Payments Policy and Development Department
Comments on the ISO 20022 Harmonization Requirements for Enhancing Cross-border Payments

General Comments:

- The initiative undertaken by the Bank for International Settlements (BIS) and the Committee on Payments and Market Infrastructures (CPMI) to harmonize the implementation approaches of ISO 20022 is a significant development in the field of financial messaging standards.

- **The BSP supports this initiative as it addresses the challenges posed by the diverse implementation approaches and messaging formats used across different jurisdictions and financial systems**. Enhancing cross-border payments efficiency and safety is a major agenda for the Philippines being one of the top recipients of global remittances which are economic growth drivers along with international trade and tourism. Relatedly**, the adoption of the ISO 20022 for cross-border payments may be considered to continuously advance the robustness of the payment systems and its interoperability in processing payments.**

- By promoting a common and consistent use of ISO 20022, the initiative aims to enhance cross-border payments, securities settlement, and other financial processes. **However, successful harmonization will require active collaboration and coordination among stakeholders, along with careful consideration of the unique requirements of different jurisdictions.** Requirements for this initiative **needs a thorough study and partnership with the industry (global and domestic)** to achieve its objectives for faster, cheaper, more accessible and more transparent cross-border payments.

- Further reinforcing the importance of this initiative, **financial institutions have also signified the need for a wider effort on aligning variations in payment systems**. SWIFT, a messaging system connecting 11,000+ institutions globally, presented [1] that one of the four (4) essential foundations that enable interoperability is harmonized messaging systems (e.g., IP+ and CBPR+ which are messaging standard for instant payment systems (IPS) and under ISO 20022).

- One of the features of the ISO 20022 messaging standard, which is platform and network neutrality, aims to "guarantee a level playing field among service providers". This will facilitate an active participation of more payment service

[1] SWIFT presentation to the BSP on Extending Interoperability to Instant Payment Systems on 16 May 2023.

providers, which will translate to variety, healthy competition, and wider product options for consumers.

- In relation to BSP's undertaking initiatives to further enhance the efficiency and interoperability of the country's real time gross settlement (RTGS) system with domestic and international payment systems, the adoption of the ISO 20022 as the required messaging and communication standard by all RTGS' participants[2] is a huge step and a milestone of the country's National Payment System.

- The November 2025 deadline is a very aggressive target, given the need to align these standards globally. It is not impossible, but all countries have to take clear and deliberate steps to meet this.

- For the Philippines:
    - We have a microcosm of this harmonization within the PESONet Payments Information Initiative. The ongoing challenge for us is to future-proof the design and ensure that all participants can comply in the future. For PESONet, we assessed that it would take us the better part of 2 years to get everyone on-board. This development has given us a clear roadmap, and will influence the way we design as the "ACH guidelines", which will need to align with the broader ISO standards. **There is an need for us to align and apply the requirements across all of our payment systems, and this will make it truly interoperable. However, we also have to acknowledge that not all of these may need to align with the global standards. At the same time, aligning the ISO specs across all of our systems will make it easier for participants and end-users to integrate.**
    - Category Purpose or Purpose of Payment is different between PhilPaSS+ (some 200+) and PESONet (approx. 20). It is important that we align this as end-users are confused that this is different between the 2 systems. We should also remind the CPMI that this is a very important data point that has to be aligned across markets.
    - We have to establish the discipline of following the MX structure and data elements as much as we can. That is, we have to avoid bulking material information in a single field.
    - As we move toward these global standards, it is likely that some will be left behind. It may be too costly for smaller players to invest heavily in complying to these global standards. Although in PESONet, we have done this by introducing the EIF (Enhanced Interface File). Another way is to perhaps go into indirect participation through a sponsor bank that is fully aligned with the new global standards.

[2] https://www.bsp.gov.ph/Regulations/Issuances/2019/cl053.pdf

Answers of the Bangko Sentral ng Pilipinas (BSP) to the Consultation Questions on "ISO 20022 harmonisation requirements for enhancing cross-border payments"

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?

Yes, except for "ambitious yet realistic" principle. The 2025 deadline for compliance with the CPMI requirements may pose a number of challenges given the resources and amount of time required for policy development, collaboration among the stakeholders, system enhancement, Rulebook revision, new or revised process documentation, and other incidental work involved in adopting and implementing the recommended standards.

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?

Yes.

Question 3. How could the risk of inconsistent use of messages or deviation from the business functions defined by ISO 20022 be mitigated?

The risk can be mitigated by requiring adherence to the defined scope and business function for each message.

Would the proposed solution contribute to mitigating such risks and lead to improved efficiency of cross-border payments processing?

Yes, because the uniform application of the scope and business function for each message will ensure interoperability among the countries that are involved in cross-border payment transactions.

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?

While our local adoption is largely compliant with the business functions defined under the ISO 20022, we have yet to coordinate with the industry in assessing the level of effort we need to fully comply with the standard. Our current ISO 20022 adoption covers only the exchange of messages between the RTGS participants and the BSP. This means that our implementation does not extend to the payment messages between the banks and their customers. Hence, we will explore expanding our adoption to include the CPMI-recommended messages that are exchanged between the banks and their clients to ensure that cross border payments will flow seamlessly from or to our payment system. We highlight below the CPMI core ISO 20022 messages which are not present in our current set of messages because the highlighted CPMI core messages are customer-to-bank (or vice versa) messages as opposed to what we have at present, i.e., bank-to-RTGS system (or vice versa) messages only:

Overview of CPMI core ISO 20022 message set

Table 1

Business function	Message	Description
Credit Transfer Messages	pain.001	Customer Credit Transfer (CtB)
	pacs.008	Customer Credit Transfer (Interbank)
	pacs.009	Financial Institution Credit Transfer (Interbank)
Payment Status Messages	pain.002	Payment Status Report (CtB)
	pacs.002	Payment Status Report (Interbank)
	pacs.028	Payment Status Request
Payment Cancellation Messages	camt.055	Payment Cancellation Request (CtB)
	camt.056	Payment Cancellation Request (Interbank)
	camt.029	Payment Cancellation Response
Payment Return Messages	pacs.004	Payment Return
Account Reporting Messages[1]	camt.052	Bank to Customer Account Report
	camt.053	Bank to Customer Statement
	camt.054	Bank to Customer Debit/Credit Notification
Request for Payment Messages	pain.013	Request for Payment
	pain.014	Request for Payment Response
Exceptions & Investigations Messages[2]	camt.110	Investigation Request
	camt.111	Investigation Response

CtB = Customer-to-Bank.

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?

Yes.

How do you assess the implementation effort?

We must consult our banks and our other payment system players when assessing the implementation effort. We wish to point out that at present, while most of our existing RTGS system (PhilPaSSplus) codes and those prescribed in the consultative report are similar in terms of description, they differ with respect to the code itself. Also, there are externalized codes which are not present in our local codes. Please refer to the table below showing some sample differences:

Transaction Name	PhilPaSSplus Purpose Code	ISO 20022's Externalised Codes
Salary Payment	PAYRLL	SALA
Bonds	G6PBSP	BOND
ATM Transactions	BNTATM	SASW
Equities	PSEEQT	EQTS
Pension	PEINPP	PENS
Derivatives	-	DERI
Swap	-	SWAP
Trade Finance	-	TRAD
Vision Care	-	VIEW
Gift	-	GIFT

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?

We don't see any material limitation at this time although we may need considerable time to adopt the prescribed 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?

Yes.

Would such a flag facilitate compliance procedures including financial crime screening?

Yes, because a cross border payment that is tagged as such can be immediately identified as a transaction that is subject to more rigid screening as opposed to a domestic payment which usually undergoes less scrutiny.

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?

Yes.

Are there alternative approaches you would suggest?

None.

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

Given the cost and effort involved in complying with this requirement, we shall do our assessment in collaboration with the industry.

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?

Yes.

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?

Yes.

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?

Yes.

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

We shall do our assessment in collaboration with the industry.

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?

Yes.

What improvements would the requirement bring to the end user experience?

It will allow the debtors/payers to determine the appropriate timing of remittance, and the recipients/beneficiaries to know the point when the funds are available to them.

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?

We do not find any material challenge in implementing this requirement.

Would the implementation effort and impact on the transparency needs of end users differ by message type?

We deem that the input of the industry is important in determining the differences, if any, in the implementation effort and end-users' transparency needs by message type.

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?

Full cost transparency will enable the end users to make informed decision on which cross border payment service or payment service provider is the most cost effective. Understandably, increased consumer awareness of the cost will drive stiffer competition among the payment service providers, ultimately leading to lower fees.

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

We don't see any legal impediment at present. However, the financial institutions may have to make significant system enhancements, entailing higher capital and operational costs that they may eventually pass on to end users. Thus, the requirement may adversely affect the pursuit of reduced cost of cross border payments.

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?

Yes.

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?

We defer to the industry in answering this question.

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

We shall coordinate with the industry in doing such an assessment.

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?

Yes, because the use of such identifiers will prevent payment rejections and returns, hence the expectation that cross border payments will be more efficient in terms of both speed and cost.

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?

Yes. It will prevent misidentification of financial institutions and expedite the pertinent validation process at financial institution level.

Question 23. Do you agree with the proposed solution of requiring the use of the BIC to identify all financial institutions?

No, alternative identifiers may be accepted for financial institutions that are rarely or totally not involved in cross-border payments provided that those identifiers follow certain conventions, and these are issued by authorities like central banks.

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?

We may encounter difficulties in complying with this requirement since our RTGS system has been designed to make use of internally set Member IDs instead of the BIC. The member ID was preferred over BIC to avoid requiring the RTGS participants that are not SWIFT subscribers to go through the unnecessary process of securing a registered BIC from SWIFT. Please refer to the table below indicating sample Member IDs of non-SWIFT subscribers participating in our payment system. We have over 100 participants that have central bank-issued member IDs instead of BIC. You may note that the Member IDs are similar to the BIC since we construct the Member IDs following the BIC structure to the extent possible.

Bank Name	PhilPaSSplus Member ID	Non-connected SWIFT BIC
One Cooperative Bank	OCBIPHM2	none
Summit Bank	SMMTPHM2	none
Rural Bank of Sanchez Mira	RBSMPHM2	none
Gotyme Bank Corp.	GOTYPHM2	none
Rural Bank of Silay	RBSCPHM2	none

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?

Yes, because the requirement will shorten the screening process and thus improve processing efficiency which is beneficial not only to payment service providers but also to end users.

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?

Yes.

Should they be required instead?

Yes. However, aside from BIC or LEI, alterative identifiers should be considered for as long as the alternatives follow certain global conventions and that the alternative identifiers are issued by authorities like central banks.

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?

Yes. Any information that is structured facilitates the screening process and thus improves operational efficiency.

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

Yes.

Should any additional fields be required?

The Postal or Zip Code, if common in many jurisdictions, may also be considered to be a mandatory field.

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?

Yes.

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?

It will allow faster referencing and tracing of cross-border payments, benefiting end users through more efficient reconciliation between them.

Are there obstacles (eg legal, regulatory, supervisory limits) to including reference to separately sent remittance information in your jurisdiction/community?

We don't see any obstacle at this point.

Implementation:

Question 32. Is the timing envisaged for the requirements in section 2.5 to take effect in line with industry expectations?

We have yet to coordinate with the industry on this matter.

What would be the challenges in meeting the envisaged timeframe?

It may be too tight given the significant system and operational changes to be made by financial institutions and payment system operators, including the BSP.

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?

Yes.