

Commerce Bank
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Kansas City, MO 64106

Ms Ann E. Misback
Secretary, Board of Governors
Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20551

RE: New Message Format for the Fedwire® Funds Service
Docket Number OP-1613

Dear Sir or Madam,

Commerce Bancshares, Inc. ("CBI") is a regional bank holding company with one bank subsidiary, Commerce Bank, ("Commerce"), and total assets of \$24.5 billion as of June 2018. Commerce is a full-service bank with 172 branches in Missouri, Illinois, Kansas, Oklahoma, and Colorado offering a diversified line of financial services including business and personal banking, wealth management and estate planning, and investments through its affiliated companies. A full suite of banking services, including electronic payments, investment management, and securities brokerage, are also offered. CBI has operating subsidiaries involved in mortgage banking, credit related insurance, venture capital and real estate activities.

We appreciate the opportunity to comment on the proposed plan to adopt ISO 20022 standards for the Fedwire message format. The following are the questions from the request for comment and our corresponding responses:

A. Potential Benefits and Drawbacks of Adopting ISO 20022

1. Would adopting ISO 20022 for the Fedwire Funds Service produce the benefits discussed above?

Commerce Bank believes that adopting ISO 20022 would produce the benefits of greater interoperability, potential reduction in operating costs, and increased screening capabilities.

2. Would adopting ISO 20022 for the Fedwire Funds Service produce any other benefits?

In addition to the stated benefits, adopting ISO 20022 format for all Fedwire messages will better position the Fedwire network to be more globally compatible moving forward, and it may reduce manual exception processing due to increased interoperability.

3. What drawbacks (if any) would adopting ISO 20022 for the Fedwire Funds Service entail and how might they be addressed?

The main drawback to adopting the ISO 20022 format will be the level of effort and cost of resources required to test and convert from The Federal Reserve's current proprietary format to the ISO20022 standards. This adoption effort will require internal development, external vendor development, and extensive testing which are all

significant costs for the bank. Another drawback will be the burden placed on financial institutions to educate their clients of the upcoming changes. However, it is our belief that the long-term benefits outweigh the up-front and ongoing costs of conversion to the ISO 20022 format.

B. Proposed Timeline for Adopting ISO 20022

- 1. Is the timeline that the Reserve Banks have proposed for adopting ISO 20022 for the Fedwire Funds Service (including the proposed timeframe or publishing final message format documents and testing changes in the Reserve Banks' DIT environment) reasonable? If not, how much time would Fedwire Funds Service participants and service providers (including software vendors) need to adjust their applications and processes for each phase?*

Yes, the proposed adoption timeline is reasonable for Commerce Bank contingent on The Federal Reserve's DIT environment being highly available allowing us to perform our testing functions when it is most convenient for our business.

- 2. Should the Reserve Banks delay the implementation date for phase 3 of the proposal if SWIFT has not yet implemented a solution on its network to support ISO 20022 for cross-border messages?*

Our position is that in the event SWIFT has not yet implemented a solution the Reserve Banks should delay the implementation in order to simultaneously send and receive enhanced data across both networks. Coordinating implementation with SWIFT should reduce possible data translation errors between the different formats and would therefore decrease possible risk.

- 3. Would the proposal to migrate to ISO 20022 in phases mitigate any risks associated with implementing ISO 20022?*

Risks are inherent in any conversion process such as the implantation of ISO 20022, but the multiple-phased approach and extended testing windows should sufficiently mitigate the severity of said risks.

C. Impact on Fedwire Funds Service Participants and Service Providers

- 1. How does your institution access the Fedwire Funds Service? If your institution accesses the Fedwire Funds Service via the FedLine Direct solution or uses the import/export feature of FedPayments Manager-Funds over the FedLine Advantage solution, do you develop your own software or rely on a software vendor?*

Commerce Bank accesses the Fedwire Funds Service via the FedLine Direct solution with a combination of vendor developed software and internally developed solutions.

- 2. What costs would your institution incur if the Reserve Banks adopt ISO 20022 for the Fedwire Funds Service? If possible, please provide dollar estimates or ranges.*

Commerce Bank will incur costs for the following: technical development, technical testing, operational testing, and vendor software development.

- 3. Would the benefits of adopting ISO 20022 for the Fedwire Funds Service outweigh any associated costs for your institution?*

Commerce Bank believes that the cost to adopt ISO 20022 will be justified by the long-term benefits and efficiencies to be gained.

Thank you for the opportunity to provide our thoughts and feedback on the proposed Fedwire conversion to the ISO 20022 format. Overall, we support the initiative and find the proposed timeline reasonable.

Sincerely,

Logan Beets
Product Manager
Electronic Payments
Commerce Bancshares, Inc.