



RESERVE BANK OF AUSTRALIA



RITS Low Value Settlement Service

Industry Forum Slides

7 July 2011

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Agenda Item 2

Overview of LVSS Timetable and Expectations

Overview of LVSS timetable and expectations

Component	Task/Milestone	Date(s)
BECS	Completion of initial testing with Reserve Bank [#]	By 29 Feb 2012
	Industry-wide testing	1 Mar 2012 - 30 Apr 2012
	Production implementation	In May 2012 [*]
APCS	Completion of initial testing with Reserve Bank	By 30 Apr 2012
	Industry-wide testing	1 May 2012 - 30 Jun 2012
	Production implementation	In July 2012 [*]
CECS/ Cashcard	Completion of initial testing with Reserve Bank	By 30 June 2012
	Industry-wide testing	1 Jun 2012 - 31 July 2012
	Production implementation	In August 2012 [*]
Government Sweep	Completion of testing with Reserve Bank	By 30 June 2012
	Production implementation	Before August 2012

[#]In the RITS Pre-Production environment

^{*} Agreed Production implementation dates are dependent on the successful completion of the preceding industry test phase.

Agenda Item 3

Overview of BCP Arrangements

Overview of LVSS BCP Arrangements

Discussion points

- Scope
- Current Arrangements and New Arrangements
- Contingency Scenarios Overview
- New RITS Manual Entry functions
- Member Considerations

Overview of LVSS BCP Arrangements

In Scope

- Any contingency affecting the lodgement of settlement instructions into RITS
- Any contingency affecting the management of LVSS transactions in RITS

Not in scope

- Contingency arrangements for payments clearing
- Issues to do with running the 9am settlement

Overview of LVSS BCP Arrangements

Current Contingency Arrangements

- Collator Exchange Summary advices are submitted by file using the COIN or SWIFT FileAct. Current fallback is to send this advice to Collator by facsimile.
- Settlement errors/differences usually settled by RITS Cash Transfer.
- Procedures are set out in APCA rules

New Contingency Arrangements

- Manually enter instructions directly into RITS (FSIs/FRIs)
- Continue to use RITS Cash Transfers as necessary
- APCA rules will be amended accordingly

Overview of LVSS BCP Arrangements

High-Level Contingency Scenarios

Component	Example Scenario	LVSS Response
1. Member system(s) including those of any Agent	Problem with source payments systems and/or file transfer applications (including middleware, if applicable) used to create and send FSIs or FRIs.	Originator to enter FSIs or FRIs manually in RITS. This will be dependent on the availability of the necessary information. Consultation with the Counterparty may be required.
	Problem with systems used for processing LVSS responses and advices.	Member to monitor transactions, as Originator and Counterparty, in RITS using LVSS enquiry and reporting functions.
	Problem with systems used for AIF messaging (if applicable).	Payer to manage transactions using RITS online functions.

Overview of LVSS BCP Arrangements

High-Level Contingency Scenarios

Component	Example Scenario	LVSS Response
2. Industry Network	Core network problem (COIN or SWIFT) and/or network connection problem.	Originators to enter FSIs or FRIs manually in RITS. Members to monitor transactions, as Originator and Counterparty, in RITS using LVSS enquiry and reporting functions.
3. RITS	Member user access to RITS is unavailable (i.e. LVSS instructions cannot be entered, viewed or managed).	Contact RITS Help Desk. Request Assisted Transaction(s) as necessary.
	RITS is unavailable (including its file transfer capability).	Await advice from Reserve Bank.

Overview of LVSS BCP Arrangements

New RITS Manual FSI Entry function

- Will allow manual FSI entry by Originator
- Will be a separate user role in RITS
- All relevant fields will require entry. The order of entry will be the same as XML structure (drop down boxes provided where possible)
- An optional Member authorisation can be set
- Once submitted, treated like file-based FSIs
- LVSS responses and advices will be generated as normal
- Manually entered FSIs will show in standard LVSS enquiries
- New Manual FSI enquiry function and reporting to allow specific monitoring of these transactions

Overview of LVSS BCP Arrangements

New RITS Manual FRI Entry function

- Will allow manual FRI entry by Originator
- Will be a separate user role in RITS
- The new function will display all FSIs lodged that may be recalled and allow selection of FSI to be recalled
- The TRN of the FRI must be entered
- An optional Member authorisation can be set
- Once submitted, treated like file-based FRIs
- Relevant LVSS responses will be generated as normal

Overview of LVSS BCP Arrangements

Member Considerations

- Ensure ability to produce reports on request providing FSI details
- Review the range of systems that may have the required information available
- Assess the implications when systems are subsequently restored. One possible risk mitigant is to use the same TRN when entering manual FSIs into RITS
- Agree proposed arrangements where an agent is used
- Nominate the staff who may be involved if manual entry processes are required
- Assess the timing of the manual entry of FSIs (i.e. how long to wait)

Agenda Item 4

LVSS - Implications for APCA's Regulations and
Procedures

Implementation Timeframe

LVSS testing/implementation timetable

- BECS Feb – May 2012
- APCS Apr – July 2012
- CECS June – Aug 2012

LVSS and APCA's Regulations and Procedures

- Regulations and Procedures for each of the clearing systems require amendment to support implementation of LVSS
- Current settlement provisions for each system based on delivery of exchange summary files to Collator
- Multiple references to Collator/processes, eg FTM Rules, FTS Rules
- Preferred approach is to establish new provisions which are substantively as uniform as possible, but which fit within existing rule framework

Rule Amendments

Preliminary view is that the following amendments **as a minimum** will be required to support LVSS:

Redrafted Settlement provisions –

Part 9 BECS Procedures

Schedule 4, Rule 5 APCS Procedures

Part 10 CECS Procedures (potentially Part 8 CECS Regulations)

Settlement provisions to –

require Participating Members to settle their obligations via LVSS

specify Participating Members' obligation to submit FSIs to LVSS concurrently with submission of clearing files to counterparties

provide optionality for LVSS obligations to settle as bilaterally agreed or simultaneously as part of multilateral settlement

require members to use LVSS Message Standards (incorporated by reference)

make provision for - reconciling bilateral discrepancies, consequences of non-lodgement of settlement instructions, consequences of FSI being 'deferred' missing 9am multilateral run, procedures for recalling instructions, payment of clearing system interest for next-day settlement obligations not settled in 9am run

References to Collator to be replaced with reference to LVSS in settlement context and to Reserve Bank in non-settlement context (eg FTS Rules)

Rule Amendments

- Definitions
 - **Net deferred settlement** replaced with multilateral settlement
 - **Collator** replaced with LVSS
 - New definitions for **LVSS, multilateral settlement, FSI** and **FRI**
- Effective date for each CS contingent on LVSS production implementation
- Ancillary documents to be reviewed and amended as appropriate (e.g. FTS Guidelines)

Consultation

Draft amendments to CS Regulations and Procedures are expected to be finalised by **mid-August 2011**

Draft amendments (for all Clearing Systems) will be circulated to APCA's LVSS Expert Group and other stakeholders for review and comment before submission to internal approval processes – anticipated review period **28 days**

APCA Rule Change Process

CS Regulation amendments require approval of Management Committee and Participating Members in general meeting

CS Procedures amendments require approval Management Committee and where amendment relates to matter of principle requires approval of chair of Management Committee, APCA CEO and Board

Approvals Timetable

- BECS
 - Management Committee - 27/9/11
 - Participating Members - 15/11/11
- APCS
 - Management Committee - 24/08/11
 - Participating Members - 9/11/11
- CECS
 - Management Committee - 29/09/11
 - Participating Members - 17/11/11
- BOARD APPROVALS - 08/12/11

Agenda Item 5

Approach to Test Strategy and Test Planning

Approach to Test Strategy and Test Planning

Discussion points

- Phases for each Payment Service
- Objectives of each phase
- Types of tests in each phase
- Setup Requirements

Approach to Test Strategy and Test Planning

Phase 1 – Initial Testing with the RBA

Main Objectives

- To confirm connectivity to RITS Pre-Production Environment
- To verify that all LVSS messages can be processed (instructions, responses and advices) by the Member or their agent
- To confirm Member user access and initial settings (overrides, branches, etc)
- To allow familiarisation with new/amended RITS functions including those associated with transaction management & BCP
- To provide initial exposure to new settlement processing arrangements
- To test end to end processes including reconciliation

Approach to Test Strategy and Test Planning

Phase 1 – Initial Testing with the RBA

Types of Tests

- Submission of valid and invalid FSIs/FRIs in a variety of scenarios
- Receipt of mandatory reject responses and selected responses and advices
- Transaction management (e.g. change of Settlement Method)
- RITS user access and functional testing
- Verification of 9am settlement processing arrangements (covering all items settled including clearing interest transactions)
- Member reconciliation processes (instructions, messages and settlements)

Approach to Test Strategy and Test Planning

Phase 1 – Initial Testing with the RBA

RITS Setup Requirement considerations

- File Transfer arrangements (routing of advices and responses)
- New RITS branches and cash accounts
- RITS users and allocation of LVSS roles
- Selection of optional responses and advices
- Selection of AIF messages (if required)
- Override status settings

Members should note that RBA counterparties for testing purposes will be the RITS mnemonics of RBV1 and RBV2.

Approach to Test Strategy and Test Planning

Phase 2 – Industry Testing

Main Objectives

- To expand upon the types of tests already completed in Phase 1 with a wider range of counterparties
- To verify that all LVSS messages can be processed (instructions, responses and advices) by the Member (or their agent) for each other Member
- To allow further familiarisation with new/amended RITS functions in wider industry testing scenarios
- To fully test the entire LVSS settlement process
- To verify all end to end processes including reconciliation

Approach to Test Strategy and Test Planning

Phase 2 – Industry Testing

Intended Process

Consult with APCA and the industry to:

- define the various distinct periods of industry testing and the length of each such period
- determine test requirements and test cases for distribution
- agree success criteria

Approach to Test Strategy and Test Planning

Phase 2 – Industry Testing

Proposed stages of Industry Testing

- Message testing covering all participants in that Payment Service
- RITS functional testing
- 9am settlement testing
- BCP testing
- Production reconciliation testing

Agenda Item 6

Discussion of Common Industry Issues

Discussion of Common Industry Issues

- Reconciliation processes
- Contact points
- \$0 FSIs for null files
- Arrangements for Scheme settlements
(ie Bpay, Mastercard, Visa)
- Other issues