

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

Name/Organisation: Australian Settlements Limited (ASL)

Organisation Category: RITS Member & FSS Participant

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?

Only New Payments Platform (NPP) is supported by ASL and our members that are currently participating in NPP.

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.

Seamless cross-border payments. For example, making a payment from an overseas location using an Australian NPP Pay ID.

Use of the additional data available in ISO 2022 to enhance fraud detection and better security controls.

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 2022 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 internal/external initiatives for ASL. There will be significant capacity pressures for ASL to undertake ISO 20022 migration work on top of the existing BAU work. Business case/funding approval will depend on the scope of the project. ASL settlement procedures and processes will require significant testing effort.

In order to ensure current payment capabilities are not impacted, like-for-like migration followed by enhanced features and controls is supported by ASL.

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.

Budget and Resources.

Ongoing maintenance and enhancement of NPP/Osko services.

Third-party processors and switches (i.e. First Data) should also be considered.

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	Almost Certain	Major	1
Business case approval	Certain	Major	2
Project horizon	Certain	Moderate	3
Cross-border migration	Rare	Insignificant	5
NPP Initiatives	Almost Certain	Moderate	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.

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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RITS Low Value Settlement Service (LVSS) settlement messaging	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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.

The industry should invest in NPP providing the outstanding DE use cases and using that as the opportunity to standardise.

For the main reason that NPP offers an alternative to these clearing streams and that no further development/investment will be applied to these systems. Costs still need to be considered to ensure there are cost-effective payment solutions and alternative (i.e. RTGS if NPP/ISO20022 systems fail). Payment clearing streams should be standardised wherever possible and should look to comply with Open API standards.

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.

The overall focus should be on high-value payments and encouraging migration from DE to NPP.

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.

ASL is not a participant in AIF CUG.

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"/>	Click here to enter text.
Identity Information	<input checked="" type="checkbox"/>	Click here to enter text.
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	Click here to enter text.
Remittance Information	<input checked="" type="checkbox"/>	Click here to enter text.
International Bank Account Number (IBAN)	<input checked="" type="checkbox"/>	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.

Rich data formats that assist in consumer understanding of payments. E.g. emoticons

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.

Mixed views from ASL members. Some view that both the RTGS and FSS/NPP run in parallel as a fallback to each other. While the others think that HVPS needs to be maintained initially but see the benefits in moving to the NPP rails at a future date – but not for several years to address confidence in NPP, stability, ubiquity and requiring a review of existing policies.

The need to implement another integration with another payment scheme presents cost overheads therefore it would be preferable to support multiple payment types via fewer schemes.

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?

These factors have the potential to present significant cost barriers for ASL members to participate in the schemes. The system should evolve to provide a lower cost of entry for participants.

Still need to provide a cost-effective payments solution that does not require the passing on of additional costs or charges to customers.

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.

The migration should target consolidation of multiple use cases onto fewer schemes.

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.

Y-Copy - due to less changes and retaining current SWIFT links and no desire to add unnecessary additional/separate links to other parties.

The advantages of having clearing separate from settlement.

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.

Standard delivery stages. Lower level of risk.

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.

Least risk and also separating the control and timeframe for enhanced content ensuring current stability and operations are not impacted.

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.

If set up correctly, will allow institutions to phase in new messages and if not in, sending/receiving can fall back to existing messages – but ultimately will require a "hard" end date that forces everyone to the new message standards.

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.

Prioritisation of work, resources, and costs against a level of project detail that still needs to be better defined.

Testing and translation of messages.

ASL member impact and changes required to their Back Office systems.

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.

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?

N/A

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.

Enhances 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.

Must be considered as all Australian FI's have committed to NPP ISO 20022 use.

As much as possible the standards should converge to one implementation of the standard. Ideally this would be the NPP standard or an evolution thereof.

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.

[Click here to enter text.](#)

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.

Similar to that of NPP governance structure – separate industry body and Working groups for ISO 20022. PSB/APC/RBA would be preferred – so as to ensure it happens in an agreed timeframe with appropriate oversight and ensuring industry buy-in.

General feedback

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

Our preference is to not migrate legacy payment systems (e.g. DE, Cheques). Where migration does take place the target should be to a common messaging standard.

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