

ISO 2022 MIGRATION FOR THE AUSTRALIAN PAYMENTS SYSTEM – RESPONSES AND OPTIONS PAPER – RESPONSE TEMPLATE

Name/Organisation: New Payments Platform Australia Limited (NPPA)

Organisation Category: Industry Body

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.

NPPA supports the introduction of a suite of investigation, dispute resolution and reconciliation messages for HVCS. The NPP is already utilising a set of ISO 2022 investigation and reporting messages and considerable effort has gone into implementing these messages by participating financial institutions. There is likely to be considerable synergies for NPP and HVCS participating institutions in aligning the existing NPP investigation message set and associated back office operational processes as closely as possible with those being developed for HVCS.

There have been considerable lessons learnt from the NPP implementation of these messages which may be useful for the migration project to understand as plans are developed in detail for HVCS.

NPPA believes that mandating these messages would be important in achieving the desired benefits and operational efficiencies.

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

NPPA agrees with the benefits of having structured data included in the payment message. One of the key benefits of ISO 20022 is the ability to carry additional data, which will deliver considerable utility not just for banks but also for the broader Australian economy (including corporates, small and medium sized businesses and government). The structured data capabilities of the ISO 20022 message schema ensure that a consistent and standardised approach can be taken to how data is captured and transmitted along with the payment.

NPP participating financial institutions will be obliged to receive NPP messages with additional defined data elements and the use of category purpose codes for payroll, tax, superannuation and e-invoicing payments by December 2020. NPPA is considering developing additional message standards for other payment types in the future according to market demand.

NPPA suggests that there should be close alignment to existing NPP message usage definitions for similar fields being considered for HVCS. This alignment will help to achieve efficiency and interoperability between HVCS and NPP, as well as reducing implementation and operational costs and effort. This may be particularly beneficial in the case of data that is required for compliance or sanction screening processes (see response to Q4 below).

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.

NPPA agrees that the use of category purpose codes would be beneficial and suggests close alignment to the NPP message standards which are being implemented in December 2020 as mentioned above. NPPA is also exploring the inclusion of additional remittance information being contained in the NPP message in order to support payments related to invoicing. Future alignment with this work would also be beneficial.

NPPA agrees that the use of LEIs and IBANs should be catered for. As IBANs can be used to describe domestic account numbers, consideration should be given to the implications to NPP message usage in this respect, in order to ensure interoperability and efficiency.

NPP Participants will be required to include specific data elements to assist with sanctions screening by the end of 2019. There could be lessons learnt from the implementation and usage of these data fields that it may be useful for the migration project to understand.

The NPP infrastructure has been enhanced to support the domestic leg of an inbound cross-border payment with the creation of a scheme agnostic IFTI ('International Funds Transfer Instruction') business service. SWIFT also plan to implement a gpi Instant Overlay Service on the NPP, which utilises this IFTI business service. NPPA believes that the introduction of these services is likely to

result in the migration of cross-border payments from HVCS over to the NPP. NPPA have already provided mapping of MT messages to ISO20022 as part of the IFTI payments service (including structured data elements).

NPPA is undertaking mapping of the CBPR+ message usage to the NPP IFTI messages as part of the platform's major release in 2020, with the message usage guidelines being available by the end of April 2020. This mapping should provide a solid baseline for domestic interoperability.

NPP Participants have expressed to NPPA that they see benefits in ensuring interoperability between messages produced by a corporate for HVCS which could interchangeably be sent via NPP in the event that HVCS is unavailable (including time of day). The message sets already developed, tested and certified and currently in use by NPP should be fully leveraged in the process of developing a set of ISO 20022 payment messages for HVCS. Whilst international compatibility and harmonisation is important, NPPA believes that the primary consideration should be given to ensuring as much consistency and interoperability domestically in Australia using the ISO20022 message standard.

The NPP currently uses the 2015 version of ISO 20022. In preparation for the implementation of the NPP's Mandated Payments Service (MPS), NPP PAGs will be updated to include the 2020 version of ISO 20022 as part of the platform's major release at the end of 2020. These messages will include the use of mandate fields in the NPP messages required for the MPS. By the end of 2022, NPPA intends to fully upgrade the version of ISO 20022 being used by the NPP and participating financial institutions to the 2020 version. This will be a mandatory change for all NPP participants.

It will be important to get industry alignment on the best way to manage ISO version upgrades and the implications if HVCS is using the 2019 version. NPPA recommends that a pragmatic approach will need to be taken to manage the different ISO versions and the need to work with industry on an agreed approach. Annual upgrades are likely to be unrealistic given the cost and effort to implement, unless there is a pressing need or compelling rationale to do so.

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.

NPPA does not have a firm view on the migration options and believes that it is a matter for industry to collectively agree on the best approach.

Whilst realistically, a period of coexistence is likely to ensure that systems and integrated parties are operating safely and securely, and messages are exchanged without loss of data, NPPA notes the direction being taken globally which appears to question taking a coexistence approach (e.g. work currently underway with PMPG). This is primarily because of issues with truncation and translation that typically occur during coexistence.

If coexistence is adopted as the preferred approach, NPPA recommends that this be confined to as short a period of time as possible. A lengthy coexistence period will mean more complex change

management for the industry and will impact on NPPA's and participating financial institution's ability to make changes on the NPP platform during that 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

Not applicable to NPPA

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.

NPPA does not have a firm view on the proposed migration approach. NPPA believes the work currently underway with PMPG which is challenging high value operators on the benefits of like-for-like should be considered in determining the best approach.

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

- Yes
 No

Please explain your view.

It should be noted that there is considerable activity already being undertaken by the industry during the same timeframe as proposed for the migration project (particularly during the period 2020 to end 2021), notably the SWIFT MT migration and the implementation of additional NPP capability as described in NPPA's roadmap (which contains mandatory requirements for NPP participants).

5.2 Proposed governance structure

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

- Yes
 No

Please explain your view.

NPPA supports the need for a robust and independent governance structure to manage a smooth migration to ISO 20022 for HVCS.

Given the considerable linkages between NPP and the migration project such as message standard interoperability, mapping of CBPR+, cross border payments, resilience and future capability

development, NPPA believes it would be beneficial for the industry if NPPA was represented in its own right on the proposed governance Steering Committee.

General feedback

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

It is NPPA's position that it is important to give due consideration to the interoperability between domestic payment systems and the importance of having common standards in place.

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