

# **Enhanced Batch Processing in RITS**

## **Information Paper**

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**Reserve Bank of Australia**

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## **1. INTRODUCTION**

### **1.1. Preliminary**

Following a review of batch processing facilities in RITS conducted in 2003, the Reserve Bank took the decision to develop a new batch input and settlement facility (batch feeder), which would allow inter-bank settlement obligations for batch settlement across RITS to be submitted by any Batch Administrator approved by the Reserve Bank at any time in any eligible RITS session.

The new facility overcomes the inflexibility of the existing facilities, which were used to settle the 9am batch of obligations arising from the previous day's exchange of "low value" clearings (cheques, direct entry etc) and the CHESSE batch. These facilities were not easily adopted for use by new business opportunities and suffered from a number of short comings which hindered automation.

The 9am Batch continues to be settled using the old functionality, but in December 2006 the CHESSE batch migrated to the batch feeder functionality. The new facility will also be used in the electronic settlement of property transactions

### **1.2. Document purpose**

This document describes the enhanced batch entry and processing functionality in RITS.

The intended audience includes prospective Batch Administrators and participant banks in batch streams using the enhanced functionality.

The new functionality permits the entry of batches "on-line" via a RITS terminal or by SWIFT message.

The document describes the on-line and SWIFT functionality, including SWIFT message content specifications for batch settlement and recall requests and responses used by the Batch Administrator to enter and manage batches in RITS.

### 1.3. Terms used in this document

#### **Bank**

For the purposes of this document, “bank” refers to an institution holding a banking authority issued by the Australian Prudential Regulation Authority, or other institution approved by the Reserve Bank to hold an Exchange Settlement Account.

#### **Batch Administrator**

A Batch Administrator is defined as an entity that will, with the authority of participant banks, any upstream business operator and the Reserve Bank, send to RITS net inter-bank obligations of participant banks that are to be settled simultaneously in either a central party or “against the system” batch. The Batch Administrator would provide confirmation to each bank of its obligations in each batch and would normally also provide payment details to each participant bank or other financial institution to enable posting to individual customer accounts.

#### **Business Stream Owner**

Also see “upstream business operator”

#### **ESA**

Exchange Settlement Account

#### **RBA**

Reserve Bank of Australia

#### **RITS**

Reserve Bank Information and Transfer System, used for RTGS or batch settlement of inter-bank obligations across Exchange Settlement Accounts conducted with the RBA.

#### **Upstream business operator or business stream owner**

An upstream business operator or owner (dependent on business arrangements) is the entity that would collate financial transactions arising from a real or financial business and transmit these to the Batch Administrator for management of the consequential inter-bank settlement process.

### 1.4. Document scope

This document provides:

- A description of the enhanced batch functionality in RITS.
- A general outline of the responsibilities of a Batch Administrator and the requirements of the Reserve Bank in respect of Batch Administrators.
- Requirements of the RBA in respect of Batch Administrators may vary depending on the nature of the batch. Specific eligibility criteria for Batch Administrators for property settlements have been determined and are attached to this information paper.
- A summary of the business flows in batch processing.

- The message flow and message content of messages exchanged between RITS and Batch Administrators.
- Functionality available in RITS for participant banks in respect of the improved batch functionality.

The specifications for any messages exchanged between Batch Administrator, participant banks and any operator of an “upstream” business and other participants are outside the scope of this document.

## 2. BACKGROUND

### 2.1. More flexible batch processing functionality

The enhanced functionality increases the flexibility of batch processing in RITS by:

- opening RITS to new business opportunities that require batch settlement (e.g. electronic property settlements).
- increasing the number of batches that can be entered and processed by RITS each day.
- increases the opportunity for automation by permitting the entry of batches using SWIFT messages as well as by RITS terminal.
- RITS business and system rules can be applied for each batch stream

### 2.2. Responsibilities of Batch Administrator

The responsibilities of a Batch Administrator in relation to an upstream business, participant banks and RITS are set out below. Note that these represent a stylised model and may not be applicable to all businesses.

The **upstream business operator** is responsible for assembling the financial transactions arising from an upstream business and making these available to the Batch Administrator. The upstream business operator might also be responsible for co-ordination with related parties.

The **Batch Administrator** receives data on financial transactions from the upstream business operator and produces, for each batch to be settled across RITS:

- A schedule of individual settlements, i.e. at the customer level, arising from the upstream business, for each financial institution. This is sent to each institution at an agreed time prior to the agreed batch settlement time.
- The net settlement position (obligation to pay or receive) of each financial institution arising from the above schedule. This would be sent to each financial institution with this schedule. For a bank, this figure would be its net position to be settled across RITS. For a non-bank financial institution (i.e. without an ESA), this would be its position with its bank, and would have been included on the schedule of the financial institution's bank as a customer entry.
- A schedule containing the net inter-bank obligation for each participant bank. Depending on the business arrangements for each batch, these figures would be entered into RITS by the Batch Administrator as either an "against the system" or central-party batch.

The Batch Administrator is also responsible for other communications with the upstream business operator and financial institutions.

**RITS** accepts and validates the batch data and effects interbank settlement after testing that each paying bank has sufficient funds available in its ESA. It provides settlement confirmations to banks (via screen enquiries and, optionally, SWIFT post-settlement advices from the RITS Automated Information Facility) and the Batch Administrator and provides functionality for banks to monitor and manage their ESA position and inter-bank obligations, including those in batches.

**Banks** manage the settlement of their batch obligation in RITS in the same way that they manage other payments in RITS.

Upon receipt of advice that the batch has settled, banks and other participant financial institutions post the upstream transactions to customers' accounts.

Note that for simplicity that unless specified it is assumed here that all participant financial institutions are banks (i.e. with an ESA). Of course, this may not necessarily be the case. The key difference is at the point of final inter-bank settlement across RITS, which occurs across ESAs. As noted above, for a non-bank financial institution, its net obligation will be included in the position of its bank to be settled across RITS.

### 2.3. RBA Requirements of the Batch Administrator

Batch Administrators must obtain the approval of the RBA. In order to obtain approval, prospective Batch Administrators must:

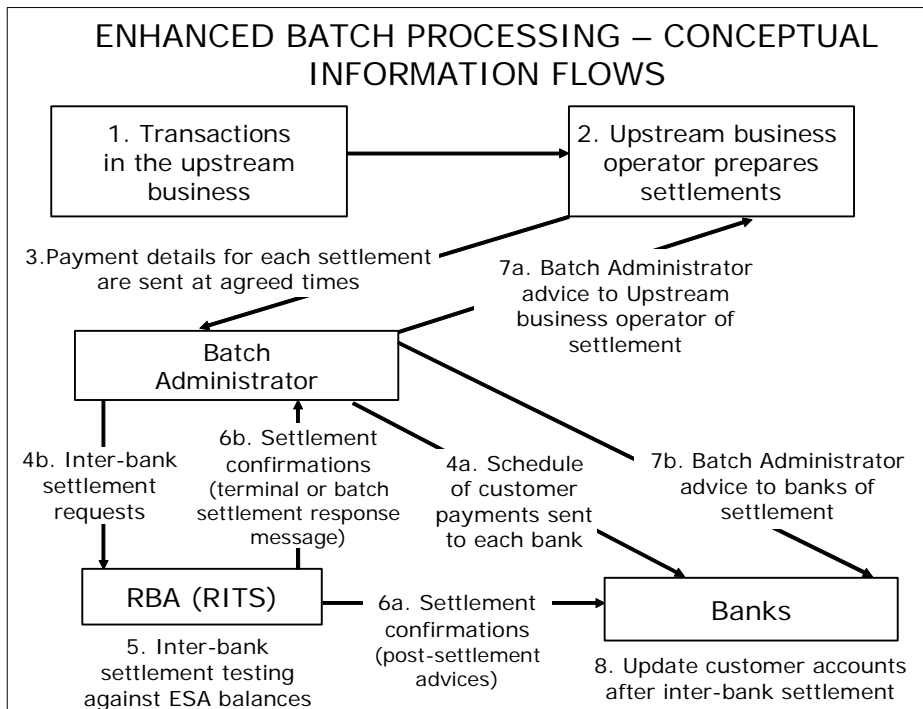
- Be sanctioned by the upstream business operator and participant banks to perform this function.
- Provide evidence of operational capacity to manage and implement the provision of:
  - netted inter-bank obligations to RITS (that must sum to zero), by any of the methods approved by the RBA; and
  - advice of obligations of participant banks to those banks in the manner stipulated in the operating procedures for that batch arrangement.
- Proving of operational capacity will require satisfactory testing of the batch arrangement with the RBA, participant banks and any upstream business operator.
- Satisfy the RBA that appropriate operational and contingency procedures will be in place to ensure the efficient operation of the batch arrangement.
- Satisfy the RBA that appropriate business rules and other legal arrangements will be in place to support the batch arrangement.

Detailed criteria, application requirements and conditions of operation will be provided by the RBA and may vary depending on the nature of the batch. Requirements in respect of property settlements are attached.

### 2.4. Conceptual information flows

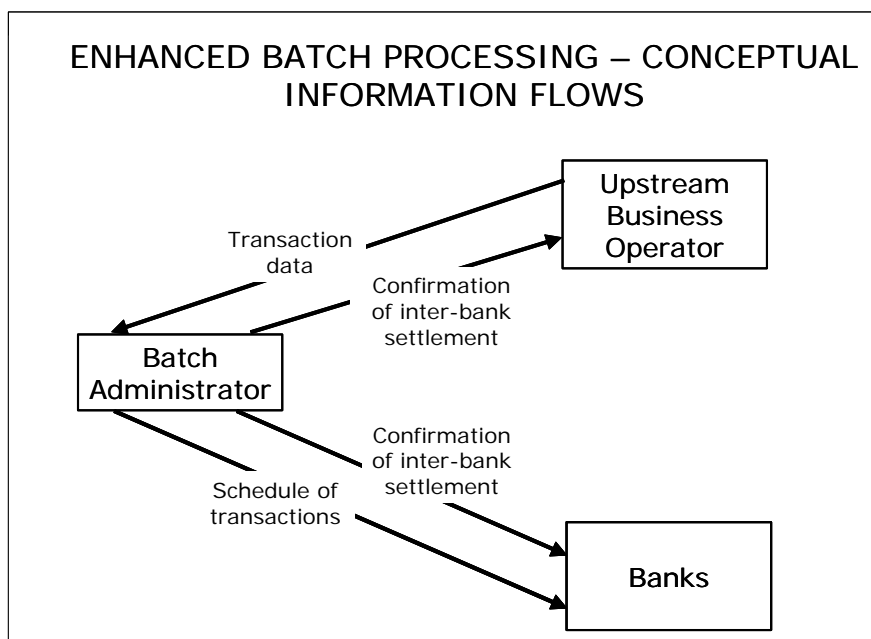
The following diagram shows a model of the conceptual entities and information flows for batch processing.

As each business will have particular requirements, not every batch stream will necessarily follow this model.



In message based batch entry the flows numbered 4b and 6b are the batch settlement request and response messages exchanged between the Batch Administrator and RITS. The message content and format specifications required by the RBA are set out in section 5 of this paper.

The information flows between the Batch Administrator, the upstream business operator and banks are shown in the following diagram. The flows between the upstream business operator and the Batch Administrator, and between the Batch Administrator and banks, will be agreed between the upstream business operator, the Batch Administrator and banks.



## 3. DESCRIPTION OF BATCH FUNCTIONALITY

The key features of the new functionality are described below.

### 3.1. Batch validation and processing

To maintain the integrity of a batch, all of the transactions in the batch are treated equally. The batch cannot proceed unless all of the transactions in the batch pass the necessary validations and the batch cannot settle unless all of the transactions pass settlement testing by the RITS System Queue.

If a batch is recalled, all of the transactions in the batch are also recalled.

### 3.2. Defining a batch stream

The enhanced batch processing functionality has the capacity to accept and process batches from a number of upstream businesses. Each upstream business that is channelled into RITS by a Batch Administrator is termed a **batch stream**.

A batch stream is defined in RITS in such a way that batches in the stream are processed independently of other batch streams and other transactions, and RITS business rules can be independently applied to each stream.

Each batch stream is identified in RITS by a four-character alpha/numeric **Batch Stream Id**. This batch stream id is used to identify batches in RITS terminal enquiries and reports.

In defining the batch stream, the RITS System Administrator records the details of the Batch Administrator, the type of batch (central party or multilateral) and the name of the central party, if applicable.

### 3.3. Eligible banks

Only eligible banks may participate in a particular batch stream. This closed user group of banks is determined by the upstream business operator and the Batch Administrator.

The RITS System Administrator maintains a list of eligible participant banks in RITS.

RITS ensures that only transactions of institutions in the relevant closed group are entered in a batch.

### 3.4. Multilateral batches/central party

Both multilateral and central party batches can be processed.

If a central party is required, the System Administrator enters details into RITS when the batch stream is defined.

In a batch that requires a central party, the individual batch transactions are between the central party and banks. In a batch that does not use a central party, individual batch transactions are between the banks and the “system”. This is known as a multilateral batch.

When a batch is entered RITS extracts these details and constructs the individual batch transactions.

### 3.5. Access to RITS

Access to RITS for batches from a particular batch stream must be agreed with the RBA.

Batches would normally be entered and settled in the Daily Settlement Session. However settlement in later sessions is possible depending on business requirements. For simplicity, this paper assumes batches are entered and settled in the Daily Settlement Session.

RITS will accept these batches from the time of RITS opening at 7.30 am until the end of the Daily Settlement Session at 4.30 pm.

Batches entered before 9.15 am are placed on the System Queue (subject to successful validation and in accordance with the activation time – see below) but will not be tested for settlement by the System Queue until the start of the Daily Settlement Session at 9.15 am.

Batches that remain unsettled at 4.30 pm have until 5.15 pm to settle. At 5.15 pm unsettled batches are removed from the System Queue and marked as unsettled.

Batches received by RITS outside the agreed hours are rejected.

### 3.6. Activation time

A feature of the enhanced batch functionality is the introduction of an **activation time** for batches.

The Batch Administrator can enter an activation time via the RITS terminal or in the SWIFT message when the batch details are entered into RITS.

The activation time allows the Batch Administrator to send a batch to RITS before the batch is required to be processed. When the activation time is reached the batch is passed to the RITS System Queue for settlement processing.

The Batch Administrator may choose to enter the batch without setting an activation time. In this case the system inserts the current time and the batch is passed immediately to the RITS System Queue for settlement processing.

If the activation time entered in a batch has already passed before the batch is received by RITS, the system ignores the time and the batch is passed to the RITS System Queue for settlement processing.

### 3.7. Data entry conventions

Most banks will have inter-bank transactions in the upstream business. That is, their clients pay funds to, and receive funds from clients of other banks. For an individual bank, this means it would normally have a non-zero position in the multilateral batch (although it is theoretically possible that the net of its inter-bank transactions is exactly zero).

Nevertheless, in a particular batch, it is possible that a bank might only have intra-bank transactions in the upstream business (i.e. the clients of that bank only have transactions with other clients of the same bank). This situation would mean the bank concerned would not have a position in the multilateral batch.

However, banks may wish to be advised by RITS when the batch has settled if it is using that advice to post the upstream settlements to the bank accounts of its clients.

Unless an amount has been entered in the batch, the terminal enquiry will show no record for the bank and the post-settlement advice will not be generated.

To generate a record in the terminal enquiry and to trigger a post-settlement advice the following entry conventions will apply:

- \$0.00 is entered for batch participants if their net position in the upstream business nets to zero.
- For non-zero net amounts in the batch, that amount is entered.
- Enter NULL for batch participants that have no position (intra or inter bank) in the upstream business and therefore are not participant in the batch on that day.

### 3.8. Zero sum batches

The amounts entered into a batch must **sum to zero**. Batches that do not sum to zero are rejected by RITS.

### 3.9. No warehoused batches

Batches must be entered into RITS on the day of settlement. Batches entered for other settlement dates are rejected by RITS.

### 3.10. Batch identification number

Each individual batch is given a **batch identification number (BIN)**. It is the responsibility of the Batch Administrator to generate BINs.

The BIN is in 16 character alpha/numeric form. The first 4 characters must be the Batch Stream Id and the last 12 characters are a free form identifier for the particular batch.

RITS validates the BIN to ensure that it is unique within the last 14 days.

If RITS identifies a non-unique BIN in a terminal entered batch, the batch cannot be submitted until the BIN is changed to a valid number.

A non-unique BIN in a message-based entry causes the message to be rejected with a reject code 87 – Does not meet message standards format.

### 3.11. Recall batches

The Batch Administrator is able to recall batches from RITS, either singly, or all batches in the batch stream, from a RITS terminal or by sending a SWIFT message (Batch Recall Request).

Batches that await the activation time to be reached or, are on the System Queue, may be recalled.

Participant banks cannot recall their batch transaction from the System Queue but can prevent settlement by applying a *Deferred* status.

### **3.12. Validation on entry to RITS**

Batches entered via a RITS terminal or SWIFT message are validated against message content and business rules when they are received by RITS. This gives the Batch Administrator early warning of a problem.

For terminal entered batches errors are indicated on screen and RITS will not accept the batch until corrections have been made.

A problem in message-entered batches is indicated to the Batch Administrator in the Batch Settlement Response, which contains an appropriate reject code. Reject codes are listed in section 5.5.

Batches are again validated against the session access rules when received by the RITS System Queue.

### **3.13. Terminal entry of batches into RITS**

The following steps are required to enter a batch using a RITS terminal.

#### **3.13.1. Establish the Batch Identification Number (BIN)**

The Batch Administrator enters a unique BIN for each batch. More than one batch can be established at this stage.

RITS tests that the BIN is unique within the previous 14 days. If it is not, the BIN will not be accepted by RITS until a valid BIN is substituted.

#### **3.13.2. Enter the activation time**

The Batch Administrator may choose to enter an activation time for each batch. Alternatively, the activation time can be left NULL and the batch can be submitted when required.

#### **3.13.3. Enter batch transaction details**

The entry of batches into RITS is a two-stage process. Firstly, batch amounts are entered for the participant banks in the batch stream. At this stage amounts can be amended and the activation time can be changed. The entire batch can be deleted if required.

#### **3.13.4. Commit batch transaction details**

In the second stage of the process, the batch is committed to RITS.

RITS checks that the batch amounts sum to zero and an appropriate prompt is displayed on the terminal if it is not.

RITS also checks that the batch is eligible in the session in which the activation time falls.

If one of these conditions is failed, the batch details cannot be committed until corrections have been made.

No further changes can be made to the batch details after the batch has been successfully committed. However the Batch Administrator can recall the batch and re-enter new details in a new batch.

### 3.13.5. Recall batches using the RITS terminal

The Batch Administrator can recall batches that have been sent to RITS; either a single batch, or all batches at RITS in the same batch stream.

## 3.14. Message based entry of batches into RITS

### 3.14.1. Messages over SWIFT FIN network

Messages sent to RITS will use the SWIFT FIN network.

### 3.14.2. SWIFT message type

SWIFT proprietary message (MT 198) is used to enter batches into RITS.

The MT 198 is regarded by SWIFT as an envelope message with a specified Sub Message Type (FIELD 12: 3 numeric characters) included in it. It allows for the definition of a unique format for which another SWIFT message type is not available or applicable.

An MT 198 may only be sent and received after bilateral or multilateral agreements are implemented between two or more banks.

An MT 198 message consists of following details:

**{Block 1}**: contains sender's address (i.e. Batch Administrator) and other data.

**{Block 2}**: contains message type (ie **I198** - Input Message Type 198), receiver's CSI address (ie: FIN receiving BIC), Message Priority (ie 'S' (System) for user-to-system messages, and 'U' or 'N' for all user-to-user messages), and Delivery Monitoring (optional).

**{Block 3}**: User Reference (optional). For example: {108: Message User Reference)

**{Block 4}**: contains message contents such as:

FIELD 20: Transaction Reference Number

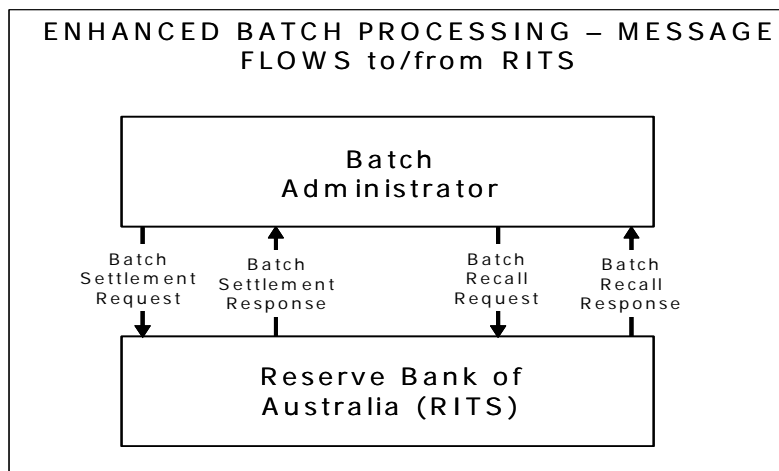
FIELD 12: Sub Message Type and

FIELD 77E: Narrative.

SWIFT will perform validation on all fields up to and including Field 12. After this, it is at the discretion of users to define message contents.

### 3.14.3. Batches messages

The message flows between the Batch Administrator and RITS are as shown below:



The following messages are exchanged between the Batch Administrator and RITS.

MT	SMT	Description
198	131	<p><b>Batch Settlement Request</b></p> <p>This message contains all of the details necessary to enter a batch into RITS. In most circumstances only one message will be required. However, if the batch contains a large number of entries, two or more Settlement Requests can be sent. RITS does not process the batch until all messages have been received.</p>
198	132	<p><b>Batch Settlement Response</b></p> <p>This message is sent by RITS to the Batch Administrator when a batch settles or when it is rejected, recalled or deleted as unsettled at the end of the day. The reject codes used by RITS are listed in section 5.5.</p>
198	133	<p><b>Batch Recall Request</b></p> <p>This message is sent by the Batch Administrator to recall a single batch or recall all batches currently at RITS in that batch stream.</p>
198	134	<p><b>Batch Recall Response</b></p> <p>This message is sent by RITS to the Batch Administrator in response to the recall request.</p>

Detailed message content specifications are contained in Section 5.

### 3.14.4. Validation of message and business rules

When a message is received by RITS the following validations are performed:

- Preliminary Validation – tests for session eligibility, duplicate messages, security validation, that all mandatory fields are present, that all messages that make up

the batch have been received and that the expected number of payments have been received.

- Message Validation – validates the contents of each field, but excludes business validation.
- Batch Validation – validates the sender, ensures batch is a zero sum, extracts batch type, validates participants and inserts queue activation time if not present.
- Business Validation – the application of RITS session and System Queue processing rules.

If a message entered batch fails the batch and business validations the following messages are generated and displayed in RITS for the Batch Administrator and the RITS System Administrator:

Message	Reject Code	Batch Source
Rejected by RITS/RTGS because no evening agreement or ineligible transaction source	92 (Existing code)	Message based
Rejected by RITS/RTGS because ineligible participants in batch stream	95 (New code)	Message based
Rejected by RITS/RTGS because batch does not sum to zero	96 (New code)	Message based

### 3.15. System Queue processing

All of the necessary message format and business validations are completed before the batch is passed to the RITS System Queue for settlement testing.

However, on arrival at the System Queue, the batch is re-validated in case some of the parameters used to initially validate the payments have changed. All transactions in the batch are tested and if one transaction fails the whole batch is rejected. A Batch Settlement Response and message are generated with one of the reject codes in the following table. The message is available to the Batch Administrator and the RITS System Administrator.

Reject Code	Description
92	Reject by RITS/RTGS because no evening agreement or ineligible transaction source or ineligible party
93	Reject by RITS/RTGS because one or more counterparties is not a bank

If the batch type is 'central party', transactions are two-sided and the central party is automatically made the counterparty in all of the transactions in the batch.

The System Queue applies default ESA, Credit and Cash Account statuses set by banks in RITS.

Pre-Settlement Advices (MT198 SMT028, MT198 SMT029 and MT198 SMT 041) are generated for individual transactions if requested by a participant bank.

When all transactions in the batch have *Active* or *Priority* ESA, Credit and Cash Account statuses the System Queue tests each payment against the Cash Account Sub-limit or Limit and the ESA Sub-limit and Limit.

All transactions that make up a specific batch are tested as a group. If one transaction is not able to settle, then the batch cannot settle.

If all transactions pass limit testing all transactions are settled simultaneously.

On settlement, the Cash Accounts and the ESAs of the Banks are updated.

If selected, Post Settlement Advices (MT198 SMT036 and MT198 SMT037) are generated.

If the bank that is acting in the role of the central party is also a participating bank in the batch, Post Settlement Advices (MT198 SMT936 and MT198 SMT937) are generated, if selected.

If the batch is message-based, a Batch Settlement Response is generated for every Batch Settlement Request that made up the batch.

Batch transactions are not included in Auto-Offset processing.

### 3.16. Enquiries on batches

The Batch Administrator and participant banks are provided with enquiry screens in RITS.

Data is available for the last five weekdays.

The Batch Administrator can view details of all data entered by them and banks can view their own transactions.

The possible statuses of batches and their meaning are listed in the table below:

	<b>State</b>	<b>Description</b>
1	<b>AwaitSubmit</b>	If batch is terminal entered it will have this status until it has been successfully committed or deleted.
2	<b>Deleted</b>	A terminal entered batch will have this status if it has been deleted from the AwaitSubmit state.
3	<b>PndActivation</b>	Message based or terminal entered batches will have this status if the message and business validations have been successful, but the activation time has not been reached. From this status a batch can be recalled.
4	<b>Activated</b>	At the activation time the status becomes Activated.  This status will apply for only a short time prior to the batch being picked up by the System Queue.
5	<b>Rejected (by the system Queue)</b>	If a message based batch fails message or business validations it will have this status.

	<b>State</b>	<b>Description</b>
6	<b>LimitsTest</b>	Message based or terminal entered batches that have reached activation time will have this status when they have been passed to the RITS System Queue. From this status, the batch can be settled, recalled or remain unsettled.
7	<b>Settled</b>	Message based or terminal entered batches will have this status if all transactions in a batch are successfully settled.
8	<b>Recalled</b>	Message based or terminal entered batches will have this status if the batch has been recalled from PndActivation or LimitsTest.
9	<b>Unsettled</b>	Unsettled message based or terminal entered batches will have this status when a batch is unsettled at EOD.

### 3.17. Reports

Reports are available to the Batch Administrator and participant banks.

For the Batch Administrator:

The RITS Member Report 'Batch Administrator Transactions Enquiry Report' report shows the transactions in the batch and the status for each batch entered by the administrator.

The 'Batch Feeder Audit Report' tracks user actions in relation to a batch.

For participant banks:

The RITS Member Report 'Batch Participant Transactions Enquiry Report' shows details of the participant's transaction in each batch.

### 3.18. Batch Administrator management of batches

Once a batch has been entered into RITS the Batch Administrator can monitor the status of the batch in a terminal enquiry.

If a batch is being tested for settlement by the System Queue (status = 'LimitTest') and has not settled by the agreed or expected time, the Batch Administrator may decide to contact all banks that are participating in the batch to confirm that the batch cannot settle. The decision to recall the batch may be taken. Note that the Batch Administrator will **not** have access to any information concerning an individual bank's ESA.

A batch can be recalled at any time and, if required, can be replaced by a new batch.

### 3.19. Bank management of payments

#### 3.19.1. Overview

Participant banks may view the status of their batch payments via an on-line RITS enquiry. Once the batch has been passed to the RITS System Queue the transactions are also displayed in the queued transaction enquiries available to banks.

Banks are able to manage their payments in the batch by instructing the Batch Administrator to enter Cash Account, Credit and ESA statuses in the SWIFT batch entry messages and by setting override/default Cash Account, Credit or ESA statuses for the branch through which the batch payments are channelled. If set, the latter will impact both terminal entered and message entered batches.

To ensure the timely settlement of the batch the preferred override/default settings are usually included in the business rules of the batch stream.

When the batch is passed to the RITS System Queue the transactions are assigned the override Cash Account, Credit and ESA statuses set in RITS. If no status is contained in the message and no override is set in RITS, the system default of *Active* is applied.

Banks can then change the statuses by using the RITS terminal (for all statuses) or by sending an Automated Information Facility (AIF) command for Credit and ESA statuses.

Banks will also, at their option, be able to receive pre-settlement advices when their batch payments are passed to the System Queue and post-settlement advices on settlement of each batch.

Banks are not able to recall their batch transaction from the System Queue. However, a bank can prevent settlement of any queued transaction (batch or RTGS) where it is the paying bank by use of a *Deferred* status; any Bulk Deferral also affects batch transactions.

### **3.19.2. Batches and the Automated Information Facility (AIF)**

With the exception of the Recall Request (MT198 SMT 001) all commands and enquiries provided by the AIF are available to banks for batch transactions.

## 4. BUSINESS FLOWS

This section describes the business processing flows of batch transactions.

	Description	Message type
1	<p><b>The Batch Administrator receives transaction data from the upstream business operator</b></p> <p>The Batch Administrator processes this data to produce schedules of customer settlements for participant banks (if required) and a multilateral batch of payments for entry into RITS.</p>	
2	<p><b>Transactions entered into RITS by the Batch Administrator</b></p> <p>The Batch Administrator enters the multilateral transactions into a RITS terminal. The batch is submitted to RITS in a separate action.</p> <p>The batch can also be entered into RITS by sending a Batch Settlement Request message over SWIFTFIN.</p>	MT198 SMT131
3	<p><b>Batches are validated on entry</b></p> <p>Both terminal-entered and message-based batches are checked on entry.</p> <p>Terminal-entered batches are not accepted until the batch passes all validations.</p> <p>If necessary, details are changed and the batch is re-submitted.</p> <p>Message-based batches are rejected if a validation is failed. The Batch Administrator is sent a Settlement Response with an appropriate reject code. A message is generated which can be viewed in the READ MESSAGE function.</p> <p>Batches that successfully pass these validations are passed to the System Queue, subject to the activation time (see below).</p> <p>Batches are validated to confirm that only eligible banks are included in the batch, that the batch amounts add to a zero sum and that the RITS session rules are met.</p>	MT198 SMT131
4	<p><b>Evening transaction flag</b></p> <p>Every transaction in the batch will be checked to determine if the evening transaction flag can be applied. If ALL transactions in the batch are eligible to receive the evening transaction flag, the flag is applied to every transaction. If one or more transactions are not eligible to receive the evening transaction flag, then none will receive the flag.</p> <p>It is not expected that batches will be eligible to settle in the Evening Settlement Session. Unless this is the case, batch transactions will not be assigned the evening transaction flag and any batches that remain unsettled at the end of the Settlement Close Session will be removed from the System Queue and marked as unsettled.</p>	

	Description	Message type
5	<p><b>Activation time</b></p> <p>The Batch Administrator can enter an activation time for the batch. The batch is passed to the System Queue for settlement testing when the activation time is reached.</p> <p>If no activation time is set, or the activation time has already passed, the batch will be passed to the System Queue immediately.</p> <p>When the activation time is reached batch is re-validated and if it successfully passes the validations it is passed to the System Queue.</p>	
6	<p><b>Cash Account, Credit and ESA status</b></p> <p>The default/override settings for the Cash Account, Credit and ESA Statuses are applied to the transactions. If a null status is set the system default of <i>Active</i> is applied.</p>	
7	<p><b>Transactions are placed on the RITS System Queue</b></p>	
8	<p><b>Pre-settlement advice credit and ESA</b></p> <p>If requested by a bank, a pre-settlement advice will be sent to that bank.</p> <p>(Also available is a pre-settlement advice for banks receiving funds in a batch – MT198 SMT041.</p>	<p>MT198 SMT028 (Credit level) MT198 SMT029 (ESA level) MT198 SMT041 (pending credit)</p>
10	<p><b>Change Credit Status</b></p> <p>Banks that manage their payments by use of the Credit Status can change status using the RITS terminal or by sending an AIF command.</p>	<p>MT198 007 MT198 031</p>
11	<p><b>Change Cash Account Status</b></p> <p>Changes to credit status can be made using the RITS terminal.</p>	
12	<p><b>Change ESA Status</b></p> <p>Banks that manage their payments by use of the ESA Status can change status using the RITS terminal or by sending an AIF command.</p>	<p>MT198 SMT004 MT 198 SMT031</p>
13	<p><b>Transaction tested for settlement</b></p> <p>All of the transactions in a batch are tested for settlement together. If all transactions can settle, the entire batch is settled. If one or more transactions cannot settle (e.g. due to insufficient ESA funds) then none will settle.</p>	
14	<p><b>Post settlement advice for intrabank transactions</b></p> <p>These advices are generated only if the bank that is acting in the role of the central party is also a participating bank in the batch.</p>	<p>MT198 SMT936 (intrabank debit)</p> <p>MT198 SMT937 (intrabank credit)</p>
15	<p><b>Post-settlement advice inter-bank ESA debit and credit</b></p> <p>These advices, if selected, notify banks that the batch payment has settled.</p>	<p>MT198 SMT036 MT198 SMT037</p>

	<b>Description</b>	<b>Message type</b>
16	<p><b>Recalls of batch transactions</b></p> <p>Batch transactions can only be recalled by the Batch Administrator and the RITS System Administrator.</p> <p>Banks are not able to recall their own batch transaction. The Recall Transaction Request (MT198 001) is rejected and attempts to recall a batch transaction from the RITS terminal are blocked.</p>	<p>Recall request: MT198 SMT133</p> <p>Recall response: MT198 SMT134</p>
17	<p><b>Unsolicited recall advice</b></p> <p>This advice, if selected, alerts banks of the recall of a transaction in a batch in which they are participating.</p>	MT198 SMT003
18	<p><b>Settlement</b></p> <p>All of the transactions in a batch are settled across Cash Accounts and ESAs.</p>	
19	<p><b>Settlement Response – Batch Administrator</b></p> <p>After a batch has settled a Batch Settlement Response is sent to the Batch Administrator. The Batch Administrator then confirms settlement to the upstream business operator and banks.</p> <p>The Settlement Response also advises the Batch Administrator of unsettled, recalled and rejected batches. Reject codes used are listed in section 5.5.</p>	MT198 SMT132
20	<p><b>Unsettled at End-of-day - Banks</b></p> <p>Unsettled batch transactions are reported in an unsettled advice.</p>	MT198 SMT038


## 5. SWIFT MESSAGE CONTENT SPECIFICATIONS

### 5.1. Batch Settlement Request

The Batch Administrator sends this message to RITS, which contains summary batch information and individual batch transactions. The table below shows the data content for a Batch Settlement Request.

Field	Field Name	Size	Status <sup>1</sup>	Notes	
Block 1	Basic Header		M	Sender's SWIFT address and other data. RITS will validate the sending BIC. If invalid, the message is rejected with code '73 – Unauthorised Command/Enquiry'.	
Block 2	Application Header – Input		M	Message Type (198), receiver SWIFT address and other data. In this message type the receiver is always the RBA's AIF BIC. If security checks fail the message is rejected with code '89 – Authentication checks failed'.	
Block 3	User Header –	16!x	O	Message User Reference (MUR). This is not validated.	
Block 4	Message Text		M		
20	Transaction Reference Number	16x	M	The sender must not have used the TRN within 14 days after date first used, which includes being used in different message types. If validation fails for any message within a batch the entire batch is rejected with reject code '74 – Duplicate TRN'. TRN prefixes RITS; ACLR and ASXC are not allowed. If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'	
12	Sub Message Type	3!n	M	SMT131 If sub message type (SMT) validation fails a General Reject Message MT198 SMT040 is sent to the sender with reject code '88 - Sub message type does not exist' and a message displayed in RITS.	
77E	Narrative				
	22A	Batch Stream Identifier (BID)	4!x	M	4!x = batch stream code eg: BAT1, CAT1 etc. If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'.
	119	Batch Identification Number (BIN)	16x	M	The first four characters of a BIN must match Batch Stream Id in tag '22A'. The last 12 characters are free format, but must not have been used within the past 14 days (ie after 14 days after date first used). If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'.

<sup>1</sup> M = Mandatory; O = Optional and C = Conditional

Field	Field Name	Size	Status <sup>1</sup>	Notes
16A	Message Number/No. of messages per batch	2n/2n	M	<p>A batch may require a number of messages. This field is used to indicate the message number and number of expected messages within a batch ie 01/04 indicates that this is the first message of four, 02/04 the second message of four etc.</p> <p>Front-end validation checks that:</p> <ul style="list-style-type: none"> <li>• Message number is not greater than number of messages expected ie 04/03; or</li> <li>• Message number in batch has not already been received for BIN (tag 119)</li> </ul> <p>If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'.</p>
171	Settlement Date	6!n	M	<p>6!n = Date format is YYMMDD.</p> <p>If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards';</p> <p>If settlement date is not current date for any message within a batch the entire batch is rejected with reject code '78 – Value date is prior to current date' or '84 – Warehoused payments not accepted'</p>
175	Batch Activation Time	4!n	O	<p>Time is the AEST time (ie: Local time) and format HHMM.</p> <p>If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'.</p>
<p> The following 4 fields represent 1 payment. Each message may have up to 10 payments</p>				
127	Transaction (Credit or Debit) indicator	2!x	M	<p>Transaction indicator is either CR (credit) or DR (debit).</p> <p>If validation fails for any message within a batch the entire batch is rejected with reject code '87 – does not meet message format standards'</p>
32B	Currency Code and Amount	3!x15!n	M	<p>Currency code (3!x) is Australian dollar (AUD)</p> <p>Settlement Amount</p> <p>Amount range is 0,00 to 9999999999,99. Amount can be whole dollars, cents only or dollar and cents (max 99¢). The integer ',' must always be present.</p> <p>If validation fails for any message within a batch the entire batch is rejected with rejected with reject code '87 – Does not meet message format standards'</p>

Field	Field Name	Size	Status <sup>1</sup>	Notes
113	Banking Priority	4!x	C	<p>If field 127 = CR, and field {113:} is present in any message within a batch the entire batch is rejected with reject code '87- Does not meet message format standards'</p> <p>If field 127 = DR, then field {113:} must be present. The allowable values are 'A'; 'D'; 'P' or NULL.</p> <p>This field consists of 4 Sub-fields which are (from left to right):</p> <p>Sub-field 1 = ESA status (1!x)  Sub-field 2 = CR status (1!x)  Sub-field 3 = Cash status (1!x)  Sub-field 4 (1!x). This sub field is not in use and may be NULL or any alpha characters.</p> <p>Sub-fields must always maintain their relative position within the main field eg credit status must always appear in the 2nd sub field.</p> <p>The validation rules are:</p> <ul style="list-style-type: none"> <li>• If ESA status is not 'A'; 'D' or 'P' in any message within a batch the entire batch is rejected with reject code '80- ESA status is not A; D or P'.</li> <li>• If CR or Cash is not 'A'; 'D' or 'P' in any message within a batch the entire batch is rejected with reject code '81 – Status is not A; D or P'.</li> </ul>
102	Transaction (paying or receiving) batch participant	4!x	M	<p>Paying or receiving participant.</p> <p>RITS validates that the participant is an active member of RITS and that it is an eligible participant in the batch stream. . If validation fails for any message within a batch the entire batch is rejected with reject code '76 – Bank code does not exist' or '77 – Bank suspended'.</p>
☐				
203	Total Payments	4!n	M	<p>Total number of payments expected in a batch.</p> <p>There are three validations:</p> <ul style="list-style-type: none"> <li>• Is format correct?</li> <li>• Do all messages in batch have the same value in this field?</li> <li>• Is sum of tag 32B equal to tag 203?</li> </ul> <p>If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'</p>

### Example of Batch Settlement Request

```
{1:F01ZYARAU20AXXX0000000000}{2:I198ZYAAAUSOXXXXN}{3:{108:QUANGMESSAGES01}}{4:  
:20:NEW REQUIREMENTS  
:12:NNN  
:77E:  
:22A:CAT1  
:119:CAT19999  
:16A:01/03  
:171:021122  
:175:1530  
:127:CR  
:32B:AUD123456789,99  
:102:BKWA  
:127:DR  
:32B:AUD246810,55  
:113:DDDD  
:102:WPAC  
:127:DR  
:32B:AUD13579  
:113:ADA  
:102:ANZB  
:127:CR  
:32B:AUD111111111111,99  
:102:MACQ  
:127:DR  
:32B:AUD9999999999,99  
:113:  
:102:RBAA  
:127:DR  
:32B:AUD1928374650  
:113: X  
:102:CBAA  
:127:CR  
:32B:AUD987654321,00  
:102:DBAL  
:127:CR  
:32B:AUD3333333  
:102:HKBA  
:127:DR  
:32B:AUD66666666  
:113:PDAX  
:102:ARBA  
:127:DR  
:32B:AUD7777777,77  
:113:APDX  
:102:BEND  
:203:10
```

## 5.2. Batch Settlement Response

This message is sent from RITS to the Batch Administrator. It confirms (or rejects) the Batch Settlement Requests previously sent.

If a batch is recalled, unsettled or settled a Batch Settlement Response is generated for all Batch Settlement Requests that comprise the batch.

If a single Batch Settlement Request within a batch fails validation the entire batch is rejected and a Batch Settlement Response is generated for all Batch Settlement Requests that comprise the batch.

However, there is an exception to the rule. If a Batch Settlement Request fails security validation, mandatory fields missing or the current session being DAYCLOSE or

SYSCLOSE a single Batch Settlement Request is generated without further checking for any other messages that may comprise the batch.

The table below shows the data content for a Batch Settlement Response.

Field	Field Name	Size	Status	Notes
Block 1	Basic Header		M	Contains sender's SWIFT address and other data. In this message type, the sender is always the RBA's AIF BIC.  If security checks fail the message is rejected with code '89 – Authentication checks failed'.
Block 2	Application Header – Input		M	Contains message Type (198), Receiver SWIFT address (the sender of the original settlement request) and other data.
Block 3	User Header –	16!x	O	Message User reference. Appear only if used in the original request
Block 4	Message Text		M	
20	Transaction Reference Number	16x	M	Generated by RITS. The prefix for batch feeder response messages is 'B' followed by a system generated unique (7 digits) sequence number.
12	Sub Message Type	3!n	M	SMT132
77E	Narrative			
21	Related Reference	16x	M	It is the Transaction Reference Number from the original Batch Feeder Settlement Request.
22A	Type of Batch Stream	4!x	M	4!x = batch Stream Id as it appears in the original Batch Feeder Settlement Request.
119	Batch Identification Number (BIN)	16x	M	BIN from the original request.
451	Accept/Reject Code	1!n	M	'0' = accepted and '1' = rejected.
13E	Settlement Date & Time Indicator	6!n6!n	C	Present only when batch is successfully settled. This field has two sub-fields: - 6!n = Date settled and must be in the format of YYMMDD - 6!n = Time settled and must be in the format of HHMMSS.
432	Reason for Reject	2n	C	Present only when batch is rejected by RITS.

### Conditional Field Rules

- If field 451 (Accept/Reject Code) contains '1' (ie: Reject), field 432 (Reason for Reject) must be present.
- If field 451 (Accept/Reject Code) contains '0' (ie: Accept), field 13E (Settlement Date and Time Indicator) must be present.

### Example of Batch Settlement Response

```
{1:F01ZYAAAUS0BXXX0044026450}{2:I198ZYARAU20XXXXN}{3:{108:QUANGMESSAGES01}}{4:
:20:B1399522
:12:NNN
:77E:
:21:TESTBATCHSETTLE1
:22A:BAT1
:119:BAT10001
:451:0
:13E:020928122332
-}{5:{TNG:}{PDE:}}{S:{SPD:}}
```

```
{1:F01ZYAAAUS0BXXX0044026450}{2:I198ZYARAU20XXXXN}{3:{108:QUANGMESSAGES01}}{4:
:20:B1399523
:12:NNN
:77E:
:21: TESTBATCHSETTLE2
:22A:BAT1
:119:BAT10001
:451:1
:432:86
-}{5:{TNG:}{PDE:}}{S:{SPD:}}
```

### 5.3. Batch Settlement Recall Request

This message is sent by Batch Administrator to RITS to recall a Batch Settlement Request that is pending activation or unsettled on the queue.

The following table shows the data content for a Batch Recall Request.

Field	Field Name	Size	Status	Notes
Block 1	Basic Header		M	Contains sender's SWIFT address and other data. If invalid, the message will be rejected with code '73 – Unauthorised Command/Enquiry'.
Block 2	Application Header – Input		M	Contains Message Type (198), Receiver SWIFT address and other data. In this message type, it is always the RBA's AIF BIC. If security checks fail the message is rejected with code '89 – Authentication checks failed'.
Block 3	User Header –	16!x	O	Message User Reference (MUR) is not validated.
Block 4	Message Text		M	
20	Transaction Reference Number	16x	M	The sender must not have used the TRN within 14 days after date first used, which includes being used in different message types. If validation fails the message is rejected with reject code '74 – Duplicate TRN'. TRN prefixes RITS; ACLR and ASXC are not allowed. If validation fails the message is rejected with reject code '87 – Does not meet message format standards'
12	Sub Message Type	3!n	M	SMT133 If sub message type (SMT) validation fails a General Reject Message MT198 SMT040 is sent to the sender with reject code '88 - Sub message type does not exist' and a message is displayed in RITS.
77E	Narrative			

Field	Field Name	Size	Status	Notes
22A	Batch Stream Identifier (BID)	4!x	M	4!x = batch stream code eg: BAT1, CAT1 etc. If validation fails the message is rejected with reject code '87 – Does not meet message format standards'.
119	Batch Identification Number (BIN)	16x	M	Valid options in this field are: The first 4 characters of this field must be identical to 22A to recall a specific batch; or 'CALL' to recall all batches for Batch Stream in field 22A If validation fails the message is rejected with reject code '87 – Does not meet message format standards'
171	Settlement Date	6!n	M	6!n = Date format is YYMMDD. If validation fails for any message within a batch the entire batch is rejected with reject code '87 – Does not meet message format standards'; If settlement date is not current date for any message within a batch the entire batch is rejected with reject code '78 – Value date is prior to current date' or '84 – Warehoused payments not accepted'

### Example of Batch Settlement Recall Request

<pre>{1:F01ZYARAUS0AXXX0044026450}{2:I198ZYAAAU20XXXXN}{3:{108:QUANGRECALL01}}{4: :20:TESTBATCHRECALL1 :12:NNN :77E: :22A:BAT1 :119:BAT10001 :171:020906 -}{5:{TNG:}{PDE:}}{S:{SPD:}}</pre>
<pre>{1:F01ZYARAUS0AXXX0044026450}{2:I198ZYAAAU20XXXXN}{3:{108:QUANGRECALL01}}{4: :20:TESTBATCHRECALL1 :12:NNN :77E: :22A:BAT2 119:CALL :171:020906 -}{5:{TNG:}{PDE:}}{S:{SPD:}}</pre>

## 5.4. Batch Settlement Recall Response

This message is sent from RITS to the Batch Administrator and it confirms (or rejects) a Batch Feeder Recall Request.

When a Batch Settlement Recall Request has been successful, Batch Settlement Response(s) are generated with reject code '85 – Message (Batch) Recalled'.

The table below shows the data content for a Batch Feeder Recall Response.

Field	Field Name	Size	Status	Notes
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Field	Field Name	Size	Status	Notes
Block 1	Basic Header		M	Contains sender's SWIFT address and other data. In this message type, the sender is always the RBA's AIF BIC.  If security checks fail the message is rejected with code '89 – Authentication checks failed'.
Block 2	Application Header – Input		M	Contains message Type (198), Receiver SWIFT address (Batch Coordinator) and other data.
Block 3	User Header –	16!x	O	Message User Reference (MUR).
Block 4	Message Text		M	
20	Transaction Reference Number	16x	M	Generated by RITS. The prefix for batch feeder response messages is 'B' followed by a system generated unique (7 digits) sequence number.
12	Sub Message Type	3!n	M	SMT134
77E	Narrative			
21	Related Reference	16x	M	It is the Transaction Reference Number from the original recall request.
451	Accept/Reject Code	1n	M	'0' = accepted and '1' = rejected.
432	Reason for Reject	2n	C	Present only when batch is rejected by RITS.

### Conditional Field Rules

- If field 451 (Accept/Reject Code) contains '1' (ie Reject), field 432 (Reason for Reject) must be present.

### Example of Batch Settlement Recall Response

```
{1:F01ZYAAAUS0BXXX0044026450}{2:I198ZYARAU20XXXXN}{3:{108:QUANGRECALL01}}{4:
:20:B1399524
:12:NNN
:77E:
:21:TESTBATCHRECALL1
:451:1
:432:87
-}{5:{TNG:}{PDE:}}{S:{SPD:}}
```

## 5.5. Reject Codes

Reject Code	Description	Used for Batch Transactions
60	Did not make FIN-Copy cut-off time	×
61	Did not make SWIFT Payment cut-off time	×
70	Payment Order (Transaction ID) does not exist	√
71	Payment Order already has this status	√
72	Payment Order Settled	√
73	Unauthorised Command/Enquiry	√

<b>Reject Code</b>	<b>Description</b>	<b>Used for Batch Transactions</b>
74	Duplicate TRN (for this date)	√
75	RTGS Closed	√
76	Bank code does not exist	√
77	Bank suspended	√
78	Value date is prior to current date	√
79	Value date is more than 7 days in advance of current date	×
80	ESA Status is not A D or P	√
81	Credit Status is not A D or P	√
82	This Cash Account does not exist	×
83	Request not valid during this period (RITS/RTGS State)	×
84	Warehoused payments not accepted from feeder system	√
85	Message recalled	√
86	Message unsettled at end of day	√
87	Does not meet message format standards	√
88	Sub-Message type does not exist	√
89	MAC\PAC\PKI check failed	√
90	Message not valid during SWIFTEVE RITS/RTGS	×
91	Message not valid during SWIFTFINAL RITS/RTGS	×
92	Rejected by RITS/RTGS because no evening agreement or ineligible transaction source	√
93	Rejected by RITS/RTGS because one or more counter parties is not a bank	√
94	Message not valid during SWIFTDAY RITS/RTGS	×
95	Rejected by RITS/RTGS because ineligible participants in batch stream	√
96	Rejected by RITS/RTGS because batch does not sum to zero	√

## 6. ATTACHMENT: BATCH ADMINISTRATOR ELIGIBILITY CRITERIA

RITS provides for Real Time Gross Settlement (RTGS) and batch settlement across Exchange Settlement Accounts. Low value net inter-bank positions<sup>2</sup> may be settled using the batch settlement facility in RITS<sup>3</sup> if it is desired that these positions be settled simultaneously. Batches may be submitted in any eligible RITS session by an approved Batch Administrator. Batches are sent to the RITS queue, where all payments in each batch are tested for simultaneous settlement. If one payment cannot settle, the entire batch will not settle, and will remain on the queue for further settlement testing, in the same manner as RTGS payments.

This document sets out eligibility and application requirements that must be met before a Batch Administrator is approved by the Reserve Bank to use the RITS batch settlement facility. Applicants should be aware that additional criteria may be relevant for different uses of the batch facility. Where an organisation is the Batch Administrator for more than one upstream business activity, the organisation must satisfy the eligibility criteria and application requirements described in this document for each business stream.

### KEY TERMS USED IN THIS DOCUMENT

**Upstream business operator** The upstream business operator is an entity that will extract data on financial transactions, arising from an “upstream” real or financial business, for transmission to a Batch Administrator that will administer batch settlement across RITS of the resulting net inter-bank positions. This entity may run the underlying business or act as an agent of that business.

**Batch Administrator** The Batch Administrator is the operator of an arrangement for one or more upstream business activities, where it has been agreed by the upstream business operator/s and participant banks that the resultant net inter-bank positions should be settled simultaneously. The Batch Administrator has the authority of these parties to enter into RITS the net inter-bank positions of participant banks that are to be settled simultaneously in a batch, and would provide confirmation to each participant bank of its position in each batch. The Batch Administrator may provide payment details to each participant bank or other financial institution to enable posting to individual customer accounts.

The Batch Administrator may also potentially be the upstream business operator.

**Participant bank** Participant bank means either an institution holding a banking authority<sup>4</sup> issued by the Australian Prudential Regulation Authority (APRA), or other institution approved by the Reserve Bank to hold an Exchange Settlement Account, that will have a net inter-bank position to be settled using the batch facility.

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<sup>2</sup> Net amounts paid or received across Exchange Settlement Accounts arising from own or customer transactions.

<sup>3</sup> The 9am Batch, primarily for settlement of obligations arising from the previous day’s exchange of “low value” clearings, does not currently use this facility.

<sup>4</sup> Used here to denote an authority under section 9 of the *Banking Act 1959* and a section 66 consent (or eligibility to obtain such a consent) from APRA to use the terms “bank”, “banker” or “banking” in relation to its business.

**Types of batches** A batch may be configured as either a “central party” or “against the system” batch. In a *central party batch* each participant bank either pays or receives its net position against a central party also holding an Exchange Settlement Account with the Reserve Bank. In an *against the system* batch there is no central party; each participant bank has a single multilateral position to be settled against the “system” comprising all other participant banks.

## GENERAL CRITERIA

Applicants seeking Reserve Bank approval to be a Batch Administrator must:

1. Be an actual or prospective operator of an arrangement for one or more “upstream” business activities, where it has been agreed by the upstream business operator (if a separate entity) and participant banks that the resultant inter-bank positions should be settled simultaneously.
2. Provide evidence of operational capacity to manage and implement the provision of:
  - net inter-bank positions to RITS (that must sum to zero), by any of the methods approved by the Reserve Bank; and
  - advice of the above net inter-bank positions of participant banks to those banks in the manner stipulated in the operating procedures for that batch arrangement.

Proving of operational capacity will require satisfactory testing of the batch arrangement with the Reserve Bank, participant banks and the upstream business operator.

3. Satisfy the Reserve Bank that appropriate operational and contingency procedures will be in place to ensure the efficient operation of the batch arrangement.
4. Satisfy the Reserve Bank that appropriate business rules and other legal arrangements will be in place to support the batch arrangement. These must:
  - evidence the approval of the upstream business operator for the applicant to manage batch settlement of net inter-bank positions arising from the upstream business;
  - evidence the approval of participant banks for the applicant to provide their inter-bank positions to RITS for batch settlement;
  - acknowledge that it is the responsibility of participant banks to ensure the funding of their batch payments and that the Reserve Bank does not guarantee the settlement of any batch; and
  - provide for participation in the batch of any eligible holder of an Exchange Settlement Account.
5. The Batch Administrator must be a RITS Member - either as an Exchange Settlement Account holder or as a Non-Transaction Member.

6. If the Batch Administrator is also a participant bank, or central party in a central party batch, it must hold an Exchange Settlement Account with the Reserve Bank.<sup>5</sup>
7. If the Batch Administrator is not a bank or is not supervised by APRA and is a central party in a central party batch, it must separately apply to the Reserve Bank to use its Exchange Settlement Account for this purpose.

These criteria are to be met prior to commencement of batch settlement and on an ongoing basis.

## APPLICATION REQUIREMENTS

It is acknowledged that some of the requirements below may be met by the applicant on the basis of information supplied to the applicant by the upstream business operator. This should be noted by the applicant where applicable.

1. Evidence of the financial capacity, standing and integrity of applicant to perform the functions of the Batch Administrator, in an efficient manner on an ongoing basis, must be provided to the Reserve Bank.
2. An outline of the operation of the proposed batch arrangement must be provided to the Reserve Bank and should include, at a minimum:
  - a) A high level description of the underlying business purpose of the batch settlement and the applicant's business model to fulfil the function of Batch Administrator. The latter would include, for example, the proposed means of connecting to RITS and participant banks.
  - b) Projections estimating the value and volume of transactions to be settled in the batch.
  - c) An outline of operational and contingency procedures.
  - d) An outline of proposed business rules and other legal arrangements underlying the operation of the batch.

## CONDITIONS OF OPERATION

1. The applicant must meet the general admission criteria set out in this document on an ongoing basis.
2. A contract must be entered into with the Reserve Bank. This will, amongst other things:
  - a) set out the rights and obligations of the Reserve Bank and the Batch Administrator;
  - b) acknowledge that it is the responsibility of participant banks to ensure the funding of their batch payments and that the Reserve Bank does not guarantee the settlement of any batch;

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<sup>5</sup> Eligibility criteria for an Exchange Settlement Account are set out in the Reserve Bank Media Release 1999-2 of 1 March 1999.

- c) bind the Batch Administrator to the *Regulations and Conditions of Operation* of the Reserve Bank Information and Transfer System;
- d) provide for reporting of such information as may be required from time to time by the Reserve Bank;
- e) provide for payment of fees to the Reserve Bank, if these are generally payable by Batch Administrators; and
- f) allow the Reserve Bank to set such conditions as it deems appropriate to safeguard the efficient operation of RITS.

If an institution is a Batch Administrator for more than one upstream business, a single contract would be used, referencing each upstream business as appropriate.

3. The Reserve Bank and the Batch Administrator must agree a set of Operational and Contingency Procedures that set out detailed procedural, administrative and contingency arrangements related to the conduct of the Batch.
4. The batch settlement facility has been designed for the settlement of low value transactions. Large value payment obligations should be settled on a RTGS basis.

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**Applications for approval as a Batch Administrator should be addressed to the Reserve Bank for the attention of:**

Senior Manager (Planning & Client Relations)  
Payments Settlements Department  
Reserve Bank of Australia  
65 Martin Place  
SYDNEY NSW 2000