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**National Association of Federally-Insured Credit Unions**

January 4, 2022

Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
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:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) I am writing in response to the notice and request for comment published by the Board of Governors of the Federal Reserve System (Board) regarding the proposed adoption of the ISO 20022 message format for the Fedwire Funds Service. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products. NAFCU generally agrees with the Board's assessment that migrating from Fedwire's proprietary message format to the ISO 20022 format will improve cross-border interoperability and yield greater operational efficiency. However, the benefits of the proposed single day implementation strategy are not as clear and will depend on the results of advance testing. Direct and indirect transitional costs incurred by Fedwire participants and vendors will likely to be passed on to credit unions, yet how these costs vary in response to a crowded or rushed testing environment is difficult to judge. Accordingly, NAFCU recommends the Board adopt a flexible implementation strategy that provides credit unions with ample time to test the ISO 20022 messaging format as early as possible.

### **General Comments**

The ISO 20022 message format provides a more data rich standard for payment messages and improves end-to-end functionality by incorporating new explanatory data fields, longer character lengths, and regulatory data elements. Adoption of the ISO 20022 format is expected to improve interoperability with other global payment systems that have migrated or plan to migrate to the new message format, as well as the FedNow Service which will launch in 2023. For example, SWIFT will implement the ISO 20022 message format in November 2022.

The Board acknowledges that certain financial institutions may face cross-border interoperability issues if SWIFT users migrate to ISO 20022 before the Reserve Banks implement the ISO 20022 format. Eventual alignment around ISO 20022 will obviate the need to map the SWIFT format to FedWire Funds's proprietary message format for a sustained period of time and reduce the risk of confusion associated with supporting separate message formats.

The proposal notes that the single-day migration would be targeted for, and would be no earlier than, November 2023. While NAFCU agrees that the migration should occur no earlier than this timeframe, the Board should be willing to delay its target deadline based on progress observed in the proposed testing environments and assessments of vendor readiness. NAFCU also recommends shifting the target migration date to avoid the possibility of a backout scenario occurring simultaneously with the holidays—a time that usually corresponds with elevated transaction volume and reduced credit union staff availability.

The Board should also recognize that smaller institutions, such as credit unions, often find it difficult to schedule time with vendors when other financial institutions are simultaneously seeking vendor assistance to complete required technical upgrades. Furthermore, given the absence of specific details about how the Readiness Portal will operate, it is unclear what amount of useful diagnostic information can be gathered ahead of the functionality testing phase. This uncertainty could frustrate credit unions' ability to plan for production testing and result in disruptive, last-minute troubleshooting along with higher costs.

NAFCU supports a flexible implementation strategy that grants credit unions ample time to send and receive test transaction using the ISO 20022 message format well in advance of the target migration date. While the proposed Depository Institution Testing Environment (DIT) is expected to be operable nine to twelve months prior to the implementation date, it is unclear whether this will provide sufficient time for smaller institutions (particularly those that are not direct Fedwire participants) to ensure that their connections with correspondent institutions are operable as those institutions perform their own upgrades. NAFCU recommends the Board make the DIT environment operational as soon as possible and provide at least twelve months of testing so that credit unions are not rushed as they prepare for the ISO 20022 migration. The Board should also plan to conduct industry outreach during this timeframe to ensure that credit unions are familiar with the ISO 20022 format and the different testing environments.

NAFCU also supports consideration of a backout strategy if the migration does not proceed as planned. As noted in the proposal, if the Reserve Banks encounter significant problems activating ISO 20022 before the implementation date, they will plan to have the ability to “back out” the ISO 20022 changes and return to the legacy format temporarily. To work, the plan requires Fedwire participants to attest to their ability to back out their ISO 20022 changes when they conduct their production testing. NAFCU believes that having this contingency in place provides valuable assurance that access to Fedwire Funds Services will not be compromised in the event of migration problems. However, it would be prudent for the Board to consider conducting a mock activation test to perform a final assessment of industry readiness and possibly simulate the steps needed to perform a backout.

## **Conclusion**

While there are advantages associated with migration to the ISO 20022 format, the proposed implementation strategy also presents operational risks. Credit unions may incur greater than anticipated costs if there is competition for vendor time during a limited period of early testing. Accordingly, the Board should consider a flexible approach that allows for delays to the migration

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deadline based on progress observed in industry testing environments. At the very least, the Board should target a future migration date that avoids potentially disruptive overlap with the holidays.

NAFCU appreciates the opportunity to provide comments on this notice. If we can answer any questions or provide you with additional information, please do not hesitate to contact me at 703-842-2266 or [amorris@nafcu.org](mailto:amorris@nafcu.org).

Sincerely,

A handwritten signature in black ink that reads "Andrew Morris". The signature is written in a cursive style with a long, sweeping underline.

Andrew Morris  
Senior Counsel for Research and Policy