Consultation questions

The CPMI invites the public to send their comments on these consultation questions to the CPMI secretariat (cpmi@bis.org) with "ISO 20022 harmonisation" in the subject line by 10 May 2023. All responses will be shared with the JTF and will inform the publication of the finalised harmonisation requirements by the CPMI. Responses will also be published on the website of the CPMI. Commercial or other sensitive information should not be included in the submissions, or may be included, with redactions for publication clearly noted.

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?

Answer T2: Yes, we agree with the guiding principles followed for setting the requirements. Concerning the platform and network agnostic approach, T2 followed a similar approach by selecting two different network service providers which allow various actors to access T2. Concerning the level of ambition, T2 shares the approach to implement pragmatic but impactful requirements to achieve the G20 2027 targets. Finally, T2 agrees that the requirements are to be implemented following the end of the coexistence period. However, there might be some stabilisation time required for markets which implement ISO 20022 very close or at the end of the co-existence period. For those markets for example a freeze period of one year or so could be considered.

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?

Answer T2: Yes, we agree to use messages according to the ISO 20022 standard from LVPS operator point of view. However, we have seen in recent production cases that individual market participants can disregard this requirement, e.g. by using pacs.008 for return payments. It might be, that this kind of 'misuse' of pacs.008 is caused if origin return message are e.g. a MT103 Return. Based on an assumption it would be likely that misuse of pacs.008/pacs.009 for return payments will significantly decrease as soon as co-existence is phased out.

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.

Answer T2: We assume that the proposed solution will mitigate the risk of inconsistent use of ISO 20022 payment messages to a certain extent as it will raise awareness that deviation from business functions will cause frictions along the payment chain. However, to our understanding the risk of misuse cannot be fully excluded.

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?

Answer T2: For T2 no further effort is expected to implement this requirement. T2 message portfolio is set up as defined by the ISO 20022 standard already.
In addition, we expect that the implementation effort should be manageable for other market players because there is a high number of available implementation guidelines available e.g. by HVPS+ or CBPR+. These messages could be used as template for implementation. Also, messages usage guidelines provided in the T2 open community on MyStandards (based on HVPS+) could for example be reused by any community.

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?

Answer T2: In general, we agree that the use of ISO 20022 externalised codes indeed facilitate faster, cheaper and more transparent cross-border payments.
But for codes serving business cases for single MIs, i.e. only relevant in a point-to-point context (e.g. <LocalInstrument>) the benefit of requiring of ISO 20022 externalised codes could be quite limited or even not measurable from implementation perspective.
Nevertheless, in cross-border context the use of ISO 20022 externalised code lists should always be very beneficial.

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?

Answer T2: In T2 besides ISO 20022 code lists also proprietary codes allowed.
We would assume that MIs decide to keep proprietary codes even if there are already related codes in external ISO 20022 code list present, if e.g.
- to prevent mapping of high number of proprietary codes to ISO 20022 code lists
- efforts for registration and of high number of existing proprietary codes for external ISO 20022 code list would not fit to benefit.

From our understanding it would be challenging to overcome these challenges because if an MI decided for use of proprietary codes during development phase it would become costly to switch from proprietary codes to ISO 20022 external codes at a later point.

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.

Answer T2: As T2 does not distinguish cross-border vs domestic payment processing no immediate benefit will be created.
Nevertheless, we would expect better possibility to analyse the message flows via the analytical environment.

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?

Answer T2: A code would indeed be an effective way to flag a payment as cross-border. Nevertheless, it should be excluded that implementation of new code would have side effects on other codes already used in same code list. For example current multiplicity of <CategoryPurpose> is [0..1], i.e. use of new code for cross-border would block use of another code. Solution could be increase of multiplicity via ISO 20022 CR.

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

Answer T2: From our understanding the level of cost and effort required for the implementation would be adequate if no further processing is connected to code.
In the case the flag should also be checked for validity it would cause additional implementation efforts.
In addition, the concrete conditions/requirements for use of the flag should be published.

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?

Answer T2: We'd strongly support use of restricted character set(s). Moreover, we would propose to provide also more restrictive character set for all elements with type "Text" except the element categories listed for 'extended' character set which is currently provided by CPMI, in particular: lower case characters a–z, upper case characters A–Z, numeric characters 0–9, /-?:().,'+ Space
Note: 'restricted' and 'extended' character set applied by HVPS+ and CBPR+.
Additional remarks to content of report:

- Space is missing in CPMI character set (present in HVPS+/CBPR+).
- Either HVPS+ should be added because CBPR+ character set is based on HVPS+ character set or reference to CBPR+ should be removed from paragraph.
- An explanation should be added for characters which are needed to be escaped, i.e.
  - **<** with <
  - **>** with >
  - **&** with &

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.

Answer T2: We 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. It would consistently following best practice known from FIN and facilitate transparency of processing also in a cross-border context.

Focus should be on consistent use of ‘end-to-end’ time stamps transported unchanged through payment chain.

<u>Requirement #6 – To include a unique end-to-end reference for all cross-border payments (Section 2.5.6)</u>

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.

Answer T2: From T2 perspective we absolutely 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.
Remark: UETR is enabled to be used as identifier of payment messages also in other messages used by T2. i.e. camt.005_GetTransaction and 006_ReturnTransaction etc.

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

Answer T2: From T2 perspective no additional effort is required because T2 already uses UETR for identification of payments.
As the UETR is mandatory in HVPS+ and CBPR+ payment messages, i.e. effort for implementation would simply mean to become aligned with market practise.

<u>Requirement #7 – To ensure full transparency on processing times for cross-border payments (Section 2.5.7)</u>

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?

Answer T2: Regarding increase of transparency, we would agree that the new time stamp would provide opportunity to creditor to be informed about the time it takes to complete the processing of cross-border payments.
From our perspective we cannot predict the degree of improvement of that requirement to the end user.

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?

Answer T2: From T2 perspective the adoption of usage of this new time stamp would mean efforts for implementation. In particular, the implementation would require T2 but also financial institutions to update their systems. We would also assume that the adoption could have higher implications on their implemented data models which need to be changed to document time stamp and finally to put it into pacs message.
As acceptance date time is already used in pacs.002 but in a different context it could cause further challenges for implementation. Hence creation of new date time element could be recommended.

For pacs.004 it should be clarified if it should be ‘original’ acceptance date time e.g. of origin pacs.008.
We would propose to perform deeper analysis with involvement of banking communities and not only MIs before fixing this requirement.

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?

Answer T2: Provision of amounts, currency conversions and charges of cross-border payments in payment and account statement messages will enable full transparency on costs. Potentially it would have indirect impact on charges in general for cross-border payments, e.g. costs could decrease.

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?

Answer T2: We are not aware of any technical, legal or other hurdles but indeed, it would impact the financial institutions system because they would need to be adapted to put information into messages.

Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance (BB 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?

Answer T2: From our understanding we would agree that introduction of a CPMI service level would have a very positive impact on cross-border payments processing.
It could be seen as quality label. But for this purpose, clear requirements should be defined.

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?

Answer T2: If Service Level code would be recognised by the financial institutions it would strongly support achievement of G20 targets. It could indeed serve as kind of quality label for cross-border payments.

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

Answer T2: Difficulty of adopting service level code depends from implementation approach of financial industry. If use of service level code is connected to formal rules to be validated, it could finally result in a bulk of additional validations to be performed e.g. by MIs.
It might be recommended to perform further investigations to elaborate impact of different options for potential rules connected to code.

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.

Answer T2: From our understanding it would have a positive impact if the account ID (or proxy) is really used by the systems, e.g. for parties. For example, in T2 the financial institutions (agents) accounts are identified by BIC.

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? Please explain.

Answer T2: We absolutely agree that uniquely identifying all financial institutions involved in cross-border payments in an internationally recognised and standardised way would enhance cross-border payments. As validity of BICs can be checked by systems by using BIC dictionaries the BIC should always be the preferred option for identification of agents.

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?

Answer T2: We would support requiring BIC 11 to identify all financial institutions. Only validity of BICs can be checked against central repository. Besides it could be usable for cross-border payments to enable optional use of LEI.

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?

Answer T2: In T2 the use of BIC is mandatory for settling payments, i.e. other identification criteria like account ID, or name and address are not accepted for booking purpose. T2 only accepts BIC 11. According to our understanding it should never burden a financial institution to register a BIC. We would support requirement to use BIC.

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.

Answer T2: We agree with requirement for identification of entities in a structured way. Use of structured data is a huge benefit of using ISO 20022 messages and would much improve efficiency of cross-border payments processing.

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?

Answer T2: We also agree with proposal for minimum requirements of data, e.g. Name and Address or BIC etc. and complementing data with LEI. We would point out that BIC is only item eligible for comprehensive validation process by MIs and agents in processing chains.

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.

Answer T2: We agree with requirement for identification of persons in a structured way. Use of structured data is a huge benefit of using ISO 20022 messages and would much improve efficiency of cross-border payments processing.

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.

Answer T2: We fully agree only to use structured postal address information and represents one major benefit of switch to ISO 20022. It would much facilitate payment processing because the values within XML elements can be clearly identified and matched thanks to XML tag names.
On the other hand, it should be acknowledged that on global level structured address information is not always applicable. For this reason, minimum mandatory requirements for structured information could be defined and unstructured address information kept in cross border payments on optional basis.

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?

Answer T2: We agree with the minimum required postal address information consisting of the Country and Town Name fields. Besides it is in line with HVPS+ and CBPR+ requirements.

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?

Answer T2: We 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.

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?

Answer T2: From our understanding it is not feasible to assess potential impact of e.g. hyperlinks. From pure business and processing perspective it might be helpful because of restriction of structured remittance information to 9,000 characters but might be that from security point other risks could become present when opening hyperlinks. In addition, it could cause high implementation efforts by the financial institutions to enable their systems to access external links. Finally, it is not clear who should host and maintain remittance information to be accessed via hyperlinks? Could references be enriched and if yes, even manipulated when having the links etc.

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?

Answer T2: From our perspective the timing for requirements should usually be in line with industry expectations. Nevertheless, it might happen that all customers of financial institutions fully prepared to switch to e.g. structured address data by 2025. To overcome any further needed time period it could be required to create interim solutions for party identification, e.g. combination of structured and free format address information. Nevertheless, in such situation a definite due date for removal of unstructured information from cross border payments should be defined.

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?

Answer T2: From our understanding the requirements provide much clarity on how harmonised implementation of ISO 20022 can contribute to achieving the G20 targets. We would assume that further questions to be clarified could occur during implementation phase.