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

Response to Consultation

International Organization for Standardization (IS0)

General

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

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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?**

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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?**

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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.**

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

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

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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?**

Dear Financial Stability Board (FSB),

I write to you in my capacity as co-chair of the Standards Advisory Group (SAG) of Technical Committee 68 of the International Organization for Standardization (ISO) TC 68/AG2.

ISO is an independent, non-governmental international organization with a membership of 163 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

ISO/TC 68 is the Technical Committee within ISO tasked with developing and maintaining international standards covering the areas of banking, securities, and other financial services. The Standards Advisory Group (SAG) as an Advisory Group of ISO/TC 68 acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. The SAG enables a proactive dialogue with regulators on financial services standards matters.

The SAG's objectives are:

• Provide a forum for mutual assistance between the global regulatory community and ISO in carrying out their respective authorities and responsibilities with respect to financial services standards;

• Aid the adoption and promotion of consistent standards, where possible;

• Effectively deal with common issues collectively and consistently; and

• Encourage strong and open communication within the regulatory community and with the industry

concerning financial services standards.

The SAG's response represents a collective view of its membership and draws upon its knowledge as an expert standards setting body with practitioner-led experience in the development and use of standards.

The SAG welcomes the initiative taken by FSB to enhance the interaction between data frameworks and cross-border payments to move forward the G20 Roadmap for Enhancing Cross-Border Payments. The SAG will respond to Question 7:

Q.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?

The enhanced use of the LEI (Legal Entity Identifier, ISO 17442) I, as highlighted in recommendation 6, serves as an important step for increasing the use of interoperable standards in payments.

The use of the ISO 20022 standard provides the most comprehensive message set for payments. The LEI, the BIC (Business Identifier Code, ISO 9362, as well as currency (ISO 4217) and country codes (ISO 3166), all are standard identifiers currently available to be used within ISO 20022 payment messages.

ISO/TC 68 notes that the BIC should be used in payment messages in addition to the LEI. The BIC would identify the parties responsible for executing certain operational functions for payments transactions while the LEI would identify the parties legally responsible for certain roles. The combination of these two global standards allows for more effective and instrumental screening, proper customer due diligence and continuous transaction monitoring. If cross border payments ecosystems aim for faster processing time (as set out in the G20 goals), unique identification of each Agent and Party with the LEI and extensive use of BIC for financial institutions and their local branches is necessary.

The SAG would also like to highlight that ISO standards could be leveraged for the identification of virtual assets. A combination of ISO 24165, the Digital Token Identifier (DTI), ISO 6166 International Securities Identification Numbers (ISIN) and ISO 10962 Classification of Financial Instruments (CFI) provides a holistic view of a virtual asset while linking to verified reference data for market participants and regulators.

The DTI is intended to cover representation of digital tokens including, e-money tokens, cryptocurrencies, virtual currencies, utility tokens, stablecoins, as well as tokenized financial instruments. . The data elements of a DTI used to uniquely identify a digital token are based on objective and publicly verifiable technical characteristics of the digital token. Inclusion in the registry and the issuance of a DTI guarantees the existence of the token and its 1:1 relationship to its identifier in all circumstances, including after complex events such as forks on a blockchain. The DTI has two parts: Part 1 addresses the method for registration and assignment, while Part 2 determines the data elements required for registration. The ISO Registration Authority for the DTI, the DTI Foundation (DTIF) is responsible for the issuance and management of DTIs.

The SAG remains at your disposal to further discuss and support you in your work. Do not hesitate to engage us in your discussions and questions related to standards in financial services.

Thank you and regards,

[signed]

Karla McKenna

Co-Chair of the ISO/TC68/AG2

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.**

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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?**

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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?**

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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?**

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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?**

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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?**

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

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