

U.S. Banking Associations Address CPMI's Final ISO 20022 Harmonization Requirements

The Clearing House Payments Company L.L.C., the American Bankers Association, and the Independent Community Bankers of America (together the "Associations") are issuing this statement in response to the Committee on Payments and Market Infrastructures' ("CPMI") final ISO 20022 harmonization requirements for enhancing cross-border payments issued on October 17, 2023.¹ The Associations are supportive of the G20 effort to enhance cross-border payments and understand the important benefits that common messaging standards, especially for the ISO 20022 format, could provide for cross-border payments. However, message harmonization has implications and costs for payment systems and depository institutions. Hence, U.S. depository institutions and payment system operators will need to account for those implications and costs when considering the CPMI ISO 20022 harmonization requirements (hereinafter "standards") which, as CPMI itself recognizes, have no legal effect and are not regulatory requirements.

In addition, the Associations believe that while the CPMI standards are generally well-suited for wire-based systems, they present challenges for U.S. depository institutions and non-wire payment systems that facilitate cross-border payments. To adopt the standards as CPMI has proposed would require very significant changes to the U.S. payment system, which encompasses multiple payment systems, thousands of depository institutions, and numerous technology service providers that enable payments for those depository institutions and their customers. While there is value in common messaging standards in many scenarios, we do not consider them universally applicable or essential for all institutions or systems.

The Associations are concerned that the CPMI harmonization standards recommend the use of Business Identifier Codes ("BICs") that are issued by Swift in its role of ISO registration authority or Legal Entity Identifiers ("LEIs") to identify depository institutions, which is at odds with the ways in which payments are processed in the U.S. BICs and LEIs are common identifiers in Europe and for large, global organizations. They are not common for U.S. depository institutions, nor should they be given that the U.S. payment system uses RTNs to identify depository institutions. Innumerable systems that enable payments in the U.S. are RTN-based. The impact of converting U.S. systems to BICs or LEIs is too large to be entertained. Additionally, it is not feasible to suggest that every depository institution in the U.S. that wishes to engage in cross-border payments would acquire a BIC or LEI that would be used only in cross-border payments

¹ CPMI Report to the G20, Harmonised ISO 20022 data requirements for enhancing cross-border payments (Oct. 2023) (the "Report"), available at <https://www.bis.org/cpmi/publ/d218.pdf>.

and converted to a RTN in the U.S. domestic leg of a cross-border payment. The acquisition of a BIC or LEI is not only administratively burdensome for many depository institutions, but the concept of converting depository institution identifiers in payment messages presents considerable operational and legal risk and would impose unjustified costs on the U.S. payment system. For these reasons the Associations believe adoption of this CPMI standard would disadvantage U.S. stakeholders, especially community banks, relative to stakeholders in other countries that already employ BICs or LEIs to identify institutions.

In conclusion, the Associations support the overarching goal of enhancing cross-border payments to be faster, more accessible, and less costly for customers. We believe, however, that achieving this goal necessitates a practical assessment of the cost and effectiveness of different solutions for cross-border payments. Further, international efforts to improve the format and data integrity of cross-border payments, whether through ISO 20022 or otherwise, will require a more inclusive approach that recognizes the size and diversity of the U.S. payment system. This encompasses not only the large, internationally active banks but also the numerous smaller community banks that play a vital role in our financial system. To this end, the Associations will request that CPMI and the Payment Market Practices Group include community bank representatives in current and future discussions about the format and data integrity of cross-border payments.

The Clearing House

The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States, clearing and settling more than \$2 trillion each day. The Clearing House's website is www.theclearinghouse.org.

American Bankers Association

The American Bankers Association is the voice of the nation's \$23.4 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$18.6 trillion in deposits and extend \$12.3 trillion in loans.

Independent Community Bankers of America

The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation.

As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at icba.org.