



American
Bankers
Association®



May 31, 2023

Via Electronic Submission

CPMI Secretariat (cpmi@bis.org)

Committee on Payments and Market Infrastructures

Bank for International Settlements

Re: **Consultative Report for ISO 20022 Harmonisation Requirements for Enhancing Cross-Border Payments**

To the Secretariat of the Committee on Payments and Market Infrastructures:

The Clearing House Payments Company L.L.C. (“TCH”), the American Bankers Association, and the Bankers Association for Finance and Trade (together the “Associations”) ¹ appreciate the opportunity to comment on the proposed ISO 20022 harmonization requirements for enhancing cross-border payments (the “Proposed Harmonization Requirements”) issued by the Committee on Payments and Market Infrastructures (“CPMI”).² The Associations are supportive of the G20 effort to enhance cross-border payments and understand the important benefits that common messaging standards, especially for the ISO 2022 format, could provide for cross-border payments. At the same time, we believe there are many practical considerations that must be taken into account when developing standards and that without the appropriate balance of flexibility and uniformity, standards can have unintended consequences. We are concerned that overall the Proposed Harmonization Requirements have not struck the right balance and, if finalized and mandated in their current form, would make cross-border payments slower, more expensive, and less accessible than they are today.

As further discussed in our comments below, the Associations respectfully request that CPMI prevent negative impact to ISO 20022 implementations and cross-border payments by encouraging rather than mandating ISO 20022 harmonization standards. Moreover, the harmonization standards should

¹ For simplicity we use the term “Associations” in this letter. The Clearing House Payments Company is not an association, however. For information about the Associations please see Appendix 1 of this letter.

² Committee on Payments and Market Infrastructures, ISO 20022 harmonisation requirements for enhancing cross-border payments (March 2023) (the “Consultative Report”).

- not give preference to BICs or Swift services;
- better account for the practical limitations and needs of end users, banks, and market infrastructures; and
- recognize existing legal requirements for data that must be included in payment messages and the needs of financial crime stakeholders.

Discussion

1. General Comments

A. ISO 20022 harmonization should be encouraged, not mandated.

The global payments landscape is complex. The ongoing implementation of ISO 20022 in legacy market infrastructures around the world largely in conformance with CBPR+ and HVPS+ guidelines is a testament to the significant progress that has been made in increasing the standardization of cross-border payments. With respect to the differences in ISO 20022 implementations that CPMI seeks to address, there are practical reasons why market infrastructures and financial institutions may choose to adopt ISO 20022 in a non-standard way to accommodate their unique circumstances. For example, TCH intentionally simplified the ISO message set it employs in the RTP system so that instant payments could be more readily adopted in a country with many thousands of financial institutions of varying sizes and technical capabilities. Thus, while we understand the appeal of mandating a single ISO 20022 standard for cross-border payments, standardization cannot come at the cost of stifling innovation or reducing accessibility to services.

Further, we note that there are other ways to improve the interoperability of cross-border payments without mandating all market infrastructures and banks use the ISO 20022 standard in the same manner. For example, the IXB service, developed by TCH and EBA CLEARING, would facilitate translation of message formats between instant payment systems in different jurisdictions in real-time to minimize the technical changes necessary for domestic instant payment systems to interlink and to maintain data integrity. Infrastructures may also voluntarily choose to align their ISO 20022 format to a central format, as proposed by the BIS Innovation Hub's Nexus service.³

To strike the right balance between encouraging further harmonization of the ISO 20022 standard while allowing the necessary flexibility for market infrastructures and banks to choose alternative solutions that

³ Project Nexus is sponsored by the BIS Innovation Hub and seeks to standardize the way domestic instant payment systems connect to each other in order to improve cross-border payments. See BIS Innovation Hub, *Project Nexus, Enabling instant cross-border payments* (March 2023) available at <https://www.bis.org/publ/othp62.pdf>.

work best for themselves and their customers, we respectfully request that CPMI issue its final harmonization standards as recommended guidelines and not as requirements.

B. The timeline for public comment on and implementation of the Proposed Harmonization Requirements puts U.S. implementation of ISO 20022 in its high-value systems at risk.

The Associations appreciate the extension of the public consultation period by three weeks. We continue to believe that the timing of the Proposed Harmonization Requirements is challenging for U.S. stakeholders given the significant work underway to implement ISO 20022 for CHIPS in April 2024 and the Fedwire Funds Service in March 2025. Having conferred with our members about the impact of CPMI's proposed timeline, we are concerned that publication of the final standards later this year and the proposed effective date of November 2025 create risk for these systemically important implementations if bank, vendor, and infrastructure resources are forced to simultaneously implement ISO 20022 and analyze, plan, and implement the CPMI standards by November 2025. For these reasons, we object to CPMI's timeline unless CPMI issues the final harmonization standards as recommended guidelines rather than requirements. If CPMI intends for the final harmonization standards to be requirements, it should not issue the requirements until after CHIPS and the Fedwire Funds Service have completed their migrations and the effective date should be no earlier than November 2026.

C. There is ambiguity on the scope of the Proposed Harmonization Requirements as they pertain to non-ISO 20022-based systems.

We are concerned about the ambiguity regarding the scope of the Proposed Harmonization Requirements to non-ISO 20022-based systems and whether those other systems have been given sufficient notice and time to respond. There are references in the Proposed Harmonization Requirements to non-ISO 20022-based systems needing to accommodate the same kinds of data as CPMI is proposing for ISO 20022-based systems.⁴ If this is the case, we do not believe non-ISO 20022-based system operators and participants are aware that significant changes to those systems might be expected as result of the Proposed Harmonization Requirements. The Associations note that there would be tremendous cost to infrastructures and banks to change the message formats of non-ISO based systems to carry the kinds of data CPMI envisions for ISO-formatted messages and doubt such investment would be justified.

⁴ For example, in discussing the requirement that all entities involved in a cross-border payment be identified in a standardized and structured way, the Consultative Report states: "[F]or payment systems not intending to migrate to ISO 20022, this requirement may impose additional efforts to be able to translate and populate the relevant structured data ISO 200022 message elements." Consultative Report, at 19, n.15.

D. The Proposed Harmonization Requirements are not platform or network neutral.

We are concerned that the Proposed Harmonization Requirements are not platform or network neutral, despite the assertion by CPMI that this is one of its guiding principles in drafting the Consultative Report.⁵ As an example, and discussed in more detail below, the requirement to use business identifier codes (“BICs”) as bank identifiers for cross-border payments is not platform or network neutral given that BICs are not used in U.S. payment systems and many U.S. stakeholders would be disadvantaged relative to stakeholders in other countries that already employ BICs to identify banks. We also note that the proposed timeline for implementation of the Proposed Harmonized Requirements is November 2025 specifically because this date coincides with the end of the coexistence period between the Swift MT standard and the Swift MX (ISO 20022) standards.⁶ Keying off Swift dates suggests that the Proposed Harmonization Requirements are biased towards the Swift platform.

Last, we note that the Proposed Harmonization Requirements are largely based on CBPR+ guidelines with input from the Payments Market Practice Group (the “PMPG”) that developed the guidelines. The PMPG is a Swift sponsored group that focuses on traditional correspondent wire payments and represents a small number of banks relative to the thousands of banks and credit unions that would be impacted by the Proposed Harmonization Requirements. While the Associations recognize the expertise of this group and the usefulness of using CBPR+ guidelines as a starting point to develop harmonization standards, we think the Proposed Harmonization Requirements are too wire-centric and do not reflect the needs of ISO-based instant payment systems. To the extent that CPMI intends non-ISO based systems to conform their messages to accommodate the Proposed Harmonization Requirements, CPMI’s reliance on the PMPG and CBPR+ guidelines is even more problematic given the very significant differences between ISO-based messaging and proprietary messaging for non-wire systems. Further, the CBPR+ guidelines were developed as voluntary standards for ISO 20022 implementations in wire systems and, thus, were not socialized broadly outside of message specialist groups. Hence, it should not be assumed that the CBPR+ guidelines represent industry capabilities or agreement beyond the specific context in which they were developed.

⁵ The Consultative Report states: “In developing proposed harmonisation requirements, the CPMI has aimed to be neutral with respect to solutions used by financial institutions for their processing of cross-border payments. The requirements do not presume the use of any specific cross-border payments platform, messaging networks or service providers, nor are they intended to tilt the playing field towards specific service providers.” Consultative Report, at 4.

⁶ Consultative Report, at 2, n.2.

E. The Proposed Harmonization Requirements are unclear with respect to responsibility and enforceability.

While TCH believes CPMI should issue ISO 20022 harmonization standards as recommended guidelines rather than requirements, if the standards are to be issued as requirements, it is important to clarify how CPMI believes that the requirements would be made legally binding. This would include identifying for each requirement who is responsible for meeting the requirement and how in each jurisdiction such person would be legally obligated. The Associations question whether this is achievable in all jurisdictions. It would also be important for CPMI to articulate the intended consequences of non-conformance and the expected enforcement mechanism. Without this clarity it is difficult for stakeholders to fully assess the potential impact of the Proposed Harmonization Requirements. In this regard we note that there may be significant negative impact to cross-border payments if, for example, market infrastructures or banks are expected to edit ISO messages against the requirements and reject messages that do not comply.⁷ Aside from the non-completion of payments, there would be tremendous cost in building such edits into market infrastructure or bank systems. Such cost may increase the cost of cross-border payments to end users and/or cause some financial institutions to stop offering cross-border payments to their customers.

The impracticality and potential negative impact to cross-border payments of enforcing the Proposed Harmonization Requirements is another reason that CPMI should issue recommended guidelines rather than requirements. If CPMI nonetheless determines to mandate harmonization requirements, it should limit the number of requirements based on further discussions with the private sector – including market infrastructures, banks, and commercial originators -- about the cost and practical implications of enforcing each of the Proposed Harmonization Requirements.

F. The core message set should be limited to payment messages (pacs.008, pacs.009, pacs.004).

Another area of concern with the Proposed Harmonization Requirements is the broad scope of the core message set. The core message set covers a range of business functions beyond credit transfers, including payment initiation messages, payment status messages, payment cancellation messages, payment return messages, account reporting messages, request for payment messages, and exceptions and investigations messages.⁸ While we understand the interrelated nature of these messages, we believe that if CPMI issues ISO harmonization standards as requirements, the message set should be limited to payment messages in order to reduce the impact to market infrastructure, bank, and end-user systems.

⁷ We note that the ISO 20022 implementations for U.S. bank and/or market infrastructure systems may already include editing for some of the Proposed Harmonization Requirements to the extent they are consistent with CBPR+ or HVPS+ guidelines. However, the resources who are needed to review and assess the Proposed Harmonization Requirements against current ISO implementation plans are fully occupied with the critical implementations for CHIPS and the Fedwire Funds Service.

⁸ Consultative Report, at 6.

We note that non-payment messages are highly likely to have idiosyncratic uses and formats for market infrastructures, banks, and end users. Non-payment messages between banks and their customers and between banks and market infrastructures should be afforded maximum flexibility to enable innovation, customization to unique use cases, and limit impact to bank-to-customer and bank-to-market infrastructure systems. To the extent there are dependencies between any CPMI requirements for payment messages and the data or format of non-payment messages, market infrastructures and banks would solve for those dependencies within their own systems or services. This approach would allow for greater flexibility and innovation while still promoting harmonization where it is most important—in the payment messages themselves.

G. Mandating the inclusion of certain information in ISO 20022 messages does not mean that banks have the ability to display the information to their customers.

A number of the Proposed Harmonization Requirements are intended to improve the transparency of cross-border payments for end-users by requiring the inclusion of certain data or codes in the core message set.⁹ Further, in its data models for payment messages CPMI has highlighted certain fields that “may have to be reported to the Debtor and/or Creditor to provide complete transparency on the cross-border payment to enable seamless customer reconciliation.”¹⁰ The inclusion of information in a message does not necessarily mean that the information can be easily made available to an end user, however.

The complexity of presenting information to an institution’s customers must not be underestimated. Bank systems that process and post payments (i.e., the systems that intake ISO 20022 messages) are different than the systems that interface with customers. To extract information from payment processing and posting systems and display it to a customer, banks must consider factors such as the channel being used by the customer¹¹, the device being used by the customer, and the customer’s preferences when presenting information. Institutions may have multiple channels through which customers access account information, such as online banking platforms, mobile banking apps, and physical statements. Each of these channels may have different display capabilities, which may affect how much information can be presented to customers. The display of specific information to customers may not be feasible without significant changes to institutions’ systems and processes, which could be costly and time-consuming.

⁹ Requirements #5 (common time convention), #6 (end-to-end reference number), #7 (initiation time), #8 (fees and FX rates), #9 (CPMI service level code), and #15 (remittance information) are identified in Table 2 of the Consultative Report as having a “major direct impact” on the G20 transparency target. Consultative Report, p.7.

¹⁰ Consultative Report, Annex 3, p. 37. Some of the fields highlighted are Remittance Information, Acceptance Date Time, Charges Information, and Interbank Settlement Date.

¹¹ We note that not all bank customers are digitally enabled and, thus, even if a bank can display information to its customers in its online and mobile channels, a customer who only receives paper statements may not see the information.

In addition to these technical considerations, institutions are subject to regulatory requirements that dictate what information must be disclosed or displayed to customers. These requirements may vary depending on the jurisdiction and the type of account or transaction involved. In order to display new information to customers, banks may need to undertake additional work to ensure compliance with existing regulatory requirements.

Hence, to the extent that CPMI intends to mandate that certain information be included in ISO 20022 messages for the sake of transparency or to enable straight through processing with customer accounting systems, it is important to understand that there are practical and technical challenges for banks in displaying information to customers that is not displayed today. While the Associations see much promise in the potential to use the information-rich capabilities of ISO 20022 messages to enhance the end-user experience for cross-border payments, we believe that such enhancements will need to be industry-led and coordinated within certain jurisdictions and platforms. Accordingly, CPMI should not impose widespread cost and burden on banks and market infrastructures to carry information for the benefit of end users when there is no certainty that beneficiary banks can display the information to the beneficiary. Specifically, the Associations request that any harmonization standards that have no use if information cannot be displayed to the beneficiary¹² only be issued as recommended guidelines. The user communities for jurisdictions or platforms can then determine whether it is useful and feasible within their community for originating banks to include the information and for beneficiary banks to display the information to beneficiaries.

2. Comments on the General Requirements.

CPMI proposed 15 general requirements for harmonizing the ISO 20022 standard. Subject to our general comments above, the Associations do not have specific concerns with requirements 2, 4, 6, 10, 12, and 13. As explained below, the Associations have concerns with requirements 1, 3, 5, 7, 8, 9, 11, 14, and 15. For some of these requirements we request that they be issued only as recommended guidelines for user communities to consider. For other requirements we request that they not be issued at all.

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

CPMI proposes to require the use of the designated ISO message for a particular business function. The Associations object to this requirement because it would prevent market infrastructures and banks from using ISO 20022 messages in a way that deviates from the appropriate message. Mandating the use of the appropriate message for a particular business function may lead to operational and technical issues for market infrastructures and banks that have already implemented the standard in their own way to fit their unique needs. This may result in additional costs and development work for market infrastructures to ensure compliance. As noted earlier in our comments, TCH made an intentional decision to limit the

¹² The Associations believe the Proposed Harmonization Requirements that have no use if information cannot be provided to the beneficiary are requirements #5 (common time convention), #8 (charges and currency conversions), and #15 (remittance information).

message set for the RTP system and use certain messages for functions that are different than the ISO standard.

The Associations request that this requirement be issued as a recommended guideline.

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

CPMI has proposed that the originator or originating bank must indicate if a payment is a cross-border payment.¹³ While we understand CPMI’s interest in flagging cross-border payments, there are significant practical considerations that must be considered. First, a prerequisite to such a requirement would be a clear definition of what constitutes a “cross-border payment” to ensure consistent application.¹⁴

Second, requiring the originating customer to decide whether the payment is a cross-border payment poses significant concerns. Bank would need to change their origination channels with customers to help them determine whether their payment is cross-border. Any such change would have significant costs for banks. Additionally, there would still be the risk of errors as there is no guarantee that customers would follow prompts or questions correctly. While less likely to result in errors, requiring originating banks to build logic into their payment origination systems to identify cross-border payments would also be costly. Under either approach we believe cross-border payments would be more costly and, for smaller banks, discourage them from providing cross-border payments to their customers, thereby working against the goal of increasing access to cross-border payments.

For these reasons the Associations request that this requirement be issued as a recommended guideline.

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

CPMI has proposed that all times in messages relating to cross-border payments are either Universal Time Coordinate (UTC) or in local time with UTC offset. CPMI proposes this requirement to prevent confusion in determining the end-to-end processing times for cross-border payments.

¹³ “It is recommended that [sic] customer indicates they are initiating of [sic] a cross-border customer credit transfer and are supplying the minimum required data as per the CPMI defined date model. If customers do not provide this indicator, then it is up to the account servicing FI to assess whether sufficient data is provided to comply.” Consultative Report, at 53, n.4.

¹⁴ For example, does the physical location of the payer and payee determine that a payment is cross-border? Or the location of the accounts involved in a payment? Or currency exchange? Or the infrastructures used to communicate and settle the payment? We suggest CPMI work with industry representatives to consider what cross-border means.

As further discussed in our comments to Requirement #7 below, we question the usefulness of measuring end-to-end processing time and believe there are other ways to improve transparency of processing times. Additionally, not all times that are captured in a message are relevant to determining end-to-end processing time and, thus, it is unnecessary to mandate that all times in a message must be UTC or UTC offset. Last, for market infrastructures and banks that do not use UTC or UTC-offset in their systems, a change to a different timing convention can be highly impactful and expensive to implement. We do not believe that mandating a common time convention in cross-border payments and related messages will improve the transparency of cross-border payments enough to justify the impact and cost of the change for market infrastructures and banks that do not use UTC or UTC-offset.

The Associations request that this requirement be issued as a recommended guideline.

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

CPMI has proposed that every financial institution sending a cross-border payment include the time the originator's account has been debited in the Acceptance Date Time element. The Associations object to this requirement.

First, this requirement assumes that (i) cross-border payments originate from accounts; (ii) the accounts are debited to pay the originating bank; and (iii) the accounts are debited before a payment is initiated. These three assumptions are not always true. Hence, the Acceptance Date Time element may not accurately reflect when the payment was originated, thereby undermining the purpose of including the time.

Even if CPMI revised the requirement so that the actual initiation time is captured and passed end-to-end, banks would need to make changes to their payment origination systems to capture this information. Again, this would increase the cost to banks of providing cross-border payments and may discourage smaller banks from offering cross-border payments. Additionally, the initiation time, to the extent a beneficiary bank can display it, would not reveal anything about where or why delays occurred in the end-to-end payment, assuming the beneficiary took interest in the initiation time. Last, mandating that the initiation time be carried through the payment chain to the beneficiary has questionable value because the beneficiary is more concerned with knowing when the payment will be credited to their account than when the payment was initiated.

It is also important to note that transparency or improvements to "processing time" can be addressed through means other than including the initiation time in a cross-border payment. For example, Swift Go¹⁵ has established service level agreements for participating banks that requires them to process payments within certain time frames. Banks participating in Swift Go can also provide their customers

¹⁵ Information about Swift Go is available at <https://www.swift.com/swift-go/en/what/>.

will access to Swift's payment tracker so that they can track their payment. In addition, it is a common feature of instant payment systems that status information about payments is sent back to the originating bank and shared with the originator within seconds. Hence, industry-led solutions are addressing the need for faster processing and transparency of processing times.

The Associations are also concerned by the suggestion that including the initiation time in cross-border payments would enable public authorities to benchmark or identify against the G20 targets.¹⁶ The suggestion assumes that beneficiary banks will be able to readily calculate the "processing time" for payments they receive and report their findings for benchmarking or analysis purposes. In reality, this may be a significant cost and burden for banks and may not result in useful information for public authorities since, as noted, processing time will not reveal where or why delays occurred in a cross-border payment.

The Associations request that this requirement not be issued at all because we do not think it will improve the transparency of cross-border payments or otherwise be useful to end-users.

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

CPMI proposes to require that the following elements be provided in cross-border payments: amount and currency of the payment as instructed by the payer, any currency conversions applied to that amount, the interbank settlement amount, and any charges that either have been added or deducted by any financial institution involved in the processing of the payment along the end-to-end payment chain. The Associations are supportive of originators having information about the costs they will be charged by their bank and as much certainty as feasible about the amount that the beneficiary will receive. We are concerned, however, about this proposed requirement to provide detailed information on charges and FX spreads for cross-border payments.¹⁷

While there is some ambiguity about what CPMI intends with this requirement, the Associations think that the requirement would entail recording in a cross-border payment message all fees and FX rates charged between banks as they are incurred in the end-to-end to processing of the payment so that they can be displayed to the beneficiary. We question the usefulness of providing such information to a beneficiary (assuming the information can be displayed to the beneficiary) as it is typically the originator

¹⁶ Consultative Report, at 13.

¹⁷ The Clearing House is aware that the CHIPS ISO 20022 message specifications published in 2021, which are based on CBPR+ and HVPS+ guidelines, require charges information to be provided when the beneficiary (ISO "Creditor") is identified as the "charge bearer". Because of the concerns outlined in these comments, The Clearing House is revising the notes to its message usage guidelines to inform participants that they may populate the charges element with "0" if there are no charges or if participants are concerned with including charges in the CHIPS payment message.

that chooses how a payment is sent and pays for FX conversion. Moreover, given that the originating bank may have no control over how a payment is routed and the fees taken out by other banks in the chain, providing the costs to the beneficiary so that the beneficiary can advise the originator to use a different bank or service provider in the future will not guarantee that future payments will have lower charges.

There is also the issue that charging information and FX rates that banks apply to one another can be competitively sensitive and confidential.

We believe there are other ways to address the issue of cost transparency.

Under U.S. federal law known as the “Remittance Transfer Rule”¹⁸, U.S. banks and money transmitters are already required to disclose to consumers who send cross-border payments the FX rate they are being charged (*not* the FX spread between banks), the fee their bank is charging, the total or estimated charges that will be applied by other banks, and the amount or estimated amount the beneficiary will receive in the beneficiary’s currency. This disclosure is made upfront before the payment is sent and is based on information and arrangements available to the originating bank. This meets U.S. regulatory obligations and is sufficient for originators, who are primarily concerned with knowing the total cost of their transaction and the amount that the beneficiary will receive. CPMI may wish to encourage other jurisdictions to adopt similar upfront disclosure regimes.

Further, market competition is driving services such as Swift Go, IXB, and Nexus that prohibit deductions and enable originators to know how much the beneficiary will receive. We believe this competition will result in more effective solutions for cost transparency than mandating the capture of cost information within a payment message.

The Associations request that this requirement not be issued at all because there are better ways to improve transparency on the cost of cross-border payments that do not require confidential and competitively sensitive information to be passed end-to-end in a payment message.

¹⁸ 12 C.F.R. §1005.30 *et seq.*

F. Requirement #9 – To indicate that a cross-border payment is consistent with the CPMI service level agreement guidance through a new service level code

We have several concerns with this proposed requirement. First, it is unclear whether market infrastructures or banks would be required or expected to validate whether the flag is used properly. As explained in our general comments, we believe there would be negative consequences if cross border payments must be edited for conformance with the Proposed Harmonization Requirements. Second, CPMI has not finalized its service level agreements (“SLAs”), which would apply to payment arrangements. It is not clear which entities in a cross-border payment are part of payment arrangement nor what the SLAs are. Thus, there is not enough information for banks to know when the flag should be used and what it should indicate. Third, even if there was a clear understanding of what the flag should indicate, it is not clear what the consequences would be for payments that either use the flag but are not processed in accordance with CPMI guidance, or that do not use the flag.

The Associations request that this requirement not be issued at all because it is unclear what the SLAs are, to whom they apply, and what the implications of the presence or absence of the indicator would have on the entities involved in a cross-border payment.

G. Requirement #11 – To uniquely identify all financial institutions involved in cross-border payments by BIC

CPMI proposes to require the identification of all financial institutions involved in cross-border payments with the BIC. The Associations strongly object to this proposed requirement.

Payment systems in the U.S. identify banks by routing and transit numbers (“RTNs”), which are nine-digit numbers issued by a routing number registrar.¹⁹ Many financial institutions in the U.S. do not have BICs. We understand that there are different kinds of BICs that financial institutions may use, one of which is a non-connected BIC that is inexpensive. The registration process for a non-connected BIC however requires that a financial institution provide certain documents to Swift²⁰ and agree to comply with obligations under the ISO 9362 Standard and certain Swift policies and documents.²¹ Thus, there is burden associated with establishing a non-connected BIC for each of the many hundreds of U.S. financial institutions that would be required to establish BICs and for the U.S. financial system generally. Additionally, U.S. financial

¹⁹ For more information about RTNs, see “Routing Number Policy & Procedure,” available at <https://www.aba.com/news-research/analysis-guides/routing-number-policy-procedures>.

²⁰ See “Ordering checklist” available at <https://www.swift.com/myswift/ordering/order-products-services/non-connected-bic-and-branch-code>. While not an issue for U.S. financial institutions, documents required for registration that are not in English must be translated into English.

²¹ See Section 4 of the SWIFT BIC Policy, available at https://www2.swift.com/knowledgecentre/publications/bic_policy?topic=con_108307.htm.

institutions would need to maintain their BICs – in addition to their RTNs – when there are mergers or other corporate changes that would need to be reflected in the BIC registry. It is questionable whether all financial institutions in the U.S. would be willing to do this. As a result, mandating the use of BICs could potentially exclude certain U.S. financial institutions from participating in cross-border payments.

In addition, given the use of RTNs to identify financial systems in the U.S., there are innumerable systems that would need to be changed to support BICs. This would include systems used by market infrastructures, by banks, and by bank customers. The cost to the U.S. market of such a change is not justified. Nor do the Associations believe it is practical or advisable to replace BICs with RTNs (or RTNs with BICs) when payments enter U.S. systems (or non-U.S. systems). Not only does this create an extra “look up” step in the processing of cross-border payments, it presents the possibility that the wrong RTN or BIC is inserted in a payment, causing the payment to be rejected, misapplied, or otherwise delayed.

Moreover, mandatory use of BICs would favor Swift, as the registrar for BICs, to the detriment of LexisNexis Risk Solutions, the registrar for RTNs. Similarly, we are concerned that the mandatory use of BICs may have the unintended consequences of impacting which payment systems cross-border payments are routed through.

The Associations request that this requirement not be issued at all because of the significant and unjustified impact to U.S. stakeholders.

H. Requirement #14 – To provide a common minimum level of postal address information in structured form

CPMI proposes that the structured fields Town Name and Country would be required for each non-bank identified in an ISO message²² (except for entities identified by BIC or LEI) and that the unstructured address lines could not be used.

We are concerned that it will be impracticable to always provide an address for each non-bank that is identified in an ISO message and that this requirement would thus reduce access to cross-border payments.²³ First, the laws and regulations of jurisdictions differ as to the information that must be

²² The data model in Table A2.1 indicates that Name and Town Name and Country are required for persons and entities. The table notes that Postal Address is required for natural persons and entities except that (for entities) a BIC can substitute for Name and Postal Address and an LEI can substitute Postal Address. Consultative Report, at 32, n.1.

²³ The Clearing House’s ISO 20022 message usage guidelines for CHIPS, consistent with the CBPR+ guidelines, require that when an address is provided for Ultimate Debtor, Initiating Party, or Ultimate Creditor, the address must be structured with at least Town Name and Country. Unlike the Proposed Harmonization Requirements, the CHIPS message usage guidelines do not require that an address be provided for these persons or entities, however.

included in payment messages, including whether addresses are required and, if so, for which parties.²⁴ These laws and regulations have shaped the information collection practices for originators and their banks. Second, the ISO 20022 format identifies new types of persons that are neither the originator nor the beneficiary but have some ancillary relation to a payment.²⁵ The format provides address fields for these ancillary persons. Given that current address collection practices are based on legal requirements that generally focus on the originator and beneficiary²⁶, it may be difficult for originators or their banks to collect address information for these new ancillary persons. Unless address information is a legal requirement for the jurisdiction of the originator or originator bank, absence of address information should not prevent cross-border payments from being sent. We request that CPMI defer to existing laws and regulations that specify when addresses must be included in payments.

In addition, while TCH understands the benefit of a structured address, we do not believe it is feasible to stop using unstructured addresses by November 2025. Use of structured address requires that either the originator send its payment instruction in structured format or that the originator's bank take an unstructured address from its customer and put it into structured form. However, most corporate originators do not store addresses in structured format and there would be extensive impact to their systems to convert addresses to structured format. Thus, payment instructions from most corporate originators have unstructured addresses. Hence, to include a structured address in a customer's payment the originating banks must build logic into its payment origination systems to convert unstructured addresses into structured addresses. In addition, many corporate customers send their payment instructions in files rather than individual instructions. Identifying and converting unstructured addresses in file-based systems creates additional complexities, including that all the payments in a file maybe delayed while the payments that do not use structured addresses are converted. In summary, there is significant cost for the industry if every bank that sends cross-border payments must change its payment origination systems to ensure structured addresses.

As we have raised with other proposed requirements, it is unclear if market infrastructures or banks would be expected to edit ISO messages to ensure that the structured Town Name and Country fields are used.

In addition, The Clearing House intends to further review requirements for structured addresses with CHIPS participants given a new industry proposal to allow addresses to include both structured and unstructured fields.

²⁴ Harmonization by public authorities of the minimum data requirements that should be included in cross-border payments would be very helpful. Such work would appear to fit into the data frameworks "priority theme" that the FSB has identified for the next phase of its *Roadmap for Enhancing Cross-border Payments*.

²⁵ In addition to Debtor (originator) and Creditor (beneficiary), the ISO 20022 format identifies and provides address fields for Ultimate Debtor, Initiating Party, Ultimate Creditor, Invoicer, and Invoicee.

²⁶ The Financial Action Taskforce's Recommendation 16 provides, "Countries should ensure that financial institutions include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related throughout the payment chain."

In addition, we believe that before mandating structured address it would be necessary for there to be a common understanding as to which postal address should be used for non-banks. For example, should the postal address be the customer's legal entity address or the address where the customer does business?

We note that there is significant interest in the industry to transition from unstructured addresses to structured addresses. There are various industry-led proposals under consideration for how the transition can be accomplished.

We suggest that CPMI encourage the transition to structured address through a recommended guideline and allow the private sector to determine the best means of accomplishing the goal.

I. 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

CPMI proposes to establish minimum capabilities to allow the inclusion and transport by banks in a cross-border payment of either remittance information with a payment, or of references to such information when sent separately. As we have noted previously, requiring that information be included and passed in an end-to-end message does not mean that a beneficiary bank will be able to display the information to the beneficiary. Moreover, requiring that cross-border payments be able to support repetitive occurrences of up to 9,000 characters of remittance information may impact market infrastructures that have limited their message size in order to support instant processing, high volumes, or other service needs. Greater remittance data within cross-border payments may also impact bank compliance programs and cause more sanctions alerts, thereby making payments slower rather than faster.

The Associations request that this requirement not be issued at all because (i) remittance information is not included in the G20 targets and (ii) the inclusion of remittance information in payments, its display to a beneficiary, and the beneficiary's ability to intake remittance information in an automated way is highly complex and requires a level of coordination and cooperation between banks, customers, and enterprise solution providers that makes it unrealistic as a recommended guideline at this time.

3. Financial Crimes Considerations

CPMI proposed that (i) name and postal address need not be provided for non-bank entities that are identified by a BIC and (ii) address need not be provided for entities identified by legal entity identifier

("LEI").²⁷ However, an entity that is an originator must be identified by name and address under U.S. federal law, known as the "Travel Rule".²⁸ In addition, to the extent an originating bank receives address or other identifying information about a beneficiary, the U.S. Travel Rule requires the information to be included in each payment order within the payment chain.²⁹ Hence, CPMI's proposal would conflict with the U.S. Travel Rule. Furthermore, the absence of name and/or address may impact financial institution screening and monitoring systems and may make law enforcement investigations more cumbersome.

We urge CPMI to engage with relevant stakeholders, including FATF, banks, regulators, and law enforcement agencies to ensure that the Proposed Harmonization Requirements do not create problems for financial crime compliance or law enforcement investigations.

Thank you for your consideration of these comments. If you have any questions or wish to discuss this letter, please do not hesitate to contact the undersigned Association representatives.

Yours very truly,

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²⁷ Consultative Report, at 32, n.1 to Table A2.1. The Clearing House acknowledges that the CHIPS ISO 20022 message usage guidelines, consistent with the CBPR+ guidelines, also allow an entity - other than the originator (ISO "Debtor") or beneficiary (ISO "Creditor") - to be identified by BIC rather than name and address. While use of a BIC alone to identify an entity that is not the originator or beneficiary would be permissible under the Travel Rule, it may not be advisable practice for purposes of AML monitoring. Hence, The Clearing House intends to update its "Legal Notes to CHIPS ISO 20022 Message Usage Guidelines" (available at https://mc-e3a82812-8e7a-44d9-956f-8910-cdn-endpoint.azureedge.net/-/media/New/TCH/Documents/Payment-Systems/Legal_Notes_to_CHIPS_Message_Usage_Guidelines.pdf?rev=8538f813d2b649c7bf6ef380555fe5e6) to highlight this issue and suggest that participants review plans for identifying entities within ISO 20022-formatted CHIPS messages with their internal compliance teams.

²⁸ 31 C.F.R. § 1010.410(f)(1).

²⁹ *Id.*

Appendix 1

The Clearing House

The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States, clearing and settling more than \$2 trillion each day. The Clearing House's website is www.theclearinghouse.org.

American Bankers Association

The American Bankers Association is the voice of the nation's \$23.6 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$19.2 trillion in deposits and extend \$12.2 trillion in loans.

Bankers Association for Finance and Trade

BAFT, the leading global financial services association for international transaction banking, helps bridge solutions across financial institutions, service providers, and the regulatory community that promote sound financial practices enabling innovation, efficiency, and commercial growth. BAFT engages in a wide range of topics affecting transaction banking, including trade finance, payments, and compliance. The association's website is www.baft.org.