ISO 20022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – RESPONSES AND OPTIONS PAPER – RESPONSE TEMPLATE

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

Organisation Category: Other

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.

Click here to enter text.

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.

We are supportive, however lessons must be learnt from the NPP experience where non-payment message flows were over-engineered and participants implemented solutions very differently, eg, automated vs manual and not being transparent on this. Participants also interpreted requirement differently. Manual processing also introduced inconsistency in output, causing issues for receiving participants.
There needs to be clear, agreed and committed flows, expectations and capabilities documented for non-financial messages.

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

We support the use of structured data for the reasons mentioned in the paper.

Need to be closely aligned with CBPR+ and HVPS+ where possible in order to minimise frictions in cross border and domestic payments.

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.

These sound reasonable, though further investigation is needed regarding the impact on NPP as we should aim to minimise disruption there.

If we move to the 2019 version of ISO and remain so for the duration of the proposed migration schedule, we will be locked into using the 2019 version up until 2024. Need to be mindful as an industry if this is acceptable and whether SWIFT and ISO have any issues with this.

There may be benefits to be as aligned as possible with the CBPR+ approach and other market infrastructures.

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

Please explain your view.

On balance, our preferred option is option 2 but with a requirement that intermediaries that receive native ISO messages must send them as native ISO messages for domestic clearing and settlement. While this would require participants to maintain the ability to receive ISO and MT, it should remove issues arising from intermediaries passing on two versions of the same transaction (MT and original ISO). This should allow participants that are intermediaries to prioritise their back office system migration effort, while providing flexibility and time for the whole industry.

Further commentary on the options are below.

Option 2 provides flexibility and gives time to adjust to ISO while also providing the mechanism to accommodate different states of readiness for participants. However it imposes challenges on

intermediary institutions whose back office systems may not be completely ISO enabled. They may be unable to consume and potentially pass on parallel MT (for settlement) and MX messages (to pass on enriched information) to the next party in the chain. The receiving party, even if it is fully ISO enabled, will likely receive both the MT and ISO versions too (depending on market practices, the ISO version may be a copy of the received cross-border version and not the true domestic version) and will need to cater for that.

Option 3 is the cleanest for intermediaries, though it may not necessarily eliminate the need to receive MT formats if MT cross-border payments continue to be received from some parties (while some non-payment messages are not migrating to ISO 20022, e.g., securities, commodities, etc.). It also involves an aggressive implementation timeframe for upgrading back office systems that could prove very challenging for the industry to meet. The use of translation services, while being a mitigant for those participants who may not meet timeframes, introduces complexities including mappings and truncation. The message specifications would likely need to cater for unstructured fields as it will be possible to received unstructured cross-border messages during the co-existence period.

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

N/A - The RBA's AIF service is not used.

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.

While the phases may elongate the effort, the flexibility this offers is important.

The approach will need to be designed in a way that supports interoperability and translation for cross border payments to address concerns regarding completeness of data - a participant cannot populate message fields with data they do not have.

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

☒ Yes
☐ No

Please explain your view.

5.2   Proposed governance structure

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

☒ Yes
☐ No

Please explain your view.

We are broadly supportive of the governance structure however the following points are relevant:
- agree that AusPayNet are an appropriate body to administer the delivery of the project;
- the proposed composition of the Steering Committee may require some further consideration. There may need to be another governance layer who are either directors or sponsors of their internal programs who are accountable for their internal deliverables as well as the industry deliverable . If the Steering Committee members have this within their terms of reference, this will suffice. If not, a further group as suggested may be required;
- we must not underestimate the effort that will be required from the Project Management Office (PMO) being formed by AusPayNet as proposed. With the high number of industry participants, internal complexities and interdependencies, the PMO will need to consist of high calibre members who can work across the industry and garner the required results. There will need to be some flexibility around the number of resources in the PMO to cater for the volume of work and to manage peak periods.

General feedback

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

Click here to enter text.