

September 4, 2018

Ms Ann E. Misback
Secretary, Board of Governors
Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20551

RE: Request for Comment on the Proposal to Adopt the ISO 20022 Message Format for the Fedwire® Funds Service

Dear Ms. Misback,

Thank you for the opportunity to provide comments on the proposal to adopt the ISO 20022 message format for the Fedwire Funds Service. The American Bankers Association¹ appreciates your efforts to improve the payments environment for providers and customers. We look forward to working with you to make payments better for all.

The ISO 20022 message format is the result of many years of development by a broad range of payment professionals around the world. This format allows for richer detail to accompany the payment and its use of extensible markup language (XML) further improves the payments process for the sender and receiver. It is already in use for services in several countries, including China, India, and Japan and several others jurisdictions have announced that they will adopt it in the near future. The ISO 20022 message format is not restricted to Fedwire and it can be used with any payment type. Standardizing message formats across payment types will prove beneficial to financial institutions.

The proposal would be implemented in three phases:

- Phase One consists of the Federal Reserve Board making changes to its current message format to become interoperable with SWIFT's MT format. The implementation date is November 23, 2020;
- Phase Two consists of the Federal Reserve Board transitioning financial institutions in groups to send and receive ISO 20022 messages that are comparable to current message format. The data fields will not be as enhanced as the full ISO 20022 can be. This transition period will allow for financial institutions that have migrated to ISO 20022 and those that have not to be able to map out the data in the payment

¹ The American Bankers Association is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits and extend more than \$10 trillion in loans.

instructions to complete transactions. This will be conducted over the period of March 2022 to August 2023; and

- Phase Three consists of the Federal Reserve Board fully implementing the new standards by enabling Fedwire Funds Services participants to send enhanced data using the ISO 20022 message format. Participants will not be required to initiate transactions with the enhanced data, but they must be able to receive these transactions. The implementation date is November 2023.

The proposal posed a series of questions related to the impact of this change on the payments system.

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, ISO 20022 would provide the benefits discussed in the proposal.

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

Yes, ISO 20022 would have additional benefits such increasing payments format compatibility with other countries. This proposal would make cross border transactions more efficient. This enhanced format will also improve the efficiency of sanctions screening by allowing searches on full names and addresses.

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

Implementing this change will require significant technical resources and that will be expensive whether the financial institution makes the changes internally or it relies upon a vendor to update their systems. Our members were not able to provide quantify the cost estimates for making these changes at this time. The long implementation plan will also require incurring costs early in the timeline while the benefits will be received at the end of the cycle.

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 timeframe 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?

The timeline is reasonable. Given the option of making an immediate transition or the phased approach, ABA supports this phased approach. We urge the Federal Reserve to maintain this timeline and not allow it to slip into 2024 or 2024. Once the migration plan is in place there will be adequate time to make this transition and further delays would decrease the benefit of modifying the message format.

- 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?*

ABA believes that coordination with SWIFT is very important. ABA also believes that meeting the proposed deadline is important. This decision should be made when more information is available about the SWIFT environment in 2023. If the “SWIFT Solution” is near completion, then the Federal Reserve Board should evaluate whether that is a high enough penetration rate for the benefits of transitioning are worthwhile. It is important not to let an external factor unnecessarily impede the progress of implementing ISO 20022.

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

Yes. The phased approach will allow financial institutions time to install and test the software changes.

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?*

N/A

- 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.*

ABA members would incur costs for implementing and testing the software changes. These costs could be incurred internally or through a vendor providing a service. There will also be additional staff training costs as well as costs associated with educating customers receiving and sending payments using the new message format.

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

ABA believes that the benefits of adopting ISO 20022 will exceed the costs. The improvements to the data associated with the payment will enhance the value of payments to customers, and as noted earlier, it will help make investigations and sanctions screening more efficient. As more and more payment types migrate to ISO 20022, financial institutions will also benefit from operating a standardized payment message service instead of managing multiple platforms.

ABA supports the Federal Reserve Board plan to migrate to the ISO 20022 message format for Fedwire Services in three phases. This proposal will help standardize message payment formats across payment channels. We look forward to working with you on the implementation.

ABA would like to thank the Federal Reserve Board for the opportunity of responding to the Request for Comment on the Proposal to Adopt the ISO 20022 Message Format for the Fedwire Funds Service. If you have any questions about these comments, please contact the undersigned at (202) 663-5147.

Sincerely,



Stephen K. Kenneally
Senior Vice President