

ISO 2022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – RESPONSES AND OPTIONS PAPER – RESPONSE TEMPLATE

Name/Organisation: 2022 Labs

Organisation Category: Industry Body

About these consultation questions:

The focus of these questions primarily relate to direct participants in Australian payments systems and will not apply to all that wish to respond to this public consultation. Notwithstanding this focus, the RBA and APC are open to receiving responses from all organisations (regardless of whether a response was submitted to the first Issues Paper in April 2019) and invite general comments in the last question.

2.2 Proposed project scope

1. Does your organisation agree with the proposed project scope, as set out in Section 2.2?

Yes

No

If no, please explain your view.

2. Does your organisation support the introduction of an HVCS suite of investigation, dispute resolution, and reconciliation messages?

Yes

No

Should use of these messages be mandatory?

Yes

No

Please explain your view.

It is our view that investigation, dispute resolution and reconciliation messages provide significant value for payment system participants and end-users, creating more efficient and streamlined processes for addressing errors or misdirected payments. These messages can also form a source of information which can be analysed to gain greater insights into operational issues as well as risks associated with AML, KYC and fraud detection.

We would argue that, for these types of messages to be effective, there should be an obligation on payment system participants to receive and respond to these messages from other system participants.

However, in making the receipt of these message compulsory, these messages and any supporting rules framework should supplement, rather than replace, other options for the resolutions of disputes that are currently available to payment system participants and end-users. Therefore,

system participants should not be restricted from avenues for addressing disputes, outside of the exchange of these messages.

3.1 Summary of responses – Enhanced content

3. Does your organisation have any views regarding the use of structured data in payments messaging?

- Yes
 No

We believe strongly that the ISO 20022 financial messaging standard is crucial for this modernization effort, and is the standard that will enable a high-level of interoperability domestically and across borders, while also providing a foundation for significant innovation and new value in payment and payment-adjacent services.

We believe that ISO 20022 has a deeper and broader impact than previous message standard upgrades. Since this standard can create innovation opportunities, reduce risk and fraud, and enable efficiencies across the global economy, we recognize that it is important to increase efforts and mandates to more actively drive broad and responsible use of dataful payments that goes well beyond compliant adoption of the ISO 20022 standard.

Further, it is the structured and extended remittance data that is the key enabler to produce economic value and should be introduced and supported wherever possible. Its introduction should be done in such a way as to align with how end-users both produce and consume data as well as aligning with related initiatives such as e-invoicing, industry-specific data standards (e.g. SuperStream) and Open Banking.

3.2 Proposed message design enhancements

4. Does your organisation support the proposed message design enhancements, as set out in Section 3.2?

- Yes
 No

Please explain your view.

20022 Labs is strongly of the view that domestic standards should align with international standards wherever possible.

4.1 Summary of responses – Migration strategy, timing and coexistence

5. Of the options canvassed in Box C, which domestic coexistence option(s) does your organisation support? Tick all that are applicable.

- Option 1 – Coexistence of separate SWIFT MT and ISO 20022 CUGs
 Option 2 – Coexistence of SWIFT MT and ISO 20022 CUGs and mandatory to receive ISO 20022
 Option 3 – Mandatory capability to send and receive ISO 20022

Please explain your view.

Our view is that Option 1 is the most complex and costly to support. Our preference would be for Option 3, as it will drive the strongest adoption of ISO 20022 across the ecosystem, though we recognize that many industry participants will support Option 2.

6. For organisations that use the RBA’s AIF service, does your organisation have any initial views on the proposed high-level approach for the use of the RBA’s AIF service during the coexistence phase?

- Yes
 No

20022 Labs does not have any strong views in respect to the RBA’s AIF Service during the co-existence period.

4.2 Proposed migration approach

7. Does your organisation agree with the proposed migration approach (like-for-like with optional enhanced content, followed by mandatory enhanced content)?

- Yes
 No

Please explain your view.

It is our view that each community needs to weigh up the alternatives for migration in a way that best balances the need for a coordinated approach that also respects the variable capacity for change throughout the industry. On this basis, we support the migration approach having a long-term objective of mandatory enhanced data.

Efforts are also required to increase broad awareness of ISO 20022 and its benefits. Without these efforts, the gap will continue to widen between providers of financial services and users of them. This awareness gap will make it more challenging to justify investment in the upgrades and development required for enhanced ISO 20022 enabled services, both by those that provide them and those who consume them. We endorse all efforts to increase awareness and promote the benefits of dataful payments and the robust ‘financial messaging’ enabled by ISO 20022. Closing this awareness gap will generate dataful payments infrastructure as an investment, and not simply a cost of compliance.

As we note above, the greatest economic value will be created once structured and extended remittance data is introduced and supported and, as such, making ISO 20022 message capability sooner rather than later will permit these benefits to be delivered more quickly.

8. Does your organisation support the proposed timeline for the migration project?

- Yes
 No

Please explain your view.

Each market is different so we respect the desire of the RBA and APC to propose a timeframe that is suited for Australia. We would see this as broadly sensible and support attempts to align with global timelines.

5.2 Proposed governance structure

9. Does your organisation broadly support the proposed governance structure?

Yes

No

Please explain your view.

Delivering new infrastructure or major change in a mature market can be very challenging. The Australian industry's ability to deliver major change, such as the New Payments Platform, is a testament to previous governance arrangements and leveraging those lessons as well as the existing governance bodies such as the Australian Payments Council and AusPayNet, is sensible given the experience to date.

Our concern remains as to whether new entrants or end-user interests are adequately represented. While the Australian Payments Council draws widely from payments industry participants, its end-user representation is primarily limited to large retailers – likely to have a significant focus on card-based as opposed to B2B electronic payments. This may mean that the views of other business and consumers end-users may be overlooked. As a result, benefits to end-users and the opportunity to provide Australian corporates with a competitive edge globally could be missed.

It will also be important to provide Australian fintechs with a voice in this dialogue. Fintechs involvement will provide them with a greater opportunity to deliver value to Australian end-users and to provide a platform for them to retain relevance and stature globally so they can success in international markets.

As well, while AusPayNet has been an experience and trusted implementation body, its governance remains heavily dominated by large financial institution interests. While neither of these factors should disqualify either the APC or AusPayNet from their proposed roles, the RBA and APC should consider how to best ensure a wide range of voices can be heard, while also ensuring the major players are committed.

General feedback

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

20022 Labs is a newly-formed not-for-profit organisation that brings together payments industry stakeholders to further the global adoption of ISO 20022. The vision of the 20022 Labs is for globally pervasive and integrated, dataful payments infrastructure enabling strong, more efficient economies. We intend to accomplish this through raising awareness, activating demand and accelerating adoption. AusPayNet is supporter of the initiative, as are a growing number of other Financial Market Infrastructure organizations, corporations, payments technology vendors and financial institutions. More information about the 20022 Labs can be found on our website at <http://www.20022labs.com/>.

We commend the Payments System Board for identifying migration to ISO 20022 as a key strategic issue for the Australian payments system. We strongly believe that i) national level commitment to migration and ii) wide consultation are important steps towards producing a migration path that can best meet the needs of all industry stakeholders.

We also wish to acknowledge Australia leadership in the adoption of ISO 20022 to date. This has been demonstrated through the introduction of the New Payments Platform as an ISO 20022-native system and the proposal that the Australian Securities Exchange replace its proprietary CHES messaging with ISO 20022-based messaging. The current consultation, in our view, build upon and further affirms that leadership.

We strongly agree with the sentiment made throughout this consultation that ISO 20022 carries with it enormous potential to create value throughout the payments ecosystem and the wider economy and we fully support broad migration to ISO 20022. However, like any successful ecosystem transformation, the migration will require more than the adoption of standards.

Enablers such as communication, education, guidance and support will be critical for this change program as it is for any other. While adoption is the challenge, an important opportunity for Australia is the innovation that leverages the capabilities of the ISO 20022 standard that will create the greatest benefit. Addressing the adoption challenge and the opportunity of maximised usage will require resources and tools that help foster and develop a robust ecosystem, including education resources, research initiatives and real-world development ‘sandboxes’. These resources will allow financial institutions, vendors and corporates to explore the challenges and possibilities associated with ISO 20022 adoption. It is in this context that 20022 Labs can play a vital role, and we believe we are uniquely placed to be such an enabler, as an “honest broker” with a global perspective.

We are interested to remain involved in this dialogue and look forward to future discussions.

If you wish to reach the 20022 Labs or seek more information, please contact either Mike Sigal, Founder, 20022 Labs at msigal@20022labs.com or our Australian-based contact, Dr Bradley Pragnell at bpragnell@20022labs.com

Privacy

Unless requested otherwise, published submissions will include contact details and any other personal information contained in those documents. For information about the RBA's collection of personal information and approach to privacy, please refer to the [Personal Information Collection Notice for Website Visitors](#) and the RBA's [Privacy Policy](#).