Consultation questions

The CPMI invites the public to send their comments on these consultation questions to the CPMI secretariat (cpmi@bis.org) with "ISO 20022 harmonisation" in the subject line by 10 May 2023. All responses will be shared with the JTF and will inform the publication of the finalised harmonisation requirements by the CPMI. Responses will also be published on the website of the CPMI. Commercial or other sensitive information should not be included in the submissions, or may be included, with redactions for publication clearly noted.

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?

Answer TIPS: Yes, we agree with the guiding principles followed for setting the requirements. Concerning the platform and network agnostic approach, TIPS followed a similar approach by selecting two different network service providers which allow various actors to access TIPS. Concerning the level of ambition, TIPS shares the approach to implement pragmatic but impactful requirements to achieve the G20 targets, even if the formal decision for the compliance with these requirements will have to be requested by the TIPS community and adopted through a dedicated TIPS Change Request. Regarding the related timeline, it should be agreed with the TIPS community.

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?

Answer TIPS: Yes, we agree to use messages according to the ISO 20022 standard from FPS operator point of view: this is what is currently in place in TIPS.

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.

Answer TIPS: The proposed solution mitigates the risk of misuse of ISO 20022 payment messages to a certain extent as it raises awareness that deviation from business functions causes frictions along the payment chain. However, the risk of misuse cannot be mitigated completely to our understanding.

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?

Answer TIPS: TIPS messages for Euro and non-Euro communities are already implemented as defined by the ISO 20022 standard, so no effort at all for the domestic areas. Regarding cross-border payments, a new set of usage guidelines should be supported: regarding this requirement, no effort is expected since already widely applied in TIPS.

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

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?

Answer TIPS: Yes, we agree that the usage of ISO 20022 externalised codes facilitate faster, cheaper and more transparent cross-border payments. No effort is expected to implement this requirement as domestic TIPS messages already follow this principle.

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?

Answer TIPS: No additional limitations/challenges from FPS operator point of view.

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.

Answer TIPS: Yes, we agree that a cross-border payment should be clearly identified via a dedicated ISO20022 code derived from an ISO 20022 external code list, this not only for compliance procedures including financial crime screening, but also in order to have a faster way to distinguish between the domestic traffic and the cross-border one.

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

Answer TIPS: Yes, we agree that the use of an ISO 20022 external code would be the most effective way to flag a payment as cross-border. The Category Purpose could be one the possible fields, but also the Service Level could be used.

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

Answer TIPS: In case of the adoption of dedicated usage guidelines for cross-border payments, then the usage of a clear and standard way to identify such a payment can be of help, requiring a low implementation effort.

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?

Answer TIPS: Yes, we agree from TIPS perspective. In case the character set is defined at usage guideline level via xsd pattern for each and every message field, then this requirement would cause no additional effort respect to the one needed to support a new set of usage guidelines dedicated to cross-border instant payments.

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.

Answer TIPS: Yes, we agree from TIPS perspective. TIPS already requires the usage of times expressed in UTC or Local time with UTC offset. Considering that the combination of ISO datatype Acceptance Date Time and the time format for UTC or Local time with UTC offset allows to specify a variable number of milliseconds (from 0 to 5 digits), then a clear indication of the number of digits to be used for milliseconds should be part of the harmonisation principle, in order to avoid any kind of ambiguity/misalignments between actors.

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.

Answer TIPS: Other identifiers, as the Transaction Identification, have a problem: the same identifier could be reused by different actors in different payments, creating duplicates. This is the reason why their uniqueness can be ensured only if considered in the domain of the actor who created them: the duplicate check on FSP side should be based on combination of message fields (e.g. Transaction Identification plus an actor identification as the BIC). The usage of a unique and unambiguous reference across all entities and cross-border payments could solve this issue, having a positive impact on the transparency of cross-border payments.

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

Answer TIPS: Due to the fact that Instant Payments are identified by the couple Transaction ID + Debtor Agent BIC in the TIPS Euro and non-Euro specifications due to the rules contained in the EPC and NPC Rulebooks and Implementation Guidelines to which TIPS must comply with, then the adoption of a simultaneous different way to identify payments (via UETR) only for cross-border payments would cause a very high impact. A harmonization would therefore be necessary for the way of identifying payments between the domestic and cross-border worlds.

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?

Answer TIPS: Yes, we agree that the time of debit of the debtor will increase transparency on the time it takes to complete the processing of cross-border payments.

Question 15. How do you assess the difficulty of adopting 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?

Answer TIPS: Unfortunately, the Acceptance Date Time element is used by TIPS communities for a different purpose, following the EPC and NPC specifications. Considering that this could be the case also for other LVPSs and/or FPSs, we suggest to use a new dedicated field for pacs.008, pacs.009 (not used in TIPS) and pacs.004 in order to carry out the time of debit of the debtor, considering also that an ISO Change Request to add a new field is needed in any case since also the Acceptance Date Time element is not already present in pacs.009 and pacs.004.

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 amount, conversions and charges?

Answer TIPS: From FPS operator point of view we do not have direct implications, considering that the payments must be filled by the actors in the payment chain and TIPS cannot change the message content.

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

Answer TIPS: From FPS operator point of view we are not aware of technical hurdles.

Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance (BB 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?

Answer TIPS: Yes, in addition to the dedicated field for identifying a payment as a cross-border payment, a CPMI service level code in ISO 20022 dedicated to track adherence to the CPMI guidance could be of help to reach the desired targets.

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?

Answer TIPS: From FPS operator point of view we consider that the usage of a clear way to identify a cross-border payment as a payment compliant with the CPMI guidance and harmonisation requirements could be of benefit, but we are not aware of possible impacts on financial institutions.

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

Answer TIPS: In case of the adoption of dedicated usage guidelines for cross-border payments compliant with the CPMI guidance and harmonisation requirements, then the usage of a clear and standard way to identify such a payment can be of help, requiring a low implementation effort.

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.

Answer TIPS: Yes, we agree. Correct account information would reduce the number of returns and misapplied payments and will result in fewer exceptions and investigations in the entire E2E payment chain.

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.

Answer TIPS: Yes, we agree. The elimination of ambiguity over FI identification has already been performed in TIPS with the usage of the BIC for the FI Actors in the payment chain. This is in line with the EPC and NPC specifications at domestic level.

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?

Answer TIPS: Yes, we agree. This is the approach already adopted in TIPS.

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?

Answer TIPS: FIs are already identified only with BIC in TIPS, so from FPS operator viewpoint we think that the effort should be low/very low, even if the real effort should be provided by the community.

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.

Answer TIPS: Yes, we agree. The usage of a standard and common way to identify entities would reduce the need of manual interventions and would contribute to an increase in the speed of a cross-border payment.

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?

Answer TIPS: From TIPS perspective, there are no specific checks and validations performed on actors/entities which aren’t FIs. For them, the usage of structured identifiers such as the LEI could be of help for the community, which may provide further details, requests and indications on this question.

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

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.

Answer TIPS: Yes, we agree. The usage of a standard and common way to identify entities would increase the transparency, would reduce the need of manual interventions and would contribute to an increase in the speed of a cross-border payment.

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

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.

Answer TIPS: Yes, we agree. From TIPS perspective, there are no specific checks and validations on postal address information, but we consider the usage of structured information as a way to speed up overall processing of cross-border payments, increasing transparency for the entire payment chain.

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?

Answer TIPS: Considering that postal address information is not used for the TIPS processing of Instant Payments but used only E2E by actors, then any indication/suggestion/request should come directly from the community.

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?

Answer TIPS: Yes, we agree. From TIPS perspective, there are no specific checks and validations on remittance information, but we consider the usage of structured information as a way to increase the transparency for the entire chain payment chain.

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

Answer TIPS: From FPS operator point of view, the usage of hyperlink in xml message is an approach to be avoided, above all for safety reasons. The usage of other references is possible, but this approach and its utility should be evaluated by the community.

Implementation (Section 3)

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?

Answer TIPS: TIPS is already compliant with ISO 20022, and it already allows cross-border IPs between different Countries/Central Banks in the same currency following the domestic specifications. Regarding the timeline for the adoption of these harmonisation requirements by 2025, this mainly depends on three factors: (i) the timing of the alignment of the local payment systems guidance (EPC and NPC specifications) and other harmonization initiatives for cross-border messages (e.g. EPC One-Leg Out Instant Credit Transfer), (ii) the stabilisation timeline for the harmonisation requirements and (iii) the willingness of the Eurosystem/community to adopt them, which should be formalised with a dedicated TIPS Change Request to be allocated in a TIPS Release depending also on other concurrent initiatives scheduled for this deadline.

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

Answer TIPS: Yes, from TIPS perspective.