



**Summary of the 102<sup>nd</sup> PMPG meeting  
'in person' meeting / conference call  
4<sup>th</sup> / 5<sup>th</sup> April 2017**

**Opening, Agenda & Minutes Previous Meeting**

The meeting was opened by welcoming the PMPG members, and distinguished guests to the first of the two planned 'in person' meetings of the year.

Comments were invited on the accuracy of the previous meetings minutes. Having received no comments, the minutes were formally accepted.

As a matter arising from the previous meeting, it was shared that the Banking Payments Committee (BPC) had identified a representative to occupy the vacant BPC position on the PMPG, in line with the group's Terms of Reference.

It was further proposed that as the previous BPC representative had introduced a Spanish perspective to the PMPG, which proves to be a significant contributor to market practice, it was suggested the PMPG should invite the Spanish National Member Group to nominate a PMPG member in accordance with the group's Term of Reference. This proposal was accepted by the PMPG.

**High Value Payments Systems Plus (HVPS+)**

The initiative's work, facilitated by SWIFT, and sponsored by the PMPG was discussed, where the core ISO20022 messages are been reviewed during both physical and conference call meetings, in order to produce formatting guides made available via the MyStandards tool, as a best practise usage guideline. It was further informed that the group plan to submit a change request to ISO to externalise code lists, to prevent the need to submit further change requests every time maintenance is required on data elements represented by a code.

A number of sub workgroup activities were described;

- Interoperability, which looks to address mapping between ISO and MT, with particular focus on field length and code words.
- Collateral Management, which will review messages to manage central bank money, including the setting of liquidity limits.
- Reporting, that seeks to address practises associated with statement messages.

The use of RFC4122 as a standard was discussed, which can be used as an option for creating a unique 'transaction id' in an ISO20022 payment message. A draft paper on this topic had provisionally been shared with the HVPS+ group, where it was proposed that this could be endorsed by the PMPG, once any observation had been addressed.

***F tag interoperability with domestic Market Infrastructures (in 2020 when only structured data is allowed in F50/59)***

An overview was provided on the outline of a proposed paper on this subject, describing the goal impact, background, and the focus on the impact, which was further divided into 3 layers;

- Impact of the change on a Market Infrastructure, where those systems supporting cross border elements may need to consider identifying domestic vs cross border payments, to determine where structure is required, or to introduce structure for all ordering party and beneficiary information.
- Impact of the change on Financial Institutions, where the elimination of unstructured fields may introduce data inaccuracies.
- Impact of the change on the client, describing the end client migration to providing structure within their payment instructions, which may also require information from their counterparts.

The paper concludes with recommended next steps.

The group discussed a variety of consideration for the paper.

## **Fraud Detection and Reporting**

The meeting was reminded of the work group's ongoing review of the existing Exceptions and Investigation market practise guide, and the view to create a new paper on Fraud Detection and Reporting. Since the last meeting, where an overview of the paper's outline had been shared, the work group had now divided sections of the paper among them.

The group discussed a number of cancellation use cases, together with options to enable prioritisation of cancellation messages. The preference of the group was to focus on structured code words in Field 79 of the cancellation request message.

Further discuss occurred around promoting the correct messaging standard rather than encouraging the use of a generic message.

## **BCBS, CPMI, FSB workshop update**

The group was updated on the workshop, where the PMPG representatives had presented LEI, the MT202COV market practice guide, and the FATF recommendation 16 whitepaper, including the 'f' tag structure. It was described how the PMPG's mandate was to issue guidance of how the optional use of LEI could be introduced within cross border payments. This includes the consideration that messages not place a high burden on banks, whilst balancing the de-risking of intermediaries by concentrating on ordering and beneficiary party information featured as part of the message delivered. BIC was also positioned as already being an effective identifier, where BIC mapping to LEI perhaps does not focus within the use case for LEI.

It was shared that the understanding was that the workshop motivation was to gather input to contribute towards what makes a good quality payment. Discussion had occurred that LEI provides good quality of information, but does not replace other existing information, where comparisons were made with IBAN. It was highlighted that IBAN is mandatory, where it was suggested during the workshop that there was no intention to regulate the usage of LEI.

Next step expectations following the workshop were discussed, where it was concluded a guidance paper on how LEI could be used, without replacing existing structures, as an optional addition to a payment message, should be produced. The regulatory expectation is that the LEI will be a required identifier when ISO 20022 messaging is more broadly adopted in the global market.

## **LEI**

The LEI paper outline was introduced which included many of the aspects discussed during the previous agenda item. The optional use case adoption in ISO20022 was discussed, along with the balance of the deliverable of a market practice paper whilst including the market place feedback. A paper would continue to target SIBOS (aiming for around the August timeframe), but a summary of the community feedback was the immediate next step.

It was described that the paper would need to be much broader than where to place a LEI in an MT103, other aspects would need to be addressed.

It was acknowledged that LEI had been discussed at the Corporate Advisory Group (CAG), where fields within ERP systems to carry this information had been a point of consideration.

Debate occurred to whether LEI is enough on its own, in the sense should it also include further narrative data, such as address, where different from that registered against the LEI. The work group agreed it will consider a market practice guideline statement that if a corporate entity provides an LEI as an identifier, they should not provide other identifiers (e.g. name, address, BIC) because there is a possibility that this information may not match with the LEI.

The work group agreed it will draft a summary of the survey feedback and the next steps for the next PMPG meeting. This summary will be previewed with the CPMI and GLEIF, and finalized by August.

## **MT202COV review**

The most recent changes to the current version of the reviewed paper were presented. Feedback was shared where the group also discussed a return use case where typically a request to a nostro agent to return funds maybe utilized, rather than initiating this request by using a MT202.

Following the review of further use cases, input and clarifying questions, it was agreed to address a number of points in a review of the MT202COV market practice guide.

## **GPI**

An overview of the SWIFT Global Payment Innovation was presented, covering the background to the initial phase, global Cross Currency Transaction (gCCT), and its adoption. Phase 2, additional optional services of: MT202COV tracking, Stop & Recall Payments, Rich Payment Data, and International Payment Assist, were also discussed before concluding with phase 3 and the proof of concept of Distributed Ledger Technology.

Key Standard Release (SR) milestones were presented, when during SR 2017 banks must be able to receive the UETR; adding another leg to tracking. During SR 2018 it is proposal to add a requirement to send a UETR.

## **Banking Payments Committee**

An overview of the Banking Payments Committee (BPC) was provided describing the three core areas of focus; messaging, compliance and Market Infrastructures. Broader interest of this committee in Application Programming Interfaces (API), new technologies, data quality/machine learning, Payment Services Directive 2 (PSD2), Instant Payments and fraud, were also described.

The PMPG were thanked for their leadership on the HVPS+ initiative, where the PMPG's ability to look at and debate detail in many topics including FATF, MT202COV, 'F' tag payment data quality, is hugely valued.

It was shared how the world is transforming and the importance of groups like the PMPG to understanding how things work, and why things are the way they are.

## **Corporate Advisory Group**

The Corporate Advisory Group (CAG) was introduced as the forum for which discussion of topics relevant to the corporates and to address the corporate's need, occur.

It was shared that the upcoming CAG meeting would feature GPI as a topic, specifically on how to progress GPI conversations with corporates, disseminating the GPI story of faster, cheaper, simpler, with increased transparency. Fraud/cyber-crime was also a hot topic, where the question of how to address this in the corporate space, would also be a key discussion point.

Collaboration on subjects of mutual interest to both the PMPG and CAG was discussed where Legal Entity Identifiers (LEI) and Non-Bank Providers were identified as two obvious topics. It was further discussed that corporate email compromise may benefit from educational awareness, where account screening and tokenisation may also help.

## **TCH**

The US Market Infrastructure the Clearing House (TCH) shared some of the insight into TCH initiatives currently being worked upon.

The Clearing House governance process on the Clearing House's Instance Payment initiative and secure token exchange was also presented.

## **Annual Forum**

It was explained that this year's annual forum planning team's main objective was to an emphasis on interaction with the participants.

The overall idea was to share some of the PMPG activities performed over the last year and then focus of specific subjects including: the SWIFT Customer Security Program, ISO20022, real time cross-border, field 50/59 tag F, industry changes, GPI, Canada's experience of blockchain modernization.

LEI was also discussed as a potential topic, as a reaction to a potential PMPG paper on the topic. Further topics such as API and PSD2 were also proposed. It was suggested that maybe the GPI topic could incorporate the dimension of instant payment cross board.

It was suggested each session should be 45 minutes, maximum, which introduced discussion towards the session approaches. Post it walls, interactive voting, jeopardy quiz and lighting rounds, were some of the ideas, to keep the day a high energy event.

Consideration was given to the forum feedback, from the previous year. Where it was also pointed out that awareness of SIBOS topics was needed, to avoid duplication.

Next steps were discussed, which included the distribution of a 'save the date' invitation.

## **Wrap up of day one**

Thanks were shared with the guests for their participation and contribution.

## Day two

### **Regional update – Hong Kong**

Slides were presented providing an overview of Hong Kong and the Great Pearl River Delta (PRD).

Hong Kong Instant/Faster Payment system was introduced, which would operate on the ISO20022 standard, settling in seconds on a 24/7 365 days of the year. It was further suggested it could be expected that this service could be linked with the Chinese interbank payments system in the future.

Overlay services were also shared, those being considered including;

- an addressing scheme, utilising mobile number, email and unique id assigned by the clearing system
- an e-Direct Debit Authorisation exchange
- a Stored Value Facility (SVF)

Discussion of previous Change Requests was introduced, which had fundamental business reasoning but had been turned down in the past as ISO20022 was seen at the future solution to address the need. It was highlighted that challenges associated with domestic innovations compared to cross-border payments, with regards to carrying additional information, together with a growing pressure of transparency.

Discussion went on to demonstrate the types of ordering and beneficiary party data truncation which can occur and how the 'f' tag structure, made more prominent when unstructured data is removed during the Standards Release 2020, will add to the challenge (as it restricts field character availability). It was also described the separate challenge of payments on behalf of and receipts on behalf of.

Some possible change options were shared, to address the use case challenges, previously demonstrated. It was suggested if an alignment could be reached on a particular Change Request this could be submitted as multiple National Members Groups. It was proposed that once the change request was agreed, the PMPG could consult their communities, where upon the PMPG could potentially endorse the request.

It was discussed that certain communities, are now starting to look at domestic ISO20022 migrations, this may facilitate opening the debate on whether proposed Change Requests, particular with a delayed implementation, should once again look to ISO20022. This also raised debate of other change topics such as LEI adoption, and purpose codes.

Next steps were summarised.

### **Regional update – Japan**

A summary of payment and transaction banking within the Japanese financial system was presented in four pillars;

- Innovation on integration of financial Information technology,
- Reform of payment services, supporting the growth of corporates,
- '5 reform agendas' of payment infrastructure,
- Actions on virtual currency.

It was further described the shift towards XML for bank to bank domestic payments by 2020, and how the current real time system, Zengin, will move towards 24 x 7 processing.

### **Regional update – Australia**

The Australian payments landscape was presented, describing the 4 main systems;

- APCS, the paper clearing
- BECS, the file based low value clearing (ACH)
- CECS, the consumer electronic clearing
- HVCS, the real time gross settlement clearing.

Discussion went on to describe the strategic review of innovation which lead to the real time payments solution (NPP), this looked to address the need for faster, anytime payments with rich data and supported overlay services.

Other compliance and security topics prominent in the Australian community were then discussed which included; GPI, blockchain/DLT, digital/mobile/contactless payments, ISO20022, Fintel Alliance, cyber security & identify management, and compliance/regulation.

### **Regional update – Singapore**

Topics of importance to the Singaporean community were shared, which include GPI, CGI and central addressing schemes.

A presentation into the faster payment scheme (G3, previous known as FAST) described the journey to implementation, together with the key feature and function of the system.

The ongoing journey to introduce an easier and faster method of establishing direct debits, together with an initiative to introduce a digital cheque/central addressing scheme, was discussed.

Finally this section was concluded by presenting 'smart nation' which looks to utilise digital technology to introduce digital identifiers, digital signatures and a digital vault.

### **Regional update – China**

An overview of the payment infrastructure in China was presented, with an overview of the system architecture. The background and historic construction timeline of the 3 primary payments systems of CNAPS2 were then discussed;

- HVPS, the high value clearing

- BEPS, the bulk electronic clearing
- IBPS, the internet banking payment system

Developments in digital payments and mobile were also discussed before describing the cross-border interbank payments system (CIPS) including the major functions of the system, the operating statistics and the development outlook.

### **Regional input – other AsiaPac**

An ISO20022 adoption roadmap in AsiaPac was shared, mentioning some of the existing projects in Australia, Malaysia, Brunei and Hong Kong, with a closer look into efforts in India, the Philippines and Malaysia.

It was observed that AsiaPac had a lot of markets with firm plans to migrate to ISO20022, in comparison to other regions of the world. Where it was suggested less developed markets may find the effort to migrate to ISO20022 easier than those communities who have investigate greatly in their infrastructure.

It was also discussed that when assessing global adoptions, it was necessary to also consider the volume those markets represented within the global picture, especially when considering the business decision to the adoption of ISO20022 in cross-border messaging.

### **Action list**

The group reviewed the current 'action list', and 'watch items', having discussed many of the topics already over the last 2 days.

### **Wrap up and close**

The attendees' were thanked for their participation and wished a safe trip home. The meeting was concluded by the preview of a PMPG promotional video previously filmed at SIBOS.

### **Next meetings**

Regular monthly meeting, 18<sup>th</sup> May 2017