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Bank for International Settlements' Committee
on Payments and Market Infrastructures (CPMI)
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CPMI public consultation on ISO 20022 harmonisation requirements for enhancing cross-border payments

Dear Mark,
Dear Ladies and Gentlemen,

We are pleased to have the opportunity to comment on the CMPI consultation on ISO 20022 (see below).

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?
VDT: In general, we agree with the guiding principles proposed in the document.

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?

VDT: we agree.

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.

VDT: we suggest clear and prescriptive usage guidelines of the communities, some force to comply. We support those participants, who receive inadequate messages should reject them, and point the sender to the relevant message standard.

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?

VDT: we suggest efforts should be covered within the overall migration to ISO 20022. The business value of selection the list of messages supported in a community shall be evaluated by the different communities themselves. Education and exchange of experiences could help.

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?

VDT: We agree to use ISO external codes to facilitate faster processing and simpler implementation. But some banks support proprietary codes in the corporate-to-bank space to allow for bank individual value-add services.
Even as important as the usage of standard codes is the correct usage of those codes in their original meaning. We also want to stress the issue: some jurisdictions prevent the usage of certain codes by data protection reasons, that lead to general usage of MS03 – with then no meaning at all.

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?

VDT: The migration to external ISO codes will require little efforts, but more effort will be needed to overcome the fragmentation of the markets as well as today to implement consistently the agreed ISO codes. Maintenance of such external ISO codes would be another challenge. Markets or institutions currently requiring non-ISO codes would need to be educated to define and apply for new ISO external codes or align with existing ISO codes.

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.

VDT: We do not support the introduction of an identification code for cross-border payments in the corporate-to-bank space – there is no benefit in it.

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?

VDT: see answer q7. In general, we deem ServiceLevel element to be more appropriate than CategoryPurpose, as ServiceLevel is the primarily used element for a bank to identify a payment type. Second priority is to check the Local Instrument code.

Question 9. How do you assess the level of cost and effort required for the implementation effort?
VDT: see answer q7 – raises costs without clear benefit.

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

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?

VDT: no answer
<u>Requirement #5 – To use a common time convention across all ISO 20022 messages associated with cross-border payments (Section 2.5.5)</u>

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.
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VDT: Yes, we agree that a common time convention facilitates efficiency of cross-border payments and other payment types. Preferred representation is Local time with UTC offset format (YYYY-MM-DDThh:mm:ss.sss+/-hh:mm), otherwise use UTC time format (YYYY-MM-DDThh:mm:ss.sssZ). while decimal fractions of milliseconds with 3 digits shall be optional.

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

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.

VDT: We agree to the benefit of using the UETR as a unique transaction reference across banks. but we prefer to keep it optional for corporate payment initiation. If a corporate provides the UETR in the pain payment initiation, it must remain unchanged by the bank throughout to the creditor. Appropriate plausibility checks may apply and should lead to reject in case of double usage of UETR.

Question 13. How do you assess the effort required to implement this requirement?
Requirement #7 – To ensure full transparency on processing times for cross-border payments (Section 2.5.7)

VDT: *The Corporate ERP or TMS system would need to support the UETR, as long the usage remains optional, corporates can use next release upgrade to move for usage. This would be likely a low to medium effort.*

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?

VDT: while some communities like SWIFT gpi support the user experience towards transparent credit time (where that info might be forwarded to the debtor) there is no such transparency for the creditor. In the view of effort to introduce new fields in several messages (CR to ISO body), migration of preferable all communities to the future release it seems to be an wish to far away.

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?

VDT: see q.14

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

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

VDT: supports such transparency in a fully structured way in the reporting messages camt.053/ 052/ 054 as defined in the CGI-MP usage guidelines.

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?

VDT: If this information is received from clearing, it would be rather low technical challenges to provide such information in the camt account information reporting.

<u>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)</u>

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?

VDT: such a CPMI "quality flag" could improve better adherence to CPMI SLA, and lead to higher STP rates and processing automation.

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?

VDT: Financial institutions could adopt their strategy of cross-border payment services towards such an agreed quality-label approach and adopt the common CPMI guidelines.

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

VDT: *we can't judge this effort – no answer.*

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.

VDT: No, we do not think that account proxies would have a positive impact. The use of proxies would be much too time-consuming and error-prone for corporates. For example it would have to be documented which proxy belongs to which creditor and would mean massive changes in the payment program of ERP systems.

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.

VDT: *we agree, the unique identification would increase STP.*

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?

VDT: *We agree with the goal of a mandatory BIC, as it avoids the need for the bank to validate the BIC against Member Id (local sort code) and Agent Name, if provided in the payment instruction in addition to the BIC. However, there are financial institutions or local markets, which do not yet have a BIC registered for all bank branches, so it may take considerable time to reach full realisation of this CPMI rule.*

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?

VDT: *In Germany all banks have to have a BIC as a precondition to take part in SEPA and offer DE-IBAN services.*

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.

VDT: Referring to Annex 2,table A2.1: While we agree in principle with a more structured identification of parties, corporates do not agree with the proposals re.
- Street Name and Building No. as RECOMMENDED. The outcome of the PMGP survey should be considered here.
Furthermore, addresses are quite diverse across the globe. In some regions, Street Name and/or Building No. are not available.
- AddressLine as Not used. See above, corporates would need to provide some parts of the address under AddressLine.

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?
VDT: While structured identifiers support transparency of involved parties, they should remain as recommended (RC), considering that only a small number of corporates have a BIC and LEI is not expected to be widely used in the next years as it involves costs and process changes for corporates. Furthermore, ERP/TMS systems do not have yet appropriate fields in their static data – a migration just for the sake of such a field is a huge effort. Therefore, we do not agree to make the identifiers required (R).

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.

VDT: We agree in general, as it is useful to facilitate sanctions filtering and combat against AML. However, the optional usage of Private Identification needs to be established with medium efforts in payment processes.
Data protection / legislation aspects would however need to be considered.
Re. Issuer to be required in future, we would not see the benefit to make it required, as e.g. in case of a person tax ID, this is sufficient to identify the party. Instead, we prefer to have Issuer to be Recommended.

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.

VDT: Refer to our reply to Question 25. We not agree with the requirement of structured address only. Kindly also refer to the outcome of the PMPG survey.

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?

VDT: Yes, we agree to the mandatory minimum postal address information Country code and Town Name, with recommended Post Code, if available. We do not see the need for any additional fields due to the variety of address information across the globe.

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?

VDT: Yes, we agree that usage of RemittanceInformation.Unstructured or Structured (with up to 9,000 char) would improve the payment reconciliation and thereby the efficiency.
It is necessary that any remittance info (even the end-to-end reference is transported by all intermediaries to the creditor unchanged.

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?

VDT: The usage of hyperlinks to external information is seen rather critical. Firstly, it increases the risk of fraud and data security and is a challenge for banks re. data archiving policies.
Secondly, corporates want to reconcile the payment in an automated way by using the information provided in the camt account statement, rather than implementing a process to gather information from an external data source.

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?

VDT: *In Germany the banking community decided to drop domestic format (non-pian initiation and statement MT940), nevertheless it is still highly challenging to adopt CPMI guidelines by end of Nov. 2025.*

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?
VDT: *Yes, they provide clarity.*

Please do not hesitate to contact us at any time if you have any questions.

Kind regards

Regina Deisemann

Member of the Governing Board
Verband Deutscher Treasurer e.V