

# Preparing for the Future: The Era of Payment Hybrid Addresses

A brief introduction to the Payment Parties Address

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# Introduction

Party Address is information that locates and identifies a specific address, as defined by postal services. Addresses are essential for the proper identification of parties in financial transactions. The ISO 20022 Postal Address element provides a standardized format for address information, ensuring consistency and accuracy across different systems and countries.

This standardization is crucial for financial institutions because it facilitates better data quality, enhances the efficiency of payment processing, and improves compliance with regulatory requirements.

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# The importance of the Postal Address is its ability to...

## Improve data quality

With a consistent format for address information, the Postal Address reduces errors in data entry and processing.

## Enhance transaction efficiency

Postal Address data enables automated processing of financial transactions, reducing the need for manual intervention and speeding up transaction times.

## Facilitate regulatory compliance

With the increasing focus on anti-money laundering (AML) and counter-terrorist financing (CTF), the Postal Address field enables a more effective and efficient fight against financial crime with clearer, more accurate information for transaction screening and monitoring.

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# In essence

The Postal Address element is intended to streamline financial transactions by providing a clear, standardized format for address information, which is a critical component in the global financial ecosystem.

## Why is it important?

The benefits of the ISO 20022 Postal Address field will collectively contribute to a more integrated and efficient financial infrastructure, supporting the seamless processing of payments by minimizing transaction delays and investigations, reducing friction and improving customer experience.

### The Financial Action Task Force (FATF)

FATF started the revision of Recommendation 16 which defines the information that must be included in payments. The revision is in progress, but the draft shared for public consultation in early 2024 suggests that:

- The address of the Debtor and Creditor must be supplied, or, in the absence of an address, then the country and town name
- Information should be structured, to the extent possible, in accordance with the established standards of the system used such as ISO 20022, and should be sufficiently detailed to enable identification of the Debtor and Creditor

Both of these requirements were largely anticipated and are supported by CBPR+ and HVPS+ usage guidelines. The structure of the ISO 20022 Postal Address element and the evolution towards fully structured or hybrid options will make it simpler for institutions to verify the presence of required information.

# *What are the CBPR+ usage guidelines?*

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The following timeline has been outlined for the adoption of structured and unstructured address options.



## Now to November 2025

Until November 2025, there are two options available for the Postal Address field

- **Structured**

This option allows using up to 14 qualifiers for the Address components and requires a minimum of the TownName and Country to be included in a structured format.

- **Unstructured**

This option allows the address to be provided in up to 3 lines of unstructured format.

**Both options are mutually exclusive**, so institutions can only use the structured option if they can map all address details in their respective components, which can be a challenge where institutions store addresses in free text format.

## As of November 2025

As of November 2025, a **Hybrid option** will be allowed. This means that the address can include both structured and unstructured elements, providing flexibility while transitioning to fully structured formats.

## By November 2026

By November 2026, the **Unstructured option** will be phased out, and all address fields will need to be in a structured or hybrid format.

This phased approach allows for a gradual transition to Postal Addresses, ensuring that all parties have ample time to update their systems and processes to comply with the new standards.

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## What are some of the challenges identified?

Some of the challenges highlighted are:

### Transition to postal addresses

Banks are starting with unstructured address fields and progressively implementing structured ones to improve the quality of data in financial messages and enhance efficiency in processing transactions. This transition is necessary to comply with the evolution of CBPR+ and HVPS usage guidelines in 2025 when the hybrid option is introduced; and in 2026 when the unstructured option is no longer allowed.

### Debtor and creditor information

Banks face different challenges when it comes to debtor and creditor information. For debtors, banks need to ensure their own information is structured correctly. For creditors, the challenge lies in capturing structured information from customers, which often requires updating application channels to accommodate the structured data.

### Customer education

The increased regulatory requirements and the need to structure information will force institutions to explain to their retail and corporate customers the reasons they need to supply additional information. While ultimately this will benefit customers, such change can be complex and lengthy.

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## Prepare for the Change

In conclusion, the transition to structured and hybrid Postal Address formats as outlined by the ISO 20022 standard is a significant step toward enhancing the efficiency and accuracy of financial transactions. This evolution is not just a regulatory necessity but also a strategic move to improve data quality, transaction speed, and compliance with global standards. As the world moves towards the full implementation of these standards by November 2026, it is imperative for financial institutions to begin updating their systems and educating their customers on the benefits and requirements of structured address data.

All stakeholders should proactively engage in this transition by starting to implement structured address formats where possible and preparing for the upcoming hybrid model. By doing so, financial institutions can ensure a seamless shift to these new standards, ultimately benefiting the entire financial ecosystem through reduced transaction delays, enhanced compliance, and improved customer experience.

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