

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

Name/Organisation: ING Bank (Australia) Ltd

Organisation Category: Financial Institution

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?

ING currently supports ISO 2022 payments and reporting messaging for the New Payment Platform (NPP). Furthermore ING already support the Swiss Clearing RTGS system via MX (= ISO20022), SWIFTNet Funds and SEPA in international regions

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.

The primary objective should be to deliver a solution that has the customer as the core focus. It needs to be simple, transparent and deliver benefit to the customer. By removing complexity out of the system will reduce the number of mistaken payments, complaints and deliver a better customer experience. Additionally the focus should also be around supporting the ever-growing AML/KYC requirements. Delivering a data rich payment system must lend itself to the ability for banks to protect the customers and themselves.

There must be consolidation and harmonisation across the entire payments platform. Without it the customer may face a disparate experience across payment channels and Financial Institutions. This

inconsistency can create confusion with the customer and loss of confidence in the system.

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.

No further comment on the high-level risks and challenges raised.

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.

There remains significant risk of payment harmonisation if Australian Financial institutions fail to agree consensus on what is to be delivered and by when. In order for the Australian payments systems to successfully change there must be ubiquity and all FI's need to be on-board and working to the same milestones. Any changes must be mandatory with a hard date for implementation. Otherwise a repeat of the New Payments Platform will occur, where there is slow uptake and limited understanding from the customer.

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	3
Business case approval	Possible	Minor	4
Project horizon	Certain	Moderate	1
Cross-border migration	Possible	Minor	2
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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Please explain your views.

The focus of the migration should not be on legacy systems that have no future roadmap, such as DE . The focus should be on providing future-proof payment systems that enrich the lives of customers by providing greater functionality, improved speed and helps mitigates against mistaken payments. The focus should be on sun setting payments systems that do not provide this, such as DE.

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.

To achieve industry wide acceptance and true success the remit should be contained to payments systems that have no current future roadmap such as HVCS and not consider payment systems that are due to become obsolete i.e. Cheques/DE. There needs to be consideration for the mandated and regulatory obligations of financial institutions (such as risk and compliance updates) and any migration activities should be done in conjunction with these requirements and established in a way to best support the customer.

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.

N/A

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"/>	ING is supportive of including any data that enriches the transaction to support a more thorough KYC/AML investigation process. In addition any further information that can be provided in order to validate the payment beneficiary and mitigate against mistaken payments is welcome.
Identity Information	<input checked="" type="checkbox"/>	Click here to enter text.
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	Click here to enter text.
Remittance Information	<input checked="" type="checkbox"/>	Click here to enter text.
International Bank Account Number (IBAN)	<input checked="" type="checkbox"/>	Click here to enter text.

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

N/A

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.

ING does consider it important to maintain a dedicated HVPS alongside other payment systems. This is to reduce dependency on single system creating greater resilience. ING currently has no strategic roadmap for utilising NPP for clearing HV payments

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?

The empowerment of the customer should be central to the long-term design of the payments system. Providing the customer with a payments system that delivers a simple, minimal risk experience will assist in driving the adoption and success of the system. This can be supported through a full end to end transaction (dom/Intl) comprising of, real-time capabilities while ensuring minimal fraud risk exposure and transparency by enriching the data contained in the transactions. The payments system should be robust to stand-up against developing cyber-crime and have the ability to be adaptable to future demands. Many of the incumbent systems have been built on legacy systems, which require significant investment to

enhance. The payment system should support an open data, access and control environment that puts the customer in control first and foremost. Australia needs to compete in a global market that requires 24/7 delivery to maintain competitiveness.

Payments system is a core function of the financial industry and therefore needs to maintain stability. Without stability there is a loss of confidence from the customer. Therefore there is a significant requirement on system resilience both at the Financial Institution and payment scheme level. The payment system must have stability at its core and the ability to quickly recover in the event of a systemic issue. This also needs to be seamless and with minimal impact to the customer.

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.

The future payment systems should not be constrained by what has worked or is working in the past. The payments system must be harmonised not only locally but globally to support the growing demands of the customer.

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.

At present ING only supports the Y-copy as there has been no requirement for a V-copy. However due to the Target2 project in Europe, ING will be building this specification. The Y copy will remain the preference of ING due to reduction in integration points. The Y copy only requires integration with the scheme once rather than with each Central Bank individually. The Y-copy also provides an additional layer to validate the syntax of the messaging, thus creating a more robust solution.

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.

Yes, ING is in full support of the migration from MT to MX. This provides significant value to the customer with more transparency and data richness. It also lends itself to facilitating better screening and compliance in order to protect the customer and the bank. ING is supportive of one single message standard and the ISO 20022 is clearly the preferred standard.

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.

ING recommends the direct migration to enhanced content (Option 2). In order to deliver immediate benefit to our customers, the bank and the financial industry it would be prudent to adopt this functionality as soon as possible and ensure that it is mandated across the industry to ensure alignment and compliance for all FI's. There is no added value in investing in a migration that doesn't offer any functional or business advantages.

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.

The ING preference for migration is a 'big bang'. As this migration will be for AUD only and closely managed by the RBA we feel a big bang is feasible, also because we assume the service will be managed via a Closed User Group. This way all participants and customers can immediately benefit from all new functionality and no temporary truncation will be necessary. For this approach to work there must be consensus across the industry and a mandated 'go-live' date.

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.

As an international bank, ING is involved in multiple MT to MX migration programs like Target2, EBA, SIX, Chaps, HKICL/CHATS, MEPS+, Philippines Clearing. There is clearly benefit in aligning to one or several of these migrations, not only for best case but to help achieve true global harmonisation of the payments systems.

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?

There is no benefit for this alignment. ING considers the focus should be in ensuring a mandated approach to domestic payments in the beginning.

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.

ING is supportive of using the HVPS+ message guidelines as a starting point. In order to achieve true global harmonisation it appears to be counter-productive to develop a messaging protocol locally and then attempt to backward engineer to fit the global standards and requirements.

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.

The NPPA has fully utilised the full potential of ISO 20022 message standards through expanded use of these message types, such as "INV", "admi" and "pain". As a result this has delivered a more transparent back-office process with greater functionality. This enhanced functionality helps support an industry which is facing increasing regulatory scrutiny and ongoing compliance of regulatory codes.

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.

There must be a consideration of payment harmonisation to reduce the number of customer complaints and the subsequent regulatory impact. The payments systems must be supportive of providing seamless customer validated transactions in order to reduce the number of mistaken payments made. A complex payments system will not address this and will result in an increase in complaints raised. The customer journey, support and verification must be at the core of the system. There needs to be clear liability and accountability for the payments and the customer must be empowered for this purpose.

In addition the payment system must address the growing fraud trend. The payment system must consider what is required to protect the customer and the bank and how together we can strengthen the transaction (verification and detection) and reduce the volume of fraud.

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.

ING is flexible in its choice of governance structure.

General feedback

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

[Click here to enter text.](#)

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