

Top 5 Issues with adopting ISO 2022 Translation tools

Ever since SWIFT announced in 2022 that there would be a platform wide migration away from the old MT message format and on to the new ISO 2022 xml-based format, banks have had a choice:

A – Use an ISO translation tool on top of the existing bank infrastructure

or

B – Undertake a full payment platform transformation and migration onto a native ISO platform.

Given the cost, timescales and available resources required for a full transformation and migration, many banks opted for the ISO translation tool approach, both as a means of meeting SWIFT's deadline of November 2025 and to help mitigate some of the other risks posed by undertaking a full migration and transformation project.

In fact, a recent update from SWIFT suggested that 40% of all payment traffic globally on their network was still in the old MT format, and this suggests that there is likely to be a very 'long tail' of banks who are looking to use a translation tool in order to be compliant with the new standard.

However, whilst the use of a translation tool for ISO 2022 can certainly accelerate migration, it comes with several important risks that organisations must recognise both now and into the future.

Here are five major ones:

1. Data Loss or Truncation

SWIFT's MT message format is clear, with the data encapsulated within the message being unambiguous and easy to interpret with the human eye. Correspondingly, SWIFT's MX, message, having been built using an XML data format, are anything but easy to interpret, especially given the vast number of new data fields that can be included in a message.

The data mapping and translation between the two is not simplistic and when you simply translate messages, rather than fully re-architect for native ISO 2022, you lose information, or truncating fields.

For example:

The field lengths in ISO 2022 can be far larger than in legacy formats, so an intermediary node or translation tool may truncate extra characters, losing some of the key detail relating to the transaction.

Some legacy systems may be unable to store or carry the enriched data elements of ISO 2022, meaning even if translated they won't propagate downstream correctly, resulting in blocked payments, system errors and manual intervention.

This is most acutely seen when receiving messages, say within the correspondent bank chain, which have truncated data, as the missing data is...missing, with the result being a quantifiable rise in errors.

Consider a simple, conservative model. A bank processes 5 million cross-border payments a year. Its pre-migration exception rate is 0.8 percent. Truncation and flattening increase mismatches in account names, addresses, and remittance references by only 0.3 percentage points. That small change creates 15,000 additional exceptions. If each repair averages 20 minutes across investigation, client contact, and resubmission, the bank absorbs 300,000 minutes of extra work: roughly 5,000 hours, which is about three full-time equivalents. Most institutions will see higher volumes and more complex corridors, so the headcount impact scales quickly, and the costs incurred directly affect the underlying cost base for the bank without adding any improvement to the customer experience.

Why this matters: If data is lost in the translation process (e.g., Ultimate Creditor, structured address, remittance details) you risk severely impacting AML tools processes which rely on the additional data in order to perform their role. Additionally, messages lacking key data fields also impact the automated processing rates for payments and settlements, risk undermining the reconciliation process and creating increased exception rates and increasing direct operational costs, impacting liquidity management, regulatory screening, etc – in fact the loss of data completely undermines the whole purpose and the very benefits that ISO 20022 is meant to deliver.

2. Interoperability / Coexistence Complexity

Because many participants will still be using legacy formats during the migration phase, translation tools must support coexistence (legacy format ↔ ISO 20022) - and that's tricky.

The compatibility rules vary across jurisdictions or infrastructures; variations in “which version of ISO 20022” or how messages are used mean translation may introduce inconsistency, especially where there is an increased level of cross-border payment activity, resulting in increased failure rates, error resolution and delays in completing transactions.

Relying purely on translation (rather than full internal migration) may mean you remain dependent on the translation layer for longer than intended, or until another SWIFT change is announced that forces banks to move away from translation tools altogether.

Why this matters: If translation isn't reliable, you'll face mismatches, errors in cross-border flows, compliance gaps, and increased operational risk, and in reality any translation tool is likely to only ever be a short-term fix, not a long-term solution.

3. Legacy Systems and Data Models Not Fit for Purpose

Translation tools can hide the fact that the underlying system hasn't been adapted to the full richness of ISO 20022-but this is a double-edged sword.

As previously mentioned by Maveric Systems, many legacy middleware/payment engines weren't built to handle the volume or structure of ISO 20022 messages. This means translation may just patch over deeper issues, which will remain until a full migration onto a native ISO20022 platform is completed, leading to performance, data quality and, potentially, regulatory issues in the worst cases.

Organisations which implement and then stay on a translation tool may skip optimising their internal data models, processes and operations and rely solely on the message translation function but then aren't able to take advantage of the richer data and capabilities (e.g., enhanced remittance details) of ISO 20022, thus impacting on the overall performance and cost of the payments function.

Why this matters: If you keep legacy systems beneath the translation layer, you may pay a cost in maintainability, agility and compliance, as well as run the risk of continuing to use unsupported / undeveloped technologies in an ever more challenging environment and, ultimately, miss the full benefits of migration.

4. Inadequate Compliance, Screening & Risk Controls

Because ISO 20022 supports far richer, structured data, translation tools must preserve and correctly map this data into legacy compliance systems — which is often challenging, especially if the system's data model isn't extendable in order to allow new data fields (or even different lengths of fields) to be incorporated.

Financial crime/AML systems being used within an older technology stack may have been built for legacy tag structures, and when you shift to ISO 20022 you must ensure the new fields (e.g. for ultimate parties, structured addresses) are properly handled.

Some translation solutions may discard or fail to surface optional/conditional fields, reducing the effectiveness of screening or monitoring, resulting in a partial record being held within the legacy system that could, when under regulatory scrutiny, present as a weakness or limitation in the bank's AML and screening capabilities.

Why this matters: Translation that doesn't properly preserve compliance-relevant data can increase regulatory risk, false negatives/positives, and undermine your risk management framework.

5. Hidden Costs, Time & Maintenance Overhead

While translation tools may seem like a quicker route than full rebuild, they often bring ongoing cost, maintenance overhead and risk either becoming a 'permanent patch' or an anchor solution for the bank - limiting its ability to adapt to future changes quickly and with relative ease.

- The migration journey is complex: one article noted the budgets, resource constraints and risk of "shortcuts" undermining long-term value, but with SWIFT mandating the move to ISO format messages, it won't be long before more changes to the network are announced which will necessitate change.
- Translation adds an extra layer (middleware, mapping logic, transformation rules) which needs governance, versioning, testing, and will likely need ongoing updates as ISO versions evolve. With banks' IT teams already at full stretch trying to support aging, legacy technology, adding more layers of complex technology, just to keep the wheels turning, is likely to compound these issues, resulting in increased cost or degradation of service elsewhere.
- If your goal was to avoid core system change, you may end up paying both translation licence/maintenance and eventually a re-build anyway (so double cost). The analogy of 'kicking the can down the road' is very apt here, as sooner or later a native ISP payment platform will be mandatory, so delaying the decision to transform is not going to benefit the bank in the long run.

Why this matters: The "quick fix" of translation will not truly save time or money in the long run - especially if you haven't planned for the lifecycle of that translation layer, and future changes from SWIFT might place banks under shorter timescales to transform than has been afforded to them under the ISO20022 programme.

Summary

In short: using a translation tool for ISO 20022 migration is useful, especially to get you compliant quickly, but it's really only a short-term fix, not a long-term solution, and its certainly not a panacea.

You must be aware of major risks around data integrity, system fit, compliance, interoperability and lifecycle cost of the technology, as well as the increased overheads that will be placed both on the payment operations teams and functions as well as IT.

From a regulatory perspective, it is expected that there will be an increased level of scrutiny being placed on banks using translation tools, due to the heightened potential for data and screening errors to occur, and their long-term view will likely be towards the use of native ISO platforms as opposed to legacy systems held together with multiple layers of middleware.

Ideally, such a tool should only be part of a phased strategy: translation to bridge the (time, funding or resource availability) gap, but with a roadmap to full native migration/modernisation within 1-2 fiscal years, so you maximise the benefits of ISO 20022 and align the payment functions within the bank with globally accepted standards and 'best in class' models rather than just to "make it work".



84 Stafford Road, London, SM6 9AY, United Kingdom

www.aquaglobal.co.uk

info@aquaglobal-solutions.com

+44 (0)20 8544 3200