

ISO 20022: What Private Funds CFOs Need to Know

Work with your banks ahead of time to keep payments moving smoothly and avoid delays.



Key takeaways:

ISO 20022 standards support greater transparency and security for modern payment infrastructures.

You will need to provide more robust information to ensure your payments continue to go through successfully.

You should work with your bank to prepare for upcoming changes to the information required for initiating or receiving payments.

Modern payment infrastructure makes it possible to move money faster to more places across the globe. Payments that once took days to complete can now take place in real time. To keep track of these payments more transparently and securely, the International Organization for Standardization developed ISO 20022. This standard establishes a common language and structure for tracking payments, incorporating more granular information than many payment infrastructures have historically used. For example, the standard clearly identifies the ultimate source and destination of a payment. The added detail makes it easier to identify potential problems and supports the G20's goals for faster, more transparent and more accessible cross-border payments.

Although the standard was originally developed in 2004, its adoption is only now starting to reach critical mass. Newer payment infrastructures, particularly those designed to facilitate real-time payments, already use the standard to communicate information about their transactions. Major legacy payment processors are also preparing to fully adopt the new standard.



By Bryan Brenchley, Principal Product Lead, SVB Payment Solutions

In his role at SVB, Bryan guides SVB's ISO 20022 program, focused on transforming SVB's legacy payment infrastructure to maximize the benefits of migrating to the ISO 20022 data standards. Bryan joined the SVB product team in 2022 to focus on ISO 20022 and Payment Data Modernization as a payment industry expert.

As these and other older infrastructures transition, you will experience changes to the number of payment fields you are required to fill out. You will also be required to provide codes or structured data that previously had been included optionally in unstructured fields.



How does ISO 20022 benefit funds CFOs?

By offering a clearer view of all parties to the transaction, ISO 20022 can help answer questions that would otherwise create issues with payments, particularly when they cross international borders. This is especially important since today's payment processing times decrease the window for detecting potential issues prior to settlement. Having clear information that helps distinguish fraudulent transactions from legitimate ones is increasingly critical for safeguarding your firm's and LPs' capital.

When that information isn't clear or isn't available, delays occur. Today, between **2% and 5%** of all payments produce inquiries that require time to investigate.⁴ Given the overall volume of payments, even those seemingly small percentages add up. If a payment is particularly important, a single delay can mean unhappy LPs, or even a missed deal close. Making sure your firm and the banks you work with have the right information in place before initiating or receiving a payment helps avoid these potential issues.



What do funds CFOs need to do to get ready?

Reach out to the banks you work with to understand their roadmaps for adapting to ISO 20022. Details matter. For example, different countries may define different code standards to be used in payment fields. You'll need to be aware of what information is necessary for each country you send payments to, and fill that information out accordingly.

At a minimum, you can expect to provide:

- More detailed information about all parties involved in the transaction.
- For foreign exchange, fields dictated by local country rules and regulations.

Specifically, for distributions after an exit, if you are sending the funds via wire transfer, you will need to provide the physical address of all of your limited partners (LPs). Since LPs often receive payments through a settlement company or a trust, the information you previously used to make payments to them may not be complete enough or structured properly for payment systems using ISO 20022.

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Key ISO 20022 Dates

April 2024 CHIPS¹ wire transfers migrated to ISO 20022

March 2025² Fedwire FAIM message format will be discontinued March 9th and replaced with ISO 20022 MX messages on a single day, March 10th

November 2025³ The Society for Worldwide Interbank Financial Telecommunication (SWIFT) MT message format will be discontinued and replaced with ISO 20022 MX messages

What do funds CFOs need to do to get ready? (continued)

You'll need to identify the account to credit, as well as the name and full physical address of the entity that will ultimately receive the money.

The information required in certain jurisdictions or circumstances may also continue to change over time. The robust structure of the standard is designed to give banks and regulators the option to require additional information if they decide they need it. As a result, you should expect that changes to required payment information will continue to evolve as well. For example, the standard includes a "purpose" field that can include a list of prepopulated codes assigned by jurisdictions that want to keep close tabs on certain types of payments. As jurisdictions develop ways to use that information to track payments, banks and their clients will need to adapt in response.

Closing thoughts

As more payments shift to infrastructures that require ISO 20022, the banks initiating those payments will help you adapt as required. By staying ahead of these changes, you will reap the benefits of richer, more structured payment information, access to faster, modern payment rails and a smoother overall payment experience with less chance for a delay that could hinder a critical transaction.

- ¹ https://www.theclearinghouse.org/payment-systems/Articles/2024/04/CHIPS_Network_Migrates_ISO_20022_04-10-2024#:~:text=The%20CHIPS%20network%20is%20the,an%20ISO%2020022%20message%20format
- ² [Fedwire Funds Service ISO 20022 Implementation Center \(frb.org\)](https://www.frb.org/fedwire/funds-service/iso-20022-implementation-center)
- ³ <https://www.swift.com/standards/iso-20022/get-ready-iso-20022-cbpr>
- ⁴ EY and SWIFT, "Supercharge Your Payments Business with ISO 20022." <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/industries/banking-capital-markets/documents/ey-supercharge-your-payments-business-with-iso-20022.pdf>

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