Committee on Payments and Market Infrastructures

ISO20022 Harmonisation for Enhancing Cross Border Payments

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TCS Response to CPMI Consultation on ISO20022 Harmonisation for Enhancing Cross Border Payments

Tata Consultancy Services (herewith referred to as TCS) thanks the Bank for International Settlements Committee on Payments and Market Infrastructure for providing the opportunity to respond to the harmonisation of cross border payments to achieve the vision of G20 targets and pave the way for a streamlined, cost-effective, transparent, and universal access to cross border payments. The timing of commencement of this initiative comes at the right time when the global financial services and financial markets are in the state of transition towards the universal financial taxonomy, making the adoption and universality truly on the stage to accomplishing the vision.

With the domestic payment market infrastructures transitioning towards ISO20022, the need to ensure universality and uniformity in the use of payment messages, flows and the business data contained within the financial messages are paramount to ensure speed, drive speed through higher processing rates, transparency in processing and accessibility for wider participation is key to success for harmonisation of cross border payments and ensure that the cross border rail can be accessed by all, rather than been restrictive to a set of providers.

The initiative towards harmonisation is clearly the democratisation of payments, to be more inclusive, innovative, transparent and cost effective, that lays the foundation for moving value at ease, across borders, across time zones and across parties. However, although not the subject of the consultation paper, the need to harmonise customer due diligence and regulatory compliance is vital to realise the vision of harmonisation; although achieving the state of harmonisation, the major impediment to achieving this objective will be the economic and regulatory crime area, which continues to be fragmented, given the diversity of rules and local regulations. This is yet another initiative that needs to be considered together with this initiative to realise the true vision and targets of G20.

Tata Consultancy Services once again thanks the committee and provides the response to the key question requested from the market consultation paper.

Guiding Principles	
Q1	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	Agreed. 1. The guiding principles clearly lays out the fundamental objectives that matter most to the end users; cost, speed, transparency, and access to cross border payments, without which cross border payments will lag behind domestic and continue to be an impediment. 2. The legacy payment rails have continued to be glued to MT and other proprietary messages that have originated as an offshoot to MT that have continued to be a hindrance. Taking advantage of the universal transition towards ISO20022 is clearly the right time to undertake this transition. 3. Domestic payments and to an extend high value payments, despite been on ISO20022, both recent as well as those that have been on ISO20022 for a while, have variations that have rightly been highlighted in the consultation paper; it is imperative that a common rulebook and consistency in the business data within the payments and flows are accomplished to ensure commonality and lower complexity in adoption. 4. We also acknowledge that the cross-border payment messages are network agnostic without any specificity to choices of network or payment providers. This would greatly help in establishing operational resilience and risk governance across the financial ecosystem.

Requirement #1 – To use the appropriate message for a particular business function	
Q2	Do you agree that the inconsistent use of messages can be adequately addressed through this requirement?
Response	Agreed with Additional Proposed Inclusions The use of the proposed set of messages to deliver the payment outcomes is universally accepted, therefore we agree to the use of the proposed catalogue of messages. However, within CBPR+, camt.029 has been used for resolution of investigation (when compared to camt.029 which has been proposed for cancellation of payments).
Q3	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	Agreed with Additional Proposed Changes We agree to the proposed use of the identified catalogue of messages. However, we will need to be specific on which version of ISO20022 standard do we consider as the starting upon. Given that CBPR+ has recently gone live, and additional changes are in evolution for launch during late 2023, we propose that for cross-border payments, the ISO20022 schema/variation stems from the CBPR+ standard as the base. This is because:

	a) They serve the common purpose, b) The business data can gracefully evolve from the CBPR+ This shall result in lower complexity of implementation and ease of maintenance of the rulebook over time; in addition, this also permits universality of change, not limited to cross-border payments, but also across the board. This shall ensure that any inconsistency is removed, or deviations are avoided and paces the way for universality in standards.
Q4	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	From a scale of high, moderate, and low, the use of harmonised standards can be at a moderate scale. This is based on the fact that CBPR+ has gone live and any evolutions based on the existing implementations can easily be enriched or evolved by the payment service providers.

Requirement #2 – To use ISO 20022 externalised codes for payments and payment-related processes	
Q5	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?
Response	Agreed From a scale of high, moderate, and low, the use of externalised code sets greatly removes complexity (or even isolate complexity) without the need to change the schema. Country specific external code can also be incorporated, yet remaining as a standard, without the need for change or customisation to the messaging schema. We strongly recommend the use of externalised code sets for cheaper, standardised implementation.
Q6	Are there any limitations/challenges resulting from increased reliance on ISO 20022 codes? How difficult would it be to overcome these limitations/challenges?
Response	We do not anticipate any limitations or challenges resulting from increased reliance on external code sets. In fact, the use of the external code sets removes complexity and non-standard implementations/variations in ISO20022 owing to country specific processing but adopting the external code sets weighs any risk.

Requirement #3 – To indicate that a payment is a cross-border payment	
Q7	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	Agreed It is extremely important to identify that a payment is identified as a cross-border payment to trigger regulatory compliance, both at domestic and at international level for both inbound and outbound payments. In ISO20022 countries, there are

	variations in processing followed especially around the use of economic and fraud compliance depending on domestic and international origin; only international transactions qualify for economic crime and fraud check, therefore this requirement to identify that the payment is a cross border payment is imperative.
Q8	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	Agreed with Additional Change We broadly agree to the use of the category purpose would be the effective way to flag a payment as a cross border payment. However, given the complexity and the need to have a finer level of detail in the nature of the cross-border payment, it is imperative that we provide for a facility where the underlying purpose of the payment is; for example, whilst PENS or SALA indicates that the payment is a pension and a salary payment, this needs to be fine-grained for a cross-border payment. This is because, customers (or consumers) move value for various purposes such as charity, family maintenance, payment for funeral, child support, student fees etc, all of which are very broadly categorised in the category purpose codes. Therefore, although the use of the externalised code sets/category purpose is the most optimal way, this code(s) will need to inform the underlying rationale for the payment, which can pass the financial checks in a straight through process without the need for any manual interventions.
Q9	How do you assess the level of cost and effort required for the implementation effort?
Response	From a scale of high, moderate and low, we believe this would be on a moderate scale. The moderate stems from the need to update the fraud and compliance screening and back-office processes.

Requirement #4 – To support/restrict the character set used for ISO 20022 payment messages to current market practice	
Q10	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	Agreed We agree to the use of the restricted character set for cross border payments with the ability to translate/map according to local needs. We also recommend the use of double byte characters set (Unicode) to take into account special characters required for local requirements.

Requirement #5 – To use a common time convention across all ISO 20022 messages associated with cross-border payments	
Q11	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	We believe that stating the time based on the local time with UTC offset will enhance not only the transparency and efficiency, but also promote ease of understanding of the arrival of payment/time to the end beneficiary. Whilst UTC is the standard,

	representing the time in terms of the local time with the UTC offset will reduce any inconsistencies in servicing the customer and also considering the time differences across multiple regions.

Requirement #6 – To include a unique end-to-end reference for all cross-border payments	
Q12	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	Agreed This is the universally accepted standard and practice, and the base to trace and track every payment across its life cycle.
Q13	How do you assess the effort required to implement this requirement?
Response	Low

Requirement #7 – To ensure full transparency on processing times for cross-border payments	
Q14	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	Agreed However, this is not a common market practice but recording the digital footprint of the debit would be useful to trace the adherence to compliance to the cross-border payment processing timelines. Including the time of debit will also bring in competitiveness and uniformity across the market players with wide variety of choices for the end users to choose from based on the end users speed to receive the credit as well.
Q15	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?
Response	Complex We are gauging this as a complex requirement as the debit needs be made only upon successful completion of reachability check (i.e., prior to debit to the debtor account, it is important that the credit can be relayed for collection at the destination through a reachability check) that should be made available. The provision of facilitating the reachability is very similar to the reachability check that is provided within Europe for SEPA credits. Without the provision of successful reachability, the condition of debit does not apply as this will only result in return of the payment to the debtor and therefore friction in the process. The implementation effort would also be high and is directly proportional to the level of automation/STP; this would mean that automation of payment exchanges will require a high level of implementation complexity to reverse or replay, depending

	on the result of the credit transfer (i.e., credit transfer resulting in investigation and cancellation or refund or partial refunds etc.). This will require both technology and back office improvements.

Requirement #8 – To ensure full transparency on amounts, currency conversions and charges of cross-border payments	
Q16	What are the implications of requiring all those involved in cross-border payments to provide complete information on amount, conversions, and charges?
Response	There are a multitude of implications in carrying over the complete information related to the amount, the currency, conversion amount, charges, how and when the charges are to be applied across the various players across the cross-border payments ecosystem. The impacts span right from the channels that capture information, through to the back-end technology platforms that process this information. To this end, there are implications from technology, processes, consumer disclosures, consumer privacy and local regulations that needs to be catered to in this regard. However, noticing the complexity, the good news is that, this has already been catered to as part of CBPR+ implementations where the full financial information is to be carried over. To this end, from an implementation perspective, the cross border payments rule book already provide for the full relay of financial information, which can naturally be extended for harmonisation as well.
Q17	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?
Response	Financial disclosures around charges, conversions etc are normally covered under the local regulatory laws therefore do not require any additional disclosures. Technology platforms, we believe, are also capable of handling this and is already live. To this end, we do not believe that there are any technical, legacy, operational or regulatory hurdles considering that this is already operational.

Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance (building block 3)	
Q18	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	Agreed The inclusion of a dedicated service level code shall support the harmonisation of cross-border payment standards across markets. The introduction of a uniform and dedicated service level code acknowledges the global development with instant/real-time payment systems being rolled-out/deployed in more and more countries/markets. The introduction of the dedicated service level code will also assist in processing the payment in accordance with the common cross-border payments rule book and ensure consistency.

Q19	How would the availability of a CPMI service level code in ISO 20022 messes impact the business models/strategies of financial institutions providing cross-border payment services?
Response	The current ISO External Code List for Service Level is currently used at the point of initiation and contains the nature of transaction, whether instant payment or direct debit etc. With the lack of a dedicated code, some markets introduced the use of URNS to identify instant payments, while, in some other markets, URNS is used by corporates, in line with the ISO definition, for instructing urgent execution of the payment via a High Value Clearing system rather than ACH. The Service Level code supports the harmonisation of the payment initiation standards across markets globally. Its introduction acknowledges the global development with instant/real-time payment systems being rolled-out/deployed in more and more countries/markets. We do not anticipate any impact to the business models and/or the strategies with the availability of a CPMI level service code.
Q20	How do you assess the difficulty of adopting a CPMI service level code?
Response	Low

Requirement #10 – To recommend the use of unique account numbers (or proxies) to the extent possible	
Q21	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	Agreed Beyond speed and cost, the use of account proxies or identifiers are convenient from a customer standpoint, and enhances the pace of innovation without the need for sharing the account numbers. For examples, it may be beneficial for a recipient to request for money using the mobile number as the identifier as this identifier is well known to them, rather than the use of the actual account number which the account owner may not be willing to share. Clearly, the use of account proxies enhanced innovation, however, it needs to be mentioned that not all domestic real time payment systems currently support the concept of account proxies. This needs to be harmonised across the board (although this can be optional) to ensure that more value can be gleaned from the use of account proxies for cross-border payments.

Requirement #11 – To uniquely identify all financial institutions (FIs) involved in cross-border payments in an internationally recognised and standardised way	
Q22	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	Agreed

	This has been the standard practice and we suggest that we do a reachability check to ensure that the participant is available, so that there are no delays in crediting the funds to the beneficiary.
Q23	Do you agree with the proposed solution of requiring the use of the BIC to identify all financial institutions? Why or why not?
Response	Agreed This is a universally accepted practice across all ISO20022 implementations and we strongly suggest that this should be the approach.
Q24	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	Low

Requirement #12 – To identify all entities involved in a cross-border payment in a standardised and structured way	
Q25	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	Agreed This has been the standard practice and we suggest that we do a reachability check to ensure that the participant is available, so that there are no delays in crediting the funds to the beneficiary.
Q26	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	Agreed

Requirement #13 – To identify all persons involved in a cross-border payment in a standardised and structured way	
Q27	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	Agreed This has been the standard practice and we suggest that we do a reachability check to ensure that the participant is available, so that there are no delays in crediting the funds to the beneficiary. This would also provide more certainty to the payment outcome and resolve any customer issues.

Requirement #14 – To provide a common minimum level of postal address information structured to the extent possible	
Q28	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	Agreed
Q29	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	Agreed

Requirement #15 – To cater for the transport of customer remittance information across the end-toend 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	
Q30	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	Agreed. This would help inform the purpose of the remittance to the beneficiary.
Q31	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?
Response	We believe this would help reference any substantiating documentation specifically in the area of retail payments which involves the use of invoices and references can be made to the invoices. We do not anticipate any hurdles to this end except regulatory requirements around privacy and PII data if any.

Implementation	
Q32	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 timing for implementation towards the end of 2025 is the most apt time considering the global convergence. Of course, there will be challenges meeting the deadlines as there are competing priorities and payment service providers must have this as a dedicated focus. But for the pace of change and budgets, this would be achievable as the technology artefacts does exist, thanks to CBPR+ implementation.
Q33	Do the requirements in section 2.5 provide clarity on how harmonised implementation of ISO 20022 can contribute to achieving the G20 targets?
Response	Yes