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Convenorship: **ECB**
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Response to the Committee on Payments and Market Infrastructure (CPMI) Consultative report ISO 20022 harmonisation requirements for enhancing cross-border payments:

I write to you in my capacity as co-chair of the Standards Advisory Group (SAG) of Technical Committee 68 of the International Organization for Standardization (ISO) TC 68/AG2.

ISO is an independent, non-governmental international organization with a membership of 163 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

ISO/TC68 is the Technical Committee within ISO tasked with developing and maintaining international standards covering the areas of banking, securities, and other financial services. The Standards Advisory Group (SAG) as an Advisory Group of ISO/TC 68 acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. The SAG enables a proactive dialogue with regulators on financial services standards matters.

The SAG's objectives are:
• Provide a forum for mutual assistance between the global regulatory community and ISO in carrying out their respective authorities and responsibilities with respect to financial services standards;
• Aid the adoption and promotion of consistent standards, where possible;
• Effectively deal with common issues collectively and consistently; and
• Encourage strong and open communication within the regulatory community and with the industry
concerning financial services standards.

The SAG's response represents a collective view of its membership and draws upon its knowledge as an expert standards setting body with practitioner-led experience in the development and use of standards.

With respect to the consultation paper on toking mapping, the SAG offers the following responses to questions 22, 23, 25 and 26.

First, the SAG agrees with the CPMI's and the Payments Market Practice Group's (PMPG) joint task force (JTF) that the adoption of structured data within ISO 20022 will enhance the efficiency and effectiveness of transaction screening for compliance and other purposes such as fraud prevention, resulting in faster, more inclusive and cheaper cross-border payments ecosystem. As highlighted in the consultation paper, the limited adoption of the ISO 20022 messages by end customers (i.e., corporations) imposes a further challenge for harmonization. All relevant stakeholders, including FSB jurisdictions, payment system operators and participants, should encourage adoption by end users. Against this background, the SAG agrees that the functional and multipurpose design of the data fields by CPMI and JTF play a crucial role in encouraging the adoption by end users, namely corporates.

The SAG would like to draw your attention to standards that could be used for the identification of all parties involved in a cross-border payment transaction. In this context, the LEI (Legal Entity Identifier, ISO 17442:2019), is the only global standard for unique legal entity identification. The LEI record includes the data of the legal entity included in the local business register. The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. LEIs contain information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Further benefit can be derived from data that accompanies a LEI record. For example, company name and address (legal and headquarters), can be automatically retrieved or verified from an LEI record. All LEI data is validated and verified by LEI issuers against authoritative sources which results in a trusted source of entity data. LEI issuers are rigorously accredited by GLEIF and renewed annually.

ISO/TC 68 notes that the BIC should be used in payment messages but used in addition to the LEI. The BIC would identify the parties responsible for executing certain operational functions for payments transactions while the LEI would identify the parties legally responsible for certain roles. The combination of these two global standards allows for more effective and instrumental screening, proper customer due diligence and continuous transaction monitoring. If cross border payments ecosystems aim for faster processing time (as set out in the G20 goals), unique identification of each Agent and Party with the LEI and extensive use of BIC for financial institutions and their local branches is necessary.

Of course, ISO 4217, the currency code standard as well ISO 3166, representing country codes, also are used within payments messages.

For the payments messages themselves, the use of the ISO 20022 standard provides the most comprehensive message set for payments. The LEI, the BIC, and currency and country codes are all standard identifiers available withing ISO 20022 payment messages.

The SAG remains at your disposal to further discuss and support you in your work. Do not hesitate to engage us in your discussions and questions related to standards in financial services.

Thank you and regards,

[signed]
Karla McKenna
Chair of the ISO/TC68/AG2