the ValueExchange

Part 3: ISO 20022

THE FOUNDATION FOR OPERATIONAL MATURITY

smartstream

A PATH TO OPERATIONAL MATURITY – A HYBRID OF BEST PRACTICES UNDERPINNED BY INNOVATION

In the first two papers of this series, we explored the forces that have brought corporate actions processing to its current crossroads.

Part 1 (Accelerating Beyond Legacy) defined how ISO 20022 provides a pathway out of manual, high-risk workflows towards structured, interoperable data.

Part 2 (The Convergence of Compression and Fragmentation) quantified the cost of today's operating design, where rising event volumes and shrinking timelines collide with people-based controls.

This third paper moves from why to how. It defines the operational and financial logic behind ISO 20022 adoption and sets the foundation for the business-case model that follows in Part 4.

Across the industry, firms now recognise that delay has a measurable cost. Asset servicing volumes are rising by over **25%** a year — with Asia growing at twice that pace — yet **41%** of respondents report that their system spend is falling. Manual validation remains the dominant control for **75%** of firms, and voluntary event STP rates still sit below **40%**. The result is a widening performance gap between early adopters and those waiting for regulatory compulsion.

The message from clients and regulators is consistent: accuracy, timeliness and transparency are becoming minimum conditions for participation. ISO 20022 is not a compliance project; it is the language through which the next generation of operational maturity will be expressed.

THE PATH TO OPERATIONAL MATURITY

The maturity model introduced in Part 1 remains our reference point. Every organisation sits somewhere between ad hoc, systematic and optimised control.

In 2025, most firms still describe themselves in Levels 2–3; structured but fragmented. They rely on multiple systems, local spreadsheets, and narrative reconciliation loops.

The symptoms are now well measured.

Up to 67%

of errors stem from data-quality issues;

58%

of respondents cite data as the single biggest barrier to automation, far ahead of technology.

+9

As headcounts grow to plug those gaps, cost efficiency declines: every firm needs to find an additional nine people per market simply to keep pace with volume growth.

ISO 20022 provides the structural remedy. Its object-oriented model allows data to be created once, enriched once and consumed consistently throughout the event lifecycle, from announcement through to entitlement, payment and claims.

This model supports data granularity which enables systematic control as the foundation of automation, operational control and insight.

By embedding that discipline, firms can transform the nature of their operational cost base: from people-driven remediation to machine-driven prevention.

DATA BEYOND MESSAGING: ISO 20022 AS A DATA STANDARD

ISO 20022 is often described as a messaging format. In practice it is a data model, a taxonomy that defines relationships, hierarchies and status across every element of a corporate actions event.

Each ISO 20022 object carries explicit identifiers and attributes: the event, the security, the account, the entitlement, and the instruction. These classes interlock through matching and numbering rules that enable real-time reconciliation and status propagation.

This richness turns the message stream into a live dataset. Once captured in a centralised master, it supports:

- **Real-time processing:** intraday updates and alerts as statuses change.
- **Automatic reconciliation:** reducing duplicate breaks and false exceptions.
- **Decision-ready analytics:** giving operations, risk and clients the same view.

Firms using ISO 20022-compatible data models report measurable improvements in error detection and exception routing. Research shows that **standardisation and golden-copy integration reduced reconciliation breaks by more than 60%** and lengthened decision windows by up to three days per event cycle.

The conclusion is clear: ISO 20022's value lies not only in the messages it transmits but in the data discipline it enforces.

ALIGNING DATA TO REDUCE RISK

The operational risk in corporate actions is not abstract; it is quantifiable.

Processing errors already account for up to **10%** of total operational expenditure, and **81%** of firms report manually re-validating announcement data.

Integrating data lineage and provenance within ISO 20022's model creates an auditable chain from issuer to investor. When every data element can be traced to its attested source, firms gain a measurable reduction in reconciliation effort and liability exposure.

The market increasingly supports this approach.

36% of firms believe that CSDs should hold responsibility for golden-copy event data, and CSDs themselves agree.

24% of issuers state that faster, structured communications would justify investment in automation.

By aligning source, lineage and synchronisation, ISO 20022 allows firms to mutualise exception management across the custody chain. Replacing redundant reconciliation with shared validation.

The financial impact is material. Internal ValueExchange modelling suggests that each percentage-point gain in STP can translate into hundreds of thousands of dollars in annual efficiency gains for a mid-tier custodian.

PROCESS HARMONISATION: FROM MILESTONES TO STATUS

Legacy workflows are milestone driven: notify, record, instruct, reconcile. Each milestone creates a queue, and each queue invites delay.

ISO 20022 enables status-driven orchestration. Events progress as data objects update, not when teams tick boxes. Status becomes the signal that routes work, triggers controls, and informs clients in real time.

In practice this means:

Intraday visibility: positions, entitlements and exceptions refresh automatically.

Predictive risk flags: AI models can prioritise events based on exposure and probability of failure.

Operational metrics: time-to-instruct, exception ageing, and claims velocity become measurable KPIs.

These are not theoretical benefits. Among firms that have piloted ISO 20022-enabled workflows:

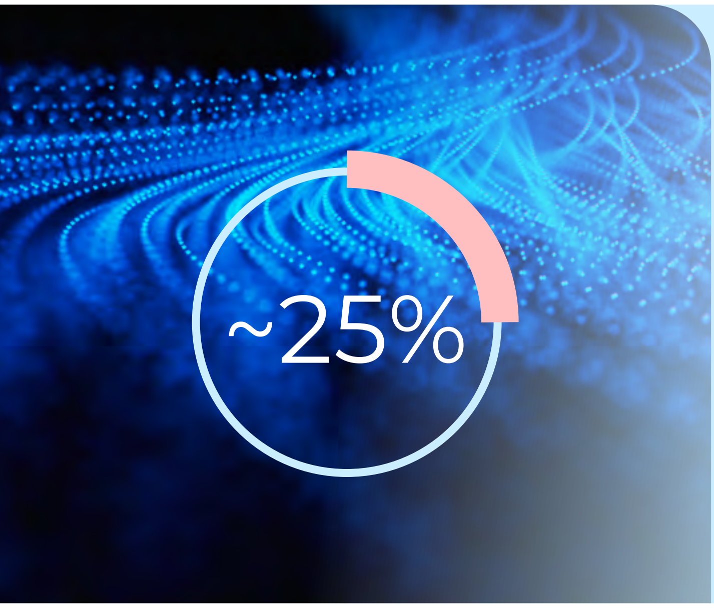
- The share of events requiring manual intervention dropped from **46%** to **18%** within twelve months
- The same firms reported a **30%** reduction in downstream claims and adjustments

For decision-makers, this translates into controllable cost reduction and a more resilient operating environment. Critical metrics as volumes accelerate and settlement cycles compress towards T+0.

COLLABORATIVE ENABLEMENT AND SHARED CLEANSING

Data cleansing remains one of the least scalable aspects of asset servicing. Every participant validates the same issuer data independently, yet ownership of accuracy is diffuse.

Emerging collaborative models, underpinned by ISO 20022 and vendor-led utilities, are beginning to change this. By establishing common data objects and attestation protocols, firms can share cleansing outcomes without surrendering data ownership. AI-assisted consensus models and distributed ledgers are making this technically feasible today.



The commercial rationale is strong. Outsourcing and shared services can slow cost growth by around **25%**, while also improving data quality and consistency. As regulation (SRD II, DORA and others) continues to emphasise timeliness, machine readability and resilience, the incentive for mutualised cleansing only increases.

For technology leaders, this is where vendor strategy becomes decisive. The optimal path is rarely full internal build: **59% of firms admit they struggle to deliver transformation fast enough**. Vendor-enabled solutions with built-in interoperability between ISO 15022 and ISO 20022 offer a lower-risk bridge, allowing institutions to accelerate maturity without waiting for the entire chain to catch up.

STRENGTHENING CONTROL ACROSS NONALIGNED PROCESSES

Area	What ISO 20022 Enables	Outcome
Standard variations	Alignment of option structures and event definitions	Fewer breaks caused by inconsistent interpretations
Narrative cleansing	Mapping narrative data into structured fields	Reduced ambiguity where issuers publish unstructured information
Flexible outcome computation	Consistent calculation of rates, fees and tax treatments	More accurate and transparent entitlements across markets
Non-SWIFT custodians	Normalisation of proprietary inbound formats	Improved risk visibility and harmonised processing across all markets

EXTENDING VALUE BEYOND CORPORATE ACTIONS

The architecture of ISO 20022 extends naturally into adjacent domains. Proxy voting, class actions and tax reclaims all share the same structural weaknesses: fragmented data, inconsistent deadlines, and manual client interaction.

40%

of budgets are now redirected towards proxy and tax. By re-using the same data objects and workflows, firms can scale automation across the full asset-servicing lifecycle.

The implications for clients are tangible: faster vote confirmations, transparent claim tracking, and a unified view of entitlements across positions and markets. For providers, it creates a consistent operating backbone and an opportunity to differentiate through service quality rather than cost alone.

BUILDING THE BUSINESS CASE

ISO 20022 adoption is often treated as an inevitability. The reality is that adoption decisions still depend on measurable business outcomes.

The return profile is now sufficiently proven to quantify:

Error reduction

Up to 87%

decrease in processing errors.

Time reclaimed

Up to 3 days

gained in the corporate-actions lifecycle.

FTE savings

Up to 9

roles per market.

Cost growth containment

~25%

slower growth rate.

Client experience uplift

20%

improvement in SLA adherence.

Beyond these direct metrics, ISO 20022 strengthens firms' ability to measure and control their operations. Error rates, exception volumes and client response times become observable, enabling genuine continuous improvement rather than reactive remediation.

At a strategic level, the investment case aligns with broader transformation agendas. **By 2030, firms expect to dedicate 63% of budgets to innovation and resilience**, freeing capacity that is currently tied to legacy technology. ISO 20022 can serve as the architectural foundation for that shift in asset servicing, turning regulatory compliance into operational advantage.

DECISION-MAKER PERSPECTIVE

For COOs and CFOs, the calculus is increasingly simple. **Legacy infrastructure consumes between 50 and 60% of total technology budgets** yet delivers declining returns. The cost of maintaining translation layers and bespoke reconciliations grows by around **10%** per year.

By contrast, ISO 20022 implementation offers compounding savings once critical mass is reached. The early-adopter profile is already visible: Firms that have modernised their securities-processing **data models are achieving around 10% annual P&L efficiencies**—ISO 20022 can play a central role in that shift.

In capital terms, this equates to payback periods of less than three years for most mid-tier operations, with cumulative five-year ROI exceeding **40%**, even before accounting for reputational and regulatory benefits.

FROM MESSAGE TO MODEL

The transition from ISO 15022 to ISO 20022 is not simply an upgrade; it is a change in operating philosophy. It replaces narrative and reconciliation with status and lineage; it transforms point-to-point translation into shared understanding.

Firms that view ISO 20022 as plumbing will capture limited benefits. Those that treat it as a data and workflow model will set the foundation for long-term operational maturity.

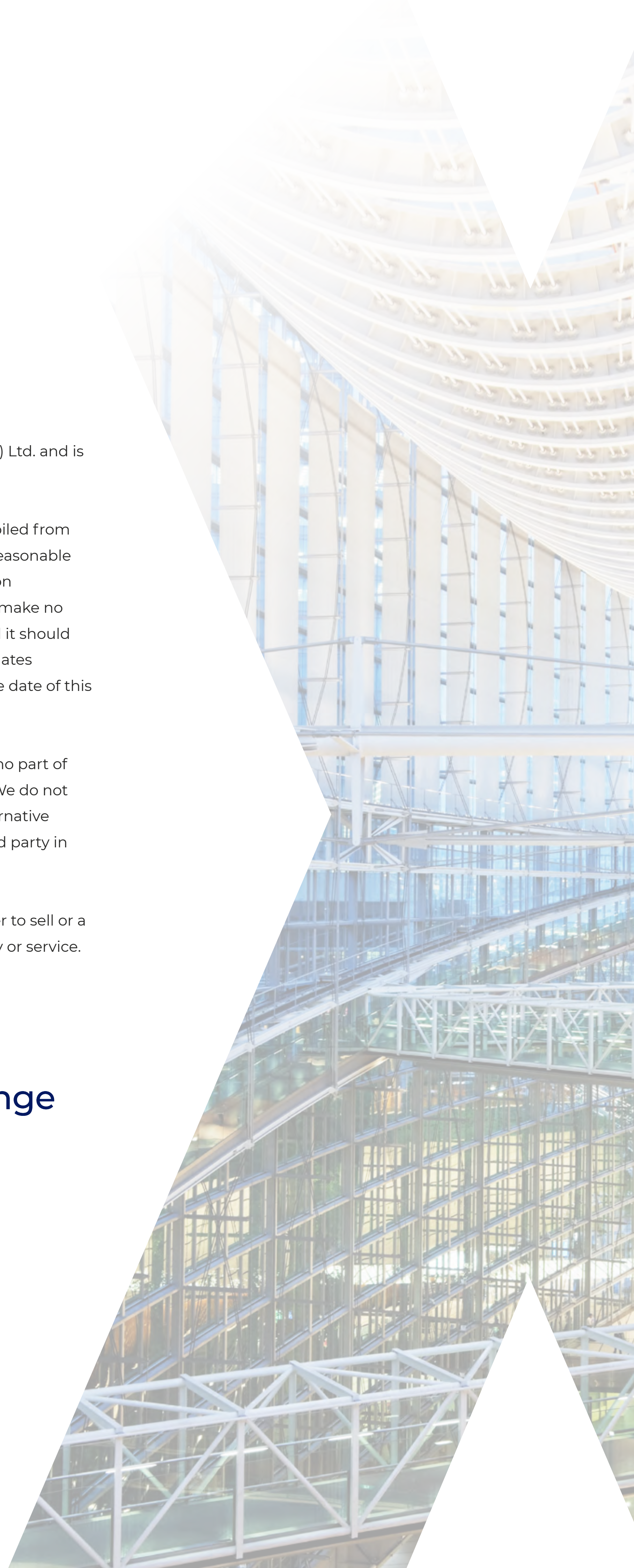
As the evidence now shows, the cost of inaction outweighs the cost of change. Operational losses, rising data expenditure and reputational exposure are no longer isolated incidents but structural features of an outdated model.

The business case is therefore not about if but how fast. By embedding ISO 20022 across data, process and collaboration, firms can achieve:

- **87%** **reduction in operational error rates**
- **25%** **cost growth containment per quarter**
- **3 day** **reduction per lifecycle**
- **Increased capacity for staff to focus on higher-value client work**

For an industry facing unrelenting compression and expanding regulatory scrutiny, ISO 20022 represents both shield and engine: a safeguard against fragmentation and a catalyst for competitive differentiation.

In the next and final paper of this series, we will translate these outcomes into a practical framework — defining how to build, quantify and present the ISO 20022 business case inside your organisation.



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