

ISO 2022: Now and in the Future


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Future Forums

Catalyst Corporate Federal Credit Union

Thursday, October 4, 2018



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ISO 2022

International Organization for Standardization


What is ISO 2022?

- A harmonized set of extensible markup language (XML) financial messaging standards across major financial services domains

What is ISO 2022 for Payments?

- Robust standard with room for additional payment-related information that supports the end-to-end flow of information about a payment from the originator to the beneficiary


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ISO 2022 Journey in Time in the U.S.

2012 ISO 2022 Remittance Coalition Study

Not at all familiar	→	61%
Not very familiar	→	29%
Somewhat familiar	→	9%
Very familiar	→	1%




2014 ISO 2022 U.S. Stakeholder Group – Business Case Assessment


KPMG Study - no compelling financial business case, but potential strategic reasons to adopt

Four Strategic Phases	
1. Planning and Education	Promote educational efforts and develop a national strategy for adoption
2. Cross-Border Payments	Enable cross-border wire payments, following by cross-border ACH payments
3. Domestic Payments	Assess value proposition and timing for adoption for domestic wire and ACH payments
4. Additional Consideration	Consider as the standard messaging format for new products and services

2014 Press Release – undertake a multi-year effort to design and develop a secure, real-time payment system incorporating ISO 2022 standard

**2015 Federal Reserve: Strategies for Improving the U.S. Payments System**

Strategy 4 – achieve greater end-to-end efficiency for domestic and cross-border payments

**2015 NACHA White Paper** – introduction to ISO 2022 for U.S. Financial Institutions

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A U.S. Stakeholder Group was formed to assess whether ISO 2022 payment messages should be adopted for high-value (wire) and low-value (ACH) payment systems in the U.S.

ISO 2022 Stakeholder Group

Federal Reserve Bank of New York – *Wholesale Product Office*

Federal Reserve Bank of Atlanta – *Retail Payments Office*

The Clearing House Payments Company L.L.C.

NACHA — The Electronic Payments Association

Accredited Standards Committee X9 — Financial Industry Standards, Inc.

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U.S. ISO 2022 Efforts Underway

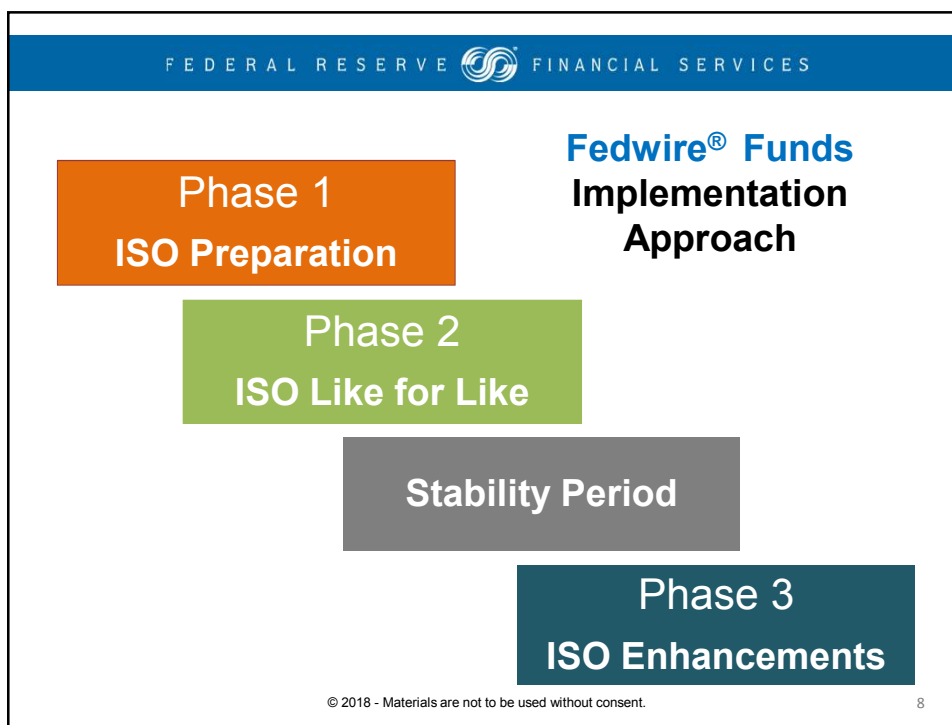
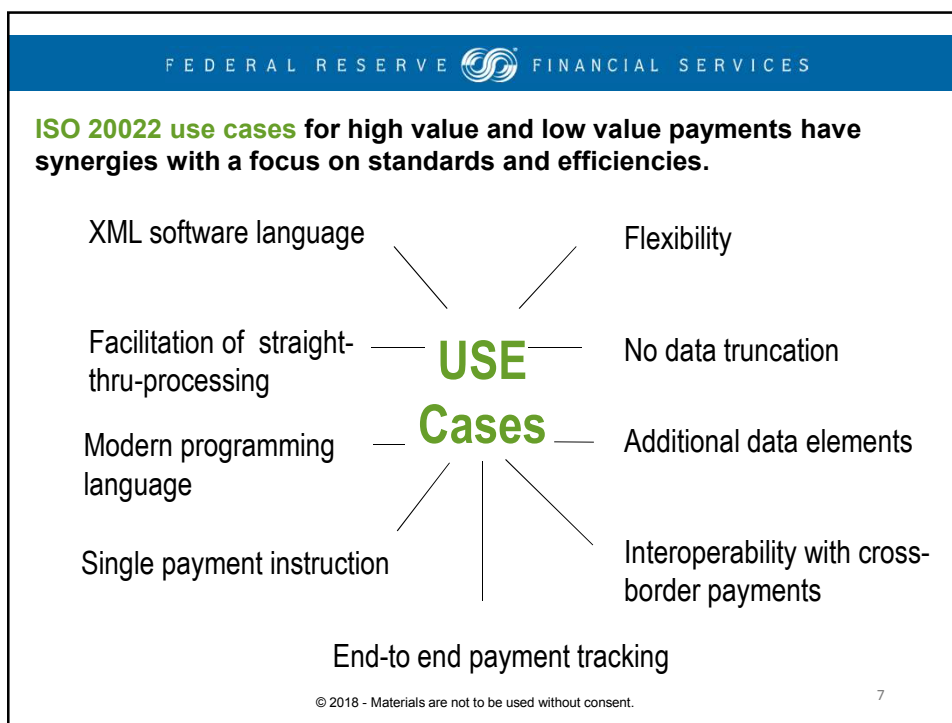
ISO 2022

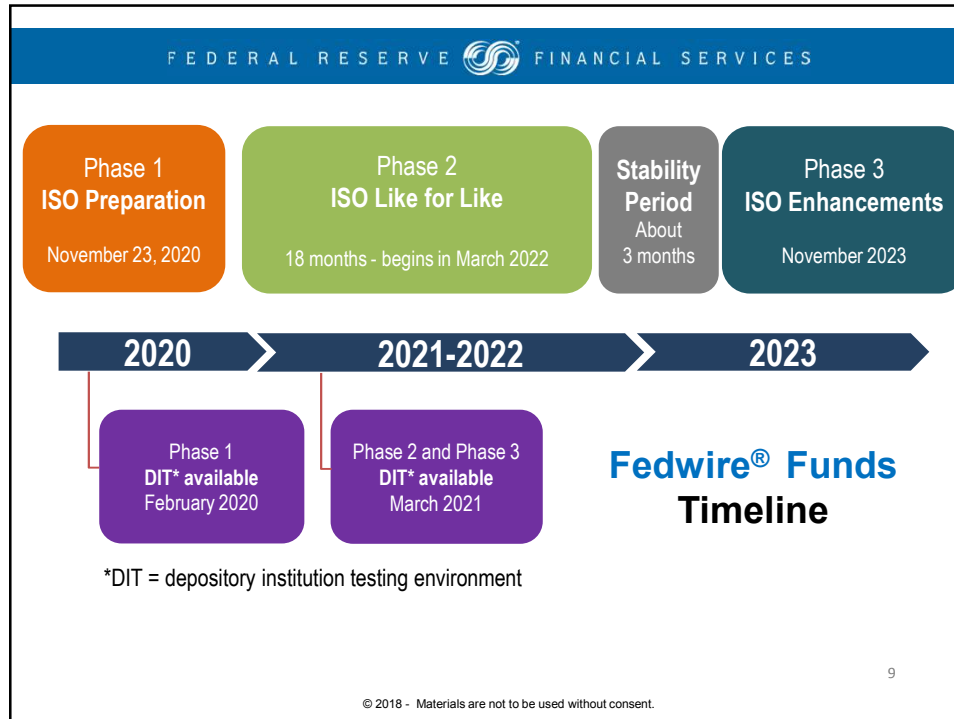
Wire Migration

Legacy Format

ACH Integration

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Fedwire Funds ISO 2022 Implementation Center Website

- Bookmark this page to access the following information:
<https://www.frb-services.org/resources/financial-services/wires/iso-2022-implementation-center.html>

Home / Resources / Federal Securities / Fedwire® Funds Service ISO 2022 Implementation Center

Wires Resources

"Federal Services Overview"
"Federal Funds Service Overview"
"Federal Funds Service Market Segments for Cash Payments Services"
"Federal Funds Service Market Segments for Credit Payments Services"
"Federal Funds Service Market Segments for Credit Payments Services"
"Federal Funds Service Market Segments for Credit Payments Services"

Fedwire® Funds Service ISO 2022 Implementation Center

In October 2017, the Federal Reserve Bank announced the implementation timeline for the adoption of ISO 20022 payment messages for the Fedwire Funds Service, beginning in November 2020 and ending in late 2023. Please Review ISO 2022 Implementation Timeline for details on the phases as announced in this call to action.


These Phases of the ISO 2022 Implementation for the Fedwire Funds Service:


These Phases of the ISO 2022 Implementation for the Fedwire Funds Service	
Phase 1 ISO Preparation (November 28, 2020)	<ul style="list-style-type: none">Prepare for and simplify the ISO 2022 implementation by "downloading" legacy forms.Accommodate SWIFT MT changes to ingester and beneficiary fields.
Phase 2 ISO Like for Like (Begin in Q1 2022 through Q3 2023)	<ul style="list-style-type: none">Migrate Fedwire Funds Service participants in waves over 18 months to send and receive the ISO 2022 version of the legacy FPM 4.0 format.The Fedwire Funds Service will transition the legacy FPM 4.0 ISO 2022 and ISO 20022 format to accommodate the migration of participants who do not want to migrate.Fedwire Funds Service participants will not be able to send messages using either message type during this phase. However, they will be required to receive ISO 20022 messages with the new functions that will go live in Phase 3.Support the legacy format at end of this phase.
Phase 3 ISO Enhancements (Q4 2023)	<ul style="list-style-type: none">Enable all Fedwire Funds Service participants to send ISO 2022 messages and support all transactions and payments from Q4 2023 to be accommodated.

ISO 2022 Educational Opportunities

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 **Global Payments Innovation (GPI)**

- Improving straight-thru-processing of cross border payments
- Over 160 global banks and local market infrastructures

Speed **Transparency** **Payments Tracking**

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ISO 20022 Federal Register Notice Recap

July 5, 2018 — **Federal Reserve Board of Governors requested comment Fedwire Funds ISO 20022 proposal**

- Potential benefits and drawbacks of adopting ISO 20022
- Proposed timeline for adopting ISO 20022
- Impact on Fedwire Funds participants and service providers

September 4, 2018 — **60-day comment period ended September 4th**

Year-End 2018 — **Board to complete final analysis of public comment feedback**

Board Press Release:
<https://www.federalreserve.gov/newsevents/pressreleases/other20180705a.htm>

Federal Register Notice:
<https://www.gpo.gov/fdsys/pkg/FR-2018-07-05/pdf/2018-14351.pdf>

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Federal Register Notice Recap – 17 comments

Depository Institution	BNY Mellon Commerce Bancshares, Inc. HSBC Bank USA International Bancshares Corp. MUFG Bank Ltd/MUFG Union Bank
Credit Union	Community First Credit Union Patelco Credit Union
Industry Group	California and Nevada Credit Union Leagues Global Legal Entity Identifier Foundation (GLEIF) ABA AFP NACHA NEACH ICBA
Software Vendor	Fiserv
Market Infrastructure Operator	TCH SWIFT

Initial review of comments suggest that:

- **The long-term benefits**, such as interoperability, reduction in operating costs, increased compliance screening capabilities, **outweigh the costs to implement.**
- **The current three-phased implementation approach and timeline is appropriate**, but continued alignment with the ISO 20022 implementations for CHIPS and SWIFT is critical.
- **More education and outreach is needed** to ensure broad awareness of the ISO 20022 project amongst smaller banks, corporates, and the AML/OFAC compliance communities

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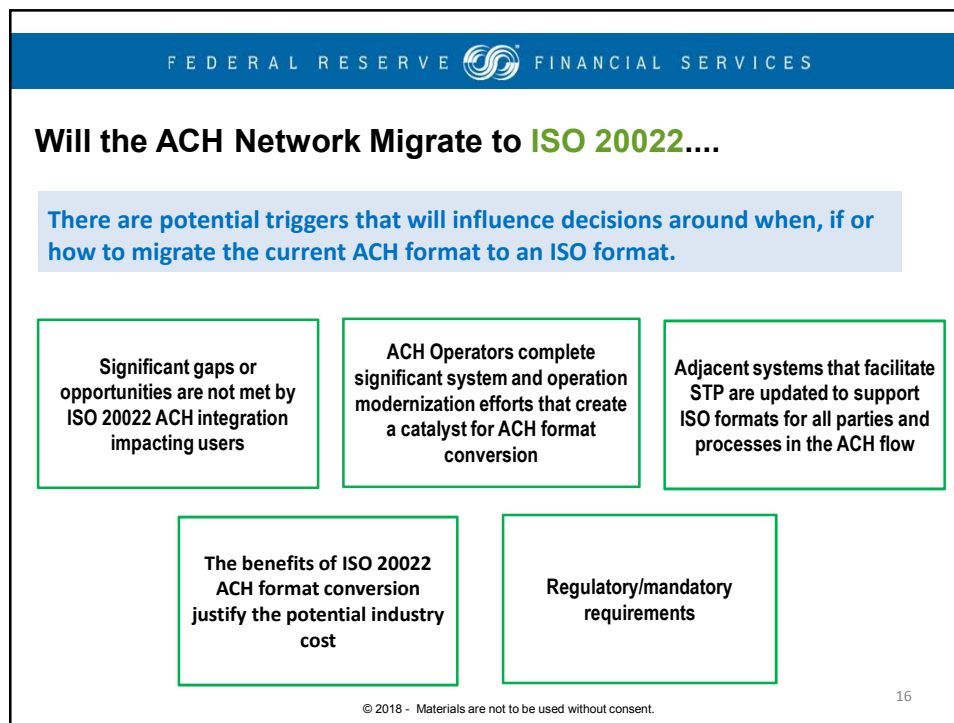
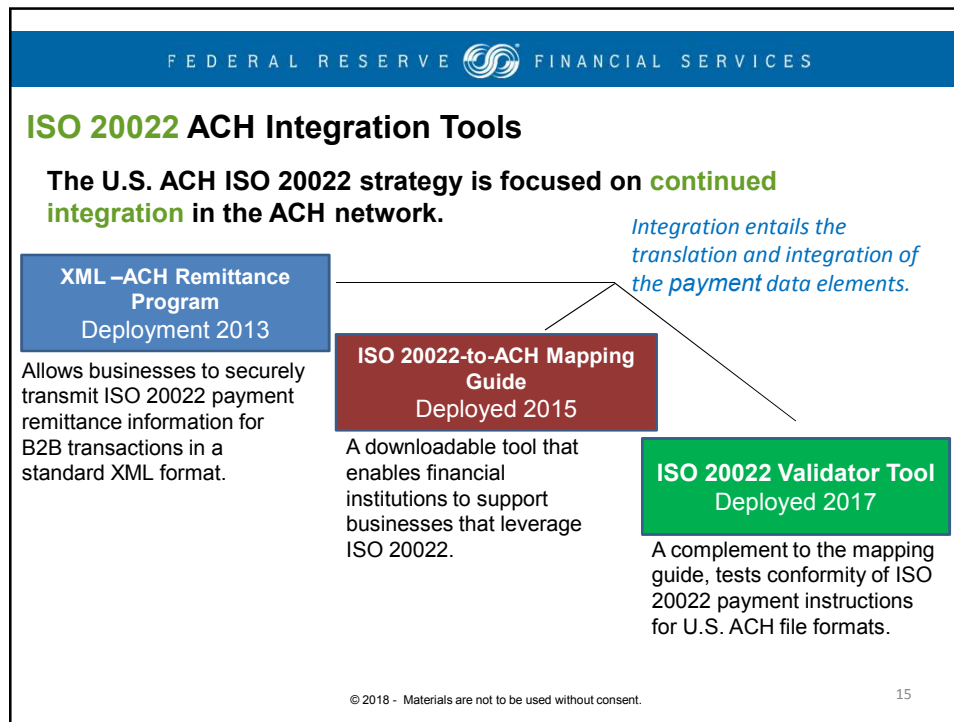
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ISO 20022 ACH Payments

ACH Integration

Industry tools and solutions that allow ACH users to leverage the ISO 20022 payment message standard for electronic payments initiation and remittance without making changes to the current U.S. ACH formats and with support of the NACHA Operating Rules

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A few planning/educational tips for organizations....

Wire

- Confirm set-up of access to SWIFT “MyStandard” tool
- Collaboration with management/staff and external partners on **migration plan** to support phased implementation
- **Internal assessment** to identify needed changes to other tools that may be linked to wire process
- Development of **educational plan** for staff to ensure adequate awareness and knowledge to support organization’s migration activities
- Periodic access of **Fedwire ISO 20022 implementation center web site** and participation in educational events to stay abreast of latest developments and support organization’s migration strategy

ACH

- Development of **educational plan** for staff to ensure awareness and knowledge of ACH integration tools available in the marketplace to support customer base
- Download and review of the **ISO 20022-to-ACH Mapping Guide** to help address potential staff and customer inquiries
- Periodic access of **NACHA and Federal Reserve ISO 20022 Resource Centers** to enhance knowledge and stay abreast of ISO 20022 ACH activities and latest developments
- Participate in **industry educational events** (i.e. conferences, webinars, work shops) to help support organization’s ISO 20022 strategy

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