



Leading the payments industry through rulemaking, dialogue, advocacy and education

August 31, 2018

Via Electronic Submission

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Docket No. OP-1613

Dear Ms. Misback:

NACHA – The Electronic Payments Association (“NACHA”) welcomes the opportunity to provide comments on the proposal to adopt the ISO® 20022 message format for the Fedwire® Funds Service published by the Board of Governors of the Federal Reserve System (“Board”) on July 5, 2018. After first providing background on NACHA, we offer brief comments on the Proposed Guidelines.

I. Background: The ACH Network – Who We Are

NACHA manages the development, administration, and governance of the ACH Network, the backbone for the electronic movement of money and remittance information. The ACH Network serves as a safe, secure, reliable network for direct consumer, business, and government payments, and annually facilitates billions of payments. The ACH Network is governed by the *NACHA Operating Rules* (“NACHA Rules”), which are developed and maintained by NACHA. In its role as the standards organization for payments through the ACH Network and author of the NACHA Rules, NACHA represents and brings together over 11,000 participating financial institutions of all sizes and types throughout the United States, both directly and through 11 Regional Payments Associations. NACHA also connects nearly 400 other companies and organizations through its industry membership programs. Through these forums, NACHA brings together payments system stakeholders to enable innovation that strengthens the industry with creative payment solutions.

The NACHA Rules are amended through a deliberative and inclusive process similar to that used by Federal agencies under the Administrative Procedures Act. This allows participants in the ACH Network – commercial banks, community banks, credit unions, large corporations, small businesses, consumer advocates, industry vendors and governmental entities – the opportunity to comment on proposed rule changes before the rule is finalized and before the implementation dates are firm. Additionally, the Rules and Operations Committee, which has the responsibility to evaluate and create proposed rules changes, includes the participation of diverse organizations. Through this inclusive process, NACHA is able to maintain a fair and equitable set of rules that create certainty for all parties

using the ACH Network. The NACHA Rules work in concert with applicable laws and regulations to provide a legal and business foundation for the use of ACH payments. From this foundation, the NACHA Rules promote innovation and efficiency, and provide certainty regarding ACH payments.

II. Comments on the Proposed Guidelines

Overall NACHA—The Electronic Payments Association has a favorable view of the proposed plans to replace the current Fedwire Funds Service message format with ISO 20022, however we encourage the Federal Reserve to fully assess feedback from all market participants.

Over the past 5 years, NACHA has led multiple initiatives to educate and support ISO 20022 integration with the U.S. ACH Network. These initiatives have included offering industry tools and solutions that allow ACH users to translate and integrate the ISO 20022 payment message standard for both electronic payment initiation and payments remittance. NACHA also launched a Mapping Guide as well as an online Validation Tool to help ensure consistency in how companies, software providers, and financial institutions map ISO 20022 formats to the ACH format.

Importantly, NACHA has taken a key role in providing dialogue, education and analysis of ISO 20022, including offering a frequently-visited [ISO 20022 Resource Center](#). With presentations at industry conferences, hosted webinars, and published white papers and case studies, NACHA has encouraged and promoted understanding of ISO 20022 in the marketplace. Together with financial institutions, our collective education, tools and services has helped to enable select, large U.S. businesses to lower payment cost and gain efficiency by supporting ISO 20022 payment instructions for the U.S ACH Network. With these leadership efforts, NACHA has a keen appreciation of the U.S. financial member community's appetite for migration to ISO 20022.

Further, NACHA continues to be an active participant of key domestic and global ISO 20022 communities, including the U.S. ISO 20022 Stakeholder Group, SWIFT's Common Global Implementation-Market Practice (CGI-MP) initiative, and as a board member of the Accredited Standards Committee X9. NACHA's work over the past few years and our acquisition of Interactive Financial eXchange (IFX) Forum have brought additional in-house and member knowledge and expertise on ISO 20022.

Accordingly, NACHA has a deep understanding of the benefits of the ISO 20022 standard and its implications for the payments industry. ISO 20022 has the potential to offer the benefit of richer information with extended remittance data for wire payments along with improved payments compliance. Additionally, another advantage of ISO 20022 is alignment with cross-border payment systems and enhanced interoperability with key U.S. trading partners that have adopted ISO 20022. Also, the standard is payment agnostic (i.e., it can be used for various types of payments, including ACH payment instruction) among other advantages.

Some key concerns that emerged with NACHA's own ISO 20022 initiatives include a lack of awareness and interest from a broad set of financial institutions across the U.S. as well as the work needed to enable end user adoption. Particularly many smaller, domestic based companies and financial institutions that make up the U.S. market have little interest in understanding ISO 20022, and would look to their software providers to enable such, should it be required.

Another concerning issue relates to the version of ISO 20022 the Federal Reserve is proposing to use. NACHA's market assessment identified that some corporate customers - predominantly those with an international footprint - already commenced the ISO 20022 journey and implemented the standard to exchange payment information with their banks. As is the global trend in ISO 20022, these companies are generally on version 3 of the ISO 20022 payment instruction message. Likewise, most large global banks already use ISO 20022 for their internal business processes and systems and are on the same version 3 or other older versions. The intent of the Federal Reserve Banks is to migrate to the newest version of the ISO 20022 standard. Adoption of different versions of the ISO 20022 within the U.S. will not achieve nearly all the advantages previously discussed. Further, while integration of wire payments with business A/R and A/P systems is not as prevalent as it is with ACH, the few large, corporate clients using ISO 20022 may not be willing to update their systems to handle newer versions without a business case. Additionally, ensuring that remittance information is standardized and can be carried consistently within the ISO 20022 format will be essential to provide benefit to the business end user community. For this reason, for financial institutions, the replacement of ISO 20022 for wires will mean considerable economic and other costs as banks will need to support multiple versions and perform translations between them. Likewise, as the Federal Reserve recognizes in its proposal, non-ISO 20022 banks will have to make significant changes to their payment applications and processes to send and receive messages.

Meanwhile, with strong ties between the Fedwire Funds Service message format and SWIFT's MT messages, along with SWIFT's intention to migrate away from its own proprietary format to ISO 20022, NACHA recommends moving in lockstep with SWIFT's target dates to ease the implementation pains of ISO 20022 for the financial services community.

As we also look at harmonization of payments within the United States, NACHA commits to continue to work with both wire operators, as well as other payment networks, to ensure as much consistency in how ISO 20022 is either adopted or integrated into ACH payment flows and related remittance information. Providing consistent formats and tools for creating, directing, or posting payments and related information will help the industry as a whole obtain a better return on their investments.

Beyond the issue of lack of harmonization of the standard, NACHA concludes our comments by reiterating that we have found that education and understanding of ISO 20022 is still broadly lacking among much of the industry. With the API Standardization Industry Group (ASIG) NACHA has brought together a broad set of industry participants from financial institutions, fintechs, businesses, service providers, standards organizations and others, all of whom have a desire to further efforts to standardize the use of APIs in the U.S. and leverage global standards efforts such as ISO 20022, when possible. In leading this group, it is evident that beyond a very small set of industry experts, the general community is not familiar with the terminology used in, and information required by, the ISO 20022 format. Therefore, seeking input from the broad industry on their view of costs and benefits before proceeding with implementation plans is critical.

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NACHA appreciates the opportunity to provide comments on the Proposed Guidelines. If you have any questions regarding our comments, please do not hesitate to call me at (703) 561-3927.

Sincerely,



Jane Larimer
COO & General Counsel
NACHA-The Electronic Payments Association