

Fed ISO 20222 Questionnaire - HSBC Response

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

A. Yes, we believe that adopting the ISO20022 formats will

a) address industry concerns related to completeness of data

b) enable the Bank to provide/enhance the existing offerings that we can make to our corporates due to the rich data elements that ISO format supports

c) create interoperability between systems and thereby reducing the Bank's cost on maintaining different schemas to support varied message formats

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

A. With the FED, CHIPS and SWIFT all migrating to ISO, it provides an opportunity for corporations to use extended remittance information for their invoices between the different ERP systems of corporations across the world.

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

A. *HSBC is fully supportive of the FED's migration towards ISO20022 and we do not see any drawbacks.*

However we feel that there is a need for FED and TCH to align with the SWIFT migration strategy and their dates. SWIFT has proposed support of all ISO data elements in the co-existence phase starting Nov-2022. In the current migration FED proposes to migrate into the 'like for like' phase in Q1-2022. Banks who receive instructions to settle USD transfers will be challenged to map data elements that will not fit on a FED/CHIPS payment as the FED will support 'like for like' only. This will require Banks to invest in developing intermediate solutions and create operational burdens that will arise in linking the 'like for like' and the additional ISO elements.

FED and CHIPS should consider aligning their migration with the dates and the SWIFT strategy of support for full ISO data elements .

Q. 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?

A. The proposed timeline is reasonable. However, HSBC would request that these be aligned with the corresponding timelines of CHIPS (The Clearing House) and SWIFT to ensure the broader objectives of the migration are achieved across the payments industry.

Q. 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?

A. The FED and TCH should align with the SWIFT migration strategy. USD is one of the worlds largest currency for settlement and as such we have to align ourselves with the SWIFT migration strategy,.

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

A. Yes we need to align with the SWIFT migration strategy and align with their phases.

Q. 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?

A. HSBC accesses the Fedwire Funds Service via the FedLine Direct solution

Q. 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.

A. This is an important project for the Group that will have an impact on a number of systems and processes including the bank's delivery channels. The project is being globally managed to cater to requirements in other markets. Given the complexity and the global nature of the project , the costs are yet to be determined.

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

A. HSBC fully understands the strategic value of adopting the ISO 20022 across multiple payment systems including the Fedwire Funds Service and is committed to achieving the long term benefits for its clients and the broader payment industry. We believe, the long term benefits of this migration will outweigh the associated costs for the institution.