

The Bank for International Settlements. Answers to consultation questions

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1. Yes. The four G20 targets are simple and unambiguous and at the same time they are primary benefits of new technologies being considered for adoption across the financial sector. In addition, an agnostic approach will enable multiple platforms to be adopted which will facilitate freedom of choice and being able to access the best solution in each jurisdiction. At the same time, with interoperability, each platform will be able to interact with all others, thereby preventing any threat of institutional silos which historically have been largely responsible for friction in the system. The level of ambition, as stated, is suitable. Ample time has been allocated for the integration and adoption of the standard, together with potential on-boarding of new technologies and the requisite oracles that will move databases from their current state onto new-age platforms.
2. Inconsistent messaging can be addressed through this requirement but it will require cooperation and commitment from all involved parties. Inconsistent messages can arise from a variety of factors such as differences in terminology, data formats etc. across different organisations. ISO20022 will provide a model for consistency and uniformity but it is only a standard that cannot guarantee that all parties will interpret or use the standard in the same way.
3. Adoption of new technology could mitigate inconsistent use. The nature of blockchain technology (distributed ledger technology) is a decentralised environment that is transparent and secure at the same time. The right blockchain technology can also enable smart contracts which would enable automatic actions and reactions within a system where all in the network have visibility.
4. The level of effort required will depend largely on what technologies will form the foundation of the next generation of payment systems. Speed of adoption will depend to a large degree on the efficiency of the new technology itself. Blockchain technology enabled payment platforms using smart contracts would reduce a lot of this concern because much of it already exists.
5. Yes. The use of ISO20022 externalised codes would facilitate, faster, cheaper and more transparent cross-border payments. Optimum implementation would be enhanced by using only these codes within the eco-system and users would be learning-by-doing which would shorten the adoption timescale.
 1. Standardization: ISO 20022 external codes provide a common language for different financial institutions to communicate with each other, reducing errors, duplication, and manual intervention.

2. Enhanced transparency: ISO 20022 external codes provide a structured format for payment data, making it easier to track and analyze payment flows. This increased transparency enables financial institutions and regulators to identify potential issues or risks in the payment process, allowing for prompt action.
3. Improved compliance: ISO 20022 external codes allow for consistent messaging across borders, reducing the complexity of cross-border payments and ensuring that all necessary information is included in the payment message.
4. Reduced costs: With standardized messaging, there is less need for manual intervention and communication, reducing the need for expensive intermediaries and streamlining the payment process.
6. As with any standardized code or messaging format, there are sure to be limitations. Over-reliance could foster a one-size-fits-all attitude to financial messaging within a system designed to be flexible and extendable. Reliance by users on the technology and the vendors is another potential risk although this can be quite easily mitigated.
7. To satisfy compliance with the relevant jurisdictions on each end of a cross-border payment, identifying it as such would be beneficial. Part of the qualification/authority of a cross-border payment would also include KYC and AML screening although this should apply to any payment, cross-border or not.
8. Agree as stated.
9. Given the value and frequency of daily cross-border payments, implementation cost would be relatively low. The implementation effort would depend on individual organisations and national cross-border payment regulations (which might also need refinement to match a new ecosystem).
10. Agree. Without this, meeting G20 targets which is a fundamental objective, would be impossible.
11. Yes. Transparency and efficiency of cross-border payments will be enhanced by stating time in either UTC or in local time with UTC offset. Since the ecosystem is global and payments are being made across all time zones, a uniformity of timestamping can only increase efficiency.
12. Yes. UETRs can be generated through the decentralized use of algorithms with no central authority required for the creation of unique identifications. That this has already been implemented adds much value to the process since this would be a simple technology bolt-on for the architecture.
13. Adoption would be straightforward and relatively effortless. UETR usage is already common in some areas and knowledge of it is widespread throughout the sector.

Subsequently, one could expect any adoption effort to be relatively small although this would vary from one area to another, depending on the current state of usage.

14. Transparency will be enhanced by including the time of debit since both debtor and creditor will know immediately, exactly when the payment was actioned. This visibility will enrich user experience with 24/7 notifications of transactions and will also enhance trust in the system enabled by complete transparency for all parties concerned.
15. Digital time stamping for cross-border payments can be challenging due to several factors, including:
 1. Time zones: Digital time stamping requires accurate time synchronization across different systems and time zones.
 2. Different regulations: Different countries may have varying regulations and requirements regarding digital time stamping, which can create inconsistencies and difficulties in implementing a standard process.
 3. Interoperability: Ensuring that different systems and platforms can communicate and interpret time stamps accurately can be a technical challenge, particularly when multiple parties are involved.
 4. Cybersecurity: Digital time stamping requires robust cybersecurity measures to protect against fraudulent time stamps and cyber attacks that could compromise the accuracy and integrity of the time stamp.
 5. Legacy systems: Many financial institutions still use legacy systems that could make it difficult to implement these solutions.
16. The primary implication will be a requirement for all financial institutions to modernise their own payment systems sufficiently . Providing complete information on amount, conversions and charges falls within a primary G20 target of transparency and may also force institutions to lower costs that were previously too high.
17. Technical hurdles, not likely. But the inclusion of complete information could be impeded by specific legislation or regulation by a local authority, relative to a specific transaction or type of transaction (e.g., confidential payments by a government agency or proprietary pricing information owned by each financial institution around payment charges and currency conversion rates etc.).
18. Yes, cross-border payments will be improved by the introduction of a CPMI service level code in ISO20022 if it would specifically provide clear guidance and harmonisation requirements. Improvements could be found in several ways.
 1. Increased efficiency: The CPMI code in ISO 20022 provides a common language for different financial institutions to communicate with each other. This standardization reduces errors, duplication, and manual intervention, leading to faster and more efficient payment processing.
 2. Enhanced transparency: With the use of the CPMI code in ISO 20022, payment data is standardized and structured, making it easier to track and analyze payment flows.

This increased transparency enables financial institutions and regulators to identify potential issues or risks in the payment process, allowing for prompt action.

3. Improved cross-border payments: The CPMI code in ISO 20022 allows for consistent messaging across borders, reducing the complexity of cross-border payments. This can improve the speed and accuracy of international payments and reduce the associated costs.
4. Better customer experience: With the use of the CPMI code in ISO 20022, customers can expect a more streamlined and user-friendly payment experience. The standardized messaging allows for easier tracking and status updates, leading to a more informed and satisfied customer base.

19. Yes, CPMI (Committee on Payments and Market Infrastructures) service level codes can impact business models in several ways:

1. Pricing: The use of CPMI service level codes may impact pricing models for financial institutions, leading to increased price competition with customers making comparisons..
2. Service differentiation: Financial institutions may use CPMI service level codes to differentiate their services and compete based on the level of service they offer. For example, they may offer premium services with faster processing times or more detailed information about the payment.
3. Operational efficiency: By standardizing service levels, financial institutions can better manage their resources and optimize their processes.
4. Regulatory compliance: CPMI service level codes may impact the regulatory compliance requirements for financial institutions and compliance could be a requirement for participating in certain payment networks.

20. Several difficulties could be faced.

1. Changes to existing payment systems may be required. Financial institutions may face technical challenges in upgrading their systems to ensure compatibility.
2. Implementing new service level codes may require significant investment in technology and infrastructure. This can be a barrier to adoption, especially for smaller financial institutions that may not have the resources to make these investments.
3. Ensuring that different payment systems can communicate and interpret the service level codes accurately can be a technical challenge, particularly when multiple parties are involved.
4. Adopting a CPMI service level code may require compliance with new regulatory requirements or standards, which can be complex and time-consuming.
5. Adoption by other parties: The success of CPMI service level codes depends on widespread adoption by other financial institutions.

21. Cross-border payments have traditionally involved multiple intermediaries which leads to high transaction fees, longer settlement times and an increased risk of errors. Account proxies, on the other hand, allow for direct transfers without the need for

intermediaries. By using account proxies, transactions can be completed in near real-time with lower fees and greater transparency. These can also enhance security by enabling two-factor authentication and biometric verification.

22. Currently, cross-border payments involve a complex web of intermediaries which can lead to high transaction fees, longer settlement times and increased risk of error or fraud. Uniquely identifying each individual institution can streamline the process with a clear and consistent method for tracking transactions across all banks and payment systems.

However, implementing a global system would require significant coordination and collaboration among all stakeholders including financial institutions, regulators and technology providers. This is a complex, longer-term goal that would require significant resources and effort to achieve with success.

23. See answer to Q22 above. Second paragraph.

24. See answer to Q22 above. Second paragraph.

25. The ISO 20022 messaging system will facilitate a much higher degree of transactional transparency than is currently the case. This together with future technologies that are already being considered, will provide transparency from one end of a transaction to the other. Aside from the obvious benefits of transparency in terms of all parties involved being identified, efficiency will be improved. With so many different parties being involved e.g., banks, payment processors, regulators etc., a lack of transparency is quite possible and could lead to errors and delays. In a transparent system with all parties identified, stakeholders could more easily track progress of transactions and quickly identify any issues that may arise. This will speed up the process, reduce errors and reduce costs.

26. Absolutely, yes. The LEI is a valuable structured identifier for identifying legal entities in financial transactions and is designed to be globally recognisable with a standardised identifier that can be used across different jurisdictions and financial systems. It provides several benefits for financial markets and participants. It would help to reduce the risk of errors and fraud in transactions and improve accuracy and efficiency of regulatory reporting.

The use of an identifier such as the LEI would also improve transparency and accountability which in turn, would increase confidence among all stakeholders.

27. Requiring payment messages to identify all persons involved in a cross-border payment in a standardised and structured way could support more automated processing. The ISO 20022 messaging standard allows for more structured and granular data than legacy messaging standards (e.g. separate fields for name and the components of an address).

This would facilitate screening processes and decrease the time needed for the processing of a transaction.

28. Yes, using structured address information can enhance cross-border payments by improving accuracy, reducing errors, and ultimately speeding up the payment process. Address information is an important component of cross-border payments, as it is used to identify the beneficiary and ensure that funds are directed to the correct location.

Structured address information refers to address data that is formatted in a standardized way, such as using a common set of fields for street address, city, state/province, and country. By using structured address information, payment processors and financial institutions can more easily and accurately verify and validate address information, reducing the risk of errors and delays in the payment process.

In addition, structured address information can help to reduce the number of payment rejections or returns due to invalid or incomplete address information. This can help to improve the overall efficiency of cross-border payments, as fewer payments will need to be reprocessed or resubmitted.

29. Yes, agreed.

30. Setting and carrying minimum remittance information can improve the processing efficiency of cross-border payments by providing important details about the purpose and recipient of the payment. Remittance information refers to additional information that is included with a payment to provide context or instructions to the recipient or payment processor.

By including remittance information with a cross-border payment, the recipient and payment processor can more easily and accurately identify the purpose of the payment and ensure that it is processed in a timely and efficient manner.
