



31 May 2023

CPMI Secretariat
Bank for International Settlements
Basel, Switzerland

Submission by email to: cpmi@bis.org

Response to “ISO 2022 Harmonisation Requirements for Enhancing Cross-Border Payments” Consultation Paper

To Whom it May Concern,

Please find attached the submission of the Emerging Payments Association Asia (EPA Asia) to the “ISO 2022 Harmonisation Requirements for Enhancing Cross-border Payments” Consultation Paper released by the CPMI in March 2023.

EPA Asia’s goal is to unify the payments agenda in the region, drive business development and improve the regulatory landscape for all organisations within the payments value chain. We are a community of payments organisations whose goal is to strengthen and expand the payments industry for the benefit of all stakeholders. More information about EPA Asia can be found on our website www.emergingpaymentsasia.org.

Please note, that while we have consulted within our membership, any views expressed in this submission are solely the views of EPA Asia and do not necessarily represent the views of individual contributors, EPA Asia Ambassadors or EPA Asia Members.

EPA Asia has been strongly supportive of the G20 / FSB cross-border payments agenda and believe that standardisation of messaging is one means by which this agenda can be advanced.

We remain broadly supportive of standardisation, though our responses below generally focus on our concerns. These concerns include the emphasis of BICs rather than LEIs; excluding the use of non-Latin characters; and the structuring of postal addresses. All of these, while well-intentioned, could cause some issues for our members operating in Asia and, if not seen as transitional, could lock in legacy thinking in a world that will become increasingly diverse. As well, we have some general views in respect to governance, maintenance, and timing.

Q1) Guiding Principles

EPA Asia is broadly supportive of the efforts to develop standardised messaging and believes that the Guiding Principles outlined in the Consultation Document are broadly sound. It is also pleasing to see that there is a recognition of the different progress made within different jurisdictions and that a broad principle of “greatest good for the greatest number” has been adopted. We believe that the potential benefits in regions such as the Asia-Pacific need to be given proper weight within any such deliberations, considering the prospects for economic growth and activity in our region.

We would note that the work contemplated in this Consultation Paper, as well as the direction of Nexus Project, appears to be placing a greater emphasis on harmonisation between and across system messaging as a means of achieving the G20 / FSB cross-border payments goals. While this is laudable, harmonisation can often be a very challenging path to pursue and we would not want these efforts to in any way deprioritise or counter-act other efforts, such as message translation. Further, we continue to believe that greater regulatory consistency and a more open approach to data overall will enable smoother and easier cross-border linkages to be established between systems.

Q3) Identifying a Cross-Border Payment

While having a flag to denote a cross-border payments is sensible, there would need to be a clear definition provided as to what constitutes a “cross-border payment” for the purposes of assigning such a flag. This is not necessarily a simple exercise, particularly given the complexity and diversity of regional arrangements, national boundaries, and different currency arrangements, and, as such, will require proper consideration. Further, as some geographies have tried to define cross-border, it often came about that these transactions never left the country but went between multi-currency accounts within the borders but were considered cross-border transactions.

Q10) Character Set

While EPA Asia recognises that the continued use of Latin characters generates some efficiencies for some players (including in respect to sanction screening and anti-money laundering and counter-terrorist financing compliance), we believe that requiring this over the longer term is overly restrictive for Asian countries that are seeing significant economic growth. Requiring translation often places costs on jurisdictions with non-Latin languages. Ideally the harmonisation roadmap should chart out a longer-term version as to how non-Latin characters will be accommodated within messaging.

Q22-24) Use of BICs

As with the use of Latin characters, EPA Asia recognises that the use of BICs for the identification of sending and receiving institutions within messages will generate efficiencies for many established players. While BICs are now easier for non-banks to obtain than has previously been the case and the governance of BIC issuance is now done in a more open and accessible fashion, we believe that there needs to be a path towards the adoption of LEI as a primary institutional identifier over the longer term. We note that LEIs have a number of advantages over BICs, including that that LEIs tie back to the legal entity, thus enhancing their use in respect to monitoring and compliance.

Q28-29) Postal Address

EPA Asia believes that the adoption of the addressing conventions, as proposed, will prove difficult for countries, such as Japan, that have significantly different addressing conventions. We would prefer if mandatory structured fields be limited to Town and Country with other fields able to be included as unstructured data.

Governance and Maintenance

The enormity of the effort required to introduce a newly harmonised cross-border standard is significant. There will need to be significant consideration of the governance and maintenance of any such cross-border standard. We believe the discussion at 3.4 underplays the challenges

associated with maintenance and managing change. As such, we believe this, along with governance, should be subject to its own significant and more detailed discussion.

Q32) Timing

While EPA Asia strongly backs the G20 / FSB cross-border payments agenda, we believe that targeting the implementation of any new harmonised standard by the end of the co-existence period in November 2025 is not realistic given the amount of effort currently expended by industry for the implementation of MX messages and the amount of effort required to both develop and implement any new harmonised standard. While we do not have a specific suggestion, we believe that a minimum of 12 months after the end of co-existence period would be more realistic.

Conclusion

Overall, we believe that the BIS / CPMI efforts to facilitate the standardisation of ISO 20022 messages for cross-border payments is, broadly speaking, a worthwhile endeavour. However, we would not want to see this done in such a way that deprioritises translation or regulatory reform, locks in legacy thinking or imposes an unrealistic timeline for industry. Further, we believe that by a) maintaining a commitment to explore a wide range of options to support cross-border payments, b) by developing a longer-term roadmap for ISO 20022 message standards that better recognises global diversity and c) adopting a timeframe and governance approach that better reflects current industry efforts – that an ISO 20022 harmonised standard can support the G20 / FSB cross-border payments agenda in a way that is impactful, sustainable and realistic.

We are more than happy to expand further on the items raised in this submission or to provide further information. If you do have any comments or questions, please feel free to contact EPA Asia's representatives on the CPMI / BIS PIE Taskforce Dr Brad Pagnell at brad.pagnell@34south45north.com and Mary Ann Francis at mafrancis@ibm.com.

Kind regards,

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