

# U.S. Stakeholder Group Update on ISO<sup>®</sup> 20022 Implementation

Sibos<sup>®</sup> Community Session  
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# Agenda

- ISO 20022 U.S. Business Case Assessment
- ISO 20022 for ACH in the U.S.
- ISO 20022 for U.S. Wire Systems

# ISO 20022 Business Case Assessment

- Several major world-wide markets announced plans to adopt ISO 20022 in response to:
  - ✓ Regulatory mandates
  - ✓ Development of new systems
  - ✓ Technology upgrades
- ISO 20022 Stakeholder Group formed to determine if the U.S. payments markets should adopt ISO 20022 to remain competitive.
- ISO 20022 Stakeholder Group engaged an independent consultant to objectively evaluate the business case for (or against) adopting ISO 20022 payment messages in the U.S.
  - ✓ Assessment considered both domestic & cross-border Fedwire<sup>®</sup> Funds Service, CHIPS<sup>®</sup>, FedACH<sup>®</sup>, and EPN<sup>®</sup> payments.

## ISO 20022 Stakeholder Group

Federal Reserve Bank of New York  
The Clearing House Payments Company L.L.C.  
NACHA—The Electronic Payments Association  
Accredited Standards Committee X9—Financial Industry Standards, Inc.

# ISO 20022 Business Case Assessment

- The consultant released its report in April 2014 to the Stakeholder Group and concluded that while there may not be a compelling *financial* business case at this time for U.S. PCS participants to adopt ISO 20022, there may be *strategic* reasons to do so.
- The consultant recommended that ISO 20022 strategies be considered in the following phases:

Phase	Recommendation
1 – Planning & Education	Promote ISO 20022 educational efforts and develop a national strategy for ISO 20022 adoption
2 – Cross-Border Payments	Enable ISO 20022 for cross-border wire payments, followed by cross-border ACH payments
3 – Domestic Payments	Assess value proposition and timing for adoption of ISO 20022 for domestic wire and ACH payments
Additional Consideration	Consider ISO 20022 as the standard messaging format for new products and services

# ISO Stakeholder Group Workstreams

Workstream	ISO Stakeholder Group Workstream Members
<b>High-Value Wire</b>	<ul style="list-style-type: none"><li>▪ Federal Reserve Banks, Wholesale Product Office (Fedwire Funds Service)</li><li>▪ The Clearing House (CHIPS)</li><li>▪ X9</li></ul>
<b>Low-Value ACH</b>	<ul style="list-style-type: none"><li>▪ Federal Reserve Banks, Retail Payments Office (FedACH Service)</li><li>▪ The Clearing House (EPN)</li><li>▪ NACHA</li><li>▪ X9</li></ul>

# ISO 20022 as a Strategy for Improving the U.S. Payment System

## Federal Reserve Banks

- On January 26, 2015, the Federal Reserve released the *Strategies for Improving the U.S. Payment System* paper <https://fedpaymentsimprovement.org/>.
- Strategy 4 of the paper (*Achieve greater end-to-end efficiency for domestic and cross-border payments*) noted that:
  - *The Federal Reserve will encourage the Stakeholder Group to express intent to support ISO 20022, with the timing, means, and scope of adoption to be determined once more-detailed work is complete.*

## The Clearing House

- Will continue to work with the ISO 20022 Stakeholder Group.
- On October 22, 2014, The Clearing House announced efforts to undertake a multi-year effort to design and develop a secure, Real-Time Payment System and has since confirmed that it will incorporate the ISO 20022 message format for this system.

# ISO 20022 and Real-Time Payments

- TCH and EBA Clearing formed Global Real Time Instant Payments Group for Clearing and Settlement Providers in early 2015 to foster practitioners' dialogue, exchange experience and envisaged solutions, and understand national/domestic scheme discussions.
- Payments UK facilitated a Global Real Time Payments Group (RTPG) roundtable meeting in April 2015 of over 50 participants; recent outcome is the agreement and publishing of a first draft of ISO 20022 messaging standards for real-time payments systems.

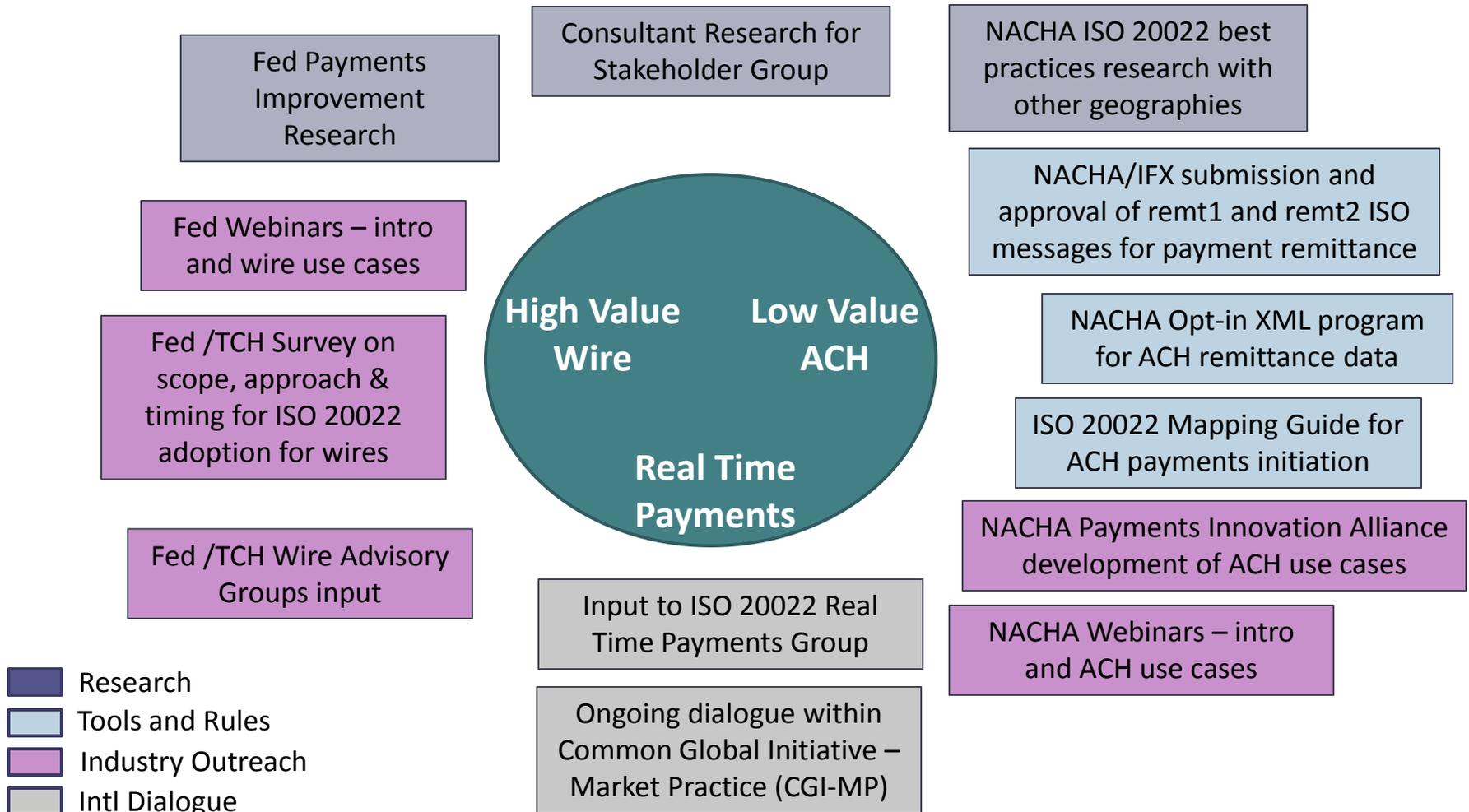
**The above efforts illustrate the need to continue coordinate global developments; also supports the strategy for new products to be developed in ISO 20022.**

The ISO 20022 Stakeholder Group organizations have a set of common goals as we explore the future utilization of ISO 20022 in the U.S.

- To ensure our work is consistent, as much as possible, across payment types (ACH, wire, real time payments) in the U.S.
- To ensure our work is consistent, as much as possible, across geographies
- To continue to gather input and feedback from various participants in our vast payments ecosystem in the United States
- To use a fact-based approach to recommendations that are brought forward
- To define incremental steps that can be agreed to over time that provide benefit to and/or consistency for our payments ecosystem

If the above common goals are met, investments in our payment systems will yield a better return and processes can be better aligned in support of all payment system participants

Over the past 2 years, the study of benefits of ISO 2022 for the U.S. has included research on both high and low value systems, payment initiation as well as payment remittance data, and comparisons to other geographies



# U.S. ACH System: Background and Engagement

*The U.S. ACH currently enables corporates to originate ISO 20022 B2B and cross-border payments via integration and translation.*

## Background and Stakeholder Engagement

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| <ul style="list-style-type: none"><li>✓ 1987: ACH supports X12 / EDI remittance information, 9999 addenda records for ACH payments</li><li>✓ 2013: Launched XML-ACH Remittance Opt-in Program</li><li>✓ 2014: Work with international partners to propose "remt001" and "remt002" for use with ACH. Available for opt-in program.</li><li>✓ 2015: Published ISO 20022 Mapping Guide and Tool for B2B payments. ACH to pain.001 credit transfers.</li></ul> | <ul style="list-style-type: none"><li>✓ Dialogue around both:<ul style="list-style-type: none"><li>- Integration and translation with existing ACH (initiation and remittance)</li></ul><i>AND</i><ul style="list-style-type: none"><li>- Conversion of ACH to ISO 20022</li></ul></li><li>✓ 10/14 – 6/15: NACHA Payments Innovation Alliance work group explores use cases for ACH<ul style="list-style-type: none"><li>- 8 use cases outlined</li></ul></li><li>✓ Held two webinars to explore ISO mapping and use cases with the industry – and continued dialogue with the Alliance Work Group</li><li>✓ SWIFT executive roundtable meeting on Sept 16</li></ul> |
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Note: ISO Mapping Guide can be found at: <https://www.nacha.org/iso-20022-mapping> More information on the XML Opt-in program can be found at: <https://www.nacha.org/programs/xml-ach-remittance-xml-ach>

## Eight use cases outline areas where there may be benefit for all ACH Network participants to convert to ISO 20022

- A modern programming language
- XML is more human readable
- ISO 20022 structured data facilitates STP
- Single payment instruction for all payment types
- Flexibility in data formats and field definition
- Overcome field length restrictions and data truncation
- Potential regulatory compliance improvement
- Facilitate international cross-border payments

# Next Steps for ACH ISO 20022 Enablement:

- Potential “triggers” or events that will influence decisions around when, if or how to convert the current ACH format to an ISO 20022 format
  - ISO 20022 ACH Integration does not meet user needs
  - Significant ACH Network infrastructure modernization efforts
  - A financial business case is identified
  - Adjacent systems that facilitate “STP” are updated to ease acceptance and utilization of ISO formats
  - Regulatory/mandatory requirements
- 2016 Enablement:
  - XML-ACH Remittance Rule
    - Improving access to ISO20022 remittance for better adoption
  - Enhance ISO 20022 Mapping Guide and Tool
    - Enable Corporates to originate additional payment types and messages
  - Continue industry dialogue on conversion and document user case studies
  - Identify additional areas where work today can be leveraged to help move to tomorrow

# ISO 20022 Stakeholder Engagement

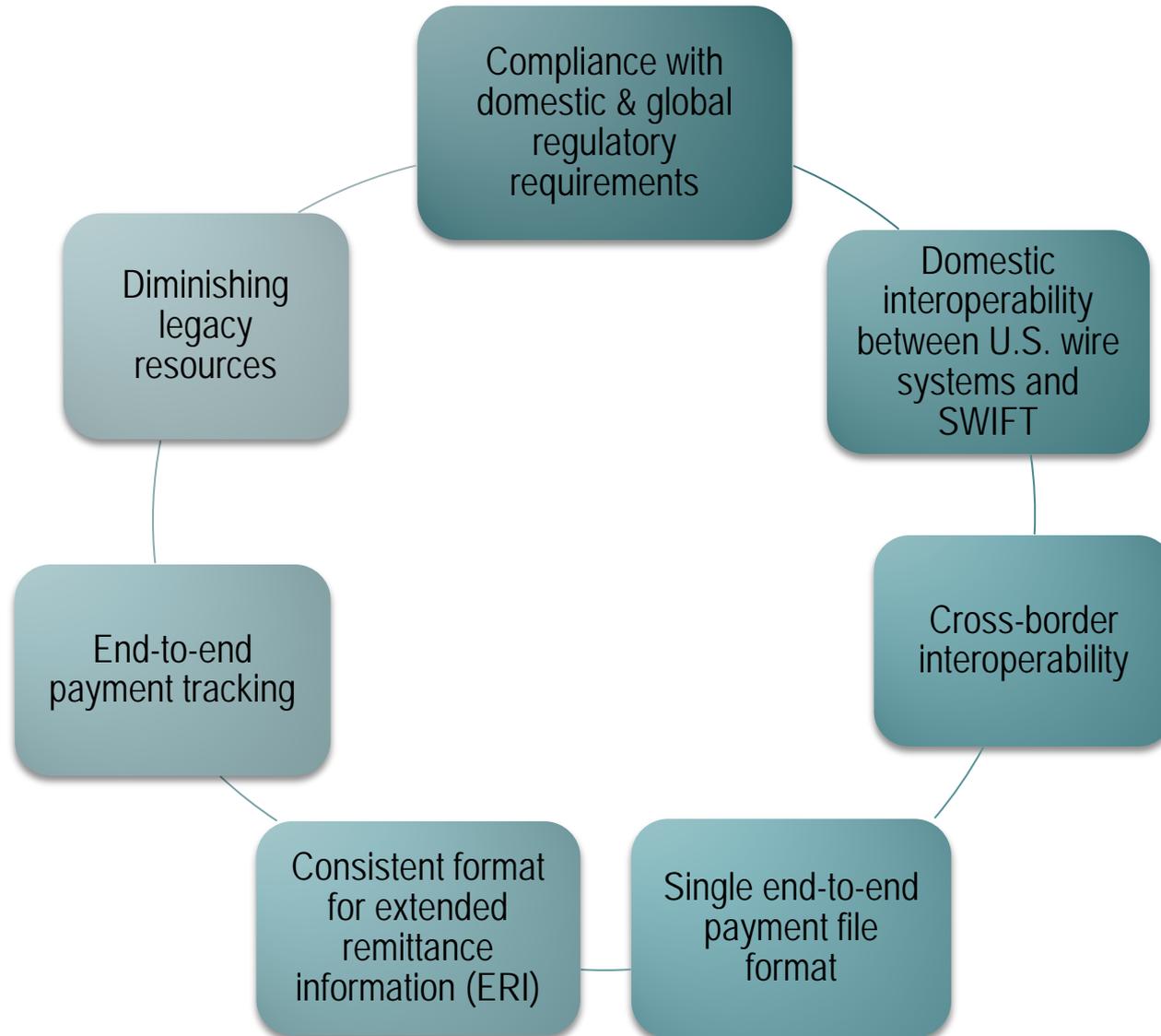
## U.S. Wire Transfer Systems

### Stakeholder Engagement

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| <ul style="list-style-type: none"><li>✓ Held joint Fed &amp; TCH meeting with advisory group banks (Sept 2014)</li><li>✓ Finalized use cases to articulate the key benefits of ISO 20022 for wire transfer systems in May</li><li>✓ Held two ISO 20022 education webinars on May 19 and June 3</li><li>✓ Held vendor meeting on May 27 to discuss implementation approaches</li><li>✓ Held AFP webinar on July 1</li></ul> | <ul style="list-style-type: none"><li>✓ Launched survey to gather input on ISO 20022 implementation scope, approach, &amp; timing for U.S. wire transfer systems in July (survey closed September 4)</li><li>✓ Held two webinars (July 15 &amp; July 23) to explain survey</li><li>✓ Call with Fed &amp; TCH advisory group banks on August 25</li><li>✓ Executive roundtable meeting at SWIFT® offices in New York on Sept 16</li></ul> |
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Note: The ISO 20022 business case assessment summary, webinar recordings & online survey have been posted to a dedicated page on the [fedpaymentsimprovement.org](https://fedpaymentsimprovement.org) website.

# ISO 20022 Use Case for Wire Transfer Systems



# Survey Results

- Survey invitations sent to 2,350 Fedwire Funds Service customers that would be most impacted by a format change to ISO 20022.
- Survey also sent to Fedwire & CHIPS advisory group banks; vendors; industry groups in the U.S.; and, individuals who signed up to be part of the FedPayments<sup>®</sup> Improvement Community.
- 85 responses received from a range of responders
  - Global banks, regional banks, bankers banks, community banks, credit unions, foreign banks, vendors, end-user payment providers, card network providers, corporates, consultants, university, individual person
- The responses received were generally consistent.

# Survey Results – Key Themes

- Scope should include:
  - Domestic & cross-border payments
  - All message types, inquiries, reports, etc..
  - Enhancements (not just be “like for like”)
- Implementation approach should be:
  - A phased approach
  - Do not necessarily need to convert Fedwire & CHIPS customers at the same time
- Mixed response on how much lead time is required (once Fed/TCH announce final format specifications) to prepare for ISO implementation.
- Other initiatives will compete with ISO 20022 for resources
  - Internal system upgrades, security initiatives, faster payments, regulatory initiatives, and others

# ISO 20022 for U.S. Wire Transfer Systems

## Proposed High-Level Implementation Strategy

### Scope

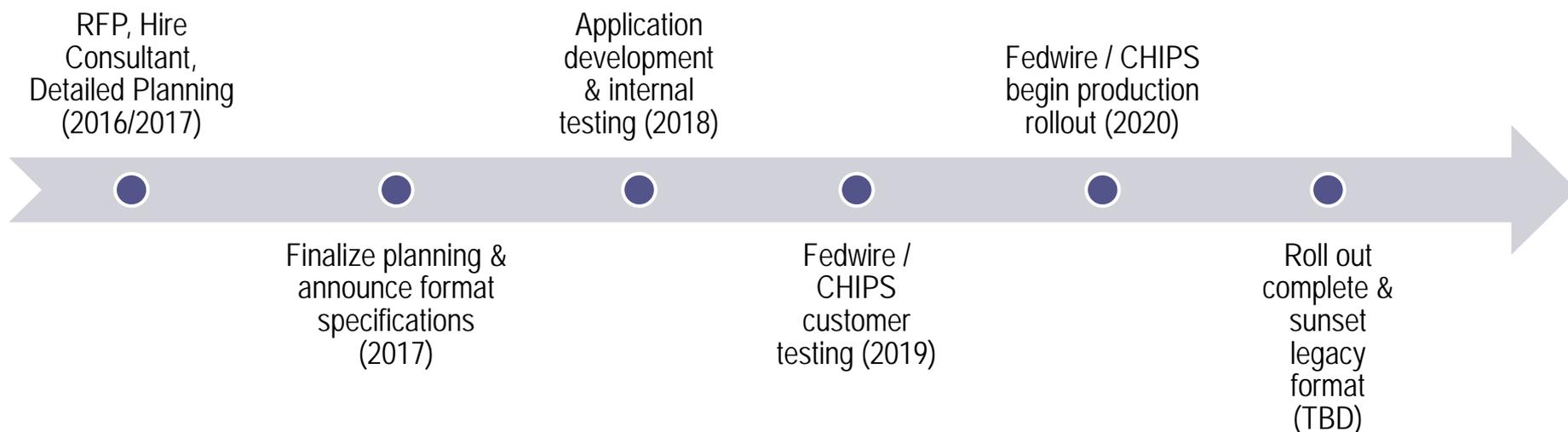
- Include both domestic & cross-border wire payments
- Include all components of the U.S. wire systems (all message types, inquiries, reports, etc.)
- Include enhancements based on industry feedback

### Approach

- Two-phased approach that includes mandated sunset date for legacy formats:
1. Require all banks to **receive** ISO 20022
    - Fedwire Funds Service & CHIPS will translate legacy formats to ISO 20022 during conversion period
  2. Require all banks to **send** ISO 20022
    - Legacy format will sunset at end of this phase

# ISO 20022 for U.S. Wire Transfer Systems

## Preliminary High-Level Timeline



### Detailed Planning Activities

- Define detailed project plan & timeline
- Ensure ISO 20022 can accommodate everything needed for Fedwire Funds Service & CHIPS
  - Could provide opportunity to streamline processes or eliminate messages with little or no usage
  - May identify change requests that need to be approved/implemented by ISO
- Define the specific ISO 20022 messages and fields that will be needed for Fedwire Funds Service & CHIPS
- Collaborate with the industry to identify, prioritize, & design enhancements that will be included in implementation
- Define format specifications/message implementation guide & validate with industry

# Sept 16<sup>th</sup> Executive Payments Roundtable

## Key Themes

- The question is not whether to do it; rather, it's how to do it the right way.
- General agreement with ISO 20022 implementation strategy & timeline for U.S. wire transfer systems
- Additional opportunities exist for wider socialization of existing and new use cases to articulate the benefits of ISO 20022 and to develop additional senior level support to make the strategic investment in ISO 20022 adoption.
- Strategy & timeline should not consider ISO 20022 in isolation.
  - Need to consider other industry initiatives, particularly real time payment
  - Need to leverage the work that has been done in other jurisdictions (SEPA, TARGET2, etc..)
- Support for the formation of an industry executive steering group to advise ISO stakeholder group

# ISO 20022 Implementation for U.S. Wire Transfer Systems

## Next Steps

- Enhance & socialize wire use cases
- Consider formal ISO 20022 executive steering group
- Publish RFP to hire consultant to help develop detailed project plan & timeline
- Conduct detailed work, including collaboration with industry to identify, prioritize & design enhancements
- Continue collaboration with global ISO 20022 efforts to help ensure interoperability
- Provide update on status of detailed project plan at Sibos 2016

# Notices

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