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Fedwire (FAIM) <> ISO 20022

Thoughts on a Buy/Build/Hybrid Solution

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Introduction

The Federal Reserve has set a Go Live date of March 10th 2025 to replace the Fedwire Application Interface Manual (FAIM) format with ISO 20022 standard for its RTGS system.

Migration to the ISO 20022 standard is not a new challenge for Financial Institutions but the U.S. have been one of the last bastions of legacy RTGS systems - they have yet to embrace the brave new ISO 20022 world.

The FAIM standard will be put out to pasture after the Go Live date. Any Financial Institutions wishing to continue with their traditional wire processing must be compliant with the new ISO 20022 specifications by then.

Timeline

The initial outreach began in February 2023. The MyStandards Readiness Portal Testing was available from March 2023 and Production Customer Testing is planned for January - February 2025. The full timeline is available here.

This does not leave Financial Institutions much time to develop a solution before the Go Live date on March 10th 2025. This is why the Federal Reserve has set a Go/No Go Decision on February 21st 2025.

Challenges facing Fedwire participants

With such tight deadlines, Financial Institutions have two options:

1. Upgrade their entire tech stack to be ISO 20022 compliant.
2. Build or buy an adaptor that will convert FAIM <> ISO 20022. This gives them time to retrofit their systems to be ISO 20022 compliant.

In a perfect world, every system would be ISO 20022 compliant. However, upgrading every system is costly and time-consuming, especially with the deadline less than a year away.

I believe most Financial Institutions will want to protect their legacy systems and will look to introduce an adaptor or way to convert FAIM <> ISO 20022. This will allow them to be compliant before March 2025. The following will be fundamental to this type of solution:

- **Messages**: The correct ISO 20022 version must be used. These can be found on the Fedwire Funds Service page on SWIFT's MyStandards platform.

- **Mappings**: The conversion for FAIM <> ISO 20022 must be correct, the Usage Guidelines must be followed and any bilateral agreements must be catered for.
- **Testing**: The appropriate level of testing must be performed, including any edge cases that the business flows may follow.

Build vs Buy…or Hybrid?

For Financial Institutions whose systems are NOT already ISO 20022 compliant the question becomes:

> *"How can I convert FAIM <> ISO 20022 and can I build these conversions internally, purchase a prebuilt adaptor or use a combination of both?"*

From an architectural perspective, purchasing and implementing a software solution in less than a year does not seem feasible. However, with only a year to go, can a Financial Institution build an in-house solution for a critical part of the business in time? And can they do it without throwing a great deal of money at the solution and taking on a large amount of associated risk?

The Usage Guidelines that have been published are exactly that – guidelines - and each Financial Institution will interpret them differently. In addition, each Financial Institution will have different business needs. A 'black box' solution where you cannot amend, enhance or redact mapping or business logic would not make sense.

I believe that using a vendor (i.e. pooled-resource) who understands the guidelines and provides a solution based on their client's needs allows Financial Institutions to leverage that shared knowledge. Financial Institutions should be looking for an extensible solution. The optimum solution is to have a set of pre-built mappings using the 'golden source' of the business logic from the guidelines *and* to have the ability to easily adapt these to cater for their own business needs.

Fedwire has clearly stipulated a Go/No Go Decision on February 21st 2025. If that decision results in a 'no-go' then the delay will put extra pressure on an in-house solution that will need maintenance until the switchover takes place.

Conclusion

If Financial Institutions are not going to be able to natively handle ISO 20022 messages before the March 2025 Go Live deadline, I believe that they should look to the market to see what solutions are available. Financial Institutions should look for a vendor solution that:

- Leverages the vendor's knowledge of FAIM <> ISO 20022 conversions.
- Is extensible and adaptable enough to meet their own business requirements outside of the Usage Guidelines.

About the author

During Paul's 25 years with Trace Financial, he has seen all aspects of the challenges organisations large and small face when implementing ISO 20022 solutions. He understands the best practices to build future-proof, easily maintainable solutions.