

Monetize on ISO 20022 – Build the Basis



Implementation of standard ISO 20022 opens the door to implement new and enhanced value-added services

ISO 20022 payments – hardly keeping pace with implementation

The adoption of the ISO 20022 payment format triggered significant operation and strategic changes worldwide. Payment systems and schemes implemented this new standard to process incoming and outgoing payment messages.

Central payment mechanisms like SEPA have forced payment chain participants to adopt their release schedule. The co-existence of old and new payment formats during transition phases

will not be allowed anymore soon – the predominant example is the retirement of the old SWIFT MT-formats in November 2025.

European banks must ensure **end-to-end compatibility** with ISO 20022 for cross-border payments and high-value (RTGS) transactions. Many

institutions hardly kept pace with the speed of introducing ISO 20022. High implementation costs of new payment platforms and complex migration needs left legacy systems in place. Instead of adopting future-proof platforms, mere format conversions back and forth or to/from legacy systems are being put in place. Financial institutions prioritized external interoperability for the various payment rails, and postponed implementing state-of-the-art platforms. The technical debt piled up, and is still piling up.

Harmonization – but with different flavours and timelines

ISO 20022 builds the basic framework to reach a harmonised payment message landscape. At the same time, ISO 20022 provides necessary flexibility at various levels – to mention a few: not all fields are mandatory, enumeration values are not to the full extent (if at all) everywhere, and alternatives (e. g. unstructured addresses, hybrid addresses, structured addresses) are in place.

The adoption of ISO 20022 across the various payment mechanisms (SEPA/ SEPA Instant, TARGET2/T2, SWIFT/ CBPR+, CHAPS, SIC, RIX, ...) understand the messages but their usage guidelines apply different flavours (one could also refer to having different dialects) leading to different processing needs. At the same time, since the full-scale implementation is still ongoing, we see a lack of uniform readiness.

Benefits and Potentials

Implementing ISO 20022 would not be done if it did not have benefits and a huge potential down the road. Along with the compliance to new payment regulations as a bare minimum benefit, we see

1. High degree of standardization and interoperability (compared to the

past);

2. Improved automation: STP rates can be improved significantly, and cost-effective payment services can be provided;
3. Enriched data becomes available which addresses required improvements to static and reference data (e. g. customer names/addresses, supplier data, beneficiary data etc.), leaving alone updates needed for databases, user interfaces and templates
4. Significant increases in the payment speed, especially, with instant payments.

Building upon these benefits, the potential of ISO 20022 adoption is huge. Multiple value-adding services can be built. Trying to name them all is almost impossible. Some of them could be enhanced to payment reconciliation and reporting, API-based payment initiation and tracking, Request-to-Pay (R2P)/ smart invoicing and e-billing integration, ESG and regulatory enhancements, and embedded finance.

Let us focus and detail a bit more on the following two examples which are already part of the discussion between market participants: one focusing on reducing costs, the other one looking at additional revenue.

A - Compliance checks and risk insights

One of the main targets of anti-financial crime (AFC) measures are payment details. Two factors for preventing money laundering and countering financing terrorism are: accessing reliable data and speed. Banks prioritising those factors are ahead of the game.

ISO 20022 fosters the use of more and more structured information and common identifiers (e. g. addresses,

LEI, IBAN, UETR). It paves the way for communicating additional data like beneficiary details.

Payment platforms digesting all this data on a real-time basis would be a bonanza for AFC tools. Not only the speed of their compliance checks would be increased by a great deal, the input of more messages and details would provide new insights for analyzing payment behaviors of suspects. The subsequent use of AI/ML tools would be much easier.

But what is in it for financial institutions apart from additional implementation costs? Complying to regulations obviously does not pay off directly. However, looking down the road one could easily foresee less hassles with non-compliant cases, reduced fines and a protected reputation in the market.

B - Enhanced liquidity management and cash forecasting for corporates and SMEs

Corporate treasurers and many SMEs often rely on

- Outdated reports (end-of-day CAMT files or even old MT9xx messages with low depth of data)
- Manual reconciliation across banks
- Inaccurate cash flow forecasts

leading to inefficient use of liquidity, costly overdrafts, and poor investment of idle funds.

With ISO 20022 we will see:

- Structured data in CAMT.052/053/054 (including value dates, settlement dates, and remittance)
- Common and end-to-end references (e. g. UETRs (Swift), instruction ID, e2e ID, return with original reference instead of MT field 20/21)

- Real-time updates via PACS and CAMT messages leading to improved and faster reconciliation of transactions by corporate ERP systems (better references, and higher transparency on applied FX rates and fees in comparison to MT based processing)
- This enables banks to offer services like

 - Intraday liquidity insights** using real-time PACS/CAMT flows
 - Predictive cash flow forecasting**
- across multi-banking setups

 - Just-in-time liquidity alerts** and optimization tools
 - Benchmarking services** for SMEs (e.g. average payment terms by



The solution underlying these new services could provide these features:

Feature	Description
Real-time CAMT ingestion	Ingest camt.053/054 from multiple banks instantly
AI/ML Forecasting	Predict inflows/outflows based on payment behaviour
Visualization Dashboard (see picture for mock-up)	Cash position by currency, region, legal entity
Alerts	Early warning on liquidity shortfalls or surpluses
ERP/treasury system integration	Via APIs with structured data mapping

industry, transaction volumes)

These enhanced or new services could be prized by applying these example revenue models:

- Freemium for SMEs (basic analytics)
- Subscription pricing for corporates (tiered by volume/bank accounts)
- White-label options for other banks/ FinTechs

These AI projected, value-added KPIs should easily compensate for the additional charges on the customer side:

- Forecasting accuracy improvement: up to +30%
- Reduction in idle balances: up to -20%
- Manual reconciliation time: up to -50%

TCS BaNCS – future-proof + payment rail-agnostic platform to leverage the potential of ISO 20022

Financial institutions need to use a future-proof, state-of-the-art payments platform to lay out the basis for future growth. TCS BaNCS is a proven payment

platform fulfilling these requirements.

It's payment engine supports the ISO 20022 standard whilst being able to deal with various dialects (interoperability). This means we have one payment platform for all payment rails. TCS BaNCS RTP Service covers multiple payment schemes in one instance as an enabler of the various linkages (e. g. linking domestic payment schemes to cross border payments).

Once payment messages are ingested, data are agnostic of their origin (payment mechanism/rail) within its EDL (Enterprise Data Layer) and can be exploited with ease – may it be for simple feeds or AI ML/deep learning.

If changes come up, may it be new payment rails (e. g. SEPA OLO) turn up or existing ones are adjusted, TCS BaNCS can easily be accommodated for this. Multiple parameter options ensure that your payment solution is future proof.

Don't wait – stay ahead

Staying ahead of the game or at least being an early adopter in the payment industry becomes, with the introduction of ISO 20022, even more relevant.

High investments will have to be made to build the basis for the future as a payment industry participant. However, this future will not only prove more efficient and transparent payment processes but also show already promising use cases for additional revenue by providing added-value services.



Dietmar Schulte
Functional Consultant,
TCS Financial Solutions (TCS BaNCS)