



September 4, 2018

Board of Governors of the Federal Reserve System

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

To whom it may concern:

Fiserv appreciates the opportunity to respond to the Federal Reserve's request for comment on the proposed new message formats to be used within the Fedwire Funds Service.

For more than 30 years, Fiserv has been a trusted leader in financial services technology, enabling clients worldwide to create and deliver financial services in step with the way people live and work today. Our more than 26,000 associates serve more than 12,000 clients around the world, advancing quality and innovation in payments, processing services, risk and compliance, customer and channel management, and insights and optimization. Fiserv is a member of the FORTUNE® 500 and has been named among the FORTUNE Magazine World's Most Admired Companies® for five consecutive years, recognized for strength of business model and innovation leadership. Fiserv subject matter experts and thought leaders are actively involved in a number of prominent industry and advisory bodies, including the ISO RTPG, NACHA Payments Innovation Alliance, and the European Payments Council technical forum, and are helping to drive the industry's evolution and adoption of best practices and message formats to benefit all users of the payment ecosystems.

We have helped our clients around the world implement ISO 20022 based solutions and migrate from domestic, proprietary payment message formats to ISO 20022 based formats, using both XML and API implementations of the underlying data structures. This significant depth and breadth of experience provides us a unique perspective in responding to this request.

Fiserv supports the migration of the Fedwire Funds Service to the global ISO 20022 standard and believes the migration will deliver significant benefits to the payment system within the United States, as described in the Federal Reserve's request for comment and as documented below.

Fiserv response to questions raised

A. Potential Benefits and Drawbacks of Adopting ISO 20022

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

Yes, Fiserv agrees that significant benefits to the payment ecosystem will result from the adoption of an ISO 20022 based message set.

First, as identified by the Federal Reserve in the request for comment, adopting ISO 20022 for the Fedwire Funds Service will increase the structure, richness, and amount of data that is available for fraud, money laundering, and sanction management and, therefore, should improve the effectiveness of these programs. Toward this end, Fiserv recommends that this data enhancement be expanded beyond enhancement of the amount and type of data and also include: (1) data identification of all parties that are part of the interaction (not just identification of those included in the payment portion of the transaction); and (2) the use of extended character encoding, such as UTF-8/16, to ensure that vital information required to automate sanction management and fraud controls is not lost during the translation to a basic character prior to transmission. Fiserv supports the use of extended character encoding, recognizing that the full UTF-8/16 character set will likely be a requirement for international payments, and although there is an additional cost to storing all the parties involved in a payment, Fiserv believes that the risk of not checking a party is incalculable and outweighs the cost.

Second, as identified by the Federal Reserve in its request for comment, the adoption of ISO 20022 for the Fedwire Funds Service could improve interoperability between domestic payment schemes. However, improved interoperability will only be fully realized if all domestic payment schemes also adopt the common language of ISO 20022 message sets.

Given the high level of commonality between the current message sets used by the Fedwire Funds Service and the TCH CHIPS service, there is risk that the benefits of interoperability may not be materially realized outside of these two schemes. Fiserv believes that broad interoperability between instant payment schemes, traditional ACH, real time gross settlement, and card schemes is critical for the users of payment systems, allowing payments to be processed efficiently based on the underlying needs of the business processes rather than on the message formats. Because ISO 20022 is being implemented as the core messaging standard for new instant schemes (such as the TCH RTP platform, international payment renovations, Lynx in Canada, RTGS in Europe and the United Kingdom, and as the underlying data definitions for Open Banking initiatives), using such a common language carries great promise to increase the efficiency of interoperation between payment infrastructures, increase competition, and improve access.

Finally, Fiserv believes that inclusion of extended remittance information (ERI) is critical to the automation of the payment processing, allowing critical information about the reason for the funds movement to be included with the actual funds movement instructions. While the inclusion of ERI resulting from ISO 20022

implementation is identified as a benefit in the request for comment, the supporting messages are not addressed in connection with the implementation and adoption of ISO 20022. Fiserv believes that more focus is needed on the inclusion of enriched data and ERI, especially the use of additional or separate structured or unstructured message sets rather than simply the inclusion of multiple structured data, which may have character limitations, within the payment message itself.

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

Yes, Fiserv believes that adopting ISO 20022 as the messaging standard for the Fedwire Funds Service will produce other benefits, in addition to those identified expressly by the Federal Reserve in the request for comment.

In addition to the benefits highlighted in the request for comment, adoption of a common message standard could: (1) increase competition within the payment ecosystem, by reducing the cost of entry to payment processors and new market infrastructures; and (2) foster innovation.

First, by adopting a common messaging standard, payment users can efficiently route payment requests across various payment rails or infrastructures, thereby reducing cost and risk (e.g., least cost routing). For example, businesses that have a requirement to provide payments across borders, either at a regional level (such as between Mexico and Canada) or globally, will benefit from the ability to submit instructions to their bank and receive notifications in the same standard format as for domestic payments, thus reducing the cost and complexity of their account receivable / accounts payable processing.

Second, as a common language, ISO 20022 will help foster innovation and openness of the payment ecosystem, thereby allowing financial institutions and Fintech providers to focus their efforts on the functionality required and desired by their users (e.g., building a better mousetrap), rather than on having to deploy and support multiple payment formats. Fiserv believes that interoperability of the payment messaging is the key to ensuring a more efficient, automated, and less risky system of processing payments, which will unlock the creative potential for providers to build better, more resilient, and higher scaled systems in response to market desires and demands. After all, if travel on the roadways is automated and safe, you can spend more time designing and building the optimal travel experience and ensuring that the right goods are on board for the journey.

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

Although Fiserv does not foresee any drawbacks in the adoption of ISO 20022 based messages for the Fedwire Funds Service, Fiserv shares the following concerns with the proposed technical implementation.

- The technical implementation description presently lacks a common implementation guideline for the 'user to bank' message set and for the provision of an API structure to support the proposed XML version. Fiserv believes these guidelines are critical for all users to realize the benefits using a common language.*
- Sufficient analysis of the existing adoption of ISO 20022 within the payment infrastructure in the United States is lacking to ensure that broad interoperability is realized. For example, it has been assumed that TCH CHIPS will adopt a similar implementation guideline, but it is unclear whether analysis and comparison has been performed against the TCH RTP solution. Fiserv notes that interoperability between traditional RTGS and instant payment systems is a core tenant of the deployment of new systems across the world, including in the United Kingdom and Europe.*
- In terms of the scope of the proposed message sets, Fiserv, as noted above, believes that the supported message set should be extended to include payment-related messages, such as ERI (remt) and payment user information, query, and notification messages. Although not currently supported by the Fedwire Funds Service, Fiserv believes that there is an opportunity to improve the service rather than just trying to match elements to the current service.*
- In terms of the selection of a single vendor for the management, storage, and distribution of the documentation for the message formats, Fiserv notes that its clients typically use a wide range of vendors for documenting and testing their interfaces to the various market infrastructures. Our clients' solutions tend to be tightly integrated into their development and implementation processes, specifically around automated testing processes. Therefore, enforcing the use of a single third party vendor to manage the documentation could have a negative impact on competition for these documentation-related services. Fiserv also notes that there may be perceived unfair advantage given that the vendor of MyStandards is also a provider of solutions in this space.*
- In terms of access to the document repository, solution vendors should be given direct access to the documentation repository rather than given access via a financial participant – providing such direct access will foster competition within the market.*

- *In terms of sanctions and fraud controls, Fiserv, as noted above, suggests the use of extended character encoding, such as UTF-8/16, to ensure that vital information required to automate sanction and fraud controls is not lost during the translation to a basic character set prior to transmission.*

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?

Fiserv believes that the timeframes proposed for adoption of ISO 20022 are reasonable, especially when compared to the implementation timeframes against which Fiserv is asked to deploy by its clients.

That noted, Fiserv questions the need to separate phases 1 and 2. As Fiserv understands it, phase 1 will focus on aligning the existing proprietary message set with the current SWIFT MT usage (along with the November 2020 compliance release), and phase 2 will focus on rolling out the new standard to banks in waves while the Fedwire Funds Service provides translation between the existing and ISO 20022 formats. Fiserv believes that there is an opportunity to combine phases 1 and 2, thereby allowing those participants who have an urgent user need or desire to adopt ISO 20022 at a faster rate than those with a less pressing need or desire. In addition, combining these two phases could reduce the cost and complexity associated with the management and procurement of multiple test environments and test activities. Combining phases 1 and 2 potentially could allow the complete migration to be achieved many months ahead of the current schedule, with little or no impact to those banks who do not wish to take advantage of the new format ahead of the mandated date, while allowing more time to be dedicated to the higher risk aspects of the actual migration to ISO20022.

Given the number of such migrations that Fiserv has supported with its clients, Fiserv understands the risks involved in both a 'big bang' and gradual migration. However, supporting multiple formats after a successful migration has been completed can be difficult, and Fiserv questions the need for the 'stability period' at the end of the migration of all participants to 'like for like' messages. Given that the migration is proposed to run 12 months, Fiserv is unclear as to the benefit of requiring a bank to support the two message formats for a period of an additional three months after transition.

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?

No. Currently banks support two message formats, the Fedwire Funds Service proprietary message format for domestically routed messages and the SWIFT MT message format for cross border messages. Because the content of these messages may be different, and because it is possible that the implementation guidelines will be different when the banks adopt ISO 20022, Fiserv believes that these are two separate migration / adoption processes and should be handled separately, even though operational advantage can be gained by implementing ISO 20022 adoption of these two systems at the same time.

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

Fiserv, having supported many migrations with its clients, understands the risks involved with both a 'big bang' and phased migration. From a cost perspective, implementation during a single phase would be preferential, and, even though there would be extended testing required, such extended testing would be shorter than needed for three phases (or two phases, if phases 1 and 2 were combined, as suggested above).

Additionally, because there is no mandate to submit the extended ISO 20022 message set, only to receive it, the risks of combining phases 2 and 3 could be mitigated by a participant.

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?

Fiserv is not a direct user of the Fedwire Funds Service. Rather, Fiserv provides its clients either with: (1) a hosted/managed service (where Fiserv manages access to the Fedwire Funds Service on behalf of the client); or (2) an on-site, installed software solution that our clients use to interact directly with the Fedwire Funds Service.

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.

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The costs our clients incur to access and use the Fedwire Funds Service is confidential information of our clients. Our clients would have to respond directly to the request for comments for the Federal Reserve to obtain this information.

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

Fiserv supports the migration to ISO 20022 as the basis for payment and payment related interaction across all participants and users of the Fedwire Funds Service. Fiserv believes that the long-term benefits to the providers, users, and regulatory bodies of the adoption of ISO 20022 based structures far outweigh any short-term implementation or other costs.

Thank you for the opportunity to comment

Sincerely,



Jan Kruger
President, Enterprise Payment Services