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

Response to Consultation

SOCIETE GENERALE

General

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

   The proposed scope is appropriate. Addressing frictions arising from data frameworks in cross-border payments must take a holistic approach, focusing on end-to-end data quality starting from the initiator of the payment, through the payment chain and ending with reconciliation at the ultimate recipient. Textual legal / rule differences and technical / network validation differences must be addressed concurrently, so individual pieces of data can travel with less friction.

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?**

   Limited transparency about specific root causes arising from complex data frameworks, and localized regulatory regimes remain key barriers. Some potential ideas include:

   • Publication of regional and local differences will help provide visibility and certainty about friction point in key markets. This type of publication may also create an opportunity for greater alignment and sharing of best practices.

   • The Forum could also be leveraged to provide central repositories of country specific data requirements globally, and be used as a mechanism to address challenges, reduce duplicative work, provide clarity, and bring awareness of upcoming market changes.

   • The Forum could also spearhead efforts to align global minimum standards for every type of payment message required for AML, such as name, address with identifiers. In addition, considerations could be given to the creation of ‘whitelists’ based on LEIs/BICS. As such, unique identifiers on the list will not be required to be checked for every payment, but instead requiring regular compliance review of the ‘whitelist’. This approach will increase

efficiencies by reducing payment friction and cost, while ensuring compliance standards are not negatively impacted.

• Linkage of recommendations to the measurement of the G20 roadmap objectives would be beneficial to help prioritize all potential opportunities based on their ability to drive the key objectives.

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?**

Societe Generale agrees with the Forum's role in promoting collaboration in cross-border payments and the inclusion of the private sector advisory body. The public sector, in consultation with the private sector including payments practitioners, should focus on data frameworks end to end, the end client role, and more specific rather than high level guidance to have sight over end-to-end implementation.

End to end data quality across the payment chain relies on how the end client provides the data against the message format that is implemented in each market or network. Renewed emphasis should be given to message format usage practices and end client incentives.

We recommend that the Forum work with the relevant authorities and industry stakeholders to harmonise and streamline these data frameworks, and to promote the use of global data standards, external code sets maintained by ISO 20022, and unique entity identifiers.

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.**

The recent discussion with FATF on updates to Recommendation 16 included similar issues in card transactions and it was potentially deemed sufficient that the reference data standing behind identifiers (e.g. merchant IDs, card numbers) could be made available to law enforcement upon request. Consistency of AML/CFT data requirements and data privacy and protection rules across payment types will be important especially as payment use cases using card rails are expanding.

Principles on what data originating from the payer should travel through the payment chain as part of the payment message, what (if any) data could be supplemented throughout the payment chain and what data should remain as information obtained through additional investigation at each of the cross-border payments market participants and not allowed to travel through the payment chain should be made clear.

The forum should encourage the public sector to flag upcoming data related rules that could have impacts on cross-border payments and also consider a process to ensure that emerging divergences and inconsistencies are addressed as they arise.

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

Societe Generale suggests the following recommendations to be considered:

• Issuance of Specific Guidelines: Drawing from the example of the Wolfsberg Group, which provides comprehensive guidance for financial institution on various compliance issues, the Forum should be authorized to issue clear, practical guidelines for implementation, tailored to the complexities of the payment landscape and offer opinions on specific use-cases.

• Balancing AML/CFT and Data Privacy: We acknowledge the challenges of balancing anti-money laundering and counter-terrorism financing (AML/CFT) data requirements with data privacy and protection rules, particularly in cross-border payments. The Forum should actively contribute to resolving these issues by providing clarity and guidance on achieving a balance between regulatory demand and privacy concerns.

• Validation Through Use Cases: The Forum should adopt a use-case validation approach. This involves testing recommendations against specific scenarios where payment contexts and data usage are examined rigorously across multiple jurisdictions. Such an approach ensures that guidance is not only theoretical but practical and applicable to real scenarios.

• Facilitating Dialogue and Cooperation: To address these challenges effectively, the Forum should serve as a platform for ongoing dialogue and cooperation among all relevant stakeholders, including regulators, supervisors, payment service providers, and end-users. By facilitating open communication, the Forum can help align objectives and develop solutions that reflect diverse perspectives and priorities.

• Public-Private Partnership Models: Emulating successful public-private partnership models, the Forum should facilitate collaboration between governmental bodies and private sector entities. This partnership can drive innovation while ensuring compliance with regulatory frameworks. The Forum can act as a mediator, fostering cooperation and building trust among diverse stakeholders.

In summary, the Forum should play an active role in guiding the industry through the complexities of regulatory and supervisory obligations, leveraging public-private partnerships and a use-case validation framework. By fostering collaboration and issuing specific, actionable guidance, the Forum can help ensure a balanced approach that supports innovation while maintaining compliance and protecting stakeholders' interests.

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

Societe Generale believes that the recommendations are indeed sufficiently flexible to accommodate different approaches to implementation while still achieving the stated objectives. By incorporating these perspectives, the Forum can establish a robust yet adaptable structure that addresses the diverse needs of all stakeholders.

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 also support the efforts of the FSB and the CPMI to increase the adoption of standardized global unique entity identifiers (e.g. LEIs and BIC) and the CPMI's recommended harmonized ISO 20022 data requirements, as we see these as essential tools for enhancing cross-border payments.

   However, we also harmonize that there are some challenges and gaps in the current implementation and usage of these tools, and we would like to offer some suggestions on how to address them:

   1. To ensure a common adoption of standardized unique entity identifiers and of the CPMI's recommended harmonized ISO 20022 data requirements, we suggest the Forum to promote the use of already existing templates for ISO 20022 implementation in Payments Market Infrastructures (HVPS+) and/or for cross-border payments (CBPR+) as these are already working to take into account the CPMI's recommended harmonized ISO 20022 data requirements.

   2. We suggest that the Forum should develop policy incentives and best practices to encourage the adoption and maintenance of LEIs by all types of legal entities, including branches, subsidiaries, both for financial institutions and non-financial entities.

   3. To be the most comprehensive on payments scope, we suggest that the Forum should establish a linkage between card-based identifiers such as Merchant IDs and Bank Identification Numbers (BINs) and LEIs, as this will facilitate the efficient identification and verification of parties involved in cross-border payments using card rails.

   4. We suggest that the Forum should endorse the Business Identifier Code (BIC), which is an ISO standard (ISO 9362) that has evolved beyond a SWIFT-restricted identifier, as a complementary tool to the LEI, as this will smooth the implementation and transition process. Mapping between BIC and LEIs is already available.

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.**

   Societe Generale agrees with recommendation to implement AML/CFT data requirements, based on the FATF standards and related guidance. We appreciated the ability to participate in recent FATF consultations on the interpretation and application of Recommendation 16, which aims to clarify the issues and uncertainties related to card transactions and other non-

wire payment topologies. We suggest that the Forum continue to engage with the FATF and the industry to provide further guidance and clarification on AML/CFT data-related issues, such as the use of purpose of payment, the identification of beneficial owners, and the use of global data standards for additional information.

Societe Generale supports efforts to address the uncertainties of whether and how information that is required for one national authority should or should not travel through the payment chain, difficulties that are driven by diverging regulatory requirements. Current known issues include the use of purpose of payment often using national codes that have no relevance outside the given domestic market. Other cases include the requirement to investigate beneficial owners of parties visible in the payment chain for sanctions compliance purposes in a particular market. As such, it is evident that greater transparency over different data requirements across various jurisdictions and extent of due diligence required can solve for a significant part of the ambiguity and friction in cross-border payments. Therefore, in response to your question 2 above, we recommend considering the publication of central repositories of country-specific data requirements.

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?**

The issue of uneven regulatory expectations for sanctions compliance creates significant, costly frictions in cross-border payments. To effectively address these challenges, Societe Generale recommends that the Forum collaborate with recognized global industry expert groups in this area, such as the Wolfsberg Group or Swift's Financial Crime Compliance Advisory Group, to develop targeted solutions that enhance regulatory consistency and improve the overall efficiency and security of cross-border payments.

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?**

The recommendations provided in the document aim to balance the protection of individuals' data privacy with the safety and efficiency of cross-border payments. They do so by advocating for harmonized data standards like ISO 20022 and the use of global identifiers such as Legal Entity Identifiers (LEIs). However, to fully capitalize on the benefits of ISO 20022, the Forum should move beyond merely guiding and should demand strict adherence to the ISO 20022 standard beyond the like-for-like approach with the legacy message formats. This means mandating its comprehensive adoption across Payment Market Infrastructures (PMIs) to avoid issues like data loss due to alternation or truncation when payments flow through different PMIs with varying data capacities. PMIs, acting as gatekeepers in the payment ecosystem, must be held responsible for setting clear rules for cross-border payments to ensure the integrity and efficiency of these systems.

Additionally, the Forum should advocate for the implementation of the newly developed ISO 20022 messages (camt.110, camt.111) for Requests for Information (RfI) in cases where more detailed transaction information is needed. These RfI messages, supported by a rulebook and service level agreements, would allow for maximum automation and rapid access to the necessary information, all while safeguarding customer data privacy.

While the recommendations strike a good balance, their effectiveness will depend heavily on the careful and consistent implementation of these standards across different jurisdictions, particularly in addressing variations in local data privacy regulations and compliance requirements.

We recognise that fraud is an increasing challenge in cross-border payments, and we support the recommendation to mitigate restrictions on the flow of data related to payments across borders, especially for fraud prevention and detection purposes. We suggest that the Forum should promote the development and use of data-sharing technologies and tools that can facilitate the exchange of information related to fraud, such as pre-validation, encryption, and matching of names and addresses. We also suggest that the Forum should work with the relevant authorities to create safe harbour laws or exemptions that would allow cross-border data transfer for fraud-related purposes, while ensuring the protection of individuals' data privacy and rights.

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 acknowledge that the recommendations aim to address the challenges that come from jurisdictional data localization policies to improve the safety and efficiency for cross-border payments where local restrictions can limit sharing or aggregation of data to prevent fraud. Confirmation of Payee mechanisms and emerging pre-validation models, which enable beneficiary account validation before payment execution, have demonstrated effectiveness in mitigating risk associated with inaccurate or incomplete data. Networks in the US (i.e. Zelle) and in other countries that adopting data-sharing tools and protocols see a positive impact on preventing fraud and scams. Services that provide comprehensive network insights about the intended recipient can help financial institutions and their clients make better risk based decisions. The forum should promote the creation of safe harbor laws to allow cross-border exchange of data related to fraud and promote development and use as best practice of other technical tools to facilitate matching of names and addresses to reduce friction and increase speed while helping identify potential fraud.

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?

The FSB should consider and prioritize data localization rules that directly impact cross-border payments. Those rules include India RBI's Storage of Payment System Data notice and China’s National Financial Regulatory Administration (former China Banking and Insurance Regulatory Commission) decree prohibiting the cross-border transfer of all customer identification information obtained in the course of performing AML/CFT obligations.

Aside from the most impactful rules mentioned above, the FSB should consider broader data localization requirements such as the ones in SEBI Cloud Framework. Those broad localization requirements will negatively increase cost doing business, undermine risks

management ranging from AML to cyber, and reduce resilience, which in turn lead to costly, insecure, and inefficient cross-border payments.

In addition, the FSB should establish a mechanism through the proposed Forum to address emerging and ongoing data localization requirements.

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 support the recommendation to reduce barriers to innovation in data-sharing technologies and solutions.

Innovation is primarily driven by business opportunities, including cost reduction. Establishing appropriate incentives for all participants will accelerate innovation more effectively than regulations alone. Public-private partnerships, regulatory sandboxes for testing innovative solutions, and clear guidance on the implementation of technologies within the existing regulatory framework are essential. We believe that the BIS Innovation Hub is best positioned to address innovative projects focusing on data sharing and data frameworks, which significantly impact cross-border commerce and payments and will become increasingly important to undertake.

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

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