Subject: Feedback produced on the paper “Money and Payments: The U.S. Dollar in the Age of Digital Transformation”


At the request of the Advisory Group for Digital Currencies (TC 68/AG5), the SAG assisted in preparing a response to the “Money and Payments: The U.S. Dollar in the Age of Digital Transformation” consultation and responded to the following questions.

Q. 20: How could a CBDC be designed to achieve transferability across multiple payment platforms? Would new technology or technical standards be needed?

The response is submitted by the Standards Advisory Group (SAG) of Technical Committee 68 (TC 68) of the International Organization for Standardization (ISO). The SAG as a subgroup of TC 68 (TC68/AG2) acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. In this context, the response will concentrate on the technical standards that can be leveraged for CBDCs.

There are several technical standards of ISO/TC 68 that can be leveraged for CBDCs as the consistent use of standards is the foundation of achieving transferability across multiple payment platforms. First, is a standard that has been in place for some time and is used widely for the identification of fiat currencies. This is the ISO 4217 standard. This standard has been examined by ISO/TC 68 subject matter experts with the conclusion that the ISO 4217 standard is fit for purpose for the identification of both conventional and digital forms of fiat currencies.

Another standard to be leveraged for CBDC is ISO 17442, the Legal Entity Identifier (LEI), which could be used for the identification of counterparties in CBDC transactions and to identify holders of CBDC. The LEI the only global standard for legal entity identification with the identifier connecting to key reference information that enables clear and unique identification of legal entities participating in financial transactions and related activities. LEIs data records contain information about an entity’s ownership structure and thus answers the questions of ‘who is who’ and ‘who owns whom’. Further benefit can be derived from data that accompanies a LEI record which can be automatically retrieved or verified at no charge from the Global LEI System.
The central banks will decide which use cases are possible for their CBDC. If consumers of the country involved (or of other countries) are allowed to use the CBDC, the LEI of the issuing central bank will contribute to further consumer protection (and fraud prevention).

Finally, there are financial messaging standards used in payments and credit and debit card transactions.

First, the suite of ISO 20022 standard financial messages for payments and card transactions is very comprehensive. There is the ability for additional messages to be created, if required, using the ISO 20022 development and governance processes, to support any specific needs for CBDCs.

Second, the ISO 8583: 2003 Financial transaction card originated messages standard supports that all ISO 4217 Currency Codes are included in these messages. If central banks would encourage use cases that their CBDCs and commercial bank money are both used in card messages a further review of the standards would be required.

Q. 21: How might future technological innovations affect design and policy choices related to CBDC?

The response is submitted by the Standards Advisory Group (SAG) of Technical Committee 68 (TC 68) of the International Organization for Standardization (ISO). The SAG as a subgroup of TC 68 (TC68/AG2) acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. In this context, the response will concentrate on the technical standards that can be leveraged for CBDCs.

Use of standard identifiers for currency codes (ISO 4217) and for legal entity identifiers (ISO 17442) are technology agnostic and can continue to be leveraged with future technological innovations.

The concept of the ISO 20022 is based upon defining a business model to capture the interactions of the actors/counterparties and information needed to execute specific activities, such as instructions for CBDC payment or card transactions. As technologies innovate and change, the business model can be leveraged when implementing to support new technologies used in financial messaging.

If central banks would encourage use cases that their CBDCs and commercial bank money are both used in card messages a further review of the ISO 8583 standard in relation to the ISO 4217 standard would be required.

Q. 22: Are there additional design principles that should be considered? Are there tradeoffs around any of the identified design principles, especially in trying to achieve the potential benefits of a CBDC?

The response is submitted by the Standards Advisory Group (SAG) of Technical Committee 68 (TC 68) of the International Organization for Standardization (ISO). The SAG as a subgroup of TC 68 (TC68/AG2) acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. In this context, the response will concentrate on the technical standards that can be leveraged for CBDCs.
Given that often firms operate in multiple jurisdictions and also are connected to more than one RTGS, use of common technical standards in the CBDC space will allow firms that operate in multiple jurisdictions and/or trade in multiple currencies (including CBDCs), as well as technology providers (as developers of RTGS systems), to avoid the complexities that would exist if different standards are used.

In case Central Banks would encourage that their CBDCs be used for the payments leg of securities transactions with financial instruments based on the ISO 6166: 2021 ISIN standard (wholesale and/or retail), a further review of the business process would be required.

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[signed]  
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