



Innovation, Standardization, and Interoperability

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Strategies for Improving the U.S. Payment System



**Strategy 1:
Stakeholder Engagement**



**Strategy 2:
Faster Payments**



**Strategy 3:
Payment Security**



**Strategy 4:
End-to-End Payment Efficiency** →

Develop...
an implementation strategy
for the application of the
ISO 20022 standard to
U.S. payment transactions



**Strategy 5:
Enhanced Federal Reserve Services**

ISO 2022 Business Case Assessment

ISO 2022 Stakeholder Group formed to determine if the U.S. payments markets should adopt ISO 2022 to remain competitive.

Engaged an independent consultant to objectively evaluate the business case for (or against) adopting ISO 2022 payment messages in the U.S. for high-value and low-value payment systems.

In April 2014, the consultant concluded that while there may not be a compelling **financial** business case at this time for U.S. PCS participants to adopt ISO 2022, there may be **strategic** reasons to do so.

ISO 2022 Stakeholder Group

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

Business Case Assessment: Recommendations

The consultant recommended that ISO 20022 strategies be considered in the following phases:

Phase 1 – Planning and Education

- Promote ISO 20022 educational efforts and develop a national strategy for ISO 20022 adoption

Phase 2 – Cross – Border Payments

- Enable ISO 20022 for cross-border wire payments, followed by cross-border ACH payments

Phase 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

Stakeholder Engagement – U.S Wire Transfer Systems

September 2014

- Held meeting with globally active U.S. banks to discuss ISO 20022 for high value payments

May 2015

- Finalized use cases to articulate the key benefits of ISO 20022 for wire transfer systems
- Held meeting with high value payment software vendors to discuss implementation approaches
- Held two ISO 20022 education webinars with payment system stakeholders

July 2015

- Hosted a series of sessions with payment stakeholders to gather input on ISO 20022 implementation scope, approach, and timing for U.S. wire transfer systems

August 2015

- Held a call with high value payments advisory groups to get their input on the evolving direction for ISO 20022

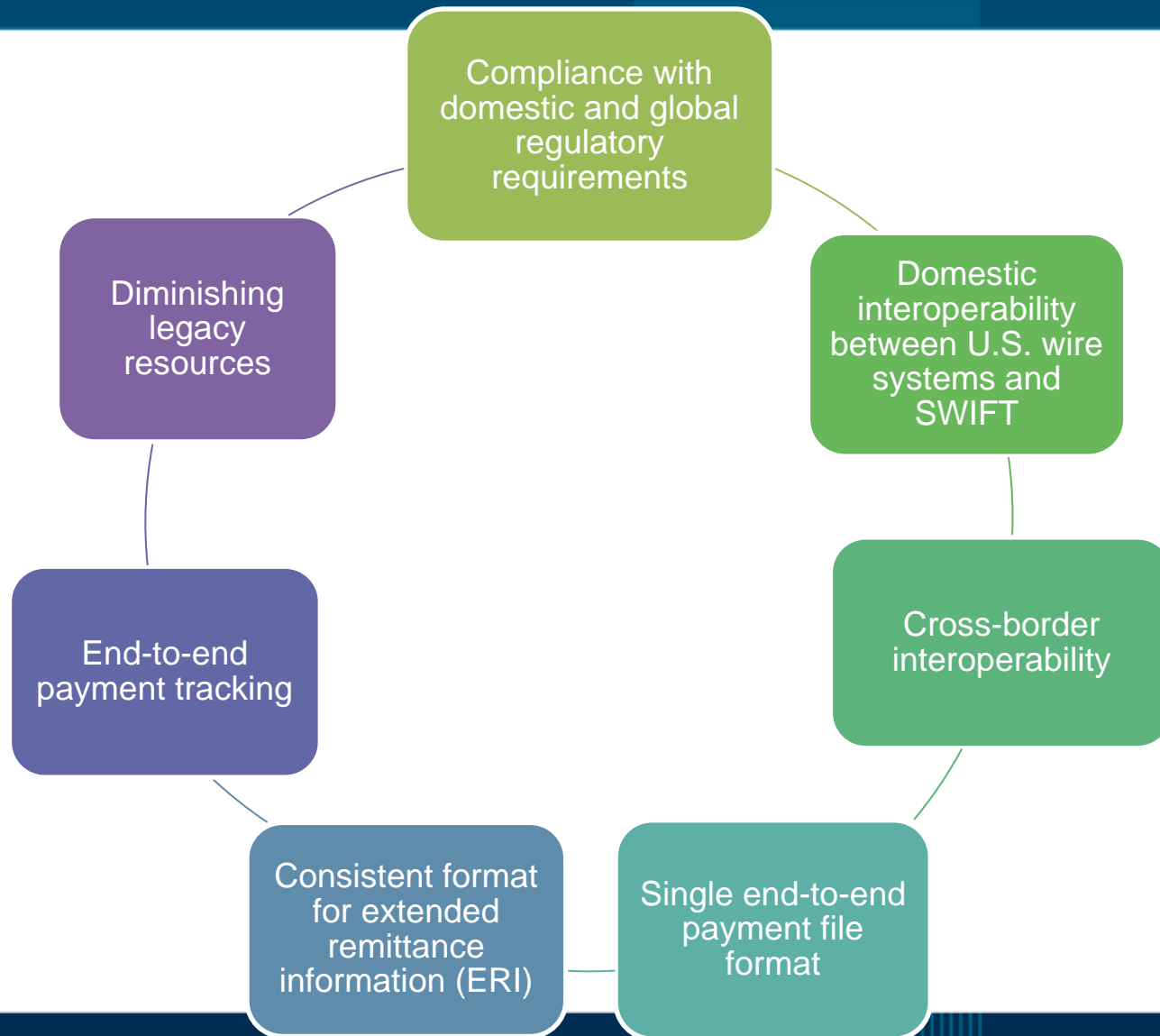
September 2015

- Held executive roundtable meeting to preview the announcement of the implementation plan

October 2015

- Announced high-level plan and timeline to implement ISO 20022 for U.S. wire transfer systems at Sibos® 2015

ISO 20022 Use Case for Wire Transfer Systems



Stakeholder Engagement – Survey Results

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.

Proposed High-Level Implementation Strategy

Scope

Include both domestic and 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:

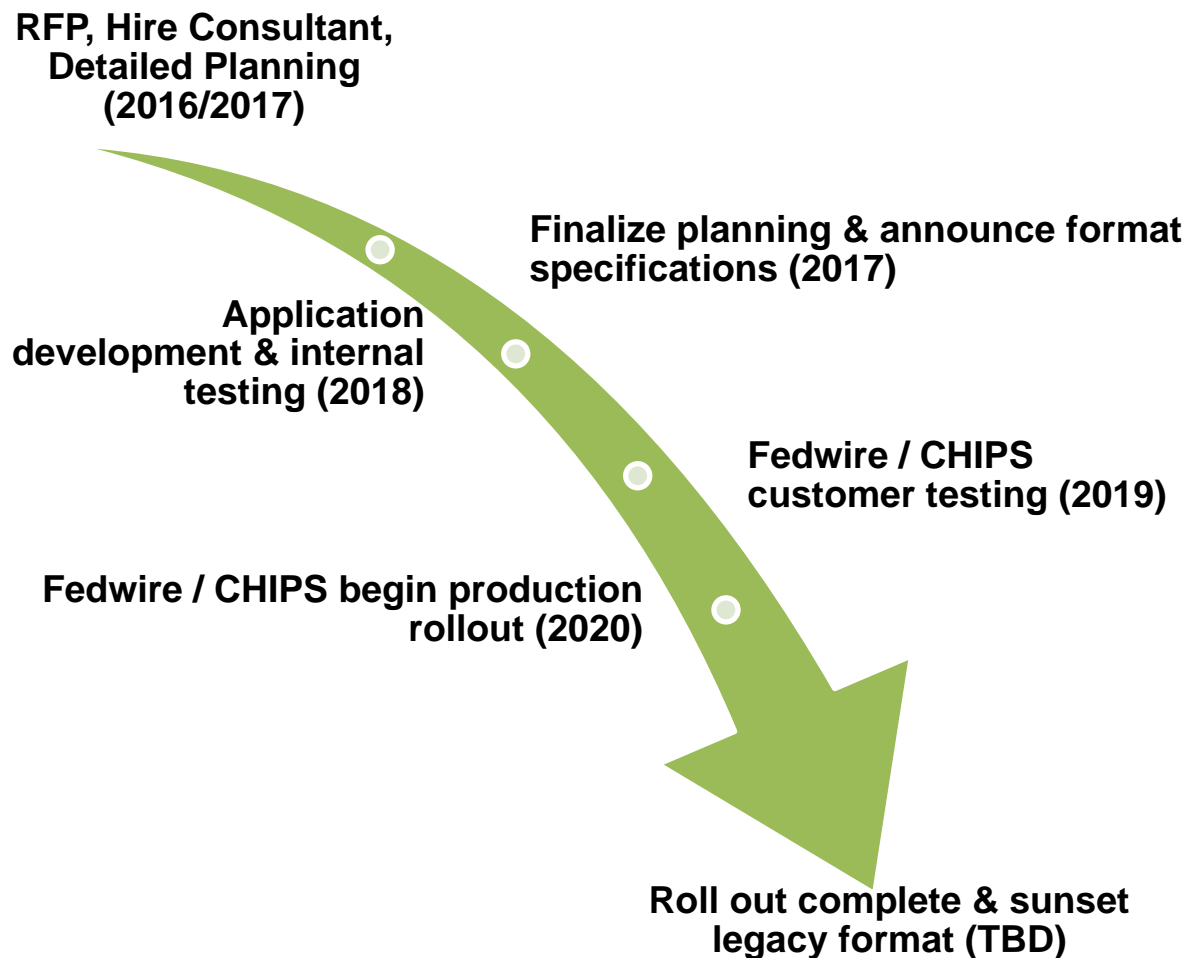
Require all banks to **receive** ISO 2022

Fedwire Funds Service & CHIPS will translate legacy formats to ISO 2022 during conversion period

Require all banks to **send** ISO 2022

Legacy format will sunset at end of this phase

Implementation Strategy Proposed at SIBOS 2015



Implementation Strategy – Next Steps

Enhance and 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 and design enhancements



Provide update on status of detailed project plan at Sibos 2016



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