

August 30, 2018

Federal Reserve Board  
Secretary, Board of Governors  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Comments on Notice of Proposed Adoption of ISO 20022 Message Format; Docket No. OP-1613

Dear Ann E. Misback,

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), one of the largest state trade associations for credit unions in the United States, representing the interests of more than 260 credit unions and their approximately 10.7 million members.

The Leagues welcome the opportunity to provide comments to the Board of Governors of the Federal Reserve System (Board) on its proposal to adopt the ISO 20022 message format for the Fedwire Funds Service (Service). ISO 20022 is an international standard that would replace the Service's current, proprietary message format. The Board proposes that the migration to ISO 20022 would take place in three phases beginning in 2020 and ending in 2023.

### **Potential Benefits**

One of the potential benefits to adopting the ISO 20022 message format is the ability of participants to include richer and more structured data in their messages—for example, increased character lengths for name data elements and discrete elements for address information, including a country code. This additional data could improve the ability of credit unions to screen payments for sanctions and anti-money laundering purposes.

The Leagues support moving towards a common, global standard. The Board notes in the proposal that the CHIPS funds transfer system has announced plans to adopt ISO 20022 and SWIFT has initiated a study to consider the migration of cross-border message type traffic to ISO 20022. Similarly, many foreign wire transfer systems, including those for currencies of key U.S. trading partners, have adopted or have announced plans to adopt ISO 20022. We agree that adopting a common, global standard would improve domestic and cross-border interoperability between the Service and other payment or messaging systems. International wire transfers sent through the Service would potentially reach their final destination point a lot quicker than they do today. There would be less need to reformat messages as the funds travel through various receiving institutions, saving both time and expense and possibly resulting in less fees deducted from the final payment amount.

Additionally, the ISO 20022 would support a structured format for including extended remittance information (ERI) in business-to-business payment messages. For example, a business that sends a payment to a vendor could include details regarding the invoices against which the vendor should apply the payment. This functionality already exists in the Automated Clearing House (ACH) environment, providing payment related information when the transaction posts. This is a significant value add to wire transfer capabilities.

### **Impact on Participants**

The Board notes that the impact of ISO 20022 implementation on Service participants would vary depending on how each participant accesses the Service. We agree with this statement. However, we have heard from member credit unions that utilize their own or vendor software to access the Service and from those who access the Service manually through FedPayments Manager-Funds over the FedLine Advantage solution. Both groups of credit unions support the adoption of ISO 20022 and believe the benefits outweigh the associated implementation costs and training requirements.

### **Proposed Timeline**

The Board proposes that the migration to ISO 20022 would take place in three phases beginning in 2020 and ending in 2023. They also plan to provide nine months for testing the phase 1 changes in their Depository Institution Testing (DIT) environment prior to the proposed implementation date in November 2020, and at least one year for testing the phase 2 and phase 3 changes in their DIT environment. A final testing plan is expected to be published by the end of 2018.

The Leagues support the migration to ISO 20022 in phases and believe the timeline is reasonable. The Leagues encourage the Board to ensure the DIT environment is wholly accessible to participants, allowing them to perform testing functions when it best suits their business needs.

### **Conclusion**

The Leagues support adoption of the ISO 20022 message format for the Fedwire Funds Service. Having a common, global standard will improve efficiencies and having richer and more structured data will prove valuable to both credit unions and their members.

Thank you for the opportunity to comment on the proposal to adopt the ISO 20022 message format for the Fedwire Funds Service and for considering our views and recommendations. If you have any questions regarding our comments, please contact me.

Sincerely,

Diana Dykstra  
President and CEO  
California and Nevada Credit Union Leagues

cc: CCUL