

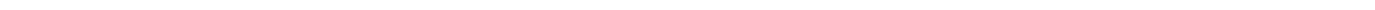


CBPR+ Now

Why the FI's need to plan ahead for upcoming changes to the Swift in-flow translation service

Author: Paul Ruskin

Director - Business Development



Copyright

NO WARRANTIES OF ANY NATURE ARE IMPLIED OR EXTENDED BY THIS DOCUMENTATION.

Products and related material disclosed herein are only furnished pursuant and subject to the terms and conditions of a duly executed Contract or Agreement to license Software.

The only warranties made by Trace Financial Limited, if any, with respect to the products described in this document are set forth in such Contract or Agreement.

Trace Financial Limited cannot accept any financial or other responsibility that may result from use of the information herein or the associated software material, including direct, indirect, special or consequential damages.

You should be careful to ensure that this information and/or the associated software material complies with the laws and regulations of the jurisdictions with respect to which it is used.

The information contained herein is subject to change without notice. Revisions may be issued to advise of such changes and/or additions.

CONFIDENTIALITY

The information contained within this document is confidential and unauthorised copying or reproduction by any means is prohibited.

OWNERSHIP

Trace Financial Limited reserves title to, and all copyright and other intellectual property rights in, the information contained herein and in the associated software material.

Correspondence regarding this publication should be addressed to Trace Financial Limited, 30a Great Sutton Street, London EC1V 0DU.

Copyright © 2024 Trace Financial Limited

Contents

Copyright.....	2
Introduction – A history of Swift’s in-flow translation service.....	4
What does the Swift in-flow translation produce?.....	5
What is the cost?.....	6
Why is this now chargeable?.....	6
Can I continue using this in-flow service after the November 2025 deadline?.....	7
What limitations does the in-flow service offer?.....	7
Truncation from MX>MT	8
Conclusion.....	8
About the Author	8

Introduction – A history of Swift’s in-flow translation service

To assist FI’s with their migration from Swift MT to ISO 20022 (MX) for cross-border payments and reporting (CBPR+) Swift provided a free in-flow translation service at the beginning of the co-existence period to allow all members of the Swift network the receipt of both MT and MX messages during the coexistence period which is scheduled to **end in November 2025**.

This service is a vital aspect to enabling all members connected to the Swift Network to begin their journey to migrate to MX but with the November 2025 deadline approaching this in-flow translation service will become chargeable in 2024¹

What does this mean for companies who use the Swift in-flow service that:

- a) Plan to migrate to their own in-house MX solution before November 2025
- b) Plan to continue using this Swift in-flow service post-November 2025
- c) Have not planned for the retirement of the MT 1,2 and 9 Series messages for cross-border payments and reporting.

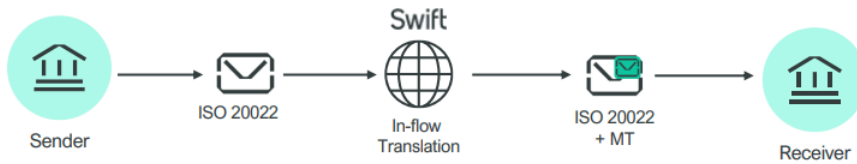
Before we address what FI’s should be planning for let’s describe what this in-flow service does and why it’s being monetised.

¹ <https://www.swift.com/standards/iso-20022/iso-20022-faqs/iso-20022-flow-translation#the-cost-of-in-flow-translation>

What does the Swift in-flow translation produce?

Using the Swift in-flow service allows the recipient to receive both MT and MX flavours of a payment which has been sent over the Swift Network

In-flow Translation service to ensure interoperability during coexistence



WHAT

- SWIFT creates an MT representation derived from the ISO 20022, containing equivalent data fields.
- Always from ISO 20022 to MT, based on CBPR+ translation rules.
- Cases where data has been truncated are explicitly indicated.
- Key interoperability measure to support migration of cross-border payments and cash reporting to ISO 20022 - Senders can send ISO 20022 to any bank; receivers can process as MT if not ready for ISO 20022

HOW

- Translation happens during the processing of the message at SWIFT, before delivery to the receiver.
- Delivered as a "multi-format" MX message: same message containing both the original ISO 20022 MX and the translated MT.
- Built in to FINplus messaging service and switched on by default for eligible messages. All users will be provisioned in FINplus (live service) automatically
- Additional signature to ensure integrity of the translation.

2

This way the recipient can choose whether to process the MT or MX based on their downstream's system capabilities of handling the MX and/or MT flavour.

The format of the file consists of these elements in the message

Multi-format MX message – Translated MT

MT is embedded as 3 XML comments added by SWIFT

1. Translated MT (carried within the "RequestPayload" element
2. Overall translation result
3. Translation info and, including list of truncated fields, if any.

```

<SwiftRequestPayload>
  <BsnDocument xmlns:BAH="urn:iso:std:iso:20022:tech:xsd:head.001.001.02">
    <BAH:AppHdr>
      ...
    </BAH:AppHdr>
  </BsnDocument>
  <UG:Document xmlns:UG="urn:iso:std:iso:20022:tech:xsd:pacs.008.001.08">
    <UG:FIToFICsterCdtTrf>
      <UG:GrpHdr>
        <UG:MsgId>ABC12345</UG:MsgId>
        <UG:CreDtTm>9999-12-31T08:00:00+08:00</UG:CreDtTm>
        <UG:RptFtsXpr></UG:RptFtsXpr>
        <UG:SttInInf>
          <UG:SttInInf>
            <UG:SttInMtd>INDA</UG:SttInMtd>
          </UG:SttInInf>
        </UG:SttInInf>
        <UG:InstgAg>
          <UG:FinInstnId>
            <UG:ICFI>BANKUS33</UG:ICFI>
          </UG:FinInstnId>
        </UG:InstgAg>
        <UG:InstgAg>
          <UG:FinInstnId>
            <UG:ICFI>BANKDEFF</UG:ICFI>
          </UG:FinInstnId>
        </UG:InstgAg>
        <UG:GrpHdr>
          <UG:CdtTrfInF>
            <UG:PatId>
              ...
            </UG:PatId>
            <UG:InstrId>1111</UG:InstrId>
          </UG:CdtTrfInF>
        </UG:GrpHdr>
      </UG:FIToFICsterCdtTrf>
    </UG:Document>
  </SwiftRequestPayload>

```

FOR ILLUSTRATION

ISO 20022 message (points to the main document structure)

1. Translated MT (points to the <UG:InstgAg> section)

2. Translation result (points to the <!-- (1:F01BANKG22XXX)0000000000 --> comment)

3. Translation Info (points to the <!-- TranslationResult:TRK --> comment)

1. Translated MT :

- Translated MT carried within the RequestPayload element
- Truncated fields contain as last character a "+" (plus). As the the ISO 20022 message is rich and structured, truncation may occur during translation to MT
- Any character not allowed in limited FIN character set in MT replaced by a "." (dot).

The Translation result will return one of the following options

TROK – MX translated to MT without any errors

TRAK – Some MX elements not in the MT, translation OK

TRNR – Truncation or character replacement in non-reference field(s)

TRFR – Truncation of character replacement in reference field(s)*

TRNK – Failure to translate

* (see section “Truncation from MX>MT” section later in this document

What is the cost?

At the moment the start date and cost of this service is unknown. The last announcement was via the ISO 20022 Community Readiness Deck for December 2023 which stated

“Swift plans to start charging for the service, but no date is decided yet. Swift will communicate about timing and practical details in 2024.”

The questions I would have would be “when” and more importantly “how much?”

The cost of the service and the metric used is unknown. There are several metrics that Swift could choose to use such as:

- Annual Flat fee
- Cost per message
- Cost based on Company Size (e.g. AUM)

It would make sense to have this cost based on a per message case but there may be other options to Swift such as adding this to their Swift Essentials package (<https://www.swift.com/myswift/billing/swift-essentials>) rather than a standalone cost.

The challenge for FI's currently using this service is being able to assign additional unknown budget for this service at a potentially tight deadline to when Swift apply this charge or risk losing this service and therefore the ability to process MX messages internally.

Why is this now chargeable?

There is a view that the reason behind this charge is to be a revenue generator but I personally disagree.

Swift have provided this service to their entire network for gratis from the start of the co-existence period to enable their users to migrate to the MX standard.

They have provided a wealth of tools and materials for their participants to use and assist them becoming ISO 20022 compliant as they know that completing this migration on time will benefit the entire community.

However the Adoption Rate percentage is still much lower than I would have expected and at November 30th 2023 the percentage of payments over the network which are ISO 20022 is still only at 16%

Highlights on CBPR+March 18th, 2023 – November 30th, 2023

Since – Go live

December 2023
ISO 20022
Community
Readiness DeckSource:
Swift Watch
Analytics**Average Daily ISO:**Daily Average of
665,000+ ISO 20022
message are sent
and received on
FINplus service
globally

665,000+

Sender BIC8s:1400+ BIC8s
sending domestic or
international ISO
20022 messages on
FINplus service
globally

1400+

Receiver BIC8s:6000+ BIC8s
receiving domestic or
international ISO
20022 messages on
FINplus service
globally

6000+

Sending Countries:140+ countries
sending ISO 20022
messages on FINplus
service

140+

Receiving Countries:200+ countries
receiving ISO 20022
messages on FINplus
service

200+

Adoption Rate:16% of payments
instructions traffic has
already shifted from
FIN to ISO 20022
messages (pacs.008,
pacs.009, pacs.002 &
pacs.004)

16%



If the planned cut-off date of November 2025 is to be achieved then something must be done to motivate their users to achieve this goal so I believe they have made this in-flow service chargeable to force people to adopt their own solution to become MX native before the deadline.

Can I continue using this in-flow service after the November 2025 deadline?

No, Swift have stipulated that:

“There is currently no plan for Swift to provide the in-flow translation service beyond November 2025. If at that point, your business requires an extension of translation services to accommodate a longer coexistence of legacy systems, an on-premise translation solution should be considered.”³

This is another reason why I believe the action of Swift to make the in-flow translation chargeable was not driven by revenue. Swift could have continued to make this service available after November 2025 and generated revenue from FI's who were either too late to adopt or for others who saw the cost of upgrading/replacing their legacy systems being much higher than what Swift would charge for their service.

This move tells me that Swift are concentrating solely on retiring these 1, 2 and 9 Series cross-border payment and reporting messages on time rather than generating revenue from this migration.

What limitations does the in-flow service offer?

Even if this in-flow service was available (and it may still be as nothing is carved in stone) why should FI's be designing their own solution for this deadline?

³ <https://www.swift.com/standards/iso-20022/iso-20022-faqs/iso-20022-flow-translation#the-cost-of-in-flow-translation>

As I have said previously in this article I believe this in-flow translation service is an excellent and much needed tool for the industry. But, I do feel it has its limitations and why I believe FI's should have their own system in place.

Truncation from MX>MT

I believe this to be the greatest risk when using the in-flow translation service.

Even though it is easy to spot when an output MT message (it only affects MX>MT translation) has been truncated (due to the tell-tale "+" at the end of certain fields) the issue is having the knowledge to understand from what part of the original MX this information has started from and what other fields have to be taken into account.

For example if in an MT103 the SenderToRcvrInfo field (:72:) was truncated you would need to go through the logic of understanding from which of the multiple tags of the MX were used to populate the single field in the MT103 and at what point the field was truncated and more importantly what information was lost.

Even when you have captured the data for each potential field that could be truncated you then still need to store this information within your system along with the original MX and transformed MT message.

I believe the design/development/testing needed to achieve the above would mean that designing your own solution in-house rather than patching this to the (soon to be no-longer) free in-flow translation service (which isn't available post November 2025) would future-proof your internal systems and is the correct path to take for FI's on their ISO 20022 migration road-map.

Conclusion

This article is not from a "sales" perspective, I am not here to promote vendor solutions (even my own) or in-house development BUT I am here to recommend that any FI who is currently using the (in my opinion, excellent) in-flow translation service from Swift then they should be looking to implement their own in-house solution as soon as possible.

Frankly you don't have a choice, later this year the in-flow service will no longer be free and more importantly it will no longer exist after November 2025 and so planning for this now is the ONLY logical option.

About the Author

During Paul's 25 years with Trace Financial he has seen all aspects of the challenges organisations large and small face when implementing solutions such as MT and ISO 20022 coexistence and knows the best practices to build future proof, easily maintainable solutions.



