

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

Name/Organisation: HiFX Limited

Organisation Category: Vendor/Payment Service Provider

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?

As a leading global foreign exchange and money transfer organisation, with multiple global, regional and local banking relationships, standardisation of payment processing is essential to our business. It is the backbone to simplification of payments processing for our customers. As such, we are following closely the capability of our banking providers in being able to receive payments and provide reporting in ISO20022 format.

We are currently sending ISO20022 files wherever possible, including Single Euro Payments Area Credit Transfer initiation with our European banking partners, and receipt of statement information in ISO20022 format from our banking providers outside Australia.

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.

We feel there are two main objectives that the migration approach should support:

1. Enabling better customer experiences across the market; and
 2. Enabling all market participants to apply better AML and CFT controls
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Firstly, the success of the adoption of ISO20022 must be measured not by the ‘banking industry’ internally but by the value provided to end customers as a result. Therefore, a critical success measure must be the ability of the participating clearing banks to enable benefits of the migration to end customers. For example, by providing the full payments information onwards through the value chain towards their customers, without delay.

We feel compelled to highlight this as a necessary main objective. This is because our current experience with the Australian payments market and the main clearing banks in that market leads us to hold the view that this aspect has not been a priority for the recent significant investments in New Payments Platform. This has the effect of creating barriers to customer value towards an entire market segment because existing banking channels have not been enabled to receive full data from nor send NPP payments.

While NPP has been built with an open access framework in mind, there remain further opportunities in reducing the barriers for entry to other market participants which may be best achieved through a customer focussed migration approach to ISO20022.

Regarding improved anti financial crime controls, the financial industry has a strong duty to protect consumers, communities and business from financial crime. This view is now clearer than ever given the stronger stance by the financial services regulators in Australia, and globally, and the enforcement actions taken. As such, every significant investment in payments must have at its core additional anti-financial crime capability. Currently, there are significant differences across the available Australian payments instruments on the level of information provided to parties along the payments value chain on the payment remitter, payment beneficiary and the purpose of payment. Standardisation of payments messaging should seek to remove those differences to allow simplification of anti financial crime processes and allow each market participant to apply strong risk-based 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 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.

It is our view that the success and / or failure of the migration should rest firstly with a clear value proposition to all market participants. Given the scale of the potential investment across the banking industry itself to achieve the full migration, it may be helpful to establish a common industry level ‘business’ case and a regulatory incentive for delivery of the migration.

The industry should stay clear of the approach which may be crudely described as ‘putting lipstick on a pig’, in other words, completing the migration in a ‘light touch’ manner without alignment to further investment in core systems and without major improvements to customer experiences.

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.

[Click here to enter text.](#)

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	Certain	Minor	2
Business case approval	Certain	Moderate	1
Project horizon	Possible	Insignificant	3
Cross-border migration	Possible	Insignificant	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.
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 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.

As market participants, we continually seek standardisation. It enables a much clearer business case where the introduction of the ‘new format’ is coupled with the removal of existing complexity. As such, we would support the broadest possible scope.

We see significant possible improvements in possibility to apply additional anti financial crime measures if the scope of migration is ‘all customer payment instruments’ (this would include BPAY, DE, RTGS and domestic SWIFT – e.g. domestic payments in non local currency).

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.

As highlighted in responses to several questions, the scope of migration should be set to align with customer value, as well as the cost efficiencies to direct participants, which indirectly flow to market participants in terms of lower charges.

As noted in the document, certain payments instruments may benefit from consolidation within the current payment systems first. For example, were BPAY or DE to migrate onto NPP, this traffic would not need to 'migrate' to ISO20022, as well. As such, the industry should take a strategic view of the future of all payments instruments in parallel with preparing for the migration to ISO20022.

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.

Not applicable to our organisation.

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"/>	This information supports anti financial crime controls.
Identity Information	<input checked="" type="checkbox"/>	This information supports anti financial crime controls and efficient payments processing.
Legal Entity Identifiers (LEIs)	<input checked="" type="checkbox"/>	This information supports anti financial crime controls and efficient payments processing.
Remittance Information	<input checked="" type="checkbox"/>	This information supports efficient payments processing and new products.
International Bank Account Number (IBAN)	<input type="checkbox"/>	

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

[Click here to enter text.](#)

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.

For too long has payments systems design been dominated by a dogmatic approach rather than a needs-based approach. With the NPP, and the concept of overlay services, there is the foundation to streamline the overall payment services in Australia.

If the NPP can be evolved, through core investment by members, through overlay services, or through RBA investment, to meet the current needs served by the HVPS, this should take place.

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?

Resilience is an essential quality of payment systems. However, consolidation need not result in reduced resilience. Neither should multiple clearing systems be seen as inherently more resilient.

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.

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.

Not applicable.

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.

Given our definition of 'value' gained from the migration relates to the customer benefit, we would advocate for a customer-led approach. As such, the first step of the migration should be the development of robust customer channel propositions using the ISO20022 messaging format. For example, the ability to submit payments and receive transaction reporting in the ISO20022 format coupled with a strong incentive, including consideration of regulatory action in the customer-to-bank space.

While this may seem like an extreme approach, it is exactly what the European payments industry mandated as part of migration to SEPA. Yet this mandate arrived late in the process resulting in significant costs carried by the European banking industry in maintaining parallel services.

While this approach does not preclude a parallel focus on bank-to-bank development, it does serve to simplify the migration effort for direct participants by removing the need to maintain multiple customer facing formats for an extended period of time.

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.

While our answer to Q13 further illustrates a missing aspect of the migration approach, given the desire to minimise disruption across a large number of organisations with an inherent high risk of IT system failure through change, a like-for-like approach would appear safer.

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.

As a single consumer of payment services and a business specialising in this area, and only this area, we see no major risk with following a big bang approach. That said, other participants who are not as focussed in payments, have other strategic priorities, or carry enterprise systems complexity which is inherently difficult to manage may well find it a challenge to support this approach.

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.

[Click here to enter text.](#)

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?

The benefits of alignment would not outweigh the benefits of standardisation in the Australian market, were the Australian migration to occur earlier.

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.

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.

It would be a logical view that the Australian standard for ISO20022 should evolve from the payments system (NPP) which is the only currently in production in Australia which uses ISO20022. That said, we feel it is essential that one common standard emerges, therefore Australia overall should align with the standards developed under SWIFT governance; and within Australia, all ISO20022 payments systems messaging should align with the Australian standard. This way, any specific messaging requirements coming from an aspect of any one of Australian payments systems would be accommodated appropriately

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.

None.

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.

We feel it is essential that the governance of the initiative includes the views of regulators, main clearing banks, indirect clearing participants, payment service providers and consumers.
Further, the Australian ISO20022 usage should align globally with that in use in other jurisdictions.

General feedback

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

No additional feedback.

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