

# ISO<sup>®</sup> 2022 is Here *Are You Ready?*

In late 2018, a diverse group of 300 industry stakeholders came together at the FedPayments Improvement Community Forum to engage in inclusive dialogue focused on improving the U.S. payment system. Through general sessions and topic-specific workshops, Forum attendees provided their candid feedback about the latest payment modernization efforts.

In this workshop, attendees learned more about the Federal Reserve's timeline for the adoption of ISO 2022 and offered their input about how the Fed could help to drive industry adoption.

## ***Highlights From the Panel Discussion***

Adopting ISO 2022 is central to the Federal Reserve's strategy to increase efficiency in payments at home and across global borders.

Panelists from the Federal Reserve shared strategic updates on the Fed's adoption of the [ISO 2022](#) financial payments messaging standard for the Fedwire<sup>®</sup> Funds Service. In facilitated small-group discussions, attendees discussed the challenges and possibilities ISO 2022 creates for more efficient payments.

In her opening remarks, Gina Russo of the Federal Reserve Bank of New York discussed the considerable energy and enthusiasm the Federal Reserve and industry have invested in educating and promoting the adoption of ISO 2022, a standard format for financial messaging in payments, cash

management reporting, securities, cards, foreign exchange and trade services. This effort is central to the Federal Reserve's initiative to improve end-to-end efficiency in domestic and cross-border payments, as outlined in the Fed's 2015 paper, [Strategies for Improving the U.S. Payment System](#).

Important strategic reasons are driving the adoption of ISO 2022:

- It will help improve existing payment processes and contribute to modernizing the high-value U.S. payment system.
- It could promote domestic and cross-border interoperability by reducing the amount of mapping that's currently required in the payment system to support different message

## **Panelists**

Gina Russo, Assistant Vice President  
Federal Reserve Bank of New York

John Morris  
Retail Payments Product Specialist  
Federal Reserve Bank of Atlanta

Patti Ritter  
Senior Payments Consultant  
Federal Reserve Bank of Minneapolis

formats.

- ISO 2022 messages contain more structured data, which improves efficiency throughout the payment process.

With the adoption of ISO 2022, the U.S. payment system will be on par with the European Central Bank, the Bank of England and Payments Canada, which plan to adopt the ISO 2022 standard for their high-value payment

systems.

Additionally, SWIFT sponsored a high-value payments working group represented by market infrastructure and global bank stakeholders in a drive to harmonize global payments messaging by adopting the same version of ISO 20022.

The Federal Reserve will implement the ISO 20022 standard in three phases beginning with the Fedwire Funds Service.

**Phase 1—November 2020.** The Federal Reserve will change its legacy format to prepare for ISO 20022 adoption.

**Phase 2—March 2022.** The Federal Reserve will migrate Fedwire participants over 18 months to sending and receiving ISO messages that are comparable to the legacy message format. At the end of this phase, the Fed will sunset the legacy format.

**Phase 3—Late 2023.** The Federal Reserve will enable customers to send and receive the fully rich ISO 20022 messages that contain additional parties, more structured data, and new fields that currently are not supported.

John Morris of the Federal Reserve Bank of Atlanta leads the effort to educate the ACH

community about the benefits of ISO 20022. The U.S. ACH system's strategy is currently focused on integration of the ISO 20022 messaging standard through three tools: 1) the XML-ACH remittance program, 2) the ISO 20022-to-ACH Mapping Guide and Tool, available to financial institutions to support businesses that leverage ISO 20022, and 3) an ISO 20022 Validator Tool. These tools are available through the Fed's [Resource Center for Adoption of ISO 20022 Payment Messages](#).

Some larger corporations with global operations have already adopted the ISO 20022 standard. Standardization enables interoperability for companies that process multiple payment types, make cross-border payments and use several accounting systems. ISO 20022 also supports compliance and internal controls, particularly with international payments. Corporates usually adopt ISO 20022 in conjunction with an upgrade of legacy payment systems.

Patti Ritter of the Federal Reserve Bank of Minneapolis noted that the corporate-to-bank ISO 20022 messages differ from bank-to-bank messages.

She urged financial institution attendees to adopt the corporate ISO 20022 messages to help their customers achieve greater

efficiency and interoperability. She also urged attendees to educate their clients and to share best practices with them. She directed the audience to educational tools published by the [Business Payments Coalition](#).

## Tabletop Takeaways

**To help drive adoption, the Fed should continue its educational programs.** Small and medium financial institutions are dependent on their vendors, service providers and correspondents to adopt ISO 20022 in a timely manner.

Attendees recommended the Federal Reserve continue to educate the industry on the adoption timetables and define a solid business use case for the ISO 20022 standard that stakeholders can use to educate their organizations and partners. Other suggestions included forming user groups, training corporates and publishing alignment guidelines for ISO 20022 across all payment types.

**There is a concern about the lack of resources with ISO 20022 implementation expertise.** Some companies with an international presence may be prepared to adopt ISO 20022. Others may need experts to help plan an implementation and finding an expert could be a challenge.

