



flow briefing



Author



Karyna
HUTAROVICH

Business Product
Specialist, Deutsche
Bank

Topic

Cross-Border Payments, ISO 2022
Migration, G20 Roadmap

Date

17 October 2023

The G20 Roadmap: harmonising ISO 2022 data requirements

The G20 Roadmap sets out quantitative targets for the industry to improve cross-border payments by 2027. As part of this effort, the harmonisation of ISO 2022 data requirements has been identified as a priority area, with minimum data requirements on their way.

Today, processing cross-border payments is more efficient, more transparent and faster than ever thanks to the many initiatives that have been introduced over the past few years, including Swift gpi, ISO 2022 and the Transaction Manager, among others.

While great strides forward have been made, some challenges remain. Recognising the importance of addressing the remaining issues, G20 leaders have made the enhancement of cross-border payments a top priority. And, having identified key areas of focus, the G20 have endorsed the "Roadmap for Enhancing Cross-border Payments", which outlines quantitative targets to transform cross-border payments by 2027 – with a focus on further improving costs, speed, access, and transparency across both the wholesale and retail segments.

One area of particular interest is the fragmented nature of the cross-border landscape, with misaligned message flows, different market practices and multiple data models each representing significant areas of friction. With this in mind, the harmonisation of ISO 2022 data requirements has been identified as an important component of the G20 Roadmap and has been taken up by the Committee on Payments and Market Infrastructures (CPMI).

In the past year, CPMI and the Payment Market Practice Group (PMPG), have worked together to develop an ISO 2022 core data model for cross-border payments. The aim was to define a recommendation of minimum requirements to eliminate any friction in the processing chain. The progress achieved by the taskforce took into account wider industry feedback received during the market consultation in March to June 2023 – and has been presented in the recent report published mid-October on the CPMI webpage. These minimum requirements are essential in order to establish an effective foundation for global harmonisation across networks, jurisdictions and market infrastructures, as well as for enabling the G20 Roadmap.

What to expect and when?

By the end of 2027 at the latest, the payments industry, including payment service providers (e.g. banks) and payment system operators (e.g. market infrastructures) are expected to comply with the CPMI data model for a defined set of messages, focusing on credit transfers, payment returns and investigations (as per Figure 1). It is important to note that while payment initiation messages (e.g. pain.001) do not form part of the core message set – and are not subject to CPMI minimum data requirements – they play an important role in cross-border payments processing (e.g. supplying the data and defining the quality of the data that is transported along the end-to-end payment chain).

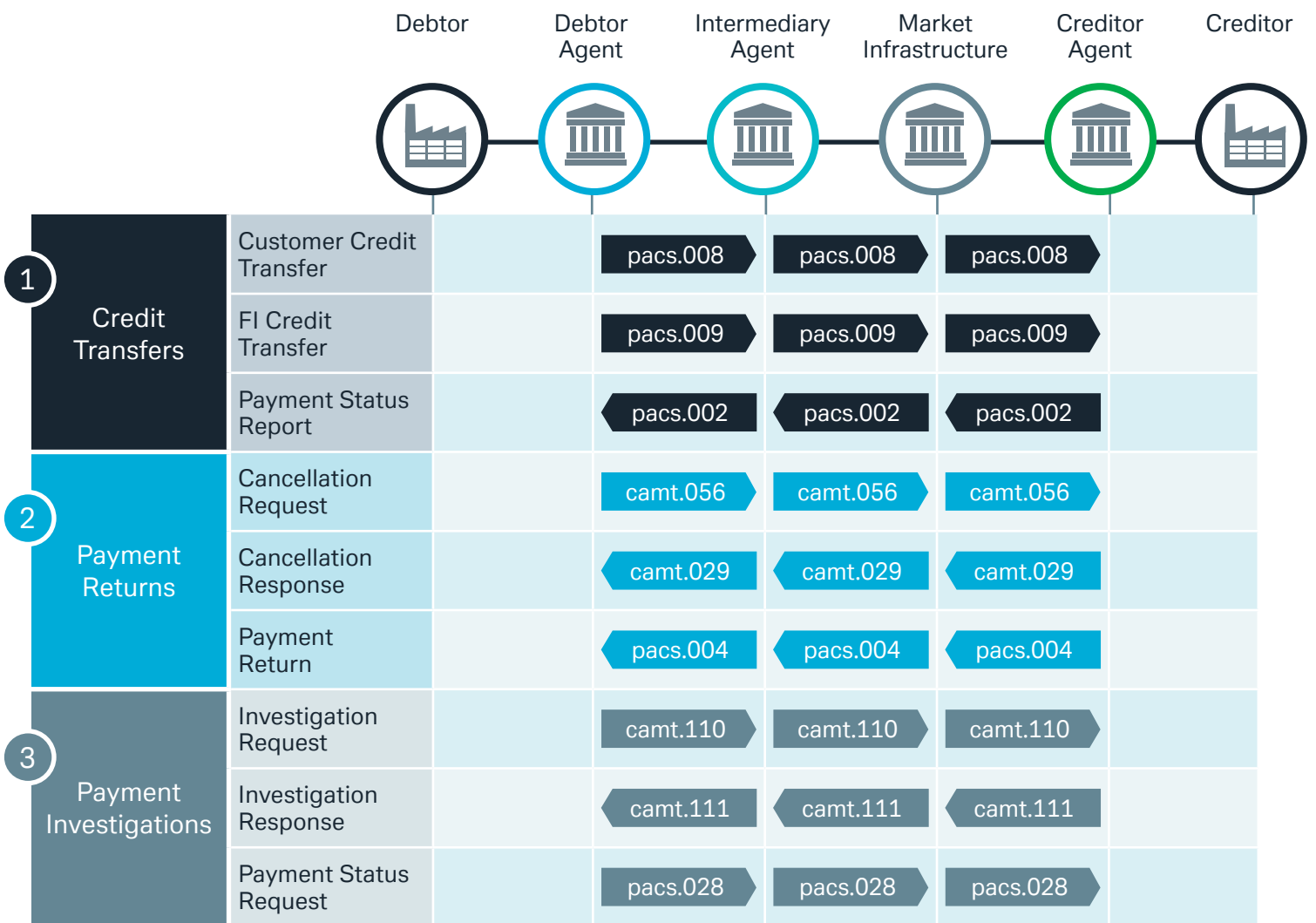


Figure 1: Core message set in scope of CPMI requirements (Source: Deutsche Bank)

Figure 2 lists key CPMI requirements formulated for cross-border payments, complemented by the respective examples for each of the points. The following requirements are particularly noteworthy:

- **Usage of the correct message type.** The usage of the correct message types for specific business functions. An example of where this is not the case today includes the misaligned implementation of return messages by various market infrastructures and agents around the world (e.g. return initiation via pacs.004 vs. new pacs.008 message).
- **Identification of actors.** The identification of all involved actors in a cross-border payment in a standardised and structured way, which calls for the usage of Business Identifier Codes (BICs) for agents, Legal Entity Identifiers (LEIs) for entities, and others.
- **Structured addresses.** The provision of structured postal address information, prescribing town name and country code to be provided in a structured manner as a minimum requirement, complemented by further structured or unstructured address attributes.



#	Requirement	Example
1	To use the appropriate ISO 20022 message for a specific business function	Implementation of a dedicated pacs.004 (Payment Return) message for payment returns
2	To use ISO externalised codes for payments and payment-related processes	Usage of the <Code> (e.g. IVPT) sub-element instead of <Proprietary> (e.g. Invoice Payment) to describe the purpose of the payment
3	To support/restrict the character set used for ISO 20022 cross-border payment messages to current market practice	Support of Latin character set
4	To use a common time convention across all ISO 20022 messages associated with cross-border payments	Usage of Universal Time Coordinated (UTC) time or local time with an UTC offset, e.g. 12:00:00 (local time) + 5:00 (offset)
5	To include a unique end-to-end reference for all cross-border payments	Inclusion of Unique End-To-End Transaction Reference (UETR)
6	To ensure full transparency on amounts, currency conversions and charges of cross-border payments	Disclosure of charges taken by previous agents in the chain
7	To recommend use of account numbers (or proxies) to the extent possible	Usage of structured account identifiers, e.g. IBAN
8	To uniquely identify all financial institutions (FIs) involved in cross-border payments in an internationally recognised and standardised way	Usage of Business Identifier Codes (BICs) or Legal Entity Identifiers (LEIs) for agent identification
9	To identify all entities involved in a cross-border payment in a standardised and structured way	Usage of name + postal address, Business Identifier Codes (BICs) or Legal Entity Identifiers (LEIs) for entity identification
10	To identify all persons involved in a cross-border payment in a standardised and structured way	Usage of name + postal address, complemented by structured identifiers, such as passport numbers, data and place of birth for person identification
11	To provide a common minimum level of postal address information structured to the extent possible	Provision of the postal address with structured town name and country code as a minimum as well as further address attributes (e.g. post code, street name, building number, etc.) in structured or unstructured manner
12	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 structured or unstructured remittance information with the payment, or to reference such information when sent separately	Transport of remittance information in cross-border payments

Figure 2: CPMI data harmonisation requirements (Source: Deutsche Bank)

What`s next?

While the end of 2027 has been set as the target, it is worth keeping in mind that the data model is only an enabler to meet the defined G20 objectives – and it is recommended that industry players start looking into the implementation as soon as possible. This is equally important for payment systems operators, which are expected to adjust their respective usage guidelines to comply with harmonisation requirements, along with payment service providers, which need to follow the defined requirements with regard to the usage of the message types and message population. The collaborative effort will play a crucial role in this undertaking. The throughline is that the harmonisation – and the harmonised implementation of ISO 20022 data requirements in particular – bears the potential to eliminate the remaining roadblocks on the way to frictionless cross-border payments and realise the full benefits of ISO 20022 across the globe.

Disclaimer: This presentation is for information purposes only and is designed to serve as a general overview regarding the services of Deutsche Bank AG, any of its branches and affiliates. The general description in this presentation relates to services offered by the Corporate Bank of Deutsche Bank AG, any of its branches and affiliates to customers as of October 2023 which may be subject to change in the future.