

January 3, 2022

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

Dear Ms. Misback,

The American Bankers Association¹ (“ABA”) appreciates the opportunity to comment on the Notice of Adoption of Message Format and Request for Comment (“Notice”) regarding the Fedwire[®] Funds Service (“Fedwire”) and ISO 20022. ABA supports the migration to the new message format that allows for greater detail to be associated with each payment. We believe that a well-executed implementation plan is essential for the switchover in November 2023 and recommendations to achieve this are included in this response.

The Notice plans for making the migration to ISO 20022 for Fedwire on a single day no earlier than November 2023 instead of the phased approach originally considered in 2018 and later postponed. A single day switch means that all participants in the system must have thoroughly tested their systems rigorously or the system will be disrupted.

It is important to note that in addition to Fedwire, The Clearing House also operates the private sector wire clearing system, CHIPS. Any transition to ISO 20022 must be carefully coordinated between the two systems.

Questions Posed By the Board of Governors of the Federal Reserve System (“Board”)

1. Do you support the single-day implementation strategy? If not, what strategy would you prefer?

Yes, we support the single day migration as the best strategy.

2. Should the Reserve Banks implement ISO 20022 for Fedwire in November 2023? If you prefer a different date please provide a rationale.

Yes, November 2023 is the preferred timeline for Fedwire to migrate to ISO 20022. It is important to launch on the same day as CHIPS, the private sector wire clearing service.

¹ The American Bankers Association is the voice of the nation’s \$23.3 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard \$19.12 trillion in deposits and extend nearly \$11 trillion in loans.

We request that two specific weekends in November 2023 be considered for the transition. We recommend avoiding launching on Veteran's Day weekend as larger than expected volume would be expected on Monday. We also recommend avoiding the weekend following Thanksgiving because larger volume is expected on Monday.

With those restrictions, we recommend that the ISO 20022 migration take place over the weekend of November 3-4, 2023. If this date needs to be pushed back for any reason, a back-up weekend migration can be scheduled two weeks later on November 17-18, 2023. This allows for two weeks to address any remaining issues and still meet the target launch date of November 2023.

3. Should the Reserve Banks and TCH implement ISO 20022 for Fedwire and CHIPS on the same day?

Absolutely, yes. This is essential to the efficient implementation for both clearing services. The Reserve Banks and TCH need to coordinate closely.

4. Do you have any resource restraints or challenges to meet the November 2023 deadline? Like working on SWIFT's ISO 20022 migration in November 2022 or FedNow going live in 2023?

No bank has unlimited resources. The SWIFT implementation and the ongoing FedNow development with a stated launch date of 2023 will compete for staffing and testing resources along with the Fedwire ISO 20022 implementation. These demands make it even more important that the Reserve Banks provide more information about the testing and implementation plan as soon as possible and in as granular detail as possible to allow banks and their partners map their own internal plans and determine how best to allocate their resources to meet the November 2023 date.

The Notice mentioned that the Board would be issuing a proposal in 2022 concerning extending the operating hours of Fedwire and the National Settlement Service (NSS). We recognize that we live in 24/7/365 world and that our payments infrastructure needs to reflect that reality. However, with regard to bank resources already being pushed to the limit we request that the Board consider the effect any additional system development projects, such as extending operating hours, will have on the projects already under way including FedNow, SWIFT, and Fedwire. None of these initiatives exists in a vacuum.

With the understanding that there will be competition for resources to complete these related payment projects we recommend that the ISO 20022 migration be granted the highest priority.

5. Do you have any concerns about the Reserve Bank testing strategy and requirements?

Yes, we have serious concerns about the lack of detail contained in the notice. We request that the Board and Reserve Banks provide a detailed implementation plan as soon

as possible to allow banks to develop their own internal teams and allocate resources as appropriate. The launch date is less than 24 months away and the testing plans are needed as soon as possible.

The Board and Reserve Banks should issue a technology roadmap that establishes a series of key dates and milestones related to the system requirements and testing procedures. It is important that the industry progress through these milestones should be transparent to all participants.

We recommend that the Board and Reserve Banks provide test accounts for financial institutions to use during this process.

We recommend that the Board and Reserve Banks provide the detailed and final ISO standard for their messages on the SWIFT MyStandards site as soon as possible.

We recommend that the Board and Reserve Banks establish a certification process for each essential stage of the implementation process and make that information public. This would allow banks to benchmark their progress compared to their peers and will provide a clear warning to the Board of any disruptions.

For example, consider a process where there are three certification stages. If on May 1, 2023, 95% of financial institutions have completed stage three and 5% have completed stage two we would feel confident about the November 2023 start date.

Consider an alternate scenario where 5% completed stage three, 50% stage two, and 45% have only passed stage one on May 1, 2023 then the launch date may be in jeopardy. The good news is that this certification process would have identified this problem much earlier, during stage one testing, allowing for modifications and improvements to be made.

6. How much time would you need to test your messages in the MyStandards readiness portal before testing in the new Second DIT environment?

We request six months of testing in this portal.

7. Would nine months of testing in the second DIT environment be enough? If not, how much time do you need?

We request twelve months of testing in this environment.

8. Do you have any concerns about the backout strategy?

We recognize the need for the backout strategy, but have concerns about the tight timeframe currently being considered. As posed, the decision to halt the migration would be made on Saturday, November 3 effective on Monday, November 5. This provides only two days of notice for banks to revert back to the legacy format. This will cause a

significant problem for banks that have prepared large numbers of wires in advance using ISO 20022.

We recommend that the Board establish an earlier date where it would announce a delay. Instead of the Saturday prior to the Monday launch, the Board should make this announcement on the prior Saturday, giving notice for a total of nine days before the projected launch.

Additional Issues to Consider

9. The Board should develop policies and procedures regarding the storage and retrieval of data under the old and new formats.
10. The Board should ensure that all bank partners and vendors that are essential to operating Fedwire be granted adequate access to all of the testing requirements and environments. These third parties should also be subject to the certification process at all stages and this information should be made public. If a core service provider with 1,000 bank customers is stalled in stage 1, the entire industry needs to know about it. The Board should help the third parties succeed or risk them becoming a bottleneck threatening the success of the launch.
11. The Board should finalize all of the requirements and milestone dates as soon as possible and in as much detail as possible AND communicate this information to financial institutions and the entire vendor community. This information should include publishing the detailed and final ISO standards to the SWIFT MyStandards site as soon as possible to enable financial institutions and their vendors to begin implementation. The Board should launch a comprehensive education and training campaign through webinars, online training, and in person workshops. ABA will be pleased to provide support to the Board to ensure this takes place.

Thank you for the opportunity to comment on this Fedwire Notice. This is a significant initiative for the Board to undertake and it is important for it to succeed on the proposed timeline. We believe our recommendations will aid in achieving that goal. If we can be of any assistance or provide clarification these recommendations please contact me at (202) 663-5147.

Sincerely,



Stephen K. Kenneally
Senior Vice President, Payments