

BY ELECTRONIC SUBMISSION

December 22, 2021

Ann E. Misback
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re. New Message Format for the Fedwire Funds Service (Docket No. OP-1613)

Dear Ms. Misback

The Bank of New York Mellon Corporation (BNY Mellon) appreciates the opportunity to provide feedback to the Board of Governors of the Federal Reserve System regarding the Board's recent announcement on the adoption of the ISO20022 message format for the Fedwire Funds Service¹.

BNY Mellon believes that the global adoption of the ISO20022 standard in cross-border payment market infrastructures is a significant driver of improvements in client experience for end-users as the standard provides material opportunities to remove friction from the payment systems. As such, we welcome the Board's initiative as it provides a path toward further clarity on the migration path for payments in USD, the world's most utilized currency for cross-border payments.

In response to the Board's proposal and questions, BNY Mellon respectfully submits the following comments for consideration.

Single-day Implementation Strategy

BNY Mellon supports the Board's revised single-day implementation strategy over the originally proposed phased approach. The past two years of global preparation efforts have demonstrated that co-existence of legacy or like-for-like ISO20022 formats² with a fully enhanced version of the ISO20022 standard as scheduled to be deployed by SWIFT in November 2022 creates material challenges relative to data mapping and truncation, and as a result, requires additional interim capabilities thus adding even further complexity and risk.

Implementation date

BNY Mellon believes that an implementation date of November 2023 is presently reasonable. However, we respectfully urge the Board to consider the complexity of the migration, and the

¹ <https://www.federalregister.gov/documents/2021/10/06/2021-21801/new-message-format-for-the-fedwire-funds-service>

² Like-for-like ISO20022 being a variant of the standard, which permits mapping to current SWIFT MT format without loss of data.

lead time required to prepare and validate readiness efforts and therefore request that finalized plans be published in the first quarter of 2022.

We also appreciate the intent to align the implementation dates for CHIPS and Fedwire. An asynchronous deployment of the standard across the two major payment systems for high-value USD payments will in our view add additional complexity and risk to the industry, both from a project risk perspective as well as a daily operating perspective: USD payments are currently routinely re-directed from CHIPS to Fedwire and vice-versa by most major market participants and these two systems provide resiliency and redundancy to US payment operations. A scenario where one system operates in ISO20022 and the other still in legacy formats necessitates additional development, testing, deployment, and new controls and processes to ensure safe operation of new mapping functionality.

We acknowledge that a same-day migration of both systems also bears challenges but contend that through strong market-wide readiness testing and validation discipline across all payment system operators, the benefits will be greater than that of a staggered approach.

Testing Strategy and Requirements

BNY Mellon supports the multi-pronged testing strategy articulated by the Board that leverages the Readiness Portal on MyStandards, dedicated testing environments for ISO20022 testing as well as Saturday production testing schedules. Additionally, BNY Mellon recommends consideration of coordinated industry-wide testing among top clearing banks as well as CHIPS and Fedwire for early identification of inconsistent implementations.

Finally, we believe that the 9-month testing period in the second DIT environment suggested by the Board is reasonable to ensure adequate readiness validation.

Backout & Fix-in-Place Strategies

BNY Mellon supports both the proposed backout and fix-in-place strategies and recognize if the Board chooses a same-day implementation with CHIPS, that implementation and back-out plans across both systems must be aligned, coordinated, and communicated. We anticipate that precisely timed playbooks will be made available to participants, to align their deployment and back-out strategies.

BNY Mellon values the Board's consideration of our comments and remains at your disposal for any clarification which may be required.

Respectfully submitted,



Paul Adamo
Chief Executive Officer, Treasury Services
BNY Mellon