The ISO 20022 migration for corporates

The payments industry across the globe is adopting ISO 20022 standards for the transmission of payments and associated transactions. It promises to provide an increased amount of richer data and enhance every stage of the payment journey.

The following article aims to provide an update on the journey so far and take a look at what's still to come. As a leading UK bank, we are ready to support you throughout the transition period and then again when you are ready for payments initiation, receipt, and balance and transaction reporting. We all have a role to play.

Why is this happening?

Traditionally, undertaking payments involved significant manual interaction. Payment systems and processes were designed to facilitate this manual processing, with most data captured and transmitted as unstructured free text. In addition, there are restrictions in the amount of data that can be captured and sent. This creates challenges for automated processing, sanctions checking as well as reconciliation for both banks and corporates.

In a rapidly changing business environment, these traditional processes are no longer fit for purpose and around the world payment infrastructure providers are now all transitioning towards the adoption of ISO 20022. First introduced in 2004, it has already been adopted in more than 70 countries. Over time ISO 20022 will be used for all payment products in the UK, starting with CHAPS and international.

What is ISO 20022?

ISO 20022 is a single standardisation approach (methodology, process, repository) to be used by all financial standards initiatives.[1]

In the payments space this means:

▶ An internationally agreed common language for data collection and tracking

▶ Standardised messages for different types of payments and reporting transactions.

1   www.iso20022.org

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Features and benefits

ISO 20022 is more than just a set of message formats; it provides a common language and model for payments data with the following features:

Improved structure
Current message types are 'free form' or have limited structure, whereas ISO 20022 provides a highly structured format.

Additional fields
A much larger number of fields, including Legal Entity Identifier and Purpose Codes, which are not present within existing message formats.

Larger capacity
The ability to carry more data in each field.

Interoperability
Today each scheme uses its own format. ISO 20022 will bring common standards across all schemes, delivering increased uniformity across the industry.

Extended character set
A wider set of characters is supported.

What is ISO 20022?

▶ **Processing speed:** Structured data will allow the reduction in manual processing and better automation of payment processes such as AML and sanctions checking. This will enable corporates to transact more efficiently with their payment counterparties.

▶ **Additional data:** Message standards are extensible which means much more data can be transmitted with a payment, enhancing every stage of the payment journey. This will allow corporates to vastly improve the reconciliation processes.

▶ **Cost reduction:** Greater standardisation will result in the simplification of data that corporates need to hold and send to their counterparties.

▶ **Innovation:** As adoption increases, the advantages of ISO 20022 will facilitate greater innovation opportunities for corporates and banks particularly when combined with other technology advances such as cloud computing and investment from infrastructure providers.

Examples

▶ Reconciliation: Several invoices can be settled with a single payment. Every invoice number can be included with the payment, along with associated information to allow easier reconciliation by the receiving supplier, saving time and cost for both payment parties.

▶ Innovation: As ISO 20022 messaging is more widely adopted, innovations like pre-validation of data and instant confirmation of payment receipt will become widely available.

The journey so far

At Bank of Scotland we have already migrated to ensure our systems are able to send and receive payments in ISO 20022. We are still accepting old formats during a co-existence period, up until the end of the Swift migration in November 2025.
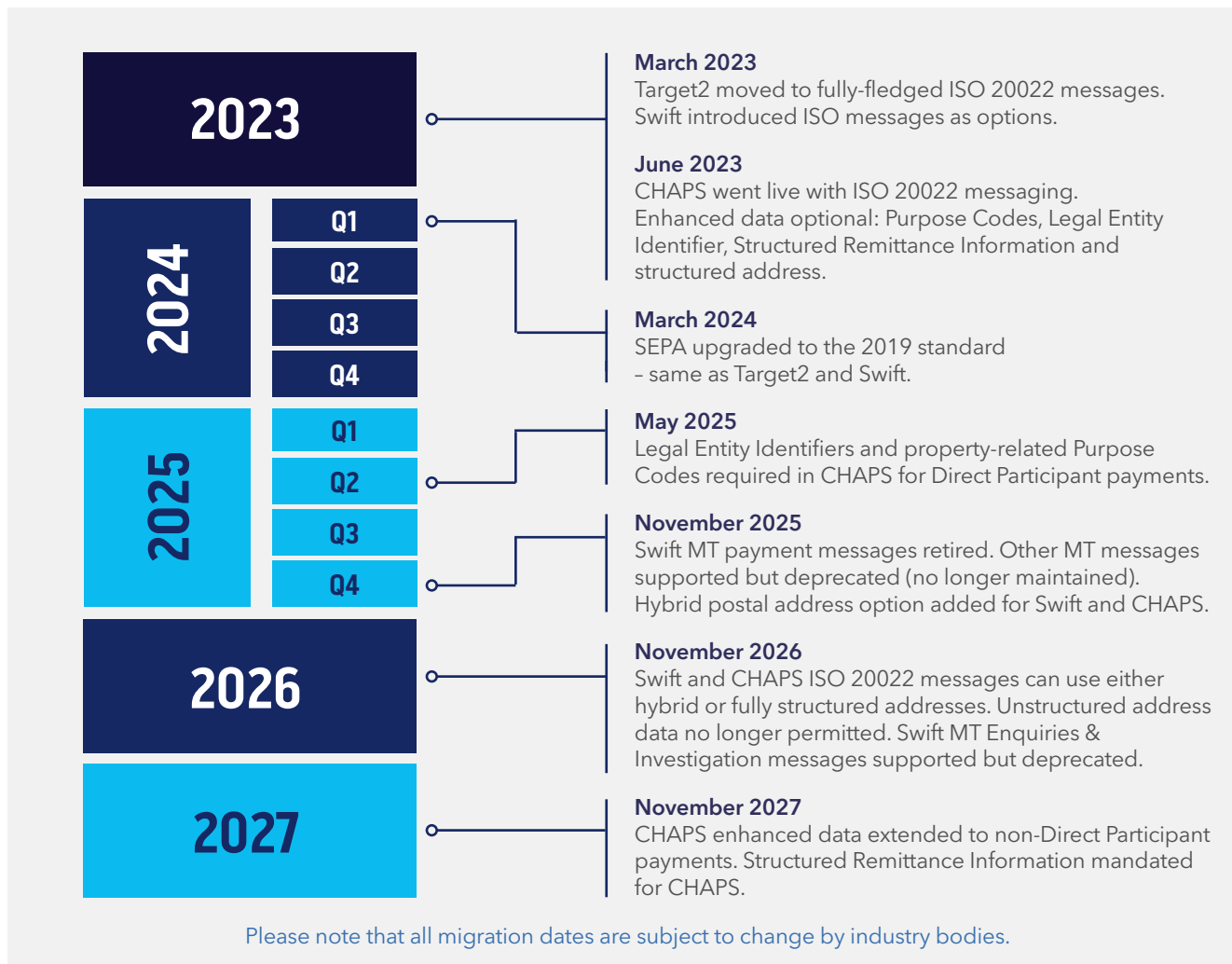
What's next?

In May 2025 CHAPS payments between Financial Institutions will require the use of Legal Entity Identifiers and Purpose Codes, with Purpose Codes also being required for property related transactions.

Bank of Scotland will be introducing the option to include this information before the end of 2024 allowing clients to become familiar with the new requirements ahead of the mandatory date.

November 2025 sees the completion of Swift payment migration to ISO 20022. It will also see the introduction of hybrid address options for Swift and CHAPS, which will require a minimum of town/city and country populated in specific fields.

From November 2026 all Swift and CHAPS payments will need to use either fully structured or hybrid addresses. Unstructured addresses will no longer be supported and should not be used. Structured remittance information will become mandatory for CHAPS from November 2027.

Year	Quarter	Event
2023		**March 2023** — Target2 moved to fully-fledged ISO 20022 messages. Swift introduced ISO messages as options.
2024	Q1	**June 2023** — CHAPS went live with ISO 20022 messaging. Enhanced data optional: Purpose Codes, Legal Entity Identifier, Structured Remittance Information and structured address.
	Q2	
	Q3	**March 2024** — SEPA upgraded to the 2019 standard – same as Target2 and Swift.
	Q4	
2025	Q1	**May 2025** — Legal Entity Identifiers and property-related Purpose Codes required in CHAPS for Direct Participant payments.
	Q2	
	Q3	**November 2025** — Swift MT payment messages retired. Other MT messages supported but deprecated (no longer maintained). Hybrid postal address option added for Swift and CHAPS.
	Q4	
2026		**November 2026** — Swift and CHAPS ISO 20022 messages can use either hybrid or fully structured addresses. Unstructured address data no longer permitted. Swift MT Enquiries & Investigation messages supported but deprecated.
2027		**November 2027** — CHAPS enhanced data extended to non-Direct Participant payments. Structured Remittance Information mandated for CHAPS.

Please note that all migration dates are subject to change by industry bodies.

What do corporates need to consider?

While much of the heavy lifting will be undertaken by us (or your Bank), there will be a number of things that Corporates will need to consider.

In moving to structured data, you will need to think about your own migration journey starting with a review of information about payment counterparties and how this will be populated in a structured format. E.g.: ISO 20022 messaging has separate fields for each part of an address such as building name, number, town/city, postcode and country. As a minimum you will need to capture town/city and country information in specific fields. You will also need to consider how and what you capture when setting up a new payment counterparty in the future.

Corporates should also engage with their ERP vendors to ask what they are doing to support the migration to ISO 20022, specifically with regard to storing structured information and including it in payment files.

Corporates who are currently using 'Swift for Corporates' will not be impacted by the initial Swift MT migration, however they should still plan for an eventual migration and consider the above guidance.

How will Bank of Scotland support clients with migration to ISO 20022?

We will be producing further communications as we get closer to migration to keep clients informed of developments and any steps they should be taking to prepare.

Please speak to your usual Bank of Scotland contact to discuss your ISO 20022 migration journey.

Our service promise

Please let us know if you have a problem - we're here to help. See our complaints process on our 'Help & Support' page at: **business.bankofscotland.co.uk/complaint**

Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

If you have a hearing or speech impairment you can use Relay UK. More information on the Relay UK Service can be found at: **relayuk.bt.com**

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service. Please note that any data sent via email is not secure and could be read by others.