



ISO 20022: Industry Event Q&A

6th December 2018

How do we get consumer buy in to provide additional data so that they see the benefit and don't consider it prying or just another reason to find out more about them and monetise the data?

There will be a role for many different stakeholders in making this a success, and further thinking is required about specific responsibilities, what will be done, and how. There is clearly an important role for the Bank of England ('the Bank') and Pay.UK here to articulate the benefits derived from additional data. Many of the benefits have already been raised e.g. helping reduce fraud and economic crime, reducing processing errors and therefore ensuring payments get to the right place, quickly.

We expect that the Standards Advisory Panel (SAP) will play an equally important role. The Payment Systems Regulator will also influence the market as it looks to promote competition and innovation through [data in the payments industry](#). We further expect that payment service providers will have a large impact by developing innovative services based on enhanced data. And helping consumers understand the benefit of including such information.

It will also be important that consumers understand that additional information is only being mandated for transactions where that data is warranted and beneficial. The ISO 20022 consultation run by the Bank in summer 2018 has provided valuable input in relation to CHAPS. For example, house purchases through CHAPS will require a purpose code. This could allow for prioritisation of the time-sensitive payment in a contingency situation, a clear benefit to the end user.

Work is ongoing at Pay.UK to define potential requirements that may require Enhanced Data as part of the New Payments Architecture (NPA) design.

How does ISO 20022 align with the NPA Enhanced Data project?

Pay.UK expects that the [Enhanced Data work](#) will analyse the use of data in payments by users, particularly what remittance information may need to be conveyed. Pay.UK also expects this work to identify market demand for delivering additional services based on the enhanced data, which can be designed in ISO 20022 message standards.

It is also anticipated that the Enhanced Data work will consider the issues concerning the usage of various new information fields in an end-to-end transaction, as highlighted in responses to the ISO 20022 Consultation.



How will the progress of the Standards Advisory Panel be shared with stakeholders including vendors?

Minutes will be made publicly available on the Bank and Pay.UK's website.

Is the approach to structured information aligned internationally with Target2, the Federal Reserve, CHIPS and other international payment infrastructures?

ISO 20022 is an international standard under the governance and oversight of the ISO organisation, facilitated through the ISO 20022 [Registration Management Group \(RMG\)](#). The RMG, working with user communities globally, defines the approach to structured information.

The High Value Payments Plus Group (HVPS+) has produced a recommended market practice for the implementation of the ISO 20022 standard for high value payment system operators. HVPS+ is operated under SWIFT governance, and a number of payment system operators were involved in producing the guidance, resulting in a significant amount of alignment. Where local market conditions require different information to be carried, or carried in a different format, there may be some small variations from market practice.

Through groups such as ISO and HVPS+, and on a bilateral and multilateral basis, financial market infrastructures meet regularly, including the Bank and Pay.UK. They are committed to issues around alignment and discuss them frequently.

Further information on international alignment will be published in due course.

Of course we need better reference information, but do we need it in the message? 18 characters give a very large number of unique identifiers. With increasing concern about security would it not be better to use this to link to a secure data store?

A payment chain can include many parties, all of which are responsible for their own financial crime screening which requires access to all relevant information. To allow and ensure all parties involved in a transaction have access to a secure, external data store would require an unprecedented scale of international collaboration. The Bank does not believe this is feasible to deliver at this stage. It does however recognise the potential positives that encrypted messages could deliver and believes this could be considered in the future.

The ISO 20022 Consultation document outlined the approach for transitioning to ISO20022 for CHAPS including the phasing of new data requirements. What is the phasing approach for transitioning Faster Payments by Pay.UK? Will this mirror the CHAPS approach?

Pay.UK is in the process of considering transition options, via the Transition Advisory Group, for payment types currently in scope of Faster Payments onto the New Payments Architecture. These options are advancing as part of the NPA design activity. The NPA Programme is working closely with the Bank's RTGS



Renewal Programme to share information on transitioning as part of the on-going cooperation between the two programmes.

What work is being done on standardising ISO 20022 message types beyond the credit message, e.g. investigations, returns/recalls and especially a debit message?

The Bank and Pay.UK are working to harmonise their use of additional ISO 20022 messages between RTGS Renewal and the NPA, where possible and appropriate to do so.

While the Bank and Pay.UK are committed to achieving a high degree of interoperability between CHAPS and NPA, each is designing a different payment system with different scope and requirements. Retail transactions cover a broader set of messages, meaning some fields used in NPA ISO 20022 message standards may not be used in CHAPS ISO 20022 messages.

Further work that may be of interest includes the international efforts to standardise an approach to APIs leveraging ISO 20022 structured data.

What are the key benefits ISO 20022, the CCM and LEIs will drive from a financial crime perspective, including screening?

It is expected that the structured format will allow payment service providers to further automate their screening processes. The additional data carried in the message will reduce the frequency at which they will need to ask the originator for more information, and ensure that the decision making is quicker and more automated, based on data analytics. This should lead to fewer payments being incorrectly rejected or referred for manual assessment, which currently can be a cause of unnecessary delays. Improved identity data, such as the LEI, should enable simpler and more accurate reference checking against AML and anti-terrorist financing databases. And more data, with better accuracy, will allow anti-fraud firms to better detect patterns in fraudulent payments, which in turn allows payment service providers to take quicker action to detect new fraud cases and block criminals from receiving funds. There will be some initial effort required to implement these new screening structures, but once in place they will enable these benefits and more.

What level of support will there be for indirect CHAPS users? Direct participants will have the support of the Bank of England.

There will be a role to play for both the Bank of England and sponsor banks to ensure all indirect participants are adequately supported during this transition.

For ISO 20022 to be a success for all participants, the responsibility lies with all stakeholders, and indirect participants will be key to delivering a successful industry-wide transition. As such, the Bank is keen that all relevant scheme-planned / coordinated guidance is available to indirect participants. It will therefore publish



as much as possible on its website and on the online standards repositories such as SWIFT MyStandards and Pay.UK Standards Source.

In addition, the Bank is considering the extent to which it will support and/or monitor the progress of transition to ISO 20022 in the wider industry. Including what it can do to ensure direct participants are providing sufficient support and guidance to indirect users.

Trade bodies too will play a key role in disseminating information and bringing back aggregated feedback to the Bank and Pay.UK.

Are direct participants expected to quote the LEI for just the beneficiary or other institutions in the payment chain? Can the LEI be quoted instead of the beneficiary's BIC if they have one or in addition to?

It is expected that an LEI will be provided for every intermediary involved in the transaction, as well as the originator and beneficiary. The originator should include both their LEI and that of the beneficiary when initiating a transaction – though clearly they cannot complete all of the intermediaries' information. This will be built up over the course of the transaction.

If the LEI of the final beneficiary is provided, everyone in the payment chain will know where the money is ultimately destined. Potentially fraudulent or sanctioned payments can therefore be curtailed from the first payment service provider.

The BIC will need to be provided for operational and routing purposes, whereas the LEI is for identification of legal entities. The Global LEI Foundation is working with SWIFT to establish high quality reference data that maps BICs to LEIs. As this work matures and the adoption of the LEI extends, the Bank and Pay.UK expect that the LEI will become an increasingly important primary key identifier of legal entities to payment transaction.