



BANK OF ENGLAND

November 2018

ISO 20022 consultation response paper: a global standard to modernise UK payments

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Foreword

In June 2018, the Bank of England, Pay.UK and the Payment Systems Regulator jointly issued a statement which accompanied proposals for introducing ISO 2022 compliant messaging to payments in the United Kingdom.^[1] This is an important initiative which will bring significant and long term benefits. By working together as an industry, we can safely deliver a complex but critically important and highly beneficial change, which will help create the conditions for the next generation of innovation in UK payments. Feedback from the Consultation is valuable in helping us to deliver this change in the UK, and influencing developments internationally.

We were delighted with the number and breadth of responses and the consideration that went into each one. Over 70 organisations replied, ranging from established banks to fintechs, corporates, government departments and a number of trade associations. In total, respondents represented the whole of the payments chain. This comprehensive investment of time and effort has helped us to understand industry views, and refine and enhance our approach for adopting ISO 2022 to best meet the needs of the industry going forward.

Respondents provided positive reinforcement for our overall proposals. In particular, there was broad consensus for our proposal to introduce the Common Credit Message (CCM), which is central to message harmonisation across the UK's main interbank payment systems^[2] and compatibility with the emerging international consensus. Respondents were also keen that the Bank and Pay.UK should continue to work together to seize the opportunity to deliver far-reaching benefits for the users of payment systems now and in the future.

In terms of the implementation of ISO 2022, some responses suggested that we should seek to go further to ensure that it is aligned across the main interbank payment systems. As the emerging designs of the New Payments Architecture (NPA)^[3] and Renewed RTGS service become more mature, we are working together to ensure alignment at more detailed levels, including considering the optimal sequencing of timelines for migrating to the new standard. We also share a continued commitment to shape the emerging consensus for implementing ISO 2022 messaging standards internationally. The strong support we have received for our proposals provides a mandate to drive that change. We also recognise the active role we need to take to create the conditions for the success of the messaging standard, for example working across the public sector to deliver the conditions necessary to enable the Legal Entity Identifier to be widely used across the payments chain.

Many responses emphasised the scale of transformation and investment required to deliver these changes safely and effectively. Running the Consultation has reinforced the view that implementing ISO 2022 is an important foundation of both RTGS Renewal and delivery of the NPA. And these programmes, together with the move to ISO 2022, represent one of the largest change programmes for the UK payments industry. We recognise that continued collaboration on the introduction of the new messaging standard is vital. This will require working closely with payment service providers and users of payment systems.

On 8 November 2018, the Bank and Pay.UK announced the creation of the 'Standards Advisory Panel' (SAP), which will act as a focal point for strategic cross-industry advice on implementing and adopting ISO 2022 in the UK. We expect that the SAP will be accompanied by a series of working groups. All organisations that initiate, receive and process payments are encouraged to get involved to help shape future standards and ensure that the end-to-end processes and user needs are kept firmly in view.

^[1] [ISO 2022 consultation paper](#)

^[2] We refer here to CHAPS and the schemes operated by Pay.UK, which include Faster Payments and Bacs.

^[3] Pay.UK is undertaking the delivery of the New Payments Architecture (NPA) by 2022. The NPA will utilise ISO 2022 for its core clearing and settlement messaging standard.

This document sets out the responses to the Consultation and how these have impacted our approach and thinking. It also outlines our plans for the next phase of work on implementing ISO 20022 in RTGS and the NPA as we move closer to delivery.

We look forward to working with the industry to deliver a more innovative, harmonised and resilient messaging standard for the UK.



Victoria Cleland
Executive Director,
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ISO 2022

WHAT is ISO 2022?



A global messaging standard for payment systems



The Bank and Pay.UK propose to implement ISO 2022 via a Common Credit Message for the UK

The Common Credit Message will include:



improved structure for identity information



extended character set



purpose codes



Legal Entity Identifiers



structured remittance information

WHO will this impact?



Anyone who makes or provides digital payments or associated technology providers

WHY implement ISO 2022?



enabled by the renewal of RTGS and the New Payments Architecture for retail systems



new data = better decisions



interoperability = robust contingency



more structure = easier automation

HOW did we engage?



working groups



focus groups



consultation paper



bi/multilaterals



workshops



outreach to other infrastructures

Respondents



36 Payment service providers



16 Technology providers



23 Other respondents



Key themes

"These proposals have the potential to transform the way payments are made, but the scale of change is large and costs and risks need to be carefully managed."

"We are happy with the proposals at a high level, and are keen to work with you to develop the next level of detail. This should encompass exactly how ISO 2022 will be implemented and use of new fields."

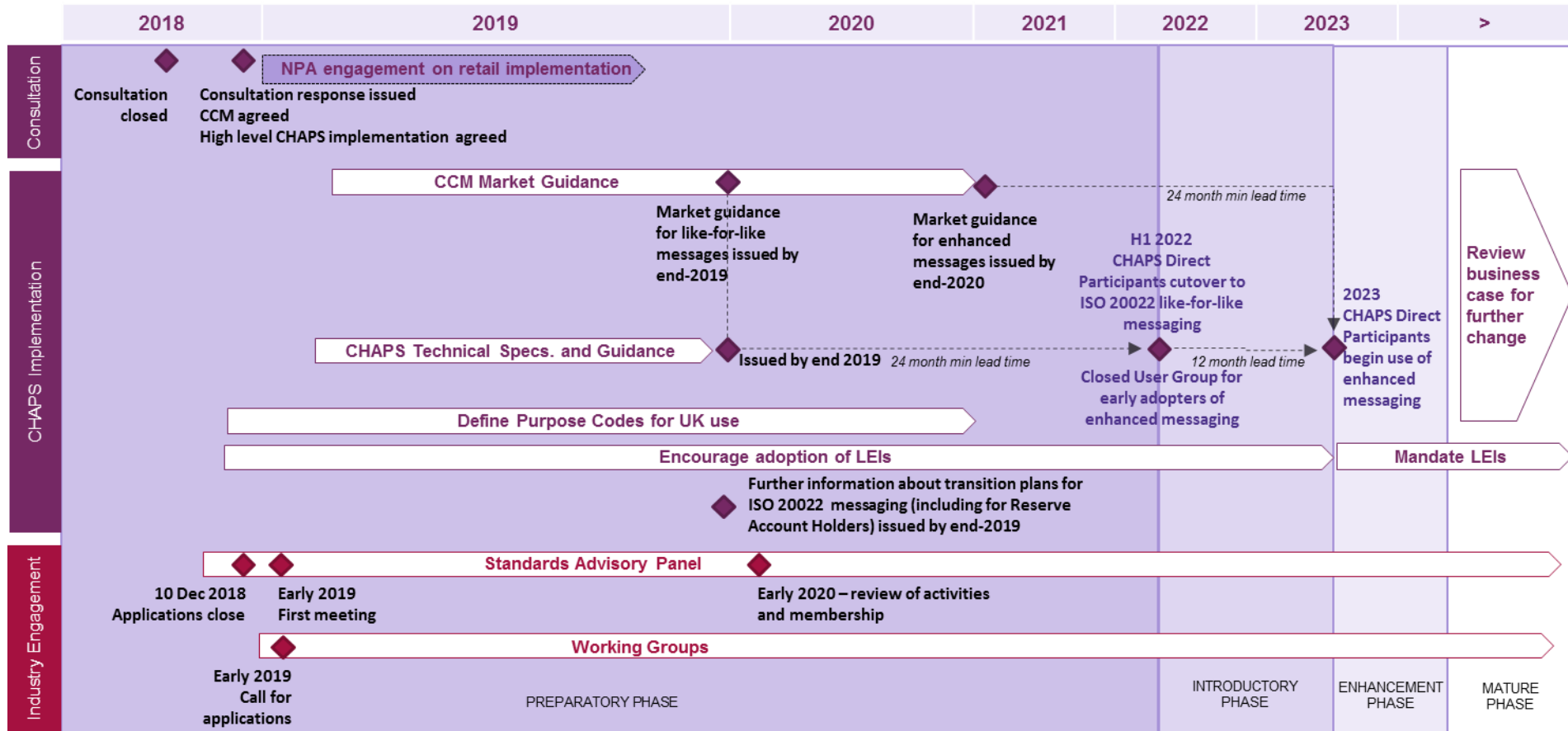
"We would like the Bank and Pay.UK to continue to work closely together on ISO 2022 design and implementation, and ideally to deliver a harmonised deployment."

"Ensuring a consistent use of ISO 2022 will be necessary to realise the benefits, and we want the Bank and Pay.UK to play a role in encouraging this."

"We want to be involved in continuing to help shape this work."

This Consultation proposed	Feedback	What we are doing
<p>A Common Credit Message (CCM) for the UK to be shared across CHAPS and the NPA compatible with the emerging international consensus.</p> <p>This will be capable of carrying richer information than the messages used by the UK payments systems today, particularly regarding the identity of those involved in a payment.</p>		<p>The Bank and Pay.UK will continue to work together to deliver the CCM, with the proposed data requirements, and also to align broader messaging requirements within both infrastructures.</p> <p>Pay.UK plan to share more information on their approach to standards in the coming months.</p>
<p>A role for the Bank and Pay.UK promoting and influencing the wider use of ISO 2022 and the CCM across the payment chain in order to achieve the desired network effects.</p>		<p>The Bank and Pay.UK will work together with industry to deliver thematic market guidance about use of the new messages. We recognise that early delivery, before technical build work starts, will be necessary.</p>
<p>Set up of a senior strategic change advisory panel, supplemented by working groups, to advise the Bank and Pay.UK on the effective adoption of ISO 2022 across the UK.</p>		<p>A call for interest for participants in the Standards Advisory Panel was issued on 8 November (closing 10 December).</p> <p>A number of technical working groups, including groups to help support delivery of market guidance, will be announced in due course.</p>
<p>New mandatory requirements in the CHAPS implementation of the CCM including:</p> <ul style="list-style-type: none"> Where used, name and address fields for parties and agents in CHAPS payments will be structured. Inclusion of Legal Entity Identifiers (LEIs) for payments between financial institutions. Use of purpose codes for payments between financial institutions, housing payments and payments above a value threshold. Phased removal of unstructured remittance information. An extended Latin character set. 		<p>The Bank will mandate all new data requirements proposed, accompanied by thematic industry guidance. This will provide a range of benefits, such as improving fraud prevention.</p> <p>The Bank will play a role in encouraging wider LEI adoption and designing an effective list of purpose codes to enable the potential benefits of these new data.</p> <p>At a later date the Bank envisages mandating LEIs for a wider range of payments, introducing non-Latin character sets as well as regularly refining the purpose code list.</p>
<p>Migration arrangements for CHAPS including:</p> <ul style="list-style-type: none"> Indicative timelines for change. Phased introduction of mandatory data requirements. A single cut-over weekend for direct participants. Possibility of a closed user group allowing direct participants to use the enhanced message and realise benefits early. 		<p>The Bank received support for the proposed CHAPS migration and intends to continue with it. Furthermore, the Bank and Pay.UK will also consider how enhancements to ISO 2022 are best sequenced across changes to RTGS and the delivery of the NPA.</p>

ISO 2022: Overall next steps



*Note: This timeline is draft based on current planning. It should be considered indicative only and will be updated as detailed transition planning is completed.
Plan precision +/- 6 months.*

1 Proposal for a Common Credit Message across UK payment systems

1.1 Summary of proposals

1. One of the central proposals in the *ISO 20022 consultation paper: a global standard to modernise UK payments* ('the Consultation') was to harmonise messaging across CHAPS and the retail payment systems operated by Pay.UK (in particular, Faster Payments and Bacs).¹ Key to this harmonisation is the introduction of a *Common UK Credit Message* (CCM) based on ISO 20022 for the main UK interbank payment schemes. The CCM is also designed to align with the emerging international consensus on ISO 20022 credit messages for use in high value payment systems.²
2. As the Consultation outlined, the CCM involves shared data definitions, structure and formats; and a consolidated approach to governance and maintenance. The CCM also involves harmonising the use of a number of fields, which do not currently exist in legacy messaging standards. These fields include:
 - Better information on the ultimate originators and beneficiaries of a transaction
 - Information about all the intermediaries involved in a payments chain
 - Structured name and address fields
 - Legal Entity Identifiers (LEIs) and other organisational identifiers
 - Personal identifiers
 - Purpose codes
 - Better structured remittance information
3. This section summarises the feedback received in response to the Consultation on proposals for the CCM and the proposed next steps. It is of interest to all stakeholders in CHAPS and the retail payment systems. Sections 2 and 3 outline feedback on the Bank's specific proposals for implementing the CCM in CHAPS, and associated next steps and transition timelines. Pay.UK plans to share more information on its approach towards standards and ISO 20022, including the implementation of the CCM, within the coming months. It should be noted that the Bank and Pay.UK will also be working to harmonise their use of other ISO 20022 messages between RTGS Renewal and the NPA, wherever possible.

1.2 Feedback received

4. There was near unanimous support for the CCM, with 97% of respondents agreeing with the proposed approach. **The Bank and Pay.UK therefore plan to continue to work together to develop and deliver the CCM to the high-level specification outlined in the Consultation. All respondents agreed that there was a role for the Bank and Pay.UK in promoting and influencing the wider use of ISO 20022 and the CCM across the payments chain in order to achieve the desired network effects.**
5. Many of the detailed comments focused on the **next steps and level of detail required for implementation**, such as use of specific data fields. Respondents noted that transmitting more data in payments messages could

¹ [ISO 20022 consultation paper](#)

² The UK's CCM will be aligned to the ISO 20022 payments messaging format defined by the 'HVPS+' group, which comprises High Value Payment System operators from around the globe.

open up issues regarding fraud liability and General Data Protection Regulation (GDPR). We are aware of these issues, and we are committed to working with industry to produce detailed **guidance supporting use of the new messages** which will help with resolution of these issues.

6. We envisage that guidance will take two forms. First, **‘technical guidance’** in the form of implementation guides, which will define the requirements for producing a valid CCM message, and form part of the CHAPS and NPA scheme rules and documentation. Second, **‘market guidance’**, which will provide best practice conventions as agreed by industry and support end-users in understanding how to use the new fields. This will ensure that information is provided in a consistent manner across both mandatory and optional fields. Unlike technical guidance, this market guidance would be categorised by payment purpose e.g. tax payments, housing transactions, rather than payment instrument. Drafting both the technical and market guidance will be a key priority for the next phase of work over 2019.

Sources of benefits of the CCM

7. The Consultation explained why the Bank and Pay.UK had worked together and the benefits they expected the planned harmonisation approach and proposed new data fields to deliver. Respondents expected the CCM would deliver a wide range of benefits to payment service providers and their customers, with 80% envisaging benefits from improved efficiency processing payments compared with the current standards.

How the CCM will benefit respondents and their end users

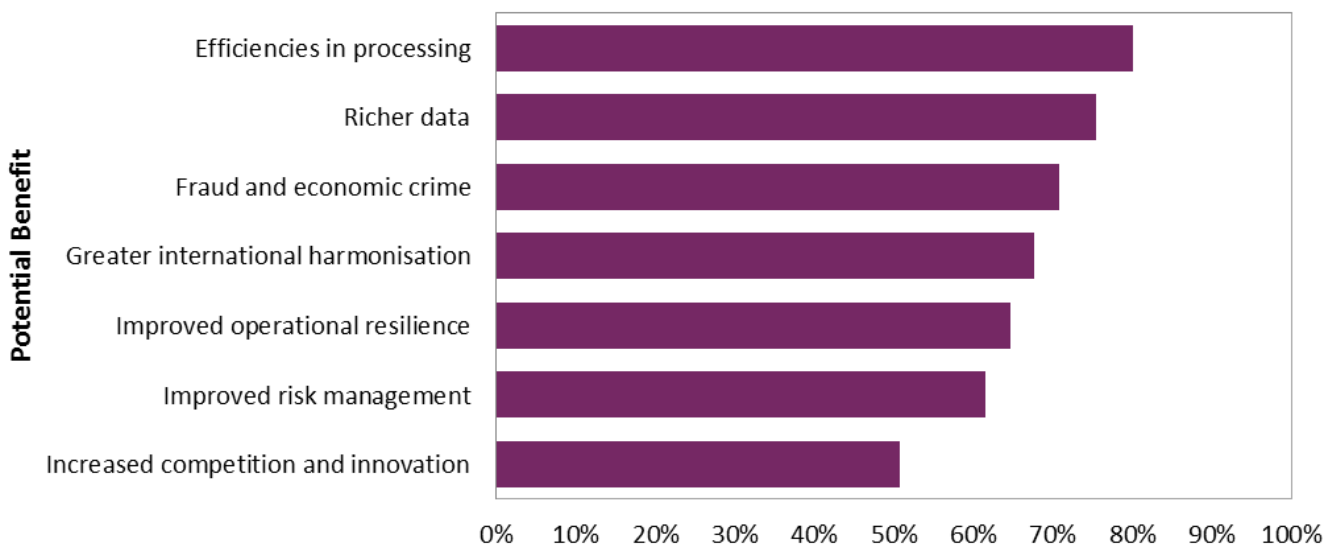


Figure 1: Responses to question 2.³

Aligning the CCM with other messages

8. The Consultation sought views on whether there was value in aligning the CCM with formats of ISO 2022 standards used in payment systems beyond those operated by the Bank and Pay.UK.
 - There was **support for ensuring alignment of standards used across Open Banking and CREST (the UK securities settlement system) with the CCM**. It is expected that **the CCM will drive the standards** used across Open Banking APIs and CREST cash-only-transactions. Both Open Banking Ltd and Euroclear UK

³ A full list of questions asked can be found in the Annex.

and Ireland (as operator of CREST) have agreed to consider the CCM in design of the standards they use in the future.

- There was support **for aligning the CCM with the card scheme standards**, but respondents **also highlighted the downsides and challenges**. In particular, account-based payments and card payments have distinct characteristics, and the standard would need to preserve differentiation and innovation between them. Respondents also highlighted that many of the drivers set out in the Consultation do not apply in the card industry as a common standard is already used across card payments. Work is advancing at ISO to define an ISO 20022 message standard for card payments which **will seek to minimise the differences with the CCM, but not to align fully**.
- Some respondents suggested **aligning the CCM with ISO 20022 standards already used across commercial organisations** (such as those used by banks to communicate with customers). There are many synergies between these existing standards and the CCM, but it is **not feasible to align with all of them**. As the CCM becomes embedded across UK payments, it is hoped that proprietary implementations of the standard will harmonise towards the CCM.

Where respondents saw value in further alignment with the CCM

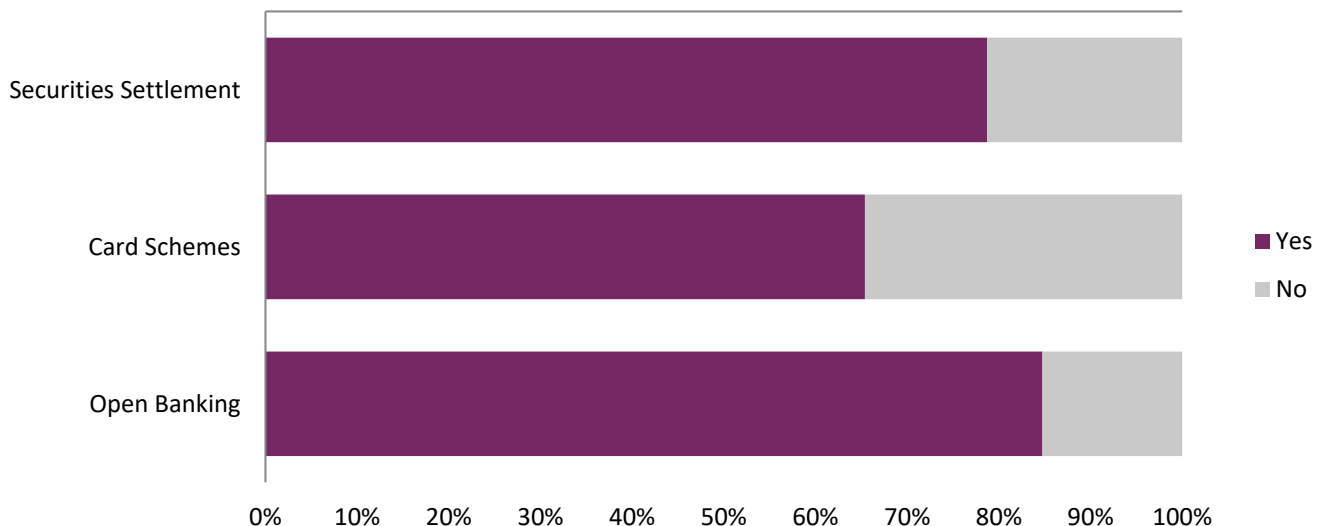


Figure 2: Responses to question 4.

New and additional fields in the CCM

9. **Respondents broadly agreed with the fields being proposed for the CCM.** Many comments reflected the need to ensure international compatibility. The CCM is being aligned with the international consensus on ISO 20022 of the HVPS+ task force and so will be harmonised with key implementations such as TARGET2 and Fedwire Funds Service, where they are using the same fields. The CCM is also aligned with the major international retail implementations, including SEPA. Some responses included queries about points of detail which will be covered by the market guidance (such as how the messages would convey information about joint account holders).
10. The Consultation referred to a change request that the Bank and Pay.UK had submitted to the ISO 20022 Registration Management Group (RMG) to enable **UK-specific addressing conventions to be carried**. This was subsequently amended slightly in response to other change requests. The final address structure is now expected to be as per Figure 3, with new elements in purple. A few comments suggested that our original change request would not have been sufficient to carry all UK addresses, but the final structure should now be

able to do so. Clear guidance on how UK addresses should be included within this format will be covered as part of the market guidance.

11. The Consultation also asked **whether the CCM should contain further fields, in addition to those already being proposed**. The majority of respondents thought the proposed fields were sufficient and so **no further additional fields will be included in the CCM** at this stage. Other respondents suggested information which may become more commonplace in the future and highlighted the importance of being able to update and add new information to the CCM. We intend to support these through the proposed future governance structure (see section 1.3).

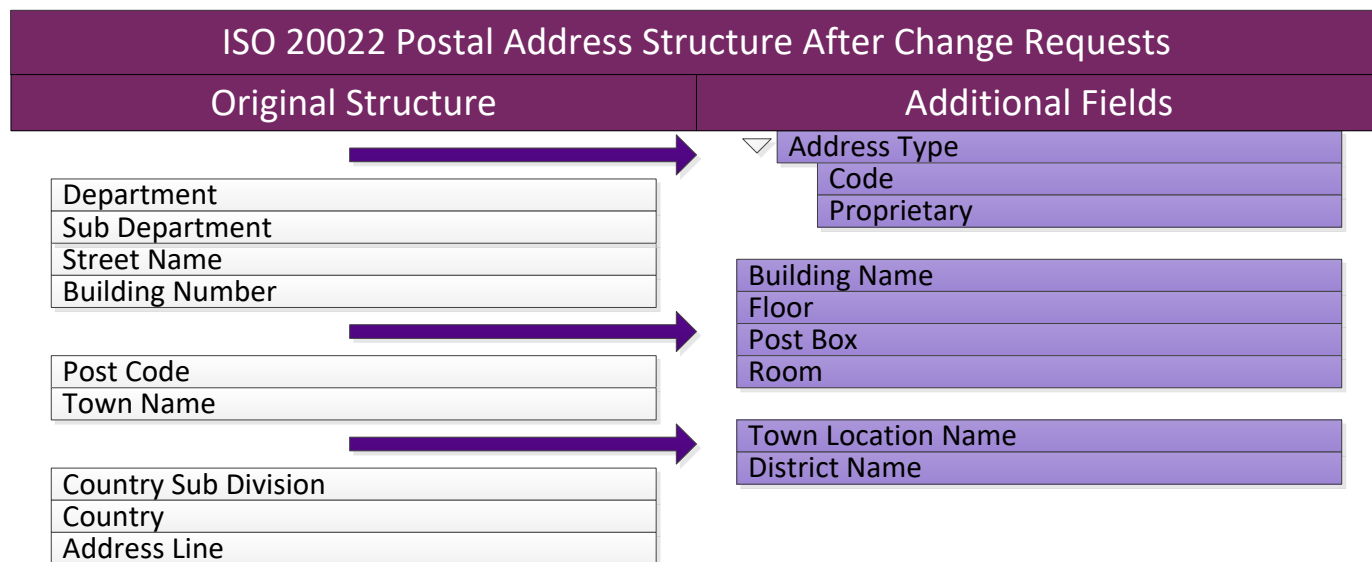


Figure 3: How the postal address structure has changed to meet the needs of the UK and other jurisdictions. The UK's original proposal introduced the building name field, whilst the additional new fields arose from other proposals.

Ongoing collaboration between the Bank and Pay.UK

12. Many responses urged the Bank and Pay.UK to continue to work together and consider how a harmonised deployment of ISO 2022 messaging could be achieved. **We therefore plan to continue working closely together on design and implementation of ISO 2022 messaging**, including, but not limited to:
- Considering how to align messaging beyond just the CCM.
 - Working together on both the development of common aligned technical guidance, and in delivery of market guidance tuned to the needs of the market and taking an end-to-end user perspective.
 - Ensuring easy access to this guidance for Direct Participants and end-users.
 - Planning the sequencing of change across the two programmes – RTGS Renewal and the NPA.
13. Given the separate timelines for the RTGS Renewal and NPA programmes, there will be some differences in when we provide information and exact dates for migrations. And as highlighted in the Consultation, CHAPS Direct Participants may need to support some technical differences in implementation (for example urgency codes within CHAPS). However, our ambition is that most differences would not be visible to end-users.
14. Many respondents noted that Pay.UK is yet to fully define how it will implement the CCM in the context of the NPA and in particular what new mandatory data requirements it might impose. Pay.UK plans to share more information on its approach towards standards and ISO 2022, including the implementation of the CCM, within the coming months.

1.3 Governance to ensure effective adoption of ISO 2022 and CCM

Standards Advisory Panel

15. The Consultation recognised the need for ongoing industry engagement to support adoption of ISO 2022. It proposed a senior strategic change advisory panel tasked with advising, supporting and challenging the Bank and Pay.UK in promoting, encouraging and ensuring consistent adoption of ISO 2022 for UK payments.
16. **Respondents expressed near unanimous support (97%) for such a panel.** Many comments, including from those who did not support the creation of a panel, focused on the need to **minimise any overlap** with existing engagement groups and to **ensure diverse representation**, including from technology providers, end-users and new entrants. Respondents highlighted the importance of achieving the appropriate governance and engagement strategy so that benefits are realised and potential issues across the payment chain are addressed; and to facilitate the adoption of the CCM and wider ISO 2022 messaging in a changing landscape. There was widespread interest in participating in a panel.
17. The Bank and Pay.UK have therefore set up the **Standards Advisory Panel (SAP)**. This will be a senior group, providing strategic **advice on the adoption of new payments standards** in the UK, with a key immediate focus on the adoption of ISO 2022, including the CCM. It is also expected to provide the Bank with advice in relation to increasing awareness and accessibility of LEIs to end-users. Building on feedback received, it will include a diverse range of stakeholders including payment service providers, technology providers and end-users, as well as trade associations representing these groups, and is expected to have an external chair. A [call for interest, including draft terms of reference](#), was issued on 8 November 2018. Applications close on 10 December 2018 and the Panel is expected to meet for the first time in early 2019.

Working Groups

18. The Consultation also proposed a number of working groups, jointly managed by the Bank and Pay.UK, to advise on some of the more detailed and technical aspects of the work relevant to both the Bank and Pay.UK. A key theme in responses was that these **groups would be essential in understanding the migration impact across the payment chain, evaluating industry capacity for change and delivering more detailed guidance.**
19. The SAP will be asked to agree the design of these groups and a call for participants is likely to be issued in Q1 2019, shortly after the first SAP meeting. The Bank and Pay.UK will also consider how these working groups will interact with existing groups.

Ongoing Governance

20. The Consultation set out a need for ongoing governance over the CCM once live. This will be needed to manage change requests and maintenance of market guidance, and to ensure that the CCM continues to meet industry and end-user needs and remains harmonised both internationally and domestically. The Bank and Pay.UK recognised the need to take a leading role in setting out what versions of ISO 2022 would be supported in their systems and in managing change processes across their networks over the longer term. Respondents agreed that this would be an important activity and cautioned that it would have significant impact on all the participants in the end-to-end payments chain.
21. Change processes for CHAPS and the retail systems will be owned by the Bank and Pay.UK respectively, and both are committed to close collaboration, including with wider industry, and are working towards a shared interoperability goal. The Bank and Pay.UK are committed to ensuring that industry and end-user views are factored into their decision making on ongoing governance and maintenance of the CCM. It is expected that the

working groups described above will evolve and may continue to provide advice to the Bank and Pay.UK beyond implementation, including maintenance and development of the ISO 20022 messages and other relevant standards. Further information about the change management processes will be provided closer to the implementation date.

1.4 Costs and risks

22. The Consultation asked about the costs and risks of introducing the CCM. Many respondents felt that it was not possible to give a fully informed view on the costs at this stage. Respondents also faced challenges in separating out the specific costs of implementing the CCM in the UK, given that many organisations are also being required to move their global payments operations to ISO 20022. In some cases, the move to ISO 20022 will also trigger investment to replace legacy infrastructure. Of the information we did receive, it was clear that costs were dependent on whether an organisation already had ISO 20022 capacity and were also largely correlated to the size of the organisation. Given the limited feedback on this question we are not providing a more detailed breakdown on costs at this stage.

23. In contrast, many respondents were able to provide information about the drivers of those costs. In many cases, implementation costs were being driven by changes to core systems and customer payment channels. Ongoing costs were driven by a different range of factors, including the need for constant evolution and ongoing maintenance around the messaging standard. This information is useful for the Bank and Pay.UK to understand how the move to ISO 20022 will impact industry. It will feed into continuing work to ensure value for money in delivery of their change programmes, whilst also sustaining competition and innovation.

Expected contributions to respondents' costs of implementing the CCM

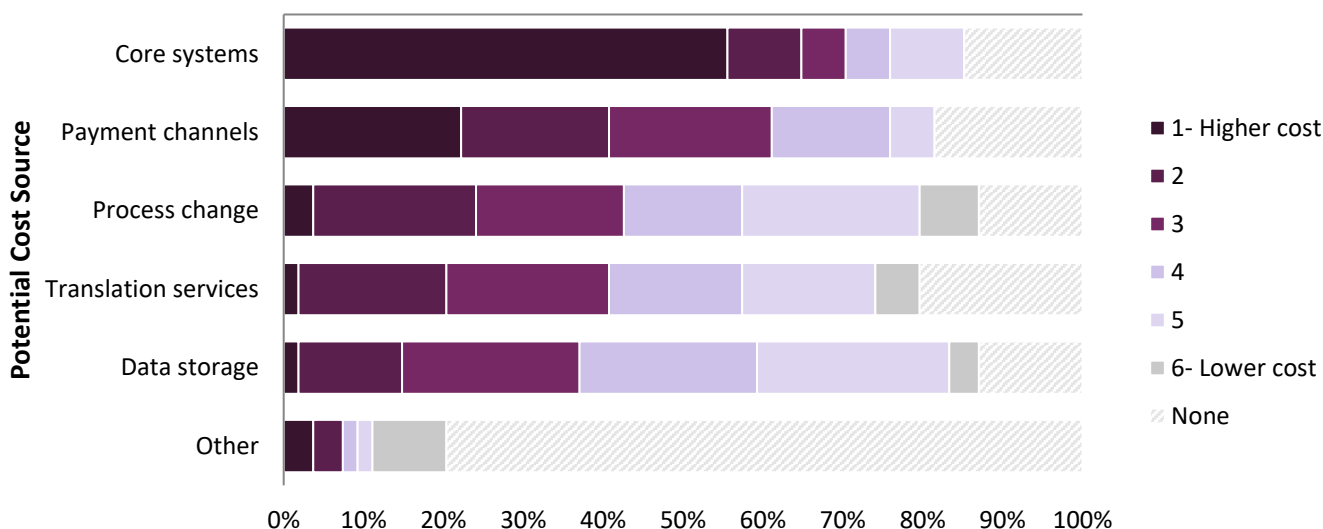


Figure 4: Responses to question 9.

Expected contributions to respondents' costs of ongoing operation of the CCM

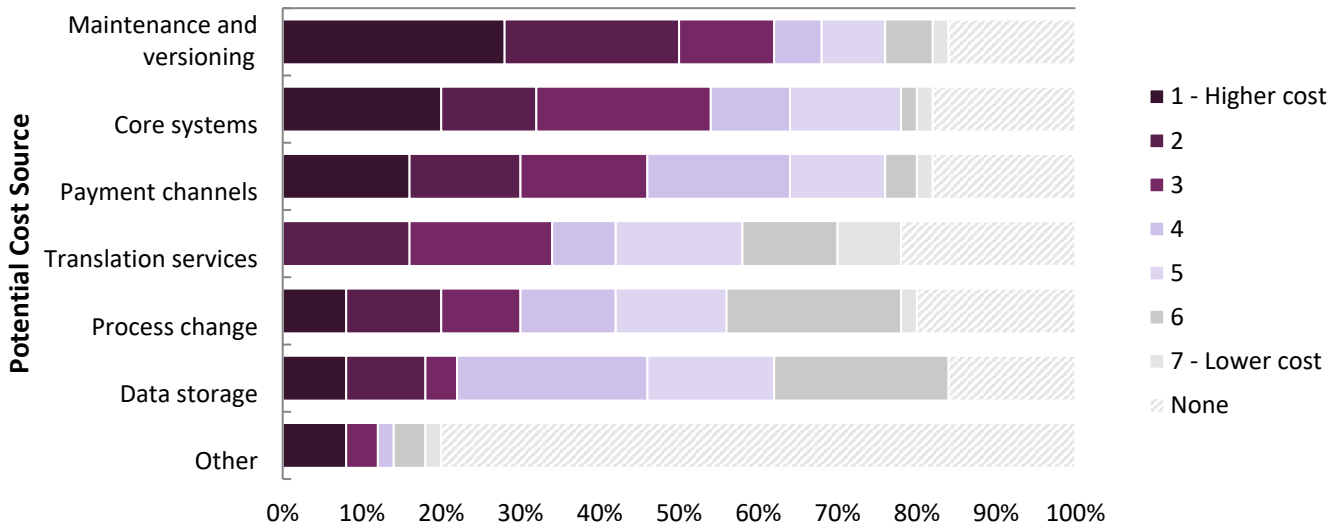


Figure 5: Responses to question 12.

24. Respondents saw a broad range of potential risks from implementing ISO 2022, particularly around the short-term impact of delivering large scale change. These included operational risk, industry capacity and challenges with implementing new fraud measures. This feedback has, and will continue to be, actively considered as part of the transition approaches taken by the RTGS Renewal and NPA programmes. For example, it is clear that a robust approach to readiness assurance will be needed.

Expected risks respondents see from implementing the CCM

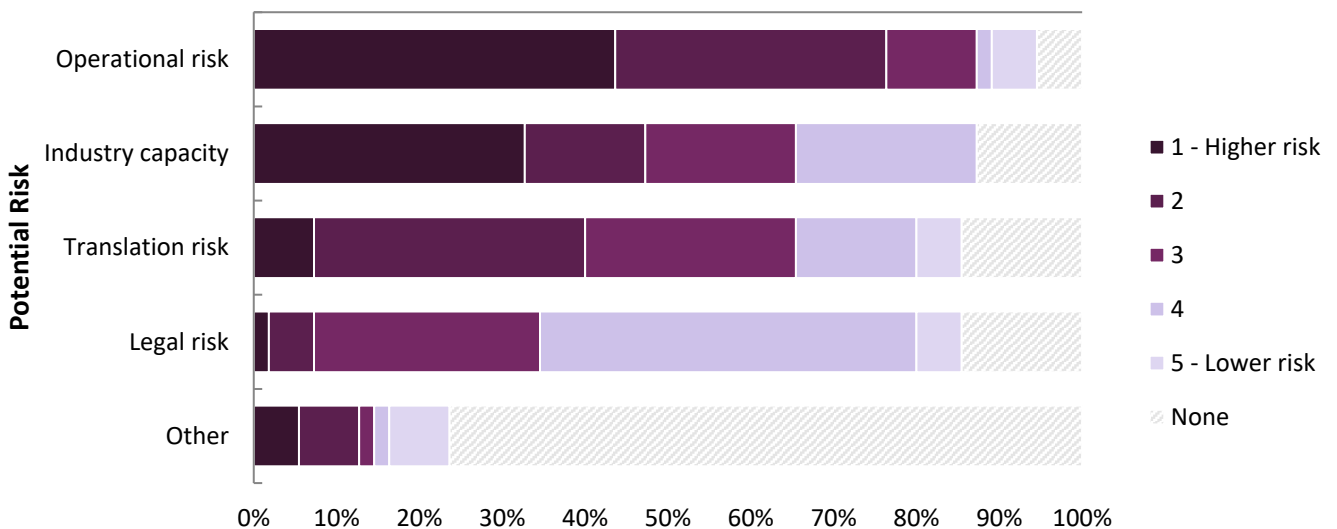


Figure 6: Responses to question 14.

1.6 Summary of actions and next steps for the CCM

25. Based on the feedback received, we plan to **continue to work to deliver the CCM with the enhancements proposed** in the Consultation. This will mean:
- a. New fields to carry information about the end-users and intermediaries throughout the entire payment chain, and to identify the purpose of a payment.
 - b. A new structured remittance block.
26. The Bank and Pay.UK are **jointly setting up a Standards Advisory Panel** to seek strategic input from industry to guide how we best implement payment standards in the UK. This group will provide high-level advice regarding, for example, standards design and implementation, and will comprise a broad range of stakeholders including banks, software providers, end-users and trade associations. The Bank and Pay.UK anticipate **setting up a variety of working groups**. The SAP will be asked to agree the design of these groups and a call for participants is likely to be issued in Q1 2019, shortly after the first SAP meeting. The Bank and Pay.UK will also consider how these working groups will interact with existing groups. We expect that some of these groups will continue to meet after implementation of the new messages to support ongoing work on message evolution.
27. The Bank and Pay.UK plan to work together alongside the UK payments industry and end-users, and the wider international community to **develop a range of guidance supporting use of the new messages**.
- The Bank and Pay.UK will work with their Direct Participants to provide **technical guidance**, in the form of implementation guides, supporting use of ISO 20022 standards for CHAPS and NPA messaging— in particular the usage of specific fields.
 - The Bank and Pay.UK will work with the UK payments industry, as well as end-users, to deliver **market guidance**. The SAP will be key in shaping the format of this guidance. This guidance will be essential in ensuring consistent implementation of the CCM across the end-to-end payments chain, and full realisation of many of the potential benefits. It will be necessary to produce this early in the change programmes, before organisations start undertaking technical changes in internal systems. We plan to deliver this thematically, by payment purpose, rather than by payment instruction used.
 - The Bank and Pay.UK will continue to engage in the international development of the ISO 20022 standard via participation in the ISO 20022 Registration Management Group. This will help to ensure that the standard continues to develop in a way that is aligned with the interests of the UK. It will allow SAP views to be fed into the global process and enable the SAP, the Bank and Pay.UK to react to international developments of relevance to the CCM.

2 Implementing the Common Credit Message in CHAPS

2.1 Introduction

28. This section summarises the proposals made by the Bank for implementing the CCM in CHAPS, and the Bank's consideration of the feedback received, together with planned next steps.

29. As explained in the Consultation, the Bank plans to implement ISO 20022 in CHAPS in four phases:

- *Phase 1 – the Preparatory Phase* involves publishing the complete messaging standard.
- *Phase 2 – the Introductory Phase* involves a go-live with like-for-like messaging.
- *Phase 3 – the Enhancement Phase* involves the introduction of new data fields, some of which will be mandatory to complete. Any data contained in the optional fields will be mandatory to pass through the entire payment chain.
- *Phase 4 – the Mature Phase* where longer term developments to the message are considered as part of a regular maintenance and upgrade cycle to the CCM.

Further information on this and timelines can be found in Section 3.

2.2 General

30. The Bank proposed that, in the *Enhancement Phase* of the transition, it would:

- Mandate the inclusion of LEIs and purpose codes for all transactions between financial institutions.
- Mandate the use of purpose codes for housing completion payments.
- Mandate the use of purpose codes above a certain value threshold.
- Where used, mandate entry of addresses in a structured format.
- Introduce a wider set of Latin characters.
- Phase out use of the unstructured remittance fields, replacing them with a structured block.

31. **95% of respondents supported the overall package of changes**; further details on responses to specific proposals are covered below. Respondents confirmed that they expected these changes to deliver a broad range of benefits, particularly in fraud prevention, operational resilience and efficiency. The **Bank therefore plans to make the changes proposed in the Consultation**. They will apply to all transactions carried across CHAPS, regardless of where they originate. The Bank and Pay.UK will provide further market guidance on how transactions originating in the UK should be formatted as explained in paragraph 27.

Expected benefits for respondents of implementing the CCM in CHAPS

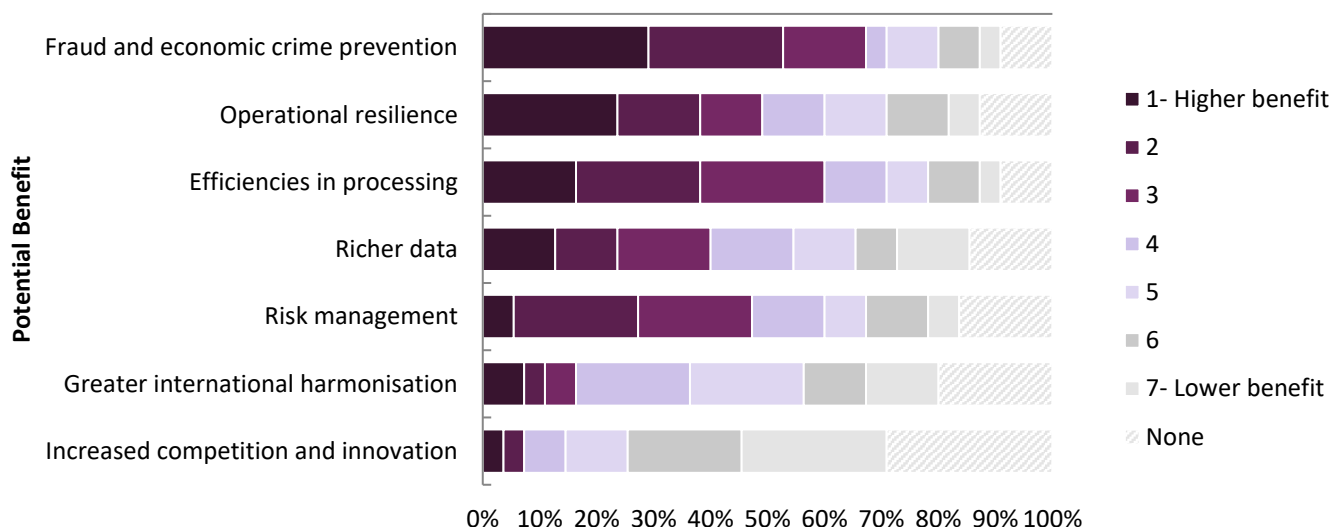


Figure 7: Responses to question 36.

32. While respondents recognised a wide range of benefits for end-users, there were concerns about the impact the changes in data requirements would have on the end-users. The Bank is aware that these changes will impact payments channels used to communicate information between payment service providers and customers. There will be a role for payment service providers and software providers in supporting end-users while ensuring that benefits from the introduction of ISO 20022 are not restricted.

33. Some respondents raised concerns about ensuring the **security and GDPR compliance** of some of the enhanced data elements. The Bank believes that these are manageable through ongoing collaboration, and will seek to ensure that these issues are discussed and addressed. The agreed approaches will be published in market guidance. The Bank’s expectation is that, in line with Wire Transfer Regulations, information passed on for fraud prevention purposes should only be used for that reason, unless specific permission is given otherwise. Some respondents also mentioned that the new information requirements would increase the complexity of processing and have an impact on their screening processes.

2.3 Identity

Structured names and addresses

34. Respondents supported the use of structured name and address fields, although noted challenges in preparing for this. Since the Consultation was issued, SWIFT have announced that the 2020 MT Standards Release will no longer require addresses to be carried in a structured format only. **Therefore the Bank now plans to require structured addresses to be used as part of the Enhancement Phase of the migration, rather than the Introductory Phase as we originally proposed.** As well as aligning with the change in timing for SWIFT standards, we believe this will reduce risks around the single cut-over weekend for CHAPS Direct Participants.

Legal Entity Identifiers (LEIs)

35. The use of LEIs offers a number of significant benefits to the financial sector and broader economy, for example around data portability, anti-money laundering efforts and efficiency of payment processing. More details are provided in box 1.

36. The Consultation proposed that LEIs would be introduced in the *Enhancement Phase*, and made mandatory for transactions between financial institutions.

37. **The majority of respondents supported making LEIs mandatory for transactions between financial institutions in CHAPS.** They supported the Bank’s view that using the LEI as a means of identifying the parties in a transaction has widespread benefits, including risk management and fraud prevention, making payment processing more efficient and providing richer data (see Box 1 for more information about the proposed benefits).

Should LEIs be made mandatory for payments between financial institutions?

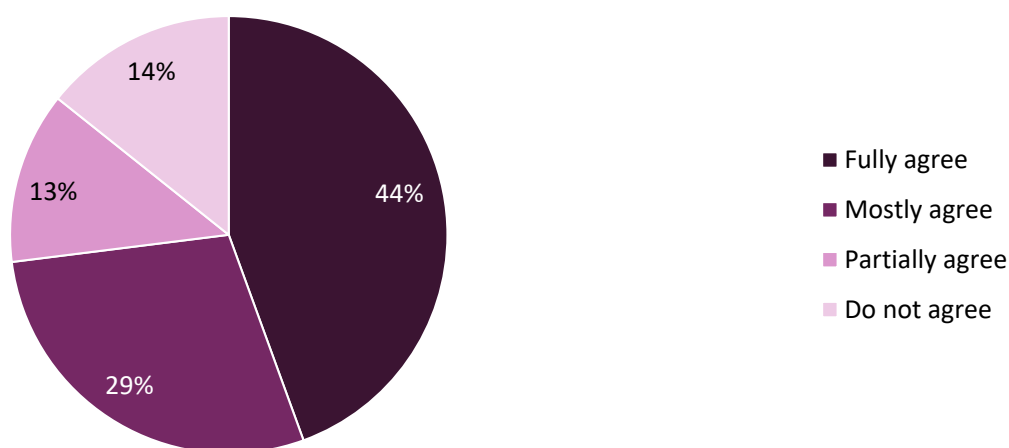


Figure 8: Responses to question 18.

38. Most respondents supported the drivers for using LEIs, and noted more detail was needed on how they would be implemented. This will be covered as part of the market guidance described in paragraph 27.

39. A small number of respondents questioned the relevance and applicability of LEIs for payments between financial institutions due to the presence of BICs. In the foreseeable future, **the Bank does not see LEIs as a replacement for BICs** which are fundamentally a tool for routing payments. The LEI serves a different purpose as it contains large amounts of information about an organisation’s ownership structure and can link to a wide range of other data sets enabling the LEI to support a number of additional business functions.

40. **The Bank therefore plans to make LEIs mandatory for transactions between financial institutions during the *Enhancement Phase*, provisionally around 2023.** More detail about how these will be implemented will be provided in due course.

41. Given the benefits of widespread LEI adoption, the Consultation also asked whether mandatory LEI usage should be extended to a wider range of transactions. The Bank sees great value in this, and is minded to use the opportunity of the infrastructure upgrade as part of RTGS Renewal, and similar opportunities in future, to encourage broader take up of LEIs to maximise the benefits of this public good. The consultation sought to understand industry views, in particular around timing, given that LEIs are not currently used significantly outside of financial services.

42. **There was mixed feedback on proposals to extend mandatory LEI usage to a wider range of payments.** While many respondents thought this was a good idea and could see the potential value from wider inclusion of LEIs, most feedback suggested that the LEI regime was not mature enough for it to be made a requirement during the

Enhancement Phase. Feedback focussed on the need to extend LEI issuance to the whole UK economy before this could be introduced, and more specifically on the need to increase awareness of the benefits of LEIs, as well as to make it easier and less expensive for small and non-financial organisations to obtain an LEI. The Bank recognises this issue and therefore plans to work with key stakeholders, including HM Treasury and the GLEIF to understand what actions would be necessary to support wider adoption of LEIs. The Bank will also provide further education about the wider economic value of the LEI as a common identifier for both financial institutions and firms throughout the supply chain. The SAP may also play a role in providing the Bank with information about how best to target its resources to deliver the required change.

Box 1: Benefits of LEI adoption

The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code, designed to uniquely identify legally distinct entities that engage in financial transactions. LEIs were introduced in response to the lessons learned from the financial crisis of 2007-08; in particular the need for a standardised entity identifier was recognised as crucial to improving the quality and accuracy of financial data. Each LEI contains information about “who is who” and “who owns whom”. LEIs are now widely used in the financial sector and in financial regulatory reporting. They enable firms to readily identify counterparties and exposures in a way which is consistent across sectors, asset classes and geographies. The LEI has improved transparency to public authorities about interconnections between entities and helped them better understand not only potential financial stability risks, but also the efficiency and effectiveness of finance. Their introduction was sponsored by the global Financial Stability Board after recognising the need to overcome market failure in delivering this public good.

Beyond the specific uses in financial services transactions, the Bank believes that adopting and embedding the use of LEIs more widely across the UK would offer a number of significant benefits to the financial sector and broader economy:

- Widespread use of the LEI as a unique identifier for all organisations would allow for effective cross-linking and consolidation of a diverse range of datasets – a key enabler for an increasingly data-driven economy. And this also has potential to enable further data driven innovation and competition.
- Widespread adoption could help make it more efficient for financial institutions to provide credit and other services. This will help streamline the requirements for financial institutions to “Know Your Customer” and conduct credit checks. This is expected to be a particular benefit to small and medium-sized enterprises (SMEs).
- This is also expected to support wider anti-money laundering efforts across the globe.

Beyond these broader benefits, the Bank also believes that introducing LEIs specifically into payment transactions would deliver a number of other significant benefits, including:

- Assisting with faster and simpler reconciliation and risk management processes for end-users.
- Enabling enhanced due diligence and risk management by payment service providers and corporate end-users.
- Reducing delays in payments processing, due to increases in straight-through-processing.
- Assisting with continued provision of correspondent banking services by facilitating information sharing in a standardised format, reducing the risk and cost associated with due diligence processes.
- Providing the Bank, as CHAPS operator, with a more informed view of activity in the CHAPS payment system, allowing it to make better decisions based on a fuller identification of systemic risks.
- Supporting more effective policy decisions by public authorities, given better data on economic activity in the UK will be available to the Office for National Statistics and policy makers.

43. The Consultation sought feedback on the level of costs and savings expected from mandating use of LEIs. Many respondents felt they did not yet have enough information to assess this accurately. Those who did respond gave a mixed picture, though more thought there would be an overall cost than an overall saving, with banks facing higher costs than other types of organisations.
44. The Bank sees LEI usage as an important tool in a future data-driven economy, enhancing overall customer experience and financial stability. This view is consistent with the Bank's *future of finance* work.⁴ The Bank is therefore minded to **extend the mandatory use of LEIs to a wider range of transactions**. Nevertheless **the Bank recognises that the infrastructure does not yet exist** to support such wider adoption and use of LEIs. The Bank will therefore work with key stakeholders in the UK and internationally to address the challenges and **improve the accessibility of LEIs**, to ensure the benefits can be achieved. **Building such infrastructure will enable the Bank to mandate LEIs for a wider range of CHAPS transactions in the *Mature Phase* of the ISO 20022 migration, which starts in 2024.**

Personal Identifiers

45. There were some concerns around the use of personal identifiers (such as National Insurance numbers or date of birth) in the payment message. The Bank will not require these identifiers to be included in CHAPS messages. However, there are circumstances where users or PSPs might wish or need to transfer this information, including meeting legal or regulatory obligations. For example the Wire Transfer Regulations 2⁵ allow some personal identifiers to be transmitted instead of a payer's address to confirm identity. The implementation of the CCM in CHAPS will facilitate the transfer of this information in a structured format. In all cases, payment service providers should consider the information they are holding and transmitting in the context of data sharing regulations, particularly any personal information, and ensure that any use is consistent with the consent obtained from customers.

2.4 Purpose codes

46. The Consultation proposed **making purpose codes mandatory for transactions between financial institutions, housing completion payments and those above a certain value threshold**. The Bank's view was that this would aid delivery of its mandate to support financial stability as well as meeting the needs of payment service providers and end-users.

⁴ <https://www.bankofengland.co.uk/research/future-finance>

⁵ The new messaging will provide structured fields to help payment service providers meet these requirements.

Should purpose codes be mandatory for specific CHAPS payments?

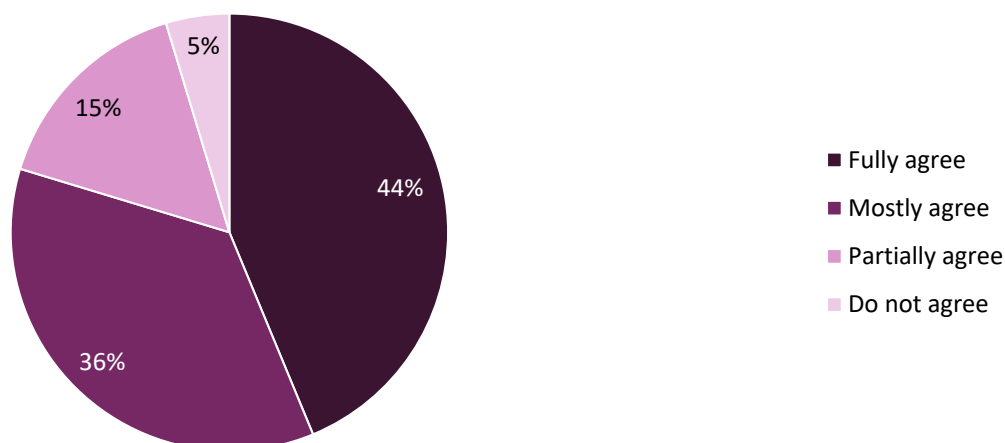


Figure 9: Responses to question 22.

47. 95% of respondents agreed with this requirement to some extent. Respondents could envisage purpose codes enabling a wide range of benefits, particularly in mitigating the risk of fraud, and identifying and prioritising time-sensitive payments, including during operational disruption.

48. A number of respondents raised the need for clear guidance on use and an effective list of purpose codes before purpose codes could add value. The Bank agrees. Some respondents also asked who would be responsible for inputting codes and ensuring they are genuine. The Bank recognises further work is required to formulate a fair and effective policy in this regard, but at this stage expects that this will be dependent on the type of payment. This issue will be addressed as part of the market guidance delivery work.

Expected benefits for respondents in implementing purpose codes

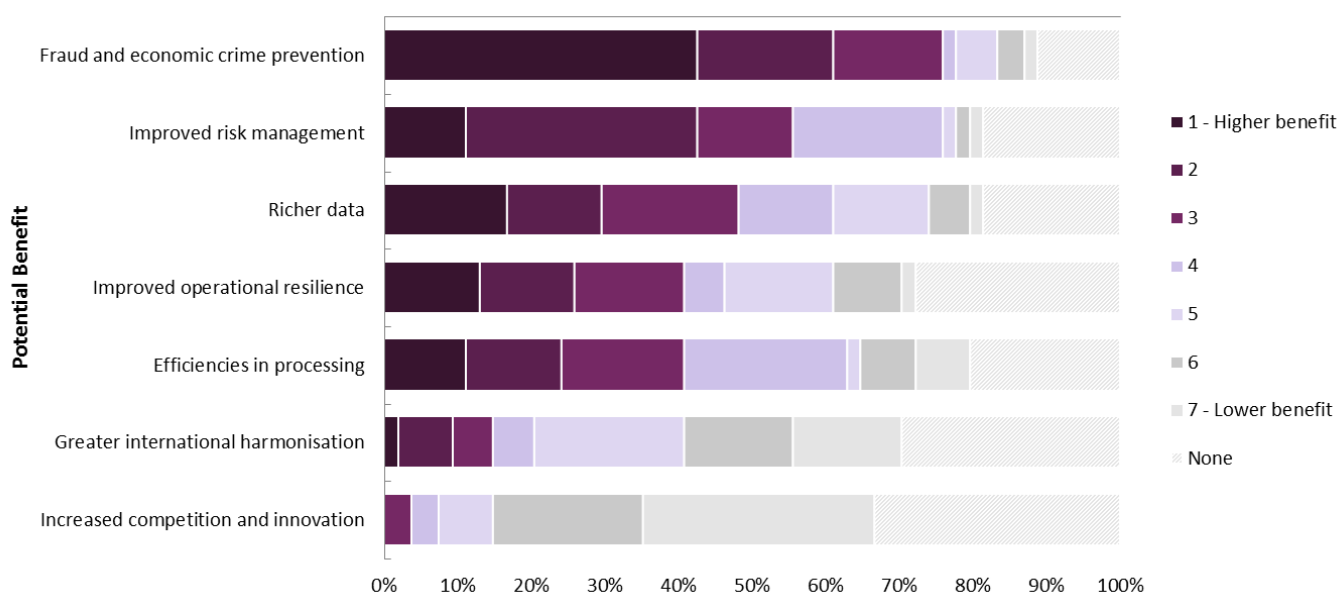


Figure 10: Responses to question 24.

49. **The Bank plans to mandate the use of purpose codes for the types of transactions identified in the Consultation.** During 2019, it will develop market guidance on the use of purpose codes, and will contribute to an effective list of purpose codes.

50. Respondents did not give a particular view on mandating use of purpose codes for transactions above a certain value limit, or on where that limit should be set. The Bank will consider this issue further, but recognises that this would only be an effective tool when there is a suitable list of purpose codes.
51. The Bank and Pay.UK are committed to working together, with international partners, to further develop the lists of purpose codes which already exist within the ISO 20022 repository, to ensure that these meet UK needs. The ultimate ambition would be to have a streamlined list of codes which corresponds to UK economic activity and therefore to transactions supported by the UK payment systems, but which are aligned internationally.

Additional purpose codes

52. The Consultation asked whether purpose codes should be made mandatory for a wider set of CHAPS payments. This was particularly to test whether any specific use cases had been missed in designing these proposals.
53. While 72% of respondents supported the mandatory use of purpose codes for a wider range of payments, they gave few details about why these would be useful. Many cautioned that there needed to be a clear business case before these were introduced. Respondents also flagged that there would need to be a clear purpose code list relevant for the UK.
54. Therefore in the short to medium term, the Bank does not plan to require purpose codes for a wider range of payments, though it does plan to develop a wider list of optional purpose codes. It will keep the list of mandatory purpose codes under review in the *Mature Phase* of the migration.

2.5 Remittance information

55. The Bank proposed that where remittance information is included, only structured data should be permitted and that the unstructured remittance fields should be phased out. The Bank's view was that this would promote efficiency and straight-through-processing.
56. There was broad support for introducing a structured remittance block, and respondents confirmed that a structured remittance section would offer an opportunity for automation and efficiency gains. A small minority voiced concerns about the costs that would be incurred from the technical changes required. **The Bank therefore plans to introduce these fields in the Enhancement Phase.**

Respondents views on the Bank’s plans for remittance information

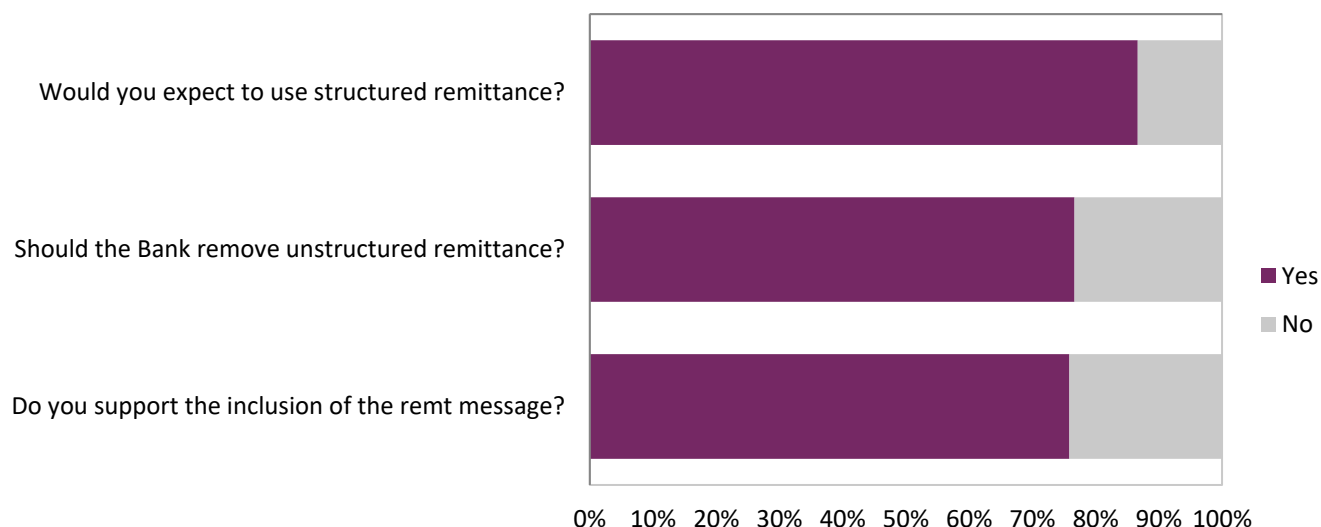


Figure 11: Responses to questions 27, 28 and 29.

57. The Bank also proposed a **phased removal of unstructured remittance information**. While the majority of respondents agreed, some preferred an approach with a single cut-over, while others were against the removal at all. The Bank’s view is that a single cut-over increases risk – if not all participants in the payments chain are ready for this change at the same time there is the risk of data truncation. And the structured remittance block will retain the ability to carry free format text and indeed has capacity to carry a greater number of characters (see Box 2 for more details). The Bank’s view is that the phased removal of the unstructured field allows for payment service providers to manage the disruption caused by this.

Box 2: Remittance fields in the CCM

In the *Mature Phase*, only structured and related remittance information fields will be available. As per HVPS+ guidelines, only **one** of these may be used per message. The table below shows what these two elements would contain. Related remittance fields allow for references to be inserted into a message, such as an electronic address for an external cloud-based repository, or references to documents sent by other methods such as email or post.

Structured remittance information	Related remittance information
<ul style="list-style-type: none"> • Document Information • Document Amount • Creditor Reference • Invoicer • Invoicee • Garnishment Information • Additional Remittance (420 characters - as 3 lines of 140 characters - free text) 	<ul style="list-style-type: none"> • Remittance ID (35 characters free text) • Remittance Location (Method, Electronic Address, Postal Address)

The structured remittance information element allows for a 420 character free text submission – 3 times the current unstructured allowance. This is in alignment with HVPS+ guidelines. Some market infrastructures however may go beyond the guidelines; the Federal Reserve has proposed a 9,000 character limit for example. Any attempt to send one of these longer messages through CHAPS, would result in truncation and data loss; in this case, and **only** this case, the *remt* message can be transmitted in parallel to the CCM to counteract this.

58. **The Bank therefore plans to allow a period of dual running for the unstructured remittance information, removing it altogether in the *Mature Phase*.** The Bank proposed introducing *remt* messages to enable interoperability with international payments which may be carrying more remittance information. These messages are separate from the CCM and contain a whole block of remittance information, which can be larger than that carried in the CCM. Their use is important for maintaining international interoperability and openness in the ISO 20022 implementation in the UK.

59. The majority of respondents agreed with this proposal, with international banks being more supportive than those with a domestic focus. Some respondents raised concerns around the cost and complexity of recoupling the CCM and the *remt*. The Bank plans to make recoupling as simple as possible, and will work with CHAPS Direct Participants to achieve this.

60. **The Bank therefore plans to introduce support for *remt* messages in the *Enhancement Phase*.** All organisations which expect to receive payments from overseas should therefore ensure they have the capacity to receive this information.

2.6 Character sets

61. The Bank proposed allowing use of an extended special Latin character set in CHAPS, including characters such as '@' and accented letters. The Bank also asked about the introduction of non-Latin characters.

62. The Bank’s proposal to allow use of an extended special Latin character set in CHAPS was widely supported, with most respondents noting the benefits associated with the '@' symbol in particular. **The Bank therefore plans to allow an extended Latin character set to be used in CHAPS.** The Bank is not making this change in isolation and other high value payment system operators also plan to use this extended character set, as does Pay.UK. **All organisations processing or receiving CHAPS payments will need to be able to send and receive this information by the start of the *Enhancement Phase*.**

Respondents views on the Bank’s plans for character sets

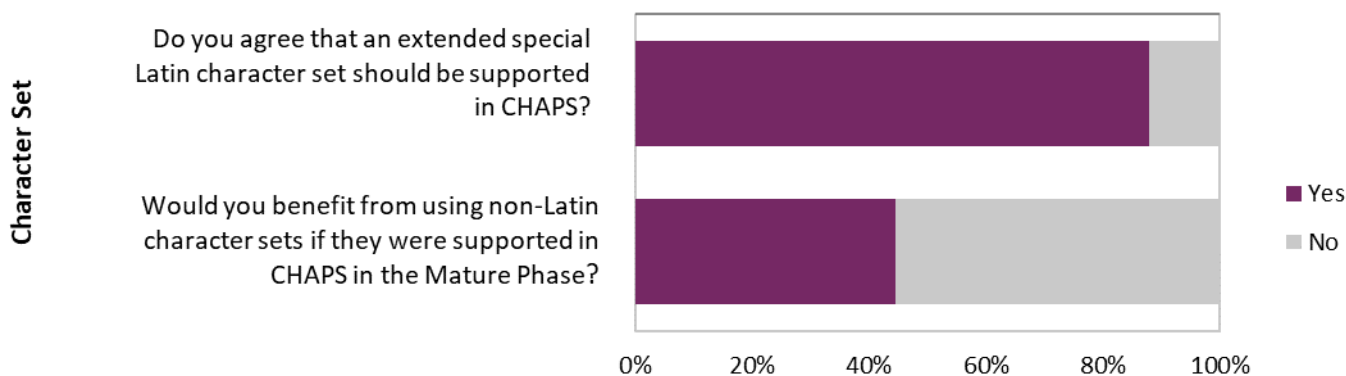


Figure 12: Responses to questions 30 and 31.

63. There was a mixed response on demand for non-Latin character sets, with a clear split between international banks and fintechs favouring their implementation, and domestically-focussed institutions seeing less demand. Respondents' views were mostly in line with the Bank's initial reservations: the business case is presently small in proportion to the cost and complexity of updating legacy systems and changing sanctions screening processes. There is also only limited value in the Bank introducing this functionality ahead of other international high value payment systems.
64. **Non-Latin character sets will not be introduced during the *Enhancement Phase*.** Nevertheless, the Bank believes that in the long term there will be increased demand for non-Latin character sets from payment service providers and end-users. The Bank will build capacity to carry non-Latin capability into RTGS, and would encourage organisations to consider making provision for non-Latin characters when building new systems / replacing existing system. This can reduce future development costs when this functionality is required. The Bank will further explore demand for such a service, including discussing these views with other High Value Payment System operators.

2.7 Business Application Header

65. **93% of respondents agreed with the Bank and Pay.UK's plan to include the Business Application Header alongside the CCM.** This offers HVPS+ harmonisation, as well as interoperability by placing scheme specific processing fields, such as urgency codes, outside the core CCM. **The Bank therefore plans to include this in CHAPS.**

2.8 CHAPS specific costs and risks

66. The Consultation asked about the costs and risks of introducing the CCM specifically for CHAPS, including the proposed data enhancements. Respondents noted that, without detailed information on the structure of the message and a definite view on what will be mandated, it was difficult to provide granular responses. Nevertheless, responses were relatively evenly split as to which enhancement would pose the largest initial investment. For the ongoing costs, almost half of the respondents believed that the identity section would be most expensive to operate, however over half believed it would present the largest benefit. **Respondents indicated that the fields that will require the most investment are also those that will deliver the greatest benefit.**
67. As further detail is provided and costs are better understood the Bank plans to keep working with key stakeholders to help to ensure the benefits are delivered while seeking to keep risks and costs low.

2.9 Summary of actions and next steps

68. The Bank plans to continue to work to **deliver the enhancements to CHAPS messaging proposed** in the Consultation. In the *Enhancement Phase*, this will mean requirements to:
- Identify housing transactions and transactions between financial institutions via purpose codes;
 - Include LEIs for transactions between financial institutions;
 - Introduce a wider set of Latin characters; and
 - Phase-out the unstructured remittance fields.

69. The Bank and Pay.UK are committed to working together, with international partners, to **further develop the lists of purpose codes** which already exist with ISO, to ensure that these meet UK needs. The Bank also plans to work with key stakeholders to support efforts to **embed the LEI regime in the UK, and encourage adoption** outside the financial services sector. This is a vital precursor to the **expectation of wider mandatory use of LEIs in payments** in the *Mature Phase* of ISO 2022 implementation.
70. As noted for the CCM more broadly, the Bank and Pay.UK plan to work together alongside the UK payments industry and the wider international community to **develop market guidance supporting use of the new message format**. This will help identify and resolve implementation issues in CHAPS, including the new mandatory fields, and provide a forum for achieving consensus on how the new message format will be used.
71. In the longer term, in the *Mature Phase*, the Bank will **revisit whether there is a business case to make further changes**, such as:
- (i) Requiring the use of a wider set of purpose codes to identify other types of transaction; and
 - (ii) Introducing non-Latin alphabets.

3 Migrating CHAPS to ISO 2022

3.1 Introduction

72. This section summarises the proposals made by the Bank to migrate CHAPS payments from the current MT messaging format to the ISO 2022 CCM, including phasing and timing. It then sets out the feedback received in response to this and outlines the planned next steps. It is of most relevance to CHAPS Direct Participants, though will also be of interest to others who wish to understand the timelines for the CHAPS ISO 2022 migration. In due course, customers may wish to contact their payment service provider for further information on how the CHAPS ISO 2022 migration programme will impact services provided.

3.2 Overall Migration Approach

73. In the Consultation, the Bank set out its approach and expected timelines for transitioning to ISO 2022 in CHAPS. The Bank also spoke with a number of CHAPS Direct Participants, to understand their feedback in more detail, and to provide further explanation for the Bank's proposals, and other options considered but discounted.

74. The Bank proposed that the implementation of ISO 2022 in CHAPS involve four phases as below.
- a. *Phase 1 – the Preparatory Phase* involves publishing the complete messaging standard.
 - b. *Phase 2 – the Introductory Phase* involves a go-live with like-for-like messaging. This also includes a single cut-over weekend for Direct Participants to move from existing MT messages on the SWIFTNet FIN network to ISO 2022 messaging on the SWIFT InterAct Network.⁶
 - c. *Phase 3 – the Enhancement Phase* involves the introduction of new data fields, some of which will be mandatory to complete. Any data contained in the optional fields will be mandatory to pass through the entire payment chain.
 - d. *Phase 4 – the Mature Phase* where longer term developments to the message are considered as part of a regular maintenance and upgrade cycle to the CCM.

The Bank proposed a minimum of 18 months between the start of Phases 1 and 2, and 12 months between Phases 2 and 3.

⁶ Indirect users of CHAPS, such as other PSPs will not be affected by this requirement.

Should there be a single cut-over weekend and a phased introduction of mandatory new data requirements?

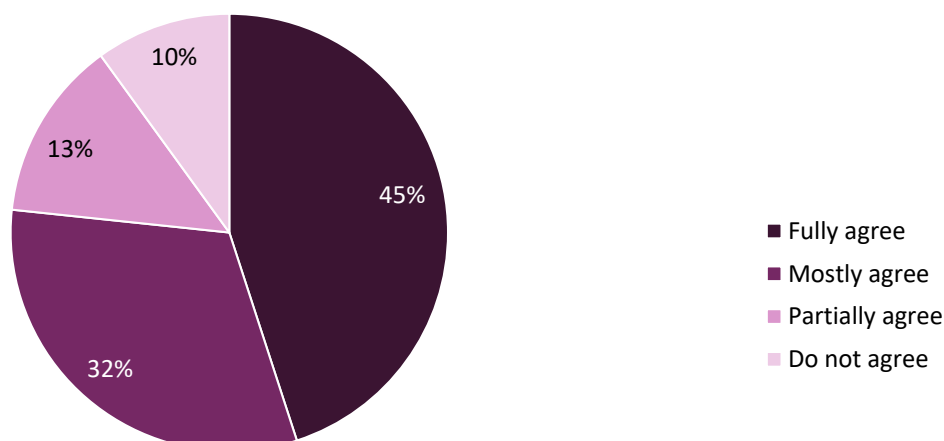


Figure 13: Responses to question 37.

75. There was broad support for this approach, with 90% of respondents agreeing, to some extent. In follow up conversations even those who were among the 10% who had disagreed at first could, with further explanation, appreciate the need for this proposal. There was also a positive response to the proposed timelines; 87% of respondents indicated that they would be able to meet them, with some responses even supporting a shorter period.

Are respondents able to meet the timelines to implement ISO 2022 in CHAPS?

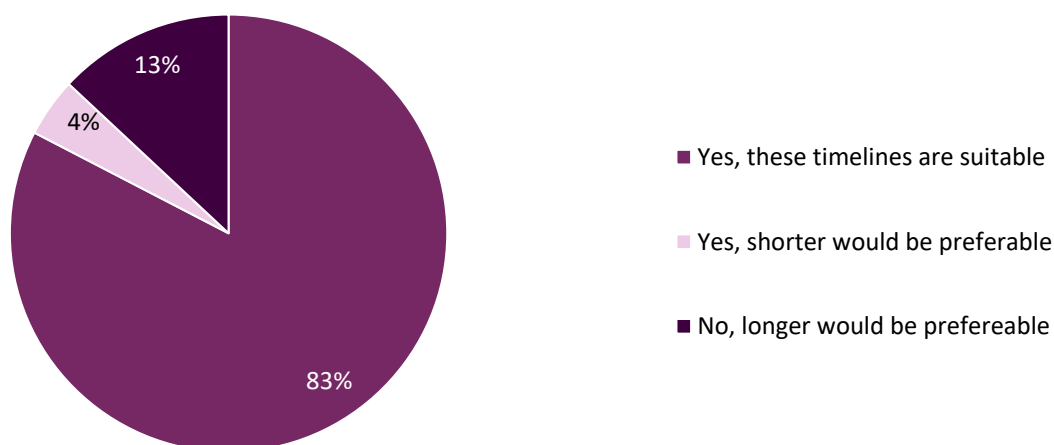


Figure 14: Responses to question 38.

76. The majority of respondents agreed with proposals to implement ISO 2022 in CHAPS over a single cut-over weekend. There were some concerns about the associated risk from this, with some indicating a preference for a period of parallel running with MT messaging. However, the Bank continues to consider that dual-running of MT and ISO 2022 messaging simultaneously would pose greater risks to the smooth-functioning of the system than a single cut-over approach.

77. Taking into account these responses and further consideration of timelines, **the Bank currently anticipates the plan for ISO 2022 transition as shown in Figure 15**, to within approximately a six month degree of accuracy:

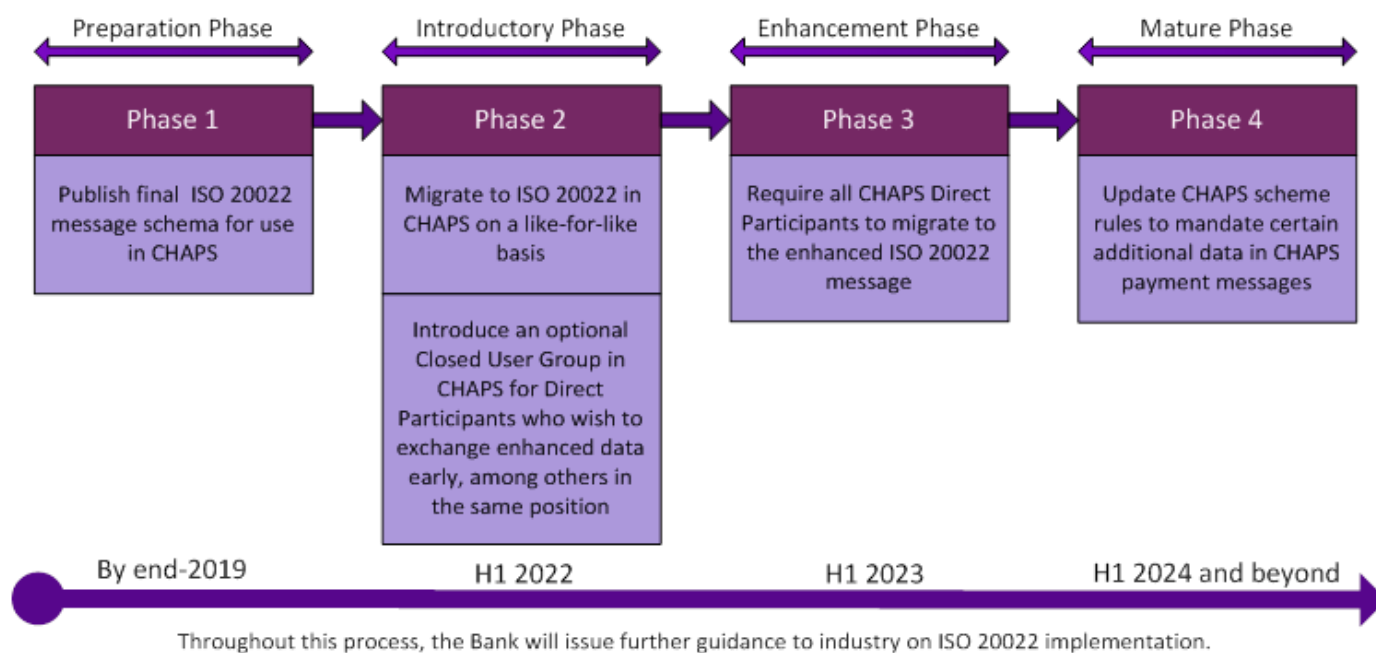


Figure 15: The envisioned change timeline for ISO 2022 as part of the renewal of the Bank's RTGS.

78. We will consider further how these timelines interact with other ISO 2022 implementation timelines, particularly for Pay.UK's implementation of the CCM in the NPA, but also that of other high value payment system operators, in an effort to minimise industry burden where possible.

79. Respondents also noted the need for detailed readiness and contingency planning for the network cut-over. This will take place at the start of Phase 2, the *Introductory Phase*, with the move to like-for-like ISO 2022 messaging. To that end, and in recognition of the risks a cut-over weekend could present, **the Bank will continue to undertake detailed readiness planning**, including the development of clear go/no-go decision points and criteria, roll-back and fix-forward strategies. The Bank will continue to engage with SWIFT to determine how to minimise the impact of migration on CHAPS Direct Participants, and share appropriate information with these institutions.

80. As set out in the Consultation, these timelines remain provisional, based on the wider RTGS Renewal Programme timelines and subject to change. At this stage it is expected that the implementation of message network agnostic design will occur after the Enhancement Phase.

3.3 Closed User Group for early enhanced functionality

81. The Bank also proposed the creation of an additional optional Closed User Group (CUG) in Phase 2, the *Introductory Phase*, for CHAPS Direct Participants who wish to exchange enhanced data ahead of the introduction of mandatory data enhancements in Phase 3, the *Enhancement Phase*.

82. **There was clear support for the CUG proposal to allow early benefit realisation associated with enhanced data.** 92% agreed that the CUG should be provided on an optional basis. Respondents concurred with our intended approach that CUG membership should be left to the commercial appetite of CHAPS Direct Participants.

83. Some CHAPS Direct Participants expressed an interest in potentially joining the CUG, subject to more detail provided by the Bank. To that end, the Bank aims to **provide more detail on the CUG to Direct Participants throughout the course of 2019**. Meanwhile, the Bank will work with SWIFT to understand how this would be implemented technically, and therefore the costs and risks involved.

3.4 Reserves Account messaging and additional CHAPS messaging

84. In follow up conversations, some respondents asked questions about the Bank's strategy for migrating Reserve Account Holders to ISO 20022 messaging. The Bank's current expectation is to **provide Reserves Account Holders with a two year lead time for implementation**. The Bank intends to publish more detailed information on plans for this during the course of 2019, including considering how this interacts with the CHAPS migration plans.

85. A number of respondents noted the need to share information about other messages, as well as the CCM. As mentioned in paragraph 12, the Bank is working with Pay.UK to align wider messaging – including confirmation messages. These messages are likely to be of primary interest to CHAPS Direct Participants. The Bank plans to share drafts of the other CHAPS messaging to be used for validation with CHAPS Direct Participants in early 2019, with full specifications published by end-2019. These will be published on MyStandards and the Standards Source.

3.5 Next steps

86. The Bank has **shared high level views on the transition timelines** as part of this document, and **will provide further information over 2019**. This will include information about: the feasibility of a CUG to deliver early use of the enhanced messages, other types of messages to be used in CHAPS, and how and when reserves accounts messaging migration will occur.

87. We will also **consider how the enhancements to ISO 20022 are best sequenced across the different transition stages for RTGS Renewal and the NPA delivery programmes** to minimise the impact on CHAPS Direct Participants and end-users, as well as considering other plans to migrate to ISO 20022 in Fedwire Funds Service in the United States, in TARGET2 in the EU, and in other countries. We are cognisant of the risks of creating dependencies between large scale change programmes, and are seeking to minimise these, while continuing to collaborate.

Glossary

Term	Acronym	Definition
Agent		The formal term in ISO 20022 for a party involved in a transaction chain.
Anti-money laundering requirements	AML	Anti-money laundering requirements on PSPs, including the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and related FCA regulation.
Application Programming Interface	API	An API acts as a channel through which software on one system can make a request to retrieve, create or edit data on another system. APIs are a common method of exchanging data between two computer systems.
Bacs		The Bacs system processes sterling Direct Debit and Direct Credit payments, including to pay salaries and settle invoices from suppliers.
Business Identifier Code	BIC	An international standard for routing business transactions and identifying business parties, as defined in ISO 9362.
CHAPS		CHAPS is the same-day system that is used to settle high-value wholesale payments as well as time-critical, lower-value payments like buying a property.
Closed User Group	CUG	CUG members will be able to exchange the enhanced CCM with other CUG members only, from the point the like-for-like CCM is implemented.
Direct Participants		Direct participants are those banks, building societies and other payment service providers that access one of the UK payment systems (i.e. CHAPS, Faster Payments or Bacs) directly.
Faster Payments	FPS	Faster Payments is the sterling system that enables mobile, internet, telephone and standing order payments to move quickly and securely in near real-time.
General Data Protection Regulation	GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.
Global LEI Foundation	GLEIF	Established by the Financial Stability Board in June 2014, the GLEIF is tasked to support the implementation and use of the Legal Entity Identifier.
HVPS+		HVPS+ is a group of major market infrastructures and PSPs that aims to build on existing market practice to deliver a set of ISO 20022 implementation guidelines for high value payment systems (HVPS).
InterAct network		InterAct is the SWIFT messaging service for exchanging XML-based financial messages and data between users.
International Organisation for Standardisation	ISO	ISO develops and publishes International Standards. It is an independent, non-governmental international organisation with a membership of 161 national standards bodies.
Interoperability		Interoperability is the ability of different information technology systems and software applications to communicate, exchange data, and use the information that has been exchanged.
Legal Entity Identifier	LEI	A unique reference number for an organisation as defined in ISO 17442.

Term	Acronym	Definition
Message Network Agnostic Design	MNAD	The ability of a network such as RTGS to be supported by multiple network providers.
MT message		A SWIFT proprietary message format currently used in CHAPS.
New Payments Architecture	NPA	The New Payments Architecture is a blueprint for building the technical infrastructure which enables retail payments and associated payment services to be completed across the UK economy. It includes: (i) A clearing and settlement rail upon which all retail payments can be made, and; (ii) Plans and technical standards which enable payment service providers to deliver payment services.
Pay.UK		Pay.UK is responsible for the operation of three of the UK's retail payment systems – Bacs, Faster Payments and cheque clearing. In the Consultation it was referred to by its previous title, the New Payment System Operator (NPSO)
Payment Service Provider	PSP	'Payment service provider', in relation to a payment system, means any person who provides services to persons who are not participants in the system for the purposes of enabling the transfer of funds using the payment system. See Payment Services Regulations 2017, SI 2017/752.
Payment Systems Regulator	PSR	The PSR is the economic regulator for the payment systems industry in the UK.
Real Time Gross Settlement System	RTGS	RTGS is operated by the Bank of England, and is the infrastructure that holds accounts for banks, building societies and other institutions. The balances in these accounts can be used to move money in real time between these account holders. This delivers final and risk-free sterling settlement.
Registration Management Group	RMG	The role of the RMG is to promote and support the involvement of financial service actors to facilitate the registration and maintenance of high quality globally relevant ISO 20022 compliant business models for exchange of information for financial services.
Reserves account		Reserves accounts at the Bank of England are effectively instant-access accounts for firms that participate in the Sterling Monetary Framework.
Standards Advisory Panel	SAP	A senior, strategic level panel focussing on the implementation of ISO 20022, but also covering other payments standards for the UK.
SWIFT		SWIFT is a global member-owned cooperative that provides secure financial messaging services.
Wire Transfer Regulations	WTR	Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006. Sometimes referred to as the revised Wire Transfer Regulations or the Funds Transfer Regulations.
XML syntax		XML is a mark-up language used to define the ISO 20022 structure.

Full list of questions asked

References to sections are as per the original Consultation.

Proposal for a Common Credit Message across UK payment systems

The proposed CCM

Q.1 Do you agree with the proposed approach to the CCM to align the content of payment message across key UK payment systems? i.e. the proposals to introduce shared data definitions, structure and format; and a consolidated approach to governance and maintenance.

- Yes
 No

Please explain, with reference to specific aspects of the CCM.

Q.2 In what ways will the CCM approach benefit you, your end users and/or those you represent?

- Improved operational resilience
 Improved risk management
 Fraud and economic crime prevention
 Increased competition and innovation
 Greater international harmonisation
 Efficiencies in processing
 Richer data
 Other (please specify)

If possible, please try to quantify the efficiency gains from adopting the CCM.

Q.3 Section 2.5 sets out the CCM's capacity to facilitate innovation and change by interacting with APIs and other emerging technology. Do you envisage utilising these services?

- Yes
 No

Please explain the rationale for your choice.

Q.4 Should the Bank, in collaboration with the NPSO, seek to explore the alignment of the CCM with one of the following?

- Open Banking Yes No
Cards schemes Yes No
Securities Settlement Yes No
Other (please specify)

Q.5 Are there any additional CCM fields or data elements that you consider should be included?

Q.6 The implementation of ISO 2022 is a rare opportunity to achieve the desired outcomes outlined in Diagram 2, but the extent to which many of these are achieved is dependent on the uniform and universal adoption of ISO 2022 in the United Kingdom. Do you agree that the Bank and NPSO, as payment system operators, should promote and influence the wider use of ISO 2022 and the CCM across the payment chain to achieve the desired network effects?

- Yes, the Bank should promote the wider use of ISO 20022 and the CCM
- No, wider promotion of ISO 20022 and the CCM is not necessary

Governance

Q.7 Do you agree that there should be a senior strategic change advisory panel, supplemented by subgroups, to advise the Bank and NPSO on the effective adoption of ISO 20022 across the United Kingdom?

- Yes
- No

Please comment on the role and composition you would expect the advisory panel to have.

Q.8 Do you agree with the proposed ongoing governance of the CCM beyond the completion of the RTGS Renewal and NPA projects?

- Yes
- No

Please explain in particular any issues with the proposed governance.

CCM costs and risks

Q.9 Please order the following changes by their contribution to your overall costs from implementing the CCM across key UK payment systems (1 = highest contribution, 2 = second highest contribution, etc).

- Core systems
- Data storage
- Payment channels
- Process change
- Translation services
- Other (please specify)

Q.10 If possible, please indicate the investment cost to you for implementing the CCM across key UK payment systems:

- £0-50k
- £50k-250k
- £250k-1mn
- £1mn-5mn
- £5mn- 10mn
- £10mn+

Q.11 Will the costs of implementing the CCM be shared across wider work required to implement ISO 20022 functionality?

Q.12 Please order the following functions by their contribution to your expected ongoing costs from operating the CCM across key UK payment systems (1 = highest contribution, 2 = second highest contribution, etc).

- Core systems
- Data storage
- Payment channels
- Process change
- Translation services
- Maintenance and versioning
- Other (please specify)

Q.13 If possible, please indicate your net change in ongoing annual operational costs once the CCM has been implemented across key UK payment systems:

- Net saving
- Net additional cost
- £0-50k
- £50k-250k
- £250k-1mn
- £1mn-5mn
- £5mn- 10mn
- £10mn+

Q.14 Please order the following risks you face from implementing the CCM across key UK payment systems by the scale of the anticipated risk (1 = greatest risk. 2 = second greatest risk, etc):

- Industry capacity
- Operational risk
- Translation risk
- Legal risk
- Other (please specify)

Implementing the Common Credit Message in CHAPS

Q.15 Do you agree with the proposed approach to the CCM implementation in CHAPS?

- Yes
- No

Please explain, in particular if you think the proposals go far enough to achieve the desired outcomes.

Q.16 In order to achieve the desired outcomes set out in Diagram 2, should there be further mandatory data requirements in the CHAPS implementation of the CCM?

- Yes (please specify)
- No (please explain)

Identity

Q.17 Do you agree with the proposals for improved identification of parties and agents in a CHAPS payment?

- Yes
- No

Please explain, in particular any issues with the proposals.

Q.18 Do you agree that LEIs should be made mandatory for payments between financial institutions in order to achieve the expected benefits?

- Fully agree
- Mostly agree
- Partially agree
- Do not agree

Please explain the rationale for your choice.

Q.19 Do you agree that LEIs should be made mandatory for a wider set of CHAPS payments?

- Yes
- No

Please explain the rationale for your choice.

Q.20 If possible, please indicate the investment costs of implementing the mandatory use of LEIs:

- £0-50k
- £50k-250k
- £250k-1mn
- £1mn-5mn
- £5mn- 10mn
- £10mn+

Q.21 If possible, please indicate your net change in ongoing annual operational costs from mandatory use of LEIs once implemented:

- | | | |
|--|----|-------------------------------------|
| <input type="checkbox"/> Net saving | of | <input type="checkbox"/> £0-50k |
| <input type="checkbox"/> Net additional cost | | <input type="checkbox"/> £50k-250k |
| | | <input type="checkbox"/> £250k-1mn |
| | | <input type="checkbox"/> £1mn-5mn |
| | | <input type="checkbox"/> £5mn- 10mn |
| | | <input type="checkbox"/> £10mn+ |

Purpose codes

Q.22 Do you agree that purpose codes should be made mandatory for the specified CHAPS payments in order to achieve the expected benefits?

- Fully agree
- Mostly agree
- Partially agree
- Do not agree

Please explain, with particular reference to any difficulties in making them mandatory.

Q.23 Do you agree that purpose codes should be made mandatory for a wider set of CHAPS payments?

- Yes
- No

Please explain the rationale for your choice.

Q.24 Please order the following where you would expect the greatest benefit from purpose codes. (1= greatest benefit; 2=next greatest benefit etc.)

- Improved operational resilience
- Improved risk management
- Fraud and economic crime prevention
- Increased competition and innovation
- Greater international harmonisation
- Efficiencies in processing

- Richer data
- Other (please specify)

Q.25 If possible, please indicate the investment costs of implementing the mandatory use of purpose codes:

- £0-50k
- £50k-250k
- £250k-1mn
- £1mn-5mn
- £5mn- 10mn
- £10mn+

Q.26 If possible, please indicate your net change in ongoing annual operational costs from mandatory use of purpose codes once implemented:

- | | | |
|--|----|-------------------------------------|
| <input type="checkbox"/> Net saving | of | <input type="checkbox"/> £0-50k |
| <input type="checkbox"/> Net additional cost | | <input type="checkbox"/> £50k-250k |
| | | <input type="checkbox"/> £250k-1mn |
| | | <input type="checkbox"/> £1mn-5mn |
| | | <input type="checkbox"/> £5mn- 10mn |

Remittance information

Q.27 Would you expect to use structured remittance information?

- Yes
- No

If so, which specific fields, such as electronic address or postal address, would be of particular use? Are there additional fields which should be included?

Q.28 Do you agree with the phased removal of unstructured remittance information?

- Yes
- No

Please explain, in particular any difficulties of only using structured or related remittance information fields.

Q.29 Do you support the inclusion of remt messages to enable interoperability?

- Yes
- No

Please explain, in particular any costs or risks you have identified.

Character sets

Q.30 Do you agree that an extended special Latin character set should be supported in CHAPS?

- Yes
- No

Please explain the rationale for your choice.

Q.31 Would you benefit from using non-Latin character sets if they were supported in CHAPS in the Mature Phase?

- Yes
- No

Please explain, in particular if you anticipate a wider demand for non-Latin character sets.

Business Application Header

Q.32 Do you agree with the proposals for the BAH?

- Yes
- No

Please explain the rationale for your choice.

CHAPS specific costs and risks

Q.33 Please order the following proposals by the scale of anticipated investment costs for implementation of the CCM in CHAPS (1 = highest cost; 2 = second highest cost etc):

- Identity
- Purpose
- Remittance information
- Character sets
- Other (please specify)

Q.34 Please order the following proposals by the scale of anticipated ongoing operational costs following the implementation of the CCM in CHAPS (1 = highest cost; 2 = second highest cost etc):

- Identity
- Purpose
- Remittance information
- Character sets
- Other (please specify)

Q.35 Please order the following proposed enhancements to the of the CHAPS implementation of the CCM by the scale of anticipated benefits (1 = greatest benefit, 2 = second greatest benefit, etc):

- Identity
- Purpose
- Remittance information
- Character sets
- Other (please specify)

Q.36 Please order the following where you would expect the greatest benefit from the CHAPS implementation of the CCM. (1= greatest benefit; 2=next greatest benefit, etc)

- Improved operational resilience
- Improved risk management
- Fraud and economic crime prevention
- Increased competition and innovation
- Greater international harmonisation
- Efficiencies in processing
- Richer data
- Other (please specify)

If possible, please try to quantify the efficiency gains from the CHAPS implementation of the CCM.

Migrating CHAPS to ISO 2022

Q.37 Do you agree with requiring migration of CHAPS to ISO 2022 on a single cut-over weekend and on a phased introduction of mandatory new data requirements?

- Fully agree
- Mostly agree
- Partially agree
- Do not agree

Please explain, in particular any concerns with the approach.

Q.38 Will you be able to meet the broad timelines set out in Section 4 to implement ISO 2022 in CHAPS?

- Yes; these timelines are suitable
- Yes; even shorter timelines would be preferable
- No; longer timelines would be preferable

Please explain the rationale for your choice.

Q.39 The Bank has proposed a closed user group (CUG) to give participants the option to use data enhancements at go-live. Do you agree with this proposal?

- Yes
- No

Please explain, stating your preference for being in the CUG.