

# SADC-RTGS User Group 2021

Bank of Malaysia Engagement: ISO 20022 Migration Approach





# Overview

- 1. Motivation for Migration
- 2. Formulating the Migration Strategy
- 3. Stakeholders involvement
- 4. ISO Migration Strategy





# **Motivation for Migration**

#### **Opportunities**



### Faster payments for retail and corporate banking customers

A next generation market infra that can offer seamless & quicker processing in support of digital business models.



#### Address regulatory challenges

Facilitate risk management & compliance with regulations on money laundering fraud, liquidity & credit risk



#### Big Data to increase competitiveness

Enriched data for better business analysis, improved customer interaction & innovation.



#### Facilitate cross-border connectivity

Better connectivity with FIs in other countries as major markets move to ISO20022





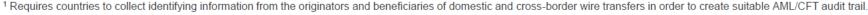
## Operational disruption to cross border payments.

- SWIFT participants who do not make adjustments may not be able to receive messages (Nov 2022) or send messages (Nov 2025)
- Reduce friction for transactions made with major & regional jurisdictions which will adopt ISO 20022



### Non-compliance to AML/CFT requirements.

May risk non-compliance to FATF Recommendation 16¹ because FIs that are still on MT cannot receive cross-border payments on MX (i.e. not able to process & screen additional info for AML/CFT purpose)







Formulating the Migration Strategy



#### **Expertise & experience**

- · Learning from others
- Constant engagement with subject matter experts
- Capacity building through trainings



#### Leadership from regulator

- Provide clear direction and message to industry
- Identify resources and clear project governance



#### Clarity on guiding principles

- Risk appetite and priority determine approach/strategy
- Industry readiness



#### Industry involvement

- Commitment from Board / Management
- Identify business needs and challenges
- Minimise issues and friction for industry implementation





# Stakeholder Involvement

### **Industry Players**

Since the start of the initiative, BNM has close engagement with the industry

- Industry consultation and engagement sessions
- Industry working group
- Data sub-working group
- Bilateral engagements on specific issues

### Internal collaboration

We also ensure strong collaboration between relevant departments within central bank

- User departments internal implementation
- Regulatory departments identifying data fields for regulatory purposes





# **ISO Migration Approach**

Two-Phased Approach for ISO 20022 Migration for RENTAS

#### Phase 1: Co-existence approach

- Dual messaging standard, i.e. existing messaging standard (MT) and ISO 20022 (also known as MX)
- Message communicated would be converted at RENTAS from MT to MX and vice versa, using a centralised translator.
- During this phase, participants can choose to either remain on MT or move to MX. Participants that are still on MT have a 2-year timeline to fully migrate to MX.

# Phase 2: Full Adoption of ISO 20022 for payments

Full adoption by all RENTAS participants

- Alignment to global market practices for large value payment systems, i.e. HVPS<sup>+</sup>, to facilitate harmonisation of payment messages internationally.
- New data fields would be introduced in RENTAS (e.g. structured remittance information, purpose codes) to reap the benefits of ISO 20022.



June 2024

\*securities currently not part of scope \*will also be aligning retail system with RTGS (timeline tbc)



**June 2022** 





