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CPMI consultation: ISO 20022 harmonisation requirements for enhancing cross-border payments

Wise response

About Wise

Wise is a global technology company, building the best way to move and manage money around the world. With Wise Account and Wise Business, people and businesses can hold over 50 currencies, move money between countries and spend money abroad. Large companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärmann and Taavet Hinrikus, Wise launched in 2011 under its original name TransferWise. It is one of the world's fastest growing tech companies and is listed on the London Stock Exchange under the ticker WISE.

Over 16 million people and businesses use Wise. Today we process on average £9 billion in cross-border transactions every month, saving customers around £1.5 billion a year.

Guiding principles

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?

Wise agrees with the guiding principles, as it's important that we think holistically about setting global requirements and aligning those requirements with the G20 priorities will ensure that any ISO20022 guidance focuses on delivering on increasing transparency and speed, reducing cost and enabling access. While most of the guidance includes realistic and ambitious requirements, we should ensure that this is not just a best practice manual that can be disregarded when convenient. These requirements will benefit from being agreed on an international level and should not lack the regulatory enforcement that will be necessary to deliver the best outcomes for consumers, businesses and financial institutions.

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

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

No comment.

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.

No comment.

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?

No comment.

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

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?

The use of externalised codes would significantly simplify the implementation for most financial institutions, as they wouldn't have to update their systems every time the codes change. However, our experience in multiple payment systems and across payment methods that use ISO20022 shows that many financial institutions don't always use the codes even when provided. For example, some firms only consume them, but don't take them into account.

While it may be straightforward to deduct whether a payment is a gambling payment, it would require significant effort to collect the data for which firms would have to rely on a customer to specify what the purpose of said payment is. This may reduce the trust in the data provided.

6. Are there any limitations/challenges resulting from increased reliance on ISO 20022 codes? How difficult would it be to overcome these limitations/challenges?

Local regulation in certain countries and partner requirements often mean that transfer purpose needs to be specified for every payment. However, these codes are usually highly local and contradict similar transfer purpose codes in other regions. Wise believes it would aid transparency, speed and cost if codes are harmonised across regions, and local and international codes are aligned.

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

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.

Wise agrees with the inclusion of a code indicating that a payment is a cross-border payment. This would help alert both sides of the transaction chain - as well as any intermediaries - to additional screening and would help providers treat cross-border payments effectively.

However, one of the main issues we've seen is the lack of regulation in terms of how financial institutions are required to process cross-border payments, and in particular payments originating overseas. This manifests itself in a number of ways that lead to discrimination and negative bias against those payments. For example, in the UK instant payments are ubiquitous through the Faster Payments System (FPS). FPS has already introduced a flag that indicates a payment originates overseas. This often leads to discrimination against those payments, as banks often delay payments originating overseas by 24 hours. While we acknowledge that overseas payments are subject to additional screening, this can be done in seconds and there is no justification for delaying payments by a day just because they originate overseas. This is why Wise argues that there should be strong, enforceable service level agreements (SLAs) for cross-border payments. The G20 Roadmap is a great tool to avoid these levels of discrimination.

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?

It's important that there are nuances to this data. For example, Wise provides a multi-currency account with local account details. While a US expat may be based in the UK and have a Wise account with a UK address, they may have local US account details allowing them to pay and get paid as if they were based in the US. Therefore, if they top-up their UK-based Wise account in USD using their US account details, this may be considered a cross-border payment despite it being a domestic transaction that doesn't require currency conversion. It's crucial that these nuances are reflected in the external codes.

In addition, some specifications only allow for one category purpose. This would need to be broadened to allow for multiple category purposes to ensure financial institutions can flag a payment both as a pension payment and a cross-border payment, for example.

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

No comment.

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

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?

While Wise supports restricting the character set to allow for a unified approach - for example to screening - we believe it would be beneficial to obtain information both in the original character set adopted by the local system, and the transliterated information using a set, agreed-upon transliteration standard.

The biggest concern with limiting the character set among industry players is related to screening and how names are transliterated as part of that process. If we don't agree on a unified approach to transliteration, we may create gaps in screening. If we also allow financial institutions to send information using the original character set, this would reduce the gaps and mitigate any risk arising from differing transliteration approaches.

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

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.

Yes, Wise believes that this would be beneficial to increase harmonisation and transparency.

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

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.

Wise agrees with the requirement for a UETR for all cross-border payments. However, some domestic payment systems using ISO20022 also require UETRs. We should therefore make sure that all UETRs are unique across the board and can't be reused on a domestic *and* cross-border level. We risk duplicating UETRs and complicating reconciliation for global providers.

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

No comment.

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

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?

Wise believes that this is a positive development. We already include delivery estimates for all of our payments based on our experience with the payment providers along the chain, as well as the payment system through which the payment will be processed. Our delivery estimates are fairly accurate: in February 2023, 76% of our payments arrived on time and 9% arrived early. While this is unparalleled in the industry, where delivery estimates such as "2-5 days" are not unusual, this still means that 15% of our payments arrive late, which leads to increased customer worry and contact rates.

The inclusion of timestamps will greatly increase our visibility - as well as our customers' - and ensure our delivery estimates become even more accurate. This will also allow us to reach out to partner banks and establish better ways of working, discover their pain points and why payments get stuck.

However, our point remains that we should include strong, enforceable SLAs rather than just increasing transparency. Payments should be sent and processed within a reasonable timeframe and gathering data as to where payments get stuck and why can help inform future policy decisions to ensure there is no unnecessary friction.

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?

No comment.

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

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

The benefits for consumers and businesses cannot be overstated by increasing price transparency for cross-border payments. Today, the costs of cross-border payments remain stubbornly and artificially high due to the lack of transparency. This manifests itself through payment services providers hiding the bulk of the cost in inflated exchange rates. They set their own, worse exchange rates and fail to communicate the mark-up to their customers, tricking them into thinking they're getting a better deal than they are. Therefore, any currency conversion charges applied to the send amount should include those FX mark-ups.

In order to ensure all institutions use similar benchmarks, the FX mark-ups should be calculated using a mid-market rate API. This would establish fairness across the industry and ensure consumers and businesses can accurately compare providers, putting downwards pressure on prices.

In addition, increased transparency in FX mark-ups isn't just beneficial to consumers: financial institutions along the payment chain would benefit from understanding the mark-ups applied when currency conversion is involved. When Wise makes a cross-border payment, we divide this up into two domestic transactions. If a customer is transferring money from Thailand to the UK, they will pay into Wise's Thai account and Wise pays out from its UK bank account to the recipient's UK account. However, we often see that banks refund payments to the originator of that first domestic transaction (Thai account to Wise's Thai account), rather than to Wise's UK account, applying their own, worse exchange rate to that transaction, in addition to a fee, and pocketing the difference. This means the refund amount is always lower than the original payment amount. This lack of transparency hurts consumers and financial institutions alike.

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?

No, we don't see any major hurdles. Innovations such as SWIFT GPI, in addition to other technology, have made the exchange of information available in real time. Many banks already communicate their FX mark-ups, usually buried in T&Cs, rather than as part of the payment process. In some cases, these mark-ups are hidden behind tooltips, showcasing that it is technologically feasible for firms to disclose the mark-ups, but it is an active choice to obfuscate this. The concern that disclosing mark-ups would be anti-competitive is therefore flawed. In addition, it is possible to obtain the majority of fees that firms charge customers as it is publicly available. Wise doesn't see a reason why FX mark-ups should be exempt.

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)

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?

No comment.

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?

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

No comment.

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

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.

No comment.

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)

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.

While it would be useful to be able to identify all financial institutions involved in the payments chain - including for the identification of bottlenecks and recovery of funds - we are not aware of a harmonised way in which this would be feasible. We don't believe using a BIC is appropriate (see below).

23. Do you agree with the proposed solution of requiring the use of the BIC to identify all financial institutions? Why or why not?

Wise doesn't believe requiring a SWIFT connected BIC is a workable solution, as not all financial institutions have a BIC and not all BICs are unique. Many non-banks currently don't have their own BIC. It would be feasible for firms to obtain a BIC that isn't directly connected via the SWIFT network in order to identify them, but requiring a SWIFT connected BIC for all firms would be challenging and financially disproportionate for smaller payment service providers.
In addition, in most jurisdictions non-banks need to partner with a bank which processes payments on their behalf. This means that while the underlying customer is the non-bank's customer, the BIC will indicate that the originating payment came from the bank partner. Again,

this means that the BIC is not unique to one institution. Separately, it's currently impossible to link card payments to a BIC, as it's not information that is sent along.

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?

No comment.

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

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.

Yes, this would greatly enhance processing efficiency, especially in terms of sanction screening.

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?

No comment.

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

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.

Requiring the identification of all persons involved in a cross-border payment would be beneficial, enhancing compliance and transparency within the payment chain. Wise already aims to include that information in its payment messaging. However, some payment systems' messages are not (yet) ISO compatible and this can lead to the exclusion of that information.
Wise's default cross-border payments model is to make two domestic transactions instead of one international transaction. For example, when sending money from the US to Bulgaria, a customer will send money to Wise's US account. Wise will then pay out from Wise's Bulgarian account to the recipient's Bulgarian account. These domestic payouts are often limited in terms of the sender information that can be included, either in the number of fields or in the number of characters. This means that we can only include 'Wise' as the sender and not the original sender's details. In some cases, we may include additional sender information in reference fields, but it is not guaranteed that this is processed or taken into account by the recipient bank. It would therefore be useful if this was harmonised across all payment systems and we can include full multi-level transaction information for all cross-border payments.

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

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.

Postal addresses lack harmonisation: they can be expressed in a multitude of different formats. This makes it particularly difficult to process and automate. However, some jurisdictions require firms to process all the information they receive, even if unstructured. It's therefore crucial that no unnecessary information is passed through unstructured, as this increases the manual effort involved for processing a payment, which also increases the cost and slows down payment processing.

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?

Country and Town Name fields would certainly be useful, and should be a minimum requirement. Optional fields, such as postcode would be useful, but it would require all financial institutions to communicate and use them for those fields to be useful.

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)

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?

See our answer to question 31.

31. To what extent would the ability to include references to separately sent remittance-related information (e.g. through 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 reference to separately sent remittance information in your jurisdiction/community?

Similarly to our response to question 27, some jurisdictions require all data to be processed, even if that information is provided as additional data in an unstructured way. This increases the amount of manual intervention throughout the payment process, reduces speed and increases cost.

In the UK, there are several ongoing initiatives on sharing additional fraud data, such as how long an account has been open for. While this information wouldn't be sent along with the payment, it would be sent through a different channel. This could help mitigate the regulatory requirements on processing all data.