ISO 20022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – ISSUES PAPER – RESPONSE TEMPLATE

Name/Organisation: BPAY Group

Organisation Category: Vendor/Payment Service Provider

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 20022 migration for payments in Australia

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?

Our Osko Service uses ISO20022 on the NPP. BPAY is responsible for specifying message formats for Osko consistent with the NPP implementation of ISO20022. BPAY also supports ISO20022 message formats for associated Osko services such as certification and testing.
BPAY does not use ISO20022 for any BPAY Payments related activities.

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 20022 payments migration?

☐ Yes
☒ No

If yes, please explain your views.

Click here to enter text.

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.

Prioritisation against other initiatives: as noted in the paper, there are many competing payments-related projects in progress or planned. In our view, it will be important to not impede these other initiatives due to diversion of scarce resources or ambiguity as to priority. Furthermore, any ambiguity as to the version / standards to be adopted for the ISO20022 migration risks causing rework or inaction on other initiatives until common standards can be defined, if required. The level of co-existence and/or interoperability of standards will be an essential principle to establish as early as possible.

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.

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	Choose an item.	Choose an item.	Enter ranking.
Business case approval	Choose an item.	Choose an item.	Enter ranking.
Project horizon	Choose an item.	Choose an item.	Enter ranking.
Cross-border migration	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.
Click here to enter text.	Choose an item.	Choose an item.	Enter ranking.

BPAY has no response to this question.

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	☐	☒	☐	☐
RITS Low Value Settlement Service (LVSS) settlement messaging	☐	☒	☐	☐
Customer to financial institution/financial institution to customer messaging	☐	☐	☒	☐

Please explain your views.

There are likely significant costs and limited benefits from migration of DE or LVSS to ISO20022. An alternative approach to migrate transaction volume to other platforms is more likely to be beneficial and effective.

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.

BPAY agrees that there are likely to be significantly greater costs than benefits in migrating BPAY clearing messages to ISO20022 as part of this program, and as such, we do not consider it appropriate it to include the migration of BPAY payments to ISO20022 in the scope of this program.

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.

BPAY has no response to this question.

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	☐	Click here to enter text.
Identity Information	☐	Click here to enter text.
Legal Entity Identifiers (LEIs)	☐	Click here to enter text.
Remittance Information	☐	Click here to enter text.
International Bank Account Number (IBAN)	☐	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.

BPAY has no response to this question.

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.

BPAY has no response to this question.

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?

Click here to enter text.

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.

BPAY has no response to this question.

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.

BPAY has no response to this question.

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.

BPAY's experience in implementing Osko as the first overlay service on NPP is directly relevant to this proposed migration. BPAY has developed a platform to provide certification services to Osko Participants. This platform has the benefit of significantly reducing testing effort and time, as the vast majority of defects and inter-operability issues can be addressed prior to industry testing, and therefore much earlier in the project lifecycle. Furthermore, this also removes many coordination and inter-dependency challenges, thus allowing institutions more flexibility to plan and manage their own activities. We would recommend that a similar approach is adopted for this migration.

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.

The ambition to leverage any program of work to deliver enhanced capability is always desirable. However, it may be prudent to also continue to leave the like-for-like option open until further planning can determine risks and feasibility at a more detailed level.

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.

BPAY has no response to this question.

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.

BPAY is not subject to the migration requirement provided that it does not lead to a change to existing NPP-related messages.

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.

BPAY has no response to this question.

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?

Click here to enter text.

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.

BPAY has no response to this question.

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.

As noted above, any ambiguity as to the version / standards to be adopted for the ISO20022 migration risks causing rework or inaction on other initiatives until common standards can be defined, if required. The level of co-existence and/or interoperability of standards will be an essential principle to establish as early as possible. Extension of project scope to include other standards poses significant risk of timeframe extension.

Furthermore, design and standards governance arrangements will need to be established at the outset alongside any other project governance bodies.

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.

Customer:FI and FI:Customer messaging is currently not subject to an industry standard. Should it be determined that this is a necessary requirement, then harmonisation would appear to be a likely requirement. Conversely, if the scope of the migration is purely internal to the payment system, then harmonisation requirements would appear to be less important, in our view.

The Digital Business Council has developed an inter-operability framework for electronic invoicing. Compatibility with this framework may be a valid area to explore.

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.

In our experience, the NPP program delivery structures worked effectively and seem likely to provide a good starting point.

As noted above, we would recommend that the project consider how to govern the design/standards work that may be required, particularly should harmonisation or inter-operability be an important consideration. A formal design authority is likely to be required to ensure integrity in specification and design.

General feedback

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

In our view, industry infrastructure can make a significant contribution to reducing risk, reducing cost and improving the efficiency of a migration program such as this. Early investment in industry capabilities to assist migration, message translation, testing and certification are all likely to be valuable to improve the feasibility of the migration and reduce inter-dependency risk. BPAY's certification platform is a good example of how this approach can work in practice.

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