

Mojaloop and ISO 20022

PI 22: 28th June 2023



Agenda



- Introduction
- Progress on the existing application
- Timetable
- Usage Survey
- Currency conversion



Introduction

History of engagement



- The Mojaloop Foundation performed a detailed analysis of the suitability of the existing ISO 20022 message set for use in IIPs.
- Our conclusion: it wasn't suitable
 - No agreement of terms
 - No deterministic outcome of transfers
 - No support for PISP registration
 - No support for transfer-level foreign exchange
 - No support for identifiers
- Our conclusion at the time: ISO 20022 messages were not suitable for implementing an IIPS system.

Events, dear boy, events



- It gradually became clear that ISO 20022 was becoming the global standard for payments messaging.
- The Mojaloop Foundation would need to respond to this in some way.
- Our choices were:
 - Propose a way of using existing ISO 20022 messages to support IIPS systems
 - Propose changes to the ISO 20022 standard to support the use of the standard in IIPS systems
- If the latter, changes could be of two kinds:
 - We could add supplementary data to existing messages
 - We could make the standard responsive to the needs of EMDE users of payment systems.
- In both cases, we opted for the latter...

History of our engagement



- The Mojaloop Foundation joined the ISO 20022 Standards Organisation.
- We sit on the following committees:
 - The Resource Management Group
 - Overall management and approval of new messages
 - The Payments Standards Evaluation Group
 - Management and approval of changes to existing messages in the payments space
 - The Technical Support Group
 - The API Support Group

The ISO 20022 Change Process



- Member submits a Business Justification for a change.
- BJ is evaluated by the relevant SEG.
- If approved, an Evaluation Team is formed to assess the requirements and recommend changes to meet them.
- Recommendations are approved by the SEG and, where necessary, by the RMG.
- The changes are made and published

Just like the river, we've been running ever since...



- We submitted an overall Business Justification to the Payments SEG.
- It was reviewed and “improved” several times without gaining approval.
- We switched to Plan B:
 - Break the requests down into individual Change Requests.
 - Submit those to the Payments SEG
 - The Payments SEG and RMG agreed to take responsibility for ensuring that the full set of changes were agreed and implemented.
- The original BJ has been “paused”
- A new BJ for a single message (pacs.008) has been approved and an evaluation team formed.



Progress

What's happened in this PI?



- The Evaluation Team meets regularly.
- We regularly re-emphasise the reasons why IIPS systems need to differ from traditional ISO 20022 payments
- It has agreed that the IIPS requirement for Agreement of Terms would be best met by a new pair of messages
- We have shelved the identifier issue.
- We have produced change requests for the pacs.008 message
- We have begun the process of reviewing them.



Change requests for pacs.008



- Add geolocation
- Add expiry date
- Extend the types of identification for natural entities to cover the Mojaloop identifier types
- Extend the types of identification for juridical entities to cover the Mojaloop identifier types
- Create a new external code set for the initiator type of a transfer.
- Add Mojaloop transaction type information
- Add Merchant Classification Code to the information that can be recorded about a business
- Add the amount received by the beneficiary to information about a credit transfer
- Add an ILP packet to the information about a credit transfer



Timetable

The ISO 20022 Change Timetable



- There are two separate timetables:
 - One for changes to external code sets (enumerations to you and me...)
 - And one for changes to message content.
- External code set changes run on a rolling quarterly timetable
- Changes to message content run on an annual cycle
 - Changes are accepted for assessment at the beginning of June
 - They are approved for implementation at the end of November
 - They are implemented in the following spring

Timings and approval routes



- Changes to external code sets
 - Can be raised and approved at any time
 - Can be implemented when approved
 - Can be approved by the Payments SEG
- Changes to existing messages
 - Can be raised at any time
 - Approved and implemented on an annual timetable
 - Can be approved by the Payments SEG
- New messages
 - Can be raised at any time
 - Approved and implemented on an annual timetable
 - Must be approved by the Payments SEG and the RMG

The approval cycle



- The annual approval cycle closes at the beginning of June
- The implementation timetable is finalised in November
- Changes are implemented in spring of the following year
- Why so long?
 - Changes are made in the model, not in the message
 - So implementers have to assess the impact of changes on other messages which may use the same model
 - ... and decide whether to fork the model or update the other messages at the same time
 - ... which may add considerably to the complexity of the implementation

... and the consequence is:



- The change requests being reviewed now will be:
 - Approved at the beginning of June 2024
 - Accepted in November 2024
 - Implemented in spring 2025



Hmmmm....

What can we do?



- Work on getting agreement for the changes we want
- Proceed as if the changes had been implemented
- We have the support of the Payments SEG chair for this approach

ISO 20022 Usage Survey



ISO 20022 Usage Survey



- Proposed at the PI-21 Community Meeting in Kigali
- Get a clear understanding of:
 - Who is using ISO 20022 messages for payments systems
 - How they are using them
 - Unmodified?
 - Using the Supplementary Data structures?
 - Cannibalising?
- This will be useful for:
 - Mapping the spread of ISO 20022 messaging.
 - Understanding practical solutions to the problems posed by existing message structures.
 - ~~Threatening~~ Updating the ISO 20022 organisation

Actions so far



- We have reached out to Africanenda.
- They are not currently maintaining information of this kind.
- They would be happy to participate in the gathering and maintenance of the information.

Where are we now?



- A [draft survey](#) has been developed
- Reviewed by (some) interested parties
- Suggested changes have been incorporated
- Ready for issue to first institutions as suggested by Africanenda

Currency conversion



How to represent a currency conversion



- The ISO 20022 message set doesn't currently support retail currency conversion messages.
- ... but it does have a purpose (= payment type) code for a "Foreign Currency Transaction that is processed between two domestic financial institutions."
- We just added a payee receive amount to the ISO credit transfer transaction.
- There are a number of identifiers in the block which enables identification of a payment.
 - One of those could be used by convention to represent a dependency relationship
- The currency conversion could:
 - Either be included in the same message as the transfer
 - Or processed as a separate message

Conclusion



- It looks as if we could represent currency conversions in the way we (are about to) propose using the existing (modified) ISO 20022 messages...
- ... subject to further analysis.
- Watch this space...