Indian Financial Technology and Allied Services (IFTAS)
wholly-owned subsidiary of the Reserve Bank of India

Response to consultative report on ISO 20022 harmonisation requirements for enhancing cross-border payments (BB 14)

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?

Ans. Yes. The guiding principles have taken into account the changes in the global scenario and the need for an independent approach towards the Cross Border Payments.

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2.5.1 Requirement #1 – To use the appropriate message for a particular business function.

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

Ans. Yes, inconsistent use of message for a particular business function / area can be addressed by making it mandatory for the industry to use the right set of messages. Any deviation in the message type(s) used will impact the harmonisation as well as potential interoperability and standardisation across the industry. Non-compliance can also impact efficiency and thereby costs.

However, if a timeline is defined for return transactions, adherence, deviation, and exception scenarios can be monitored by the respective PSO.

In Indian scenario, the new payment messages for NEFT on ISO 20022, are the same as the ones proposed for harmonisation.

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?

Ans. Use of appropriate message based on requirement will help in mitigating the risk of inconsistency. Use of standardized messages will ensure efficiency as error free straight through processing can be achieved. The domestic leg of transaction can also be done by using the same message format.

At present, Cross border transactions are in a proprietary format, while the domestic leg of the transaction under NEFT and RTGS are in ISO format (NEFT Bank MI under migration to ISO 20022, and NEFT central systems already migrated to ISO 20022). The need for due diligence and absence of structured data between domestic and international systems, hamper straight through processing.

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?

Ans. Any changes in message format would take some effort. However, standardisation and alignment with ISO standards, would make the systems interoperable and cater to the growing/future needs of the system. The effort put in standardisation would be one-time effort with minimal efforts to keep it updated as per the requirements.

In India, as ISO standards have already been implemented for central payment systems, the effort will be minimal based on the level of changes in the elements/data structure.

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

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?

Ans. Using a standard externalised code will assist in straight through processing thereby increasing efficiency and speed of processing. The need for decision making in case of non-standardised codes can be eliminated resulting in a cheaper and transparent processing. Add to this, certain fields such as purpose of transactions etc. can be made clear by standardizing the codes, which can further increase customer satisfaction.

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?

Ans. Since ISO is the global standard, it will be beneficial to have formats linked to it. However, if the frequency/nature of changes are more, implementation effort for system participants will increase. Usage of standard and stabilized message formats are perceived to be beneficial for system participants.

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Requirement #3 – To indicate that a payment is a cross-border payment

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.

Ans. Yes, this will enhance efficiency as there can be a straight through processing. Such identification will also ensure easier identification of cross-border transactions enabling proper sanctions screening/anti-money laundering.

Countries usually will have 2 types of Payments i.e. one is Cross Border and other is Domestic Payments.

If there is a mechanism to identify Domestic Payments in ISO Message, we can use the same mechanism to identify Cross Border Payments. Such field markings can be over and above the Category Purpose Code.

For Cross Border:

E.g. <BizSvc>**CBPR**FIToFICustomerCredit</BizSvc> (Here CBPR can be used to identify the transaction as CrossBorder Payment Remittance (CBPR)

For Domestic Payments:

The same field can be used in Domestic Payments by replacing CBPR with the Domestic Payment code. - say for India can use <BizSvc>**RTGS**FIToFICustomerCredit</BizSvc>

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?

Ans. Yes, Category purpose can be used as a one of the alternatives to indicate Cross Border/Domestic transaction. However, if the settlement system (RTGS etc) is also defined along with the nature of transaction (cross border/domestic), usage of the code may not be feasible. Specific guidelines on usage are to be provided in such cases.
Perhaps using **CBPR** as the category purpose code for international, and DOMT for Domestic may serve the purpose.

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

Ans. As mentioned earlier, any change would require effort and time. Assessment of effort, cost and time will depend on the overall scope, changes required and impact assessment.

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

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?

Ans. Yes, restricting/usage of pre-decided character set will aid faster processing of transactions. However, usage of native language should be restricted to domestic systems only and not for cross-border transactions.

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

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.

Ans. Yes, there should be a flexibility to opt between UTC and local time with UTC offset mentioned. This will avoid confusion in date/time.

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

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.

Ans. Yes, having UETR for all cross-border payments will have a positive impact as it makes easier for processing & tracing the transaction flow from one party in the payment leg / chain to other. This will enhance customer satisfaction too. Any standardisation of UETR format may also be looked into.

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

Ans. Assessment of effort, cost and time will depend on the overall scope, changes required and impact assessment.

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

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?

Ans. Yes, inclusion of time of debit of debtor and credit at beneficiary will increase transparency on where the delay / lag has happened in the payment chain. This will result in the end-user getting the full information on the delay and can result in choosing better service providers. This will increase competition and lead to better & faster settlements. End-user will benefit in the long run.

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?

Ans. At present, most institutions do not capture the debit time or credit time. Such changes will be beneficial; however implementation will require changes in user/bank/customer systems. Implementation effort will depend on impact assessment.

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

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

Ans. This will ensure that the customers are aware of the charges involved by various intermediaries. This will give customers the option to evaluate performance based fees with premium for value additions, as appropriate.

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?

Ans. Transparency on amount, conversion and charges can bring competition and efficiency. Technically necessary changes will have to be performed across system participants and Payment operators. Currently the inclusion of such charges are not mandatory.

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Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance (building block 3)

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?

Ans. Such introduction may increase adherence, however such controls are advisable to provide it as a guidance which can be implemented by respective PSOs.

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?

Ans. If the CPMI level code brings in tangible results in efficiency, speed and transparency, the services may be priced differently by financial institutions. Different products/services can be offered for CPMI enabled messages with commitments on processing, delivery, and confirmation.

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

Ans. Since it is proposed to be a service level code in the externalized list of ISO standards, adoption may be relatively easier. However detailed assessment with impact analysis needs to be conducted on the exact proposal on the changes.

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

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.

Ans. Yes, use of unique account identifiers will increase the efficiency of transaction processing thereby reducing the cost. This will also reduce the chances of wrong credits and number of return transactions. However, the implementation of unique account identifiers will be challenge. LEI may be implemented for corporates, while for individuals a unique account identifying number needs to be thought of.

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2.5.11 Requirement #11 – To uniquely identify all financial institutions (FIs) involved in cross-border payments in an internationally recognised and standardised way

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.

Ans. Unique identifiers for all financial institutions in an internationally recognized and standardised way will have positive effect on transaction efficiency. Implementation of BIC would be a good choice as the BIC has the country code attached to it, which additionally assist in sanctions screening.

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?

Ans. Yes, BIC can be a good solution for identifying the financial institution.

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

Ans. As BIC is already used currently by major financial institutions for cross-border transactions, the effort involved may not be substantial**.** However, for domestic transactions IFSC code is in use currently.

The system participants who are not involved in direct cross border transactions will have substantial efforts in their systems, if the cross-border transaction leg involves such beneficiaries.

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

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.

Ans. Yes, processing efficiency will improve as the data is more structured and granular to allow automatic sanctions screening and reducing the manual interventions.

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? Are there alternative approaches that you would suggest?

Ans. LEI may be used across the payment chain for legal entities.

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

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.

Ans. Having standardised and structured information to identify the parties involved will be good move for sanctions screening.

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

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.

Ans. A minimum standard structured postal address requirement like, House No / Apartment Name, Street Name, City Name, State / Province Name, Pincode etc can be formulated.

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?

Ans. Country and Town name can be considered as minimum requirements. Other requirements such as House No / Apartment Name, Street Name, City Name, State / Province Name, Pincode can improve data accuracy.

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2.5.15 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

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?

Ans. Yes, setting minimum requirements of remittance information will improve processing efficiency. It will also help in building reference data for reconciliation and investigation purposes.

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?

Ans. It is not suggested to have hyperlinks in the messages. Remittance information can be directly entered in a precise manner under a defined set of characters. This can assist sanctions screening as well.

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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?

Ans.: As the main service provider for cross border transactions, viz. SWIFT, has embarked on a journey for migration of their payment systems to ISO standards. Standardisation/harmonization of message formats based on business/function can be aligned with such timelines.

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?

Ans.: Section 2.5 provides the roadmap for harmonized adoption and use of ISO standards for Cross Border payments. Further discussion at a working group level will assist in finetuning the various aspects.