

SPEECH

Opening Remarks at the ISO 20022 In-Person Federal Reserve Bank of New York Workshop

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Richard Dzina, Executive Vice President

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As prepared for delivery

Good morning. I am pleased to kick off the first in a series of ISO 20022 in-person workshops at the Federal Reserve Bank of New York. I used to joke, “ISO 20022 in 20022, only 18,000 more years to go!” This has been a long trek, and surely we still have a long road ahead, but I am confident we are going to beat my original forecast.

I understand that today’s session follows a series of webinars to educate the community on the adoption of the ISO 20022 message formats for the Fedwire Funds Service. These outreach activities underscore a key point: no effort in standardization can be pursued in isolation. This enterprise is one whose success depends upon multilateral engagement across every front: infrastructure operators, depository institution customers, and vendors. In this domain, we rise and fall as one. We’re glad you’re here.

As conveyed in the public announcement of the Federal Reserve Banks at Sibos Toronto last Fall, and consistent with broader Federal Reserve strategies to enhance the efficiency of the payment system, we have planned a controlled migration to the new message format. Implementation of the ISO 20022 standard for the Fedwire Funds Service will be completed in three phases, beginning in November 2020 and ending in late 2023. I will defer to my colleagues for a detailed review of our calendar and migration methodology.

Allow me to share three brief but critical observations regarding the business problem, the collective opportunity, and the strategic context before I turn things over to the workshop speakers. As always, my remarks reflect my own views and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

First, an elaboration of the problem. In the legacy environment we impose a tremendous tax upon users who must straddle multiple payments platforms that rely upon proprietary message formats that do not speak with each other. Maintaining the operational integrity of this network requires a complex web of mapping and translation at each point of handoff in the payment flow. In the extreme, a payment from a domestic originator to a foreign beneficiary may have to proceed through as many as six iterations of mapping and translation as it migrates through the payment system, adding complexity, introducing risk, and increasing cost at every juncture. In an increasingly integrated and seamless world, this is no way to run a railroad.

Second, an elaboration of the collective opportunity. Standardization around a common message format not only promotes efficiency in straight through processing and greater domestic/cross-border inter-operability, it also enhances value: providing richer data content, with extended remittance information for corporate users representing a prominent example; supporting compliance with regulatory requirements as depository institutions lever structured data fields; and encouraging innovation by all parties around a common message suite. In pursuing ISO 20022, we must not merely content ourselves with efficiency gains, compelling as they may be, in a like-for-like conversion; we must equally focus on the value proposition for depository institutions and end-user customers.

A final observation on the strategic context and the dollar’s status as a global settlement currency. A temptation sometimes exists in the United States to rely upon our enormous mass, to which, too frequently, we expect the world to adapt. That passive posture may have been tolerable in an era of static dominance, but in an era of global economic convergence, accompanied by frenetic payments innovation, it represents a luxury we can ill afford.

The ISO 20022 payment message format is rapidly emerging as the global standard for high value payment system operators, with many jurisdictions having already adopted ISO 20022 message formats or announced their conversion plans. We either move in concert with this emerging trend or risk the United States becoming idiosyncratic in its wake, aggravating the competitiveness of U.S. financial institutions and corporates, and eroding the many advantages of denominating global economic activity in the dollar and settling dollar payments in the United States.

The positive and negative business cases for ISO adoption both point in the same direction, favoring action.

In support of this interest, we expect to continue extensive public outreach regarding our ISO 20022 adoption plans, which may include a request for public comment from the Federal Reserve Board of Governors later this year. A formal comment period

would provide another forum for industry participants to convey their feedback on the business case, implementation approach, and timeline for adopting the ISO 20022 message format for the Fedwire Funds Service. If the Board decides to request public comment, we would appreciate your valuable feedback in that venue, and through today's session, to refine and ultimately validate our direction in implementation methodology and timeline.

The adoption of ISO 20022 messages for the Fedwire Funds Service represents a strategic investment supporting the long term competitiveness of our financial institutions and end users, and strengthening the role of the dollar as a global settlement currency. It is imperative that the anchor element of our nation's payment system remains well integrated in an increasingly global marketplace.

Thank you for your attention and enjoy your workshop.
