

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

Name/Organisation: National Australia Bank

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.

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While agreeing generally with the scope as proposed in section 2.2, an Australian JSON API standard for payments that has lineage back to ISO20022 would be very beneficial for customer to Financial Institution and Financial Institution to customer interactions. This could be similar to that proposed in the United Kingdom.

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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.

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It would be inefficient to create separate support message sets for each type of ISO20022 message usage framework. For example, augmenting existing Message Usage Guidelines for CAMT messages across all frameworks rather than standing up new Message Usage Guidelines for each.

Standardisation of disputes, investigations and reconciliation processes using ISO20022 schemas across all Australian payments clearing systems, based on the capability already developed for NPP, will allow optimisation of back office systems, significantly improving response times to resolve. Benefit of standardisation across frameworks can then apply regardless of payment frameworks members participate in.

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### 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

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There is a place for both unstructured and structured data in payments. It is important to apply structured information only in contexts where a structure makes sense rather than as a general prescription.

There needs to be a strong governance process for development and ongoing maintenance of structured data standards including clear and unambiguous usage guidelines to ensure solutions and users have clarity on whether a field is structured or unstructured, and the impacts for message handling and application. This includes having context of the payment instructions and its usage.

Section 3.1.1 includes commentary relating to other specific types of enhanced content such as LEI and IBAN. We support the observation that IBAN, if enabled, should not be mandated noting there is currently no IBAN standard in the Australian context. The business case for adoption of IBANs would need to be evaluated.

If enhanced content is considered, such as LEIs or IBANs, consideration should be given to the relevance of allowing that enhanced content for both NPP and the new High Value Clearing System. Introducing new data elements that are inconsistent between different ISO20022 clearing systems could introduce unnecessary friction, which would be inconsistent with the goal of efficiency for the broader Australian payments system.

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### 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.

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We note the comment relating to a possible impact on timeframes of introducing a Common Message Standard (a super-set for ISO20022 message definition) for Australia and therefore not being an in-scope item for this project.

While acknowledging that position, given SWIFT international, high value, NPP and securities payments are all slated to move to 2019/2020 versions of ISO20022 messaging in the next few years we recommend a desire to progress to a Common Message Standard as a design principle of future target state for the HVPS ISO20022 migration. With support expressed for HVPS+ and CBPR+, and the need for resilience across frameworks, a minimum approach to enable ease of transition would be for the new HVCS to consider HVPS+ plus elements permitted in NPP e.g. UTF8 characters with guidance on carriage and rendering. In the interest of systemic resilience, in the event of an NPP outage or RBA FSS outage, it should be possible for the NPP Payment Instruction and/or Settlement Instruction to be delivered between two NPP members via the HVPS without loss of data.

Consideration should also be given to the introduction of a strong governance process or a data standards body to oversee the coordination of the various ISO20022 implementations due in the next 5 years and to maintain relevance of coherent use of ISO20022 message standards in an Australian context beyond that period.

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## 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.

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Our preference is option 3 with the understanding that this would occur only after impacted participants have completed their CBPR+ ISO migration and all participants are ready to process in ISO (e.g. mid 2023 as example).

However, if a period of coexistence were to be required to enable earlier migration (e.g. early 2022) then option 2 would be preferred with coexistence approach and timing aligned to that of SWIFT CBPR+ regardless of HVCS only membership or participation in both migration programs.

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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

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Consideration should be given to RBA providing both MT and ISO equivalent messages on both AIF Closed User Groups to allow choice for participant organisations so they don't have to participate in both in the period where some payments remain on MT.

Further thought needs to be given towards the end of the migration period where other feeder systems to RITS have not migrated to the new message types or ISO version.

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## 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.

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If option 3 from question 5 is adopted then there is no need for a Like for Like approach as all participants will have already upgraded their systems to support SWIFT CBPR+ to process in ISO and should be ready to process ISO RTGS also.

However, if a period of coexistence were to be required (option 2 from question 5) then the approach of Like for Like with optional enhanced content, followed by mandatory adoption of enhanced content would be suitable.

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

- Yes
  - No
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Please explain your view.

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We understand the SWIFT Payments Market Practice Group (PMPG) has recently written to the RTGS Operators Group asking market infrastructure operators to reconsider their migration strategies away from a like-for-like approach, which implies that a 3 year co-existence phase 2022-2024 is too long.

Consequently, we would support clarity on a period of like for like co-existence for a sufficient time to work through the complex nature of these changes. The mandatory enablement to receive extended ISO20022 as of November 2021 by SWIFT banks is achievable if there is a phased approach that allows truncation at the point off the local Market Infrastructure. Supporting the RBA and APC proposed migration approach comprising a co-existence phase of 3 years, is not possible until this clarity is achieved.

Further analysis and discussion by all industry participants, through an Industry Steering Committee to be established soon to facilitate discussion before the release of the 3rd paper, would be useful to reach agreement of an acceptable timeframe for the removal of a like for like phase.

The Australian HVCS migration to ISO20022 will need to align to the same timeframe as that established by the SWIFT PMPG i.e. Q3 2023, to reduce complexity.

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## 5.2 Proposed governance structure

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

Yes

No

Please explain your view.

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Now that the high level strategic direction has been completed in collaboration with the Australian Payments Council, the Steering Committee should be established under the AusPayNet Board. AusPayNet should have direct accountability for several reasons, including that it has a corporate structure that the Australian Payments Council does not have, and the membership of AusPayNet's High Value Clearing System is representative of the relevant stakeholders in the industry who are affected by the migration of HVCS to ISO20022. Additionally, if a Program Management Office (PMO) is to be engaged for the entirety of the program, it would be better for contracting arrangements to be consistent throughout the period and aligned under a corporate body. Given the AusPayNet Board's accountabilities for financial outcomes under the Corporations Act, and that the program will be expensive, it is appropriate for the AusPayNet board to have ultimate accountability for program outcomes.

We encourage establishment of the Steering Committee at the earliest opportunity so the scope and timing of the program can be properly confirmed by that body with representation from relevant stakeholders, and no later than 1 February 2020. The PMO should include dedicated resources for both program management and technical co-ordination.

The program should include consideration of the complete suite of migrations occurring in the period 2020-2024. It is not efficient for the industry to have multiple project reporting regimes all placing demand on the same resources at a governance level. The ongoing administration of Australian ISO20022 message standards beyond delivery of an HVCS migration should be considered.

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## General feedback

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

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As stated in our feedback on question 1, an Australian JSON API standard for payments that has lineage back to ISO20022 would be very beneficial for customer to Financial Institution and Financial Institution to customer interactions.

We seek clarity on intentions for migration to ISO20022 messaging of other RITS feeder systems such as ASX and PEXA and whether these are assumed to be included in scope of this project.

We support the conclusion that payment clearing systems for cheques and direct entry should not be uplifted to ISO20022 messaging, rather the volume from those systems should be migrated to other ISO20022 systems. Subject to the outcome of the AusPayNet consultation on the future of the clearing systems, there is a case for the industry change management for ISO20022 migration to include educating customers that payments from APCS and BECS should be migrated to ISO20022 capable payment systems, even if the eventual retirement of BECS continues beyond the conclusion of the ISO20022 migration program.

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