

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

Name/Organisation: Citibank

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?

Citibank NA (Sydney Branch) and Citigroup Pty Ltd are members of the New Payments Platform (NPP). The NPP, which utilises ISO2022, is on infrastructure independent of our current HVCS/RTGS payment processor, which uses MT format. There are real time payment initiatives underway across Citi globally to use ISO 2022.

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.

The ISO 2022 migration should look at the Local AML (AUSTRAC) reporting and Local S49 (AUSTRAC/ATO) reporting fields that could be addressed through better messaging. In addition, the ISO 2022 migration could achieve a migration of payment stream volume from APCS & BECS to either NPP or HVCS ISO2022. There may also be an opportunity to consider how regulatory technology could make use of data rich payments to facilitate tax reporting etcetra.

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.

A key risk is the prioritisation of the ISO 20022 migration against other Citi initiatives. It would, therefore, be Citi's preference to run MT format in tandem with the ISO20022 format to allow the project horizon of 2024 to be achieved. To allow smooth cross boarder migration, Citi would expect to factor in contingencies to cater for different global deployment timeline, thus having to support both formats (MT and ISO20022) in production.

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.

An initiative this large will have several unknowns, which will come to light during the project requirements and implementation phases (similar to experience with NPP roll-out).

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	Likely	Major	3
Business case approval	Possible	Minor	5
Project horizon	Almost Certain	Major	1
Cross-border migration	Possible	Major	2
Regulatory Obligation	Certain	Major	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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
RITS Low Value Settlement Service (LVSS) settlement messaging	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>

Please explain your views.

At the initiation of this project, all capabilities should be considered. As the project matures, participants/industry can agree on the delivery of each. ISO20022 will cater for the functionality listed, but both the Payer/Payee bank (And intermediaries) will need to ensure message data is not truncated.

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.

It is envisioned Direct Entry (DE) will increasingly migrate NPP and this may reduce RTGS volume.

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.

In developing ISO 20022 messaging, this approach will align to Citi Global Real Time Payment applications, as these use the ISO 20022 format as well.

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"/>	Citi concurs with the views in the paper as this will benefit the end customer
Identity Information	<input checked="" type="checkbox"/>	Citi concurs with the views in the paper as this will benefit the end customer
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	Citi concurs with the views in the paper as this will benefit know your customer and AML/CTF screening.
Remittance Information	<input checked="" type="checkbox"/>	Citi concurs with the views in the paper as this will benefit the end customer
International Bank Account Number (IBAN)	<input checked="" type="checkbox"/>	Citi's concurs with the views in the paper as this will benefit the end customer and improve international funds transfers

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

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.

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?

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.

Consistency in standards and operating rules will be key to success of the migration.
Learning from NPP can be applied to this project.

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.

Citi's preference is V shape as it allows other applications to communicate directly rather than having to go through SWIFT as an intermediary.

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.

The high level stage of "ISO 20022 migration approach" is a familiar framework approach for Citi and one we apply to our internal projects.

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.

It would likely be our preference to run MT format in tandem with the ISO20022 format to allow the project horizon of 2024 to be achieved. We would expect to factor in contingencies to cater for different global deployment timelines and having to support both formats (MT and ISO20022) in production.

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.

See Q14 response above.

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.

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.

The Australian ISO 20022 replacement should align to or at least factor in the CHES ISO2002 migration.

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?

Citi's domestic AUD Payments messaging will sit within the same infrastructure and applications as the cross-border payments. Making changes to one payment stream will inevitably impact the other.

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.

In principle, Citi agrees. Details will need to be worked through during the project phase.

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.

Citi does not have these details at this time.

As more details are obtained, Citi will look to incorporate these incremental /more detailed inputs into the 2nd round of consultation, when the RBA distributes the summaries from the May 31 industry submissions.

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.

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.

Citi would support in having AuPayNet establish the governance as they did for NPP

General feedback

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

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