ISO 20022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – RESPONSES AND OPTIONS PAPER – RESPONSE TEMPLATE

Name/Organisation: HSBC Bank Australia Limited (HSBC)

Organisation Category: RITS Member & FSS Participant

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.

HSBC is supportive of the project scope as outlined however we note the following comments:

1/. RITS will remain a single point of failure in the model described. We recommend consideration is given to the separation of the NPP and HVCS streams to achieve genuine critical payment system redundancy.

2/. NPP is increasing its share of high value payments and HVCS may over time reduce to a FI to FI stream with all business and consumer payments migrating to NPP. This trend should be considered as we consider the extent of the proposed messaging changes.

3/. The industry will need to consider if HVCS ISO will more closely reflect SWIFT or the NPP implementations.

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.

If successfully implemented, HSBC envisages that the use of investigation and reconciliation messages has the potential to remove cost and improve STP across the industry.

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

HSBC's view is that the use of structured data should be limited to the users of RTGS when making correspondent banking payments. SWIFT is mandating the use of structured data making it a necessary requirement for correspondent banking participants, however, the widening of the requirement for domestic payments would be a significant burden to non-SWIFT International organisations.

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.

HSBC believes that the benefits of an enhanced message design include faster transfers via improved straight through processing. The message standard should be domestic to ensure alignment to Australian payments regulations without having to adopt unrelated international requirements.

If it is assumed the RTGS platform will remain separate to NPP, a decision will be required on whether the enhanced messages will align to the International Payments standards or align to the domestic clearing and intra bank liquidity standards. HSBC asks whether NPP may be the better conduit for IMT's (As NPP has the concept of overlays, it is easier for NPP to mirror international standards as part of an overlay model, and RTGS can't do this).

By way of example, if RTGS stays using the same SWIFT message standards as today, it is easier to have a single set of infrastructure and systems dealing with IMT's and RTGS payments.

4.1   Summary 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.

HSBC recommends the co-existence of the MT and ISO20022 CUGs and recommends option 1 at a minimum.

Option 1 is recommended in the event IMT traffic moves to NPP and RTGS becomes a purely domestic platform.

Option 2 is recommended for Banks to process IMTs over the NPP. For Banks to forward an IMT received in ISO to another Australian bank without compromising their ability to do screening, the bank must be

able to receive ISO in line with 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

[   ]

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.

HSBC is supportive on the assumption RTGS remains aligned to SWIFT (on the basis migration will take place via the SWIFT program). The delivery of Structured data however will remain a complication unless limited to the handling of IMT payments.

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

☒ Yes
☐ No

Please explain your view.

The timeline is likely to be extended if the use of structured address data is required across all Bank users.

5.2   Proposed governance structure

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

☒ Yes
☐ No

Please explain your view.

HSBC is broadly supportive and would recommend the use of a 3rd party Project Management Office to co-ordinate planning and testing activity across the industry. This is particularly useful if structured data is to be used for all payments, both domestic retail and IMT wire.

General feedback

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

HSBC has no other comments.

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