NOTICES & REPORTING

INTERNATIONAL STANDARDISATION OF FINANCIAL MESSAGES

ISO20022 adoption and migration

The Society for Worldwide Interbank Financial Telecommunication (Swift) has announced a new global standard for financial messaging for all commercial and treasury payments and balance and transaction reporting, known as ISO20022.

The adoption of ISO20022 is planned for local remittances in certain countries and regions and will take effect between March 2023 and November 2025.

SMBC Group will provide its customers with specifications for the new format as part of its ISO20022 migration strategy.
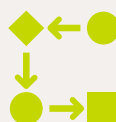
Enriched data and Processes efficiency

In light with the recent strengthening of anti-money laundering regulations, the new ISO20022 format will require a more detailed entry of address components.

Additionally, the expansion of fields will allow for more detailed recording of remittance-related information, which is expected to potentially contribute to the efficiency of reconciliation processes.

Increased Security
Enriched data can strengthen Fraud and AML detection

Reduced Reconciliation Burden
Structured information helps identify key data for automated reconciliation

Harmonisation
Smoother integration with most ERP or TMS systems with the support of latest CGI-compliant ISO20022 format

Transparency
Improved level of transparency of transactions due to presentation of structured information

NEW FORMAT

The new format will comply with ISO20022 as designated by the International Organisation for Standardisation.

Its adoption is being promoted globally and will include more enriched transaction information than the current format. The introduction of new data components will provide more transparency and strengthen operational efficiency.

Beneficiary Information

Current Format (MT101)

Payee Name and Address information are combined in a 140 character field

```
:59:/GB12345678901234567890
Europe Company Group Upper Ground
South Corner City EX 123 GB
```

New Format (ISO20022)

Name and Address details have dedicated tags for accuracy

```xml
<Cdtr>
    <Nm>Europe Company Group</Nm>
    <PstlAdr>
        <StrNm>Upper Ground</StrNm>
        <TwnLctnNm>South Corner</TwnLctnNm>
        <TwnNm>City</TwnNm>
        <Ctry>GB</Ctry>
    </PstlAdr>
```

Remittance information

Current Format (MT101)

Remittance and Invoice information are contained in a 140 character field unstructured format

```
:59:/GB12345678901234567890
Europe Company Group Upper Ground
South Corner City EX 123 GB
:70: INVOICE NO.111111111111
259093834
:71A:SHA
```

New Format (ISO20022)

Remittance and Invoice information is presented in structured format with enriched data

```xml
<RmtInf>
    <Strd>
        <RfrdDocInf>
            <Tp>
                <CdOrPrtry>
                    <Cd>CINV</Cd>
                </CdOrPrtry>
            </Tp>
            <Nb>11111111</Nb>
            <RltdDt>2023-09-25</RltdDt>
        </RfrdDocInf>
        <RfrdDocAmt>
            <DuePyblAmt Ccy="GBP">12345.06</DuePyblAmt>
            <RmtdAmt Ccy="GBP">12345.06</RmtdAmt>
        </RfrdDocAmt>
    </Strd>
</RmtInf>
```

Additional Changes for UK CHAPS Payments

In June 2023, the Bank of England also implemented ISO20022 messaging for CHAPS. This will give you all the fields you used to have to settle CHAPS payment but including new enhanced data fields and capabilities suitable for today's payments.

Other than Structured Addresses and Structured Remittance Data, CHAPS is supporting the enhancement of Purpose Code and Legal Entity fields.

SMBC Group is implementing richer enhanced data as key to realising the benefits of the ISO20022 payment messaging.

PURPOSE CODES

One of the new data fields in ISO 20022 is the Purpose Code: a 4-letter code to indicate the reason of a payment is being made. If used consistently, purpose codes can bring multiple benefits.

Purpose Codes are an attempt to classify the reason that money is moving between two bank accounts. The Bank of England has set out 127 purpose codes which include reasons such as payments for rent, electricity bills, income tax, benefits and savings.
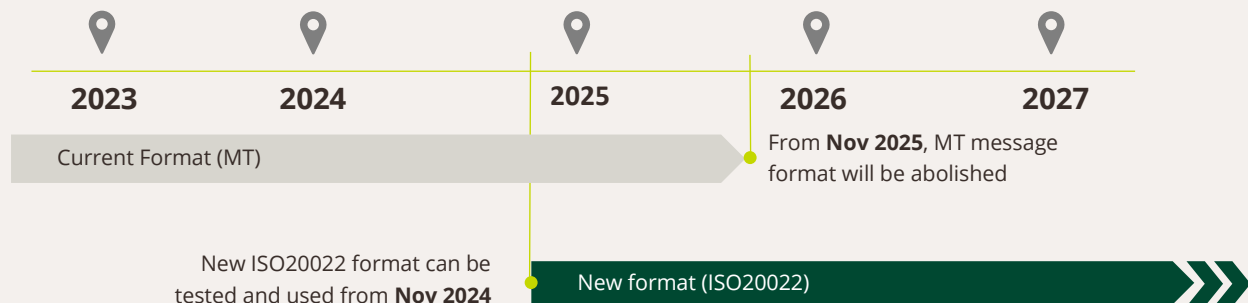
LEGAL ENTITY IDENTIFIER

A Legal Entity Identifier (LEI) is a unique 20-character alphanumeric code. It was introduced in response to the Financial Crisis as a unique global identifier of corporate that are counterparties to financial transactions. A key part of the establishment of LEI was to ensure that anyone can search the database for free at the Global Legal Entity Identifier Foundation.

As part of the ISO20022 adaptation, Bank of England have mandated the use of an LEI for both counterparties to a financial transaction within the CHAPS framework.
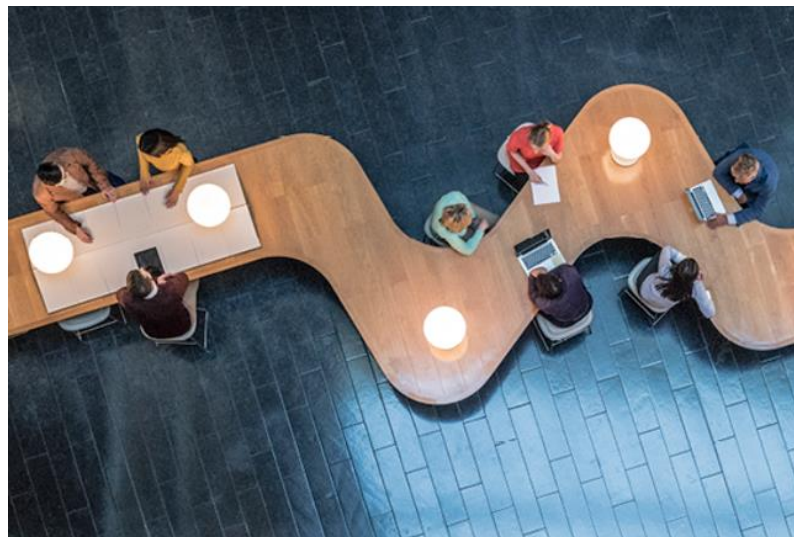
Implementation timeline

From November 2024, SMBC will support the latest version of ISO20022 for payments. To aid with the implementation of the new format, SWIFT MyStandards is available and a testing environment to perform end-to-end testing.

2023	2024	2025	2026	2027

Current Format (MT)

From **Nov 2025**, MT message format will be abolished

New ISO20022 format can be tested and used from **Nov 2024**

New format (ISO20022)

How SMBC can support your migration

SMBC can help you with the migration of your payment file from MT to ISO2002 using SWIFT MyStandards

Preparation

Determine whether your internal payments processing systems such as ERP or accounting software, including those managed or provided by third-party service providers, offers the new ISO20022 versions and when will they be available.

Consider switching to the newest payment initiation (ISO20022 XML pain.001.001.09) version if necessary.

Testing and Support

Contact us to discuss your requirements and your intention to switch to the newest version of ISO20022.

You will be given access to SWIFT MyStandards testing portal which will allow you test your own file. File specifications can also be downloaded from the testing portal.

Should you have any query, please feel free to contact your Relationship Manager or the H2H Implementation Team:

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