

## PERSPECTIVES

# Executive Briefing: Accelerating ISO 2022 Adoption Through Collaboration

ISO 2022 adoption is growing globally with major payment market infrastructures replacing legacy schemes or developing new faster payments systems built on the standard. In the U.S., there is a slow, but steady transformation happening. There is increasing integration of ISO 2022 by large corporate end users leveraging the U.S. ACH Network. The high-value systems of Fedwire and CHIPS will be migrating to the global standard in 2020. The SWIFT MT message set, a common standard used by U.S. and international institutions to facilitate cross-border payments, is moving to the ISO 2022-based MX specification. And more recently, The Clearing House launched the new Real Time Payment (RTP) system built on ISO 2022. These developments offer both opportunities and challenges for the U.S. market.

### THE CHALLENGE

Key issues with the ISO 2022 initiatives include a lack of awareness and concern from financial institutions across the U.S. around the resources needed to enable end-user adoption. Further, the conversion of Fedwire and CHIPS to ISO 2022 will mean considerable economic and other costs as banks will need to support multiple variants and versions and perform translations between them.

### ISO 2022 SOLUTIONS AND SERVICES

A critical factor in a smooth transition to ISO 2022 will be education and translation services. NACHA has led multiple initiatives to bring awareness and support ISO 2022 adoption in the marketplace. As part of this effort, NACHA has provided resources and tools to help the industry with the transition.

“Over the past five years, NACHA has taken a key role in providing dialogue, education and analysis of ISO 2022, including offering a frequently visited ISO 2022 Resource Center,” said Jane Larimer, COO of NACHA. “Further, NACHA continues to provide industry tools and solutions that allow ACH users to translate and integrate the ISO 2022 payment message standard for both electronic payment initiation and payments remittance. These resources include NACHA’s ISO 2022 Mapping Guide and Tool and the complementary ISO 2022 Validator to help ease many of the pain points and friction with ISO 2022 integration.”

NACHA collaborated with Volante Technologies to develop the ISO 2022 Validator. Vijay Oddiraju, CEO, Volante Technologies, commented, “We’re pleased to work with NACHA to accelerate the transition to ISO 2022 for participants

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in the payments ecosystem. In the end, it's much more than just a new format or messaging standard. The growing variety of use cases, ranging from initiation of corporate bulk payables and receivables to wires and real-time push payments, means that ISO 2022 has the potential to transform back-end infrastructure as well as front-end customer experience.”

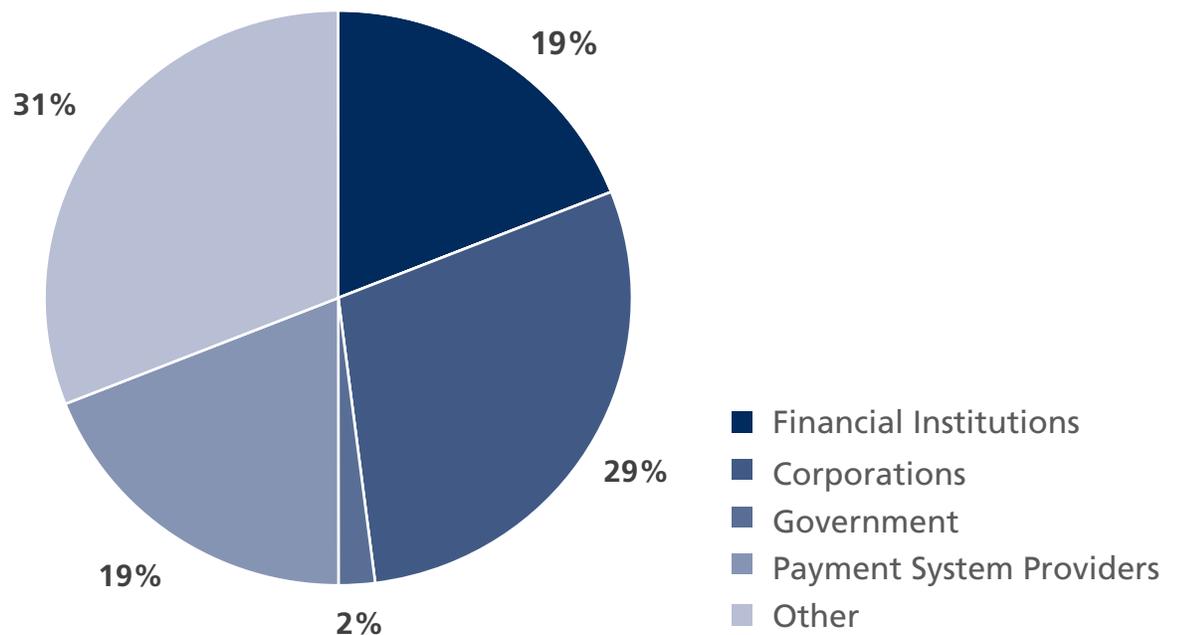
### **ACCELERATING ISO 2022 ADOPTION THROUGH VALIDATION**

The first step in the ISO 2022 journey is developing familiarity with the messaging standard and testing the ability of corporate and bank systems to produce and consume these messages. The ISO 2022 Validator was developed by Volante and NACHA with just this in mind.

The ISO 2022 Validator provides a test environment for businesses, software solution providers and financial institutions to initiate ISO 2022 U.S. ACH payment instructions and ensure compliance with data formats detailed in NACHA's ISO 2022 Mapping Guide.

Today, many financial institutions and businesses of varying sizes leverage the ISO 2022 Validator to test conformity of ISO 2022 payment instructions for U.S. ACH file formats, supporting continued adoption and use by the industry.

### **MORE THAN 300 ORGANIZATIONS USE NACHA'S ISO 2022 VALIDATOR**



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**– Vijay Oddiraju, CEO, Volante Technologies**

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## MAKING THE MOST OF ISO 20022

ISO 20022 offers a number of benefits for corporations as well as banks and financial institutions.

Corporations	Financial Institutions
<ul style="list-style-type: none"><li>• Standardize treasury operations</li><li>• Improve global interoperability including with financial institutions and fintechs offering ISO 20022-based services</li><li>• Lower information technology support costs</li><li>• Increase straight-through processing to unlock cost savings and efficiencies</li><li>• Gain better visibility into cash balances globally to improve working capital management</li></ul>	<ul style="list-style-type: none"><li>• Develop new corporate product and service offerings based on richer, structured ISO 20022 data</li><li>• Reduce friction associated with cross-border transactions, promoting interoperability, domestically and globally</li><li>• Facilitate flow of financial information end-to-end for productivity gains, better decision-making, fraud detection, and improved customer relationships</li><li>• Lower regulatory costs with the ability to include compliance-related information within payments messages</li></ul>

Specifically, ISO 20022 can:

- **Improve payment routing and cash application:** The Request for Payment (RfP) ISO 20022 messages available with the ACH and faster payments networks offer broad appeal. RfP can improve electronic invoice presentment and payment, enabling the payer to approve the requested payment while offering greater control, flexibility and visibility over outgoing payments. At the same time, businesses can be paid faster, more efficiently, and are able to receive timely remittance details required for reconciliation and cash application.
  - **Lower costs with paper-based receivables processing:** Businesses desire that remittance and payment travel together. ISO 20022 provides businesses with an opportunity to automate order-to-cash for straight-through processing across multiple payment types via electronic means. This can create additional efficiencies by reducing checks and paper processing that still make up over 50 percent of business-to-business (B2B) transactions.
  - **Provide for standardization:** Businesses have been challenged with learning, maintaining and supporting multiple formats. ISO 20022 provides the simplification and flexibility of a standard format for all payment types.
  - **Deliver innovative commercial opportunities for financial institutions:** Along with the ability to provide information flow from the full length of the value chain, banks can offer new intelligence-based services across pre-payment and post-payment activities. The possibilities include electronic bank account management, reporting and analysis tools, supply chain finance tools and services for revenue growth and improved customer relationship management.
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## MOVING FORWARD

The delivery of many of the expected benefits of ISO 20022 is dependent on the universal and uniform adoption of the standard. Indeed, as we look at harmonization of payments within the U.S., NACHA commits to continue to work with the industry to ensure as much consistency in how ISO 20022 is either adopted or integrated into ACH payment flows and related remittance information.

In addition, Volante is well-positioned to help network participants with the subsequent steps in the ISO 20022 adoption journey. Volante was involved in the earliest days of ISO 20022, providing payments and messaging solutions to the financial industry from inception. Volante continues to be actively involved in setting the direction of the standard. More recently, the first-ever U.S. real-time payment was transmitted through Volante's VolPay solution, between BNY Mellon and US Bank on Nov. 4, 2017, leveraging ISO 20022 messaging.

With a broad ecosystem of solutions based on the same underlying ISO 20022 canonical model that is deployed in corporations, banks and network infrastructure providers worldwide, Volante brings a unique perspective and capability to ISO 20022 enablement for the North American market. As such, the collaboration between NACHA and Volante, which enables additional resources and solutions for providing consistent formats and tools for creating, directing, or posting payments and related information, will help the industry as a whole obtain a better return on their investments in the years to come.

To learn more about ISO 20022 initiatives from NACHA and Volante Technologies, visit [www.nacha.org/ISOresources](http://www.nacha.org/ISOresources) or [www.volantetech.com/solutions/payments-industry/iso-20022/](http://www.volantetech.com/solutions/payments-industry/iso-20022/).

### ABOUT VOLANTE TECHNOLOGIES

Since 2001, Volante has focused on addressing the challenges of financial message integration and payments on-boarding, processing and orchestration. We serve over 85 financial institutions and corporates in 27 countries by providing them with the agility they need to be competitive in the digital payments age.

For further information please visit: <http://www.volantetech.com>.

### ABOUT NACHA PREFERRED PARTNERS

NACHA Preferred Partners are a select group of innovators that contribute to NACHA's strategic efforts in support of the payments ecosystem at large by removing friction, increasing ease, cash flow accessibility and efficiency, as well as supporting sound risk management and security for ACH payments.

For more information about NACHA's Preferred Partner Program, visit <https://www.nacha.org/preferred-partner>.

