

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

Name/Organisation: SWIFT

Organisation Category: Vendor/Payment Service Provider

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.

Although we agree with the scope we would suggest a review of the comment “with no compulsion for use”. Our answer in subsequent questions will explain this.

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.

The full benefits of automation can only be achieved if all system participants are using the machine-readable standards defined for the particular exception process. The suite of investigation, assignment, case resolution and request for payment return has been introduced in NPP and provides an automated way to handle enquiry, advice, request, claims with standardised model forms and operational processing time. Reconciliation messages (e.g. camt.05x) provide consistency of data structure and content for participants involved in the payment chain and should be part of the suite of ISO messages supporting RITS.

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

Structured data allows for better STP rates, reduced errors, faster payments and better screening + regulatory reporting.

The ability to use structured party data drives several of the key benefits of ISO 20022 and implementations should emphasise the importance of capturing structured data at the source in customer databases and channels. Nevertheless, some payments may arrive for onward processing that do not use structure (e.g. MT 103 arriving from cross-border) and the system will still need to accommodate this during the migration window for cross-border.

CBPR+ will mandate the use of structured data for the cross-border leg. For example, postal addresses in Agents and Parties Identification fields will be structured. The HVPS+ usage guidelines are more flexible than the CBPR+ Usage guidelines but SWIFT highly recommends that the ISO 20022 guidelines for the new RITS messaging standards compel a bank to use the structured fields if they receive structured data from the cross-border leg of an inbound IFTI.

The T2 big bang migration in Europe intends to switch to structured party information at the end of 2021. At SWIFT's MI summit 2019, the major central banks agreed that structured information should become the only option by November 2025 at the latest. It is also the date put forward for all MIs to switch to the version 9 of the ISO standards, which allows these structured data fields, including the UETR.

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.

The proposed message design enhancements for parties' identification, structured remittance information and LEI are aligned with CBPR+ and HVPS+ guidelines. Payment purpose codes are optional for CBPR+ and HVCS+ however they were adopted for the NPP. Considering the importance of the payment corridor between Australia and Europe, the support of IBANs would also benefit RITS participants.

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
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Please explain your view.

Target2 have confirmed that their migration from FIN (MT) to InterAct (MX) will be a 'big bang' approach with rich, structured data from day 1. This means that rich ISO 20022 messages can be expected to be sent into the Australian payments system from November 2021. If any of these IFTI's need to be processed through the current RITS system to reach the end beneficiary, they will need to be translated and it's likely that there will be data truncation in the translated messages (whether to MT or a 'like-for-like' ISO message).

Similar to T2, CHAPS have also chosen to adopt the 'big bang' migration for the move from FIN to InterAct however they had envisaged a like-for-like period in regards to data content. At Sibos 2019, they announced a review of this approach to address industry concern about project complexity, truncation issues, long periods for testing and misalignment with the cross-border migration. There is an expectation forming that their new plan will have rich data incorporated into the 'big bang' technical migration to avoid the issues listed above.

SWIFT believe the best approach for the Australian market is to have 2 parallel RITS services operating during the 4 year cross-border payment coexistence period. The first CUG will be the existing MT-based CUG catering to inbound cross-border IFTIs that arrive in the MT format. The second (new) CUG should allow rich / enhanced data content from day 1. Having this facility will mean that the intermediary/clearing bank can pass on whatever data they receive, i.e. if they receive an MT, they pass on an MT. If they receive an MX, they pass on an MX. This only works if the beneficiary is obliged to be ISO-ready (i.e. receive). Hence Option 2 is SWIFT's preferred option.

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

SWIFT agrees a period of parallel MT + MX messaging for AIF makes sense. SWIFT is ready to assist with the analysis work required to map the current proprietary messages to the ISO 20022 equivalents.

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.

Some key PMIs including TCH and CHAPS are reconsidering the implementation of a like-to-like phase followed by enhanced ISO 20022. The main driver for this reconsideration is the pressure from some of their participants who are reluctant to build a like-for-like implementation that will only be required for a short time period. CHAPS is now exploring a single CUG with an obligation for the receiver to accept the enhanced data if provided, while the Fed is in discussion with the TCH to consider a big bang implementation (i.e. straight to enhanced content). T2 and Euro 1 already confirmed their decision to go straight to enhanced content from November 2021.

More recently, the PMPG issued a letter addressed to the 'RTGS Operators Group' highlighting the negative consequences of a phased approach (truncation, extended project timelines, complexity, etc..). Therefore there is a lot of reconsideration of the like-for-like approach to migration with most market infrastructures moving more quickly or straight to enhanced / rich data content.

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

- Yes
 No

Please explain your view.

SWIFT recommends a close alignment of the domestic RTGS migration to the timelines announced by SWIFT for the cross-border migration programme.

5.2 Proposed governance structure

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

- Yes
 No

Please explain your view.

SWIFT would be willing to contribute to the various working groups and committees. This would also include a seat on the Steering Committee if deemed appropriate. SWIFT believes we have a unique insight into the global migration which will have an impact on domestic-level programmes and decisions. We also have technical and standards experts available to assist the various working groups that may be established. As the key vendor for the NPP, SWIFT played a similar role on the various committees formed under that programme.

General feedback

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

The Australian industry is only just starting to realise the complexity of the ISO 20022 migration and that it is almost impossible to totally separate the cross-border payment migration from the domestic-level migration for RITS. If it is not possible for AU banks to pass on rich ISO 20022 messages through RITS in November 2021, then the industry will need to do some work to agree how to approach the issue of data truncation: 1. Will the intermediary still need to pass on the ISO 20022 message separately to the MT settlement that was done via RITS? If so, how will this data be transferred? Or 2. Can the industry deal with a period of data truncation whereby the end beneficiary bank relies on the screening performed by the intermediary bank?

For larger banks operating in multiple markets, they will need to understand the plans for the RTGS migration of those markets as well, adding to the complexity. SWIFT encourages all banks to do a full impact assessment in 2019 or early 2020 to ensure the full complexity of the programme is understood across their organisations.

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