

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

Name/Organisation: Reserve Bank of Australia, Business Services Group

Organisation Category: Other

### *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?

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NPP Basic Infrastructure, FSS related messages and messages between some Commonwealth Government agencies and the RBA.

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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

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.

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Introducing standardised corporate reporting, for example statements and payment/receipt notifications to remove bespoke reporting that is across systems today.

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### 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 2022 outlined in Section 2.5?

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- 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.

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NPP was challenging, though this was a good experience to bring familiarity of ISO20022 to our organisation. We do not see any additional risks at a high level, apart from general capacity and priority challenges. However, if this a mandated compliance program of work, there would be an assumption that business cases would be approved and the required priority assigned.

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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.

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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  | Certain                         | Moderate                        | 2                                   |
| Business case approval                    | Rare                            | Insignificant                   | 4 – assumes compliance is mandatory |
| Project horizon                           | Certain                         | Moderate                        | 3                                   |
| Cross-border migration                    | Likely                          | Major                           | 1                                   |
| <a href="#">Click here to enter text.</a> | <a href="#">Choose an item.</a> | <a href="#">Choose an item.</a> | <a href="#">Enter ranking.</a>      |
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Add as required.

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### 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 type="checkbox"/>            | <input checked="" 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.

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DE – No. There is minimal, if any, value investing in DE given the recent investments in NPP.

LVSS – No View. Usage of LVSS by Business Services Group is minimal. Acknowledge there could be a benefit for other participants.

Customer and financial institution – Yes. Standardisation and flexibility of messaging across stakeholders will have significant benefits.

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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.

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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.

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Not applicable to Business Services Group as we do not use the AIF.

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### 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"/> | Foundational for future services   |
| Identity Information                     | <input checked="" type="checkbox"/> | Foundational for future services and potentially compliance                          |
| Legal Entity Identifiers (LEIs)          | <input checked="" type="checkbox"/> | This will assist with compliance.  |
| Remittance Information                   | <input checked="" type="checkbox"/> | Goes some way to addressing an existing problem and foundational for future services |
| International Bank Account Number (IBAN) | <input checked="" type="checkbox"/> | Mandatory for reconciliation purposes  |

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

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Nothing apart from the above.

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### 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.

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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

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

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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.

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No comment.

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## 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.

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Y- copy. Clearing should be between Sending and Receiving FI's only.

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## 5.1 ISO migration path

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

- Yes  
 No

Please explain your views.

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No additional comments.

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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.

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On balance, option 1 seems to be the least risky from a project management perspective, especially given the considerable changes that would be required to back office applications.

Option 1 may allow the first phase to be completed over a shorter window. It may also de-risk the program, but would need some compliance around end dates for the second phase encompassing enhanced content and would likely need a lead group and an overall longer elapsed project timeline.

On the other hand, option 2 reduces the likelihood of over-engineering systems and minimises the likelihood of failing to realise the benefits of enhanced content if projects become derailed over time.

To some extent, the best approach may depend on the timing of the project e.g. option 1 may be better if the project can start quickly with the first phase closely aligned with the start of the coexistence period for cross-border payments. Option 2 may be desirable if the project completion date looks like potentially extending beyond 2024 under option 1.

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## 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.

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Subject to the same caveat in Q14 around project completion timing, a period of coexistence for a clearly defined period to assist with transition, risk management and disruption would be preferred.

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### 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.

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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.

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There could be advantages in trying to align with the timeframes for the US and UK domestic implementations (the EU domestic implementation may be too soon). It is plausible that there would be increasing critical mass in cross-border payments as these domestic jurisdictions migrate.

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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

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

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The primary benefit is the simplicity this would introduce for intermediaries/correspondents that may need to pass on any enriched information contained in any native ISO20022 cross-border payments that are received for settlement in the domestic AUD payments system. There would also be technical and resource efficiencies in modifying systems for cross-border and domestic payments at the same time (that is, avoiding the need to re-engineer systems again at a later date).

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### 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.

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HVPS+ developed messaging guidelines are being used as the starting point for cross-border payments (refer to the CBPR+ Working Group) and other high value payment systems overseas. There may be interoperability benefits if guidelines are consistent across real time gross settlement and high value systems.

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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.

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The other ISO 20022 standard for payments messaging (such as those used for the NPP) need to be fully considered and fully aligned.

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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.

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There must be strict standards without ambiguity.

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## 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.

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A clear, well articulated and well understood governance structure is required. The PSB, AusPayNet and the RBA are well placed to propose a governance structure. The model used for NPP worked well and is worth considering.

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## General feedback

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

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Vendors will be delivering these changes for the majority of participants. There are benefits in engaging them early and often. They may already have modules (mapping or translations services for example) that can be used to cover the existing fields and information, complemented by anything additional from Q9a.

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