J.P.Morgan

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*By electronic submission to cpmi@bis.org*

*Secretariat to the Committee on Payments and Market Infrastructures*

**J.P. Morgan response to the Consultative Document: ISO 20022 harmonisation requirements for enhancing cross-border payments.**

J.P. Morgan (the "Firm") appreciates the opportunity to submit its comment to the Committee on Payments and Market Infrastructures (CPMI) in response to the Consultative Document, "ISO 20022 harmonisation requirements for enhancing cross-border payments" (the "Consultation").

J.P.Morgan is fully supportive of the central bank-led global market initiative to enhance end-user cross-border payments. J.P.Morgan averages daily global payment processing value in the region of $10 trillion and, as a result, has significant experience in the challenges of providing payments services to customers in multiple jurisdictions.

J.P. Morgan also supports the principle of global harmonisation to improve interoperability and make cross-border payments faster, cheaper, more inclusive and transparent. J.P. Morgan recognise ISO 20022's richer and more structured data offers various benefits and that fragmentation in implementation currently limits its full potential.

In March 2023, J.P. Morgan migrated to ISO 20022 for both inbound and outbound CBPR+ messages sent through the TARGET2 and EURO1 systems. To ensure a smooth migration, J.P. Morgan completed extensive planning and actively, partnered with relevant industry bodies and Financial Institutions, set up a dedicated client resource centre, and completed all the appropriate testing required. The cost of migration was high and the effort required was extensive. Leveraging this and other migration experiences and commitment, J.P. Morgan would like to highlight some key feedback and suggestions before providing comments in response to the specific questions posed in the Consultation.

- The CPMI should focus on producing best practice rather than requirements, as these will contribute to improvements rather than setting obligations that will need to be reported on and overseen adding to the cost of change. End-to-end cross-border payments processing is complex. A balanced and progressive approach based on best practice might be more achievable than the enforcement of requirements.
- Prior to firming up the formatting guidelines, greater clarity is required on the underlying schemes and on the data responsibilities of each participant within the cross-border payment chain to determine which party is responsible for providing what information.
- The success of the guidelines will be heavily dependent on the wider global uptake from all participants in the payment chain. Different communities process payments under different formats and standards, hence each player within these communities operates with different technological capabilities and requires different levels of effort

to adopt to ISO 20022 and any related harmonisation guidelines. The November 2025 timeframe is too ambitious for the hoped for improvements in end customer services to be realised.

- J.P. Morgan agrees that harmonisation guidelines should be platform and network neutral. Considering existing market guidelines (e.g. CBPR+ and HVPS+) were leveraged as a foundation for the proposed guidelines, institutions on the SWIFT network likely find it less onerous to adapt to them than other market participants. Mandating additional requirements such as the specific usage of particular fields, introduction of new codes and introduction of new processing conventions need to be embedded into an agreed market practice across the impacted stakeholders which largely consist of the end clients of the financial institutions.
- Given the massive impact to the broader industry, the ambition to enhance cross border payments at a global level requires risk mitigation and may be best served by addressing individual target channels first and agreeing to market practices and cross-border specific payment schemes prior to agreeing on formats and subsequently extending to additional corridors.

Looking ahead, J.P. Morgan agrees that collaboration and partnership across jurisdictions and across public and private sectors will play a key role. J.P. Morgan is happy to support the G20 roadmap by sharing its experience, specifically around overcoming implementation challenges for ISO 20022.

Please find responses to the specific Consultation questions below.

**Q1. 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?**

J.P. Morgan considers that enhancing cross border payments through the harmonisation of standards will require a progressive approach based on guidelines and market practice rather than the enforcement of requirements. The ambitious goals that have been set, apply to the entire cross-border payments chain and not just payment service providers (PSPs). Players in the ecosystem have different levels of awareness around the benefits of ISO 20022 and it will take time to adapt internal systems to realize these benefits. The consultation advocates network neutrality, however, the terminology, from an application perspective, limits the scope to those entities actively using SWIFT standards and messaging for transactions made by banks operating internationally to and from traditional bank accounts. Imposing these same requirements on a sub-set of players does not equate to network neutrality. A balanced and realistic approach towards encouraging uptake will be required that takes into consideration corporate investment cycles and the adoption of vendor ERP solutions built around the new standards.

J.P. Morgan agrees that harmonisation guidelines should be platform and network neutral. There is a need to recognise that each institution, platform and network in the different jurisdictions is progressing to adopt ISO 20022 at a different pace and will require different level of efforts to apply any related harmonisation guidelines. In view of the challenges caused by the divergencies in process and standards in the current cross-border market (particularly in the field of remittance payments), the ambition to enhance cross-border payments at a global level may be best served by addressing individual channels first and creating market practices that can be extended to additional corridors. These could work on the development of guidelines for greater standardisation in the remittance market, which could be network and channel agnostic. Multilateral adoption of any such guidelines into a cross-border scheme could lead to significant improvements in end-customer experience. The success of the guidelines will be realised by the wider uptake from all participants in the payment chain within the individual corridors. The November 2025 timeframe is not realistic for widespread adoption, but could be used as a motivator for change on a more focused basis.

**Q2. Do you agree that the inconsistent use of messages can be adequately addressed through this requirement?**

J.P. Morgan agrees that there is, currently, a high level of inconsistent usage of information transmitted through MT messages and that this is likely to continue or even increase with the additional data in ISO 20022 XML messages. Improved harmonisation driven by guidelines and market practices would be a positive approach and might address deviations to a degree.

However, as mentioned above, J.P.Morgan recommends guidelines rather than requirements that are too prescriptive and could cause friction and hinder innovation. For example, agreement on party identification will contribute to the end customer experience but replacing existing information that enables payments to be processed in specific markets with different harmonised information will be expensive, difficult to implement and have little demonstrable advantage. A balanced approach is needed to ensure that guidelines rather than requirements are set in place and that these are not so restrictive that they would slow down the industry's ability to innovate and adapt to change.

An example of innovative usage of the MT103 message is the sending of a supplementary message to address the data limitations inherent in the MT910 message.

**Q3. 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.**

See response to question 2.

**Q4. How do you assess the level of effort that will be required to adopt the appropriate message as defined by the ISO 20022 standard?**

This is a material change that goes well beyond the pure payment instruction and impacts all reporting, returns and reject messages. Subsequently this will require substantial implementation effort and cost, which would not help banks meet the G20 target of providing cheaper payments.

The level of effort is difficult to determine and will vary depending on the institution, jurisdiction and existing technical capabilities of players in the payment chain. There are many factors that will influence the effort required by payment service providers to adapt to the harmonisation guidelines: e.g. the extent to which existing messages already deviate from the harmonisation standards, the size, resources, experience and system/infrastructure in place at individual institutions and the technical sophistication of the organisation.

**Q5. 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?**

J.P. Morgan considers the question does not address the real issue. ISO 20022 external code sets were developed to enable external codes to be maintained in a quarterly cycle as opposed to an annual maintenance cycle of the base message. Ease and flexibility of maintenance does not translate to faster, cheaper and more transparent cross border payments.

The existence of externalised codes is beneficial for the industry, when they are used appropriately, each market has its own version of codes, which require some form of governance to harmonize. The challenge is not adoption at the interbank level but in end customer usage. Any changes to internal systems to adopt to the usage of new codes requires a significant implementation effort and the end benefits would need to be assessed. For the full advantages to be realised, coherent adoption on a global level would be required with national systems, such as the new UK RTGS system, implementing the same codes, which is not a given as specific countries have specific reasons to implement purpose codes (such as for UK house purchases) and then may use purpose codes for payment prioritisation.

**Q6. Are there any limitations/challenges resulting from increased reliance on ISO 20022 codes? How difficult would it be to overcome these limitations/challenges?**

As mentioned above, central banks as national payment system operators and overseers have a tendency to introduce specific purpose codes to meet requirements related to their local jurisdiction. J.P. Morgan does not support the adoption of any such codes as a global standard, in view of the development and investments required to meet limited use cases. Extensive and different code lists are difficult for customers to use and for PSPs to maintain in channels. Non web channel users have a difficult time sourcing the current code lists; requirements to check large files of transactions for valid code use will either slow down the payment process or require significant investment in technology change to facilitate checking and repair of transactions in files that do not follow the requirements. Expanding the global list to support limited use cases would be unwieldy and not provide the desired end user benefits.

Complicated and extensive external codes are also challenging for end customers, especially when different languages are involved.

More work is required for Central Banks, Payment Service Providers and end-customers to agree on the same sets of codes and definitions before these codes become standard market practice. For that to happen the devil will always be in the detail and in identifying the message elements that are critical to process transactions efficiently.

**Q7. 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.**

Further clarity is required on the identification of a cross border payment as each market / scheme / regulator may have different definitions.

Assuming the definition of a cross-border payment is where the originator and beneficiary accounts are located in countries coming under different national jurisdictions, ISO 20022 messages are already structured in a way that it is possible to identify a payment as being cross border. Payment Service Providers are already obliged to identify payments as such for screening purposes.

Beyond the limited benefits, there are lots of room for error in the identification of a payment with a flag, depending on who is responsible for what. As an example, a US client making a “cross-border payment” to a bank in Puerto Rico which has the PR country code, could get error messages, as the payment is not really cross-border.

**Q8. Do you agree that the use of an ISO 20022 external code (e.g. a Category Purpose) would be the most effective way to flag a payment as cross-border? Are there alternative approaches you would suggest?**

There needs to be a cross-border scheme defined and agreed before this can be envisaged.

**Q9. How do you assess the level of cost and effort required for the implementation effort?**

Significant efforts and cost would be required to implement any such change with little to no benefits and there is the potential for errors in populating the flag.

**Q10. 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?**

J.P. Morgan agrees with the restricted character sets as proposed since they are in line with current market practice that the firm participates in.

**Q11. 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.**

To have a common UTC time in all ISO 20022 messages could enhance transparency but not efficiency. Even if adoption was not costly the time offset would not improve efficiency.

Most real time payment systems only support local times. The implementation of a time convention based on UTC will result in significant change, implementation efforts and cost for these systems.

The required level of transparency can be achieved as long as there is clarify on what the local system time is (e.g. in US with multiple time zones, local systems like Fedwire RTP are in Eastern).

**Q12. 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.**

J.P. Morgan agrees that the use of UETR for all cross-border payments will have a positive impact on transparency and speed.

The challenge is to ensure the UETR is carried throughout the entire end-to-end payment chain, particularly at the level of domestic payment market infrastructures.

The guidelines will need to be supported and agreed across all schemes in order to realise to the full extent the benefit to end consumers.

**Q13. How do you assess the effort required to implement this requirement?**

This is a material change, that will require substantial implementation effort and cost, which would not help banks meet with the G20 target of providing cheaper payments.

Adoption of UETR is not network neutral and will be costly, however there are benefits and the industry could valuably spend time working on how best to do this in a way that is not cost prohibitive.

The level of effort is difficult to determine and will also vary depending on the institution, jurisdiction and existing technical capabilities. There are many factors that could influence participants' willingness and the efforts required by payment service providers to adapt to the harmonisation guidelines: e.g. the extent to which the existing messages are already deviated from the harmonisation standards, as well as the size, resources, experience and system/infrastructure built in place at individual institutions and sophistication of the organisation.

There are significant outreach efforts required to have non-ISO aligned market infrastructures adopt certain data fields in the ISO message and use them in domestic systems. UETR is one of these data fields.

**Q14. 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?**

J.P. Morgan does not believe that the inclusion of the time of debit will increase transparency on the time it takes to complete the processing of cross-border payments. Time stamps should be treated as legal proof that a certain legal obligation was fulfilled and not taken lightly as a tool for measurement. In this case, the time of debit of the debtor is not proof of a service provider being discharged of its obligation and therefore the example itself is not relevant.

Time of debit is not an accurate way to track payment initiation as client payments could be back-cycled (cross-border payment is sent out first, sometimes to meet local RTGS window, before debiting the client later; also "just in time" funding solutions are in place for certain clients).

The industry (e.g. SWIFT, deposit token) is working on alternative solutions to support faster cross-border payments by exploring atomic settlement, which would preclude any need for a time of debit.

The inclusion of additional data which comes at a significant cost, should not be required purely to meet benchmarking and measurement of progress against the G20 targets as this is in direct contradiction to the desire to reduce costs.

**Q15. 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?**

See response to question 14.

**Q16. What are the implications of requiring all those involved in cross-border payments to provide complete information on amount, conversions and charges?**

From a pragmatic perspective and to support early adoption of enhanced cross-border payments, J.P. Morgan supports the principle of full transparency post processing rather than pre-processing given that the originating bank will not be able to know the full pricing of downstream processing. For some payments it is not about getting the best price, it is about having a network that can actually make that payment.

The market is already making positive steps towards achieving full transparency with SWIFT GPI and the inclusion of additional information in the ISO 20022 XML messages.

**Q17. 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?**

The payer's PSP has limited visibility on any deductions applied at different stages in the payment chain. While transparency is most valuable before initiating the payment, obtaining all such information up front could result in slower speed and higher friction in cross-border payments.

There are challenges around enforcement and implementation. A case in point is the introduction of section 1073 of the Dodd-Frank Wall Street Reform and the Consumer Protection Act regarding remittance transfers. Institutions have been finding it difficult to adopt to the guidelines and smaller banks that process a limited amount of cross-border payments are not required to comply.

Since most cross-border payments are sent via correspondent banking, banks downstream will deduct fees from principal that the originator's bank is not able to provide transparency into pre-processing. While there are ways to manage these fees and provide more information if they beneficiary's bank is the originating bank's correspondent, smaller and medium sized banks do not have a large correspondent network and rely on larger banks or exemptions to provide this information up front. As well ability to provide information on conversions will depend on where in the payment chain the conversion takes place.

**Q18. 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?**

J.P. Morgan does not agree that the introduction of a CPMI service level code will facilitate improvements to cross-border payments. Competition, regulatory guidance and market practice are a better approach towards meeting the G20 targets, not the inclusion of a service level code. Service levels should be made clear between a service provider and the parties in each of the underlying schemes before defining such codes. A multilaterally binding service level would be required to enhance cross-border payments which would require significant time and effort.

**Q19. 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?**

See response to question 18.

**Q20. How do you assess the difficulty of adopting a CPMI service level code?**

See response to question 18.

**Q21. 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.**

J.P. Morgan supports the use of unique account numbers (or proxies) to the extent possible. The use of account identifiers is already embedded in certain type of cross-border payments today (e.g. credit transfers coming under the Fund Transfer Regulation).

**Q22. 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.**

J.P. Morgan agrees that uniquely identifying all financial institutions in a standardised way could improve the speed and transparency of cross-border payments. However, the benefit is unlikely to outweigh the cost.

Any such unique identification will require significant support, implementation efforts and costs from domestic systems, specifically for markets and systems that are not SWIFT based. In addition to the participants having to register for BICs and keep their data current, domestic systems would require changes to carry the BICs in messages in addition to the identifiers currently used. Further, if the BIC data is not kept up to date by these institutions, whether from changes in ownership or address, then the information the BIC provides may be outdated.

There are many financial institutions, particularly non-banks, that are not connected to SWIFT, but are sending cross-border payments via the correspondent banking network. Those institutions are unlikely to have a BIC nor to benefit from registering for a BIC.

CPMI should also consider accessibility for new entrants as the cost of obtaining and maintaining a BIC can be a barrier to entry, which is not in line with G20 cross border payment objectives.

This requirement should therefore be only applicable within the inter-bank space and to those bank that have a BIC.

In the long term, LEI may be a preferable option to BIC due to its wider coverage and enhanced data quality control. However, the challenges around LEI includes high cost (particularly for non-banks or smaller financial institutions), its failure to distinguish certain FI branches and no live validation within SWIFT messages (incorrect LEI inputs will not be picked up right away).

**Q23. Do you agree with the proposed solution of requiring the use of the BIC to identify all financial institutions? Why or why not?**

Considering the challenges mentioned in Q22. J.P. Morgan does not support the mandatory use of BIC to identify all financial institutions.

**Q24. 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?**

Significant efforts will be required for institutions that are not SWIFT based.

It would be extremely challenging for non-bank financial institutions and smaller banks to obtain a BIC. Subsequently J.P. Morgan does not support the guidelines that mandate use BIC to identify FIs.

**Q25. 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.**

J.P. Morgan agrees that it would be beneficial for all entities (i.e. corporates) to be identified in a standardised and structured way to enhance transparency, compliance screening and processing efficiency, especially considering the complex payment chains that are in place today.

J.P. Morgan agrees that structured and standardised identification is the right direction of travel. The industry is making progress with the migration away from MT messages (which are very limited in field content) to MX messages (which offer the opportunity to put in more structured data).

Imposing any such requirement on the initiator of a payment would be challenging as, currently, there is no requirement for the payer's PSP to obtain all the details (name, address and LEI) regarding the payees. Setting the inclusion of structured identification as a minimum data requirement could lead to unintended frictions and delays.

**Q26. 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?**

J.P. Morgan agrees that the proposed use of structured identifier such as LEI, could offer some benefits and the Firm is actively engaged in promoting adoption. However, there is a long road ahead to achieve market wide structured identifier adoption for those entities for which an LEI would be a relevant identifier for their limited cross-border activities.

Validation, governance and controls around LEIs are positive attributes to using LEI as a unique identifier, however obtaining an LEI can be expensive. The cost impact means that clear benefits need to be presented to corporates to obtain their buy-in.

Imposing a minimum data requirement to include structured name and postal address in addition to LEI (i.e. complemented but not substituted) would remove the benefit of having a validated unique entity identifier. It would be more efficient for LEI to be validated in real-time within the ISO 20022 message, which could replace the need to input name and address. Currently, under the U.S. Travel Rule, an entity that is an originator must be identified by name and address.

**Q27. 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.**

J.P. Morgan agrees that in an ideal scenario identifying all persons involved in a cross-border payment in a standardised and structured way could enhance processing efficiency.

Standards and structures are embedded within the MX messages.

**Q28. 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.**

J.P. Morgan agrees that the use of structured postal addresses could enhance the processing efficiency of cross-border payments.

However, as per the above, each PSP in the chain can only provide address information for their own client. Additionally, structures for addresses are not harmonised across different jurisdictions.

Prior to firming up the formatting guidelines, it would be helpful to discuss the underlying schemes and gain clarity around the data responsibilities of each participant within the cross-border payment chain to determine which party is responsible for providing what information and what they have to do if the information is not present. Industry discussions are required, and a few key volume relevant bilateral corridors evaluated to put some shape around those discussions.

**Q29. Do you agree with the minimum required postal address information consisting of the Country and Town Name fields? Should any additional fields be required?**

J.P. Morgan agree with Country and Town Names being the minimum required postal address information. These are the minimum data needed to enable compliance to perform baseline AML/CFT analysis. Due to the different address structures across jurisdictions, it is not feasible to require additional fields.

**Q30. 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?**

J.P. Morgan does not agree with setting minimum expectations for carrying remittance information, and J.P. Morgan does not believe it would improve processing efficiencies.

There are too many variances of remittance information to establish minimum expectations. Each domestic market has its own variation, let alone the variances in the cross-border space. The demand for enhanced remittance information should be driven by end-consumers' needs and corporate customers should bring forward their recommendations to drive the discussions, which go beyond traditional banking boundaries.

**Q31. 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?**

There are many challenges to the inclusion of remittance information being sent separately that would need to be addressed, such as data security concerns or hyperlinks becoming out of date.

**Q32. 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?**

In J.P. Morgan's view, the November 2025 timeframe is not realistic.

Widespread buy-ins towards the underlying cross-border payment scheme (as defined and agreed) and adoption across all participants throughout the end-to-end of the payment transaction chain is crucial.

Institutions and jurisdictions are adapting to ISO 20022 at different pace. For the institutions that are familiar with ISO 20022, over the next two years, their focus will likely be on ISO 20022 implementation. For the other institutions (e.g. corporates), the benefits of ISO 20022 still need to be clearly identified and communicated.

To realise the benefit of a harmonised ISO 20022, collective efforts will be needed, which will take time as it requires cross-industry planning, coordination and orchestration.

**Q33. Do the requirements in section 2.5 provide clarify on how harmonised implementation of ISO 20022 can contribute to achieving the G20 targets?**

J.P. Morgan supports the G20 effort to enhance cross-border payments and understands the sentiment behind the harmonisation guidelines.

However, having guidelines that are too prescriptive could lead to unintended negative consequences, including significant implementation efforts, cost, slowed innovation and barriers for new entries, as well as extended processing times.

Additional work is required to validate that the benefits of any guidelines are not outweighed by the cost and complexity of implementation.

The Firm looks forward to further constructive interaction on this important topic and is happy to discuss any of the above comments in more detail.

Yours sincerely,

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