

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

Name/Organisation: 2022 Labs

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 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?

2022 Labs is a non-profit organization that brings together corporations, vendors, investors, fintech companies and financial institutions to accelerate the adoption of the ISO 2022 payment messaging standard. Through our various offerings, we work to increase, coordinate, consolidate and elevate market demand for ISO 2022 through practical strategic services including our Dataful Sandbox—a set of fully functional payment environments for demonstration, testing and experimentation.

Given our role and objectives, this question is germane to our stakeholders individually and collectively, but not applicable to our organization.

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.

To advance efficiency benefits to government and corporates and the wider economy through the active engagement of government users, corporates, fintechs and ERP providers.

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.

Risk associated with prioritisation and business case approval by financial institutions can be mitigated through the creation of sufficient demand for ISO 20022. Financial institutions will not necessarily do this on their own and there needs to be wide awareness raising, engagement and support with major payment system users and technology providers on the potential efficiency benefits of ISO 20022.

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.

Financial institutions will undertake a minimalist / compliance approach to adoption if there is no perceived demand or clear business case. Thought needs to be given as to how to generate demand amongst major payment system users.

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.

Given our role and objectives, this question is germane to our stakeholders individually and collectively, but not applicable to our organization.

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RITS Low Value Settlement Service (LVSS) settlement messaging	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer to financial institution/financial institution to customer messaging	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please explain your views.

While we would support ISO 20022 migration wherever possible we do recognise the difference between DE, LVSS and initiation messages. While we support the RBA moving LVSS to ISO 20022, we believe this is primarily a matter to be discussed between the RBA and affected institutions. Similarly, while we would like to see DE move to ISO 20022, we recognise it would be a significant ask for industry and that it may merely duplicate the value provided through the NPP. However, we would strongly support the development of Customer to FI / FI to Customer ISO 20022 messaging as this potentially provides the greatest value for end users in respect to straight through processing and, if implemented correctly, could facilitate greater competition and innovation, particularly in a future stage of Open Banking that permits third party initiation with consent.

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.

While every system is unique, the onus should be on demonstrating why a system should not go to ISO 20022. Wide adoption of the standard will provide greater efficiencies in the longer term.

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.

Given our role and objectives, this question is germane to our stakeholders individually and collectively, but not applicable to our organization.

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"/>	Can help support great value to users and regulators
Identity Information	<input checked="" type="checkbox"/>	See above
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	Australia should use ISO 20022 migration as opportunity to adopt LEI
Remittance Information	<input checked="" type="checkbox"/>	This is vital. Remittance data is critical for end-users and efforts should be put into working towards structured remittance data that must be passed on to end-users.
International Bank Account Number (IBAN)	<input checked="" type="checkbox"/>	As with LEI, Australia should use this migration as opportunity to adopt IBANs.

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

Particular attention should be given to how structured remittance data will be introduced and what the obligations will be to offer this and pass on to end-users.

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.

[Click here to enter text.](#)

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?

Settlement methods that lack full collateralization or operate on a deferred net basis, are associated with greater restrictions on access to new system participants. Where possible, full-collateralized / pre-funded and real-time systems are better able to manage credit risks while promoting wider access.

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, fostering demand will be critical to motivating financial institutions and system operators to make the necessary investments. This requires wide engagement across the ecosystem, including government users, corporates, vendors (including ERPs) and fintechs and the provision of enabling and supporting services to the wider ecosystem.

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.

[Click here to enter text.](#)

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.

While the high-level planning look about right, the approach is very industry focussed and engagement and communication with wider ecosystem will be critical.

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.

We would agree that this would realise greater benefits. However it will require greater planning and engagement to be genuinely successful, so may not necessarily be quicker overall.

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.

Research, such as the ICPACE Best Practices for ISO 20022 Migration research, identifies that long periods of co-existence are problematic as they spread costs and uncertainty throughout the industry and can adversely effect mutual trust between participants required for a successful migration.

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.

Given our role and objectives, this question is germane to our stakeholders individually and collectively, but not applicable to our organization.

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.

[Click here to enter text.](#)

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.

We strongly endorse the use of global message guidelines to develop domestic messages wherever possible.

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.

There are other global guideline bodies such as the RTPG (which NPPA participates in) who's work should 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.

As alluded to above, thought needs to be given to the provision of services, education and sandboxes to generate demand and assist migration as well as the need for well-grounded research to help drive strategic decision-making.

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.

While the principles which guided the development of the NPP model are a good starting point, this migration is different as costs will be dispersed throughout the ecosystem and not just carried by a relatively small number of financial institutions and the RBA. Care need to be given to ensure that a wider range of voices of those who will benefit from ISO 20022 can also be accommodated – for example corporates, vendors and fintechs.

General feedback

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

20022 Labs is broadly supportive of this consultation process and looks forward to remaining involved and helping to provide value to the Australian market.

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