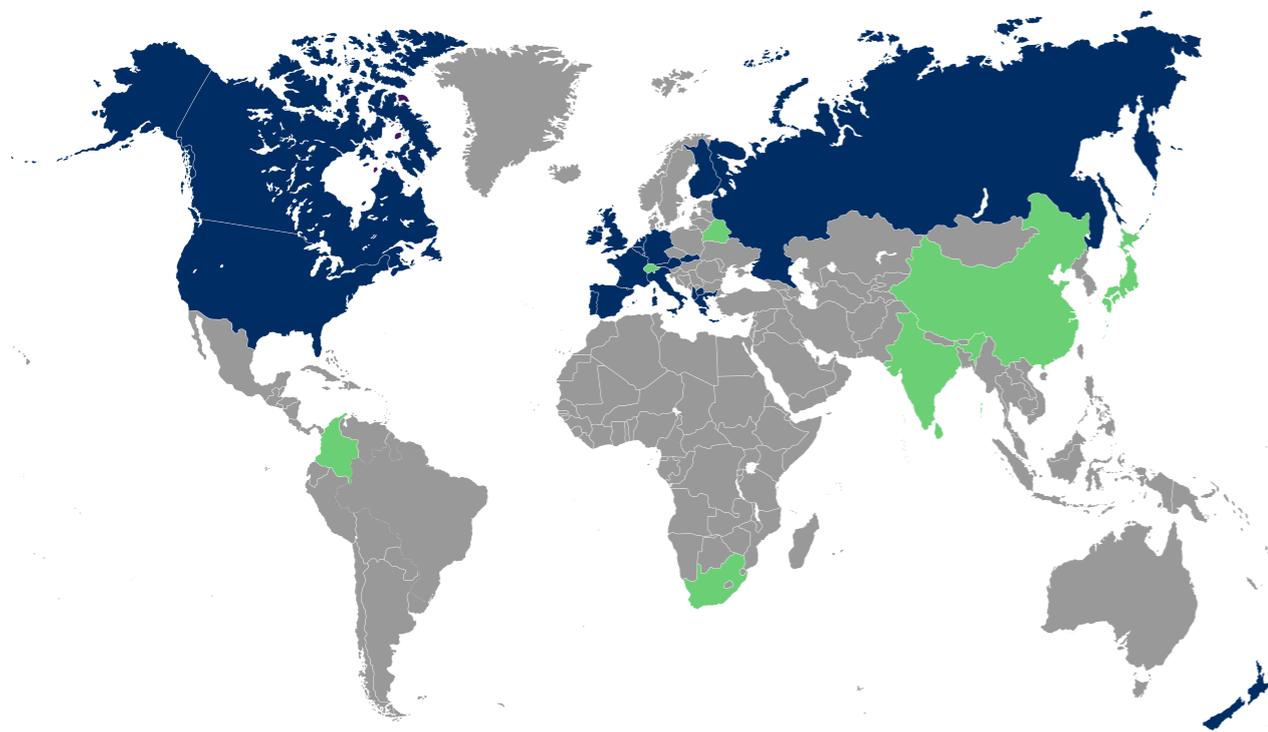
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The basics

ISO 20022 is an existing message format used today across a number of in-country clearing systems in certain regions.

Commencing June 2022 the UK's RTGS system, CHAPS, will be live, operating on a 'like for like' basis and the Europe RTGS Systems, EURO1 & TARGET2 will be live on an enhanced ISO 20022 format basis from November 2022 with CBPR+ available at the same time.

They will all operate in a three year co-existence period.



Planned	Live
Belarus	Bangladesh
Canada	Brunei
Eurozone	Colombia
Hong Kong	China
Malaysia	India
New Zealand	Japan
Russia	Jordan
Singapore	Kosovo
United States	South Africa
United Kingdom	Switzerland

Source: SWIFT ISO 20022 migration consultation study.

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Royal Bank ISO 2022 Vision

As a Bank we have created an ISO 2022 Vision, which outlines our approach, the changes we will make and our future infrastructure to ensure compliance by 2025.

Our approach

We are upgrading our payments technology to a modernised and simplified end-state, fit for a data and digital driven economy – ensuring we are cost effective while scalable, future-proofed while resilient and maximising the ISO 2022 opportunities. We continue to work with the regulators to ensure our systems, processes and products are compliant and provide the best possible customer experience.

Changes

The multi-year, iterative programme will simplify compliance and business change outcomes, while retaining resilience and security.

Future infrastructure

Our infrastructure will be API-based, configured to provide a continuously available service and highly dynamic and efficient scaling with a seamless payments experience:

Simpler

Increase interoperability, uplift STP, reduce repair work, fraud, and cost

Smarter

Ability to automate and innovate new services and partnerships using new standardised enriched data fields

Safer

More resilient and secure, and effecting ‘always on’ and ‘real time’ capability



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What ISO 2022 means for customers

The adoption of ISO 2022 across the globe brings direct benefits to institutions and their customers.

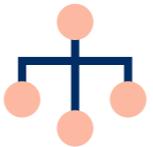
<p>Standardisation</p> <ul style="list-style-type: none"> • For different payment types • In bank formats (facilitate multi-bank consistency) • Across global entities 	<p>Bank agnostic</p> <ul style="list-style-type: none"> • No single point of failure • Less counterparty risk • Easier to manage banking relationships 	<p>Modern and flexible tech</p> <ul style="list-style-type: none"> • Simpler transaction, faster troubleshooting and maintenance • Choice of connectivity • Increased support by major TMS and ERPS
<p>Higher automation and STP</p> <ul style="list-style-type: none"> • Automated G/L positioning and cash application • Reduction of manual entries and payments fx 	<p>Financial gains/savings</p> <ul style="list-style-type: none"> • Less tech support needed • Focus on valued-added treasury activities 	<p>Enriched data</p> <ul style="list-style-type: none"> • Improved cash visibility and forecasting • Facilitates business intelligence

It's worth noting these benefits will not be achieved immediately and will depend on how the full ISO 2022 adoption is undertaken by SWIFT, Banks, and Market Infrastructures. Clear, regular, and timely communication of adoption stages and any change impact to customers will be a feature throughout our ISO 2022 journey. Customers submitting Sterling, Euro or Currency Payments via SWIFT channel direct or SWIFT-based Host to Host channel may wish to adopt ISO 2022 immediately on launch.

Key elements

As a Financial Institution you will have already deployed your own dedicated Transformation Project Team(s) to support your transition to ISO 2022.

Together you will address these key elements:

 <p>The operational impacts beyond payment transactions i.e. payments processing, anti-financial-crime applications (including AML systems), liquidity management, billing, account reporting, reconciliation, and archive systems</p>	 <p>The volume and type of transactions impacted</p>  <p>Levels of expertise across your own organisation including training and education</p>	 <p>How you will be communicating to your own customers about the changes to ensure they are aware and ready to provide any additional data as part of the enhanced requirements</p>	 <p>Your own participation in affected market infrastructures (direct/indirect)</p>  <p>Plus any system, process or resource changes that may arise</p>
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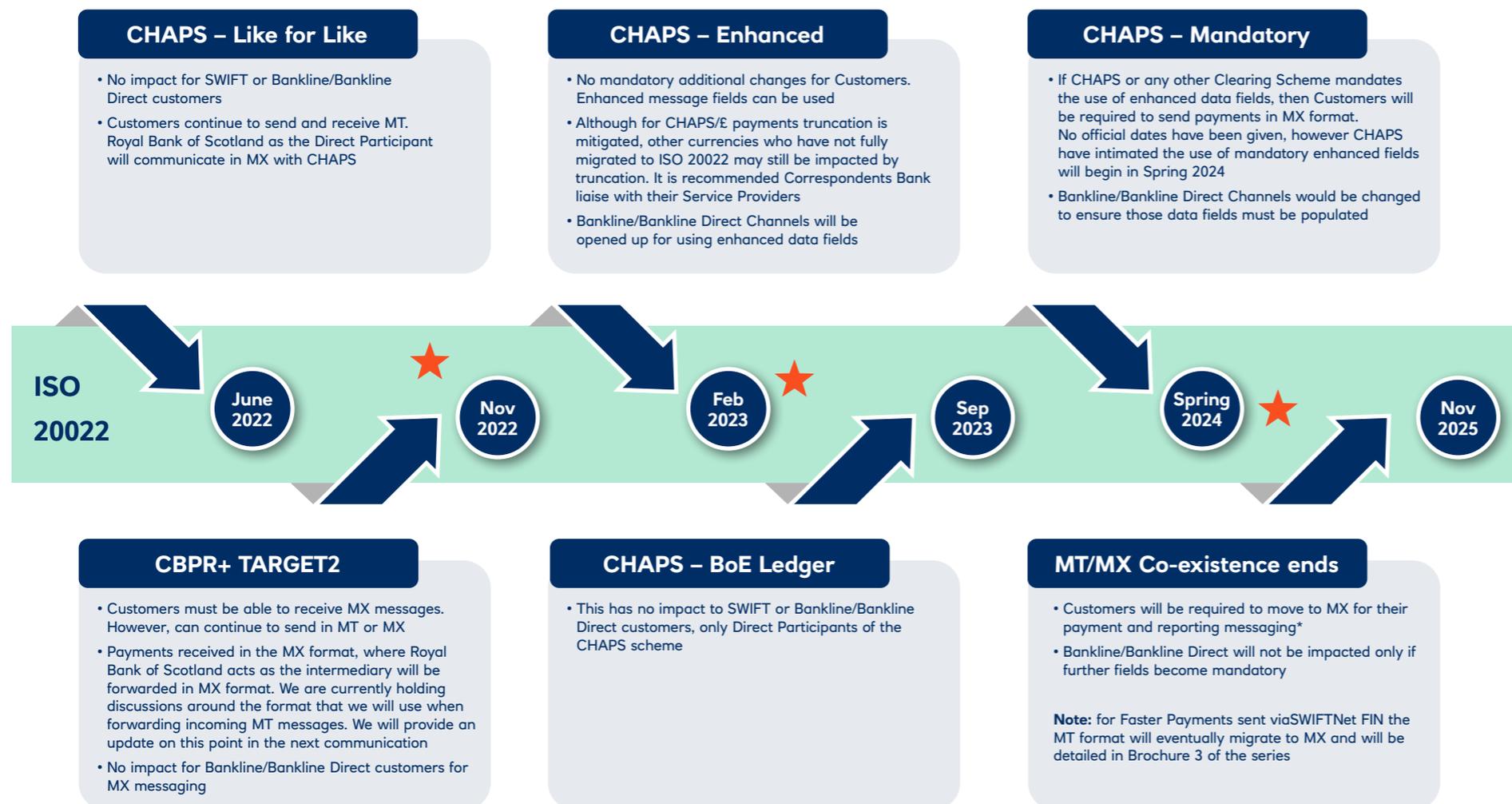
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How formats are changing CHAPS

As stated in our previous communication, our customers are not required to make any changes for CHAPS like-for-like in June 2022. Continuing to send MT based formats with the same information as you do today and will not include any additional or enhanced data.

Any additional or enhanced data (such as Legal Entity Identifiers or Structured Addresses) may be subject to truncation before February 2023 and may negatively impact the rates of straight through processing.

For Indirect Participant and Correspondent customers sending £ payments after spring 2024 where enhanced data requested by the Bank of England may feature i.e. structured addresses, purpose codes, LEI and extra remittance information, the MT format may not be fit for purpose. Therefore it is vital that customers migrate to ISO 2022 XML formats to avoid delays or receipt of payments.



*Channels will not be allowed to send enhanced data until post Feb 2023 CHAPS Enhanced Go live and we are recommending that SWIFT users do not use enhanced messages until this time. This removes any truncation risk for Sterling Payments travelling via CHAPS scheme.

★ Customer impacts

*It is recommended that SWIFT Customers migrate to full MX formatting ahead of the mandated SWIFT MT decommission date of November 2025.

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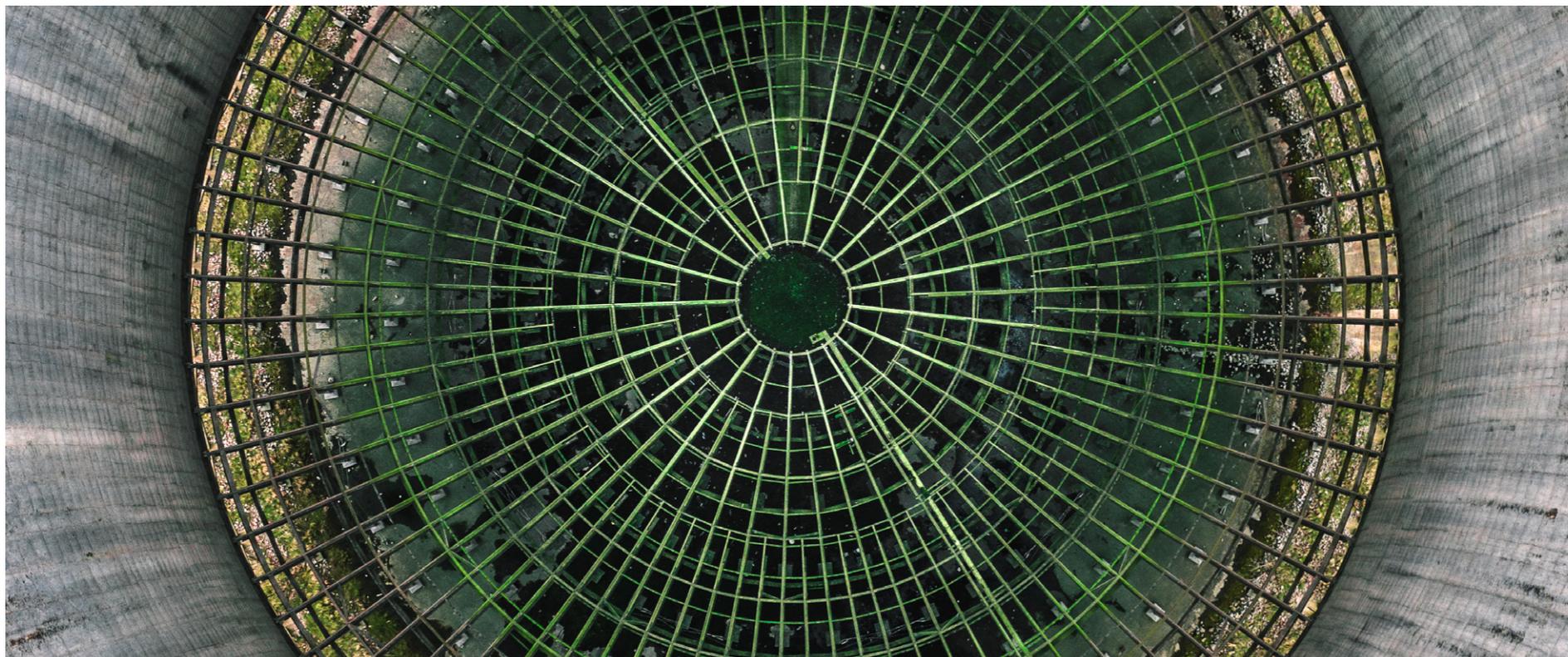
Full ISO 2022 adoption between Direct and Indirect Participants can commence in February 2023. Once CHAPS has transitioned to full support for enhanced messaging, you will be able to send any information permitted by the new message types, in a more structured flexible message format. The Bank of England is actively encouraging CHAPS Direct Participants and the wider payments industry to take advantage of the new possibilities that enhanced messages offer with effect from February 2023.

Royal Bank of Scotland as your CHAPS Direct Participant will do all we can to minimise disruption to payments during this period.

The Industry is working on creating suitable workarounds to ensure data is made available to the receiving banks upon request. For example, this will include additional channels to pass on that data and additional resource in place to support customers and correspondent banks through existing exceptions and enquiries processes.

The BoE along with the Direct Participants of the CHAPS Scheme have produced a White Label communication paper on “Mitigating risk of data truncation in CHAPS messages for a limited time period”, the link to this paper is [here](#) and is for all organisations that may initiate sterling payments that need to settle over CHAPS.

However, it would be wise to consider if the receiving Correspondent/Direct Participant Bank and their local market infrastructure(s) can support the extended format i.e. for Sterling Payments – the CHAPS scheme is operating ‘like for like’ from June 2022 through to February 2023 and as such sending Sterling payments in the enhanced format for CHAPS may result in delays where the Direct Participant receives a truncated ‘like for like’ message resulting in the need for investigation on missing data to meet AML/FTR requirements.



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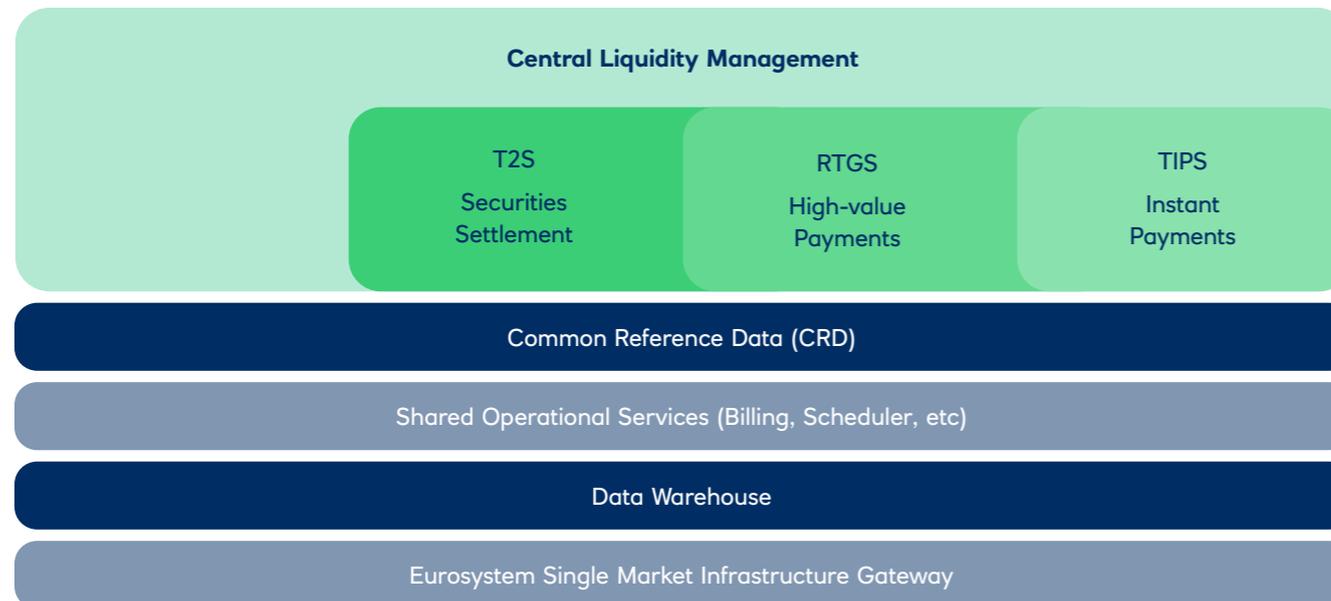
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How formats are changing TARGET2



TARGET2

The European Central Bank is undertaking a 'big bang' approach to ISO 2022 in November 2022.



The ECB is migrating to a new infrastructure consolidating its platforms, (TARGET2 Securities, TARGET2 and TARGET Instant Payment Settlements) renaming to TARGET Services.

This will deliver a high-performance settlement infrastructure, Eurosystem Single Market Infrastructure Gateway (ESMIG) and introduce new Real Time Gross Settlement (RTGS) services.

Royal Bank of Scotland, as a Direct Participant of TARGET2, will need to provide full ISO 2022 formatted messages from November 2022.

For TARGET2 payments the use of extended formats can be initiated from November 2022 and Banks must be able to receive and process extended format MX traffic from this date.

Royal Bank of Scotland is also able to continue to receive MT format euro payments where translation to ISO 2022 will be undertaken. However, where Royal Bank of Scotland receive messages back from the TARGET2 scheme these will be sent out in the ISO 2022 format.

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How formats are changing CBPR+

The global migration of payments to the ISO 2022 standard affects all banks with many-to-many relationships in the Correspondent Banking space

All users of payments and cash management messages (MT categories 1, 2 and 9). SWIFT will be moving its Correspondent Banking network to ISO 2022 from November 2022.

Co-existence period & truncation

There will be a co-existence period (dual running of MT & MX) until MT is finally switched off in November 2025 and all messaging will be MX based using ISO 2022 standards.

Potential data truncation during the co-existence period comes with a risk for all Financial Institutions with impacts to both submitting customers and beneficiaries.

Financial Institutions are varied in their approach to ISO 2022 and the dates they will fully migrate across and it is recommended that Correspondent Banks reach out to their respective Service Providers to obtain the detail around what Financial Institutions can or cannot support and what the message based truncation impacts will be.

Transaction management platform

SWIFT have recognised the impacts to Banks and an enhanced platform, Transaction Management Platform (TMP), operated centrally by SWIFT, will help users during the co-existence phase of the overall ISO 2022 Migration.

The TMP platform aims to reduce the cost and complexity of the ISO 2022 adoption and accelerate realisation of the benefits of the new standard by holding a central copy of the complete payment data, which will be accessible to every Bank in the payment chain.

It is important to note that the TMP will not translate CAMT (MT9xx) messages.

The deployment of the TMP platform is to coincide with the CPBR+ live date of November 2022.

Cross-border Payments and Reporting Plus (CBPR+) specification defines how ISO 2022 should be used for cross-border payments and cash reporting on the SWIFT network. Conformance to CBPR+ specification will be validated by the SWIFT message service, so it imperative that users implement the specification correctly.

Guides and translation portals

<https://www.swift.com/our-solutions/mystandards>

For the up-to-date usage guidelines and access to the readiness and translation portals, we strongly recommend the using this link to the Cross-border Payments and Reporting Plus page on the SWIFT MyStandards site.

<https://www.swift.com/standards/iso-20022/iso-20022-programme/iso-20022-financial-institutions>

More information can be found on this link to the SWIFT page dedicated to ISO 2022 for Financial Institutions.

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Customer testing and support

SWIFT MyStandards

SWIFT Standards will be the main source of customer testing. It offers standards expertise, as well as being a collaborative web platform that offers you more self-service.

At present our ISO 2022 formats are being built and fully tested and when completed will be housed on our Royal Bank of Scotland ISO 2022 SWIFT MyStandards Community Page. Details of how to request access and use of the page will be provided in Brochure 3 of this series.

SWIFT Test Sparring Partner Service

SWIFT Test Sparring Partner Overview



No footprint: the user portal is hosted and accessible from the swift.com secure environment.



The wizard-like features of the Test Sparring Partner Portal allows users to **easily and fully experiment** with the scenarios and formats richness.



The Test Sparring Partner offers a **comprehensive test catalogue** of test cases allowing to test the sending, receiving and relaying of gpi, T2 and CBPR+ messages.



SWIFT sparring partner acts as a counterparty. In this **bilateral sparring environment**, no other counterparty is involved in the execution of the tests.

Royal Bank of Scotland will be registering to become a member of the SWIFT Test Sparring Partner service. Further details on the Access Management and Administration requirements will be outlined in Brochure 3 of our ISO 2022 series.

The SWIFT Test Sparring Partner service is available to customers who are registered for the FINplus service. Users will need to subscribe to access this tool.

Further details are available in the SWIFT Test Sparring Partner publication for CBPR+ available in the [Knowledge Centre](#).

We highly recommended you review this tool to help with the testing of ISO 2022 messaging alongside the SWIFT MyStandards portal.

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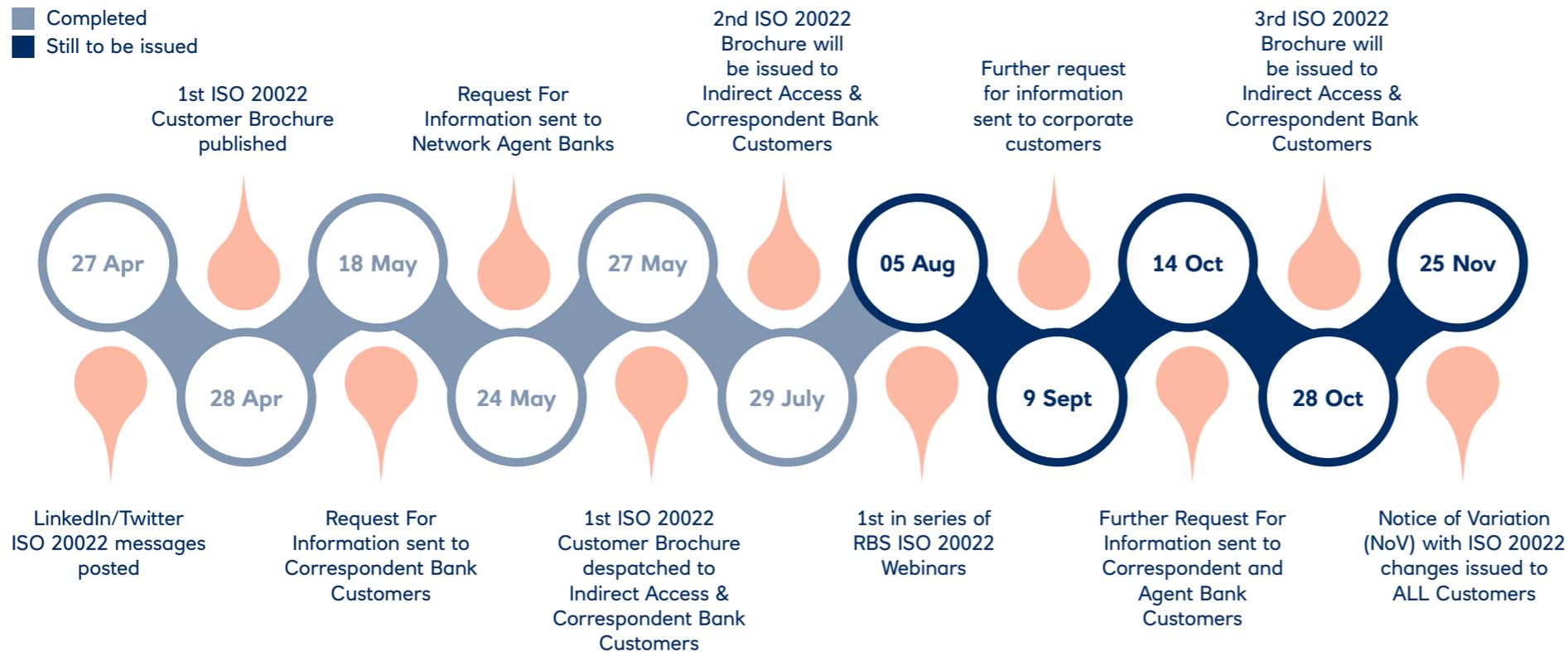
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Royal Bank of Scotland ISO 2022 customer communications 2021



All of our ISO 2022 collateral and support information is available online

[<RBS ISO 2022 Internet Site>](#)

*These dates are subject to change. During Quarter 4 2021 the Customer Communication Plan for 2022 will be available.

Contact and support

Got a question?
Use our dedicated ISO 2022

[Email address](mailto:ISOSupport@rbs.com)

When sending your queries, please ensure you provide details of the service(s) you use with Royal Bank of Scotland.

ISOSupport@rbs.com

Useful links

[ISO 2022 for FI's](#)

[SWIFT ISO 2022 Adoption Programme](#)

[SWIFT ISO 2022 & CBPR+ Tailored learning](#)

[Bank of England ISO 2022 Market guidance](#)

[Test Sparring Partner CBPR+ User Guide](#)

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