Response to the public consultation on 'ISO 20022 Harmonization requirements for enhancing cross-border payments.'

03 Apr'23

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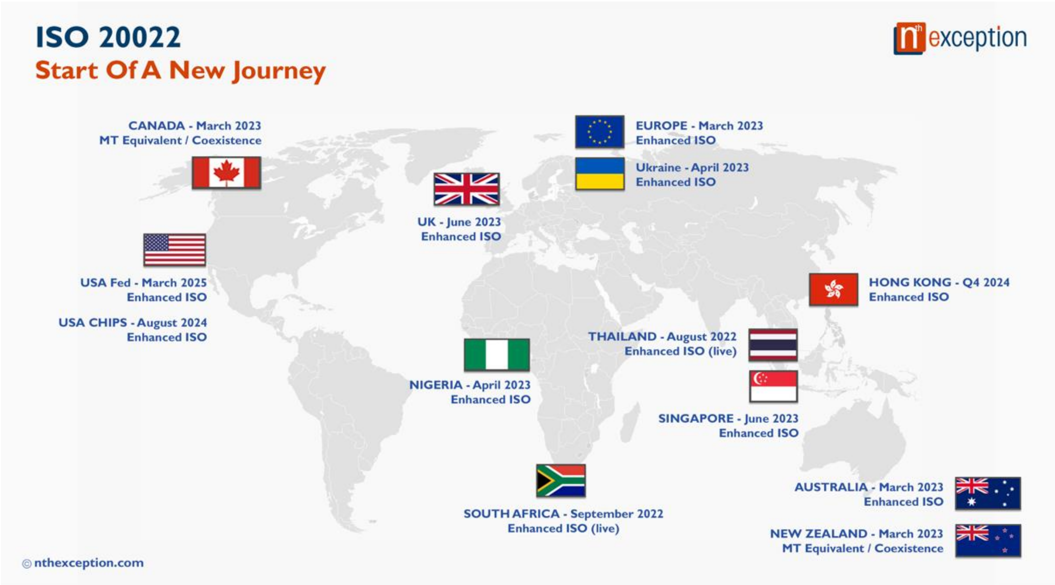
Foreword

This document is Nth Exception's feedback on the report by CPMI and PMPG on harmonised usage of ISO 20022 in cross-border payments.

Cross-border payments are often costly, slow, inaccessible, and opaque. To address these frictions, the G20 endorsed a roadmap with 19 building blocks in 5 focus areas in October 2020. One of the building blocks is to adopt a harmonised version of ISO 20022 messaging standard.

ISO 20022 is a global standard for payment messages that can improve efficiency and transparency. However, different implementations of ISO 20022 can create inconsistencies and challenges. Therefore, CPMI and PMPG formed a joint task force to propose harmonised usage requirements for ISO 20022 in cross-border payments. The report was published for public consultation in March 2023.

We appreciate the opportunity to provide our comments on the report. We support the objectives and principles of the report and agree with most of the recommendations. However, we also have some suggestions and concerns that we would like to share in this document.



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• Banking specialist and thought leader:
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  ◦ Core-less Banking, BIAN
• Managing Director, Banking & Financial Services at Fiorano.
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	• Former COO – SWIFT and global ISO 20022 Programme Lead
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Responses to the questions

Guiding principles (Section 2.2)

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?

Response: Yes, we agree that the guiding principles followed for setting the requirements that are platform/network agnostic and designed for the future state. However, the 2025 deadlines may not be realistic resulting in fragmentation of messaging between market infrastructures. In the past banks faced a similar issue while implementing structured MT messaging i.e., SWIFT MT n95 and 96. Most banks failed to implement the usage of SWIFT MT n95 and 96 resulting in payment processing delays, delays were because of unstructured data in free format messages which cannot be parsed by payment processing applications.

In addition, the 2025 deadlines assume that all financial institutions will be ready to send, receive and process ISO 20022 messages. This may not be the case, especially for smaller financial institutions and this will also lead to payment processing delays.

Requirement #1 – To use the appropriate message for a particular business function (Section 2.5.1)

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

Response: Yes. Inconsistent and incorrect usage of defined messages will create risks with downstream impacts like 1. reconciliation (unmatched records in nostro / vostro accounts) 2. Increase the overall charge per payment 3. Delay in resolving customer queries. And 4. Creating backlogs in processing Request for Information (RfI) linked to sanctions screening queries, to list a few.

Following the requirement will surely reduce the impact and over a period assist JTF in resolving any friction. Nevertheless, institutions must consider the mapping challenge between disparate message formats that may lead to inconsistent/inaccurate transaction reporting.

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.

Response: To mitigate the risk of inconsistent message usage, network operators must assess the reasons for the failed implementation of MTn95/96 messages in detail.

Here are some known reasons why the implementation failed.

1. Lack of technical expertise: The implementation of SWIFT MTn95/n96 messages required technical expertise and resources, which some financial institutions lacked. Implementing these messages involved significant changes to existing systems and processes, it was challenging and time-consuming.

2. Cost considerations: Implementing SWIFT MTn95/n96 messages was costly, especially for smaller financial institutions. The cost of upgrading existing systems and the need to train staff on the use of the new messaging format was prohibitive for some institutions.

3. Lack of perceived benefits: Financial institutions may have assessed the benefits of implementing SWIFT MTn95/n96 messages as insufficient to justify the costs and efforts involved. If an institution does not perceive a significant improvement in efficiency or risk management, it may not see the value in investing in the implementation of new messaging standards.

4. Regulatory or compliance barriers: Financial institutions also faced regulatory and compliance barriers that prevented them from implementing SWIFT MTn95/n96 messages. Regulations may require specific messaging formats, and institutions may be hesitant to deviate from these requirements.

The only way to mitigate the risk of deviation is to use the core message sets defined by the Iso 20022 standard. Individual network platforms may choose to implement rule-based logic to reject any message that does not fit the logical workflow of the core message set. The assumption here is that the application providers deliver a uniform application as the change impacts the entire end-to-end payment workflow.

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?

Response: Assessing the level of effort required to adopt the ISO 20022 standard will depend on several factors, including the size and complexity of the organization, the number and complexity of the systems and applications involved, the existing messaging standards and protocols being used, and the level of resources available.

Here are some steps that can be taken to assess the level of effort:

Understand the requirements of the ISO 20022 standard: It's essential to understand the requirements of the ISO 20022 standard and how it differs from the current messaging standards and protocols in use. This will help in assessing the level of effort required to adopt the new standard.

Conduct a gap analysis: A gap analysis can help in identifying the gaps between the current messaging standards and protocols being used and the ISO 20022 standard. This analysis will help in assessing the level of effort required to close these gaps.

Assess the impact on existing systems and applications: Adopting the ISO 20022 standard will require changes to existing systems and applications. It's essential to assess the impact of these changes and the level of effort and time required to implement them as most financial institutions are dependent on third-party application providers.

Develop a migration plan: A migration plan should be developed to ensure a smooth transition to the ISO 20022 standard. The plan should include timelines, resource requirements, and milestones.

Identify the resources required: Adopting the ISO 20022 standard will require resources such as staff, technology, and training. It's essential to identify the resources required and assess the level of effort required to acquire them.

Estimate the cost: Adopting the ISO 20022 standard will involve costs such as licensing fees, development costs, and training costs. It's essential to estimate these costs and assess the level of effort required to manage them.

In summary, assessing the level of effort required to adopt the ISO 20022 standard will require a comprehensive analysis of the organization's current systems, processes, and resources. By following the steps outlined above, an organization can determine the level of effort required to adopt the standard and develop a plan to ensure a smooth transition.

Requirement #2 – To use ISO 20022 externalized codes for payments and payment-related processes (Section 2.5.2)

Question 5. Would requiring the use of ISO 20022 externalized codes facilitate faster, cheaper, and more transparent cross-border payments? How do you assess the implementation effort?

Response:

Requiring the use of ISO 20022 externalized codes could potentially facilitate faster, cheaper, and more transparent cross-border payments. ISO 20022 is a widely used messaging standard for financial transactions, and it includes a standardized set of codes for payments-related structured information, such as invoice numbers and purpose of payment. The use of these standardized codes can help to reduce errors, increase efficiency, and improve transparency in cross-border payments.

By requiring the use of ISO 20022 externalized codes, cross-border payments could become faster because the standardization of codes would eliminate the need for manual processing and reformatting of payment information. This could also help to reduce the costs associated with cross-border payments by reducing the need for manual intervention and reducing errors that can lead to additional fees or delays.

In addition, the use of ISO 20022 externalized codes could improve transparency in cross-border payments by providing more detailed information about the transaction. This could help to reduce the risk of fraud and improve compliance with regulatory requirements.

However, it is important to note that requiring the use of ISO 20022 externalized codes would require significant investment in technology and infrastructure by both financial institutions and payment service providers. It would also require coordination and cooperation between different stakeholders in the cross-border payment ecosystem, including regulators, banks, and payment service providers. Therefore, while requiring the use of ISO 20022 externalized codes could potentially facilitate faster, cheaper, and more transparent cross-border payments, it would require a significant amount of effort and resources to implement effectively.

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?

Response:

While ISO 20022 codes offer several benefits, such as improved data quality, increased automation, and interoperability, some limitations and challenges can arise from increased reliance on these codes. Some of these limitations and challenges include:

1. Implementation Costs: Implementing ISO 20022 requires significant investment in innovative technology, systems, and processes, which can be challenging and expensive, especially for smaller organizations.

2. Technical Complexity: ISO 20022 is a highly technical standard, and implementing it requires significant technical expertise, which may not be readily available in some organizations.

3. Compatibility with Legacy Systems: Many organizations still rely on legacy systems that may not be compatible with ISO 20022, which can create technical challenges and limit their ability to fully leverage the benefits of the standard.

4. Data Quality: While ISO 20022 codes are designed to improve data quality, there is still a risk of errors and inconsistencies in the data, which can create challenges for organizations that rely on this data for critical business processes.

5. Lack of Standardization: While ISO 20022 is a global standard, there are still differences in the way it is implemented in different regions and industries, which can create challenges for interoperability and data exchange.

To overcome these limitations and challenges, organizations need to invest in the right technology and expertise, develop clear implementation plans, and work collaboratively with other organizations to standardize and streamline ISO 20022 adoption. This requires a significant investment of time, resources, and effort, but the benefits of improved data quality, increased automation, and interoperability can make it well worth the investment.

Requirement #3 – To indicate that a payment is a cross-border payment (Section 2.5.3)

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.

Response:

Cross-border payments involve the movement of funds across national borders, which can often be complex and time-consuming due to differences in currencies, regulations, and banking systems. When payments are properly identified as cross-border, financial institutions and payment processors can route them more efficiently through the appropriate channels and comply with any applicable regulations.

In addition, identifying cross-border payments can facilitate compliance procedures, such as financial crime screening. Financial institutions and payment processors can use the cross-border payment flag to identify potential risks and conduct enhanced due diligence on the parties involved in the transaction. This can help prevent money laundering, terrorist financing, and other forms of financial crime.

Question 8. Do you agree that the use of an ISO 20022 external code (e.g., a Category Purpose) would be the most effective way to flag a payment as cross-border? Are there alternative approaches you would suggest?

Response:

This is covered in response to questions 5 and 6.

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

Response:

Here are some factors that can influence the level of cost and effort required:

Scope: The scope of the implementation project can vary depending on the number of schemes, message types and transactions involved. A larger scope can require more time, resources, and coordination among different teams and departments.

Complexity: The complexity of the existing systems and processes can affect the level of effort required for ISO 20022 implementation. If the systems and processes are highly customized or fragmented, it can be more challenging to map the data to the ISO 20022 format.

Integration: The integration of ISO 20022 with other systems and processes can also impact the level of effort required. If there are multiple interfaces and connections involved, it can be more complex to ensure that the data is consistent across different systems.

Resources: The availability of resources such as skilled personnel, budget, and time can also affect the level of cost and effort required for ISO 20022 implementation.

Requirement #4 – To support/restrict the character set used for ISO 20022 payment messages to current market practice (Section 2.5.4)

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?

Response:

Restricting the ISO 20022 character set to a Latin character set will improve payment processing by limiting the need for translation between different languages and dialects. This would also make it easier for financial institutions to process payments across different jurisdictions. It is recommended that jurisdictions add local language mapping where necessary to ensure that payments can be processed effectively.

Requirement #5 – To use a common time convention across all ISO 20022 messages associated with cross-border payments (Section 2.5.5)

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? If not, please explain.

Response:

As UTC is a standardized time system that is used globally and is not tied to any time zone, using UTC as a reference point can help to eliminate confusion and errors that can occur when dealing with different time zones. This can be particularly useful in the context of cross-border payments, where it is important to have accurate and consistent timing information.

Similarly, using local time with UTC offset can also be useful in ensuring that payment transactions are processed correctly across different time zones. By specifying the UTC offset for a particular location, it is possible to ensure that payment transactions are processed according to the local time in that location, regardless of the time zone in which the transaction is initiated.

Overall, using UTC or local time with UTC offset can be a helpful tool in enhancing the transparency and efficiency of cross-border payments. However, it is important to note that other factors, such as the specific payment system being used and the regulations governing cross-border payments, can also have a significant impact on the efficiency and transparency of these transactions.

Soon, these advantages can be extended to real-time cross-border payments.

Requirement #6 – To include a unique end-to-end reference for all cross-border payments (Section 2.5.6)

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.

Response:

The use of Unique Transaction Reference (UETR) for all cross-border payments is a significant step towards enhancing the transparency, speed, and cost-effectiveness of cross-border payments.

With the use of UETR, cross-border payments will become more transparent as it will be easier to track and trace payments from the originator to the beneficiary. This increased transparency will also help to reduce fraud and financial crime, as it will be easier to detect and prevent suspicious transactions.

In terms of speed, the use of UETR can help to reduce payment processing times by allowing banks and other financial institutions to automate payment processing and reconciliation.

This automation can lead to faster payments, as well as fewer errors and exceptions.

Finally, the use of UETR can also help to reduce the cost of cross-border payments by reducing the need for manual intervention and increasing the efficiency of payment processing. This efficiency can lead to cost savings for financial institutions, which can then be passed on to customers in the form of lower fees and charges.

The use of UETR for all cross-border payments can have a positive impact on the transparency, speed, and cost of cross-border payments, and can lead to more efficient and effective payment processing. However, the current limitations of UETR on the SWIFT network impact the entire community, this issue must be reviewed, and a solution must be delivered to implement the usage of UETR globally.

Question 13. How do you assess the effort required to implement this requirement?

Response:

Implementing Unique Transaction Reference (UETR) for all cross-border payments across payment networks can involve a significant amount of effort, depending on the size and complexity of the payment network and the existing systems in place.

This may require upgrading or replacing existing payment processing, regulatory and compliance systems, modifying message formats, and ensuring compatibility with other payment networks and banks. In addition, payment networks would need to establish protocols for managing UETR, including how it is generated, stored, transmitted, and accessed.

Overall, the effort involved in implementing UETR for all cross-border payments can be significant, but the benefits of increased transparency, traceability, and security in the payment process may make it a worthwhile investment for payment networks and their customers.

Requirement #7 – To ensure full transparency on processing times for cross-border payments (Section 2.5.7)

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?

Response:

Yes, including the time of debit of the debtor in cross-border payment processing would increase transparency by providing more information about the timeline of the payment transaction. Currently, there is often a lack of transparency and visibility for customers regarding the exact time frame and status of their cross-border payments.

By requiring the inclusion of the time of debit of the debtor, customers will be able to see more clearly the amount of time it takes for their payment to be processed, as well as any potential delays or issues that may arise during the process.

This increased transparency will provide customers with more confidence in the payment system and the ability to track their payments more effectively. Additionally, it can help to reduce the likelihood of disputes or customer complaints related to payment processing times and delays.

Overall, the inclusion of the time of debit of the debtor would improve the end-user experience by providing greater transparency, reducing the likelihood of payment disputes or complaints, and increasing customer confidence in the cross-border payment system. We have seen these benefits with SWIFT's gpi model.

Question 15. How do you assess the difficulty of adopting the usage of the acceptance date time data element as a requirement for cross-border payments? Would the implementation effort and impact on the transparency needs of end users differ by message type?

Response:

Adopting the usage of the Acceptance Date Time data element as a requirement for cross-border payments may involve some level of difficulty, depending on a range of factors. Here are some considerations that may affect the level of difficulty:

Industry Standards: The Acceptance Date Time data element is part of the ISO 20022 messaging standard, which is widely used in the financial industry for cross-border payments. If the organizations involved in cross-border payments already adhere to this standard, adopting the usage of the Acceptance Date Time data element may not be too difficult, as they are familiar with the standard.

Legacy Systems: If the organizations involved in cross-border payments are still using legacy systems, implementing the Acceptance Date Time data element may require significant changes to their existing systems, which could be difficult and time-consuming.

Regulatory Requirements: Some jurisdictions may require the usage of the Acceptance Date Time data element as a regulatory requirement. In such cases, adopting the usage of the data element may not be optional, and failure to comply could result in penalties.

Data Privacy and Security: Cross-border payments involve sensitive financial information, and adopting new data elements may raise data privacy and security concerns. Organizations may need to ensure that appropriate safeguards are in place to protect the data, which could add to the difficulty of adoption.

Cooperation and Coordination: Adopting new requirements in a complex ecosystem involving multiple organizations requires cooperation and coordination among all parties involved. Getting everyone on board and ensuring that the new requirements are implemented consistently could be challenging.

Overall, the difficulty of adopting the Acceptance Date Time data element as a requirement for cross-border payments will depend on the specific context, including the industry standards in use, the systems involved, regulatory requirements, data privacy and security concerns, and the level of cooperation and coordination required.

Requirement #8 – To ensure full transparency on amounts, currency conversions and charges of cross-border payments (Section 2.5.8)

Question 16. What are the implications of requiring all those involved in cross-border payments to provide complete information on amounts, conversions, and charges?

Response:

Requiring all those involved in cross-border payments to provide complete information on amount, conversions, and charges would have several implications. Some of these implications include:

1. Increased transparency: Requiring complete information on cross-border payments would increase transparency, enabling individuals and businesses to understand the exact amount being sent and the fees charged by each participant in the payment chain. This would help to reduce the likelihood of hidden fees and charges, which can make cross-border payments more expensive.

2. Improved competition: Increased transparency in cross-border payments would also create more competition between payment service providers, which could lead to lower fees and better exchange rates for consumers.

3. Increased compliance: Requiring complete information on cross-border payments would also improve compliance with regulations and laws related to money laundering and terrorism financing. By providing complete information on the amount, conversions, and charges involved in cross-border payments, it would be easier to track and monitor potentially suspicious transactions.

4. Reduced fraud: Complete information on cross-border payments could also help to reduce fraud by making it more difficult for criminals to disguise the true purpose of their transactions.

5. More efficient cross-border payments: Requiring complete information on cross-border payments could also lead to more efficient payment processing, reducing the time and cost of cross-border transactions.

Overall, requiring complete information on cross-border payments would have significant benefits for individuals, businesses, and governments, leading to increased transparency, competition, compliance, efficiency, and customer satisfaction.

Question 17. Are there any technical, legal, or other hurdles that could impede the inclusion of complete information on the amount, conversions, and charges in cross-border payments that they process?

Response:

There may be a few technical, legal, and other hurdles that could delay the inclusion of complete information on amounts, conversions, and charges in cross-border payments. Here are a few potential examples:

1. Technical hurdles: One technical challenge is the lack of standardized formats for cross-border payment data. Different payment systems may use different data formats or have different requirements for the data included in payment messages. This can make it difficult to ensure that

complete and consistent information on amounts, conversions, and charges is included in all cross-border payments.

2. Legal hurdles: There may be legal or regulatory barriers that prevent or limit the inclusion of certain types of information in cross-border payments. For example, some countries may have restrictions on the types of fees that can be charged for cross-border payments or may require that certain types of information (such as beneficiary bank details) be kept confidential.

3. Operational hurdles: Ensuring the inclusion of complete information on amounts, conversions, and charges may require changes to existing payment processes and systems such as investigation and exception management, compliance, chargebacks and reconciliations. This could be a significant undertaking for banks and other payment service providers, particularly if they operate in multiple jurisdictions with different regulatory requirements and payment systems.

4. Cost hurdles: Providing complete information on amounts, conversions, and charges could involve additional costs for payment service providers, which could be passed on to customers. This could make cross-border payments more expensive for end-users, which could have an impact on the demand for cross-border payment services.

Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance (building block 3) (Section 2.5.9)

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?

Response: This is covered in response to questions 5 and 6.

Question 19. How would the availability of a CPMI service level code in ISO 20022 messages impact the business models/strategies of financial institutions providing cross-border payment services?

Response: This is covered in response to questions 5 and 6.

Question 20. How do you assess the difficulty of adopting a CPMI service level code?

Response: This is covered in response to questions 5 and 6.

Requirement #10 – To recommend the use of unique account numbers (or proxies) to the extent possible (Section 2.5.10)

Question 21. Do you agree that the use of account identifiers (or account proxies), to the extent possible, would have a positive impact on the speed and cost of cross-border payments? Please explain.

Response:

Account proxies can be used instead of the account number, such as an email address or phone number. However, the effectiveness is dependent on a couple of factors.

This includes:

1. The level of standardization and interoperability among different payment systems and financial institutions. It is important to ensure that appropriate security measures are in place to protect against fraud and other risks associated with cross-border payments. It is also crucial to assess the impact on regulatory, compliance and AML systems.

2. Payment system operators will be required to establish proxy databases to facilitate alias mapping. These databases can be centralized (The mapping of a proxy identifier with a transaction account takes place through a central repository.) or decentralized (An authentication message is sent to the beneficiary's PSP to map the proxy identifier with the beneficiary's bank account.).

3. Base identifiers or KYC documents must be standardized and recognized at the country level as base identifiers are used to verify proxy identifiers during registration.

Requirement #11 – To uniquely identify all financial institutions (FIs) involved in cross-border payments in an internationally recognised and standardised way (Section 2.5.11)

Question 22. Do you agree that uniquely identifying all financial institutions involved in cross-border payments in an internationally recognised and standardised way would enhance cross-border payments? Please explain.

Response:

Yes, uniquely identifying all financial institutions involved in cross-border payments in an internationally recognized and standardized way would enhance cross-border payments.

Currently, the lack of standardization in identifying financial institutions involved in cross-border payments can lead to errors and delays, as well as increased costs for businesses and individuals who rely on these payments. This is because different countries and financial systems have different methods of identifying financial institutions, such as using different names, codes, or numbering systems.

By implementing a globally recognized and standardized identification system for financial institutions involved in cross-border payments, such as the ISO 9362 Business Identifier Code (BIC) or the Legal Entity Identifier (LEI), it would be easier to track and verify transactions, reduce errors and delays, and improve transparency and accountability in cross-border payments. This would enhance the efficiency and reliability of cross-border payments, benefiting both individuals and businesses.

It will be beneficial for the institutions to assess the impact on their regulatory, compliance and AML systems and processes prior to the implementation of the identifier code.

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?

Response:

To an extent, yes, BIC can be used to identify the institutions. But this will be limited to and be in favour of SWIFT as BICs are issued only SWIFT. Other network providers such as VISA or Mastercard do not depend on BIC.

In addition to this, BICs may not play in countries like the United Kingdom and the United States as most small to medium financial institutions leverage CHAPS, ABA, and CHIPS codes.

Question 24. What would you assess to be the level of effort required by your jurisdiction: (a) to only use the BIC to identify financial institutions in ISO 20022 messages and (b) for all financial institutions that currently do not have a BIC to register for one?

Response:

The implementation of Bank Identifier Codes (BIC) in the United States would require significant effort, as the U.S. primarily uses different payment systems such as CHIPS (Clearing House Interbank Payments System) and ABA (American Bankers Association) codes for processing domestic and international financial transactions.

To implement BIC codes in the United States, financial institutions would need to update their systems to support the new code format and integrate BIC codes into their existing payment systems. This would involve significant investments in technology and infrastructure, as well as coordination and communication with other financial institutions and regulatory bodies.

Moreover, the adoption of BIC codes may require changes to existing regulations and industry standards to ensure compatibility with the new code format. This would involve engaging with relevant regulatory bodies and industry associations to develop new standards and best practices for using BIC codes in the United States.

Overall, while the implementation of BIC codes in the United States would bring greater harmonization with international payment systems and potentially streamline cross-border transactions, it would require significant effort and resources from financial institutions and regulatory bodies.

Requirement #12 – To identify all entities involved in a cross-border payment in a standardised and structured way (Section 2.5.12)

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.

Response:

Requiring participants to identify all entities involved in a standardized and structured way will indeed enhance the processing efficiency of cross-border payments.

Cross-border payments involve multiple parties, including the sender, the recipient, and various intermediaries, such as banks and payment processors. Each party may have different requirements and information needs, which can lead to inconsistencies and errors in payment processing.

By requiring participants to identify all entities involved in a standardized and structured way, it would ensure that all parties involved have access to the same information, reducing the risk of errors and improving the overall efficiency of the payment processing. It would also enable better monitoring and tracking of cross-border payments, which could help to prevent fraud and other types of financial crime.

Overall, implementing a standardized and structured approach to identifying entities involved in cross-border payments could have significant benefits for the efficiency and security of cross-border payments.

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? Should they be required instead?

Response:

The main benefit of using an LEI in cross-border payments is that it helps to improve transparency and reduce the risk of fraud. By using an LEI, financial institutions can easily identify the legal entity that participates in a transaction, which can help to prevent fraudulent activity.

In addition, using an LEI can help to streamline the payment process by reducing the need for manual intervention and increasing automation. This can lead to faster and more efficient cross-border payments.

There are alternatives to using an LEI in cross-border payments, such as using a SWIFT code or IBAN to identify the recipient's bank. However, these alternatives do not provide the same level of transparency and standardized identification as an LEI.

Requirement #13 – To identify all persons involved in a cross-border payment in a standardised and structured way (Section 2.5.13)

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? Please explain.

Response:

Yes, requiring participants to identify all persons involved in a cross-border payment in a standardized and structured way could enhance the processing efficiency of cross-border payments. This is because having standardized and structured information about all parties involved in the transaction can help to reduce errors and ensure that the payment is processed smoothly and efficiently.

Currently, cross-border payments can be delayed or rejected due to incomplete or inaccurate information about the parties involved in the transaction. Requiring participants to provide standardized and structured information would help to eliminate these issues by ensuring that all necessary information is provided and formatted correctly.

Furthermore, standardized, and structured information could also help to facilitate compliance with regulatory requirements, such as anti-money laundering and counter-terrorist financing rules, which can add complexity to cross-border payment processing.

Overall, requiring participants to identify all persons involved in a cross-border payment in a standardized and structured way could help to improve the processing efficiency of cross-border payments and reduce the risk of errors or delays.

Requirement #14 – To provide a common minimum level of postal address information structured to the extent possible (Section 2.5.14)

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.

Response:

Yes, structured postal addresses can enhance efficiency in cross-border payments. A structured postal address includes elements such as street name, building number, city, and postal code, which provide a more precise and standardized location identifier than unstructured addresses. By using structured postal addresses, cross-border payment systems can reduce errors in address data entry, improve address matching, and increase the speed and accuracy of payment processing.

In addition, some countries require structured postal addresses for cross-border payments, and failure to provide accurate and complete address information can result in payment delays or even rejection. Therefore, using structured postal addresses can help ensure compliance with regulatory requirements and reduce the risk of payment errors.

Overall, the use of structured postal addresses can enhance efficiencies in cross-border payments by improving accuracy, reducing processing time, and ensuring compliance with regulatory requirements.

Question 29. Do you agree with the minimum required postal address information consisting of the Country and Town Name fields? Should any additional fields be required?

Response:

Yes, at the bare minimum, Data elements "Country" <Ctry> and "Town Name" <TwnNm> must be used. All other twelve data elements may be used depending on the components of the address. Market infrastructures providers must also ensure that the data element "Address Line" cannot be used and if used, the payment will be rejected.

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 (Section 2.5.15)

Question 30. Do you believe that setting minimum end-to-end expectations with respect to the carrying of remittance information can improve the processing efficiency of cross-border payments?

Response:

Yes, minimum remittance information must be mandated as part of the payment message.

The structured remittance information in an ISO 20022 payment message includes details such as invoice numbers, customer reference numbers, and other relevant information related to the transaction.

Financial institutions can leverage structured remittance information by using it to automate their payment processing workflows. By using the information provided in the ISO 20022 message, financial institutions can match payments with invoices and other documents, reducing manual processing time and minimizing errors.

Financial institutions can also leverage structured remittance information by providing value-added services to their clients. By offering detailed remittance information to clients, financial institutions can help them reconcile their accounts more quickly and easily and provide better visibility into their cash flow.

Question 31. To what extent would the ability to include references to separately sent remittance-related information (e.g., through the inclusion of hyperlinks or other references) be helpful to process a cross-border payment? Are there obstacles (e.g., legal, regulatory, supervisory limits) to including a reference to separately sent remittance information in your jurisdiction/community? Implementation (Section 3)

Response:

The ability to include references to separately sent remittance related information, such as through hyperlinks or other references, can be extremely helpful in processing cross-border payments. This is because cross-border payments often require a lot of information to be exchanged between different parties, and it can be difficult to ensure that all the necessary information is included in a single transaction message.

By including references to separately sent remittance information, such as through hyperlinks or other references, it becomes easier for the parties involved in the payment to access the information they need to complete the transaction. This can help to reduce errors and delays in processing the payment, as well as improve transparency and reduce the risk of fraud.

For example, if a payment message only includes basic information such as the amount and the recipient's account details, it may not be clear to the recipient what the payment is for or who it is from.

However, we must note that this will create processing inefficiencies, and impact AML, sanctions screening and reconciliations.

Question 32. Is the timing envisaged for the requirements in section 2.5 to take effect in line with industry expectations? What would be the challenges in meeting the envisaged timeframe?

Response:

The widespread adoption of the ISO 20022 harmonization requirements is a complex process that requires the cooperation and coordination of multiple stakeholders. While the 2025 deadline is ambitious, there may be numerous factors that could cause delays in achieving this goal.

Listing a few here:

Technical complexity: The ISO 20022 standard is more complex than the existing standards and requires significant changes in systems and processes. This may require a longer lead time for organizations to upgrade their systems and infrastructure to meet the new requirements.

Lack of readiness: Some organizations may not be ready to adopt the new standard by the 2025 deadline due to distinct reasons such as lack of resources, insufficient knowledge, or conflicting priorities.

Implementation challenges: Implementing the ISO 20022 standard requires coordination and collaboration across multiple stakeholders. If there are issues with coordination, governance, or communication, it could delay the adoption process.

Regulatory challenges: Compliance with regulations is a major drive for the adoption of the ISO 20022 standard. However, if there are delays in the development or implementation of regulations, it could slow down the adoption process.

Cost considerations: Adopting the ISO 20022 standard requires significant investment in technology, training, and infrastructure. Some organizations may be hesitant to invest in these areas due to budget constraints or uncertainty around the return on investment.

Geopolitical factors: The adoption of the ISO 20022 standard requires global cooperation and coordination. However, geopolitical tensions or conflicts could create barriers to collaboration and impede the adoption process.

Question 33. Do the requirements in section 2.5 provide clarity on how the harmonized implementation of ISO 20022 can contribute to achieving the G20 targets?

Response:

Section 2.5 provides comprehensive insights into the standardized implementation of ISO 20022, thereby facilitating the attainment of G20 targets. To enhance the effectiveness of this process for market infrastructures and their constituents, we recommend that CPMI issues bi-annual reports.