# RESERVE BANK INFORMATION AND TRANSFER SYSTEM

## RITS Low Value Feeder Project

## Industry Consultation Paper 2:

## Network Arrangements, Message Flows and Settlement of Low Value Payments in RITS

### January 2009

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# 1. INTRODUCTION

This paper discusses the Reserve Bank's initiative to develop a "Low Value Feeder" which will facilitate the same day settlement of (bulk) low value payments in RITS. The paper builds on work already undertaken in consultation with APCA and the industry.[1] This paper seeks feedback from LVS (Low Value Same Day Settlement) Working Group participants and other members of APCA clearing systems on certain aspects of the Low Value Feeder design.

The Low Value Feeder Project will provide RITS Members with the ability to send settlement instructions for (bulk) low value payments to RITS via multiple communications networks (the 'Settlement Interconnector') for same day settlement. It will also provide RITS Members with the capability to transfer payment files across different communication networks if required (the 'Clearing Interconnector'). This paper presents an overview of the Low Value Feeder Project with a focus on the Settlement Interconnector and the functionality required in meeting the settlement (and reconciliation) needs of Members. It seeks feedback from the industry on preferred business practices in clearing and settlement where those business practices influence the design of the Settlement Interconnector. The paper also seeks an indication from Members of their potential demand for a Clearing Interconnector. Specific questions requiring feedback follow in later sections. For ease of feedback, the attachment contains all questions and may be used by Members to provide their response.

The process used by RITS Members to match or reconcile individual low value transactions (contained in bulk payments files) with the settlement of the resultant interbank obligations is a key issue in the architecture of the Low Value Feeder. Basic network services such as COIN (Community of Interest Network) and SWIFT FileAct, require Members to send bulk payments files to their counterparties and settlement instructions to RITS separately. A manual reconciliation process may then be required to confirm which files have been settled.

Our intention is to make the business processes, including the timing of file transfers and the content of settlement messages, identical regardless of what network provider is chosen to transmit the files. This makes it potentially straightforward for Members to switch between network providers, including for contingency purposes. In contrast, the SWIFT FileAct Copy service can be used to hold bulk payments files until after settlement of the interbank obligation has occurred. This removes the requirement to determine the settlement status of bulk payments files and potentially facilitates Straight Through Processing (STP) to customer accounts. However, the business logic in this process differs from that used with a basic network.

**In this paper we are seeking Members' advice on the importance of maintaining consistency in business practices across networks and the demand for delaying the transfer of bulk payments files until after settlement (i.e. using FileAct Copy to achieve automated reconciliation)**. *Refer Attachment – File and Message Flows.*

The method of settling low value files may differ depending on whether the settlement instruction relates to a file containing debit payments, credit payments or both. For instance, SWIFT PDS payments are sent to RITS only by the paying Member. Austraclear payments may not be matched by the paying counterparty before they are sent to RITS. For low value payments, consideration needs to be given to whether the payee should send the settlement instructions to RITS when they transfer debit files. In this case, payments would be placed on the RITS queue with a *deferred* ESA and/or credit status so that the paying counterparty can

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[1] See Same Day Settlement of Low Value Payments in RITS Industry Consultation Paper, May 2008, available on the RITS Information Facility.

manage settlement. Alternatively, settlement instructions might only be sent to RITS by paying counterparties after the receipt of debit files. Two options are canvassed in the paper.

- All File Settlement Instructions are sent to RITS for the inter-bank settlement of a file by the Member sending a bulk file to another Member, regardless of whether it only includes credit items (in which case the sending Member is **paying** ESA funds across RITS to the receiving Member) or debit files (in which case the Sending Member is **receiving** ESA funds) or a mixture of the above. **OR**

- All File Settlement Instructions are sent to RITS for the inter-bank settlement of a file by the Member paying ESA funds across RITS, regardless of whether they are the originator of the bulk file.

**Members are requested to comment on whether all settlement instructions should be sent to RITS by the payer of the obligation or by the originator of the file.** *Refer Attachment – Sending Settlement Instructions to RITS.*

Industry consultation has previously revealed a strong preference for liquidity-saving functionality to be incorporated into the design of the Low Value Feeder. This was shown in response to our first LVF proposal to develop a single settlement (file-by-file) capability in RITS during 2009, followed by the development of a netting solution as a second phase of the project during 2010. Feedback then suggested that some RITS Members would prefer to wait until the netting capability is available before undertaking any same day settlement of low value payments. If single settlement and netted settlement were to be developed simultaneously, development and testing efficiencies would likely cut two to three months from the overall project lifecycle, allowing an earlier delivery of the netting capability. Since then a wider range of views has emerged.

**This paper seeks views from Members about the likely demand to settle low value settlement instructions in RITS on a single settlement basis continuously through the day, or whether some files might be settled as part of multilateral net batches periodically through the day**. *Refer Attachment – Netting of Settlement Instructions.*

The message format and content of basic settlement instructions and responses will be consistent across networks in order to simplify implementation and ongoing operations for Members. A prototype business design (not yet converted to the relevant standards) of standard settlement messaging is included in this paper for information and review.

**We are seeking advice from Members on the information that should be included in the 'File Settlement Instruction' (FSI) and 'File Settlement Response' (FSR).** *Refer Attachment – Content and Format of Settlement Instructions and Responses.*

The next section provides an overview of the RITS Low Value Feeder Project. Each of the issues noted above are then discussed in more detail in subsequent sections with specific questions posed for each. The paper concludes with a summary of the questions for which feedback is sought, the timetable for responses, and the proposed timing for the next meeting of the LVS Working Group. A summary attachment is also included for use in responding.

This paper does not cover RITS session arrangements and other operational matters concerned with the migration from the 9am Settlement. This will be provided in a later paper.

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# 2.    THE RITS LOW VALUE FEEDER PROJECT

The RITS Low Value Feeder Project has three main components listed below and depicted in the diagram:

- **Network upgrade** – RBA connection to COIN(s) for interbank settlement information exchanged between the Reserve Bank and Members and for RBA transactional banking business.  This paper does not address the latter purpose.

- **RITS Same Day Settlement -** This will involve: a) development of a **Settlement Interconnector** to allow the sending and receipt of File Settlement Instructions over both SWIFT and COIN(s), and b) enhancements to the RITS application to allow same day settlement of the File Settlement Instructions.

- **Clearing Interconnector** – to provide industry connectivity across networks by passing payments files between networks.
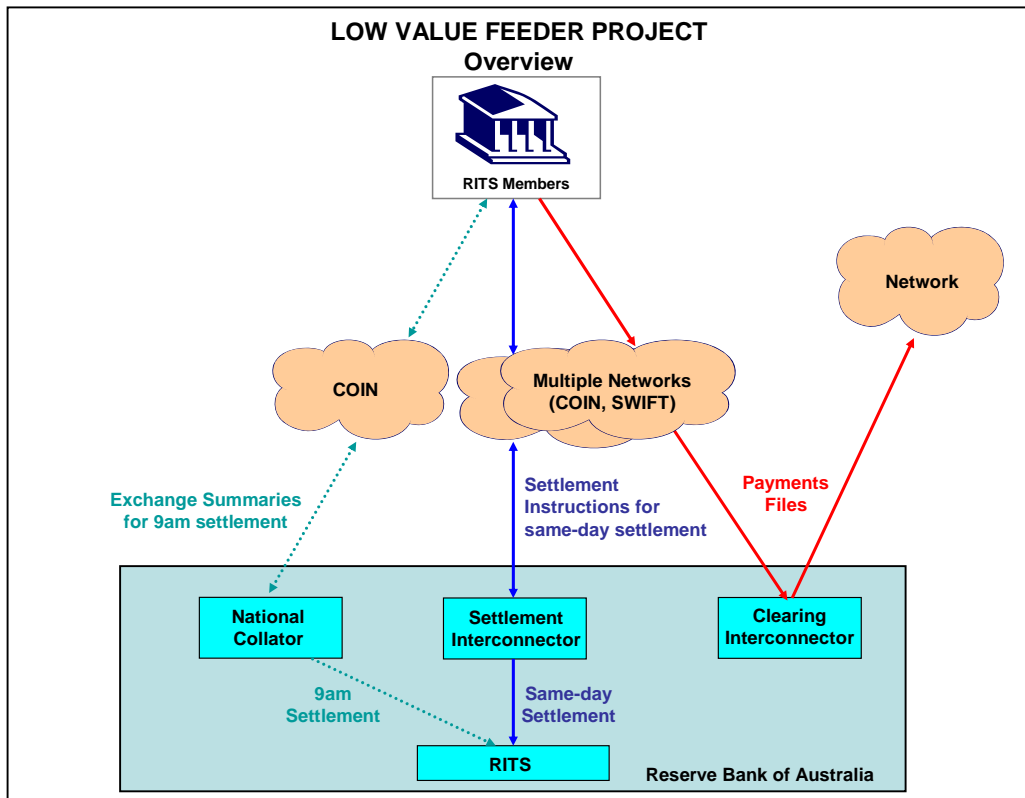


The RBA's initial connection to a COIN will be for the purpose of continuing the National Collator operations for 9am settlement (accepting Exchange Summary files and sending back confirmations of settlement figures).  The connection to the COIN will also be used as required for receipt of interbank settlement requests.

Development of the Low Value Feeder Project includes building functionality to send and receive settlement instructions and responses across multiple networks through a **Settlement Interconnector**.  The RBA has previously announced its intention to accept same day settlement instructions from the SWIFT FileAct network.  Same day settlement instructions will also be accepted from a COIN network.  The Low Value Feeder Project also requires changes to the RITS application to accept same day low value settlement instructions and to process and

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settle low value transactions on the RITS queue. Appropriate payment management functionality and reporting capabilities will also be developed.

The RBA will also develop and implement a **Clearing Interconnector** if required. The Clearing Interconnector will pass bulk payment files from one network to another in the event that Members do not share a common communications network. The Clearing Interconnector will effectively create a single virtual network for the Australian low value payments industry in respect of bulk payments.

## 3.    FILE AND MESSAGE FLOWS

To settle low value obligations using the Low Value Feeder, Members will send credit and debit files ('payments files') to their counterparties in accordance with the applicable APCA clearing rules.[2]   In addition, a File Settlement Instruction (FSI) for each payment file will be sent to RITS where it will be placed on the RTGS queue and tested for settlement.   RITS will send a File Settlement Response (FSR) back to Members notifying of a rejection, or the outcome of a recall request. RITS will also send an FSR notifying both parties when the transaction has been placed on the queue, or the transaction has settled, or in the event that the transaction remains unsettled at the end of the settlement session.   Payment instructions can be recalled from the RITS queue by sending a File Recall Request (FRR).

The sequencing of payments file transfers and settlement will depend on the type of network service used by the sending Member.   Using a network such as a Community of Interest Network (COIN) or the normal SWIFT FileAct service, the payments file will be forwarded immediately to the counterparty after it is sent.   Using the new SWIFT FileAct Copy service, the payments file will be held by SWIFT and released only after settlement.[3]   The network service used has implications for Member reconciliation and posting to customer accounts. These are discussed further below.

The following discussion looks in more detail at the network design of COIN and FileAct and the SWIFT FileAct Copy design.   The aim is to get Members' views on the desirability of the basic design and their demand for a FileAct Copy service.

### 3.1    NETWORK CONNECTION (NO FILE HOLDING)

Under a network connection such as COIN or SWIFT FileAct, there are two file transfer processes required to effect the same day settlement of a low value payments file.   One is the transfer of the payments file (and the associated summary file for BECS exchanges) from one RITS Member to another.   The other process is the sending of a File Settlement Instruction (FSI) separately to RITS.

Each file is transferred immediately, with no 'holding' facility available in a COIN or basic FileAct[4] service.[5]   The Settlement Interconnector will perform some basic file validations and will send an FSR notifying the sender if the FSI has been rejected.   RITS will send an FSR to both counterparties notifying them when a payment instruction has been placed on the RITS queue to be tested for settlement.   Once the payment instruction has settled, RITS will send an FSR to both counterparties notifying them that settlement is complete.   RITS will also send an FSR to both counterparties notifying them in the event that a payment remains unsettled at the "end of day" (end of the last settlement session in which files are eligible for settlement).

The file and message flows for the settlement of a payments file containing credits are depicted in the diagram below.

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[2]   These may require amendment for same day settlement.

[3]    This paper discusses the SWIFT FileAct Y-Copy service.  A T-Copy service is also available that transfers the payments file to the recipient immediately but which uses different messaging logic to the other networks.

[4]    FileAct also has a Store-and Forward facility available where it is up to the receiver of a file to retrieve the file from their Store-and-Forward queue.  This is not "held" in the sense that its release is not triggered by settlement in RITS.

[5]    However, counterparties could bilaterally agree that the sender of the payments file delays sending the payments file until after settlement is complete. Alternatively, the receiver could use its own systems to hold the file until settlement is complete.
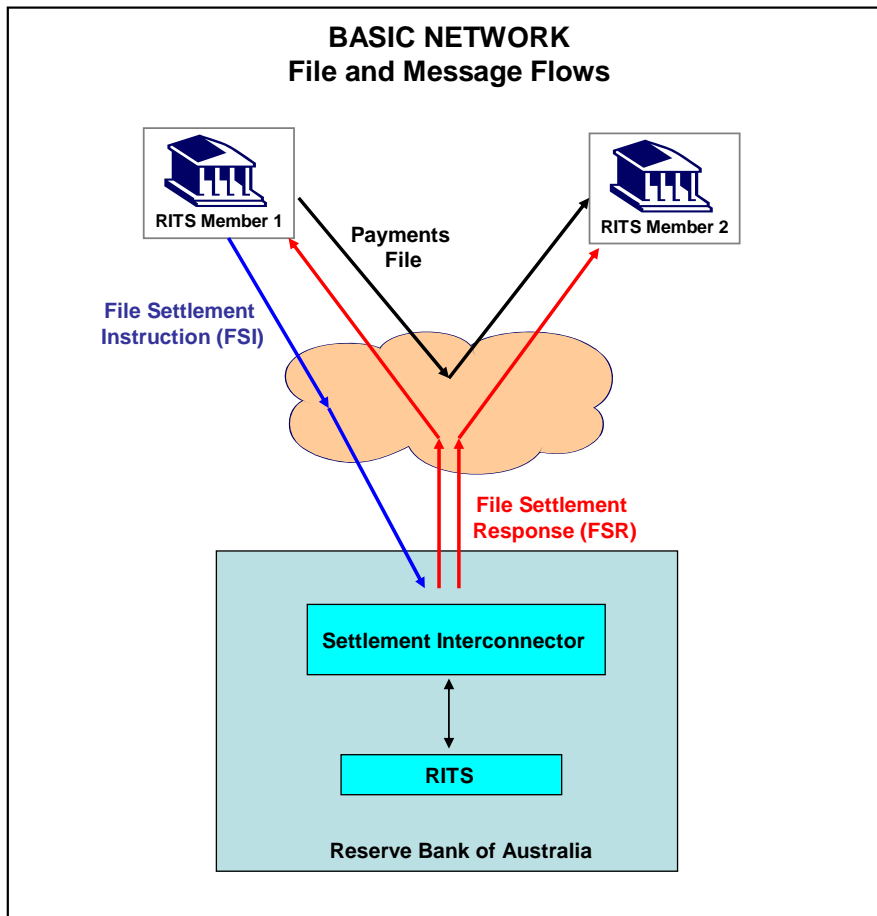
Under this arrangement, Members are required to reconcile the FSR settlement confirmation with the payments file to allow the posting of transactions to customer accounts.  It may be possible to automate this process using appropriate file naming conventions and identifiers.

Within the basic settlement model, the same set of settlement messages will be used regardless of the network chosen by the Member.  The consistency in message flows across networks should make it easier to change network providers if the need arises.  This may aid in contingency planning or in exploiting pricing differentials across networks.

## 3.2   SWIFT FILEACT COPY

An additional service is available with SWIFT FileAct Store-and-Forward Mode that can be used to copy settlement instructions to RITS without having to send an FSI separately to a payments file.  Using SWIFT FileAct Copy, a Member sends a payments file and file header in one transfer, with the header (containing the settlement instructions – FSI) copied to RITS. This can be done as a T-Copy or Y-Copy configuration, although only Y-Copy is discussed here.

A Y-Copy configuration makes the payments file available on the receiver's Store-and-Forward queue in SWIFT for their retrieval only after authorisation (confirmation of settlement) is received from RITS.  The FileAct Copy approach has the advantage that payment files are only received after they have settled. This will remove the need to separately determine the settlement status of payments files and potentially facilitate more timely postings to customer accounts.
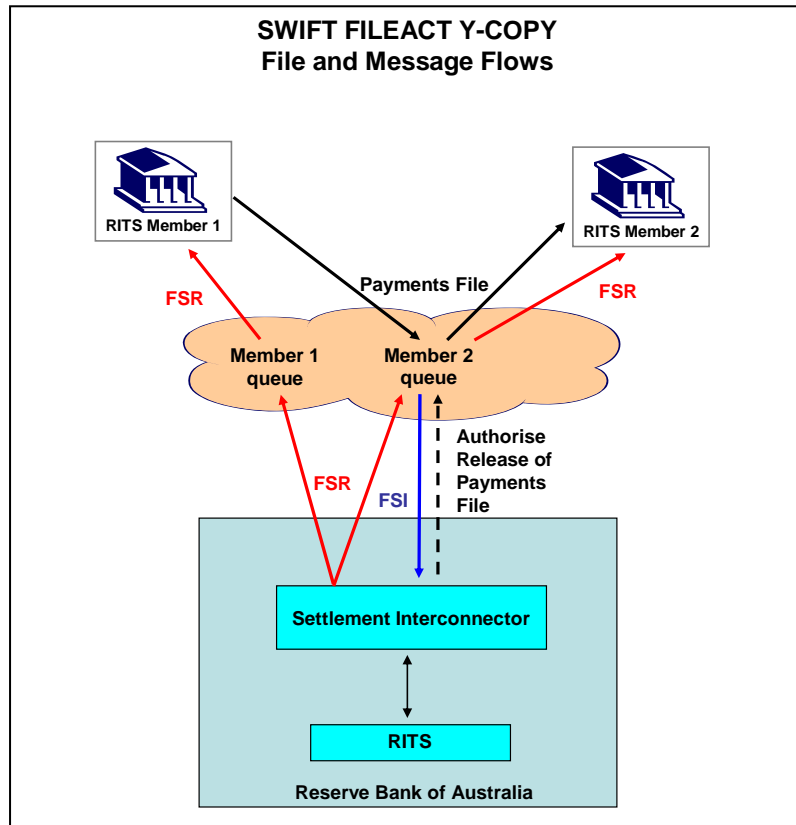
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The FileAct Copy model also has the advantage that the sending Member transfers the payments file and the FSI together. The copying of the FSI to RITS is done by SWIFT. This may potentially result in cost savings due to reduced messaging costs.

Y-Copy can be used for sending credit or debit files with the arrangement for debit files the same as a basic network. The implication of using File-Copy for settling debit files is that payment is made on a "said to contain" basis because the payments file is not received until after settlement. The Y-Copy model does not lend itself readily to settling debit files if the payments file is required for scrutiny by the paying bank before payment or if only the paying Member sends settlement instructions to RITS (see discussion below). Both of these cases would require the debit file to be received by the payer before settlement.[6] The proposed implementation of the FileAct Copy model is also not readily suited to instances where payments files are sent in advance of the settlement day, such as is the case for some government payments.

The above discussion provides the background to the choices available to Members for structuring the business practices of same day settlement and reconciliation of low value payments. The Reserve Bank is seeking feedback from Members on their business model preferences in order to proceed with the design of the Low Value Feeder.

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[6]  In theory, this could be accommodated with Y-Copy if the RBA developed functionality to provide Members with the option of immediate or post-settlement release of a payments file. However, this introduces unnecessary complications that can be avoided by using the basic settlement model.

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*Q1:   Would you prefer to have a standard settlement model that requires manual reconciliation of payment files and settlement confirmations and is consistent across all networks?*

*Alternatively, would you prefer to have an option to use the SWIFT FileCopy service that provides automated reconciliation by delaying delivery of payments files until after settlement has occurred and which has different business logic to the basic networks?*

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## 4. SENDING SETTLEMENT INSTRUCTIONS TO RITS

Most RTGS settlement instructions are received by RITS either from a Member that is making a payment or from a Member requesting payment (the 'payee') after prior matching or authorisation by the payer.

Instructions for the settlement of SWIFT PDS payments are sent by the payer, Batch Administrators send settlement instructions to RITS based on authorised positions in CHESS or property batches, and RITS cash transfers require the matching of settlement details entered by both the payer and payee. Settlement of the 9am batch also follows the matching of exchange summaries from both parties.

By contrast, Austraclear settlement instructions (resulting from matched trades) to RITS are not generally authorised by the RITS Member paying ESA funds prior to receipt by RITS. The matching parties to Austraclear trades may be sponsored clients of RITS Members. In the bulk of cases, the "sponsoring bank" (RITS Member) in Austraclear uses the RITS Automated Information Facility (AIF) to authorise settlement instructions **after** they are received by the RITS Queue. This current practice is consistent with the option listed below for the sender of the file to also send the File Settlement Instruction, including for debit files. The paying RITS Member will in all cases, at their option, be able to authorise settlement by use of ESA and/or Credit Status flags. The sections below expand on possible options for sending the File Settlement Instruction.

The settlement of low value credit files adheres to similar business logic as RTGS SWIFT payments – the (paying) Member that acquires the transaction details sends the payments file to the counterparty and also sends a payment instruction to RITS. The payer controls settlement, at their option, by use of ESA and/or Credit status flags when the payment instruction is received by RITS. In these cases the sender of the file can additionally control settlement by the timing of sending payment instructions to RITS.

Same day settlement of low value payments introduces the possibility of a payee (RITS Member receiving ESA funds) sending the settlement instruction if that Member is the sender of a net debit file containing debits-only or where the value of debits is greater that credits in the file. In such a case, the RITS Member paying ESA funds can still control settlement, at their option, by use of ESA and/or Credit status flags when the payment instruction is received by RITS (refer below). This arrangement is consistent with the settlement of Austraclear transactions. It is also efficient to the extent that the payments file and settlement instruction are sent at the same time.
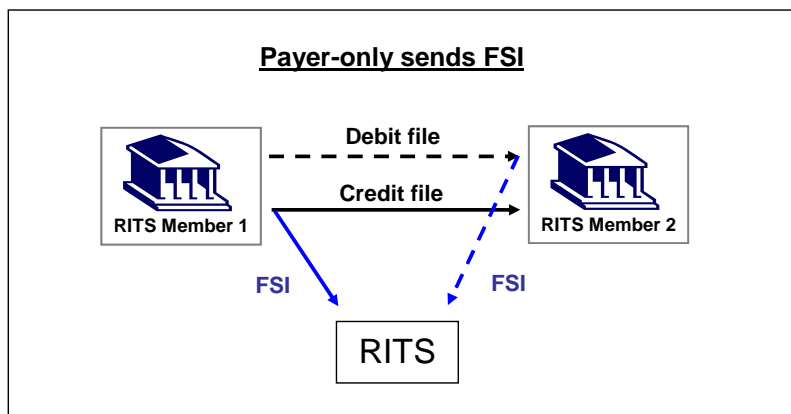
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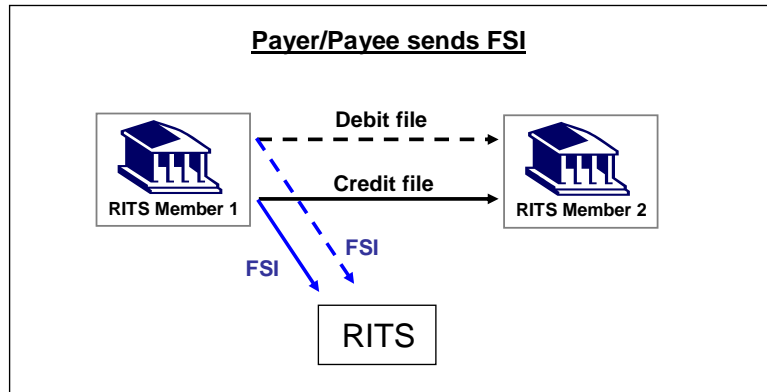


If a payee sends a File Settlement Instruction (FSI) to the RITS queue, **and** the paying RITS Member wishes to control each settlement, then the queue statuses (ESA and/or Credit) would need to automatically be set to *deferred* when the settlement instruction arrives in RITS. The payer would be advised of the payment on the queue through a File Settlement Response (FSR) and/or AIF messages if that is desired by the industry. The initial *deferred* statuses could be overridden by the payer through existing RITS functionality, which would require additional branches and transaction types to be created in RITS.

Alternatively, the Low Value Feeder can be developed such that only paying Members send FSIs to RITS. In this model, a debit file must first be sent to the payer. The payer is then responsible for sending an FSI to RITS. For a basic network, there should no significant delay to settlement if paying Members are prompt with payments processing. However, it may complicate Members' processing arrangements if different actions are necessary depending on whether a file results in a net credit or debit to its ESA. Additionally, the efficiency benefit of using SWIFT FileAct Copy to transfer a debit file and send a settlement instruction to RITS at the same time is lost.



*Q2. Would you prefer that settlement instructions only be sent to RITS by the payer (i.e. the sender of a file with net credits or the receiver of a file with net debits)?*

*Alternatively, should a payee be able to send a settlement instruction to RITS that pertains to a payments file containing net debits they have sent (similar in some ways to Austraclear)?*

## 5.   NETTING OF SETTLEMENT INSTRUCTIONS

The Settlement Interconnector will be initially built to accept FSIs at any time during an eligible RITS settlement session and to immediately place each instruction on the RITS queue for settlement testing individually.  This 'file-by-file' or single settlement will make use of existing RITS functionality in terms of queue processing and management.  It effectively means that bulk low value payments will be settled in the same way as 'high value' RTGS transactions.

Some Members have indicated some concern during consultation that single settlement may introduce intra-day flows that would make liquidity management more difficult and perhaps more expensive.  The RBA is mindful of this concern but notes that the average daily value of inter-bank payments currently settled between Tier 1 members of low value clearing systems amounts to less than 10 per cent of the value of RTGS interbank settlements.  Further, the value of RTGS payments settled on a normal day averages around $200 billion, with peak values much greater.[7]  Nevertheless, the RBA is currently examining ways of providing a netting solution within RITS that can be implemented as an additional deliverable.  This module would allow Members to send FSIs to RITS for each file that are marked as either for individual settlement or as part of a netted settlement.  Those marked for part of a netted settlement would be held temporarily and tested for settlement as part of a multilaterally netted obligation at specified times during the day.

The RBA has previously indicated that the single settlement solution in RITS could be delivered in Q3 2009.  A netting solution could then be independently developed and implemented as a second phase during 2010.  Early feedback from industry participants indicated a preference for the RBA to deliver the Low Value Feeder inclusive of a netting capability as a single deliverable.  However as noted earlier a wider range of views is currently emerging.

If the two phases of the project were combined there would be some resulting efficiencies, most notably during the regression testing process.  This would likely cut overall development time by several months.  Nevertheless, the capability to settle low value payments individually on a same day basis would still be delayed.  The integrated project, including single settlement and periodic net settlement, would be delivered in mid 2010.

If single settlement is initially delivered with netting for delivery as a second phase, Members can choose not to settle low value payments on a same day basis if they perceive liquidity management is an issue (subject to clearing system rules), and wait for the netting capability to be provided.  It could be the case that a gradual migration of low value payments files to same day 'file-by-file' settlement by a Member would ease their liquidity concerns and diminish their need for netting.

Regardless of the option chosen, the RBA and LVS Working Group will soon be examining the potential impact of 'file-by-file' settlement on intra-day liquidity flows and the benefits that might be delivered by netting.

*Q3.  Would you prefer single settlement to be delivered earlier, with netting capability to be delivered at a later time, or would you prefer the two capabilities to be delivered at the same time?*

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[7]   The likely impact on intraday RTGS liquidity will be further informed by the results of a survey of APCA CS2 to be undertaken in February 2009.

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*Q4.   Would you consider commencing single settlement of low value files if netting is not available?*

# 6. CONTENT & FORMAT OF SETTLEMENT INSTRUCTIONS AND RESPONSES

As discussed above, the settlement process will be managed through the use of File Settlement Instructions (FSIs) and File Settlement Responses (FSRs). The FSI will contain information that is necessary for settlement in RITS as well as other information that Members require in relation to payments files (such as for reconciliation purposes). The FSR will contain information relating to various stages in the settlement process – reject, arrival on queue, recall, settled, unsettled. This section discusses what high-level information content is required in the messages to facilitate settlement and seeks input from Members to identify any additional information that needs to be included. Detailed message specifications for each message type will be defined following this consultation.[8]

## 6.1 FILE SETTLEMENT INSTRUCTION (FSI)

A table outlining some data fields that might be incorporated into a File Settlement Instruction (FSI) is shown below. This draft FSI is meant to be indicative of the type of information that should be included in the message, and we are seeking comments from Members on what additional information may be required and what information may be unnecessary. The example shown is of an FSI that might be sent to RITS by a Member that is the net payer for a payments file containing both credits and debits.

| FILE SETTLEMENT INSTRUCTION (FSI) | |
|---|---|
| | **Example** |
| **Date** | 31/12/2008 |
| **Timing of settlement** | Individual/Netted |
| **File Reference Number (Ext TRN)** | xxxxxxxxxx |
| **Clearing System** | CS2 |
| **Sender of file** | RITS mnemonic |
| **Receiver of file** | RITS mnemonic |
| | |
| **Credit amount** | $2,000,000 |
| **Number of credits** | 1500 |
| **Description of credits** | Salaries |
| | |
| **Debit amount** | $1,500,000 |
| **Number of debits** | 10000 |
| **Description of debits** | Utility Bills |
| | |
| **Settlement Amount – Pay** | $500,000 |
| **Payer** | RITS mnemonic |
| **Payee** | RITS mnemonic |

The format of the FSI (and FSR) will be the same regardless of whether it is sent to RITS via SWIFT or a COIN. In the case of SWIFT FileAct Copy, the message would be the File Header that travels as a companion file with the associated payments file. In the case of a COIN, the

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[8] Certain technical information will be required in an FSI/FSR and the FSI/FSR will also need to be consistent with the appropriate standards (ISO 20022 etc.). This detail will also be developed at a later stage.

file would travel to RITS independently from the payments file that is sent to the Member's counterparty.

Members will be able to define (in RITS) the preferred queue override/default statues that are to be applied to FSIs when they arrive in RITS. If no override/default statuses are set, an FSI will automatically be assigned *active* queue statuses on arrival in RITS (except, as discussed earlier if the source of an FSI is the payee, when the default statuses could be set to *deferred*). Members are requested (see following question in italics) to indicate if there is any demand for the status settings to be set for each FSI by including an additional field(s).

Members are also asked to indicate if any additional information may be required in an FSI.

## 6.2    FILE SETTLEMENT RESPONSE (FSR)

It is envisaged that a standard File Settlement Response (FSR) could be used to convey different information depending on the fields in the message that are populated. For instance, the stylised example below shows a FSR that notifies that the payment that arrived previously on the queue has now been settled. Fields not relevant to the circumstances would be left unpopulated.

| FILE SETTLEMENT RESPONSE (FSR) | |
|---|---|
| | Example |
| **FSI Rejected - Status** | |
| | |
| **Arrived on RITS Queue - Status** | Arrived (initial FSR) |
| | |
| **Settlement Recalled - Status** | |
| | |
| **Settlement Completed - Status** | Settled (later FSR) |
| | |
| **Unsettled at end of day - Status** | |
| | |

There must also be a means of reconciling the FSR with its companion FSI. This might be achieved by including an identifier, such as the File Reference Number (External TRN), in the body of the message or by using file naming conventions. An alternative approach would be to combine the FSR with the original FSI. The FSR sent by RITS to the Member would then automatically contain the original settlement instructions for reconciliation purposes.

In the case of netted settlements, FSRs will be sent to the Member for each individual FSI received by RITS.

As a default, FSRs will be sent to Members as described earlier. However, Members are requested to indicate (see following question in italics) if there is any demand for additional fields to be added to the FSR to allow Members to customise what types of FSRs they wish to receive. For example, a Member may wish to receive an FSR for transactions that have been recalled but not an FSR confirming settlement (they may also wish to use AIF messaging for this).

Members are also asked to indicate if additional information may be required for an FSR.

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## 6.3    FILE RECALL REQUEST (FRR)

A File Recall Request (FRR) will also be developed that can be used to recall a transaction from the RITS queue.  This may be a field in the FSI or may be developed as a separate message.  Feedback on the preferred approach is sought from Members.

*Q5.    What business information would you like to be included in a File Settlement Instruction (FSI) and File Settlement Response (FSR)?*

*Q6.    Should the ESA and/or Credit statuses be standard when settlement instructions are placed on the RITS queue or should they be configurable for each individual FSI?*

*Q7.    Should receipt of an FSR be standard or configurable for each of the following – reject of FSI, arrival on RITS queue, recall of transaction on RITS queue, settlement confirmation, and unsettled transactions at end of day?*

*Q8.    Would you prefer to use a separate message to recall transactions from the RITS queue or have this included as a field in the FSI?*

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## 7. CLEARING INTERCONNECTOR

The RBA is seeking an indication of possible demand from Members for a **Clearing Interconnector** that can be used to transfer files from one network to another that they are not connected to or do not wish to use for this purpose.[9] With multiple networks available, a Member may send payments files to counterparties on the same network but it may also need to send files to counterparties connected to networks that it is not connected to or do not wish to use for this purpose. The RBA has committed to connecting to multiple APCA-approved networks to accept settlement instructions and will develop the capability of passing the underlying payments files across networks for Members if that is required. The Clearing Interconnector would be separate from the Settlement Interconnector and the RBA would not view the contents of the files it is transferring for Members. Encryption of files could be considered if this is desirable.
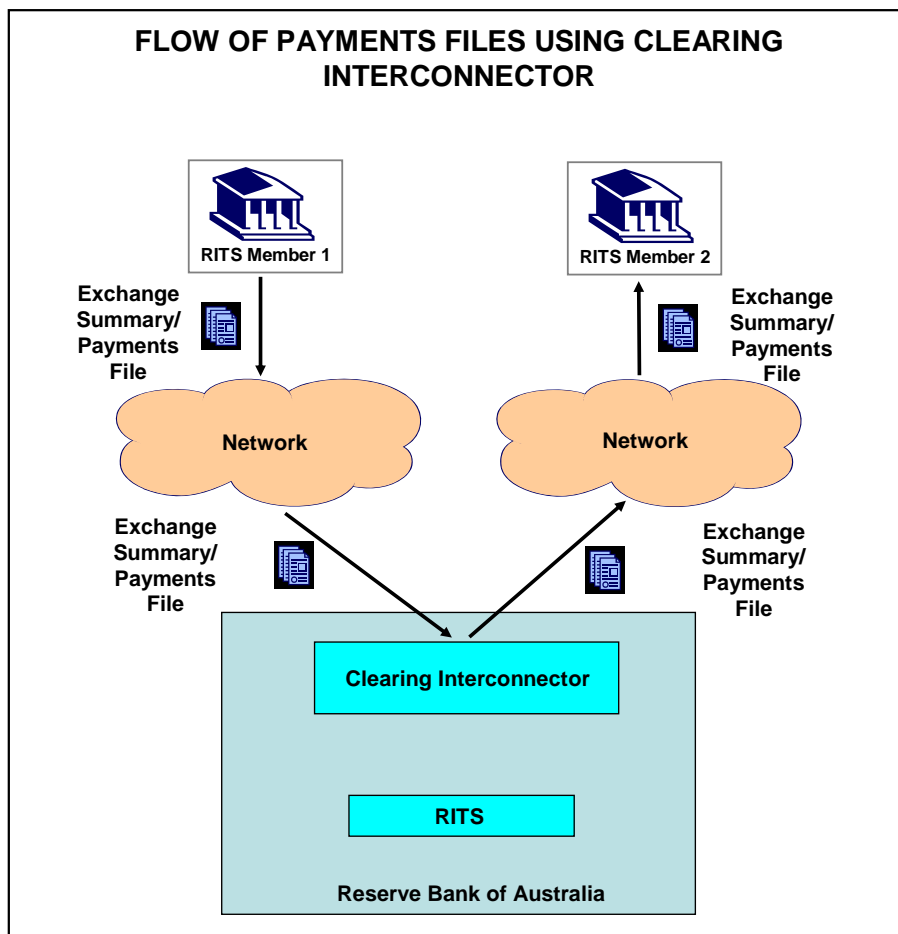


*Q9. Would you envisage making use of a Clearing Interconnector if this is provided by the RBA? Do you expect that you may require the RBA to send a payments file on your behalf from one network to another network?*

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[9] The Clearing Interconnector would be available to transfer files containing bulk transactions, such as those currently exchanged in CS1 and CS2. It would not be available to carry real-time message traffic, such as that used for ATM/EFTPOS traffic in CS3.

## 8.    FEEDBACK FROM LVS WORKING GROUP AND NEXT MEETING

The RBA is seeking feedback from Members on the questions raised in this paper as well as any other comments that they wish to make.   Early comments on this paper would be appreciated. The last date for responses is Monday 23 February 2009.  A meeting of the LVS Working Group will be held in early March to discuss the responses and organise subsequent meetings of the group or sub-groups.

To re-iterate, the specific questions to be addressed are:

*Q1:   Would you prefer to have a standard settlement model that requires manual reconciliation of payment files and settlement confirmations and is consistent across all networks?*

*Alternatively, would you prefer to have an option to use the SWIFT FileCopy service that provides automated reconciliation by delaying delivery of payments files until after settlement has occurred and which has different business logic to the basic networks?*

*Q2.  Would you prefer that settlement instructions only be sent to RITS by the payer (i.e. the sender of a file with net credits or the receiver of a file with net debits)?*

*Alternatively, should a payee be able to send a settlement instruction to RITS that pertains to a payments file containing net debits they have sent (similar in some ways to Austraclear)?*

*Q3.  Would you prefer single settlement to be delivered earlier, with netting capability to be delivered at a later time, or would you prefer the two capabilities to be delivered at the same time?*

*Q4.  Would you consider commencing single settlement of low value files if netting is not available?*

*Q5.   What business information would you like to be included in a File Settlement Instruction (FSI) and File Settlement Response (FSR)?*

*Q6.   Should the ESA and/or Credit statuses be standard when settlement instructions are placed on the RITS queue or should they be configurable for each individual FSI?*

*Q7.   Should receipt of an FSR be standard or configurable for each of the following – reject of FSI, arrival on RITS queue, recall of transaction on RITS queue, settlement confirmation, and unsettled transactions at end of day?*

*Q8.  Would you prefer to use a separate message to recall transactions from the RITS queue or have this included as a field in the FSI?*

**R I T S**

*Q9. Would you envisage making use of a Clearing Interconnector if this is provided by the RBA? Do you expect that you may require the RBA to send a payments file on your behalf from one network to another network?*

Responses to these questions should be directed to Barry Ellis at ellisb@rba.gov.au

If you have any other questions about any of the material in this Industry Consultation Paper, please contact:

Peter Gallagher, Senior Manager (Planning & Client Relations), Payments Settlements

Telephone: (02) 9551 8941, Email: gallagherp@rba.gov.au

or

Warren Wise, Senior Manager, Payments Settlements

Telephone: (02) 9551 9894, Email: wisew@rba.gov.au

Payments Settlements Department
Reserve Bank of Australia

**R I T S**

## ATTACHMENT

## RESPONSE TO RITS LVF CONSULTATION PAPER 2

### Due back to the Reserve Bank by 23 February 2009

Attention: Barry Ellis, Reserve Bank of Australia

Email: ellisb@rba.gov.au

Institution name:

Contact name:

Contact Phone:

Contact email:

### Response: (insert under each question)

### FILE AND MESSAGE FLOWS

*Q1: Would you prefer to have a standard settlement model that requires manual reconciliation of payment files and settlement confirmations and is consistent across all networks?*

*Alternatively, would you prefer to have an option to use the SWIFT FileCopy service that provides automated reconciliation by delaying delivery of payments files until after settlement has occurred and which has different business logic to the basic networks?*

### SENDING SETTLEMENT INSTRUCTIONS TO RITS

*Q2. Would you prefer that settlement instructions only be sent to RITS by the payer (i.e. the sender of a file with net credits or the receiver of a file with net debits)?*

*Alternatively, should a payee be able to send a settlement instruction to RITS that pertains to a payments file containing net debits they have sent (similar in some ways to Austraclear)?*

### NETTING OF SETTLEMENT INSTRUCTIONS

*Q3. Would you prefer single settlement to be delivered earlier, with netting capability to be delivered at a later time, or would you prefer the two capabilities to be delivered at the same time?*

*Q4. Would you consider commencing single settlement of low value files if netting is not available?*

### CONTENT & FORMAT OF SETTLEMENT INSTRUCTIONS AND RESPONSES

*Q5. What business information would you like to be included in a File Settlement Instruction (FSI) and File Settlement Response (FSR)?*

*Q6. Should the ESA and/or Credit statuses be standard when settlement instructions are placed on the RITS queue or should they be configurable for each individual FSI?*

# R I T S

*Q7. Should receipt of an FSR be standard or configurable for each of the following – reject of FSI, arrival on RITS queue, recall of transaction on RITS queue, settlement confirmation, and unsettled transactions at end of day?*

*Q8. Would you prefer to use a separate message to recall transactions from the RITS queue or have this included as a field in the FSI?*

## CLEARING INTERCONNECTOR

*Q9. Would you envisage making use of a Clearing Interconnector if this is provided by the RBA? Do you expect that you may require the RBA to send a payments file on your behalf from one network to another network?*

## OTHER COMMENTS