Mastercard response to the Committee on Payments and Market Infrastructures' consultative report on ISO 20022 harmonization requirements for enhancing cross-border payments

Mastercard welcomes the opportunity to share our views with the Committee on Payments and Market Infrastructures (CPMI) regarding its consultation on the proposed ISO 20022 harmonization requirements for enhancing cross-border payments. We applaud the CPMI's role in driving forward the implementation of the G20's *Roadmap for Enhancing Cross-border Payments* ("G20 Roadmap"), and its close attention to the impact fragmentation of payment messaging standards can have on the cost, speed, access, and transparency of cross-border payments.

In this document we highlight several areas where we believe additional consideration of the proposed harmonization requirements may be warranted, organized according to the "guiding principles" and requirements "blocks". Mastercard would also like to share the following overall observations:

- While Mastercard believes the introduction of new structured codes and data promotes greater interoperability in cross-border payments, careful consideration should be given to: 1) the significance of the change and related adjustments to existing processes (i.e., smaller, less fundamental changes may be easier and less disruptive to implement with similar effect); and 2) relatedly, the resulting cost of implementation against the end-state benefits (i.e., is the investment worth the outcome?).
- We caution against assuming implementation of ISO 20022 by all financial institutions/payment service providers (i.e., "PSPs") by the November 2025 deadline. Ambitions relating to implementation should be considered against the competing regulatory, business, and client demands of payment system participants.
- To the extent possible, clarity is welcomed on regulatory expectations for the implementation of, and compliance with, the proposed harmonization requirements. The consultation states "the proposed harmonization requirements provide overarching guidance for global and domestic market practices…", which could be interpreted as non-binding. The term "requirements" suggests an expectation of implementation/adherence, yet it is unclear how these requirements will be transposed into global principles/national rules (if at all) or how compliance will be assessed.
- We also believe that the introduction of best practice implementation guidelines may help foster greater harmonization and adherence to the proposed requirements.

Guiding Principles and Requirements Block A - Fundamentals

In general, Mastercard believes the proposed ISO 20022 harmonization requirements and the "guiding principles" outlined – "G20 targets-focused", "platform and network neutral", "orientation to a presumed future state", and "ambitious yet realistic" – can lead to improved efficiency of cross-border payments processing by mitigating the risks associated with, and frequency of, inconsistent use of messages.

Specific to the guiding principles, a platform and network neutral approach is necessary as any harmonization of standards must adapt to changes in technology and business environments. While we also support the guiding principles of "orientation to a presumed future state" and "ambitious yet realistic", we caution against assuming implementation of ISO 20022 by all financial institutions/PSPs by the November 2025 deadline. Ambitions must be balanced against other competing regulatory, business, and client demands that may have been deprioritized during the MT to MX migration window. Delayed implementation may lead to the establishment of a closed user group to allow those institutions to push their migration to a later date.

Further, while it is assumed domestic payments platforms are not required to implement the new ISO 20022 standard, adherence will become necessary once domestic real-time platforms are interconnected. Today, many domestic real-time platforms use ISO 8583 or other legacy messaging formats. Domestic platforms will need migrate to the new ISO 20022 standard and convince their banking community to invest in migration.

Regarding the other proposed "fundamentals", Mastercard agrees that the use of externalized codes, a cross-border payment flag, restricted character sets (i.e., Latin), and a standardized time zone (i.e., UTC or in local time with UTC offset) could enhance the processing efficiency of cross-border payments. However, improved efficiency comes with new costs and implementation considerations:

- **Externalized codes:** Today, many domestic clearings (i.e., switches) currently use non-standard codes. As a result, the new ISO 20022 externalized codes would need to be mapped against existing non-standard codes. We recommend the Payments Standards Evaluation Group (i.e., "Payments SEG") conduct this mapping exercise to address any inconsistencies between ISO 20022 and non-standard codes. Additionally, code descriptions may require updates to ensure the description aligns with the particular use of the code (rather than assuming one code equates to one description).
- **Cross-border payment flag:** The use of a new flag to identify a payment as cross-border is not required for "traditional" cross-border payments, as the BIC country code provides this information. However, a cross-border flag could be beneficial for real-time cross-border payments since it would prevent domestic clearings (i.e., switches) from building in cross-border recognition (i.e., a way to identify a cross-border payment, route it, and determine the appropriate screening process). As more domestic real-time platforms connect to each other, different codes may be required to indicate the relevant corridor (or destination country) in addition to the cross-border flag.
- **Restricted character sets:** For countries with character sets not in Latin, a mapping exercise (as per the European Payments Council's SEPA Credit (Inst) Transfer Scheme) may be necessary. Information regarding the mappings should be made broadly available to enable name matching, and in turn reduce false positives or negatives in the sanctions screening process. Further, existing name and address elements (i.e., fields) must permit the use of local languages. Such use of local languages may also cause problems with sanctions screening as the same name(s) can be spelled in multiple ways when converting to Latin characters.

Requirements Block B – Transparency

In general, Mastercard believes the introduction of new message elements can have a positive impact on the transparency, speed, and efficiency of cross-border payments. However, any introduction of new message elements must be weighed against the cost and practical implementation of such elements. For example:

- **Unique end-to-end transaction reference or "UETR":** The introduction of the UETR would be a fundamental change for many market participants (i.e., those outside of the Swift GPI system), potentially requiring major adjustments to each part of a payment platform. Today, organizations may use other end-to-end transaction identifiers as customer references (e.g., identification codes generated by banks), but those usually guarantee uniqueness within a single organization (i.e., not across the payments ecosystem).

- **Time of debit of the debtor:** Currently, there are diverging definitions of the "start" time of a transaction. For example, some platforms perform debits at the end of the day (i.e., batch) rather than in real-time. Requiring the inclusion of the time of debit of the debtor would force the practice of batch, end-of-day debits to change. Many platforms also separate out the debit of the account with the execution of the payment – a practice that would also require modification. An alternative approach, which may avoid major re-builds by leveraging an existing field, would be to use the timestamp of when the payment instruction is processed (either when the instruction is confirmed in a portal/app, or when the batch file is triggered for execution).

- **Amounts, currency conversions, and charges:** The proposed requirement to disclose information on the amounts, currency conversions, and charges of cross-border payments would benefit from additional clarification on the intended purpose of transparency proposed. We agree that complete transparency on amount and charges could have major implications for business models and competition among financial institutions providing cross-border payment services. For example, full transparency of cost could result in a race to the bottom where various actors of the payments chain reduce their costs but sacrifice system resiliency in return.

- **Service level codes:** The introduction of a CPMI service level code in ISO 20022 messages is unlikely to influence business decisions relating to cross-border payments. Parties decide to conduct business and related activities (such as integration and agreement of fees) long before transactions are executed and the service level code set. As such, the service level code only reflects already established agreements for the transaction and is only visible to the parties who would not serve to influence the participating financial institutions.

  Additionally, the CPMI's service level agreement guidelines (i.e., Building Block 3 of the G20 Roadmap) are principles-driven rather than absolutes. As a result, entities set the service level code based on their own interpretation of Building Block 3. This lack of standardization makes it challenging for the service level code to have consistent meaning across different entities and markets (ultimately undermining the code's value).

  In addition, we would question whether the introduction of a CPMI service level code would overlap with the cross-border payment flag proposed in question 7 of the consultation. A flag that identifies a payment as meeting the CPMI harmonization requirements should by default also indicate that a payment is cross-border (i.e., is a separate code required?).

Requirements Block C - Structured and Coded Data

Mastercard generally concurs that the use of structured and coded data – such as the proposed use of account identifiers (or account proxies), identification of all financial institutions/entities/persons, and minimum required postal address information (i.e., country and town name fields)[1] – can support automated processing and thereby reduce costs and improve the speed of cross-border payment flows. The introduction of structured and coded data could potentially: 1) mitigate risks associated with the misdirection of payments (e.g., due to submission of incorrect bank details); 2) reduce instances of manual intervention (e.g., caused by a beneficiary not recognizing the source of funds); and 3) minimize hurdles to the screening process (e.g., due to name/address details in different languages, resulting in false positives or negatives during screening).

To the extent possible, we support the use of existing identifiers – notably, the BIC for financial institutions – to minimize the cost of implementation. Structured identifiers such as the legal entity identifier (LEI), if they exist, could be considered for entities that are not financial institutions (as the BIC is the commonly used and preferred identifier for financial institutions). LEIs connect to crucial reference data, answering the questions "who is who" and "who owns whom" by providing details about an entity's ownership structure.

Specific to remittances, we agree that the setting of minimum end-to-end expectations would help improve the processing efficiency of cross-border payments (i.e., potentially less data is transmitted). We would caution, however, that introducing the ability to include references to separately sent remittance-related information may introduce new risks to payment flows (e.g., security risks due to the introduction of hyperlinks). Consideration should be given to the trade-off of improved efficiency against the introduction of new risks associated with the inclusion of new end-to-end expectations and references.

[1] For country and town name fields, alignment with CBPR+ (the Swift standard for ISO 20022 adoption for cross-border payments and reporting) should be the aim.