



SWIFT Response to the Payment Systems Regulator on the Remedies Consultation MR 15/2.4:

“Market review into the ownership
and competitiveness of
infrastructure provision”

SWIFT thanks the Payment Systems Regulator for the opportunity to provide comments on the Remedies Consultation ‘Market review into the ownership and competitiveness of infrastructure provision’.

SWIFT is a member-owned, cooperative society headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholding Users, comprising over 3,000 financial institutions. We connect more than 11,000 connected firms, in more than 200 countries and territories. A fundamental tenet of SWIFT’s governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

If you wish to discuss any aspect of our response please do not hesitate to let us know.



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Question 4: Do you agree with our assessment of effectiveness of the potential remedies identified? If not, please explain why.

SWIFT recognises that the motivation for this remedy is to address barriers to entry for alternative infrastructure providers. Given this goal, the like-for-like approach outlined in the remedy, where ISO 20022 is mapped to the existing legacy standards, makes sense.

However, a like-for-like approach does risk negating some of the key benefits of ISO 20022, specifically:

- a. By limiting the ISO 20022 implementation to cover only the existing capabilities of Standard 18 (BACS) and ISO 8583 (FPS), implementers are effectively still presented with two specifications, rather than one, adding to their costs.
- b. Two distinct 'flavours' of ISO 20022 will make it difficult to move payments between schemes, limiting operational agility and the resilience benefits of convergence to a single standard.
- c. Without very rigorous specifications, like-for-like mapping can lead to data truncation when data is moved from rich/structured ISO 20022 to a less rich/more loosely structured legacy format. This problem can make it difficult to 'round-trip' data. For example, if data is presented in ISO 20022, mapped to Standard 18 then *back* to ISO 20022, for example to return to the originator, it may lose some of its structure and precision in the process.
- d. Finally, when the new architecture envisaged by the PSF materialises, users of the 'cut-down' ISO 20022 versions that are a consequence of like-for-like will be confronted with a significant upgrade cost if they are to benefit from any of the value-added features of the new platform.

SWIFT further understands the provision of a centralised mapping utility will greatly ease implementation for new entrants, supporting the principal goal of the proposal. Nevertheless, experience in other countries has shown that like-for-like mapping provided by a central utility can lead to an extended period of coexistence of standards and entrench a dependency on legacy data structures, even if the syntax used to exchange data is more modern. The lack of a 'clean break' can complicate the later introduction of a more advanced system.

It may be possible to mitigate some of these risks and concerns by careful design and implementation of the approach described in the remedy.

Question 6: Do you have any comments on the design of our proposed remedy, including, but not limited to:

- a. **Whether the use of XML standard should be required to make our remedy effective?**
- b. **Whether the remedy should remain in place following completion of the next competitive procurement exercises for Bacs and FPS?**
- c. **Should the operators of Bacs and FPS make mapping information publicly available or are there reasons why it should be made available subject to certain conditions?**

- a. XML is the default and most widely used syntax for ISO 20022. However, for some technological approaches, other syntaxes, such as JSON, may be more suitable. Although ISO 20022 does not support JSON as a native syntax today, work is going on in the ISO 20022 technical community to add this capability. In principle it will be possible to mix JSON and XML syntaxes and still maintain interoperability at the level of the data payload. The key is to ensure that the same specifications for the data content are shared, regardless of the syntax. As noted above, the greater the harmonisation of these data content specifications, between BACS and FPS, and between these

- two systems and the new payments architecture, the easier it will be for scheme participants to implement and upgrade.
- b. Where the remedy means implementation of ISO 20022, indeed the next procurement exercise should cement this decision. For the central translation part of the remedy, we would urge more caution. Here, a commitment to continue to offer a basic service based on legacy formats might undermine the uptake of new and beneficial services offered by the new system. A clear plan to phase out this backward compatibility over time might mitigate this risk.
 - c. Mapping information should be made publically available as this will help institutions to migrate more easily from the legacy formats to the new standard. Also, this would help allow mapping rules to be consistent across the industry and ensure all providers of conversion solutions (such as aggregators and gateway services providers) map in the same way.

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