



September 4, 2018

Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
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Washington, DC 20551  
Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Docket No. OP-1613

Dear Ms. Misback:

NEACH is pleased to respond to the Request for Comment on a Proposal to Adopt the ISO 20022 Message Format for the Fedwire Funds Service. Our response to the Request for Comment is based on input from the NEACH staff as well as representatives from NEACH member financial institutions.

### Request for Comment

#### NEACH Staff:

In discussing the Fed's RFC proposal to adopt the ISO 20022 message format for Fedwire Funds Services, staff agrees with the proposal's suggestion that the impact on our members will vary, depending on how each financial institution accesses Fedwire Funds Services. Some participants use software that they or their vendors have provided to access the Fedwire Funds Services using the Fedline Direct solution; others use the import/export feature of FedPayments Manager via the Fedline Advantage option; some access the Fedwire Funds Service manually through FedPayments Manager – Funds; and still others use an offline, telephone-based service in which a Reserve Bank employee enters payment order information into a Reserve Bank application. The Federal Reserve Board says that participants who access the Fedline Funds Service through their software or vendor-supplied software using Fedline Direct or using the import/export feature of FedPayments Manager would have to make significant changes to their payment processes. Participants who access the Fedwire Funds Service manually through FedPayments Manager – Funds would have to learn the terminology and information required by the ISO 20022 format. For those who use the phone-based service, their processes would not change very much, although they would still have to become familiar with the new terminology and information required, so they could provide it to the Reserve Bank employees.

Some staff wondered why the RFC was sent out after the Fed already had plans and a timeline for the implementation of the ISO 20022 message format. Maybe the RFC should have been distributed prior. Nevertheless, staff were generally in favor of the transition to the ISO 20022 message format for Fedwire Funds. ISO 20022 does provide many opportunities and would allow all financial institutions to have access to this

versatile payment messaging system. Messaging fields and semantics are changing, and include more detailed message information than is provided in the current format. Increased data elements for address information and country codes may help with reviewing payments for anti-money laundering issues.

With implementation costs affecting financial institutions (FIs), they may be able to recoup their investment by increasing monthly fees or wire fees. Richer payment messaging may be attractive to banks and credit unions who have IOLTA accounts, whose attorneys who would welcome the increased messaging provided by the ISO20022 standard.

The Fed will be handling things until Phase 3 of its timeline. In Phase 1, the Fed will be doing a cleanup of ISO 20022 and SWIFT fields; during Phase 2, legacy fields will be mapped to the new ISO 20022 message format over an 18 month time period, where “like” fields will be transitioned to ISO fields; Fed will handle coverage from legacy to the new ISO message formats, but there will be no enhancements in the sunset legacy; fields in the wires will end up in the fields in ISO 20022, but it will be no different than the fields in the wires; only in Phase 3 will actual enhancements be implemented with optional enhancements for new fields. Some staff felt that the timeline for implementation was too long, and that it should be done more expeditiously. However, staff realizes that some financial institutions may need more time to make the necessary changes to be able to adopt the new messaging format.

ISO 20022 will definitely appeal to larger FIs, but even smaller institutions, particularly those who originate for businesses, will need to respond to the needs of retail, corporate and small business customers and members.

NEACH Member Financial Institutions:

NEACH and a group of its members reviewed the Request of Comment regarding adopting ISO 20022 message format for Fedwire Funds via phone conference. Staff and the members in general are in favor of the changes and support the transition but did express some concerns. The benefits and the concerns are outlined below.

NEACH and its members shared the belief that the impact of this change would likely depend on how each institution currently accesses the Fedwire Funds Service. For those who use their own software or software provided by their core providers, members felt that it would be up to their providers to make the changes necessary for the transition. However, they expressed some concern that the cost of implementation borne by the vendors would likely be passed onto their financial institution clients. Participants were also concerned about how little they had heard from their vendors about the possible change to ISO 20022. Some heard about it at a NEACH meeting, and others were aware that the Clearing House currently uses it for faster payments. Fedline Advantage users had mentioned that the Federal Reserve had been communicating with them about ISO 20022, and participants of the phone conference were urged to contact their Fed representatives to find out what resources are available for more information. The lack of awareness of the members on the phone conference leads NEACH staff to believe that the Federal Reserve has to ensure all financial institutions are aware of the potential updates to how they currently process wires.

ISO 20022 will provide more opportunities for the small and medium-size financial institutions to compete with the larger institutions, who may have already made the transition. Call participants were pleased with the fact that the new message format would provide richer information, more detail, additional fields, and new codes to identify the business purpose for the transaction, and would mean better reporting for financial institutions.

Members recognized that there would be a learning curve with users adjusting to new terms to replace others they are more familiar with, additional fields, a more structure format, no free-form text, and fields with more characters. While there will be more fields, members wondered which ones would be required fields – may increase the time it takes a user or customer to complete the wire request, and may require information not currently requested by the current legacy system.

Call participants await more information, that will likely be available after the RFC closes, on whether the new message format will require online banking upgrades, and changes in agreement language, etc. Financial institutions anticipate having to amend wire form changes, and the need to educate staff and corporate users about the new requirements. The Fed's implementation timeline seems lengthy, but may be needed to give financial institutions time to get ready.

In summary, NEACH staff and representatives from its member financial institutions have given thoughtful consideration to this proposal, and support the decision to adopt the ISO 20022 message format for the Fedwire Funds Service. We are pleased to offer our comments for your review.

Sincerely,



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