October 21, 2022

Japanese Bankers Association

JBA Comments on "Harmonisation of ISO 20022: partnering with industry
for faster, cheaper, and more transparent cross-border payments"

We, the Japanese Bankers Association (JBA), appreciate the opportunity to provide comments on "Harmonisation of ISO 20022: partnering with industry for faster, cheaper, and more transparent cross-border payments", dated September 9, 2022. We hope that our comments will contribute to further discussions.

Comments on "Harmonisation of ISO 20022: partnering with industry for faster, cheaper, and more transparent cross-border payments"

	Relevant parts	Comments
P.6	**While adoption of ISO 20022 is proliferating, variability in its implementation and requirements with respect to cross-border payments potentially undermines its benefits.** Indeed, many of the inefficiencies that the financial industry and its end users face with cross-border payments are caused by interoperability issues that arise because of misaligned message flows and incompatible data models along the end-to-end payment chain. An agreed set of core ISO 20022 messages supported by participants in cross-border payments, in combination with a well-defined data model, is seen to be a fundamental part of the overall programme to improve the efficiency, cost, speed, and transparency of cross-border payments.	Strongly agree with the sentence, "variability in its implementation and requirements with respect to cross-border payments potentially undermines its benefits." To avoid the future variability, the first version up of ISO200022 messages after co-existence period is very important. As this is the first experience for many MI and market participants, it is desirable to take careful approach such as taking sufficient timeline and identifying reasonable timeline based on actual experience.
P.7	**The joint task force believes that the CPMI ISO 20022 harmonisation requirements for cross-border payments should take effect after the MT/ISO 20022 co-existence period ends in 2025.** Implementation during the co-existence period is not practical as many jurisdictions are in the process of migrating to the standard. Instead, the joint task force anticipates defining a data model that will allow those markets that have already adopted ISO 20022, or will adopt it in the next release, enough time to comply with the requirements beginning in 2025. In addition, sufficient time for those at earlier stages of implementation will be provided to align their plans with the desired data model for the future.	Whether the CPMI requirements can take effect in 2025 will depend on the content. There are likely to be a number of market participants making the transition for 2025, and the transition period should focus on ensuring a smooth transition. If there are additional requirements, it should be considered to target later than2025.
P.7	**Existing ISO 20022 usage guidelines, like work conducted by CBPR+, provide a strong foundation for transitioning from legacy standards to ISO 20022.** The existing usage guidelines are very detailed and updated frequently by the respective user communities (eg the community of correspondent banks in the case of CBPR+). Thus, they provide clear guidelines to users and an established process for responding to the needs of specific user communities as they arise. During the co-existence period, the existing guidelines will also be flexible in some respects to ease the transition from legacy formats to ISO 20022. For example, the existing guidelines will allow the continued use of unstructured data in some cases and will limit the length of certain fields in order to ensure interoperability with legacy formats.	It should be noted that the field length limitation require careful discussion from the view point of harmonization because it would impact on the systems of various market participants and data truncation of transactions.
P.8	**Over 50 payment systems responded to a CPMI survey, which has helped inform what should and should not be included in the core message set.** For example, messages regarding customer direct debits have very limited use in the cross-border space, and are often restricted to a regional or local implementation. Similarly, cheque-related messages were also excluded from the scope given their declining trend in use.	While it would be useful to define the core messages, it should be clarified how to determine what type of core/non-core messages MIs/market participants should prepare for.
P.8	**The joint task force is currently considering the scope and content of the high-level requirements. The following are under discussion:** **・To achieve the overall objective of end-to-end payment process harmonisation, the joint task force is considering requiring use of structured data options and code information only.** As highlighted by the survey, the greater use of rich and structured data is seen to be a significant factor in reducing frictions that can arise with the processing of cross-border payments. Not only will structured data help facilitate STP, it can also allow for automated and	It should be noted that structured data option and code information lacks flexibility for regulation changes (e.g. urgent sanctions, additional local reporting requirement, etc.) and rare use cases, as those need pre-defined elements/codes. For such cases, unstructured information/proprietary should be allowed.

Relevant parts	Comments
potentially real time compliance screening of payments in flight.	
P.9 **The joint task force is considering requiring use of a common single structured way to identify persons, entities, and financial institutions involved in cross-border payments.** Defining minimum data requirements and at the same time restricting options to structured data (eg using ISO identifiers such as the Business Identification Code (BIC), in combination with recommending use of the Legal Entity Identifier (LEI)), can positively impact the processing and screening of cross-border payments along the end-to-end payment chain. This would enhance efficiency by reducing the likelihood of errors due to misinterpretation of data. Clear requirements on providing processing costs and charges can further improve overall transparency.	✓ It is necessary to consider the maturity or penetration of the identification code in formulating the data specification since it differs from country to country. ✓ It should be considered that BIC is used widely but not all financial institutions have BIC. ✓ The usage of LEI is currently out of step in each region. If making it mandatory after 2025, co-operation of public and private sector will be required, after going-through the process of checking the improving STP ratio and cost-effectiveness of implementation including cost of each entities and promotion.
P.9 **The joint task force is considering requiring minimum capabilities to enable both the inclusion of structured remittance information with payments and to support mechanisms to reference remittance information when sent separately.** The resulting improvement in reconciliation and treasury management processes can provide further benefits to end users.	✓ In the consultation scheduled for the end of the year, clarify the ISO data elements to be covered and allow sufficient time for consideration. In addition, the encouragement by the financial industry and authorities is critical to foster the best practice of ISO20022 usage industry-wide through the discussion with related industry groups about the practical use of ISO data elements. ✓ Using Structured Remittance Information will require usage rules of each elements, sender's correct data setting and receiver's capability to use it. It will be important how to define "minimum capabilities" and timeline of the related parties to enable it. ✓ Does "mechanisms to reference remittance information when sent separately" refer to Related Remittance Information? Clarification of existing items is fine, but if not, careful consideration is required. And sanction screening requirement for "separate information" would also require clarification.