

**RESERVE BANK OF AUSTRALIA**

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**Low Value Network Migration Project\***  
**Timetable and Scope**  
**Information Paper**

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**February 2010**

\* Migration with the RBA is a pre-requisite for the  
RITS Low Value Feeder Project  
(refer separate Information Papers)

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## 1. PROJECT OVERVIEW

The Reserve Bank has been working with the industry to upgrade the technical infrastructure used for clearing retail payments and lodging settlement data. This involves migration from legacy (largely low-speed) bilateral links between banks and other clearers to a new common network.

This common network is a Community of Interest Network (COIN) administered by the Australian Payments Clearing Association (APCA). Institutions wishing to use SWIFT for file exchanges may also do so. This is supported by Reserve Bank infrastructure connecting the APCA COIN and SWIFT<sup>1</sup>.

In consultation with APCA and individual institutions, a target migration timetable has been agreed. This requires completion of migration to the new network<sup>2</sup> by the end of 2011.

The APCA Board has endorsed this timetable and convened a Payments Network Migration Steering Committee to oversee project progress towards meeting this timetable. An industry Payments Network Migration Working Group has also been meeting under the auspices of APCA. This group has developed a detailed implementation schedule (by clearing partner and clearing stream) consistent with the industry timetable.

This document outlines the expected project timetable and provides notes to guide participants on what links and participants are covered within this project.

The Reserve Bank milestones expected to be achieved by industry clearing participants are set out in Sections 2 and 3.

Section 4 outlines the scope of the expected migration.

Section 5 provides further information and details of relevant RBA contacts.

## 2. TIMETABLE MILESTONES

The industry timetable has the following major milestones expected by the Reserve Bank:

- establishment of COIN/SWIFT connections by December 2009;
- completion of National Collator migrations (with RBA) by September 2010;
- completion of CS1/2 migrations between direct clearers by June 2011; and
- completion of ATM/EFTPOS migrations between direct clearers by December 2011.

These are the latest expected dates. Earlier migrations are not precluded, and this is encouraged where it can be achieved efficiently and safely.

The Reserve Bank has also established sub-milestones including commencement of testing, when the first migration should commence, when 50 per cent of migrations should be complete and when all migrations should be complete. These are set out in the following section.

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<sup>1</sup> This is the RITS Low Value Clearing Service, also known as the Clearing Interconnector. For further information, refer to the following Information Papers: Clearing Interconnector Service (June 2009) and Overview of Governance Arrangements (December 2009).

<sup>2</sup> APCA COIN and/or SWIFT. SWIFT is only available for file exchanges, not real time messaging for ATM/EFTPOS.

### 3. PARTICIPANT MIGRATION REQUIREMENTS

2009	2010												2011											
Q4	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4		
O N D	J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D								
Network Connection established ♦																								
<b>National Collator exchanges with RBA</b>	Testing with RBA commenced ♦																							
				Complete ♦																				
<b>Clearing Stream 1 (Cheque) Migrations</b>	First migration commenced ♦			First migration complete ♦			More than 50% complete ♦			All Complete ♦														
<b>Clearing Stream 2 (Direct Entry) Migrations</b>	First migration commenced ♦			First migration complete ♦			More than 50% complete ♦			All Complete ♦														
<b>ATM (CS3) Migrations</b>	First migration commenced ♦			First migration complete ♦			More than 50% complete ♦			All Complete ♦														
<b>EFTPOS (CS3) Migrations</b>	First migration commenced ♦			First migration complete ♦			More than 50% complete ♦			All Complete ♦														

Timetable notes:

- 1) The above milestones are only in relation to direct clearers' interchanges.
- 2) The percentage complete is based on the number of direct clearer migrations complete.
- 3) It is assumed that the first migration may not commence immediately due to internal readiness tasks.
- 4) It is assumed that the first migration will take much longer than subsequent migrations.
- 5) "First Migration Commenced" milestone - this must include commencement of initial testing with another direct clearer.
- 6) "First Migration Complete" milestone - this assumes that you are live on the new network with at least one direct clearer.
- 7) Direct clearers will need to be able to manage concurrent partner migrations within each clearing stream.
- 8) The migration project includes any bilateral IP or high speed DDN links.

## 4. SCOPE OF MIGRATION

### 4.1. Principles

The following general principles underlie the network migration project:

- New bilateral links between direct clearers should not be established for payments clearing. Ultimately, there should not be any bilateral links between direct participants for the clearing of retail payments.
- When the migration process is complete, new entrants should be able to connect once to a network and be able to clear with all other participants and settle by providing settlement instructions to the Reserve Bank.
- Desirably over time all exchanges between payments system participants would use a common network. This would mean network architecture considerations will not hamper development and implementation of improvements to the payments system.

### 4.2. Type of clearings to be migrated

In broad terms, all retail payments clearing exchanges between direct clearers (for further information see the following sections) and the Reserve Bank (for the 9am Settlement) are expected to migrate to the new network. These will include:

- Files for APCA's Australian Paper Clearing System (APCS - CS1).  
All Electronic Presentment & Dishonour (EP&D) related files, including presentments, dishonours, dishonour refusals, technically invalid dishonours and all acknowledgements.
- Files for APCA's Australian Bulk Electronic Clearing System (BECS - CS2).  
Transaction and summary files for normal and government direct entry payments (including transaction files that contain return/refusal/reversal items).
- File and message exchanges for ATM and EFTPOS in APCA's Australian Consumer Electronic Clearing System (CECS – CS3).  
ATM/EFTPOS transaction approval messaging and files for interchange settlement.
- Exchange summary files with the Reserve Bank as Collator.  
All files exchanged with the Reserve Bank for subsequent calculation of positions in the Reserve Bank's 9am Settlement.
- Other files or messages as agreed within the industry.

Clarification of clearing relationships that are in or out of the scope of the project is provided below.

### 4.3. Bilateral links that must be replaced

Migration to the new network is expected for all direct point to point bilateral links (i.e. all IP and Low Speed/High Speed DDN links) used by direct clearers in CS1, CS2 and CS3 and for sending exchange summary files to the Reserve Bank.

This would include:

- CS1, CS2 and CS3 exchanges between organisations that clear to all other participants in their own right and where no third party is used, for example, the links between each major bank (and the Reserve Bank for CS1 and CS2).
- CS1, CS2 and CS3 exchanges between a third party<sup>3</sup> (appointed by a direct clearer) and other direct clearers who either clear in their own right or use a third party for this purpose.
- The electronic lodgement (either directly or via an authorised third party) of collator exchange summary advice files. Note that, as is the case now, participants can appoint other parties to act as the submitter of collator advices under agreed arrangements. The Reserve Bank will also consider acting in this capacity.

However it is sensible that migration of compliant<sup>4</sup> (i.e. higher speed or IP links) occur later in the timetable, as agreed between participants. This point is taken up in the next section.

### 4.4. Compliant links (including of Self Acquirers in CS3)

Self acquirers in CS3 and some other institutions currently have compliant (i.e. not low speed DDN) bilateral links to other direct clearers which do not face legacy or end of life issues.

Given the industry workload to migrate low speed legacy links in the expected timeframe, it is reasonable that the migration of compliant links could if necessary be delayed to the later part of the timetable. It is still expected that this migration should be complete by June 2011 for CS1 and CS2, and the end of 2011 for CS3.

Direct clearers that only have compliant links (e.g. Self Acquirers in CS3), while expected to meet the overall timetable as outlined above, are not expected to meet the preliminary milestones (e.g. complete first CS3 migration by September 2010).

Recognising the complexities associated with the CS3 migration, however, the Reserve Bank will consider migration of compliant links after the end of 2011 if:

- it is persuaded that migration within the project timetable would compromise the timely migration of other, uncompliant links; and
- the clearer has at least one operating connection to the new common network (directly or via an agent) and be able to connect with any new entrant using this connection. This should be in place as soon as practicable and, as a minimum, by the end of the 2011; and
- plans are in place for migration to the common network over a reasonable period of time.

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<sup>3</sup> The third party may be another direct clearer or a service provider (a “representative” for CS1, a “courier” for CS2 or a “switch” for CS3).

<sup>4</sup> For the purposes of this paper, compliant links are those links not facing service withdrawal by Telstra in December 2011.

### 4.5. Optional replacement of other bilateral links

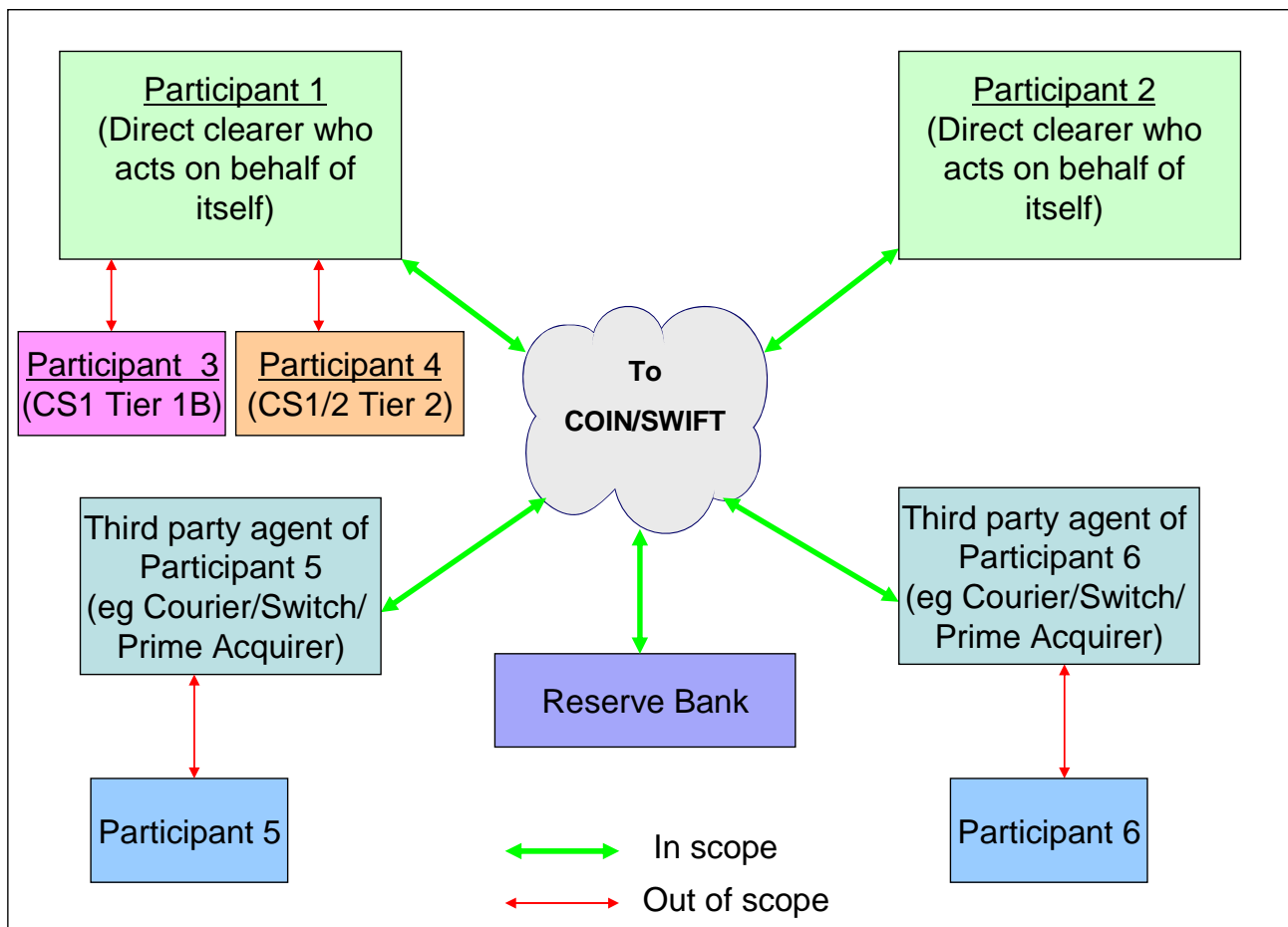
As noted in 4.1 above, desirably over time all exchanges between payments system participants would migrate to a common network.

However, the Reserve Bank does not specifically require the following types of bilateral links (IP or low/high speed DDN) to migrate to the new network in the timetable detailed earlier:

- APCS Tier 1 members and their Tier 1B/Tier 2 members.
- BECS Tier 1 members and their Tier 2s.
- APCS/BECS Tier 1 members and their appointed Representatives/Agents/Couriers.
- Links between Agents/Switches in CS3 and their FI customers.
- Links between clearers in CS1, CS2, CS3 and their customers.

### 4.6. Summary of Network Migration Scope

The diagram below summarises the scope of the network migration as outlined above.



## 5. FURTHER INFORMATION & CONTACT POINTS

### Information Papers

#### *Clearing Interconnector Service (June 2009)*

This outlines the Reserve Bank facility linking COIN and SWIFT (and between COIN and SWIFT participants at their option) for file exchanges (i.e. not real time messaging for CS3).

#### *RBA Payments Network Connectivity Partner Migration (December 2009)*

This includes detailed information relevant for institutions that will exchange files with or via the Reserve Bank. Confidential information, such as IP addresses, are available directly from the Reserve Bank (refer contacts below and in this document).

These and other Information Papers are available on [www.rba.gov.au/rits/info](http://www.rba.gov.au/rits/info) (refer Current Projects - RITS Low Value Feeder Project)

### Reserve Bank Contact Points

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