CONTINUOUS LINKED SETTLEMENT

RITS Session Times and Operational Arrangements

Version 8

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1. INTRODUCTION

Continuous Linked Settlement (CLS) is a global initiative to reduce foreign exchange settlement risk by settling both legs of foreign exchange transactions simultaneously. Transactions are settled across the books of CLS Bank International (CLS Bank), a special purpose bank established to facilitate the CLS process. Payments between CLS Bank and CLS "settlement members" for each participating currency are made in the local RTGS systems. Aside from the Australian dollar (AUD), the other six initial participating currencies were the US Dollar, Japanese Yen, Euro, Swiss Franc, Pound Sterling and Canadian Dollar. The Danish Krone, Norwegian Krone, Singaporean Dollar, and Swedish Krona commenced settlement in September 2003. The Hong Kong Dollar, South Korean Won, New Zealand Dollar and South African Rand commenced CLS settlement in December 2004. The Israeli Shekel and Mexican Peso commenced in May 2008.

The CLS settlement process takes place during the European morning (i.e. the Australian late afternoon/evening), during which time RITS and other participating RTGS systems must be open[1].

This information paper outlines RITS session times and operational arrangements for these extended hours.

1.1. CLS Bank Access to RITS

CLS Bank has an Exchange Settlement Account (ESA) with the Reserve Bank and is a member of the SWIFT Payment Delivery System (APCA's High Value Clearing System), through which CLS pay-ins and pay-outs in AUD are made.

CLS Bank does not have a RITS logon. The Reserve Bank undertakes any necessary RITS entries acting on instructions from CLS Bank, including use of RITS cash transfers if a contingency affects the ability of CLS Bank or a CLS participant (local settlement member or nostro agent of an overseas settlement member) to make CLS AUD payments using the SWIFT PDS.

In the extremely unlikely event of a major outage affecting RITS operations at its Primary and Secondary Sites, the Reserve Bank may at its sole discretion consider direct processing of CLS AUD payments across the Reserve Bank's internal accounting system if it is unaffected by the outage.

1.2. Need for Extension of RITS Operating Hours

CLS settlement processing for the Australian dollar (and the other "Asia-Pacific" currencies) occurs during a 3 hour pay-in window, from 07:00 to 10:00 Central European Time (CET)[2]. This equates to 15:00 to 18:00 Australian Eastern Standard Time, and

[1] Note, however, there is a shorter settlement window for Asia-Pacific currencies.

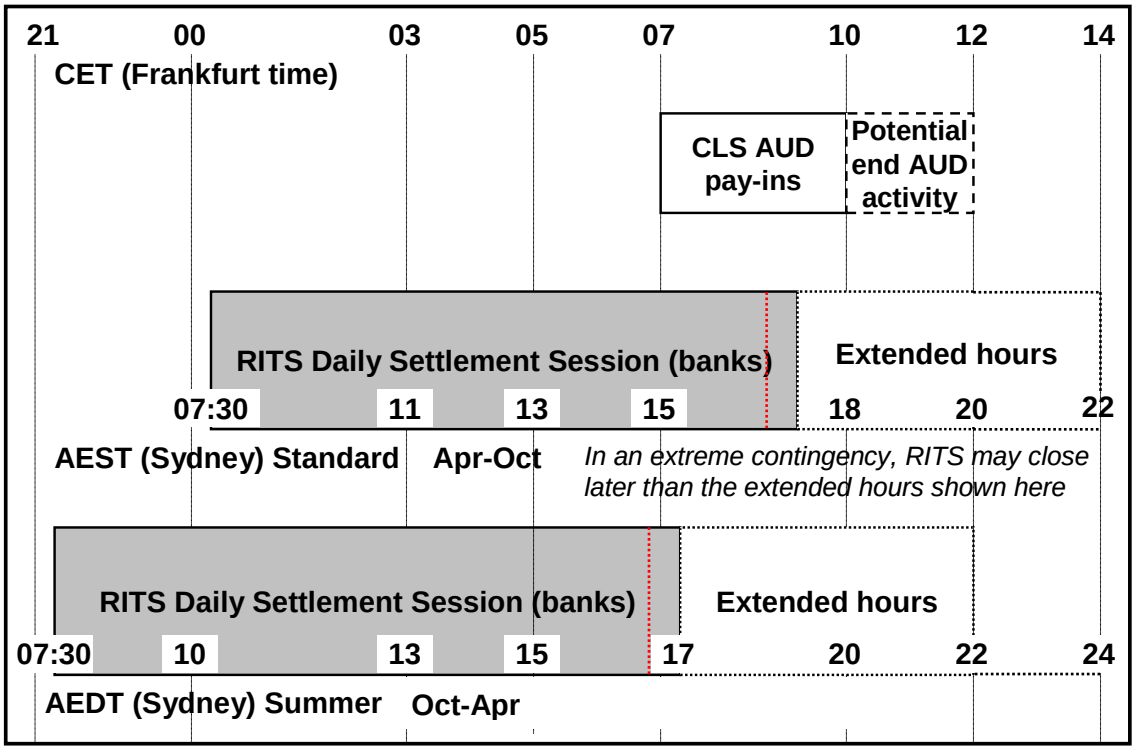
[2] Other currencies have a five hour window, from 07:00 to 12:00 CET.

17:00 to 20:00 in Australian Eastern Daylight (Savings) Time (summer time). There are three pay-in deadlines (for making AUD payments to CLS Bank across RITS), at 08:00, 09:00 and 10:00 CET.

After the CLS AUD pay-in window has closed, allowance must be made for remaining pay-outs by CLS and provision of time for participating banks to "square up". There may also be a need to further extend hours if there are pay-in failures and recourse needs to be made by CLS Bank to AUD liquidity providers. With the extension of the Evening Settlement Session to 22:00 in November 2013 to cater for same-day settlement of direct entry obligations, CLS operations could be extended to a full five hour period, or longer, depending on the time of the year.

To facilitate CLS-related settlement activity, RITS is open for extended hours beyond the normal settlement day, particularly during summer time. The diagram below illustrates:

RITS Daily Settlement Session & CLS HOURS



1.3. Overview of Extended Hours Operation

In changing RITS and planning extended session operations for CLS, the Reserve Bank was guided by the following objectives:

- CLS settlement members and other banks, as necessary for their business, must be able to make and receive SWIFT payments until the end of CLS activity in AUD; this will be supported by interbank RITS and Austraclear activity.
- Banks not participating in the Evening Settlement Session must be able to receive reports in a timely manner after the end of the Settlement Close Session.

- Banks must be able to manage the end of the day satisfactorily; the cut-off for sponsored Austraclear client payments must remain unchanged.
- The end of the Settlement Close Session and commencement of evening operations must be clearly defined.

To meet these objectives, the following broad session structure was implemented:

- For banks not fully participating in the Evening Settlement Session (see below), the SWIFT day finishes at the end of the Settlement Close Session at 17:15.
- The cut-off for sponsored Austraclear client payments was unchanged. These payments need to be settled by the end of the Settlement Close Session at 17:15.
- Only transactions between eligible ("Evening Agreed") banks (refer section 2.1) remain on the RTGS queue at the end of the Settlement Close Session. All others are removed as "unsettled at end of day" (refer sections 2.2 and 3.3).
- At the end of the Settlement Close Session, a short Interim Session (currently of about 5 minutes) provides a bridge between "day" and "evening" operations. During this time the RTGS queue ceases settlement of transactions, and the interim Cashlist report and end-of-day SWIFT statements are created and sent as requested by banks.
- The Evening Settlement Session follows and ends at 22:00 all year round[3].
- SWIFT payments cut-off before the end of the Evening Settlement Session, to allow a "squaring-off" period. MT103 customer payments cut off earlier than MT202 interbank transfers. All new MT103 payments cut off at 16:30; these may remain on the queue until the end of the Settlement Close Session (17:15) for those involving non-Evening Agreed banks and the end of the SWIFT End Session (18:30 AEST or 20:30 AEDT) for those between Evening Agreed banks. MT202 interbank transfers between Evening Agreed banks cut off at 18:05 (AEST) or 20:05 (AEDT).
- Only eligible "Evening Agreed" banks may make or receive eligible SWIFT payments during the evening.
- Banks that are not "Evening Agreed" may still undertake interbank liquidity transactions in RITS or Austraclear during the evening. These transactions need to be entered after the end of the Settlement Close Session.

Details of these arrangements are set out in later sections of this paper.

[3] This time was changed in November 2013. Prior to that, Evening Settlement Session closed earlier at 18:30 during standard time and 20:30 during summer time. The extension of settlement until 22:00 was put in place due to the introduction of the same-day direct entry settlement arrangements.

1.4. When Extended Operations Will Not Operate

Under the RITS Regulations, RITS is open whenever EITHER Sydney or Melbourne are generally open for banking business. Thus RITS is only closed on days that are public holidays in both Sydney and Melbourne.

However, there are some days on which RITS is open but it is not a good value date for AUD FX settlements, i.e. when Sydney is closed but Melbourne, and hence RITS, is open. These are usually the August Bank Holiday and October Labour Day public holiday, though there may occasionally be others.

The Reserve Bank will advise CLS of RITS and Sydney holidays. On these occasions, there will be no AUD FX instructions for CLS settlement. CLS will reject any AUD instructions received for settlement on these dates. Accordingly, full extended RITS session arrangements will not apply on Sydney public holidays. The SWIFT Final Settlement Session will operate[4] with a shorter duration. Banks need not vary their reporting choices on these occasions; both interim and final reports will still be available.

2. EVENING PARTICIPATION ARRANGEMENTS

2.1. Eligibility for AGREED Participation in Evening Operations

All banks have the option to operate in the evening. Australian CLS settlement members need to participate; other banks should analyse their business requirements before determining whether or not to participate. In order to operate fully in the evening, a bank will need to be "EVENING AGREED" with the Reserve Bank.

Evening Agreed Banks are required to have sufficient front and back office staff available until the end of the Evening Settlement Session **every day** to allow the bank to conduct and settle any interbank money market deals that may be necessary in the evening. To give Evening Agreed banks greater flexibility over required staffing levels in the Evening Settlement Session, the Reserve Bank has no objection to staff at an Agreed Bank going home early once its settlements are complete, provided that arrangements are in place for staff to monitor that bank's ESA and be able to execute and settle transactions as necessary to cope with unexpected cash flows for the entire duration of the session. Also, banks must provide the Reserve Bank with alternate contact details if regular contact numbers will be unattended during the evening.

The Evening Agreement function in RITS allows banks to electronically record their election to participate in the Evening Settlement Session. This agreement will not be operative until after the Reserve Bank matches the bank's entry. Banks will be able to reverse their agreement, but this must also be matched by the Reserve Bank before becoming operative.

The Reserve Bank's System Administrator mnemonic "ACHO" should be entered as the "Other Member" in the Evening Agreement function by the bank. The screen will show

[4] It is not feasible to vary the basic RITS session structure on these occasions.

the bank's agreement as unmatched "No Counterparty Entry" until it is matched by the Reserve Bank (ACHO).

Note that this entry will not be effective until matched by the Reserve Bank. Subject to operational review, the RBA will match changes to Evening Agreed status on the last Friday of each month. Exact dates will be advised in the RITS Information Facility under Session Arrangements. The Reserve Bank will match these entries after the end of the Evening Settlement Session. This periodical matching aims to prevent banks from agreeing to operate one night and not the next; agreement means a bank will operate every night during the relevant period. This will ensure that all banks know which banks may make or receive SWIFT payments in the evening, minimising confusion.

Once matched by the Reserve Bank, i.e. on the status change date, the list of all Evening Agreed banks is shown in the RITS function Evening Members.

2.2. Transaction flags

To ensure that liquidity does not build up during the evening in the ESAs of non-Evening Agreed banks, it is necessary to ensure that transactions involving non-Evening Agreed banks are not on the RTGS queue awaiting settlement at the commencement of the Evening Settlement Session. This is done using flags on the transactions of Evening Agreed banks.

The counterparties of each transaction are checked prior to entry onto the queue. If both counterparties are Evening Agreed banks and the transaction is from an eligible feeder system, or the transaction is a direct entry related Low Value Settlement Service (LVSS) settlement, the transaction is flagged as eligible for settlement in the Evening Settlement Session. During the Interim Session (see section 3.3), all transactions without the flag are deleted from the queue as unsettled. Therefore only transactions eligible for settlement in the evening will be on the queue at the commencement of the Evening Settlement Session. Note that property batch settlements may occur during the Evening Settlement Session, but these transactions are not on the queue between the time of reservation and the time of settlement (see section 3.1).

Transactions of Austraclear clients or a feeder system that has not been approved for evening operations are not eligible for settlement in the evening, regardless of the agreed status of the participating banks. These payments will not be flagged.

New bank-to-bank RITS and Austraclear transactions are able to be entered during the Interim and Evening Settlement Sessions, as such entry requires the agreement of both counterparties.

Transactions with an evening flag may settle in earlier sessions, subject to the normal rules governing each session.

2.3. Feeder System Operation

Both the SWIFT PDS and Austraclear Feeder Systems operate in the evening (the latter only for transactions between banks, there is no Austraclear client activity). More information on timing of SWIFT PDS and Austraclear transactions is provided below.

3. SESSION ARRANGEMENTS

3.1. Additional Sessions

To meet the requirement for RITS to be open during the European morning, two additional sessions were introduced between the Settlement Close Session and the Reports Session, the Interim Session and the Evening Settlement Session. The times for these sessions are set out below and in section 4 – Details of Session Times.

The Interim Session commences at the end of the Settlement Close Session at 17:15, when the queue is shut down to allow end of (normal) day reports to be created. The queue automatically restarts in the Evening Settlement Session after Interim Session processing is complete, at around 17:20. More information on the Interim Session is provided in section 3.3 below.

The Evening Settlement Session allows settlement of:

- *Interbank Cash Transfer transactions in RITS.* Note that transactions involving a non-Evening Agreed bank sent to the queue **before** the end of the Settlement Close Session and still queued at 17:15 will be deleted from the queue at the start of the Interim Session (see below). However, non-Evening Agreed banks will be able to enter new RITS Cash Transfer transactions during the Interim and Evening Settlement Sessions (from 17:15 to 22:00).
- *Certain LVSS transactions*. With the introduction of same-day settlement of direct entry obligations in November 2013, arrangements were put in place to allow all "BECN" FSIs to be eligible for settlement in the Evening Settlement Session, regardless of the evening agreed status of the participants. The last two of the five daily intraday multilateral settlement runs used for settlement of direct entry obligations occur during the Evening Settlement Session, commencing at 19:15 and 21:15.
- *Property batch settlements.* The Property Settlement Batch allows transactions arising in the Property Exchange Australia (PEXA) system to settle in RITS. Reservation of ES funds is followed by settlement. Property settlements reserved prior to the Evening Settlement Session may settle during this session, and new property settlements may be reserved and settled during this session.
- *Interbank transactions in Austraclear.* All Austraclear "client" transactions are removed from the System queue at the end of the Settlement Close Session. Austraclear transactions between banks flagged for evening transaction that were on the queue prior to 17:15 will remain on the System queue. New Austraclear transactions between banks can be entered from the Interim Session (17:15) until the Austraclear cut-off time (or SWIFT End Session) of 18:30 in standard time or 20:30 in summer time.

  The above arrangements aim to provide liquidity managers with more certainty regarding those transactions which should be funded and settled by the end of the Settlement Close Session, while allowing opportunity for evening transactions, at the discretion of both paying and receiving banks. Thus only "two-sided" (matched)

RITS and Austraclear transactions involving a non-Evening Agreed bank are allowed (with the exception of the direct entry and property settlement arrangements).

- *SWIFT PDS transactions* between two Evening Agreed banks (including MT103 messages arriving before the 16:30 cut-off for new payments of these types) may settle until 18:30 in standard time or 20:30 in summer time. The prohibition on input and settlement of SWIFT payments involving non-evening agreed banks prevents ESA funds accumulating in the evening in a non-Evening Agreed bank's ESA without its knowledge and that would be unavailable for lending to other banks as appropriate. Refer to section 3.2 below.

3.2. Session extensions

Whilst CLS settlements and associated payment activity cease normally at 18:30 in standard time and 20:30 in summer time, the Evening Settlement Session continues until 22:00 all year round to cater for the intraday multilateral settlement runs for direct entry obligations that occur in the evening. Hence, there should be ample time to extend SWIFT session times in the evening to resolve any CLS settlement difficulties that may arise, without the need to also extend the Evening Settlement Session.

However, in a contingency event, a further extension of the Evening Settlement Session is possible. This decision would be taken based on the circumstances on the day and following consultation with key participants. The latest time that the Reserve Bank would normally extend the Evening Settlement Session to is approximately 23:00. In extreme circumstances, later operations may be contemplated, in consultation with CLS settlement banks.

The Reports Session takes place for at least 30 minutes after the end of the Evening Settlement Session (22:00 to 22:30) to allow banks to receive final end of day reports.

Time period advices and on screen messages are given for the new sessions on the same basis as applied previously. A table of time period advice codes can be found in Appendix 3. Please note that this table is based on current session arrangements. If session arrangements are amended, the times at which particular time period advices are received may change, and the order in which they are received may change.

Banks that receive time period advices should note that at the start of the Evening Settlement Session, they will receive three advices. Two "revised" advices (with an "R" in field 912, rather than an "S" for standard) will advise the revised end time of the Interim Session and the revised start time of the Evening Settlement Session. This is necessary as the Interim Session will not have a fixed end time; its length will vary daily. A "standard" advice will advise the start of the Evening Settlement Session.

3.3. SWIFT Sessions

Provision has been made for SWIFT PDS MT103 customer transfers to cut off earlier than MT202 messages. Following consultation with banks, the cut-off time for new payments of these types is 16:30 for ALL banks. Payments arriving at SWIFT before the end of a particular SWIFT session are granted a short "grace period" to get to RITS.

Payments arriving at RITS during this grace period, but time stamped at SWIFT prior to the end of the previous session, are processed under the rules of the previous session.

3.4. Interim Session: Details

The Interim Session delineates between the end of the day operations and the beginning of the Evening Settlement Session. It commences at 17:15 each day (or later time if the end of the Settlement Close Session is extended).

Several events take place in the Interim Session:

1. An on screen display and Time Period Advice notify the end of the Settlement Close Session/commencement of the Interim Session.
2. At the request of the System Administrator, the interim cashlist job suite is run, which produces interim Cashlists, Cash Summary Reports and SWIFT ESA Statements.
3. The queue processor scans for transactions ineligible for settlement in the Evening Settlement Session. Payments without an evening flag (refer to section 2.2) are deleted, and unsettled advices sent. Payments with an evening flag remain on the queue for settlement during the Evening Settlement Session.
4. The queue automatically recommences testing for settlement, indicating the completion of the Interim Session and commencement of the Evening Settlement Session.
5. An on screen display and Time Period Advice advise that the Evening Settlement Session has commenced. Reports are then available for posting to clients' accounts.

During the Interim Session, inter-bank RITS transactions, SWIFT payments and inter-bank Austraclear transactions may be entered, subject to Evening Settlement Session and SWIFT Final Settlement Session rules. However, these transactions will not be tested for settlement until the Evening Settlement Session opens.

4. DETAILS OF SESSION TIMES

The tables in sections 4.1 and 4.2 detail RITS and CLS session operations.

Section 4.1 shows RITS times only. Section 4.2 adds relevant CLS events.

4.1. RITS Session Times - Summary

Session Name	Time (Winter) AEST	Time (Summer) AEDT
Primary Sessions		
Morning Settlement Session	07:30 to 08:45	07:30 to 08:45
9am Processing	08:45 to 09:15	08:45 to 09:15
Daily Settlement Session	09:15 to 16:30	09:15 to 16:30
Settlement Close Session	16:30 to 17:15	16:30 to 17:15
Interim Session	17:15 to 17:20*	17:15 to 17:20*
Evening Settlement Session	17:20* to 22:00	17:20* to 22:00
Reports Session	22:00 to 22:30	22:00 to 22:30
Overnight Enquiry Session	22:30 to 07:30**	22:30 to 07:30**
Secondary Sessions		
SWIFT Daily Settlement Session (all MT202s and MT103s)	09:15 to 16:30	09:15 to 16:30
SWIFT Final Settlement Session (MT202s between Evening Agreed banks)	16:30 to 18:05	16:30 to 20:05
SWIFT End Session (no new SWIFT payments can be entered)	18:05 to 18:30#	20:05 to 20:30#

* Approximate time – the Evening Settlement Session will commence when the Interim Cashlist is complete.

** This time is the following RITS business day.

All unsettled SWIFT and Austraclear transactions are removed from the System Queue at this time.

4.2. Session Time Detail in Context of CLS Timeline

In the following table:

- CET means Central European Time, on which CLS operates.
- AEST means Australian Eastern Standard Time (usually from the first Sunday in April to the first Sunday in October).
- AEDT means Australian Eastern Daylight (Saving) Time (usually from the first Sunday in October to the first Sunday in April).
- An asterisk indicates the time is approximate.
- *Italics indicate the event does not take place in normal processing (for example, in the event of a pay-in failure).*

CET	AEST	AEDT	Event
21:30		07:30	Start of RITS Morning Settlement Session (AEDT)
23:15		09:15	Start of RITS Daily Settlement Session and SWIFT Daily Settlement Session (AEDT)
23:30	07:30		Start of RITS Morning Settlement Session (AEST)
00:00	08:00	10:00	Initial Pay-In Schedules generated & issued to SMs
01:15	09:15		Start of RITS Daily Settlement Session and SWIFT Daily Settlement Session (AEST)
06:30	14:30	16:30	Revised Pay-In Schedules generated & issued to SMs.
06:30		16:30	Start of RITS Sett. Close Session & SWIFT Final Settlement Session (AEDT)
07:00	15:00	17:00	Start of CLS Settlement Processing
07:15		17:15	End of RITS Settlement Close Session (AEDT) Start RITS Interim Session, i.e. RITS settlements suspended (AEDT)
07:20*		17:20*	Start of RITS Evening Settlement Session, i.e. RITS settlements recommence, (AEDT)
08:00	16:00	18:00	First Pay-In Deadline – *Pay-in Call for Account Value*
08:30	16:30		Start of Settlement Close Session and SWIFT Final Settlement Session (AEST)
08:45	16:45	18:45	*Pay-in Calls for Account Value due*
09:00	17:00	19:00	Second Pay-In Deadline – Settlement Completion Target – *Pay-in Call for Settlement*
09:15	17:15		End of RITS Settlement Close Session (AEST) Start of RITS Interim Session, i.e. RITS settlements suspended (AEST)
09:20*	17:20*		Start of RITS Evening Settlement Session, i.e. RITS settlements recommence (AEST)
09:45	17:45	19:45	*Pay-in Calls for Settlement due*
09:50	17:50	19:50	RBA will call CLS Operations to confirm that AUD activity is complete
09:55	17:55	19:55	CLS Operations advise if extension to AUD activities required
10:00	18:00	20:00	Third Pay-In Deadline (normal) – AUD Funding Completion Target Time - *Pay-in Call for Currency Close* and AUD settlement processing ceases
10:05	18:05	20:05	Start of SWIFT End Session (cut-off for MT202s) unless extension granted
10:10*	18:10*	20:10*	Sweep pay-out by CLS completes AUD operations (if required)
10:45	18:45	20:45	Target AUD Currency Close *Pay-in Calls for Currency Close due*
10:50	18:50	20:50	*Liquidity Providers called*
11:10	19:10	21:10	*Target for receipt of funds from Liquidity Providers*
11:30	19:30	21:30	*Target for funds paid out (i.e. completion of CLS activity) if Liquidity Provider called*
12:00 Summer/ 14:00 Winter	22:00	22:00	End of RITS Evening Settlement Session (i.e. cut-off for AUD RTGS settlements) Start of Reports Session
12:05 Summer/ 14:05 Winter	22:05	22:05	ESA Statement End-of-Day Advice (MT950 SMT999)
12:30 Summer/ 14:30 Winter	22:30	22:30	End of RITS Reports Session

CET	AEST	AEDT	Event
12:00	**20:00**	**22:00**	***Latest end of CLS activity & MT202 cut-off (barring extreme circumstances)***
12:05 Summer/ 14:00 Winter	**22:00**	**22:05**	***Latest end of Evening Settlement Session (barring extreme circumstances)***
12:35 Summer/ 14:30 Winter	**22:30**	**22:35**	***Latest end of Reports Session (barring extreme circumstances)***
13:00 Summer/ 15:00 Winter	**23:00**	**23:00**	***"Drop dead' time after which RITS will close for all settlements (SWIFT payments, including CLS, would close at 22:55). Extension to this time would only be contemplated in extreme circumstances and in consultation with banks.***

Diagrams of RITS session times and key CLS events for standard and summer time are provided at the end of this paper.

5. ASPECTS OF RESERVE BANK OPERATIONS

5.1. Reserve Bank is an "Agreed" Bank for SWIFT Payments

The prime purpose of RITS evening operations is to facilitate CLS settlement of FX instructions and other interbank payments that may be impacted by CLS. Accordingly, the Reserve Bank's role in the evening would normally be confined to "liquidity" operations in RITS and Austraclear and any required contingency action.

Initially, the Reserve Bank did not propose to be an Evening Agreed bank[5], to prevent any unexpected changes in system liquidity during the evening arising from SWIFT payments to the Reserve Bank (for example, for the credit of one of its Commonwealth government customers). However, it may be desirable for some SWIFT payments to the Reserve Bank to be made in the evening. Accordingly, the Reserve Bank has become an Evening Agreed bank.

The Reserve Bank will closely monitor the system for transactions that may unexpectedly change system liquidity and will take appropriate action.

Note that SWIFT payments to the Reserve Bank on behalf of domestic customers and of message type MT103 must be sent to RITS by 16:30 and should be settled by 17:15.

The Reserve Bank's Domestic Markets dealing room and its back office settlements area are staffed until the Austraclear cut-off time (18:30 AEST/20:30 AEDT) while the RITS Help Desk is staffed throughout RITS evening operations.

[5] System parameters would allow RBA Repo and other liquidity operations to proceed even if the Reserve Bank is not evening agreed.

5.2. Intraday RBA Repos and Liquidity

The intraday RBA Repo facility is available during the Evening Settlement Session.

Any bank may take out an intraday RBA Repo during the Morning Settlement, Daily Settlement, Settlement Close or Evening Settlement Sessions. Intraday RBA Repos should be reversed before RITS closes for value transactions. For Evening Agreed banks, this is the end of the Evening Settlement Session. Normal arrangements (i.e. request for an intraday RBA Repo to be extended overnight and penalty interest) will apply for intraday RBA Repos taken out by these banks that are not reversed by the end of the Evening Settlement Session.

It is expected that non-Evening Agreed banks will generally reverse intraday RBA Repos before the end of the Settlement Close Session. If a non-Evening Agreed bank plans to reverse an intraday RBA Repo after this time, they should advise the Reserve Bank's Domestic Markets dealing room in each instance, as early as possible before the end of the Settlement Close Session. A non-Evening Agreed bank may also, if necessary, enter into a new intraday RBA Repo during the evening.

In all circumstances, a non-Evening Agreed bank must maintain front and back office staffing until the reversal of any outstanding intraday RBA Repos (or arrangements with the Reserve Bank for taking the intraday **RBA Repo overnight) are concluded.**

Reversals of intraday RBA Repos of non-Evening Agreed banks that are on the RTGS queue at the end of the Settlement Close Session will be removed from the queue and returned to Austraclear. These reversals may be re-sent to RITS in the Interim or Evening Settlement Sessions; such instances must be advised to the Reserve Bank prior to the end of the Settlement Close Session (see above). Existing arrangements will apply for intraday RBA Repos extended overnight.

All banks, whether they are Evening Agreed or otherwise, should advise the Reserve Bank's Domestic Markets dealing room on (02) 9551 8321 if they intend leaving a significantly higher than normal overnight balance in their ESA.

6. CONTINGENCY ARRANGEMENTS

The Bank, in conjunction with CLS and Australian settlement member banks, has developed contingency arrangements to provide for continued transactions with CLS in the event that normal pay-in-out transactions across the SWIFT PDS are not available.

Pay-ins and pay-outs must occur on an RTGS basis, so RITS cash transfers will be used to facilitate these transactions if SWIFT PDS payments are not possible, either for a single participant or more broadly. The Reserve Bank will enter CLS Bank's side of RITS cash transfers. A separate faxed advice will also be required to provide the customer details for the payment that would normally be included in the SWIFT message. For example, an Australian bank may be acting as AUD nostro for an American bank. To minimise the CLS message authentication task, the Reserve Bank will act as the central contact point for these faxes.

AUD Payment Contingency Procedures have been issued to all CLS participants and are available on the RITS Information Facility.

7. STATEMENTS AND REPORTS

Banks electing not to participate in the Evening Settlement Session are able to receive Cashlists, Cash Summary Reports and SWIFT ESA Statements for posting to RITS client accounts and performing reconciliations after the end of the Interim Session.

Banks agreeing to participate in the Evening Settlement Session are also able to produce interim reports for posting to RITS client accounts, as no RITS client activity is possible in the Evening Settlement Session. Reports are also available to these banks at the end of the Evening Settlement Session, for the entire day's transactions.

Cashlist reports are available both at the end of the Interim Session and again after the Evening Settlement Session closes.

Banks that require a SWIFT ESA Statement (MT950) have the option of selecting (in Unsolicited Advices) any or all of the following statements[6]:

- MT950 SMT 888 – ESA Statement at the end of Settlement Close Session.
- MT942 SMT 001 – Interim Statement at the end of Settlement Close Session *(please contact the RITS Help Desk (1800 659 360) if you plan to use this message).*
- MT950 SMT 999 – ESA Statement at the end of Evening Settlement Session.

The SMT 888 and 999 designations are required to indicate whether the MT950 statement is required at the end of the normal day, or at the end of the evening period. The unsolicited MT942 statement (which is normally sent in response to an MT920 ESA Statement Intraday Request) is provided in case a bank wishes to receive an interim ESA Statement but is unable to process an MT950 prior to the final end of day.

8. IMPLICATIONS FOR NON-CLS BANKS

8.1. Evening Settlement Session and End of Day Arrangements

It is not mandatory for banks to operate in the Evening Settlement Session. Each bank must consider its own business circumstances and the potential for payments to it to be delayed due to settlement of FX transactions in CLS during the evening.

Banks are reminded that new SWIFT payments to and from non-Evening Agreed banks will be rejected if they are received by RITS after the end of the SWIFT Day Session (normally 16:30).

6 Refer to the *RITS/SWIFT Interface User Guide* for details of the content of the MT950 and MT942 ESA Statement messages.

These banks should have completed all SWIFT payment activity[7] and contacted the Reserve Bank's Domestic Markets dealing room if they plan to reverse any intraday RBA Repos after the end of the Settlement Close Session.

Non-Evening Agreed banks are able to enter new inter-bank RITS and Austraclear transactions in the Evening Settlement Session. However, this would require the agreement of the counterparty to enter the transaction in that session.

End of day reports are available to non-Evening Agreed banks after the 17:15 close.

8.2. Access to CLS for Non-settlement Members

Banks that are not settlement members of CLS may settle FX through CLS via a CLS settlement member as a third party.

An agent bank providing a third party settlement arrangement for AUD for another ESA holder would agree operational arrangements with that appointing bank.

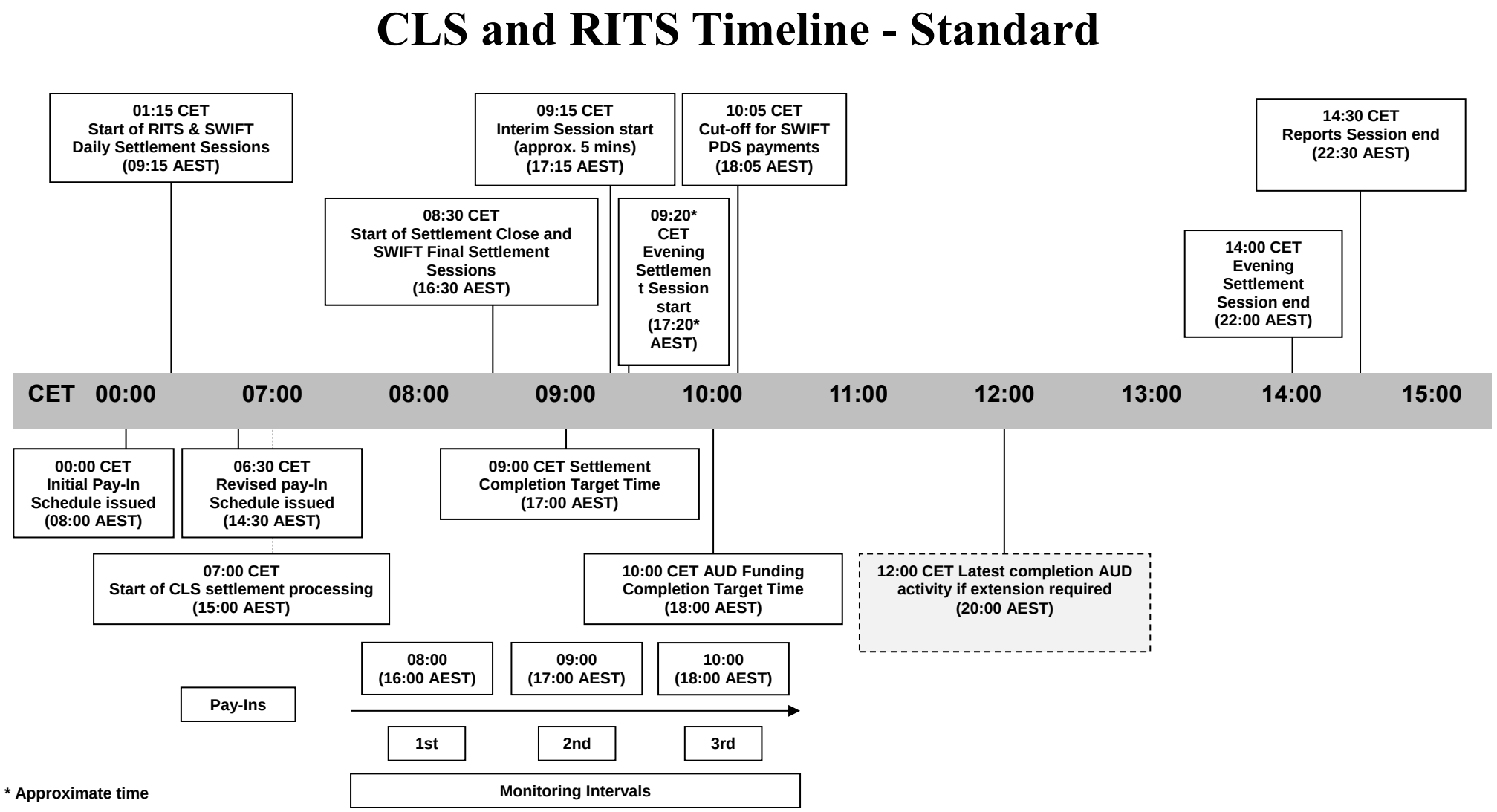
8.3. Other Arrangements Using an Agreed Bank

Banks wishing to use another bank as their agent to receive RTGS payments during the Evening Settlement Session may apply to the Reserve Bank and APRA under the terms of the RBA's Exchange Settlement Account Policy (http://www.rba.gov.au/payments-system/esa/index.html).

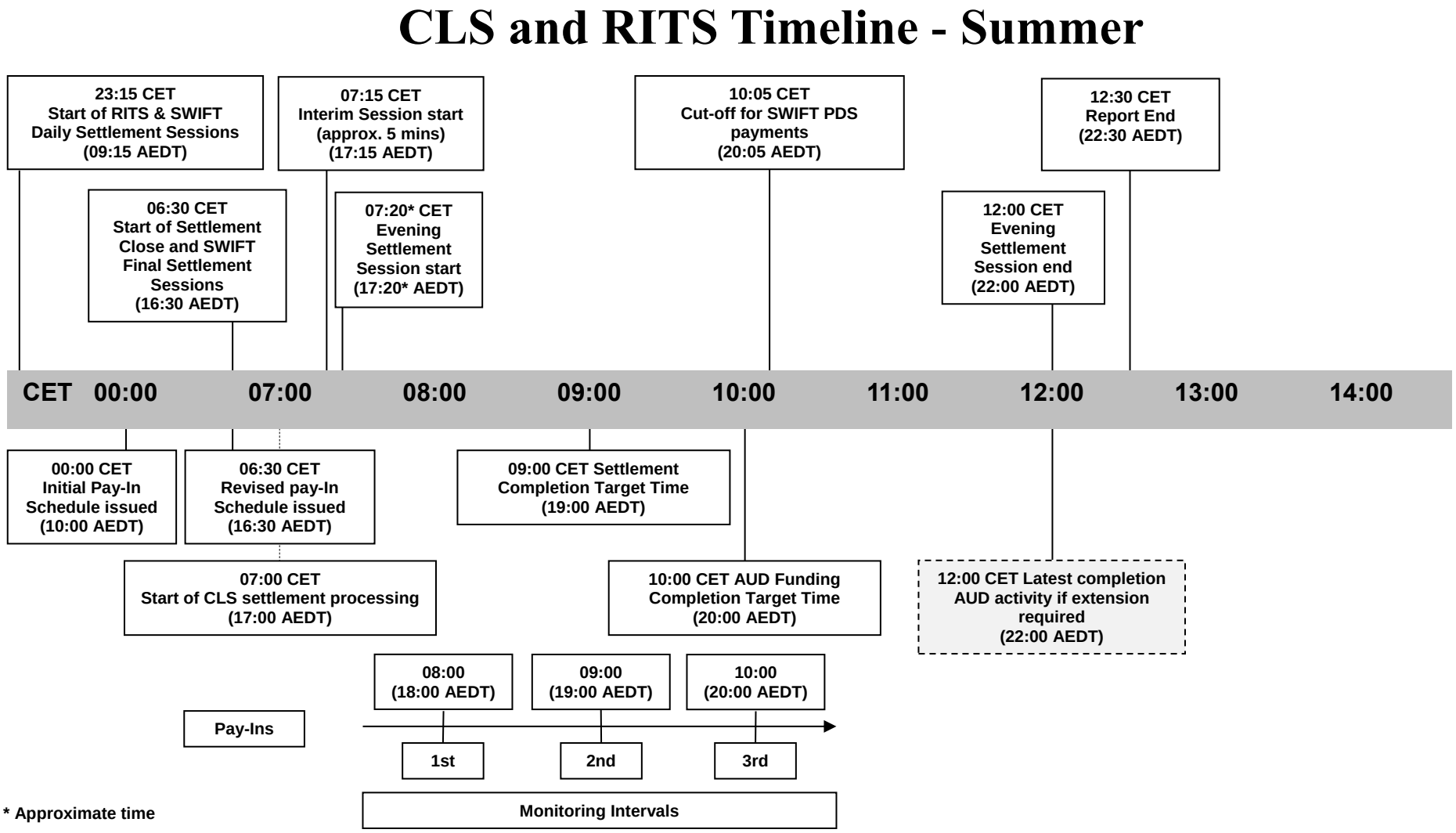
If you have any questions about the matters outlined in this paper, please contact The Senior Manager, Business Policy and Services, Payments Settlements Department (02 9551 8941) or The Manager Business Analysis, Business Policy and Services, Payments Settlements Department on (02 9551 8966).

[7] Note section 3.1. All SWIFT payments to or from a non-evening agreed bank that have not settled by the end of the Settlement Close Session will be deleted from the System Queue in the Interim Session, and cannot be re-entered as SWIFT PDS payments in the Evening Settlement Session. Evening Settlement Session bank-to-bank RITS/Austraclear transactions involving a non-evening agreed bank should be entered after the end of the Settlement Close Session.

APPENDIX 1: CLS AND RITS TIMELINE – STANDARD (AEST)



APPENDIX 2: CLS AND RITS TIMELINE – SUMMER (AEDT)



APPENDIX 3: TIME PERIOD ADVICES UNDER EVENING OPERATIONS FOR CLS

The following table sets out the description of the Time Period Advices (TPA) sent by RITS and the event to which they refer. The table shows the times that standard TPAs are sent in both Australian Eastern Standard Time (AEST) and Australian Eastern Daylight Saving Time (AEDT).

A Standard TPA is sent when a session opens. A Revised TPA is sent when a change is made to the opening or closing times of a session.

The following exceptions apply:

1. Revised advices are not sent for the Morning Settlement Session.

2. A revised advice is sent when the closing time for SWIFT Payments processing is changed.

3. A standard advice is sent when the RITS System Queue shuts down.

The SWIFT Evening Settlement Session is not currently used.

Time Period Advice Tag	Coverage	Standard Advice Sessions opens	Revised Advice Session times change	Time Sent in AEST	Time Sent in AEDT
02	Morning Settlement Session	√	x [1]	07:30	07:30
03	Daily Settlement Session	√	√	09:15	09:15
06	SWIFT Daily Settlement Session	√	√	09:15	09:15
04	Settlement Close Session	√	√	16:30	16:30
12	*SWIFT Evening Settlement Session*	*Not currently used*	*Not currently used*	*Not currently used*	*Not currently used*
13	SWIFT Final Settlement Session	√	√	16:30	16:30
10	Interim Session	√	√	17:15	17:15
11	Evening Settlement Session	√	√	17:20 (approx)	17:20 (approx)
09	SWIFT Settlement Close Session (SWIFTEND)	√	√	18:05	20:05
07	SWIFT Payment Processor Cut-off Time	x	√ [2]	*	*
05	Reports Session	√	√	22:00	22:00
08	RITS System Queue processing complete	√ [3]	x	22:02 (approx)	22:02 (approx)
01	RTGS Closed	√	√	22:30	22:30