May 10th, 2023

By electronic submission to cpmi@bis.org

Secretariat to the Committee on Payments and Market Infrastructures

ISO 20022 Registration Management Group (RMG) response to the Consultative Document: **ISO 20022 harmonisation requirements for enhancing cross-border payments**

Dear Sir / Madam,

I write in my capacity as the Secretariat of the ISO 20022 Registration Management Group (RMG) on behalf of its leadership. The RMG is the highest governing body in the ISO 20022 process, as it supervises the overall registration process and reports to ISO TC68/SC9, which owns the standard. We appreciate the opportunity to provide comments to the Consultative Document: ISO 20022 harmonisation requirements for enhancing cross-border payments. In the following, we provide general comments relevant to the usage of the ISO 20022 standard.

The role of the RMG is to promote and support the involvement of financial service actors to facilitate the registration and maintenance of high quality globally relevant ISO 20022 compliant business models for exchange of information for financial services. The RMG is a network agnostic private-public sector forum of 40+ communities with diverse geographies and functional expertise.

The ISO 20022 method is used for the benefit of the users, developing financial messages with support from the Registration Authority (RA) and other bodies such as the Standards Evaluation Groups (SEG). The models and resulting messages are published for global use at the iso20022 repository (iso20022.org). Each community of users can apply certain rules and/or restrictions to the base messages available on iso20022.org to fit market practices adopted in each of the communities. The market practice adjusted messages and associated data structure are then implemented into the internal processing of the actors in each of the relevant user communities.

In this context, the RMG recognizes that the CPMI has picked a handful of messages from the 735 messages available at iso20022.org (of which 125 relate to Payments) and are proposing to enforce certain practices, rules and guidelines with the aim to enhance cross-border payment practices. The RMG welcomes the approach as a use case of how iso20022 messages could be used to pursue business objectives, such as enhancing cross border payments.

However, it should be noted that adoption is dependent on agreed terms, conditions and scope of geographical coverage and functional coverage as some geographies or service providers may not be familiar with the terms used in the consultation, largely reflecting Swift network user practices in bank based payments. The beginning and the end of cross border payments reside in domestic markets, which process payments in compliance with their regulatory requirements pertinent to cross border payments. Banks and payment service providers beyond the Swift network also must be providing cross border payment services, which could use different formats / standards, whilst providing for the same regulatory objective for transparency required in cross border payments.

The RMG sees that collaboration and partnership across geographies, across public/private sector and across business functions is required in order to adopt ISO 20022 in an appropriate way. The RMG is happy to promote such discussions by providing accurate information about the ISO 20022 method and explore possible venues where practice development and implementation challenges could be discussed in a network agnostic, business neutral, inclusive and collaborative manner.

Please find below comments to selective questions that are relevant to the RMG:

CPMI 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?

The RMG appreciates the guiding principles and appreciates the network agnostic approach. Some markets and service provider types may operate in different ways but nevertheless, some form or level of standardization or visibility over practices related to cross-border payments should be possible with appropriate venues that drive common understandings and adoption. The RMG is happy to promote such discussions by providing accurate information about the ISO 20022 method and explore possible venues where practice development and implementation challenges could be discussed in a network agnostic, business neutral, inclusive and collaborative manner.

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

The RMG recognizes that the fragmented use of an existing standard, which potentially implies a 'misuse' is cause for confusion that could go against the objective of enhancing cross border payments. However, as noted in our response to Question 6, care should be given not to rule out a possible 'misuse' in case there is an agreement within the community of users for a work around due to the unavailability of a message that perfectly fits with the business need.

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.

The RMG recognizes as in our response to Question 2 that deviations are possible when the standard may not be available to the level of granularity required by each of the community of users. The ISO 20022 registration process is available for any concerned party to submit Change Requests to the existing standard to accommodate its market need. In this way, transparency can be shared from the change requester to the existing user communities of the ISO 20022 message and appropriate discussions can take place. Matter of true 'misuses' that can impact global interoperability can only be addressed by the user communities agreeing to a strict user guide.

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?

The RMG recognizes that there are several considerations required before a local market or individual provider can implement an ISO 20022 message that is derived directly from the base message, without considering local processing needs. Each market could be using the same message for different business purposes or having more granular messages that serve particular business purposes in each market. These could be driven by underlying processing assumptions or they could be driven by local regulatory requirements, which would not be able to be changed without changing the underlying processing or changing the underlying local regulation. Additionally, consideration should be made to if there are differences in underlying definitions that influence the use of certain message types.

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?

The RMG recognizes that the ISO 20022 externalized codes are available on iso20022.org for use. The purpose and value of externalizing a code set is to allow for frequent updates of the code set by for example adding new codes in the set without impacting the version of the messages and the development cycle of the messages. Users should be aware that in practice the external code sets follow a quarterly update cycle. Users of external code sets must refer to the latest version published on this website to apply valid codes. The ISO 20022 Technical Support Group (TSG) developed a machine readable version of the external code sets including the required data attributes for each code. Based on a proof of concept and user feedback, the new design is produced since August 2021. The external code sets are published in XSLX, XSD and JSON files.

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?

The RMG recognizes that there should be consideration of why free form, 'proprietary' or 'non-standard' codes are used today. Existing standards including available external code sets do not fit every use case in the market and there will always be exceptions or are new occurrences where standards have yet to be agreed upon. When standards are not available, the market adopts certain practices to accommodate the processing needs, which in the surface may appear as a 'misuse' of a standard. The potential impact of requiring only standardized and recognized codes and definitions can work against these intended workarounds. The work arounds are required when existing codes are 'close enough' or simply chosen as a generic default to satisfy the requirement, whilst the codes do not represent the true activity or the right identifier or identity.

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

The RMG doubts whether a payment initiator could be aware if a payment or activity that results in a payment (e.g. a purchase) may result in a cross border payment or not. The recipient would know where the payment originated and identify a payment as cross border, but processes prior to the final movement may be 'unaware' of downstream or upstream implications. Conventions need to be agreed first.

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?

The RMG recognizes that this question merely describes the current state, where priority is given to data quality of existing processing capabilities agreeing to use conventions within a network. Given the overarching goals for transparency required for cross border payments for the sake of financial crime prevention and sanctions compliance, the limitation and risk introduced by forcing translation and transliteration to a limited set of character sets should be recognized. The ability to uniquely identify individuals or firms expressed in those other languages and character sets are diminished. This forced translation or transliteration may be open to data quality and errors in translation.

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.

The RMG supports the use of ISO standards where they exist in order to avoid the fragmented use of standards. For example, standards to identify parties such as ISO 17442 Legal Entity Identifier (LEI), ISO 9362 Business Identification Code (BIC) or ISO 24366 Natural Person Identifier (NPI) are areas of attention alongside widely used standards such as ISO 4217 Currency Code and ISO 3166 Country Code as well as many others, whilst recognizing that adoption would be dependent on the maturity of each standard.

In this context, the only question that the RMG has is how the proposed UETR relates to ISO 23897 Unique Transaction Identifier (UTI).

One of the essential activities of the RMG in support of its objective to promote the appropriate usage of the ISO 20022 standard is to provide contact points for any organisation wishing to engage with the ISO 20022 standard and to proactively communicate on all ISO 20022 matters. We are at your disposal to address any questions or clarifications you might have, related to the ISO 20022 standard and its usage as relevant to the RMG. Such requests should be directed to the ISO 20022 RMG Secretary which is available at iso20022RMG_Secretary@savemeri.org

We hope these comments are worth your consideration.

With kindest regards,

ISO 20022 Registration Management Group, Secretary,
Room 202, Flats-K, 7-2-10, Koyama, Shinagawa-Ku, Tokyo, Japan