

# Recommendations to Promote Alignment and Interoperability Across Data Frameworks Related to Cross-border Payments: Consultation report

## Response to Consultation

### Emerging Payments Association Asia

#### *General*

**1. Is the proposed scope of the recommendations appropriate for addressing frictions arising from data frameworks in cross-border payments?**

We believe that the scope and direction of the recommendations are broadly correct and set a good agenda for the way forward. There is a recognition of the importance of standardisation and regulatory alignment and that making data formats and regulations more consistent, easier to implement, and less onerous for providers of payment services can help foster innovation and scalability.

Importantly, in our view, the consultation report rightly critiques the inappropriate use of data localisation and data protection measures. While not strictly speaking a data issue, we would add that currency controls raise similar problems for achieving convenient and efficient cross-border payments.

There could be some enhancements derived by viewing these recommendations through the lens of the end-user of a payments system (such as consumers and merchants), and providing examples or use cases of how the free flow of data has supported business growth, innovation, and economic opportunities.

**2. What, if any, additional issues related to data frameworks in cross-border payments, beyond those identified in the consultative report, should be addressed to help achieve the G20 Roadmap objectives for faster, cheaper, more accessible and more transparent cross-border payments?**

While we are generally satisfied with the issues raised in the consultation report, we would like to add two issues for consideration; one in respect of high-level policy and another in terms of a more detailed data issue.

Data issues go well beyond payments - governments, policymakers and other industries are also looking at data in terms of giving consumers greater control over their own data, opening up government data to third parties, and enabling e-commerce and global trade in

digital goods - all within a context where there is concern over privacy, fraud and national security.

Important parallel processes to the G20 cross-border payments roadmap need to be carefully considered. This includes trade agreements being struck on digital trade / e-commerce and the digital economy. Often, these address topic areas of data standard and data regulation alignment and even address payment issues directly in some instances. Examples include:

- The recent WTO negotiations on digital trade and e-commerce which led to the Joint Statement Initiative (JSI) on Electronic Commerce agreed to by 82 WTO members, potentially setting the first digital trade rules.
- Regional agreements such as the ASEAN Digital Economy Framework Agreement, officially endorsed by the ASEAN Economic Ministers' meeting in 2023.
- Bilateral Digital Economy Agreements, for example between Singapore- Australia (2020) and Singapore-South Korea (2023).

The G20 and FSB processes need to remain alive to these broader developments. As the payments and non-payments worlds grapple with making data work better so that its value can be unlocked, broad collaboration and alignment is required to avoid new silos from being created.

In respect to more detailed data issues, we would note that areas that should be brought into scope that are not mentioned in the consultation report include the use of reason codes and end-to-end identifiers. As part of the consistent implement of messaging standards such as ISO 20022, there needs to be a more consistent approach to reason codes. Importantly, reason codes are required in some jurisdictions and yet there are instances where the domestic payment system operator only makes this information freely available to direct participants. Further, a consistent use of end-to-end transaction identifiers can significantly enhance traceability, particularly reducing costs associated with investigations and disputes.

**3. Is the proposed role of the Forum (i.e. coordinating implementation work for the final recommendations and addressing existing and newly emerging issues) appropriate?**

We would be broadly supportive of the creation of a Forum to coordinate implementation work outlined in the consultation report. It has the potential to be a platform for collaboration, enabling experts to discuss strategies for harmonization and alignment. However, we require further details on the Forum's mandate, composition, and resourcing to be able to assess its likely effectiveness. We would call out the importance of enabling private sector involvement, ensuring it is broadly representative of the ecosystem, including in terms of business models and geographic location.

## *Section 1: Addressing uncertainty about how to balance regulatory and supervisory obligations*

- 4. Discussions with industry stakeholders highlighted some uncertainties about how to balance AML/CFT data requirements and data privacy and protection rules. Do you experience similar difficulties with other types of “data frameworks” that could be addressed by the Forum? If so, please specify.**

As noted elsewhere in this submission, the inconsistent implementation of messaging standards such as ISO 20022 can cause its own issues. Another area that could benefit with greater consistency is privacy, in particular what is considered Personal Identifiable Information (PII). The Forum could play a role in at least mapping these differences.

- 5. What are your suggestions about how the Forum, if established, should address uncertainties about how to balance regulatory and supervisory obligations?**

We would agree on mapping as a sensible first step. This would enable prioritisation and sequencing of work in a way that is most effective. However, as noted above – the mandate, composition and resourcing of the Forum will be critical to its effectiveness.

- 6. Are the recommendations sufficiently flexible to accommodate different approaches to implementation while achieving the stated objectives?**

At this point, we believe they are sufficiently flexible. We would also note that a structured risk-based approach coupled with a commitment to align within the Forum will be essential to its effectiveness and to avoid it becoming an avenue where participants merely lobby each other for alignment with their own approach.

## *Section 2: Promoting the alignment and interoperability of regulatory and data requirements related to cross-border payments*

- 7. The FSB and CPMI have looked to increase adoption of standardised legal entity identifiers and harmonised ISO 20022 requirements for enhancing cross-border payments. Are there any additional recommendation/policy incentives that should be considered to encourage increased adoption of standardised legal entity identifiers and the CPMI’s harmonised ISO 20022 data requirements?**

We support moving towards the LEI as a primary identifier within payment messages – they are widely used and should be supported. We would support a requirement for all regulated, licensed or registered entities to have an LEI and that LEI be used for cross-jurisdictional activities and sanction screening. This would enable more efficient monitoring and investigations and facilitate mutual recognition.

We also support the adoption and implementation of the BIS / CPMI Cross-Border Payments ISO 20022 Standards. Often the challenge is with its implementation is the local translation. This should be done on a consistent basis by domestic market infrastructure providers. While some of these differences are due to domestic regulation, some are long-standing business practices where there may be some cost or perceived competitive disadvantage

from moving away from the existing domestic arrangement to something which is more aligned with international standards.

- 8. Recommendation 4 calls for the consistent implementation of AML/CFT data requirements, on the basis of the FATF standards (FATF Recommendation 16 in particular) and related guidance. It also calls for the use of global data standards if and when national authorities are requiring additional information. Do you have any additional suggestions on AML/CFT data-related issues? If so, please specify.**

As noted in the consultation report, there are problems associated with the inconsistent interpretation of AML/CTF requirements. While a more consistent approach is welcome, we need to avoid FATF becoming a transglobal regulator. FATF should continue to focus its work on national policymakers and regulators so there is more consistent implementation of FATF recommendations within local markets.

We would note that the LEI is included in FATF's proposed revision of Recommendation 16, which would require LEIs for counterparties involved in fund transfers.

- 9. Industry feedback highlights that uneven regulatory expectations for sanctions compliance create significant frictions in cross-border payments affecting the Roadmap objectives. What actions should be considered to address this issue?**

We support efforts for sanction lists be produced using standardised formats. However, this is a challenging task, as there are instances of inconsistent formats even within the same jurisdiction.

Broadly, sanction lists should be machine readable and updated on a real-time basis. HTML only lists or uploaded PDFs should not be the only acceptable methods for making lists available in 2024. Ideally, sanction lists should be API-based or, at a minimum, XML and/or CSV options should be available.

We accept that fully consistent lists are highly unlikely as countries have different priorities and approaches to risk and will likely continue to do so. We also expect some countries to continue to assert global jurisdiction for the application of their sanction lists, despite the problems this approach creates.

We believe that adoption of the LEI to identify entities would enable authorities to manage sanction compliance more precisely and efficiently. Sanctioned legal entities are often identified through names, which often leads to false positives due to language and format variations. LEIs can help reduce the unnecessary frictions created by false positives that can disrupt cross-border payment processing.

- 10. Do the recommendations sufficiently balance policy objectives related to the protection of individuals' data privacy and the safety and efficiency of cross-border payments?**

We would strongly support policymakers working toward mutual recognition of data privacy / data protection between jurisdictions. We would encourage this be done on a multilateral as opposed to bilateral basis.

Further, we believe that there needs to be consideration of the trend towards customer control over their data (as per open banking / open finance regime) as well as the impact of privacy enabled technologies.

### *Section 3: Mitigating restrictions on the flow of data related to payments across borders*

**11. The FSB understands that fraud is an increasing challenge in cross-border payments. Do the recommendations sufficiently support the development of data transfer tools that specifically address fraud?**

We welcome recommendations on the use of data to address fraud and scams. Frauds and scams, and in particular authorised push payment fraud, are becoming a significant and growing problem that needs to be addressed. Formal data frameworks would assist in data monitoring and data sharing (for example through industry consortia) – which remain an important part of combatting fraud. Further, we would support continued exploration of technology, such as distributed ledgers, privacy enhancing technology and tokenisation to help address fraud and scams.

**12. Is there any specific sectoral- or jurisdiction-specific example that you would suggest the FSB to consider with respect to regulation of cross-border data flows?**

We would strongly agree with concerns raised in the consultation report in respect to data localisation. We would agree that data localisation is a blunt instrument.

It is our view that in addition to national sovereignty issues, the two primary reasons for data localisation are 1) access to data by law enforcement and 2) concern over the privacy and related protections in other jurisdictions where data of their citizens are held. We would concur that regulators should be satisfied if a regulated entity can demonstrate that they are subject to equivalent privacy requirements and also that they are prepared to make information available for law enforcement purposes as required.

### *Section 4: Reducing barriers to innovation*

**13. How can the public sector best promote innovation in data-sharing technologies to facilitate the reduction of related frictions and contribute to meeting the targets on cross-border payments in 2027?**

We strongly support the enhanced availability of regulatory sandboxes and innovation offices by policymakers. We provide the following feedback in respect to regulatory sandboxes.

First is to understand the lesson learnt to date and to attempt to tweak and refine the use of regulatory sandboxes to enable cross-border payments. There are still many lessons from recent sandbox initiatives such as the Global Financial Innovation Network (GFIN) and Pacific Islands Regional Initiative (PIRI) as well as from domestic regulatory sandboxes that can inform the next generation of cross-border payments regulatory sandboxes, through an agile approach that emphasises measurement, reflection, and experimentation.

Second is to make cross-border payments innovation a key objective of the next generation of regulatory sandboxes. This is more than just a focus or a theme but rather involves making regulatory sandboxes that will be used not just by new entrants and fintechs but also by larger, more established players seeking to develop new technologies. There needs to be a clear focus on solving ecosystem problems, including regulatory barriers or inefficiencies, not just providing information so domestic regulators can address their own knowledge gaps.

Lastly is that regulatory sandboxes should be a vehicle for aligning regulatory requirements. This should remain a central focus on regulators and policymakers. They should avoid the desire to co-create but rather need to be catalysts who can provide clarity and guardrails for the market to do its magic.

**14. Do you have any further feedback not captured by the questions above?**

We do not have any further feedback at this point but look forward to engaging with the FSB as this process continues and evolves.

Once again, thank you for the opportunity to comment on this. We are more than happy to expand further on the items raised in this submission or to provide further information. If you do have any comments or questions, please feel free to contact EPAA's Policy Lead, Dr Brad Pragnell at [brad.pragnell@34south45north.com](mailto:brad.pragnell@34south45north.com).