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

Strategy 5: Enhanced Federal Reserve Services

Develop…

an implementation strategy for the application of the ISO 20022 standard to U.S. payment transactions
ISO 20022 Stakeholder Group formed to determine if the U.S. payments markets should adopt ISO 20022 to remain competitive.

Engaged an independent consultant to objectively evaluate the business case for (or against) adopting ISO 20022 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 20022, there may be strategic reasons to do so.
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
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<tr>
<th>Date</th>
<th>Event Description</th>
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<td>September 2014</td>
<td>Held meeting with globally active U.S. banks to discuss ISO 20022 for high value payments</td>
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| 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

Compliance with domestic and global regulatory requirements

Diminishing legacy resources

End-to-end payment tracking

Consistent format for extended remittance information (ERI)

Single end-to-end payment file format

Domestic interoperability between U.S. wire systems and SWIFT

Cross-border interoperability

Consistent format for extended remittance information (ERI)
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 20022
Fedwire Funds Service & CHIPS will translate legacy formats to ISO 20022 during conversion period
Require all banks to send ISO 20022
Legacy format will sunset at end of this phase
Implementation Strategy Proposed at SIBOS 2015

- **RFP, Hire Consultant, Detailed Planning (2016/2017)**
- Application development & internal testing (2018)
- **Finalize planning & announce format specifications (2017)**
- Fedwire / CHIPS customer testing (2019)
- Fedwire / CHIPS begin production rollout (2020)
- **Roll out complete & sunset legacy format (TBD)**

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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
Join the Community at FedPaymentsImprovement.org!

Receive information on task forces and work groups, invitations to live/virtual events, surveys and other online feedback opportunities.

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