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

Name/Organisation: Australian Payments Network (AusPayNet)

Organisation Category: Industry Body

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?

N/A

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.

We would suggest that one objective that should be considered (as it is being in the UK), is the potential use of ISO 20022 to drive interoperability between payment systems.   In an Australian context, that would involve some commonality of messaging between ISO 20022 enabled payment systems such as – pending responses to this consultation – NPP and HVPS, but also AIF, and the RITS batch for Mastercard, eftpos and CHESS.   Such interoperability would be efficient and would also – in the case of NPP and HVPS – facilitate customer choice and contingency arrangements between (and therefore resilience of) payment systems. In the case of customer choice, such choice would be made on the basis of the business needs behind the payment instruction, rather than on the basis of the messaging. Efficiency, resilience and user choice could

therefore be deemed secondary objectives of the migration.

Such interoperability would – given the wider migration of payments systems globally – also extend cross-border. Again, international harmonisation could be deemed a secondary objective of the migration.

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
One way of ameliorating this risk is to have both a vision and roadmap for Australia's payments systems, which incorporates the full range of initiatives. In the second half of this year, AusPayNet will consult payments stakeholders on such a vision and roadmap, using as inputs this consultation paper, the previous consultation conducted by the Australian Payments Council on their strategic vision, and bilateral conversations with key industry stakeholders (such as the RBA, NPP, BPAY, eftpos and ASX). AusPayNet would be keen to work with the RBA on this, in part to migitate this risk relating to migration to ISO 20022.

Business case approval
A key factor in business case approval will be the project horizon risk identified in the paper (see below): the business case will depend on the scope.

In addition, the paper notes that costs (and therefore the business case) will depend on current capability, required infrastructure and resourcing. However, they will also depend on the migration approach selected. This will in turn reflect factors such as the governance structure (for example, the level of central co-ordination and use of consultants).

As noted below (Q22), AusPayNet would see itself as ideally placed to manage such risks.

Project horizon
Key in managing this risk will be agreeing the scope of the ISO 20022 project; this consultation provides a useful start in that regard.

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	Major	2
Business case approval	Certain	Major	1
Project horizon	Possible	Moderate	3
Cross-border migration	Rare	Insignificant	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	☐	☒	☐	☐
RITS Low Value Settlement Service (LVSS) settlement messaging	☐	☒	☐	☐
Customer to financial institution/financial institution to customer messaging	☐	☐	☒	☐

Please explain your views.

Industry has already formed a view that where there is value in migrating DE or LVSS traffic to ISO 20022, this will be achieved by migrating it to NPP.

Participants will be better placed to assess the potential benefits of migrating customer to FI messaging (and vice versa) to ISO 20022. However, conceptually it would, as noted above, enable customer choice between payment systems on the basis of business needs rather than messaging.

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.

We agree that given the widespread global migration away from SWIFT MT messages, all services and systems that use these messages should be migrated to an alternative solution. In so doing, we note that

conceptually this should maximise efficiency and deliver cross-border interoperability for participants who process both international and domestic high value payments.

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	☐	Participants will be better placed to assess the potential benefits; one option, as noted in section 5, would be that day one migration provides "as is" functionality, with such enhancements provided at a later stage.
Identity Information	☐	Participants will be better placed to assess the potential benefits; one option, as noted in section 5, would be that day one migration provides "as is" functionality, with such enhancements provided at a later stage.
Legal Entity Identifiers (LEIs)	☐	Participants will be better placed to assess the potential benefits; one option, as noted in section 5, would be that day one migration provides "as is" functionality, with such enhancements provided at a later stage. We agree with the points made in the consultation that LEIs could potentially provide significant benefits but that the realisation of these benefits is dependent on widespread adoption of LEIs.
Remittance Information	☐	Participants will be better placed to assess the potential benefits; one option, as noted in section 5, would be that day one migration provides "as is" functionality, with such enhancements provided at a later stage.
International Bank Account Number (IBAN)	☐	Participants will be better placed to assess the potential benefits; one option, as noted in section 5, would be that day one migration provides "as is" functionality, with such enhancements provided at a later stage.

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.

This question warrants further consideration.

We are aware of two views among stakeholders:

1) Some agree with the view that it is appropriate to maintain a dedicated HVPS alongside other payment systems, including the NPP. This view is consistent with the approach taken globally, provides choice of settlement method, and, were commonality of ISO 20022 messaging to be achieved (and as the paper notes), also adds system resiliency by enabling HVPS and NPP to provide failover capability for each other in extremis.
2) Some note the recent implementation of NPP and, given NPP's existing ISO 20022 capability, are keen to leverage that capability to facilitate the efficient migration of high value payments to ISO 20022.

We suggest that the Australian Payments Council's proposed work item on a design for a resilient payments system would be an appropriate mechanism for further considering and resolving 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?

Both will be important considerations.

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.

As noted above, in the second half of this year, AusPayNet will consult payments stakeholders on a vision and roadmap for Australia's payment systems, using as inputs this consultation paper, the previous consultation conducted by the Australian Payments Council on their strategic vision, and bilateral conversations with key industry stakeholders (such as the RBA, NPP, BPAY, eftpos and ASX). AusPayNet would be keen to work with the RBA on this, in part to continue to feed-in longer-term strategic design considerations that should be factored into this migitation project.

One factor that should certainly be factored in is to ensure the solution design caters to the entire eco-system, including for example new entrants.

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.

N/A

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.

This is a proven methodology that works to contain risks, provide certainty and the ability for stakeholders to plan ahead.

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.

Key factors in this decision are the scope of the migration project and the governance approach adopted; for example the enhanced risks inherent in option 2 would need to be managed through appropriate governance.

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.

Based on our experience of many industry-wide implementation projects, co-existence enables participants to move at their own pace rather than necessitating them working to the same timeline and therefore greatly reduces project risks (especially to the timeline).

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.

N/A

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.

None that we are aware of that would necessitate alignment.

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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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.

We support the rationale put forward in the consultation paper that the guidelines developed by the HVPS+ group for ISO 20022 messaging for high value payments appear a sensible starting point for defining the new message standards for Australian high value payments, in part to improve international interoperability.

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.

Domestic interoperability is an important objective and NPPA's ISO 200222 guidelines should therefore definitely be considered.

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.

ASX's use of ISO 20022 should also be reviewed in so far as it relates to payment messages.

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.

The governance model, scope and approach of the migration project are all interrelated, and the governance model – including, for example, the use of consultants – should be chosen for best fit once other scope and approach questions have been answered.

AusPayNet proposes that it should play the key role in co-ordinating ISO 20022 migration, which will be a key priority and a significant undertaking for the industry.

It is well placed, as administrator of the HVCS, the Australian PDS and CUG, and having delivered many complex, successful, industry-wide projects, to do so.

Also helpful in this regard is AusPayNet's membership – which includes NPPA, SWIFT, ASX and the RBA – as well as the fact that it supports the APC.

Finally, as noted above, in the second half of this year, AusPayNet will consult payments stakeholders on a vision and roadmap for Australia's payments systems, using as inputs this consultation paper, the previous consultation conducted by the Australian Payments Council on their strategic vision, and bilateral conversations with key industry stakeholders (such as the RBA, NPP, BPAY, eftpos and ASX). AusPayNet's vision and roadmap will be a key input to the ISO 20022 migration.

As the consultation paper notes, there are key learnings that can be taken from the approach used in NPP which should influence the governance model for ISO 20022. One such learning is the need for a senior steering committee to guide the project; were it chosen for the co-ordination role, AusPayNet would intend to liaise with the PSB and APC to ensure that such a group, with appropriate seniority and coverage, had oversight of the ISO 20022 migration. We would also look to emulate the NPP project's success in fostering stakeholder commitment to a shared vision, its focus on broad benefits, and its use of dedicated, independent teams.

General feedback

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

AusPayNet's submission is not a representation of collective views of our members / industry participants, but our response as an industry body.

The AusPayNet Board fully supports our proposal that we play a key role in leading industry implementation of the ISO 20022 migration.

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