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1251 Avenue of the Americas  
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September 4, 2018

*Via Electronic Submission*

Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue N.W.  
Washington, DC 20551

Re: Docket No. OP-1613; New Message Format for the Fedwire® Funds Service

Dear Ms. Misback,

MUFG Bank, Ltd. (“MUFG Bank”) and MUFG Union Bank, N.A. (“MUFG UB” and collectively with MUFG Bank, “MUFG”)<sup>1</sup> are pleased to have the opportunity to jointly comment on the Board of Governors of the Federal Reserve System’s (the “Board”) proposed implementation plan in adopting the ISO® 20022 message format (the “Proposal”) for future use by the Fedwire Funds Service (“Fedwire”).

Both MUFG Bank and MUFG UB use the Fedwire and The Clearing House Payments Company’s (the “TCH”) Clearing House Interbank Payment System (“CHIPS”) systems, have actively participated in industry discussions leading up to the planned implementation, and strongly support and endorse the Board’s efforts to modernize Fedwire by implementing the ISO 20022 message format standard (“ISO 20022”). The Proposal’s approach accommodates our input and we believe ISO 20022’s phased implementation will appropriately promote the best interests of the banking industry, its customers, global payment system providers and the variety of regulatory, compliance and other government authorities having an interest in such matters.

Given our strong support of the Proposal, we nevertheless wish to express our preference for the following general refinements to the Proposal to the extent possible.

- We believe it is important that the implementation in Fedwire of the fully-enhanced ISO 20022 format (the final phase of the project, Phase 3) coincide with SWIFT’s (the Society for Worldwide Interbank Financial Telecommunication) implementation of that same format. The synchronization of the Board’s and SWIFT’s implementation of the fully-enhanced ISO 20022 will likely minimize the need for participating banks to translate between the present SWIFT wire transfer messaging format (“MT”) and the ISO 20022 messaging format, thereby greatly reducing the operational and other challenges and risks that would otherwise exist for system participants.
- Similarly, as we understand is now occurring, close coordination of the implementation of ISO 20022 between Fedwire and CHIPS with respect to messaging format, features, timing and implementation methodology will be

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<sup>1</sup> MUFG Bank is Japan’s largest bank and is a wholly-owned subsidiary of the Mitsubishi UFJ Financial Group, Inc., which has operations in more than 50 countries. MUFG UB is a national bank that is also an indirect wholly-owned Mitsubishi UFJ Financial Group, Inc. subsidiary. Both MUFG Bank and MUFG UB have been long time participants in various U.S. wire transfer payment settlement systems, including Fedwire and CHIPS.



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very important to minimizing the exposure of participants and end users to avoidable transaction processing disruptions and expense.

- We strongly encourage adoption of a consistent approach by both Fedwire and CHIPS relating to the use of ISO 20022 for high value payments and support the recommendations which have been made by what is commonly known as the High Value Payment Systems Group. Other high value payment system operators should be encouraged to do so as well to maximize interoperability and straight through processing.
- MUFG is committed to the Financial Action Task Force’s (the “FATF”) recommendations and supports making mandatory the completion of the Beneficiary Country field in ISO 20022 that relate to cross-border payments. We anticipate the global community will mandate this in the future and believe imposing this standard as soon as possible will substantially reduce compliance burdens associated with tracking the routing of cross-border payments from point of origin to final point of destination.

**Proposal §VII Comments**

The following specific comments directly respond to the Proposal question that immediately precedes it.

A. Potential Benefits and Drawbacks of Adopting ISO 20022

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

MUFG believes the adoption of ISO 20022 for Fedwire will clearly promote more frequent transmission of structured and detailed messaging information that will produce the anticipated benefits described in the Proposal. A dedicated field for every data element accompanied by capacity to support maximum field lengths would enhance payment operations accuracy, efficiency and standardization across different jurisdictions and could, with appropriate private-public sector collaboration regarding their significance, reduce various noncompliance risks that are now inherent in the messaging formats currently in use.

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

MUFG views adoption of ISO 20022 as a significant opportunity for improvement in the interoperability of message formatting, particularly as related to cross-border wire transfers, that will produce a more efficient, reliable and cost-effective processing environment which will benefit of all involved. The use of ISO 20022 is growing globally with major high value and other payment systems making use of this messaging standard.

The use of ISO 20022 by TCH’s Real Time Payment system (“RTP”) and increasing interest in ISO 20022 by NACHA participants suggests the possibility of even greater interoperability and associated processing and feature benefits through compatibility between domestic and foreign payment systems. The opportunity to introduce new payment message enhancements such as extended remittance information offers the potential of providing additional value to both end users and providers of these payment systems.

Finally, the introduction of the ISO 20022 data enriched messaging format will better position the banking industry to incorporate future enhancements to improve services and the end user’s payment experience.

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



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As noted in various industry engagements on ISO 20022, a number of high value payment systems are already using ISO 20022 with more systems now in the planning and/or implementation of the same. Globally, schedules for migration to ISO 20022 by SWIFT and other high value payments systems will differ. These differences will present a variety of challenges that include the risk of data loss if banks processing these messages must continually translate message content from one format to another due to differences in format, data capacities, and specificity. We believe the timing of implementation dates of the Proposal's Phase 3 (fully-enhanced ISO 20022 format) for Fedwire and CHIPS should coincide with that of SWIFT. Preferably additional global high value payment systems, such as those prevailing in the United Kingdom and the European Union, should also have or be close to fully-enhanced ISO 20022 implementation. Coordination of message formats will also be important to achieving optimal benefits for system participants and end users.

One drawback to ISO 20022 implementation is the cost thereof for each system participant implementing it, but we believe the benefits over time provided by payment system format interoperability will overcome any such concerns. Payment message data will not need to be remapped to available space in alternative, perhaps free form, messaging fields. Each ISO 20022 data field will in the future have a single purpose, and none present the challenges now confronting participants when one field contains an amalgam of multiple data elements and tags necessary to identify them.

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 timeframes for 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?

We consider the Proposal's timing to be reasonable and adequate. MUFG commented on the Proposal's implementation approach through our participation in the Format Advisory Group and other forums and we are comfortable that the current plan allows for the accomplishment of a difficult task within a reasonable timeline.

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?

The consistent use of ISO 20022 by payment systems participants including, in particular, TCH and SWIFT, will be important for promoting efficient and accurate messaging across systems. SWIFT should support ISO 20022 for high value payments as soon as it is feasible to do so. However, as previously mentioned above, the ability to attain Fedwire, CHIPS and SWIFT ISO 20022 implementation synchronicity may rest with Fedwire and CHIPS.

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

Yes. The so-called "big bang" approach of moving directly to a mandated implementation of ISO 20022 is impractical given the number of parties involved and the extent of the changes that would be required to do so. An un-phased approach would also present a greater risk of unacceptable levels of customer and participant disruption



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due to the change. Phasing gives a greater chance of success with reduced risk of the inability of any system, participant or end user to perform adequately and thereby adversely affect others.

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?

Both MUFG Bank and MUFG UB presently rely on FedLine Direct using vendor software and, in select instances, FedLine Advantage is also used.

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.

We are currently assessing cost and options and are unable to provide sufficiently reliable information at this time.

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

Yes, we expect the benefits, both direct and indirect, over the medium to long term will outweigh the costs.

We trust this information is useful to the Board in its consideration of moving forward with the Proposal.

Respectfully submitted,

Raymond Fattell,  
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Head of Product for Transaction Banking  
Submitted by Alexander Riseman for RF.