Common Global Implementation Market Practice Response to the
CMPI Consultative Report on ISO 20022 harmonisation requirements for enhancing cross-border payments

Executive Summary

Common Global Implementation Market Practice (CGI-MP) supports the aim of the CPMI-PMPG Joint Task Force (JTF) to develop harmonised usage for ISO 20022 to improve the efficiency of cross-border payments. CGI-MP also agrees that the consistent use of ISO 20022 is essential to facilitate global interoperability and support the G20 targets of reducing the overall cost and increasing speed as well as improving the access and transparency of cross-border payments.

In considering implementation of the ISO 20022 standard, we would like JTF to ensure that this harmonisation proposal is handled in the most beneficial way for the market stakeholders, especially, the corporates which often originate cross-border payments. The corporate industry supported by the ERP/TMS technology providers thrive to optimise available resources to grow businesses, contain cost and reduce risk while minimising business disruptions. To do this, JTF may wish to consider the following observations from CGI-MP:

- Understand the complexity involved in the corporate setup with multiple systems in multiple jurisdictions. Multiple databases exist whereby the data is not maintained in accordance with the ISO 20022 message structure, e.g., postal address, customer identifications, ISO codes.

- Consider the additional use cases and messages under the CPMI Service Level Agreement guideline to cover an entire linage of the payment transaction from the initiation into the settlement to reconciliation. CGI-MP provides a variety of use cases with illustrative examples to supplement the guidelines of camt.052, camt.053 and camt.054 V08 as well as pain.002 V10 Relay for the industry review and adoption.

- Cover more details of structured Regulatory Reporting information in the CPMI SLA as the usage guidance was included in the CGI-MP pain.001 V09 international and urgent payments Usage Guidelines and User Handbook. This was presented to PMPG in March 2023 with the aim to agree on a common usage along the whole payment value chain.

- Allow corporates and banks to keep the existing business logic to identify cross-border payments using Service Level Code and other details in the payment initiation message and avoid changes on their systems as business benefit.

- Let corporates continue embracing the richness of ISO 20022 based on full UTF-8 and apply common business logic across a variety of payment types internationally and locally where the use of local character set is required or expected.

- Use of new ISO message versions: The CGI-MP is based on ISO version 2009, and now provides ISO version 2019 to drive usage of structured and consistent information. Careful consideration is required to manage the versioning as significant investments are needed to implement different message versions. Refer to question #32 for further comments.

- CGI-MP is still working on usage guidelines for the camt.055 / camt.029 (Payment Cancellation Request / Response) and pain.013 / pain.014 (Request to Pay / Response). Therefore, we are unable to provide our input at the moment. It would be much appreciated if JTF considers these CGI-MP guidelines upon availability, if timelines allow.

The next steps should include discussion and socialisation of these observations. Industry Roadmap, clear steps and wide education of all stakeholders are critical to making the harmonisation goal a reality.

As part of the socialisation, CGI-MP welcomes the opportunity to engage with JTF and walk you through the published and upcoming CGI-MP Usage Guidelines and various use cases available on Swift MyStandards (link).
References available at the end of the document.

About CGI-MP
Common Global Implementation Market Practice (CGI-MP) provides an open forum for financial institutions (banks and bank associations) and non-financial institutions (corporates, corporate associations, vendors, fintechs and market infrastructures) to progress various bank-to-corporate implementation topics on the use of ISO 20022 standards and to other related activities. The overall objective of this group is to simplify implementation for corporate users thereby promoting wider acceptance of ISO20022 as the common standard used between corporates and banks. This is achieved through consultation, collaboration and agreement on common implementation templates for relevant ISO 20022 financial standards, leading to their subsequent publication and promotion in order to attain widespread recognition and adoption.

CGI-MP Responses

CGI-MP responds to the following questions and requirements:

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?

CGI-MP: In general, we are in agreement 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?

CGI-MP: Agreed.

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.

CGI-MP: In addition to the adherence to ISO standard definitions, the inconsistent use of messages could be further mitigated by clear and prescriptive usage guidelines of the communities, such as CBPR+, CGI-MP etc. We support that 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?

CGI-MP: Efforts should be covered within the overall migration to ISO 20022, i.e. to apply right away the correct message.
While a large number of different ISO messages exist, the business value of adoption shall be evaluated by each of the different communities.

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?

CGI-MP: We agree to use ISO external codes to facilitate faster processing and simpler implementation, e.g. for ServiceLevel, LocalInstrument, Category Purpose, Purpose, Scheme Name.
However, some local authorities, who stipulate regulatory requirements do require so far non-ISO codes e.g. for purpose of payment (often numeric values), or other regulatory data (e.g. Japan "Not North Korea Not Iran" = code "NNKNI"). Here, education and action by such authorities, such as central banks, would be required to reach the goal.
Furthermore, today some banks support proprietary codes in the corporate-to-bank space to allow for bank individual value-add services. Such codes would however not be passed on into the interbank pacs messages.

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?

CGI-MP: The migration to external ISO codes will certainly require efforts, considering as well the fragmentation of the market 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.

CGI-MP: We do not support the introduction of an identification code for cross-border payments in the corporate-to-bank space. Since years, banks identify cross-border payments initiated as pain.001 by means of ServiceLevel code URGP/NURG and/or other payment details (country of debtor / creditor agent as part of the BICs or agent address country code, currency of transfer amount etc.). Also the corporates would like to keep the existing initiation logic to avoid changes on their side without a business benefit.

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?

CGI-MP: See above. 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?

CGI-MP: See above, it would involve efforts and lead to unnecessary costs without a clear benefit in the corporate-to-bank space. The way to initiate and identify cross-border payments runs well for more than a decade in the corporate-to-bank space.

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?

CGI-MP:
As per CGI-MP UGs, the applicable character set is UTF-8 (apart from 5 special characters to be escaped). We state that ERP/TMS systems and banks may apply character conversion logic to ensure that the relevant character set is used for a particular clearing / clearing format.
Corporates do not agree to apply a restricted character set for cross-border payments as they look for common logic across the different payment types. ISO 20022 supports full UTF-8, which allows as a wide character set the usage of local language characters. From the perspective of Anti-Money Laundering and Anti-Financial Crime an extended character set could facilitate the clear identification of parties, as well as remittance information. Furthermore, it helps to improve reconciliation on the beneficiary (creditor) side.
We suggest that the local characters as today allowed by many clearing systems should be included.
Conversion of special or local characters from the payment initiation into the restricted character set may lead (as experienced today) to challenges (e.g. 1 Chinese character mapped to 4 digit Chinese Commercial Code).
Last but not least, CGI-MP supports the unchanged processing of data end-to-end, preserving the data integrity and in conformity with the initiating party's instruction.

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.

CGI-MP: Yes, we agree that a common time convention facilitates efficiency of cross-border payments and other payment types. The CGI-MP usage guidelines already stipulate "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). Decimal fractions of milliseconds with 3 digits are optional."

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.

CGI-MP: We see the benefit of using the UETR as a unique transaction reference across banks. CGI-MP prefers to keep it optional for corporate payment initiation, as banks anyhow have to add it when releasing the payment into the SWIFT network. Thus, additional efforts on corporate side can be avoided.
If a corporate provides the UETR in the pain payment initiation, it must remain unchanged by the bank, and uniqueness of the UETR must be ensured by relevant data validation.

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

CGI-MP: The Corporate ERP or TMS system would need to support the UETR, and ideally validate the algorithm to ensure uniqueness, before it is sent to the bank. This would be likely a low to medium effort.
For banks it would be a low effort to accept and forward it, as they already support it towards the SWIFT network.

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?

CGI-MP: There are several uses cases (treasury, tax payments) for corporates to track receipt of the payment by the creditor and get transparency about the processing time. This can be facilitated by Swift gpi tracking services. Therefore, we do not see the need to additionally state the time of debit.

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?

CGI-MP: Referring to above answer, such effort for banks could be avoided.

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?

CGI-MP: Providing this level of transparency requires significant efforts by banks and ERP/TMS providers to support this information end-to-end. CGI-MP Working Group supports full transparency and focuses on harmonised cash management reporting (camt) to cover an entire linage of the payment transaction from the initiation into the settlement to reconciliation. The CGI-MP camt.053, camt.052 and camt.054 guidelines, use cases and illustrative examples provide how amount details are expressed, where the debtor or the receiving Institution perform the FX, and when intermediary bank charges are applied and how best to report them. Refer to the CGI-MP portal of MyStandards where the camt V08 usage guidelines and various use cases are published.

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?

CGI-MP: If this information is received from clearing, it would be rather low technical challenges to provide such information in the camt account information reporting. It may also depend on the regional legal framework (e.g. PSD2 gross amount to be credited with separate fee booking).

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?

CGI-MP: From a financial institution perspective 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?

CGI-MP: Financial institutions would need to 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?

CGI-MP: From a financial institution perspective it would be a rather high effort to implement and fully adhere to the CPMI SLA guidelines. It also needs to be considered that priority for most banks is still the completion of ISO 20022 migration projects until end of 2025.
Important to consider is that from corporate perspective this CPMI code must not be required to be provided in the corporate payment initiation pain.001.

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.

CGI-MP: Yes, agreed, and already a corporate-to-bank practice for cross-border payments to provide either IBAN or Other account identification. Usage of account proxy is growing for domestic and SEPA payments, and could be introduced for cross-border payments as well. This would require medium efforts for banks to build additional logic around the account proxy.

Requirement #11 – To uniquely identify all 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.

CGI-MP: Yes, the unique identification would increase Straight-Through Processing and support sanctions filtering. We understand that "all FIs" mean all banks including debtor agent, intermediary agents, creditor agent and for any cross-border payments.

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?

CGI-MP: 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 / subsidiaries, so it may take considerable time to reach full realisation of this CPMI ambition.

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?

CGI-MP: re. a) We estimate medium efforts to use BIC only on bank side, however it would get complicated during the transition phase until all financial institutions involved in cross-border payments use only BIC. On the corporate side, would be medium effort for those corporates, who provide today information additionally to the BIC, and would need to migrate to BIC only.
re. b) We estimate that it would be a high effort for non-BIC banks to implement the BIC code (also from process change point of view).

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.

CGI-MP: 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. Since more than a decade, corporates combine street name and building no. in a single element. Corporates would need to spend immense efforts to adjust their processes for the provision of ISO structured data in "first lines" of address, such as Street Name, Building Number, Building Name, Floor, Room. CGI-MP has reflected the current CBPR+ usage guidelines not to allow after Nov. 2025 the Address Lines, however in practice corporates say that they cannot comply with it. The outcome of the PMGP survey should be considered here. In case of approval of the change request towards a semi-structured address, CGI-MP will adjust its guidelines to allow AddressLine under the adjusted rules of CBPR+.
Furthermore, addresses are quite diverse across the globe. In some regions, Street Name and 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?

CGI-MP: 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. Moreover, it would add costs to financial institutions to validate such identifiers. Therefore, we do not agree to make the identifiers required (R).
Re. Issuer to be required in future, we would not see the benefit to make it required, as e.g. in case of a corporate tax ID, the SchemeName code TXID would be sufficient to identify the party. Instead, CGI-MP prefers to have Issuer to be Recommended.

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.

CGI-MP: We agree in general, as it is useful to facilitate sanctions filtering and combat money laundering and terrorist financing (AML/CFT). 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, the SchemeName code TXID would be 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.

CGI-MP: Refer to our reply to Question 25. The corporate community does 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?

CGI-MP: 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?

CGI-MP: Yes, we agree that usage of RemittanceInformation.Structured (with up to 9,000 char) or a remittance reference would provide consistent and high-quality structured data to improve the payment reconciliation and thereby the efficiency. RemittanceInformation.Unstructured should continue to be allowed. When the structured remittance information will be widely supported after Nov. 2025, CGI-MP will adjust its usage guidelines to recommend usage of RemittanceInformation.Structured.

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?

Implementation (Section 3)

CGI-MP: 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. The usage of a related remittance information reference (char/numeric value, not any hyperlinks) is seen as helpful as another means to improve automated reconciliation. In several countries, there is long established market practice to provide a reference assigned by the creditor under RmtInf/Strd/CdtrRefInf, e.g. a QR code value, the SEPA creditor reference, or the KID no. in Scandinavia.
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.

<u>Question 32</u>. 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?

CGI-MP: In the corporate-to-bank space, there is no end-timeframe set when to adopt new pain and camt ISO messages, therefore it would be highly challenging to adopt CPMI guidelines by end of Nov. 2025. There is no mandatory requirement for corporates to instruct cross-border payments in pain.001 format. Today still a variety of other file formats is used to initiate cross-border payments (EDIFACT, MT, SAP IDOC, CommaSeparatedValue). The CGI-MP usage guidelines are based on ISO version 2009 used so far since 2009 in the market. Additionally, CGI-MP supports ISO version 2019 with a recommendation to drive usage of structured and consistent information. Banks and technology providers plan to implement the 2019 version starting from Nov. 2023 and spanning into 2024/2025.
With view to future new message versions used e.g. in the interbank space for cross-border payments, the feedback from Corporates is that they are not in a position to implement new message versions every few years. Reason is that they would need a viable business case, e.g. to support new payment types, or key payment-related functionality for them, in order to make investment decisions for such an implementation project. Their expectation is to implement in the near future a stable version, and let banks or providers do the conversion of data into a newer message version as necessary.

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

CGI-MP: Yes, they provide clarity. Kindly note that CGI-MP is still working on usage guidelines for the camt.055 / camt.029 (Payment Cancellation Request / Response) and pain.013 / pain.014 (Request to Pay / Response). Therefore, we are unable to provide our input at the moment.

References

- CGI-MP Portal of MyStandards: www2.swift.com/mystandards/#/group/CGI-MP
    - CGI-MP Payments pain.001 Customer Credit Transfer (ISO 2019 version)
    - CGI-MP Payments pain.002 Payment Status Report (ISO 2019 version)
    - CGI-MP Account Reporting camt.05x (ISO 2019 version)
    - CGI-MP Payments, Collections, Status Report (ISO 2009 version)
    - CGI-MP Account Reporting camt.05x (ISO 2009 version)
- CGI-MP Working Group 1 User Handbook
- CGI-MP pain.001 V09 CGI-MP Appendix B Local Country Rules
- CGI-MP Working Group 2 Bank to Customer Reporting Use Cases, e.g.,
    - Amount Details (Exchange Reporting)
    - Balance Reporting
    - Pagination
    - Electronic Sequence Number
    - Lockbox Reporting
    - Virtual Account Reporting
    - Returns and Reversals Reporting
- CGI-MP website: www.swift.com/cgi