ISO 20022 harmonisation requirements for enhancing cross-border payments

Question 1. Do you agree with the guiding principles followed for setting the requirements, including the platform or network agnostic approach, the level of ambition and the future state orientation?

We fully agree with the proposition. This approach even though as of today for our case is not yet practically possible, in the future may create space for competition and efficiency in terms of network. We have seen that such similar approach has been efficiently working in the EU experience (TIPS-SWIFT/SIA)

Question 2. Do you agree that the inconsistent use of messages can be adequately addressed through this requirement?

In principle we fully agree with the proposition. It creates flexibility for further developments of cross-border payments. However, we would kindly propose to be evaluated a flexible regime for the message set, to the possible extent by not creating any infringement in the interoperability and efficiency of cross-border payments, especially for developing markets.

Question 3. How could the risk of inconsistent use of messages or deviation from the business functions defined by ISO 20022 be mitigated? Would the proposed solution contribute to mitigating such risks and lead to improved efficiency of cross-border payments processing? Please explain.

Based on Bank of Albania's experience on the recent upgrade of our domestic payment systems as well as cross-border infrastructure, we have started a businesses analysis with SWIFT aiming to identify if the service providers comply with HVPS+ and CBPR+ standard and if the appropriate messages are being used.

However, in the future, it might be more convenient that the Service Providers, or the in-house developments, to be certified for the above mentioned standards.

Question 4. How do you assess the level of effort that will be required to adopt the appropriate message as defined by the ISO 20022 standard?

As previously mentioned, one possible effort might be the certification of the infrastructures for the adoption of the standard. However, this approach may bear resources and costs for the involved parties.

Question 5. Would requiring the use of ISO 20022 externalised codes facilitate faster, cheaper and more transparent cross-border payments? How do you assess the implementation effort?

We evaluate that requiring the use of ISO 20022 externalised codes facilitates faster, cheaper and more transparent cross-border payments. However we have not performed an impact analysis of such impact in our market yet.

Question 6. Are there any limitations/challenges resulting from increased reliance on ISO 20022 codes? How difficult would it be to overcome these limitations/challenges?

We have not performed an impact analysis to identify such limitations/challenges in our market yet.

Question 7. Do you agree that identifying a payment as a cross-border payment should be required to enhance the processing efficiency of cross-border payments? Would such a flag facilitate compliance procedures including financial crime screening? Please explain.

We fully agree and we evaluate that is going to enhance our AML efforts in the country level and as well as is going to promote our goals for cheaper and faster cross-border payments.

Question 8. Do you agree that the use of an ISO 20022 external code (eg a Category Purpose) would be the most effective way to flag a payment as cross-border? Are there alternative approaches you would suggest?

We agree with the proposition. We do not have any additional proposition. In our point of view, it is mostly important for an international largely accepted convention to be created, regardless of the proposed code.

Question 9. How do you assess the level of cost and effort required for the implementation effort?

Despite the initial cost of implementation, we evaluate that the benefits in the long term perspective prevail initial costs.

Question 10. Do you agree with the restricted character set for cross-border payments as described above? If not, which alternative character sets or additional characters should be included?

Yes. We agree. This is also a practice followed for AML procedures.

Question 11. Do you agree that requiring times in ISO 20022 messages to be stated either in UTC or in local time with UTC offset will enhance the transparency and efficiency of cross-border payments? If not, please explain.

We evaluate that requiring times in ISO 20022 messages in local time with UTC offset will enhance the transparency and efficiency of cross-border payments.

Question 12. Do you agree that requiring the use of UETR for all cross-border payments will have a positive impact on the transparency, speed and cost of cross-border payments? If not, please explain.

Yes, we agree.

Question 13. How do you assess the effort required to implement this requirement?

We evaluate that such efforts won't be significant, only the use of time convention.

Question 14. Do you believe that the requirement for inclusion of the time of debit of the debtor will increase transparency on the time it takes to complete the processing of cross-border payments? What improvements would the requirement bring to the end user experience?

In principal the adopting usage of the acceptance date time data element as a requirement for cross-border payments is very important in terms of transparency. Is mentionable that, at least in EU there are legal initiatives aiming to facilitate the transparency for the processing time of the payment services, on the other hand there are also initiatives as mentioned in the report for facilitating the process.
We evaluate, that the increase of transparency in this regard, on one hand, increases competition in the market, while on the other hand, fastens the mobility of the funds due to this increase of transparency which affects the effective productivity and also the business relationship and settlement of obligations between the parties.

Question 15. How do you assess the difficulty of adopting usage of the acceptance date time data element as a requirement for cross-border payments? Would the implementation effort and impact on the transparency needs of end users differ by message type?

However, we do not have in impact analysis in this regard aiming to identify the balance between costs and benefits.

Question 16. What are the implications of requiring all those involved in cross-border payments to provide complete information on amount, conversions and charges?

We evaluate that the proposition is very efficient for the end-user. We have seen that such practices have been efficient in EU with SEPA practices which has dramatically increased the cross border payments in EU countries. On the other hand, the increase of the transparency for sure may has implications in the completion on one hand, but in the same time may increase the use of the channel due to its efficiency and transparency by creating economies of scale for financial institutions in this segment of the market. Additionally, in the framework of recent development on crypto market, which may be an alternative still uncontrolled channel for cross-border payment, the increase of efficiency and transparency of the banking channel is important to sustain the business soundness in this segment of the market.

Question 17. Are there any technical, legal or other hurdles that could impede the inclusion of complete information on amount, conversions and charges in cross-border payments that they process?

Taking into account that these practices have been already implemented by the EU market, we consider that the legal and technical efforts undertaken in this regard have a more clear view on the implications. Based on the EU experience, this requirement takes efforts and time based on the EU experience. However, one important burden/ effort is the need of a centralized body with legal soundness for continuous monitoring on the implementation of this requirement aiming to guarantee the efficiency in this regard. The creation of the scheme may facilitate in this direction.

Question 18. Would the introduction of a CPMI service level code in ISO 20022 to track adherence to the CPMI guidance and harmonization requirements facilitate improvements to cross-border payments processing?

We evaluate that the introduction of a CPMI service level code in ISO 20022 to track adherence to the CPMI guidance and harmonization requirements is going to facilitate improvements to cross-border payments processing

Question 19. How would the availability of a CPMI service level code in ISO 20022 messages impact the business models/strategies of financial institutions providing cross-border payment services?

The availability of a CPMI service level code in ISO 20022 messages might increase the transparency and efficiency of the payment services for the end-users and consequently increase competition in the market. In this regard financial institutions should properly handle this competition aiming to create competitive advantage.

Question 20. How do you assess the difficulty of adopting a CPMI service level code?

There is need for investment in updates of infrastructure. In this regard, considering also all the other requirements that impose costs, there should be a tradeoff between transparency and competition (which is generating efficiency and consequently reduction of commissions for the end-user) and the need for such investment.

Question 21. Do you agree that the use of account identifiers (or account proxies), to the extent possible, would have a positive impact on the speed and cost of cross-border payments? Please explain.

Taking into account that the use of account identifiers facilitates the verification by all the involved parties in the payment chain, it is considered that possible additional interventions for incorrect processing are going to be reduced dramatically, and in the same time the straight through processing will be enhanced, leading to the reduction of the speed and costs beared for the payment.

Question 22. Do you agree that uniquely identifying all financial institutions involved in cross-border payments in an internationally recognized and standardized way would enhance cross-border payments? Please explain.

As mentioned in the question 21, the use of unique identifiers that facilitates the verification of all involved parties in the payment chain, will reduce dramatically additional interventions for incorrect processing and for AML purposes, as well as the straight through processing will be enhanced, leading to the reduction of the speed and costs beared for the payment.

Question 23. Do you agree with the proposed solution of requiring the use of the BIC to identify all financial institutions? Why or why not?

We agree with the use of BIC. In Albania, and in the international dimension as well BIC is broadly used, thus there isn't any need for further interventions.

Question 24. What would you assess to be the level of effort required by your jurisdiction: (a) to only use the BIC to identify financial institutions in ISO 20022 messages; and (b) for all financial institutions that currently do not have a BIC to register for one?

Taking into account that more and more non-bank financial institutions are involved in the segment of payment services, imposing the requirement of BIC may impose costs and efforts underpinning the competition that these actors promote in the market. In this regard we evaluate that the use of BIC can be more flexible in that case. There is an option for nonbank financial institutions to use another identifier as proposed by the report or/and to consider the possibility of using settlement/sponsor bank's BIC.

Question 25. Do you agree that requiring participants to identify all entities involved in a cross-border payment in a standardized and structured way would enhance the processing efficiency of cross-border payments? Please explain.

Yes we agree because the enhancement of digitalization and automation of the process, consequently increase efficiency in terms of processing time and cost.

Question 26. Do you agree with the proposed use of structured identifiers such as the LEI, if they exist, to complement the recommended minimum data requirements to identify the legal entities involved in cross-border payments? Should they be required instead?

Yes we agree.

Question 27. Do you agree that requiring participants to identify all persons involved in a cross-border payment in a standardised and structured way would enhance the processing efficiency of cross-border payments? Please explain.

Yes we agree because the enhancement of digitalization and automation of the process, consequently increase efficiency in terms of processing time and cost. In the same time is enhancing the screening process due to more granular information reducing the possibility for manual interventions and other procedures involved in case of missing or wrong information.

Question 28. Do you agree that a requirement not to use unstructured postal address information and to use only structured postal address information can help enhance the processing efficiency of cross-border payments? Please explain.

The use of unstructured postal address information may create disruption in the automatization of the process and may impose many incorrectly processed payments which require efforts and time for the finalization.

Question 29. Do you agree with the minimum required postal address information consisting of the Country and Town Name fields? Should any additional fields be required?

We agree with the proposition and we evaluate that the inclusion of other fields my create fragmentation in the implementation.

Question 30. Do you believe that setting minimum end-to-end expectations with respect to the carrying of remittance information can improve the processing efficiency of cross-border payments?

Yes. We fully agree because increased automation in the process reduces the costs.

Question 31. To what extent would the ability to include references to separately sent remittance-related information (eg through inclusion of hyperlinks or other references) be helpful to process a cross-border payment? Are there obstacles (eg legal, regulatory, supervisory limits) to including reference to separately sent remittance information in your jurisdiction/community?

In Albania, we have a National Retail Payment Strategy aiming to enhance modernization and digitalization of the market. In this regard we are working on eliminating such legal burdens.

Question 32. Is the timing envisaged for the requirements in section 2.5 to take effect in line with industry expectations? What would be the challenges in meeting the envisaged timeframe?

Taking into account that some time constrains are imposed by SWIFT for the implementation of the standards we evaluate that it should be a combination of the two initiatives aiming to eliminate inappropriate implementation and wrong investments. However, we consider that this initiative enhances the proper implementation of ISO standards, as coordination requirements in a large scale of actors might cause delays in the time limits defined by SWIFT (2025).

Question 33. Do the requirements in section 2.5 provide clarity on how harmonized implementation of ISO 20022 can contribute to achieving the G20 targets?

The requirements are described in a very comprehensive manner by clearly defining the benefits and possible implications.