Fedwire® Funds Service
ISO 20022 Implementation Overview

Gina Russo, Federal Reserve Bank of New York

October 5, 2017

Logistics

Dial-In: 1-888-625-5230

Participant Code: 1568 4137#

Webinar Link:

https://www.webcaster4.com/Webcast/Page/577/21359

Agenda

- What is ISO 20022?

- Why are the Federal Reserve Banks adopting ISO 20022 messages for the Fedwire Funds Service?

- What is the scope of the ISO 20022 implementation for the Fedwire Funds Service?

- How will ISO 20022 messages be implemented for the Fedwire Funds Service?

- When will ISO 20022 messages be implemented for the Fedwire Funds Service?

- What do I need to do to prepare for the ISO 20022 implementation?

- Where can I find more information?

What is ISO?

- International Organization for Standardization – a network of national standards bodies that develop international standards

- ISO publishes standards for a broad range of industries.

- The U.S. is a member of and contributor to ISO standards for the financial industry through Accredited Standards Committee X9– Financial Industry Standards, Inc.

What is ISO 20022?

- The ISO 20022 standards support financial messaging (i.e., payments, securities, trade, card, FX).

- ISO 20022 messages can contain a large amount of information ("rich data") and are based on a common data dictionary that can support the end-to-end payment message flow as follows:
  - Payment initiation (corporate to bank)
  - Interbank settlement (bank to bank)
  - Cash management (bank to corporate)

What does the ISO 20022 format look like?

The following example uses the address fields to illustrate one difference between the current Fedwire Funds Service proprietary message format and the ISO 20022 format.

For each of the party fields in the message, the Fedwire Funds Service proprietary format contains three free-text lines for address information.	The ISO 20022 format uses XML syntax and contains discrete fields designed to contain specific address information, which makes it easier to identify components of the address (e.g., country code).
Address Line 1 (up to 35 characters) Address Line 2 (up to 35 characters) Address Line 3 (up to 35 characters)	Postal Address <PstlAdr> <AdrTp> (4 characters) <Dept> (up to 70 characters) <SubDept> (up to 70 characters) <StrtNm> (up to 70 characters) <BldgNb> (up to 16 characters) <PstCd> (up to 16 characters) <TwnNm> (up to 35 characters) <CtrySubDvsn> (up to 35 characters) <Ctry> (2 characters)

Why are the Federal Reserve Banks adopting ISO 20022 messages for the Fedwire Funds Service?

- The ISO 20022 project is a **strategic initiative** in support of strategy 4 of the *Strategies for Improving the U.S. Payment System* to align the Fedwire Funds Service message format with a global standard that can improve payment processing efficiency and promote interoperability among high-value payment systems around the world.

What is the scope of the ISO 20022 implementation for the Fedwire Funds Service?

- The Federal Reserve Banks will implement ISO 20022 messages for <u>all inputs and outputs</u> of the Fedwire Funds Service (i.e., all messages, inquiries, reports).

How will ISO 20022 messages be implemented for the Fedwire Funds Service?

Phase	Implementation Approach
Phase 1 Legacy format preparation for ISO	▪ "Big bang" implementation to align with SWIFT MT changes to originator and beneficiary fields and to prepare for and simplify the migration to the ISO 20022 messages in Phases 2 and 3.
Phase 2 ISO like for like	▪ Migrate Fedwire Funds Service participants in waves over **18 months** to send and receive ISO 20022 messages that have fields and character lengths that are comparable to the legacy format. ▪ The Fedwire Funds Service will translate the legacy format to ISO 20022 and vice versa when necessary to accommodate Fedwire senders and receivers that are not using the same format. ▪ Fedwire Funds Service participants cannot send any enhancements during this phase; however, they will be required to demonstrate their ability in the Federal Reserve Banks' test environment to <u>receive</u> ISO 20022 messages with the enhancements that will go live in Phase 3. ▪ The Federal Reserve Banks will sunset legacy format at end of this phase.
Phase 3 ISO enhancements	"Big bang" implementation to enable all Fedwire Funds Service participants to send optional enhancements.

When will ISO 20022 messages be implemented for the Fedwire Funds Service?

Phase	Depository Institution Testing (DIT) Date	Production Implementation Date
Phase 1 Legacy format preparation for ISO	TBD At least 9 months will be provided	November 23, 2020
Phase 2 ISO like for like	TBD At least 1 year will be provided	Phase 2 begin: TBD Phase 2 end: 18 months after start date
Phase 3 ISO enhancements	TBD At least 1 year will be provided	3 months after Phase 2 ends

What do I need to do to prepare for the ISO 20022 implementation?

- The extent of your preparations will largely depend on:
    - How much technology you have integrated with the processing of your outgoing and incoming Fedwire Funds Service messages

    - The degree to which you perform you own internal software development

    - The degree to which you rely on service providers and/or software vendors to provide an interface to the Fedwire Funds Service

- The Federal Reserve Banks plan to work directly with:
    - Service providers and software vendors that provide software to interface with the FedLine Direct® access solution
    - Known software vendors that provide software to support the import/export functionality for the FedPayments® Manager – Funds application over the FedLine Advantage® access solution

What do I need to do to prepare for the ISO 20022 implementation?

Method to access the Fedwire Funds Service	Actions Needed by Fedwire Funds Service Participants
FedLine Direct access solution Import/Export feature of the FedPayments Manager – Funds application	▪ Make or ensure service providers make **significant changes** to payment applications to send and receive Fedwire Funds Service messages in the new format or import and export files with messages in the new format. ▪ Obtain the format specification documents for the three implementation phases from SWIFT's MyStandards application (see next slide).
Manual entry into the FedPayments Manager – Funds application	▪ The Federal Reserve Banks will make the necessary changes to the FedPayments Manager – Funds application and provide training on enhanced features. ▪ Participants will need to become familiar with the look and feel of the updated application and with the enhanced features.
Offline Service	▪ The current process for submitting messages to the offline service will not materially change. ▪ There may be marginal changes around the type of information Wholesale Operations Site operators collect by telephone, as well as the order in which they collect the information, based on the new message format.

Where can I find more information?

- The Federal Reserve Banks will publish all documentation to support the ISO 20022 implementation on SWIFT's **MyStandards** browser-based application.
  - The Federal Reserve Banks will grant users access to the private "Federal Reserve Banks" group upon request submitted by End User Authorization Contacts (EUACs).

Release	Documentation	Date Available on MyStandards*
Phase 1 Legacy format preparation for ISO	▪ **Fedwire Application Interface Manual (FAIM) version 4.0** ▪ **High-level scope document highlighting changes**	November 2017 (Final)
Phase 2 ISO Like-for-Like & **Phase 3** ISO Enhancements	▪ **Mapping Spreadsheets** – Two Excel® spreadsheets that map the legacy FAIM 4.0 format to ISO 20022 messages. ▪ **Usage Guidelines** – There will be 24 ISO 20022 usage guidelines in total, but only 20 guidelines for each implementation phase. • ISO Like-for-Like – 20 guidelines (4 of these will be replaced with new guidelines in ISO Enhanced) • ISO Enhanced – 20 guidelines ▪ **Implementation "Rulebook"** • Overview of ISO 20022 implementation for the Fedwire Funds Service • Message flow diagrams • General rules & best practices	December 2017 (Draft) June 2018 (Final)

Where can I find more information?

- The Fed's Resource Center for Adoption of ISO 20022 on FedPayments Improvement website:
  - https://fedpaymentsimprovement.org/payments-efficiency/iso-20022/
  - The resource center also includes information on ACH efforts related to ISO 20022.

Future Educational Opportunities

- To register for future education sessions, see
  https://fedpaymentsimprovement.org/payments-efficiency/iso-20022/iso-implementation/

Description	Audience	Date
Intermediate Phase 1 Review of Phase 1 (FAIM 4.0) changes and timeline	Product managers Business contacts Technical leads (application development/business analysts/QA leads)	November 9, 2017 90-minute webinar (recorded) Q1 2018 Drop-in call to address questions
Intermediate Phase 2 & 3 *(Prerequisite for Advanced Session)* Review of Phase 2 scope, introduction of ISO 20022 usage guidelines, "rulebook," and message flow diagrams; initial thoughts on migration approach and testing plan; overview of Phase 3 enhancements	Same as above	Q1 2018 90-minute webinar (recorded)
Advanced High level overview of content covered in Intermediate session; detailed walk-through of Phase 2 & 3 ISO 20022 usage guidelines	Technical leads (application development/business analysts/QA leads)	Q2 2018 All-day in-person sessions at FRB New York, Chicago & San Francisco

Notices

The Federal Reserve Banks do not sponsor, endorse, or recommend (or provide any warranties, express or implied, regarding) any third party or any third-party products or services referenced in this presentation.

The Financial Services logo, the Fedwire logo, "Fedwire," "Wired to Deliver," "FedLine Direct," "FedLine Advantage," and "FedPayments" are registered or unregistered service marks of the Federal Reserve Banks.

Other trademarks are the property of their respective owners.

Questions

- Use the **Ask Question** button in the webinar to submit your questions today.