

LVSS Industry Forum

Summary of Discussion Points

Hosted by RBA and APCA, at Reserve Bank of Australia, 65 Martin Place, Sydney

29 September 2011, 1:15 pm to approximately 3:30 pm

Attendees: See attached list.

1. Opening and welcome

The RBA mentioned two recently released LVSS project documents now available to Members on the RITS Information Facility: the LVSS Testing Strategy and the LVSS Participant Setup Guide. In particular, the RBA reminded participants that the setup guide provides details of all the activities requiring completion before LVSS testing can commence in the RITS Pre-Production Environment.

The RBA advised that it has nearly completed the round of meetings with Members following the August LVSS project status updates. An LVSS Project Update is expected to be issued in the next few weeks.

The RBA will offer member training on the new LVSS functionality in RITS. A session for LVSS project teams, testers and operations staff will be conducted in November/December. A session focussing on the changes to 9am settlement arrangements, targeting Treasury staff, will be held in early 2012. Sessions will be held in Sydney, Melbourne and Brisbane.

The RBA advised that its latest release of RITS LVSS functionality was due to be promoted to the RITS Pre-Production environment in early October. This release includes functionality to cater for the 9am settlement of LVSS obligations, including the calculation and creation of clearing interest transactions.

2. APCA's Regulations and Procedures - update

APCA reported that MC2 and MC3 have formally approved amendments to the BECS Procedures and CECS Manual to cater for the introduction of the LVSS. MC1 will vote on the APCS Procedures amendments at a special meeting in November. All members of APCS, BECS and CECS will vote on the changes to clearing system Regulations at their annual meetings in November. Drafts will be available to members at the end of October.

3. Industry testing documentation

The RBA noted that it was assumed that participants had read the LVSS Testing Strategy (released in early September), which provided an outline of the proposed phases of industry testing.

The RBA is currently preparing an LVSS Test Program document, which details the various test cases for each phase of testing. Test cases for Phase 1 of LVSS testing (between participants and the RBA's two test members) covering BECS will be published in the next few weeks. Some tests will be

mandatory for all Members whilst others will be conditional based upon a Member's use of particular functionality (such as the receipt of optional LVSS advices and responses or AIF messages).

The RBA will be the 'contact point' for Phase 1 testing, which will generally be conducted in accordance with the Member's own timetable. Members must commence BECS Phase 1 testing by 1 February and complete it by 29 February. The RBA and APCA will work together to coordinate Phase 2 testing, including the preparation of a test schedule.

4. Industry testing discussion issues

Test clearing file exchange: Do participants need to receive clearing files during LVSS testing?

Participant consensus was that clearing files do not need to be received during Phase 1 testing, but that they will be needed for some parts of Phase 2 industry testing, particularly for end to end testing, which would include reconciliations. It was noted that any participant that wished to receive a clearing file during Phase 1 should contact the RBA.

Use of small groups for Phase 2 testing

Participants indicated that they would prefer to commence Phase 2 industry testing in small groups. The RBA's test program may specify some test cases for small groups and other test cases where all Members must participate.

Production reconciliation testing: How will it work?

There was discussion about the aim of production reconciliation testing. The RBA's original goal was to produce settlement instructions for all BECS clearing file exchanges on the day, and match the resulting settlement positions to production figures from the Collator/RITS. Some Members said they wished to test end to end processes, including reconciliation of inward clearing files and FSIs and operational activities and procedures (some of which would change significantly under the LVSS). Some noted that their reconciliation processes would produce alerts if they did not receive inward clearing files.

Several organisations noted that they could not prepare test FSIs from production data on the day that production clearing files were exchanged. They suggested using a 'historical snapshot' of Production clearing exchanges for test purposes on a later test day, say one week later. A record would also be taken of RITS settlement figures on the snapshot day to be used for comparison purposes on the test day.

A number of Members seemed comfortable that they could take a copy of the relevant production data on the snapshot date and input that to their test system on the test day without requiring the actual exchange of files from their counterparty. Several parties indicated they would have to 'mask' customer details if production-like test clearing files were to be exchanged.

A couple of Members advised they were planning to use their production environment to produce test FSIs for the production settlement reconciliation tests, pointing their messaging interface to the RITS Pre-Production Environment. Under this process, the production-like test FSIs would have a payment date of the current calendar date rather than the desired test date. It was noted that if the production settlement reconciliation testing was to use a historic snapshot date, these Members

would need to need to implement a process to copy these FSIs to test systems and then manually edit them to change payment/settlement dates to the agreed test dates.

The RBA noted it could investigate if the RITS Pre-Production Environment system date on the test day could be set to match the snapshot day. However, at the same time other Members said they would have difficulty changing the date to a past date in their own test environments. General consensus was that testing dates needed to align to current calendar dates even though historic data may be used.

Some Members advised they could not mix production and test environments, and that they would therefore need to use their test environments to produce the FSIs.

It was also noted that a significant amount of work would be involved to co-ordinate activities required for the production settlement reconciliation test, and that a long notice period would be required.

CBA noted that the LVSS implementation has necessitated significant change to internal organisational processes and procedures that are not immediately visible to the RBA, hence the need for a broader range of tests than being proposed by the RBA.

Members also requested that a production like day(s) simulating real exchange and settlement times be including as part of the testing to allow operational staff to familiarise themselves with the new arrangements.

Summing up outcomes of discussion on testing issues

The RBA summarised the points discussed:

- Phase 1 testing. No need to use clearing files, but participants may choose to arrange clearing file exchanges with the RBA if necessary.
- Phase 2 testing. Initially, testing within small groups. This would include some end-to-end testing including clearing file exchanges. Test data only would be used. Later tests would be conducted with the entire member group exchanging clearing files of test data.
- Production settlement reconciliation testing will use real Production clearing file data and FSI creation based on a historical day. In order to do this, participants will need to have the ability to reuse clearing file information from the previous week, as no external clearing file exchange will take place. Payment dates and settlement dates will be current dates. Sessions times are likely to be altered in RITS Pre-Production to help facilitate this testing.
- A production-like day (or days) will be scheduled to mirror current timings for clearing file exchanges and the submission of FSIs. This testing will use test data.

Public holiday test days: Are additional 'deemed' public holidays needed during the test period?

The RBA noted that Members would need to test a variety of public holiday scenarios (Monday holidays, mid-week holidays, non-national holidays), and proposed that additional public holidays be scheduled in the RITS Pre-Production Environment to facilitate this testing. The RITS Pre-Production Environment would not be available for settlement on these deemed holidays, although FSIs could still be submitted.

A number of Members indicated they would not be able to amend their test systems to incorporate additional public holidays. It was separately noted that several public holidays fell within the test period. The consensus was no additional deemed public holidays are required.

Receiving an FSI before the clearing file

The RBA queried whether participants' systems would have problems if advices relating to FSIs were received prior to the receipt of clearing files. Participants did not see this as particularly problematic. One participant indicated it would wait for the 'B' transmission in APCS to be received before sending an FSI for the value in the A file. Organisations will expect one to arrive within a certain time of the other. APCA indicated that actual timings and industry conventions concerning timing will not become clear until the service is live. One Member suggested they would not send an FSI immediately after BECS file exchange in case the recipient returned the file as unreadable. It was suggested that this was not necessary and the FSI should be sent to RITS without delay.

Coping with system failures

ANZ stated BCP should be reflected in the LVSS Test Program the RBA is preparing. ANZ stated BCP is more complex than simply entering FSIs manually, as 'restart' points and partial completion of processes need to be considered. NAB pointed out that if one Member experiences a system failure, all others are affected. CBA and Westpac suggested including failure scenarios in the small group testing. The RBA noted that Members could agree test cases involving BCP scenarios in addition to the tests outlined in the LVSS Test Program.

ANZ queried whether the RITS contingency functions will be available for testing. The RBA indicated that current planning is to implement this functionality on the RITS Pre-Production environment in February.

CECS

SPS queried when participants might start considering CECS related requirements. The majority of Members indicated they are currently focusing their attention on BECS, though some projects are covering the three clearing systems simultaneously.

Membership change moratorium on implementation dates?

APCA noted that one participant had raised at MC2 the issue of a possible membership change moratorium on the BECS LVSS implementation date (scheduled to occur on the BECS membership change date of 21 May). It was noted that new Tier 1 memberships are very rare and that a new member seeking to go live on the BECS LVSS migration date would need to go live with LVSS settlement, and would therefore need to complete all LVSS testing. Some members noted that they would need to get the new member added to their test systems, which would require change control. There was no consensus among participants on the need for a formal moratorium, and APCA will handle any prospective members on a case by case basis if the need arises.

5. Discussion of common industry issues

The following industry issues were discussed:

- CBA indicated that it is likely to send FSIs for Mastercard obligations soon after the figures become available online, i.e. from around 9.00 am (CBA did note that this timing is in the process of being agreed internally as some organisational changes relating to this activity are still being discussed). For example, FSIs relating to transactions processed on Monday would be sent Tuesday with a Payment Date of Tuesday and a Settlement Date of Wednesday.
- ANZ stated that they do not receive settlement data from Visa until around 11.00 pm on the day after the underlying transactions are processed. The current expectation is that FSIs would be sent by 1.00 am the following day. For example, FSIs relating to transactions processed on Monday would be sent very early Wednesday with a Payment Date of Tuesday and a Settlement Date of Wednesday.
- Both ANZ and CBA indicated they would continue to provide the other settlement information for the card schemes in the same manner and time as currently occurs.
- RBA noted that some Medicare related EFTPOS obligations currently settle in CECS. It is likely that the RBA will create FSIs for these. Relevant counterparties will be consulted in the near future.
- One Member asked if any other participants would wish to conduct bilateral testing prior to the commencement of Phase 2. The consensus was that participants did not wish to conduct any bilateral testing in Phase 1, though the RBA (as a clearing participant) offered to assist if required.
- Westpac was asked when they would be in a position to send test BPAY FSIs. They advised that they would test BECS BPAY FSIs during Phase 1 testing, but using the nominated RBA test members only. Other Members would not see BECS BPAY FSIs until Phase 2 testing.
- APCS participants advised they have not engaged FISERV to assist with testing. Most participants were happy to create their test files from copies of production files.

List of Attendees
LVSS Industry Forum - 29 September 2011

Institutions	Attendees	Method of Attendance
Australia and New Zealand Banking Group	Selda Cengiz Yokeli Gerard Catherine Kerr	Forum Forum Teleconference
Australian Settlements Limited	Tony Livingstone-Thomas Mele Tuifua	Forum Forum
Bank of Queensland Limited	Lauren Goswell Larry Abella	Forum Teleconference
Bank of Western Australia Limited	Sandra Ganz John Chin Martin Billington or KT Wong John Lee	Forum Teleconference Teleconference Teleconference
Bendigo and Adelaide Bank Limited	Alexandra Giannakopoulos Terri Duchar – SPS Michelle Chong - SPS	Teleconference Forum Forum
Cashcard Australia Limited	Steve Jenkinson Sharad Handoo	Teleconference Teleconference
Commonwealth Bank of Australia	Paul Hughes Lu Xu Stephen Brewster Isabella Navarrete	Forum Forum Forum Forum
Cuscal Limited	Alan Manuel Gillian De Noir	Forum Teleconference
ING Bank Limited	David French Hanh Le	Forum Forum
National Australia Bank	Megan Sedger Mark Bennett Iona Devendran Felicity Todd Vina Pena	Forum Forum Teleconference Teleconference Teleconference
Reserve Bank of Australia (as Participant)	Shawn Burgess Rod Cowper	Forum Forum
Suncorp-Metway Limited	Brett Williams Paul Hayes Anthony Grey (UPS)	Teleconference Teleconference Teleconference Teleconference
Tyro Payments Limited	John Otaegui Peter Luong	Forum Forum
Westpac Banking Corporation	Jason Brown Lynda Donaldson Marija Skelly Paresh Paradkar	Forum Forum Forum Forum

Other Attendees:

Reserve Bank of Australia

Peter Gallagher, Warren Wise, Alison Clark, Meredith Morse, Indigo O'Neill, Mark Ward

APCA

Rob Magee