

May 31, 2023



Dr. Tara Rice
Secretary General
Committee on Payments and Market Infrastructures
Bank for International Settlements, Basel

By email to cpmi@bis.org

Dear Dr. Rice,

ISO 20022 harmonisation requirements for enhancing cross-border payment

The present submission is made in answer to the Committee on Payments and Market Infrastructure's (CPMI's) [consultation paper](#) released on March 1, 2023.

The Institute of International Finance (IIF) and its members welcome CPMI's efforts to further harmonize the implementation of the ISO 20022 messaging standard in pursuit of the G20's objectives of greater speed, transparency and inclusiveness, and lower cost, of cross-border payments. In general, we support the guiding principles set out in the paper and believe they will help to create better harmonization of how ISO 20022 is used across the globe for cross-border payments.

In terms of **scope and timing**, there may be a case to further articulate the reform proposals, such that high-impact channels and payment types are tackled ahead of others. For example, there may be a case to harmonize messaging standards for high-value payments, payments that touch SWIFT, or payments that otherwise involve RTGS systems, before shifting focus to lower-value payments. We also note the possibility that key infrastructure in a jurisdiction may not be prepared to migrate to ISO 20022. The November 2025 target date for implementation for the whole cross-border payments universe will continue to be sufficiently problematic for both private and public sector entities to meet, such that continued prioritization is necessary. Ambitions relating to implementation will need to be considered against competing regulatory demands of payment system participants. The IIF appreciates the CPMI's efforts to date in this regard.

There may be a need for a dedicated **governance framework** to drive and oversee the harmonization effort, such as for those payment types and channels beyond the purview of the Payments Market Practice Group (PMPG) established by SWIFT, or where guidance is already owned by particular actors (e.g. CBPR+, HVPS+ and local payment systems). Cross-border payments are dependent on different regulatory requirements with different timeframes and any future cross-border ISO 20022 framework and oversight will need to be flexible for rapid enhancements, including improved maintenance cycles. We note that the payments interoperability and extension (PIE) task force already brings together some key supervisors and industry participants, but does not have a formal mandate to set standards. The governance framework that oversees the Legal Entity Identifier (LEI) could be an appropriate example of a framework, as a reference only, that coordinates among the three

pillars of regulatory oversight, international standardization body, and industry representation.

While our members agree with many of the proposed **requirements** in principle, some are seen as less obviously beneficial in view of their likely substantial costs (such as the proposal to mandate the use of the Business Identifier Code (**BIC**), the proposed flag for cross-border transactions, or the proposed link to the service level agreements). Others (such as the proposal to require a unique end-to-end transaction reference (**UETR**)) may pose significant complexities for payments beyond the scope of the SWIFT system and may present challenges similar to the unique transaction identifier (**UTI**) (in the OTC derivatives space) in terms of developing a waterfall of issuers to ensure uniqueness.

We are supportive of the objective of greater **transparency** to end users. That said, we observe that the proposal to increase transparency of cross-border payments would benefit from clarification of the meaning, scope, and purpose of the desired transparency. The proposal in its present form may also give rise to unintended consequences, including in terms of competition and in terms of cost. The proposal should also not conflict with data privacy, banking secrecy, competition/anti-trust, and consumer protection laws and regulations.

On **terminology**, we consider the term “requirements” potentially inaccurate, given that the intention seems to be that these proposals will not be implemented as regulatory requirements but rather act as technical or practical guidance for infrastructures, which could also inform supervisory practice. Separately, we expect the PIE will coordinate closely with the Financial Stability Board’s (**FSB’s**) task force on legal, regulatory and supervisory challenges, particularly around the alignment of regulations that impact the harmonization of payment messages.

Our comments on some of the individual proposed requirements, including on some chosen consultation questions, are given in the **Annex**.

The IIF and its members stand ready to engage in additional discussions and consultations on these topics, or to clarify any aspect of our submission.

Yours sincerely,

Jessica Renier
Managing Director, Digital Finance

Annex

Comments on individual requirements, consultation questions and other aspects of the consultation paper

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5	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 support these guiding principles. The high-level principles will help to create better harmonization of how ISO 20022 is used across the globe for cross-border payments. However, as stated in the covering letter, the November 2025 target date for implementation for the whole cross-border payments universe will continue to be sufficiently problematic for both private and public sector entities to meet, such that continued prioritization is necessary. We would also suggest that, over time, further studies be done covering a broad set of system stakeholders to ensure that the true impact of harmonization is understood, and that the costs are not borne disproportionately amongst participants.
5	The CPMI proposes to establish general requirements for the use of ISO 20022 in cross-border payments that will apply to all message types in the core message set.	On terminology, the term “requirements” may be inaccurate, pending clarification. The intention seems to be that these will not be implemented as regulatory requirements but rather act as technical or practical guidance for infrastructures, which could also inform supervisory practice.
	Requirement #3 – To indicate that a payment is a cross-border payment	
10	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.	Industry would not be supportive of a flag or identifier that does not have a business purpose and e.g. merely serves to facilitate reporting against G20 objectives. As for business purpose, our members query whether such an indicator, assigned by another entity, would be reliable enough to form part of their own business processes (e.g., for

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		sanctions screening) so as to justify the significant cost of implementing this. Also, it may be challenging to identify which party will be responsible for issuing the identifier and to what level of assurance. It would also need to be specified who is responsible for the forwarding of this code along the processing chain. Further, transactions that are netted off before settlement or are settled by an affiliate may not be amenable to this type of flag. Before these requirements are adopted, a wider discussion may therefore be helpful as to the most pragmatic way to obtain this information, short of a new identifier.
10	Question 9. How do you assess the level of cost and effort required for the implementation effort?	In general terms, key considerations for cost estimates include: - the extent of the change required, for example whether the proposal would require changes in front or middle office channels originating or handling a payment, or require a back office change; - whether the changes are already anticipated as part of the CBPR+ rollout and requirements for the end of the co-existence period. If so, they may already be provided for in high-level multi-year budgets. - the level of any offsetting benefits. As stated in the cover letter, some of the proposed requirements (such as the proposal to mandate the use of the BIC, the proposed flag for cross-border transactions, or the proposed link to the service level agreements) are seen as less obviously beneficial in view of their likely substantial costs. An industry cost analysis and impact assessment would be beneficial at a future date, where stakeholders can discuss together the broad scale process and technology changes that would be required to support the initiative.
	Requirement #4 – To support/restrict the character set used for ISO 20022 payment messages to current market practice	

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11	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?	We suggest that the restriction apply to payments within the scope of CBPR+, and that a plan be developed to extend the character set in the future to support inclusion. Where jurisdictions accept the CPMI recommendation that they add local language mapping where necessary in order to facilitate the efficient processing of inward and outward cross-border payments, it will be important to ensure that information about those mappings is made broadly available to facilitate name matching and thereby reduce sanctions and AML/CFT screening mistakes and exceptions caused by misidentification.
	Requirement #5 – To use a common time convention across all ISO 20022 messages associated with cross-border payments	
12	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?	While members generally recognize the potential efficiency benefits of this change, to ensure that costs of implementation are not disproportionate to the gains, some members suggest research on customer value should be conducted, including to understand if a real client need exists for such an alignment. Other members support this proposal, but only in regard to the inclusion of the UTC in the payments message, stating that the customer channels should not be impacted. The proposal could have cost impacts, not only on financial institutions (FIs), but software providers and corporate clients. It would also impact reporting and cash management as well as payments.
	Requirement #6 – To include a unique end-to-end reference for all cross-border payments	
13	Question 13. How do you assess the effort required to implement this requirement?	While the UETR offers potential benefits if widely adopted, the proposal to require a UETR may present significant challenges for payments beyond the scope of the SWIFT gpi system. We note the paper says that “the generation of UETRs can be accomplished through the decentralised use of an algorithm” (p. 12).

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		Experience with the UTI in the OTC derivatives space suggests that it is key that a single issuer per transaction be identified through the use of a waterfall to preserve uniqueness, and an algorithm be devised to preserve uniqueness of identifiers across issuers. The implementation effort is expected to be high, but the increased usage of UETR is paying off in those areas where UETR has been fully adopted and is mandatory. Outside of the Swift gpi system, we understand that the adoption of UETR is gradually increasing. We also note that corporate end users require the ability to attach their own identifier in the UETR format as defined by the SWIFT for Corporates Service to payments that are carried through the payment chain, to support reconciliation. This would need to be continued.
	Requirement #7 – To ensure full transparency on processing times for cross-border payment	
14	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?	This requirement only covers the flow of information into the payment message and not how it would be made visible to the customer and is already covered by SWIFT gpi. It is considered the implementation cost (beyond SWIFT gpi scope) will be significant. The value of inclusion of this information is limited and it will be difficult to measure or verify all actors are doing it correctly. Furthermore, a debtor will already know when their own account is debited and the creditor will already know when their account is credited.
	Requirement #8 – To ensure full transparency on amounts, currency conversions and charges of cross-border payment	

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15	Question 16. What are the implications of requiring all those involved in cross-border payments to provide complete information on amount, conversions and charges? 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?	We are supportive of the objective of greater transparency to end users. That said, we observe that the proposal to increase transparency of cross-border payments would benefit from clarification of the meaning, scope, and purpose of the desired transparency. The proposal in its present form may also give rise to unintended consequences, including in terms of competition and in terms of cost. The proposal should also not conflict with data privacy, banking secrecy, competition/anti-trust and consumer protection laws and regulations. There may be potentially significant competition law (anti-trust) and banker-client confidentiality or bank secrecy issues depending on the precise data elements that one bank would be required to disclose to another, particularly if client and bank margins can be obtained from the elements to be included. Another factor is that disclosure of financial terms could lead to a race to the bottom – if costs are made public, competitors may seek to reduce costs to remain competitive, but do so to the detriment of resiliency, customer service, or fraud detection. For certain kinds of sensitive information, arguably correspondent banks should not have access to this information, while the sending and receiving FI should (as in SWIFT gpi). There are also possible unintended consequences. Our understanding is that the information would be added to the payment as it moves along the payment chain. For both end users to have access to this information would require other tools, and we would advocate a review of the desired outcomes before implementation of any such tools given their potentially considerable additional cost. Of course, the transparency standard should be harmonized to the extent possible, so as to reduce friction arising from differing standards.

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		Care needs to be taken to avoid unintended consequences of provisions designed to help consumers. We note that the compliance burden associated with the U.S. Remittance Transfers under the Electronic Fund Transfer Act (Regulation E) arguably resulted in a significant number of community banks exiting cross-border service.
	Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance (building block 3)	
16	Question 18. Would the introduction of a CPMI service level code in ISO 20022 to track adherence to the CPMI guidance and harmonisation requirements facilitate improvements to cross-border payments processing?	Our members do not support inclusion of this code as it would provide limited benefit to the end customer and provision of transparency. It would likely increase the effort without meeting a real customer need and as such increase costs for little payoff. The introduction of a service level code is also unlikely to influence business decisions. We consider the information in any such field may lack reliability. We also consider our members should not be required to self-report non-adherence or to police others in that regard. CPMI members have ample tools to supervise for issues covered by CPMI guidance.
	Requirement #11 – To uniquely identify all financial institutions (FIs) involved in cross-border payments in an internationally recognised and standardised way	
18	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?	The objectives of standardization of name/address information, and the use of a unique identifier are worthy objectives. To the extent possible, we support the use of existing identifiers – notably, BIC for FIs – to minimize the cost of implementation. For any jurisdiction looking to establish an FI identifier, BIC should be strongly encouraged. That said, we understand that some service providers are strongly opposed to this requirement. Our members are generally comfortable using and ingesting the BIC, and for operational reasons may prefer for the BIC to be strongly encouraged

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		and have workarounds available to deal with cases where the FI concerned (for example, a community bank) does not have a BIC.
	Requirement #12 – To identify all entities involved in a cross-border payment in a standardised and structured way	
19	Question 25: Do you agree that requiring participants to identify all entities involved in a cross-border payment in a standardised and structured way would enhance the processing efficiency of cross-border payments? Please explain. 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? Are there alternative approaches that you would suggest?	To ensure that costs of implementation are not disproportionate, members suggest that the proposal be limited in scope, e.g., to the creditor, debtor, ultimate debtor and ultimate creditor. IIF members note that the LEI and BIC have limited reach, particularly outside the EU¹, so do not support mandatory identifiers such as the LEI and BIC replacing names and address. We would also point out that the BIC is in any case not relevant to non-FI entities. On the other hand, in highly automated STP environments, use of an identifier plus a lookup API would be more reliable, and lead to fewer transaction fails or queries, than a name and address combination, given that entity names are not unique, change frequently and can lead to confusion. (The string "Ltd" and "Limited" are different but the company name may be the same, for example.) As API lookup technology is progressively adopted, there may be a case for revisiting this guidance frequently to ensure the guidance does not ossify industry practices at a particular point in time.
20	The minimum required data of Name and Postal Address may be complemented, not substituted, with additional information, such as structured identifiers (eg passport or national ID number).	The guidance should be carefully designed so as not to retard or prevent the adoption of digital identity and/or verifiable credentials while aligning with regulatory requirements.
	Requirement #13 – To identify all persons involved in a cross-border payment in a standardised and structured way	

¹ We note the existence of a central, international LEI reference data repository based in Switzerland and provided by the GLEIF. See <https://www.gleif.org/en/lei-data/global-lei-index>.

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20	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?	We would agree. At the same time, to ensure that the costs of implementation are not disproportionate, members suggest that the proposal be limited in scope, e.g. to the creditor, debtor, ultimate debtor and ultimate creditor. The guidance should also be carefully designed so as not to retard or prevent the adoption of digital identity and/or verifiable credentials.
	Requirement #14 – To provide a common minimum level of postal address information structured to the extent possible	
21	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.	We generally believe the use of structured and coded data can support automated processing and thereby reduce costs and improve the speed of cross-border payment flows. We agree with the position that structured name and postal address, such as Country and Town Name, are required and may be complemented with additional information that could be in an unstructured field.
21	Requirement #15 – To cater for the transport of customer remittance information across the end-to-end cross-border payment chain by enabling the inclusion of a minimum size of structured or unstructured remittance information with the payment, or to reference such information when sent separately	
22	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?	While, at first sight, unstructured data may be thought to increase the number of rejections and queries relative to reliance only on structured information, members have pointed out that unstructured data could be analysed using AI and machine learning approaches and may continue to be helpful. Specifically on hyperlinks embedded in payment messages, members have cyber security concerns especially around malware and phishing or compromised websites. Hyperlinks may also raise questions with Financial Crime Compliance (FCC) screening, and questions about truncation.

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		For similar reasons, we would suggest that unstructured information generally should not contain references to other payments or materials.
22	It is expected that various market practice guidance (eg CBPR+, HVPS+ and local payment systems guidance) will also align with the CPMI's harmonisation requirements at this time.	As stated in the covering letter, there may be a need for a stronger governance framework to drive and oversee the harmonization effort, including for those payment types and channels beyond the purview of the PMPG established by SWIFT, or where guidance is already owned by particular actors (eg CBPR+, HVPS+ and local payment systems). We would recommend that the governance framework that oversees the LEI could be an appropriate example to be examined, including as it does the 3 pillars of regulatory oversight, international standardization body, and industry representation. To be clear, we are not advocating that the same governance body be tasked with governance of this process, although that would be a possibility. We also do not specifically advocate for a role for the Global LEI Foundation in this process.
	Question 32. Is the timing envisaged for the requirements to take effect in line with industry expectations?	As discussed in the cover letter, there may be a case to further articulate the reform proposals, such that high-impact channels and payment types are tackled ahead of others. For example, there may be a case to harmonize messaging standards for high-value payments, payments that touch SWIFT, or payments that otherwise involve RTGS systems, before considering lower-value payments. We consider further the November 2025 target date for implementation for the whole cross-border payments universe unlikely to be met by either private or public sector participants, requiring continuous prioritization as we make progress together. Adding additional requirements on the same timeframe is not feasible without risking the delivery of others and impacting the quality and stability of the system. All proposals would need to be implemented in the local market infrastructures as well as in SWIFT.

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37	* Items in bold may have to be reported to the Debtor and/or Creditor to provide complete transparency on the cross-border payment and to enable seamless customer reconciliation, eg via ISO 20022 reporting messages camt.052, camt.053, camt.054.	"may have to" is not consistent with the description earlier (on p. 6 of the consultation paper) where it is stated those elements "need" to be reported.
40	Items in bold may have to be reported to the Debtor and/or Creditor to provide complete transparency on the cross-border payment and to enable seamless customer reconciliation, eg via ISO 20022 reporting messages camt.052, camt.053, camt.054.	See note on previous table regarding inconsistency with p. 6.
43	* Items in bold may have to be reported to the Debtor and/or Creditor to provide complete transparency on the cross-border payment and to enable seamless customer reconciliation, eg via ISO 20022 reporting messages camt.052, camt.053, camt.054	See note on previous table regarding inconsistency with p. 6.