ISO 20022 Migration for the Australian Payments System – Issues Paper – Response TEMPLATE

Name/Organisation: CLS Bank International

Organisation Category: RITS Member

#### About these consultation questions:

Primarily the focus of these questions relate to direct participants in Australian payment systems and will not be applicable to all that wish to respond to this public consultation. Notwithstanding this focus, the RBA is open to receiving comments from all respondents and invites general comment in the last question.

## Objectives of an ISO 20022 migration for payments in Australia

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| Q1. Does your organisation currently support ISO 20022 for payments and reporting messaging?  Yes  No  If yes, what payment systems and/or associated activities are currently supported? If no, what plans does your organisation have to support ISO 20022 by 2024? |
| Connections to BOJNet and SIC4 RTGS Systems with the addition of the ISO 20022 FX trade instruction and notification member channels into CLS platforms. |

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| Q2. Does your organisation provide or use inbound and/or outbound correspondent banking services? |
| Yes – cross-border inbound  Yes – cross-border outbound  Yes – both inbound and outbound cross-border  No |

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| Q3. Are there any other objectives that your organisation believes the Australian financial industry should look to achieve as part of an ISO 20022 payments migration?  Yes  No  If yes, please explain your views. |
| Ensure adherence to the HVPS+ / CBPR+ groups wrt formats, standardisation & harmonisation and participation / take feedback from in the PMPG group. The ISO 20022 harmonisation charter should be adopted. RBA should also plan to release documentation, message artefacts and testing facilities via SWIFT MyStandards where possible. |

## Risks and challenges

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| Q4 a) Do you have any comments on the high-level risks and challenges of payments messaging migration to ISO 20022 outlined in Section 2.5?  Yes   No  If yes, please provide your comments under the relevant risk/challenge: prioritisation against other initiatives, business case approval, project horizon and cross-border migration. |
| It will be essential for any payments MI to align with SWIFT and the latest ISO versions. If all MIs approach migration this way then the harmonisation steps post migration will be less complex. The overall process must not lead to a fragmented set of standards isolated to specific markets. |

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| Q4 b) Are there any other major risks and challenges that you believe need to be considered?  Yes  No  If yes, please explain your views. |
| Click here to enter text. |

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| Q5. For your organisation, please consider each risk and challenge outlined in Section 2.5, and list any others you have identified in Q4 b). Please rate each risk/challenge for your organisation according to the scales for likelihood (rare, possible, likely, almost certain, certain) and consequence (insignificant, minor, moderate, major, catastrophic). Please rank each risk/challenge by the difficulty they pose to your organisation, with 1 being the most difficult. |
| |  |  |  |  | | --- | --- | --- | --- | | Risk/Challenge Item | Likelihood | Consequence | Difficulty | | Prioritisation against other initiatives | Possible | Minor | 1 | | Business case approval | Rare | Minor | 2 | | Project horizon | Rare | Minor | 3 | | Cross-border migration | Rare | Insignificant | 4 | | Click here to enter text. | Choose an item. | Choose an item. | Enter ranking. | | Click here to enter text. | Choose an item. | Choose an item. | Enter ranking. | | Click here to enter text. | Choose an item. | Choose an item. | Enter ranking. | | Click here to enter text. | Choose an item. | Choose an item. | Enter ranking. |   CLS views all (CLS currency) RTGS migration initiatives as mandatory projects – CLS must retain its settlement capability through connection to RTGS systems. |

## Australian payments, clearing and settlement systems

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| Q6. Which, if any, of the messages categorised as “Other messaging that could be migrated”, should be included as part of an ISO 20022 payments migration? Are there any that you think could potentially form part of a later stage of migration?   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | Yes | No | No View | Later Phase | | Direct credits and debits (direct entry (DE)) clearing messaging |  |  |  |  | | RITS Low Value Settlement Service (LVSS) settlement messaging |  |  |  |  | | Customer to financial institution/financial institution to customer messaging |  |  |  |  |   Please explain your views. |
| Click here to enter text. |

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| Q7. Do you have any other specific feedback you wish to provide on the overall ISO 20022 payments migration scope?  Yes  No  If yes, please explain your views. |
| We would like to see clear information on additional business requirements over and above a like-for-like MT -> ISO migration as early as possible. |

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| Q8. For organisations that use the RBA’s AIF reporting and enquiry service, what are your initial views on a replacement solution to modernise this service? For example:  Develop ISO 20022 messaging  Develop an RBA Application Programming Interface (API) service  Other  Please explain your views. |
| No view |

## Possible message enhancements

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| Q9 a) Please provide your views on whether to include each of the enhanced content items proposed in this paper in Section 3.2.   |  |  |  | | --- | --- | --- | | Enhancement | Include | Views | | Payment Purpose Codes |  | A CLS specific code or type may help STP & prioritisation | | Identity Information |  | Click here to enter text. | | Legal Entity Identifiers (LEIs) |  | CLS is supportive of aligning with the use of LEI’s, assuming that there is sufficient demand from the market to do so. | | Remittance Information |  | Click here to enter text. | | International Bank Account Number (IBAN) |  | Click here to enter text. | |

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| Q9 b) What other enhanced content considerations would like to see included as part of the migration project? Please explain your views. |
| We need to retain support for the “CLSTIME” codeword for timed payments, which is currently provided in field 13C in legacy MT messages. |

## Long-run payment system design considerations

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| Q10. Do you agree with the view that it is appropriate to maintain a dedicated HVPS alongside other payment systems, including the NPP?  Yes  No  If no, please explain your views. |
| CLS requires access to an RTGS for critical settlement of payments unless a combined service offers the same levels of resiliency and urgency to HVPs as well as supporting the existing gross settlement model that CLS utilises today from both a system and legal perspective. Note that any migration to a new payments system (e.g. NPP) would require a significant project at CLS, any change to legal and settlement requirements woul alson have a significant impact to CLS. |

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| Q11 a) Does your organisation have any other views or preferences on how the long-term design of the Australian payments system should evolve?  Yes  No |

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| Q11 b) If yes, how does choice of settlement method and system resiliency factor into this view? |
| CLS relies on time critical settlement on a gross basis at the payment level. |

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| Q11 c) From your organisation’s perspective, what other long-term design considerations should be factored into this migration project? Please frame your response from a strategic standpoint rather than focus on any short-term challenges or required investment. |
| CLS’ preference both short and long term is to retain SWIFT as the network provider for RTGS. CLS is currently operational 24\*5.5 and would be able to support a similar model for RITS. However, any move towards a 24\*7 model will require a significant project and investment at CLS. CLS would like to be fully engaged throughout any related discussions on a move to 24\*7 operation in future. |

## RTGS message exchange models

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| Q12. If a separate high value clearing system is maintained for the ISO 20022 payments migration, what is your organisation’s preference on the RTGS messaging model (i.e. Y-Copy or V-Shape) that should be adopted?  Please explain your views. |
| No preference as long as there is backwards compatilibity from a conversion standpoint back into SWIFT MT during the migration phases |

## ISO 20022 migration approach

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| Q13. Does your organisation agree with the proposed high-level stages of the ISO 20022 payments migration project?  Yes  No  Please explain your views. |
| We would like to know if there are plans to align either approach with an implementation date of the annual SWIFT Standards cut over? |

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| Q14. Taking into account the advantages and disadvantages of each migration option, which approach do you support?  Option 1 – Like-for-like followed by adoption of enhanced content  Option 2 – Direct migration to enhanced content  Other  Please explain your views. |
| Migrating directly to enhanced content will be the most cost effective approach for us |

## Managing the transition to new messages

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| Q15. What is your organisation’s preferred approach for transitioning between existing message formats and ISO 20022?  Big-bang  Coexistence  Please explain your views. |
| We can support either approach, but a period of coexsitance, with the RTGS catering for translation between MT and ISO for participants as appropriate, will provide us with the most flexibility. |

## Project timing

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| Q16. Does your organisation face any impediments or constraints that are evident at this stage that would limit your ability to migrate to ISO 20022 within the 2024 target timeframe set out in this paper?  Yes  No  If yes, please explain. |
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| Q17. Are there other international ISO 20022 initiatives that you consider the Australian ISO 20022 payments migration timeframe should be aligned to? E.g. large domestic implementations in other jurisdictions.  Please explain your views. |
| CLS is a participant of 17 other large value payment systems. All of which are undertaking similar migrations to ISO 20022. We believe many global banks are in a similar situation. We believe it would be beneficial for the market to have a harmonised adoption plan towards these migrations, leveraging the annual SWIFT Standards release windows as much as possible. |

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| Q18 a) Is your organisation affected by the timing of SWIFT’s ISO 20022 migration for cross-border payments?  Yes  No |

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| Q18 b) If yes, are there benefits to aligning the migration of domestic AUD payments messaging to cross- border payments migration for your organisation? |
| It would be better to schedule in advance of the cross border migration |

## Message harmonisation

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| Q19. Do you support the HVPS+ developed message guidelines being used as the starting point for the development and implementation of new ISO 20022 standards for Australia’s HVPS?  Yes  No  Please explain your views. |
| We support the global adoption of the HVPS+ guidelines for ISO20022 migrations as well as the ISO 20022 Harmonisation charter for change and release management. These are essential components in ensuring the the benefits of ISO 20022 adoption are realised. Not adhereing to HVPS+ guidelines may create message friction across RTGS and correspondent banks. |

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| Q20. To what extent should other ISO 20022 standards for payments messaging (e.g. those used for the NPP) be considered?  Please explain your views. |
| No view |

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| Q21. Are there any other areas of work that you believe are relevant in looking to achieve message harmonisation (to the extent possible)?  Please explain your views. |
| None other what is already considered |

## Governance

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| Q22. Does your organisation have a preferred governance structure?  Please explain your views and include your preference for the roles of different parties in that governance structure. |
| No comment at this stage |

## General feedback

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| Does your organisation have any general comments on an Australian ISO 20022 payments migration? |
| No comment at this stage |

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| Privacy  Unless requested otherwise, published submissions will include contact details and any other personal information contained in those documents. For information about the Bank’s collection of personal information and approach to privacy, please refer to the [Personal Information Collection Notice for Website Visitors](https://www.rba.gov.au/privacy/personal-information-collection-notices/website-visitors-and-app-users.html) and the Bank’s [Privacy Policy](https://www.rba.gov.au/privacy/privacy-policy.html). |