Via Electronic Submission

May 31, 2023

CPMI Secretariat (cpmi@bis.org)
Committee on Payments and Market Infrastructures
Bank for International Settlements

Re: Nacha comments on the CPMI report on ISO 20022 Harmonization Requirements for Enhancing Cross-Border Payments

To the Secretariat of the Committee on Payments and Market Infrastructures:

Nacha appreciates the opportunity to provide comments on the proposed ISO 20022 harmonization requirements for enhancing cross-border payments outlined in your consultative report released in March of 2023. As the United States ACH Network is not an ISO 20022-based system, we did not respond to each consultation question, but rather are providing our comments more generally on the fifteen requirements outlined in the report.

Nacha governs the thriving U.S. ACH Network, the payment system that drives safe, smart, and fast Direct Deposits and Direct Payments with the capability to reach all U.S. bank and credit union accounts. There were 30 billion ACH Network payments made in 2022, valued at close to $77 trillion. Through problem-solving and consensus-building among diverse payment industry stakeholders, Nacha advances innovation and interoperability in the payments system. Nacha develops rules and standards, provides industry solutions, and delivers education, accreditation, and advisory services.

While Nacha welcomes efforts to harmonize the deployments of ISO 20022 in ISO 20022-based systems, we are concerned about the scope of the proposed harmonization requirements. There are suggestions in the consultative report that these recommendations would apply to non-ISO 20022-based payment systems, such as the U.S. ACH Network. Accommodating the same kinds of data proposed for ISO 20022-based systems would require significant, time-consuming and costly changes to the current formats used in the U.S. for cross-border payments, or the creation of a different method of sending the newly required information between financial institutions in the U.S.

Nacha engages the U.S. payments industry to monitor, educate and explore ISO 20022, and continues to help stakeholders understand the benefits and implications for our industry. Nacha provides industry tools and solutions that allow U.S. ACH users to leverage the ISO 20022 payment message standard for electronic payments and remittance without making changes to the current ACH formats (ISO 20022 Integration in the U.S. | Nacha).

We have highlighted below some of our key concerns with the CPMI's proposed ISO 20022 harmonization requirements for cross-border transactions:

- The U.S. ACH Network allows for the origination and receipt of both credits and debits, both domestically and cross-border. The core message set lists credit transfer messages, however, does not identify the appropriate debit transfer message. In addition, because the U.S. ACH Network is not an ISO 20022-based system, it would be impossible to utilize specific ISO 20022 messages when cross-border payments travel through the Network between financial institutions.

- Applying many of the proposed requirements to the Nacha file formats would be onerous. U.S. ACH formats are concise, and are not designed to separate the components of addresses of involved entities or persons into discrete fields, nor to carry the specified codes and the additional information proposed for harmonization.

- Including the time that the debtor (originator) has been debited to every transaction is not suited to a batch network such as the U.S. ACH Network, and as mentioned above, in the U.S. ACH, the originator is not always the debtor.

- Identifying all financial institutions using a BIC would be difficult for U.S. financial institutions. BICs are not commonly used in the U.S. for financial institutions, and it would be unrealistic to expect they will all spend the time and expense to acquire one.

As stated above, the U.S. ACH Network is a non-ISO 20022-based payment system. Expecting it to accommodate the very different data formats used by ISO 20022 systems would be an enormous effort for all participants in the ACH Network: the financial institutions, the solution providers, the end users, and the two ACH operators. The expense that would be required for the entire U.S. payments ecosystem is also not a trivial matter, especially for the thousands of resource-constrained small banks and credit unions in the U.S. It would also require significant system changes by the technology solution partners these financial institutions depend upon, and necessitate internal process changes and new tools to manage the additional and different data, as well as creating an industry-wide need for education. Nacha does not believe these proposed harmonization requirements should apply to non-ISO 20022-based systems, and respectfully requests that the CPMI provide clarity on the intended scope.

Again, we appreciate the opportunity to submit these comments for your consideration. If you require additional information or have any questions, please do not hesitate to contact us.

Sincerely,

George Throckmorton
Managing Director, Strategic Initiatives & Network Development
Nacha