



**ISO 2022 Survey 2023 Report**

**June 2023**

**ISO**

### ABOUT ISSA

ISSA is a Swiss-domiciled association that supports the Securities Services industry. ISSA's members include CSDs, Custodians, technology companies and other firms who are actively involved in all aspects of the Securities Services value chain.

*ISSA - Shaping the future of Securities Services*

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### Acknowledgements

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## Executive Summary

The capabilities of ISO 20022 - both as a data model and syntax - are recognized as a substantial improvement on ISO 15022. There are opportunities for the industry to use ISO 20022 in new areas - such as digital assets - however, for new assets to be able to interoperate with existing processes, ISO 15022 is still the preferred standard and there is no appetite to end co-existence of standards for these new products. Additionally, in areas where messages only exist in ISO 20022 (e.g., tax reclaims or account opening) or where the methodology of ISO 20022 can support the standardization of APIs, it is not being heavily utilized by the industry to help solve these issues.

At the same time, the industry is reporting the biggest challenges to adoption as both the lack of a compelling business case in the face of other priorities (regulatory or return of investment) and the absence of investor demand for changes. The securities industry accepts that the consequence of not doing a full global migration to ISO 20022, is a requirement to maintain multiple standards (not just ISO 20022, ISO 15022 and even 7775 but also many proprietary standards of individual Financial Markets Infrastructures (FMIs)). It is therefore likely that without regulatory or FMI driven mandates that ISO 20022 will not be adopted across the global industry.

The key findings from the ISSA survey are:

- ISO 15022 is still the most widely used messaging standard by the global Securities Services industry.
- In the absence of regulatory or market entities driving this, the industry is unlikely to gain material global momentum towards ISO 20022 in the immediate future.
- The Euro-region, through regulatory and FMI requirements, is driving the most change and innovation in this space.
- The industry is struggling to form a clear business case for adoption of ISO 20022 both in terms of other higher priorities and challenges with the analysis of the real impact.
- Industry players are increasingly becoming ISO 20022 capable as part of their global systems agenda or future proofing requirements towards market infrastructures, however, they are not currently activating these capabilities unless driven by investor demand, market rules or regulation.
- Given that co-existence between ISO 15022 and ISO 20022 will continue for some time, the industry should take a view on co-maintenance.

As a result of these findings, the ISSA ISO 20022 Working Group (WG) recommends ceasing bi-annual surveys and instead, tracking progress by gathering periodic capability and usage data from its participants and combining this with information from other industry groups, such as the World Forum of CSDs (WFC) and Swift, with a goal to inform the industry about more widespread adoption.

ISSA will reconvene the WG in the autumn of 2023 and will work with other market bodies to provide industry recommendations on the approach to be taken during the future phasing out of ISO 15022, a best practice model for the migration to ISO 20022, as well as the need for tools to facilitate interoperability during the co-existence period.

## 1. Introduction

In June 2020, the ISSA ISO 20022 Working Group (WG) launched the first ISO 20022 Survey. The survey looked at several core areas, including current readiness and usage of ISO 20022, business drivers for current and future adoption, views on the necessity and paths towards broader adoption, and the role of industry bodies in shaping these paths.

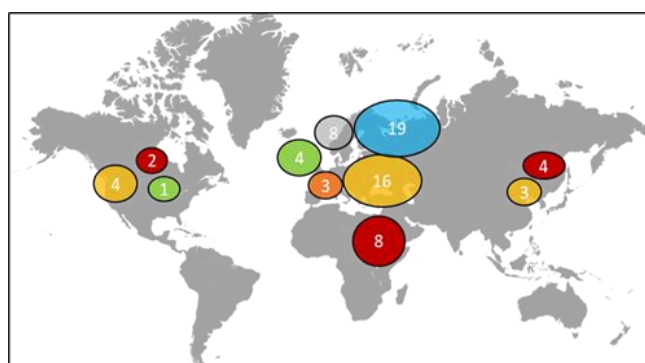
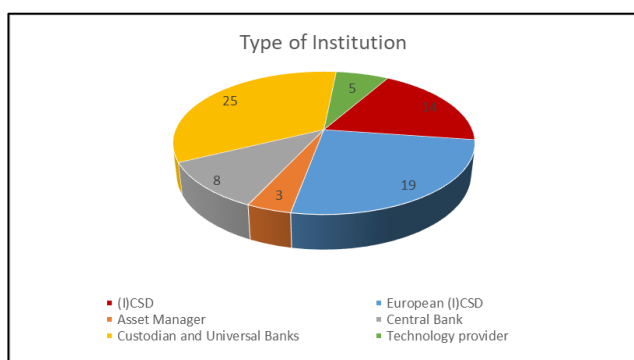
The 2020 survey results have since driven multiple ISSA papers on:

- the maturity level of the industry [adoption](#)
- benefits of a [common data model](#)
- [interoperability and APIs](#)
- And the creation of the [Resource Centre](#)

Additionally, the 2020 survey results have been the focus of many panel discussions as well as wider industry debate. To assess if the market view has changed since 2020, the Working Group launched a second survey in January 2023. On this occasion, it was decided that the survey should be a joint venture between European Central Securities Depository Association (ECSDA) and International Securities Services Association (ISSA). This latest report shares insights and key findings from the WG review of the use and adoption of ISO 20022 in the securities sector and includes direct results from the survey. It also highlights and debates the opportunities and challenges for ISO 20022 adoption by the Securities Services industry. The report concludes with recommendations and suggests next steps.

### 1.1 Survey Demographics

- The original 2020 survey generated a good market response with approximately 50 organizations completing the survey. In 2023, the survey garnered 75 responses, reflecting an increase of 48%. This increase came from 8 additional CSDs, 8 new Central Banks and 5 further Bank responses, with the growth being mainly driven by the collaboration with ECSDA and their members.
- Geographically, the survey continues to be predominantly concentrated in European based firms, with 56% of the CSDs being in the EU region, and 18/25 of the Custodians / Banks, and all the Central Banks stating that they were EU based.



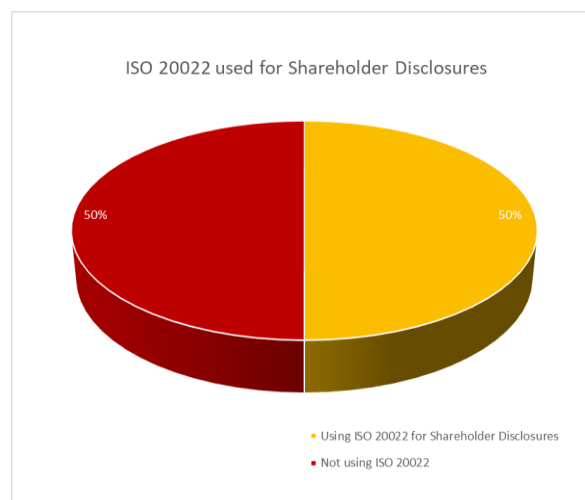
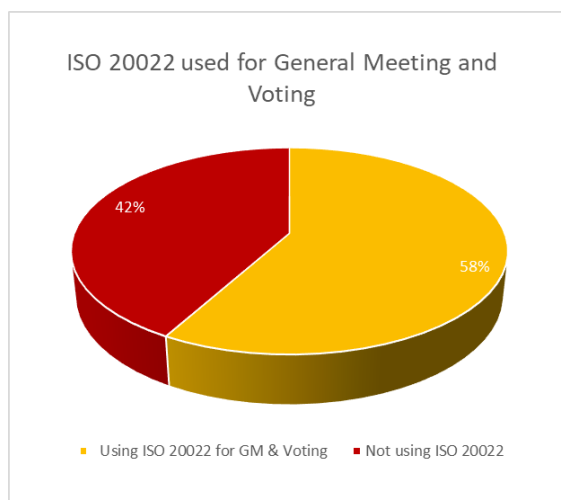
**As the majority of the firms responding operate global businesses - and responded on this basis - the WG participants believe that the survey results represent a global view.**

## 2. Summary of Key Findings

This section presents a summary of the key insights from the WG discussions and survey analysis. Overall, the survey findings were consistent with the experiences in the WG firms.

### 2.1 The WG observed increased capabilities in ISO 20022 since the 2020 Survey – but this is not substantial

- The strongest area of growth, since the 2020 survey, has been in the usage of proxy voting and shareholder disclosure capabilities, including:
  - General Meeting and Proxy Voting capabilities being used by 58% of respondents
  - Shareholder Disclosure capabilities being used by 50% of respondents
- Growth has been driven primarily by the requirements of the European Shareholders Rights Directive II (SRD II) which requires messaging standards that are not supported in ISO 15022.
- Corporate Actions, more generally, have seen an increase from 27% to 40%, which is similar to that for Settlement and Reconciliation.
- Whilst firms have confirmed that they are future proofing their systems to include ISO 20022 capabilities, few are activating this capability, unless they are required to do so by a FMI or regulation.



*The WG participants observed that even in areas where only ISO 20022 has the capability the participants’ usage is not comprehensive.*

## 2.2 Use of ISO 20022 depends on the position in the value chain

- ISO 20022 is used predominantly by the FMIs and the Securities Services providers directly interacting with them.
- Usage gradually dissipates as one moves further along the value chain:
  - History has shown that ISO 20022 is implemented when mandated, with adoption far stronger with FMIs and Direct Custodians, where the mandate is aimed, but with little trickle-down effect to investor layers.
  - This is logical as one of the areas where custodians add value is by helping their customers meet the various complex standards for international markets by providing cost effective connectivity solutions in markets in which investors wish to invest.

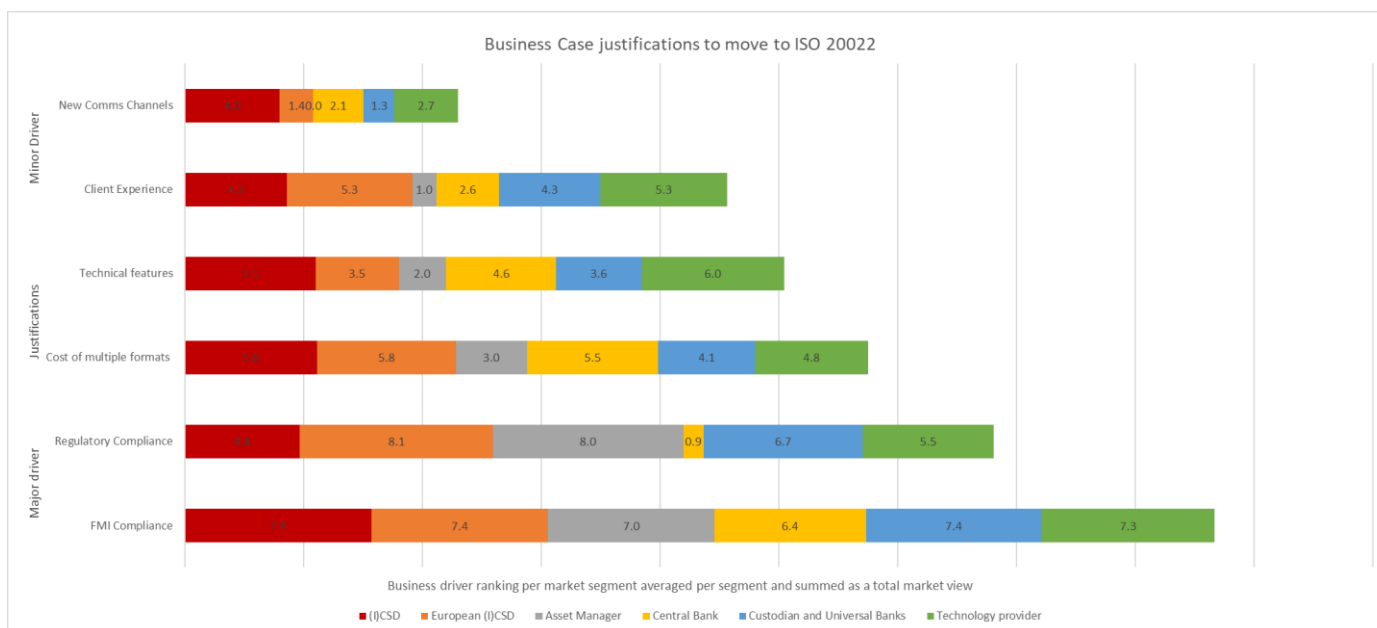
Capability for ISO 20022 usage Settlement and Reconciliations	(I)CSD	Custodian Bank	Universal Bank	Asset Manager
Capability turned on for all interactions	19%	0%	0%	0%
Capability turned on for Market Infrastructure and/or Custodians	26%	31%	29%	0%
Capability turned on for Market and Client	4%	8%	0%	0%
No Capability or Capability not turned on	52%	62%	71%	100%

*The WG participants see evidence in the survey results of a distinct divide in the take-up between the FMIs and the Custodian community versus the Investor community.*

## 2.3 In the absence of customer demand, any increase in use of ISO 20022 will continue to be driven by regulation or FMI requirements

- In Europe, growth will likely result from regulatory changes:
  - SCoRE standards (which encompass collateral, corporate action, and billing flows) being implemented. Two waves are planned:
    - The first mandates that, by 2024, all direct ECMS participants must use ISO 20022 to connect to the ECMS service
    - The current plan for the second wave is that, by 2025, all AMI-Seco members must be able to offer ISO 20022 SCoRe messaging to their customers (although this is still under discussion at AMI-Seco).
  - The challenge for custodians facing their clients is two-fold: firstly, investors are not asking for the ability to use ISO 20022 and secondly, many custodians use different applications for interfacing with FMIs compared to interfacing with the investors. Therefore, if mandated then costs will be incurred which add no value to the clients or the value chain.

- In terms of market driven requirements:
  - ECSDA CSDs have recently announced ([see here](#)) for corporate actions processing and then, 5 years later to discontinue use of ISO 15022. While the WG applauds the clarity, it notes two significant challenges:
    - The setting the final retirement date of 2030 for ISO 15022 will depend on the appetite of the market to adoption of ScoRe messaging in wave 2.
    - This is a European view and if the rest of the world continues to use ISO 15022 then custodians which are present in multiple geographies will need to continue to support this standard and will incur additional costs.
  - If the WFC replicates the ECSDA’s position this could help global take up and could lead to a harmonized approach.
  - The WG has observed that, when CSDs decide to offer ISO 20022, they do not always mandate it as a sole requirement, which means that their market participants must continue to use and support domestic proprietary standards and/ or ISO 15022 for other business flows.



**Across all respondents, the biggest drivers of ISO 20022 adoption remains the need to comply to regulation or FMI compliance.**



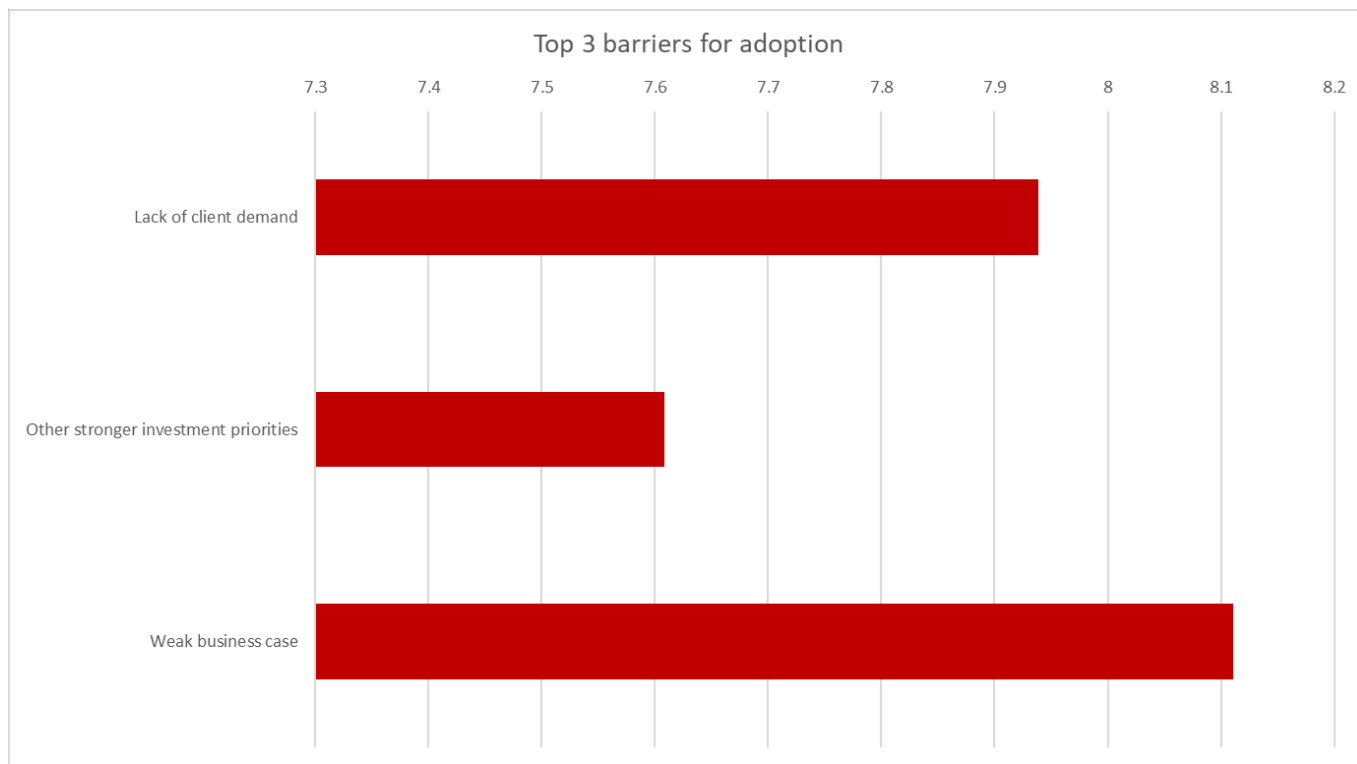
## 2.4 The potential drivers to encourage adoption of ISO 20022, identified by the 2020 survey respondents, have not borne fruit

- Despite ISO 20022 being actively promoted to support new business flows, adoption levels are low and limited geographically.
  - ISO 20022 for reporting has been mandated by European regulations (notably SRD II, CSDR and MiFID).
  - However, take up, beyond reporting usage, is relatively low (30% of all respondents) and the standard is not used outside of Europe.
- Even in areas of low automation such as account opening and tax reclaims, there continue to be low levels of adoption of ISO 20022.
  - In the absence of an industry-driven push towards common best practices in these areas, the WG has seen low levels of ISO 20022 adoption despite these being highlighted as opportunities in the 2020 survey responses.
  - Approximately 85% of respondents reported that they have yet to implement ISO 20022 to support tax management and account opening.
  - Although all the Central Bank respondents stated that they will implement tax management and account opening messaging with the year, only two Custodian Banks shared that they have plans to do so in the next three years.
- Nascent technology has also not been a driver for use of ISO 20022
  - Some major players that are experimenting with DLT have leveraged the ISO 20022 data model.
  - However, when it comes to messaging, the WG are seeing a pragmatic approach to bridge the old world with the new, especially in DLT and Digital Assets, and changes have been made to both ISO 15022 as well as ISO 20022, rather than any core focus on ISO 20022 (e.g., “Wallet identifier” has recently been added to both ISO 15022 and ISO 20022 message sets).
  - Although some Securities players are starting to use APIs, their use is agreed bilaterally. Survey results show that the biggest barrier to the adoption of standardized APIs is a fear of loss of flexibility during registration and maintenance.
- Mandatory use of ISO 20022 for cross border payments is not yet driving increased use in securities
  - As securities and payments systems are typically supported and operated on separate technology platforms, and are processed by different teams, the securities business is very much siloed from payments businesses. This has meant the implementation of cross border payments on ISO 20022 has had a limited impact on the securities area.
  - Whilst 26 respondents cited the payments migration as having an impact on their move to ISO 20022 for securities, only 16 respondents cited the payments migration in their top three drivers for a securities migration.
  - Of the respondents citing the payments migration as a key driver, 11 were either Central Banks or (I)CSDs who were much more positive in their support of a migration.

*The Industry needs to move more deliberately if ISO 20022 is to be adopted in support of these new opportunities.*

## 2.5 The industry is struggling to form a clear business case for adoption of ISO 20022 both in terms of other higher priorities and challenges with the analysis of the real impact

- Many standards are used in post trade. In addition to ISO 15022 and ISO 20022 the industry use FIX, FpML, 7775 and proprietary domestic schemes. These are deeply entrenched, work well, provide STP and are linked to specific business areas/roles in industry. The industry has developed solutions to manage this, “losing” one will not stop the need to support the others. Firms see the ability to offer translation between syntaxes and flexibility remaining as a core requirement, especially when they service a diverse and global client base operating across multiple jurisdictions.
- Although survey respondents still believe that the ISO 20022 data standard plays a key role in enabling interoperability between syntaxes, the business case for a move to ISO 20022 messaging is not apparent.
  - Mandatory requirements remain the biggest factor in any business case for investment to adoption ISO 20022.
  - There is also a clear increase in firms seeking to include an ISO 20022 capability when changing or upgrading systems.
- Most survey respondents cited a challenge to articulate a strong business case for migrating to ISO 20022 and frequently highlighting a lack of client demand as the main barriers to adoption



*The WG participants share the survey respondents’ view that a weak business case coupled with a lack of customer demand remain the biggest barriers to adoption ISO 20022.*

### 3. Conclusions

The WG participants have drawn several conclusions from the survey results, analysis of market schemes and the WG discussions which are outlined below.

#### 3.1 In the absence of regulatory or market entities driving adoption, the industry is unlikely to gain material global momentum towards ISO 20022 in the immediate future

- ISO 15022 continues to be the most widely used standard in the Securities Services industry.
- The Securities Services industry is unlikely to see any material growth in ISO 20022 in the next 5 years, unless key participants in the FMI and Custodians segments drive this as a specific strategy with their key participants and counterparts.
- Today this seems unlikely, because in areas where ISO 15022 is widely used and already achieving high rates of automation, there is no business incentive for a like for like syntax migration.
- In Europe ECSDA's current recommendation is positive. However, this will not drive adoption throughout the Securities Services value chain, unless CSD participants end customers see a direct benefit.
- The Swift community is focused on adopting ISO 20022 for cross-border payments and, since there is no appetite to set a migration date for securities flows, participants will have the choice of sending ISO 15022 and ISO 20022 over its network for the foreseeable future.

#### 3.2 The Euro-region is driving the most change and innovation in this space – and it is logical that the industry looks to prove out models in this region as the industry tries to extend use cases

- There is little doubt that the leadership from this region is driving global industry participants to ensure that they include ISO 20022 capabilities within their global systems capabilities.
- However, the key question is whether investment in the EU will drive global firms to use ISO 20022 in other regions, because regulation in one jurisdiction cannot be enforced in another and Custodian Banks are not reporting any demand from their end customers.

#### 3.3 The ISO 20022 standard has evolved to cater for the standardization of APIs, but this new capability is not being leveraged in securities markets

- Although there is general agreement that standardization of the commonly used APIs would be more efficient than developing and implementing APIs bi-laterally (see report here), we are not witnessing industry collaboration to come up with commonly agreed standards. This could be because:
  - Firms that have already designed and implemented APIs see this as a competitive advantage. They see no benefit in investing further resource to share and align with ISO so that they become an industry standard.
  - Firms that have no business case to use APIs, do not have resources needed to focus on standards work because this is not a business priority.

- Since mid-2022, it has been possible to register API resources with ISO 20022, but so far there have only been submissions in payments and trade areas. None have been registered in securities post trade arena. This may be because of a lack of awareness and understanding of the ISO process, but it could also be that the rigor of the standardization process seems at odds with the benefits of APIs which include flexibility, customization, and time to market.
- However, many institutions are still in the early stages of API adoption, so the industry is still at a logical point where the participants could collaborate to avoid unnecessary costs and fragmentation.
- There may be some benefit in reviewing and understanding the extent to which a single standard really drives operational benefits versus other drivers such as common best practices and technology.
- There is a need to assess the global business case across the Securities Services industry for automating key “mature” areas, including settlements and asset servicing. This would enable the industry to better understand the drivers of manual processing, the impact of shortening settlement cycles globally and the need for higher automation within constrained processing cycles.
- In areas where ISO 20022 is not being adopted, despite there being no equivalent ISO 15022 message and low levels of automation (e.g., account opening), there is a need to determine what is being used instead and why. It is likely that moving the industry to a common standard will not result in higher levels of automation because messaging can only solve part of the problem and better alternatives exist (e.g., use of email when signed documents need to be exchanged, APIs for query/response scenarios, or GUI for corporate action elections).
- The industry is struggling to form a clear business case for adoption of ISO 20022 both in terms of other higher priorities and challenges with the analysis of the real impact. The industry needs to understand the barriers to activation between capable players in more depth, and what it takes to see some leadership to activate the use of ISO 20022 communication exchanges among firms that have this capability.

### **3.4 Given that co-existence between ISO 15022 and ISO 20022 will continue for some time, the industry needs to take a view on co-maintenance**

- There is industry consensus that once a date is set for migration to ISO 20022, there needs to be a period of at least 3-5 years before ISO 15022 is retired. However, the approach which should be taken during this transition phase requires global thought leadership across all stakeholders and learning lessons from the payment migration.
- Survey results and comments illustrate that there is confusion in the market about the difference between co-existence and co-maintenance of standards. Co-existence of ISO 15022 and ISO 20022 means both standards are available to cover a same business process, and co-maintenance means changes required by the industry are made to both standards so that translation is facilitated and both standards can interoperate.
- If the industry intends to move to ISO 20022 then co-maintenance must end to create the value to generate a positive business case. The WG saw no evidence that this is an approach that the industry wants.

## 4. Recommendations

The survey results, and conclusions of the WG participants, are that there has been only a limited increase in the use of ISO 20022 since the membership was last surveyed in 2020. Although there are some specific industry initiatives that will have positive impact on the adoption of ISO 20022, these are in specific markets or for specific flows, so this is unlikely to provide enough of an impetus to drive significant incremental adoption of the standards more globally in the near-term.

The ISSA WG therefore recommends that ISSA cease biennial industry surveys and instead monitors any change in ISO 20022 capabilities and usage by periodically obtaining data from several sources, including from the World Forum of CSDs (WFC), which is composed of the five regional CSD associations, directly from ISSA participants and from Swift.

The WG participants' view is that there is a need for industry recommendations for the approach to be taken during the future phasing out of ISO 15022. In preparation for the industry reaching either a regional, or global, "tipping point", ISSA will convene the WG, working with the SMPG and other industry participants (such as ECSDA) to ascertain if there is consensus to set a migration deadline, and to provide guidance and recommendations to the membership. The recommendations should include a best practice model for the migration to ISO 20022, as well as consider the costs and benefits of co-maintenance during a co-existence period, and the need for tools to facilitate interoperability during this period.