

ISO 2022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – ISSUES PAPER – RESPONSE TEMPLATE

Name/Organisation: EFTlab Pty Ltd – Breakthrough Payment Technology

Organisation Category: Vendor/Payment Service Provider

About these consultation questions:

Primarily the focus of these questions relate to direct participants in Australian payment systems and will not be applicable to all that wish to respond to this public consultation. Notwithstanding this focus, the RBA is open to receiving comments from all respondents and invites general comment in the last question.

2.4 Objectives of an ISO 2022 migration for payments in Australia

Q1. Does your organisation currently support ISO 2022 for payments and reporting messaging?

- Yes
 No

If yes, what payment systems and/or associated activities are currently supported? If no, what plans does your organisation have to support ISO 2022 by 2024?

We provide a range of payment solutions and tools to our clients, all of which support multiple payments types including ISO2022. Our solutions are built around a Service Orientated Architecture, using the latest technologies and modular design for greater flexibility, rapid development and testing and cost effective implementations. EFT Lab solutions have the ability to interface with current message formats such as AS2805 and establish effective translation from and to the ISO2022 - supporting legacy systems and allowing roll-out of the new ones.

Q2. Does your organisation provide or use inbound and/or outbound correspondent banking services?

- Yes – cross-border inbound
 Yes – cross-border outbound
 Yes – both inbound and outbound cross-border
 No

Q3. Are there any other objectives that your organisation believes the Australian financial industry should look to achieve as part of an ISO 2022 payments migration?

- Yes
 No

If yes, please explain your views.

Simplifying and Standardising payment services across Real Time High Value and Real Time Low Value payments. Providing for the ease of Integration to SWIFT and NPP, as well as clearing and settlements systems, and ultimately providing a future proof unified, and global payments experience. Another area of interest requiring further investigation is Elctronic Protocols Application Software for POI's and the requirement to provide interoperability and independence of systems and communication methods.

2.5 Risks and challenges

Q4 a) Do you have any comments on the high-level risks and challenges of payments messaging migration to ISO 20022 outlined in Section 2.5?

- Yes
 No

If yes, please provide your comments under the relevant risk/challenge: prioritisation against other initiatives, business case approval, project horizon and cross-border migration.

Multiple systems affected with various degrees of complexity and technological challenges. Many of which are core legacy systems that have been customised and extended far beyond the original scope of design, and capability.

Q4 b) Are there any other major risks and challenges that you believe need to be considered?

- Yes
 No

If yes, please explain your views.

Running multiple core, antiquated systems in parallel. Loss of key system resources /expertise. Lack of documented system procedures and customisation.

Q5. For your organisation, please consider each risk and challenge outlined in Section 2.5, and list any others you have identified in Q4 b). Please rate each risk/challenge for your organisation according to the scales for likelihood (rare, possible, likely, almost certain, certain) and consequence (insignificant, minor, moderate, major, catastrophic). Please rank each risk/challenge by the difficulty they pose to your organisation, with 1 being the most difficult.

Risk/Challenge Item	Likelihood	Consequence	Difficulty
Prioritisation against other initiatives	Certain	Catastrophic	3
Business case approval	Certain	Catastrophic	3
Project horizon	Almost Certain	Major	3
Cross-border migration	Certain	Major	3
Click here to enter text.	Choose an item.	Choose an item.	Enter ranking.
Click here to enter text.	Choose an item.	Choose an item.	Enter ranking.
Click here to enter text.	Choose an item.	Choose an item.	Enter ranking.
Click here to enter text.	Choose an item.	Choose an item.	Enter ranking.

Add as required.

3.1 Australian payments, clearing and settlement systems

Q6. Which, if any, of the messages categorised as “Other messaging that could be migrated”, should be included as part of an ISO 20022 payments migration? Are there any that you think could potentially form part of a later stage of migration?

	Yes	No	No View	Later Phase
Direct credits and debits (direct entry (DE)) clearing messaging	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RITS Low Value Settlement Service (LVSS) settlement messaging	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer to financial institution/financial institution to customer messaging	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please explain your views.

Increased functionality and efficiency with enhanced data content provides for a better customer experience and the potential for more innovative products, however the key immediate drivers are the unification of payment standards both regionally and ultimately globally.

Q7. Do you have any other specific feedback you wish to provide on the overall ISO 20022 payments migration scope?

- Yes
 No

If yes, please explain your views.

[Click here to enter text.](#)

Q8. For organisations that use the RBA’s AIF reporting and enquiry service, what are your initial views on a replacement solution to modernise this service? For example:

- Develop ISO 20022 messaging
 Develop an RBA Application Programming Interface (API) service
 Other

Please explain your views.

Whilst developing the ISO 20022 messaging may potentially be perceived as the highest risk approach, developing additional API’s can further complicate already complicated systems and impact processing efficiencies, potential duplication or even triplication of conversions and translations of data.

3.2 Possible message enhancements

Q9 a) Please provide your views on whether to include each of the enhanced content items proposed in this paper in Section 3.2.

Enhancement	Include	Views
Payment Purpose Codes	<input checked="" type="checkbox"/>	Click here to enter text.
Identity Information	<input checked="" type="checkbox"/>	Click here to enter text.
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	Click here to enter text.
Remittance Information	<input checked="" type="checkbox"/>	Click here to enter text.
International Bank Account Number (IBAN)	<input checked="" type="checkbox"/>	Click here to enter text.

Q9 b) What other enhanced content considerations would like to see included as part of the migration project? Please explain your views.

Click here to enter text.

4.1 Long-run payment system design considerations

Q10. Do you agree with the view that it is appropriate to maintain a dedicated HVPS alongside other payment systems, including the NPP?

- Yes
 No

If no, please explain your views.

Certainly for the immediate future given the large volume of high value payments processed and the requirements for liquidity management etc .

Q11 a) Does your organisation have any other views or preferences on how the long-term design of the Australian payments system should evolve?

- Yes
 No

Q11 b) If yes, how does choice of settlement method and system resiliency factor into this view?

We believe this initial current strategy to be sufficient given the scope

Q11 c) From your organisation's perspective, what other long-term design considerations should be factored into this migration project? Please frame your response from a strategic standpoint rather than focus on any short-term challenges or required investment.

Click here to enter text.

4.2 RTGS message exchange models

Q12. If a separate high value clearing system is maintained for the ISO 20022 payments migration, what is your organisation's preference on the RTGS messaging model (i.e. Y-Copy or V-Shape) that should be adopted?

Please explain your views.

We believe the current Y shaped model -whilst in some instances restrictive, provides the most robust and secure option .

5.1 ISO 20022 migration approach

Q13. Does your organisation agree with the proposed high-level stages of the ISO 20022 payments migration project?

Yes

No

Please explain your views.

[Click here to enter text.](#)

Q14. Taking into account the advantages and disadvantages of each migration option, which approach do you support?

Option 1 – Like-for-like followed by adoption of enhanced content

Option 2 – Direct migration to enhanced content

Other

Please explain your views.

Whilst a longer project timeline, with potentially higher budget requirements, this phased approach greatly reduces risk and reliance on the completion in conjunction with SWIFT's time lines for cross border work.

5.2 Managing the transition to new messages

Q15. What is your organisation's preferred approach for transitioning between existing message formats and ISO 20022?

Big-bang

Coexistence

Please explain your views.

The complexity of existing systems, current processes and the critical nature of payment processing does not allow for system outages during role out/conversion. Inial co-existence greatly reduces risk, and message translation can be utilised in need . EFT Lab solutions and tools provide the ability to interface with current message formats such as AS2805 and ISO8583 and establish effective translation both to and from the ISO20022 - supporting legacy systems and allowing roll-out of the new ones .

5.3 Project timing

Q16. Does your organisation face any impediments or constraints that are evident at this stage that would limit your ability to migrate to ISO 20022 within the 2024 target timeframe set out in this paper?

- Yes
 No

If yes, please explain.

[Click here to enter text.](#)

Q17. Are there other international ISO 20022 initiatives that you consider the Australian ISO 20022 payments migration timeframe should be aligned to? E.g. large domestic implementations in other jurisdictions.

Please explain your views.

As discussed SWIFT and SEPA. Also we believe it is worth mentioning PCI:DSS council and security advices on a future payments security. Whilst this is of course outside of the ISO20022, but migration as such can be one-time opportunity to advance in messaging security. PCI:DSS council prepares new security standards which they are planning to deploy following:

- PIN-blocks to be AES encrypted
- P2P (Point-to-Point) sensitive data encryption
- Network control (key exchanges) to be done over ECC (Elliptic Curve Cryptography)
- Keys to be handled as TR-31 containers
- Tokenization rules

Each of these changes will have wide implications and should be considered & incorporated in ISO20022 rollout

Q18 a) Is your organisation affected by the timing of SWIFT's ISO 20022 migration for cross-border payments?

- Yes
 No

Q18 b) If yes, are there benefits to aligning the migration of domestic AUD payments messaging to cross-border payments migration for your organisation?

We are fully prepared for the migration of Cross Border Payments

5.4 Message harmonisation

Q19. Do you support the HVPS+ developed message guidelines being used as the starting point for the development and implementation of new ISO 20022 standards for Australia's HVPS?

- Yes
 No

Please explain your views.

Guidelines have already been developed and the cross border high value payments require conversion into the domestic high value payments clearing systems.

Q20. To what extent should other ISO 20022 standards for payments messaging (e.g. those used for the NPP) be considered?

Please explain your views.

Q21. Are there any other areas of work that you believe are relevant in looking to achieve message harmonisation (to the extent possible)?

Please explain your views.

ISO20022 standard commonly use XML structure as its foundation. We believe that in some respects XML is getting old and in many applications it was superseded by JSON. JSON is now practically the new data standard for most of applications (BigData, Python, JavaScript), adopting it as a message data structure instead of XML will greatly support flexibility of a whole solution as it will make it much more accessible to many end-users (programmers, database storage).

6.1 Governance

Q22. Does your organisation have a preferred governance structure?

Please explain your views and include your preference for the roles of different parties in that governance structure.

Those implemented for the NPP are certainly an adequate starting point.

General feedback

Does your organisation have any general comments on an Australian ISO 20022 payments migration?

EFTlab has been working towards this payments migration for some time, and have several years experience in Europe (SEPA) and Australia (NPP).

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