

January 4, 2022

Via Electronic Submission

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

RE: New Message Format for the Fedwire® Funds Service  
Docket Number OP-1613

Dear Ms. Misback,

Commerce Bank appreciates the opportunity to again comment on the Federal Reserve's plan to adopt the ISO 20022 message standards for the Fedwire Funds Service. Our responses to the current questions presented in Docket OP-1613 follow a brief description of our financial institution.

With \$34.5 billion in assets as of September 30, 2021, Commerce Bancshares, Inc. (NASDAQ: CBSH) is a registered bank holding company offering a full line of banking services, including payment solutions, investment management and securities brokerage. Commerce Bank, a subsidiary of Commerce Bancshares, Inc., leverages more than 150 years of experience to help individuals and businesses solve financial challenges. In addition to offering payment solutions across the U.S., Commerce Bank currently operates full-service banking facilities across the Midwest including the St. Louis and Kansas City metropolitan areas, Springfield, Central Missouri, Central Illinois, Wichita, Tulsa, Oklahoma City, and Denver. It also maintains commercial offices in Dallas, Houston, Cincinnati, Nashville, Des Moines, Indianapolis, and Grand Rapids. Commerce delivers high-touch service and sophisticated financial solutions at regional branches, commercial offices, ATMs, online, mobile and through a 24/7 customer service line.

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

Commerce Bank supports the Federal Reserve's proposal to implement the ISO 20022 messaging standards for the Fedwire Funds Service on a single day. While the previously proposed three phase approach would have provided much more flexibility to participating institutions, we agree that it could have introduced a variety of interoperability risks due to institutions concurrently using different message formats while depending on The Federal Reserve to act as a translator. A single day implementation should effectively mitigate those interoperability concerns between the Fedwire Funds Service participants.

*2. Should the Reserve Banks implement ISO 20022 for the Fedwire Funds Service in November 2023? If not, what would be your preferred implementation date? Please provide the rationale behind your preference.*

Commerce Bank is on a multi-year strategic path to implement new real-time payment capabilities which includes projects such as developing and converting to a new real-time core deposit system, developing and deploying an enterprise payments hub, and being active participants in the Federal Reserve's FedNow pilot program. The previously proposed three-phase implementation schedule would have provided greater flexibility

which would have helped mitigate conflicts between these high-priority projects. While the current proposal for a single-day implementation does resolve potential interoperability risks, the cost is a significantly more rigid implementation schedule with no room for error for participating financial institutions.

While Commerce Bank is confident in our ability to meet the proposed Fedwire ISO 20022 implementation date of November 2023, we would prefer that the implementation date be delayed until May 2024 to minimize the risks to our established timelines for other real-time payment initiatives and to ensure we have the opportunity to complete all development necessary for our customers to fully realize the benefits of the ISO 20022 messaging format immediately upon implementation. Adhering to the November 2023 implementation date may require delays to our implementation of other real-time payment solutions and may also necessitate that we only meet the minimum requirements to comply which would provide limited benefit to our customers.

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

Ideally the Federal Reserve's implementation date for ISO 20022 would coincide with the implementation date set by The Clearing House to ensure seamless interoperability between the two networks.

4. *Do you have any resource constraints or other challenges that would impact your ability to prepare for the implementation of ISO 20022 for the Fedwire Funds Service? (For example, some Fedwire Funds Service participants and software vendors may also be preparing for the ISO 20022 implementations for SWIFT and other payment system operators, which begin in November 2022, and the Reserve Banks' launch of the FedNow Service in 2023.)*

The Covid-19 pandemic forced Commerce Bank to quickly pivot priorities to effectively support our customers and communities through an unprecedented pandemic. These pivots included rapidly adapting to a distributed workforce environment as well as diverting large amounts of resources to support the Small Business Administration's Paycheck Protection Program. While Commerce Bank is very proud of how successfully our institution handled the challenges presented by the pandemic, these adaptations had a demonstrable impact on our previously planned resource allocations and project schedules, one of which being the implementation of ISO 20022 for the Fedwire Funds Service.

Another competing priority that may present challenges for Commerce Bank is our active participation in the Federal Reserve's FedNow pilot program and our ongoing efforts to develop and deploy a real-time payments solution to be operational when the FedNow network goes live in 2023. Our internal and external development resources dedicated to the FedNow project are often the same resources required to implement and test the conversion from FAIM to ISO 20022. These two important endeavors currently have similar implementation dates, and we do not want one project to suffer for the other to succeed. Staggered dates for the launch of FedNow and the Fedwire Fund Service's conversion to ISO 20022 would help ensure both efforts are successful.

While we are confident in our ability to meet the currently established deadline of November 2023, we believe that additional time for development and testing would prove beneficial for Commerce Bank and our clients who depend on us to utilize the Fedwire Funds Service.

5. *Do you have any concerns about the Reserve Banks' proposed testing strategy and requirements?*

Commerce Bank believes the proposed testing strategy requiring successful test exercises in the MyStandards Readiness Portal, the ISO 20022 DIT environment, and Production on designated Saturdays is sufficient, and we

have no concerns with this approach. Commerce Bank is however concerned that the final message format documents have not yet been published and made available to participants. It is difficult to accurately gauge how much development will be required until the Fedwire Funds' ISO 20022 messaging standards are made available, and we are not comfortable committing to an initial MyStandards Readiness Portal testing date until we are able to perform this assessment and begin development.

6. *How much time would you need to test your ISO 20022 messages in the MyStandards Readiness Portal before testing in the new second DIT environment?*

The MyStandards Readiness Portal will be our first opportunity to test that we are able to comply with the new ISO 20022 standards and will likely be when most formatting issues are identified. The iterative nature of testing and development could cause this to be a lengthy endeavor. Commerce Bank would prefer to have a minimum of nine months of available testing in the MyStandards Readiness Portal to ensure success when we move to test in the DIT environment.

7. *Would nine months of testing ISO 20022 messages in the new second DIT environment be sufficient? If not, what is the minimum amount of testing you would require in the second DIT environment before the ISO 20022 implementation date?*

Nine months of testing in the DIT environment seems sufficient to ensure a successful production implementation, but it is again difficult to commit to this until the messaging standards are published and we can fully assess the development requirements.

8. *Do you have any concerns about (i) proposed backout strategy for the ISO 20022 changes on the Saturday before the implementation date or (ii) the proposed fix-in-place strategy after on or after the implementation date?*

Commerce Bank is comfortable with the Federal Reserve's proposed strategy to backout the ISO 20022 changes on the Saturday before the implementation date and return to the legacy format if significant problems activating ISO 20022 were encountered.

Commerce is also in support of the proposed fix-in-place strategy to address issues encountered after implementation has taken place as long as The Federal Reserve commits to transparently communicating details of the identified issues that require fixes. This is necessary so we can ensure minimal impact to our customers who depend on the Fedwire Funds Service until the fix is successfully deployed.

Thank you for the opportunity to provide our thoughts and feedback on the proposed plan to adopt ISO 20022 messaging standards for the Fedwire Funds Service.

Sincerely,  
Angela Pavlich  
Director of Electronic Payments  
Commerce Bank