

ISO 2022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – ISSUES PAPER – RESPONSE TEMPLATE

Name/Organisation: HSBC Bank Australia Limited (HSBC)

Organisation Category: RITS Member & FSS Participant

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.

2.4 Objectives of an ISO 2022 migration for payments in Australia

Q1. Does your organisation currently support ISO 2022 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 2022 by 2024?

HSBC Holdings plc is the parent company of the HSBC Group which is one of the world's largest banking and financial services organisations. The HSBC Group supports various real time payment schemes using ISO20022 in operations around the globe.

HSBC is planning to connect to the NPP in 2020 for payment receipts with remittance scheduled for a later release.

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

Q3. Are there any other objectives that your organisation believes the Australian financial industry should look to achieve as part of an ISO 2022 payments migration?

Yes

No

If yes, please explain your views.

HSBC supports the migration to ISO 2022 formats as it provides benefits including interoperability, enhanced scope and data sets plus product development opportunities.

HSBC notes with the FED, CHIPS, HK RTGS and SWIFT in various other countries migrating to ISO, it provides an opportunity for corporations to use extended remittance information for their invoices between the different ERP systems of corporations across the world.

HSBC recommends the RBA consider the longer term ongoing viability of the BECS and Cheques systems. HSBC suggests that the NPP system could be a viable alternative with messages developed to incorporate property settlement, payroll and superannuation payments. Additionally a bulk file option would be useful tool within the NPP.

2.5 Risks and challenges

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.

HSBC is supportive of the RBA's suggested migration towards ISO 20022 for RITS and RTGS.

Relevant to each of the 4 relevant risks/challenges, we recommend any Australian migration align with the global SWIFT migration strategy and timeline, with the co-existence phase starting November 2021. If the dates do not align with other major ISO migrations globally, Banks may need to invest in developing intermediate solutions that may require further resources and may create operational risks.

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.

HSBC suggests that challenges may occur for Banks who will be interfacing with some of the Industry's key market infrastructures (e.g. FED/CHIPS/HKMA) who are adopting a like for like migration strategy, as this may create a financial crime compliance risk resulting from truncation.

We recommend SWIFT lead a reconciliation strategy across different country programmes, including Australia, to reduce risk for Banks transacting in those countries/currencies. Relevant to IFTI reporting obligations to AUSTRAC, we also recommend that an assessment of any required changes to the IFTI report formats be undertaken.

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	Moderate	2
Business case approval	Possible	Moderate	1

Project horizon	Possible	Minor	3
Cross-border migration	Possible	Minor	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.

Add as required.

3.1 Australian payments, clearing and settlement systems

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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RITS Low Value Settlement Service (LVSS) settlement messaging	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer to financial institution/financial institution to customer messaging	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please explain your views.

HSBC’s preference is for the NPP to be modified over the medium term to enable bulk file and direct debits, with the expectation that it is likely that cheques will be demised in the near future.

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.

HSBC believes that the Payments industry continues to evolve with technology advancements and increasing customer demand. A common messaging standard assists with consolidation across platforms and interoperability between different payment infrastructures. We believe the drivers identified by SWIFT i.e. interoperability, compliance, RTP adoption of ISO and the ability to offer new corporate services, support investment for the migration to ISO 20022.

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.

HSBC is generally supportive of developing new technology that enhances this functionality.

3.2 Possible message enhancements

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	<input checked="" type="checkbox"/>	In the interests of simplification, the RBA should consider including this field on an optional basis, depending on the type of transaction.
Identity Information	<input checked="" type="checkbox"/>	Identity information is useful for payment traces and from an AML perspective.
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	LEIs are useful from an AML perspective.
Remittance Information	<input checked="" type="checkbox"/>	HSBC is supportive of enhanced remittance capabilities, especially for corporates.
International Bank Account Number (IBAN)	<input checked="" type="checkbox"/>	The use of IBANs is growing globally, particularly the Middle East. It is important that Australia can cater for this data.

Q9 b) What other enhanced content considerations would like to see included as part of the migration project? Please explain your views.

HSBC proposes the message content should be limited for the initial migration (e.g. customer identifier number, ABN / ACN etc). We suggest that richer data information such as AML screening should be implemented under a phased timeline implementation with an agreed roadmap to delivery. We believe that a clearly defined program will assist in the delivery of a complex migration.

4.1 Long-run payment system design considerations

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.

Banks in Australia are currently investing and continue to invest in NPP infrastructure. HSBC would encourage this investment and the utilisation of the capabilities that NPP and overlay services may offer.

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

Q11 b) If yes, how does choice of settlement method and system resiliency factor into this view?

HSBC notes the strategic value of adopting the ISO 20022 across multiple payment systems and are committed to achieving the long term benefits for customers and the industry.

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.

HSBC recommends the RBA consider the longer term ongoing viability of the BECS and Cheques systems. HSBC suggests that the NPP system could be a viable alternative with variety of purpose.

4.2 RTGS message exchange models

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.

The initial view to minimise disruption would be to retain the Y copy model. However, as both the V-Shape and Y-Copy models are supported in the different markets that HSBC operate in and there are benefits to both, HSBC would consider both RTGS models for Australia.

5.1 ISO 20022 migration approach

Q13. Does your organisation agree with the proposed high-level stages of the ISO 20022 payments migration project?

- Yes
 No

Please explain your views.

[Click here to enter text.](#)

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.

HSBC’s preference is for Like-for-Like migration with subsequent content enhancement. We believe this approach de-risks the delivery schedule into manageable stages versus the alternative ‘big bang’ approach. HSBC is supportive of the 4 stage migration model.

5.2 Managing the transition to new messages

Q15. What is your organisation's preferred approach for transitioning between existing message formats and ISO 20022?

- Big-bang
- Coexistence

Please explain your views.

HSBC's preference is for co-existence with clear central guidance on mappings between formats.

5.3 Project timing

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.

[Click here to enter text.](#)

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.

HSBC recommends that Australia aligns with and other jurisdictions and the international SWIFT ISO standards to enable integration across global systems. We note that the HSBC Group globally is currently involved in 14 payments programs including SEPA, the US, the UK and Mexico.

We suggest the RBA consider alignment of CLS obligations and the major currency flows into Australia and when those currencies are adopting ISO20022.

Q18 a) Is your organisation affected by the timing of SWIFT's ISO 20022 migration for cross-border payments?

- Yes
- No

Q18 b) If yes, are there benefits to aligning the migration of domestic AUD payments messaging to cross-border payments migration for your organisation?

HSBC recommends the RTGS migration occur prior to the SWIFT migration.

5.4 Message harmonisation

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.

HSBC supports this approach to minimise duplication. We note however, HVPS+ contains fields that are relevant for cross-border corporate or customer payments that are less relevant for high value RTGS payments between financial organisations.

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.

HSBC believes that there are limited benefits in alignment across all payment streams as interoperability across clearing streams may not be required.

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.

No further comments

6.1 Governance

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.

HSBC has an appropriate internal project governance structure to manage industry wide projects.

General feedback

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

No further comments.

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