RESERVE BANK INFORMATION AND TRANSFER SYSTEM

RITS Low Value Settlement Service (LVSS)

Using the LVSS:
Guide for Business and Operational Users

April 2022

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1. Introduction

1.1 Purpose of Document

The purpose of this document is to provide information on the settlement arrangements and general operation of the Low Value Settlement Service (LVSS) to RITS Members and their agents using this service. Please note that settlements between direct participants (Tier 1 Members) are within the scope of the LVSS, while settlements between a Tier 2 Member and its Tier 1 representative are not within the scope of the LVSS.

The document is intended for business and operational staff.

1.2 Definitions

Capitalised terms used in this document have the definitions given to them in the *RITS Regulations*, or, where not defined in the RITS Regulations, given to them in the Glossary of the *Overview of Functionality User Guide*.

1.3 Other Related RITS User Guides

Manual FSI/FRI Entry User Guide: provides detail on how to use the manual FSI and FRI entry functions in RITS.

Bulk FSI Upload User Guide: provides information on how to use functions that allow a large number of FSIs to be uploaded 'in bulk' to RITS. While the *Using the LVSS: Guide for Business and Operational Users* provides specifications for the bulk upload facility, it does not duplicate user information in the *Bulk FSI Upload User Guide*.

The *LVCS User Guide*: provides an overview of the operation of the LVCS, as well as key service arrangements for the Low Value Clearing Service (LVCS). This guide also has information on the process for establishing connectivity with the LVCS which is related to the setup for the LVSS.

These user guides are available on the RITS Information Facility.

2. Introduction to Low Value Settlement Service (LVSS)

2.1 What is the LVSS

The RITS LVSS allows participants in low value clearing systems to input bilateral settlement obligations into RITS for settlement. The low value clearing systems settled in this way include the Australian Paper Clearing System (APCS), the Issuers and Acquirers Community (IAC; formerly known as the Consumer Electronic Clearing System (CECS)), and the Bulk Electronic Clearing System (BECS; including BPay). These clearing systems are administered by the Australian Payments Network (AusPayNet).

Obligations may be settled on a same-day basis (most non-government BECS obligations), or on a net deferred basis on the day following exchange (for example, APCS and IAC). Most obligations are settled as part of a 'Multilateral Group' which requires participants to fund only their net settlement position. Each settled bilateral obligation is recorded as an individual transaction in RITS, but all eligible transactions are settled simultaneously in each scheduled LVSS multilateral settlement run. Settlement of LVSS transactions individually is optionally available, and is mandatory for government direct entry obligations.

Bilateral obligations are sent to the LVSS using File Settlement Instructions (FSIs). A separate FSI is produced for each bilateral clearing exchange with each exchange partner. By way of example, in a clearing system with 8 settlement Members and 4 agreed exchanges each day, a settlement Member needs to produce a total of 28 (7x4) FSIs per day.

2.2 Allowable Payment Services

Settlement Members of an approved payment service (see table below) are eligible to participate in the LVSS for the settlement of obligations arising from that payment service.

A list of Members approved to use the LVSS for each payment service is maintained in RITS, and incoming FSIs are validated against that list.

Each FSI contains an indicator of the 'payment service' to which an FSI relates and an indicator of the relevant clearing system. The available payment service codes are listed below. An additional descriptive field, the 'clearing description', is included in the FSI to aid identification of a particular clearing obligation (for example, it could be used to identify the time of file exchange).

Allowable payment services in the LVSS, and their codes, are as follows:

RITS Payment Service Code	Clearing System Code	Payment Service Description
APCE	APCS	AusPayNet's Australian Paper Clearing System Electronic Presentment and Dishonour (EP&D)
APCR	APCS	AusPayNet's Australian Paper Clearing System regional ('for value') exchanges
APCT	APCS	AusPayNet's Australian Paper Clearing System Tier 1A/1B advices

RITS Payment Service Code	Clearing System Code	Payment Service Description
BECN	BECS	AusPayNet's Bulk Electronic Clearing System – normal direct entry files
BECG	BECS	AusPayNet's Bulk Electronic Clearing System – government direct entry files
CECS	IAC	AusPayNet's Issuers and Acquirers' Community
CSHD		Cashcard Closed User Group
GABS		Government Agency Balances Sweep

This list is not exhaustive, and other payment services may be added over time.

2.3 How LVSS Works at a High Level

2.3.1 High-level flows

The diagram below illustrates at a high level the message flows for the LVSS.

Payments Clearing and LVSS Message Flows
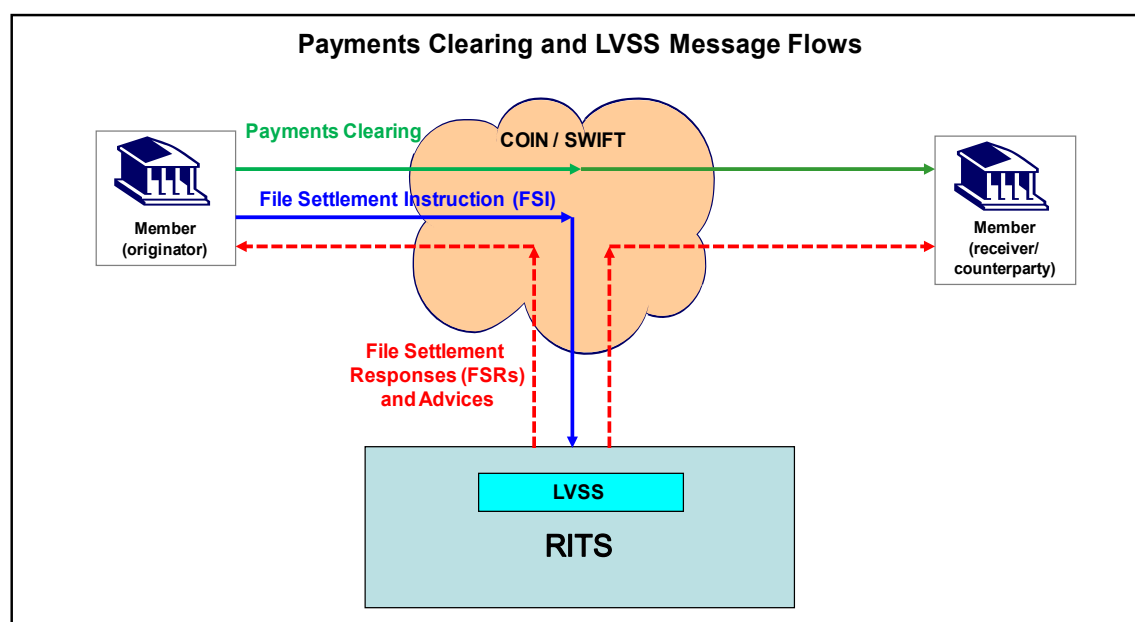
The diagram also shows the payment clearing flows, which occur before transactions are sent to the LVSS for settlement. The Reserve Bank also provides the LVCS to all direct Members to facilitate exchanges between those Members that clear via SWIFT FileAct and those that use the COIN. Please refer to the *LVCS User Guide* for more information.

2.3.2 FSI sent to RITS

An FSI is required to be sent to RITS to settle the obligation created as a result of a low value payments clearing exchange. The FSI may be sent by the Member, or by an agent of the Member.

The FSI can be sent to RITS over either the COIN or SWIFT FileAct network. Members do not need to use the same communications network as their counterparties.

FSIs may be sent while RITS is open for settlement (7:30am to 10pm Monday to Friday) and during normal clearing hours while RITS is closed for settlement. FSIs sent outside of normal RITS settlement hours will still be accepted and validated by RITS as they are received, and the relevant response or advice will be sent. A RITS enquiry showing emerging LVSS settlement obligations is available to enable participants to keep track of settlement obligations in RITS as they undertake their clearing activities.

RITS receives the FSI, validates the sender and the contents of the message, and extracts the information required to create a settlement transaction.

2.3.3   FSI warehoused or placed on RITS Queue

Once accepted by RITS, the settlement instruction may be:

- placed on the RITS Queue for testing and settlement today in the 9am Settlement or in Multilateral Runs commencing at 10:45, 13:45, 16:45, 19:15 and 21:15 (same-day settlement), e.g., non-government direct entry settlements;

- stored for individual settlement prior to 8:15am the next day, e.g., government direct entry settlements; or

- stored for multilateral settlement at 8:45am the next day.

Prior to settlement, the Originator of an FSI is able to send a File Recall Instruction (FRI) to RITS to 'recall' the transaction so that it does not settle. A recall instruction will be unsuccessful if the FSI had been rejected, had already settled, or had already been recalled. It will also be unsuccessful if the transaction is locked for multilateral settlement (see Section 4.4.6).

Members can manage LVSS transactions on the RITS Queue through RITS User Interface functionality. Automated Information Facility (AIF) functionality for unsolicited advices and queue transaction management is also available for LVSS transactions.

The table below shows the settlement times for each kind of LVSS payment service:

RITS Settlement Time	LVSS Payment Service
9am Settlement	CS1 (APCS) for cheques Certain CS2 (BECS) obligations (from the 22:30 official exchange and other late, bilaterally-agreed exchanges) CS3 (IAC) for ATM; Visa and Medicare refund transactions Cashcard Closed User Group for ATM transactions Government Funds Sweep Clearing System Interest Adjustments

RITS Settlement Time	LVSS Payment Service
Multilateral Runs subsequent to the 9am Settlement	CS2 (BECS) obligations

Note: Government direct entry obligations are settled individually rather than as part of the 9am Settlement or subsequent Multilateral Runs.

2.3.4   Testing and Settlement of LVSS Transactions

Transactions may be marked for individual settlement testing, in which case they will be tested for settlement on the RITS Queue in the same way that RTGS transactions are currently tested. Alternatively, the transactions may be marked for settlement testing as part of an LVSS Multilateral Settlement (as occurs for the 9am Settlement).

2.3.5   Members receive advices and responses concerning the FSI

With the exception of rejections (which are mandatory), Members may optionally select the LVSS advices and responses they would like to receive using the Unsolicited Advices function in RITS (see Section 5.3.7).

3. LVSS Business Scenarios and Message Flows

3.1 Overview

LVSS instructions, advices and responses are delivered over the COIN or SWIFT FileAct service as files containing XML formatted data.

Instructions are sent from the Member to RITS. There are two types of instruction: the File Settlement Instruction (FSI) and the File Recall Instruction (FRI).

Advices are sent from RITS to Members, and they provide the Originator and the Counterparty with information on an interim state of an FSI. A single FSI may result in receipt of one or more advices during its lifecycle. Advices are optional. All advices are available for selection by the Originator and Counterparty. RITS does not generate advices for recall instructions (FRIs), as there are no interim processing states. Recall instructions are either successful, rejected, or cannot be actioned (i.e., 'failed').

Responses are sent from RITS to Members, and they provide information on the final status of an FSI or FRI. Members receive only one response for each FSI or FRI. Reject responses for FSIs and FRIs are mandatory and are sent to the party that sent the FSI or FRI to the Reserve Bank. This party may be the Originator, or may be the agent used to deliver the LVSS instruction. Reject responses are not sent to the Counterparty. The selection of other (non-reject) responses is optional; these responses are available to both the Originator and Counterparty (except for recall responses which are available only to the Originator).

Members can select which LVSS advices and responses they wish to receive. Section 3.2 outlines LVSS business flows for instructions, advices and responses for each possible scenario.

3.2 LVSS Business Scenarios

This section outlines business scenarios for the processing of all LVSS messages. Scenarios for both successful and unsuccessful settlement are overviewed, including the recall of an FSI.

As mentioned in Section 3.1, there are two types of instructions a Member can send to RITS, the FSI and the FRI. The Member then receives various file advices and responses depending on what happens with the FSI/FRI. The following table lists all LVSS advices (FSAs) and responses and recalls (FSRs and FRRs), and describes their purpose and the circumstances in which they are sent.

Name	Description
FSR Settled FSRS	Response that indicates that an FSI was settled.
FSR Rejected FSRU1	Response that indicates that an FSI was received, but failed validation and was rejected. A reject code and description are given.
FSR Recalled FSRU2	Response that indicates that an FSI was recalled.
FSR UnsettledEOD FSRU3	Response that indicates that an FSI was removed from the RITS Queue as unsettled at end of day.

Name	Description
FRR Recalled FRRS	Response that indicates that an FRI was successful in recalling the targeted transaction.
FRR Rejected FRRU1	Response that indicates that an FRI was received, but failed validation and was rejected. A reject code and description are given.
FRR Failed FRRU2	Response that indicates that an FRI was not successful in recalling the targeted transaction. A reason for the failure is given.
FSA Accepted FSA1	Advises that an FSI was received and successfully validated.
FSA Changed SM FSA2	Advises that the Payer in an LVSS transaction has changed the LVSS Settlement Method of a Queued transaction.

The advices and responses relating to an FSI will contain full details from the FSI, to allow the Originator and Counterparty to match an FSI to the underlying clearing file or other clearing obligation.

3.2.1   Settled FSI

If an FSI (sent by the Originator) passes technical and business validations, RITS sends a File Settlement Advice 1 – Accepted to Originator and/or Counterparty (if these parties have selected this advice). The FSI is stored ('warehoused') if it is received prior to settlement date. On settlement date, the FSI is tested on the RITS System Queue. Once the transaction settles, RITS sends a File Settlement Response to the Originator and/or Counterparty (if these parties have selected this response).

3.2.2   Rejected FSI

If an FSI sent by the Originator does not pass technical and business validations in RITS, the FSI is rejected. RITS sends a File Settlement Response U1 – Rejected to the sender of the FSI only. This response is mandatory and includes a reject code and description for the first validation failure that RITS has identified.

3.2.3   Recalled FSI

The Originator sends a File Recall Instruction (FRI) that targets an FSI for recall. If the recall is successful (i.e., because the FSI exists in RITS, is not locked for Multilateral Settlement, and has not yet settled), RITS sends a File Settlement Response U2 – Recalled to the Originator and/or Counterparty (if these parties have selected this response) and a File Recall Response – Successfully Recalled to the Originator only (if this response is selected).

3.2.4   FSI Unsettled at End of Day

If an FSI placed on the RITS System Queue does not settle by the end of the Settlement Close Session (if the payment service is not evening eligible) or by the end of Evening Settlement Session (if the payment service is evening eligible, i.e., BECS), RITS removes it from the Queue and sends a File Settlement Response U3 – Unsettled EOD to Originator and/or Counterparty (if they have selected this response).

3.2.5   Recalled FRI

If the FRI is successfully recalled, RITS sends a File Recall Response – Successful to the Originator if they have selected it.

3.2.6   Rejected FRI

If the FRI does not pass validation, RITS rejects it. It is rejected before the status of the targeted FSI is assessed. RITS sends a mandatory File Recall Response U1 – Rejected to the sender of the FRI only.

3.2.7   Failed FRI

Where an FRI has been validated but the recall action cannot be performed, RITS will generate a 'failed' response. The recall may not be affected because the underlying FSI was not received by RITS, was rejected by RITS, has already settled, has already been recalled, or is currently locked in a multilateral group. RITS sends a File Recall Response U2 – Failed to the Originator (if this advice has been selected).

3.2.8   Accepted FSA

If an FSI has been validated and accepted by RITS, an 'accepted' response is sent to the Originator and Counterparty (if this response has been selected).

3.2.9   FSA Changed SM (LVSS Settlement Method)

If the FSI's Settlement Method is changed, either from Individual to Multilateral or from Multilateral to Individual, RITS sends a 'changed SM' advice to the Originator and Counterparty (if this advice has been selected).

3.3   Eligibility to Receive LVSS Responses and Advices

Advices and responses are selected at the RITS Member level. For example, Members should be aware that if they select to receive a response that is only provided to the Originator of the transaction, they will not receive the response concerning transactions in which they are the Counterparty.

Advices and responses can be sent to the Sender of the FSI or FRI (which can be the Member or the Member's agent), and to the Member's Counterparty. The routing of advices and responses to Senders, Originators, and Counterparties will be configured in the Reserve Bank's file transfer interface. The Sender is the entity that delivers the FSI file to RITS via the COIN or SWIFT FileAct. In practice, this will usually be the Originator or their appointed agent. Members that use an agent to deliver their FSIs and FRIs to RITS can specify routing so that advices and responses are sent to that agent, if required.

The following table summarises eligibility to receive responses and advices.

Message	Name	Eligible to Receive	
		Originator	**Counterparty**
Advice	FSA Accepted	✓	✓
Advice	FSA ChangedSM	✓	✓
Response	FSR Settled	✓	✓
Response	FSR Rejected	Mandatory (to Sender)	✗
Response	FSR Recalled	✓	✓
Response	FSR UnsettledEOD	✓	✓
Response	FRR Recalled	✓	✗
Response	FRR Rejected	Mandatory (to Sender)	✗
Response	FRR Failed	✓	✗

4. LVSS Operational Arrangements

4.1 Who creates the FSI

A clearing participant that sends an outward clearing exchange is the party that creates and sends the FSI. Members may build their systems so that the FSI is created and sent to the LVSS as part of their payments clearing processes.

The clearing participant (Member) that sends an FSI, or on whose behalf one is sent if using an agent, is the 'Originator' (i.e., creator) of the FSI. An FSI may only be recalled by its Originator or the Originator's agent.

Some Members may not wish to send their own FSIs and FRIs to RITS. For example, Members that use an agent (courier) to exchange clearing files may have no direct COIN connection to the Reserve Bank. For these Members, they are able to use an agent for the delivery of their settlement (and recall) instructions to the Reserve Bank. The appointed agent will automatically receive mandatory reject responses and Members can select the optional responses and advices they wish to have routed to their agent. The agent must have either a COIN connection to the Reserve Bank or be a Member of an LVSS SWIFT FileAct Closed User Group.

A list of approved agency arrangements for the LVSS for each Member by payment service is maintained in RITS. Incoming FSIs and FRIs are validated against this list when the Originator indicated in the FSI or FRI (i.e., the Member) is not the sender of the FSI or FRI. Where a Member appoints different agents for different payment services, each agent may only recall FSIs for the payment service for which it has been appointed.

The Payer is the Originator of the FSI for direct credit items, whereas the Payee is the Originator of the FSI for direct debit items. For VISA transactions, VISA's settlement agent is the Originator of the FSIs. Based on current industry clearing arrangements, FSIs are created as follows:

Type of Exchange	Number of FSIs
APCS	A single FSI is sent for each Tier 1A (APCS direct clearer) counterparty for each official EP&D exchange involving a transfer of value (i.e., files A and D in the EP&D cycle as well as files B and E if they contain value items).[1] An FSI is sent for the total of all outward Record Types that are for value in a single exchange (e.g., the total of Record Type 1010 representing the value of Electronic Presentment items in an exchange would be sent as an FSI; the FSI for a D transmission would contain the total of Record Type 1011 and 1012 items). Separate FSIs for each EP&D Record Type are not required. A single FSI is sent for each Tier 1A/Tier 1B relationship for that day's exchanges.

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[1] A separate FSI for each EP&D Record Type could also be used. EP&D exchanges consist of an Electronic Presentment cycle (Files A, B and C) and an Electronic Dishonour cycle (Files D, E and F). For example, File A contains Electronic Presentment records and File D contains Electronic Dishonour records. AusPayNet's APCS Procedures contain further information on the EP&D cycle.

Normal (non-government) BECS	A single FSI is sent for each Tier 1 counterparty to which the Originator sends files in each of the five official exchanges and any non-official exchanges (e.g., BPAY). For example, if there are 13 Tier 1 institutions, and they participate in all official exchanges, this implies a minimum of 65 FSIs per day.
Government BECS	A single FSI for each Tier 1 counterparty to which the Originator sends files in each of the three official exchanges and any non-official exchanges. For institutions that participate in all exchanges, if, for example, there are 13 Tier 1 counterparties, this implies a minimum of 39 FSIs per day.
CECS	A single FSI is sent for each Direct Settler with each other Direct Settler on a frequency that is determined by the industry – presently on a once-per-day basis.
Cashcard	A single FSI is originated by Cashcard (FirstData) against each Cashcard Member on a frequency determined by the industry – presently on a once-per-day basis.
Government Sweeps	A single FSI per day is sent for each transactional banker providing banking services to one or more agencies of the Australian Government.

4.2 Validation and Processing of FSIs and FRIs by RITS

4.2.1 Validations

RITS validates all incoming FSIs and FRIs against the XML Schema (this is the technical validation process, which includes checks for date formats and completion of mandatory fields) and against RITS business rules (this is the business validation process, which includes checks for ensuring that the TRN is unique and the Originator ID is for a valid LVSS participant).

The validation process ceases at the first validation failure, and a reject code will be recorded against the instruction by RITS. A reject response, including details of the rejected message, reject code, and reason for the rejection, will be sent to the sender of the instruction.

Refer to the Appendix of the *LVSS Member Technical Specifications* document for a full list of reject codes.

An LVSS advice of FSA Accepted is sent for FSIs that pass validation.

4.2.2 Warehoused and overnight transactions

The LVSS allows warehousing of future-dated settlement instructions subject to the RITS allowable warehousing period (five settlement days).

FSIs that arrive in RITS for settlement on a future RITS business day are warehoused.

FSIs that arrive in RITS after it closes for settlement in the evening are processed and stored overnight in RITS, awaiting the commencement of settlement on the settlement date. (Technically, these are not considered to be warehoused transactions as they did not arrive in RITS during the previous business day.)

Members can view information in RITS about warehoused LVSS transactions.

An FRI can be used to recall a warehoused FSI or an FSI that is on the RITS Queue (subject to validations).

4.2.3   RITS recording of ESA, Credit and Cash Account Statuses

ESA Status, Credit Status and Cash Account Status (of 'Active', 'Deferred' or 'Priority') are allocated to each interbank payment by the Paying Member to determine how it is processed by RITS. Note that the Credit Status and Cash Account Status are not likely to be used for LVSS transaction management. The recording of the ESA Status, Credit Status and Cash Account Status in RITS as the FSI comes into the LVSS is determined by whether the Originator in the FSI is the Payer or Payee.

Where Originator = Payer	Where Originator = Payee
RITS records ESA Status from FSI (if provided).	RITS records ESA Status as Deferred.
RITS records Credit Status from FSI (if provided).	RITS does NOT record Credit Status.
RITS records Cash Account Status from FSI (if provided).	RITS does NOT record Cash Account Status.

Members can elect to have their LVSS transactions tested and settled either as individual settlement transactions or as part of a multilateral settlement. The LVSS Settlement Method parameter for LVSS transactions can be set to one of two values: 'I' for individual or 'M' for multilateral.

RITS Members should note that:

- A default ESA status of Deferred is automatically applied when the Originator of the FSI is **not** the Payer of ES funds. However, Members may choose to override this default status and make the transactions Active or Priority. The override status is applied when the transaction is placed on the RITS System Queue.

- LVSS transactions arising from debit clearing systems (e.g., APCS) need to be actively managed if they are placed on the Queue with a Deferred status.

LVSS transactions on the RITS Queue can be managed by the Payer in a similar manner to other queued RITS transactions. This includes the ability to change the ESA, Credit, or Cash Account Status or to perform a recall. In addition, the Payer has the ability to amend the LVSS Settlement Method using RITS online functionality. Status changes can be made using the AIF or through the RITS UI. Recalls must occur using an FRI as it is not possible to use an AIF message to recall an FSI.

4.2.4   LVSS Settlement Method

When submitting an FSI, the Originator can optionally indicate the LVSS Settlement Method. However, the Payer may set an override LVSS Settlement Method on its relevant branch/cash account, allowing it control over this parameter. This is used particularly in instances where the Payer is not the Originator of the FSI. If no LVSS Settlement Method is set in the FSI or via an override, a system default LVSS Settlement Method of 'I' is applied. Once an FSI is on the RITS

Queue, the LVSS Settlement Method is controlled by the Payer, and may be changed via the queued payments management functionality in RITS.

4.3   Multilateral and Individual Settlement of LVSS Transactions

4.3.1   Individual settlement of LVSS transactions

A transaction marked with an LVSS Settlement Method of 'I' (individual) is tested as a single transaction on the System Queue, like an RTGS payment. It can be tested for settlement as soon as it is placed on the System Queue, and may be selected either by the auto-offset functionality or for Targeted Bilateral Offset.

LVSS transactions with an LVSS Settlement Method of 'I' have no restrictions on changing the ESA Status, Credit Status or Cash Account Status and may be recalled at any time prior to settlement.

4.3.2   Multilateral settlement of LVSS transactions

Multilateral settlement allows groups of LVSS transactions to be settled simultaneously by the System Queue, with only the net debit position for an account having to be funded. There are six Multilateral Runs on each day, the first of which is the 9am Settlement process (see section 4.4.1 for details). The 9am Multilateral Run includes calculated clearing interest obligations between participants arising from FSIs, where applicable (see Section 4.4.2).

LVSS transactions with an LVSS Settlement Method of 'M' are not tested as part of normal System Queue processing. Instead, at the time nominated for a Multilateral Run, the System Queue will search for all eligible LVSS transactions, 'lock' them into a Multilateral Group, create clearing interest transactions if applicable (in 9am Settlement only), and attempt to settle them all as a single multilaterally offset group of transactions. An LVSS transaction is eligible for inclusion in a Multilateral Run if, at the commencement of the Multilateral Run, the LVSS transaction has an LVSS Settlement Method of 'M', and its ESA Status, Credit Status or Cash Account Status are each set to either Active or Priority. RITS treats all Multilateral Run LVSS transactions, including the 9am Settlement transactions, as 'Priority' by testing against the full RITS Balance[2].

Once a Multilateral Group is formed, it cannot be added to, or have any transactions removed. The 'locked-in' Multilateral Group settlement position allows Members to then determine any funding requirements. Members have until the end of the scheduled testing time of that group to ensure that they have funded their obligation.

A multilateral LVSS transaction will only settle if all transactions in the multilateral settlement group pass settlement testing simultaneously. Each group will be tested for a specified period of time (indicated by its start time and end time). If the group has not settled by the time the end time is reached, the testing will cease and all transactions will be unlocked and released back to the Queue. They may be selected in a subsequent Multilateral Group if they remain eligible.

4.3.3   Multilateral settlement monitoring

The RITS enquiry function **LVSS Multilateral Position Summary** summarises a Member's aggregate incoming and outgoing multilateral LVSS transactions, and its net settlement amount. During multilateral testing, the screen shows the amounts that are 'locked' in the Multilateral

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2 The RITS Balance is the portion of ES Funds available for the settlement of transactions which are not FSS transactions

Group and the net funding requirement, which will not change during the life of that Multilateral Run.

4.3.4 Multilateral Group failing to settle

A Multilateral Group will not settle if one or more payers have not funded their obligation. Members whose ESA has failed limit testing, or whose Cash Account has failed limit or sub-limit testing in a Multilateral Run are given information on the RITS enquiry screen detailing the account involved and the type of failure that has occurred. The Member can take action to resolve the issue and enable the Multilateral Group to settle. The Reserve Bank may, at its discretion, determine that payments in a Multilateral Group will not be tested against sub-limits, regardless of whether those payments have Active or Priority statuses.

If the Multilateral Group fails to settle by the end test time, it is disbanded and its FSIs are released to the System Queue. For the 9am Settlement group all clearing interest transactions will automatically be removed from the System Queue if multilateral settlement fails.

The released FSIs retain the LVSS Settlement Method of 'M', so they may settle in the next Multilateral Run of the day, if there is another run scheduled. Alternatively, if the Member changes the Settlement Method of a released FSI from 'M' to 'I', the FSI can potentially settle immediately, depending upon its status settings, funding and the session that RITS is in. Note that for transactions that would have settled in the 9am Settlement, the Member and its Counterparty must make their own arrangements concerning the payment of any clearing interest, as clearing interest transactions are only applied on transactions that settle in the 9am Settlement group.

All FSIs that have not settled at end-of-day, whether marked with LVSS Settlement method 'I' or 'M', are removed from the System Queue and a File Settlement Response Unsettled at EOD (FSRU3) is sent to the Originator and Counterparty, if they have selected it.

4.4 Information for Cash Desk and Operations Staff

This section provides information for RITS Members' cash desk and operations staff responsible for settlement of low value clearing obligations, including the daily 9am Settlement process in RITS.

This section clarifies where staff can look for information they will need, or information that they might wish to check, for the management of settlement obligations in the Multilateral Runs, with particular focus on the 9am Settlement process. The 9am Multilateral Run is particularly important because delaying 9am Settlement means delaying the opening of RITS for RTGS settlement.

4.4.1 LVSS Settlement Session Times

Obligations arising from the following low value clearing systems settle in 9am Settlement: CS1 (Australian Paper Clearing System) for cheques; certain CS2 (Bulk Electronic Clearing System) obligations from the 22:30 official exchange and some other later, bilaterally agreed exchanges; CS3 (AusPayNet's Issuer and Acquirer Community (IAC) Code) for ATM; VISA and Medicare refund transactions, the Cashcard Closed User Group for ATM transactions; and the Government Sweep.[3] Clearing Interest Adjustments are also included in the 9am Settlement.

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3 Government Sweep refers to the daily sweeping of funds held by Australian government agencies by their transactional bankers to the core set of Australian government accounts held at the Reserve Bank.

Non-government CS2 (Bulk Electronic Clearing System) obligations (other than those from the late exchanged described above) are settled on a same-day basis, in the Multilateral Runs commencing at 10:45, 13:45, 16:45, 19:15 and 21:15.

Government CS2 direct entry obligations are settled individually rather than as part of the 9am Settlement or subsequent Multilateral Runs.

A schedule of Multilateral Run times is available in RITS, via the RITS session times enquiry screens. Each Multilateral Run has a lock time, start testing time, and an end testing time. Eligible obligations for 9am Settlement are selected and locked at 08:15, and settlement testing begins at 08:45 when the Morning Settlement Session closes. For other Multilateral Runs the start testing time is the same as the lock time.

LVSS Multilateral Testing Schedule			
LVSS Multilateral Run	**Start Time**		**End Time**
Multilateral Run 1	08:15	-	09:10
Multilateral Run 2	10:45	-	11:15
Multilateral Run 3	13:45	-	14:15
Multilateral Run 4	16:45	-	17:14
Multilateral Run 5	19:15	-	19:45
Multilateral Run 6	21:15	-	21:30

If a session time is changed, Members are advised via the RITS Read Message facility.

4.4.2   Clearing Interest

Clearing interest is calculated on BECN transactions where the date of exchange (or clearing) of the underlying transaction (Payment Date in the FSI) is prior to the date on which interbank settlement occurs (Settlement Date in the FSI).

A single clearing interest transaction is calculated for each pair of participants in each clearing system. For example, if Bank A sends four BECN files to Bank B and Bank B sends five BECN files to Bank A, there will be nine BECN FSIs between Bank A and Bank B. A single clearing interest transaction is calculated for the interest on all of those nine transactions. The payment service of 'CINT' is used. Bank A will be either the net payer of interest or the net receiver of interest in that transaction, while Bank B will have the opposite position.

Clearing interest is calculated and settled by RITS as part of 9am Settlement processing only. The clearing interest values are calculated when the Multilateral Run is locked at 8:15am and are visible on the System Queue from that time, but cannot be managed (i.e., Members may not change any status settings on the clearing interest transactions).

Prior to settlement, projected clearing interest amounts can be viewed in the LVSS Bilateral Position Summary function. Following settlement, actual clearing interest amounts are shown in the LVSS Bilateral Position Summary. Settled clearing interest transactions can also be viewed in Settled Payments Enquiry and LVSS Transaction Enquiry. The LVSS Clearing Interest Enquiry shows each settled clearing interest transaction and details of the individual LVSS transactions to which it relates.

If an FSI misses selection in the 9am Settlement, Members will need to calculate and settle any associated clearing interest separately, as bilaterally agreed (for example, via a Cash Transfer).

4.4.3   Government Direct Entry Obligations

RBA Government Direct Entry Obligations

For Government direct entry obligations for RBA files, the RBA (as banker to the Australian Government) will create FSIs for the settlement of these obligations. These will use the LVSS Settlement Method of 'I' (Individual) and will settle as soon as the Morning Settlement Session opens.

Non-RBA Government Direct Entry Obligations

Government direct entry obligations for non-RBA files must settle by 8:15am. Transactions sent using the BECG Payment Service (for government direct entry) must settle as Individual transactions. These transactions will use the LVSS Settlement Method of 'I' (Individual) in order to meet the settlement time requirement.

Members that undertake transactional banking for Australian government agencies and have outgoing government direct entry obligations must take care with override settings. If a Member wishes to set an override Settlement Method for LVSS transactions, they may need to use separate branches/cash accounts for the BECG and BECN (non-government direct entry) payment services. For each payment service, Members can set different overrides for their credit items branch (which will apply to payments initiated by the Member) and their debit items branch (payments of the Member initiated by Counterparties) if they use different branches/cash accounts.

4.4.4   Transactions on the System Queue

A Member may have hundreds of LVSS transactions on the System Queue prior to the commencement of a Multilateral Run. Paying Members are able to manage their queued LVSS transactions up until the lock time for each Multilateral Run. After the lock time, no status changes or recall requests can be performed, and no transactions can be added.

The locking of items for settlement allows RITS Members to have certainty as to their funding requirements. Members will have sufficient time to fund their overall multilateral obligation ahead of settlement. It is critical that transaction management is undertaken in a timely manner to ensure the on-time completion of Multilateral Runs – particularly the 9am Settlement run, as a delay in this would delay the opening of RITS for RTGS.

4.4.5   ESA Position Screen in RITS

The ESA Position screen in RITS shows the 'Current LVSS Multilateral Run Position'.

This screen will not show a Member's 9am obligation until the obligation is 'locked'. Prior to that time, the screen shows the message 'Only displayed when LVSS Multilateral Run in progress.'

4.4.6   Timetable of 9am Settlement Events

Prior to 8:15am – Settlement of government direct entry obligations

Government direct entry obligations settle on an Individual (Settlement Method must be set to 'I') basis during the Morning Settlement Session, before the start of 9am Settlement. Members that are transactional bankers to Australian government agencies must ensure that government direct entry files have settled prior to 8:15am.

Prior to 8:15am – Visibility of 9am Settlement obligation

Prior to 8:15am, a Member's projected 9am position may change as the Member, or the Member's Counterparties, manage queued LVSS transactions. Members will only be able to view their **fixed** 9am Settlement position **after 8:15am**.

Two enquiry functions can be used to view the Member's **projected** 9am position **prior to 8:15 am**: **LVSS Bilateral Position Summary** and **LVSS Multilateral Run Position Summary**.

From the commencement of the Morning Settlement Session until 8:15am, Members can view queued LVSS transactions and amend the ESA Status and/or LVSS Settlement Method of transactions for which they are the payer. Note that the ESA Status and Settlement Method given to transactions can be set by the paying Member using override settings which are applied when transactions are placed on the queue (see Section 4.2.3).

Prior to 8:15am, Members must ensure that transactions to be included in the 9am Settlement are eligible for selection in the 9am Multilateral Run (i.e., each transaction must have a settlement method of 'M' (Multilateral) and no Deferred status settings).

Multilateral Run 'Lock' at 8:15am

At 8:15am, eligible queued LVSS transactions are selected for settlement and are 'locked' into the 9am Multilateral Run. Clearing interest transactions are created and also locked into the Multilateral Run.

Once the 9am Multilateral Run has commenced, the 'locked' transactions cannot be removed from the 9am Settlement process, nor can any additional transactions be added (even if their Deferred ESA status is changed to Priority status prior to the commencement of settlement testing at 8:45am). This means that Members' 9am Settlement positions are fixed from 8:15am.

If a transaction that is Deferred at 8:15am, and therefore misses selection in the 9am Multilateral Run, needs to be settled, the payer will need to change the status to Active or Priority and change the Settlement Method to 'I' (Individual) to allow the transaction to be settled outside of the 9am Multilateral Run. If this is done prior to 8:45am, the transaction will settle during the Morning Settlement Session (if funds are available).

Between 8:15am and 8:45am

Once Members' 9am positions are fixed at 8:15am, Members have until 8:45am to complete funding of their settlement positions. All Members' ESAs must be in prospective credit by 8:45am. **Note** however, that for FSS participants, Allocation Transfers from the RITS Balance (the portion of funds available to settle the transactions in the Multilateral Run) and the FSS Balance (the portion of ES funds available to settle FSS transactions) will continue to be processed between 8:15am and 8:45am. When projecting funds available for the settlement of 9am positions, FSS participants must closely monitor Allocation Transfers and ensure that any transfers out of the RITS Balance are funded in time for 9am Settlement.

Two enquiry functions can be used to view the Member's **actual** 9am position **after 8:15am**: **ESA Position** and **LVSS Multilateral Run Position Summary**.

Settlement

All transactions in the 9am Multilateral Run are tested for settlement simultaneously as a single multilateral net obligation for each Member. The net obligations are tested against Members' full RITS Balances, even if any of the individual transactions have an active ESA Status.

Upon settlement, all transactions are posted individually to Members' ESAs, even if tested for settlement as part of a Multilateral Group. The final resulting ESA balance is shown against all transactions.

Post 9am Settlement

After settlement, LVSS settlement responses (File Settlement Response Settled) and AIF Post-Settlement Advice messages are sent to those Members that have elected to receive them.

Individual settled transactions can be viewed in **Settled Payments Enquiry** and **LVSS Transaction Enquiry**. **LVSS Bilateral Position Summary** can be used to view settled positions, by payment service or by counterparty and payment service.

After settlement, clearing interest transactions can be viewed in the **Clearing Interest Enquiry**. This screen shows each clearing interest transaction along with details of the individual FSIs to which it relates.

End-of-day reports (Cashlist) and ESA statements available to Members will also show settled LVSS transactions.

4.5   Liquidity Arrangements for late DEs

4.5.1   Provision of Liquidity under Open Standing Facilities (SF) Repo

The settlement of some direct entry obligations occurs after some or all ESA holders have squared up their accounts for the day (i.e., referred to as 'Late DE' settlement, comprising the 19:15 and 21:15 Multilateral Runs).

Eligible Counterparties are able to contract SF Repos without a maturity date; that is, the term of the repo will be 'open'.

An ESA holder that is a Tier 1 BECS (direct settling) participant and/or NPP participant is required to maintain a minimum ESA balance to facilitate the settlement of after-hours payments arising from these payments systems. While maintaining a minimum Open SF Repo position for this purpose is not mandatory, eligible ESA holders are able to source additional ESA funds from these repos if they choose to do so.[4]

Note that, ESA holders that are neither a Tier 1 BECS nor an NPP participant, may also be able to contract an amount of Open SF Repos with the agreement of the RBA.

Eligible members have been advised of a maximum amount of Open SF Repo that they may contract at an interest rate equal to the rate on surplus ESA balances (as set by the Reserve Bank Board). Open SF Repos that are taken out in excess of this limit will be contracted at a higher interest rate.

4.5.2   End of Day ESA Balance and Open SF Repo Position

It is expected that ESA holders maintain an ESA balance as at midnight that is at least equal to their applicable minimum ESA balance requirement plus net receipts arising from after-hours DE

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[4] For details on changes made to minimum Open SF Repo requirements, please see: https://www.rba.gov.au/publications/bulletin/2021/dec/recent-changes-to-the-reserve-banks-liquidity-operations.html.

and NPP payments. An ESA holder's applicable minimum ESA balance requirement is the greater of:

- The minimum level of ESA balances that the Reserve Bank has determined the ESA holder is required to hold to meet their after-hours payments obligations.

- An ESA holder's position in Open SF Repos contracted at a pricing rate equal to the rate on surplus ESA balances.

ESAs will accrue interest at the rate on surplus ESA balances for closing ESA balances held as at midnight up to the ESA holder's applicable minimum ESA balance requirement plus net receipts arising from after-hours DE and NPP payments. Any shortfall in ESA balances from this level will attract the appropriate standing facility rate, being 25 basis points above the cash rate target (equivalent to the Member being unable to reverse an Intraday SF Repo).

Information on the ESA Position screen in RITS can assist in determining End of Day positions. Further details about the liquidity arrangements for after-hours payments including interest calculations are available on the [RBA website](#).

4.6 Contingency Arrangements

This section provides a summary of the contingency arrangements for the LVSS to enable the continuation of low value settlement processing in the event of a contingency affecting:

- the lodgement of settlement instructions (FSIs and FRIs) into RITS by normal means (e.g., due to a Member proprietary system or network connection problem); and/or

- the management of these transactions in RITS or in Member systems (e.g., Member unable to access RITS or process AIF messages).

The purpose of this section is to provide an overview of the contingency arrangements expected to apply in the above circumstances. For further information relating to broad RITS contingency arrangements, please refer to the *RITS Member Contingency Procedures*.

There is a wide range of contingency scenarios that may potentially lead to the failure of normal LVSS message processing or the inability to perform transaction management using the RITS AIF. Although there may be many possible causes for these types of events, the actual response in terms of LVSS processing is essentially the same: reverting to the manual entry of FSIs into RITS and using the RITS online transaction management functions as necessary.

In the instance that the COIN or the SWIFT network is unavailable, or a problem in Members' internal systems results in them being unable to send LVSS settlement information to RITS via the normal method, there are two alternative methods of submitting FSIs that have been made available through the RITS User Interface:

- Manual FSI/FRI Entry

- Bulk FSI Upload

4.6.1 Manual FSI/FRI Entry

This functionality enables manual entry of standard FSI details using the RITS User Interface. A Member's user will be required to enter in the mandatory details of the FSI into a function in the RITS User Interface that replicates the XML message content. Upon submission and successful validation, a manually-entered FSI will be converted into XML and processed in the same manner as a message-submitted FSI.

The RITS User Interface functionality also allows manual entry of a FRI.

All other functions, such as changing statuses, will continue to be done online via RITS in the usual way.

For more information on Manual FSI/FRI Entry functionality, refer to the *Manual FSI/FRI Entry User Guide* on the RITS Information Facility.

4.6.2   Bulk FSI

This functionality enables a Member to upload a file containing multiple LVSS FSIs via the RITS User Interface. The user will select the file from their PC using a standard Windows browser. Upon submission, RITS will perform security and format checks. Where one or more FSIs fail these checks the entire file will be rejected. All FSIs in the file must pass security and format validation for the file to be uploaded successfully. Following a successful upload RITS will separate the contents of the file into individual FSIs, which will then be processed individually and identically to message-entered FSIs.

For more information on Bulk FSI functionality, refer to the *Bulk FSI Upload User Guide* on the RITS Information Facility.

5. Overview of LVSS Participant Setup Requirements

This section provides information on the arrangements and administrative tasks required to begin participation in the LVSS.

The key setup activities are as follows (and the entity that undertakes the activity is shown in brackets):

- Establish new RITS branches and cash accounts for LVSS transactions (RITS Help Desk, based on Member instruction).

- Turn off cash account limit processing for cash accounts used in all LVSS Multilateral Runs (Member user with 'Cash Account Limit – Set Limit' role).

- Link new LVSS branches to Payment Services (RITS Help Desk, based on Member instruction).

- Link users to new LVSS branches (Member – RITS Password Administrator).

- Allocate new LVSS roles to users (Member – RITS Password Administrator).

- Set authorisations on new LVSS functions as required (RITS Help Desk, based on Member instruction).

- Allocate authorisations to users as required (Member – RITS Password Administrator).

- If an agent is to be used to deliver FSIs and FRIs to RITS, formally appoint that agent by executing the *Low Value Services - Appointment of Agent Form (Member)* in accordance with the *RITS Signing Instructions*. This requires legal execution and proof of authority to execute.

- Set the override ESA status on LVSS branches/cash accounts as per internally agreed transaction management processes (Member user with 'Override ESA Status – Set Override' role).

- Set the override LVSS Settlement Method on LVSS branches/cash accounts as required (Member user with new 'LVSS Settlement Method – Set Override' role).

- Select optional LVSS advices and responses, as required (Member user with 'Unsolicited Advices' role).

- Select AIF messages (e.g., Pre-settlement Advices or Post-settlement Advices), as required (Member user with 'Unsolicited Advices' role).

- Set up the routing of LVSS advice and response files (RITS Help Desk, based on Member instructions).

Prospective LVSS participants that do not currently have COIN or SWIFT FileAct connections (either directly or via an agent) will need to meet some additional requirements. These RITS Members should contact the Reserve Bank for further information as soon as possible.

Members should note that the setup activities listed must be performed twice and prior to the go-live date: once for the RITS Pre-Production Environment and again for the RITS Production Environment. The RITS Pre-Production Environment is used by Members for their standalone LVSS testing, including initial testing with the Reserve Bank, and for industry testing. When considering each activity, a Member should keep in mind whether the arrangements they wish

to have in the RITS Pre-Production environment to facilitate testing will vary from their desired Production setup. Pre-Production setup should ideally mirror Production.

5.1 RITS Branches and Cash Accounts for LVSS

This section covers requirements for the setup of RITS branches and cash accounts to facilitate the processing of LVSS transactions.

5.1.1 What a Member Needs to Do

Each Member needs to:

- Assess the need for new RITS branches and cash accounts to support LVSS transactions.

- Instruct the RITS Help Desk to set up new RITS branches and cash accounts, as required.

- Instruct the RITS Help Desk to link nominated RITS branches to payment services. A credit items branch and a debit items branch must be nominated for each payment service.

The rest of this section provides further information to help Members determine their requirements.

5.1.2 RITS Branches for LVSS Transactions

RITS branches are the functional entities that undertake transactions in RITS. They are identified by a 6-character mnemonic (e.g., BANKAA).

Members that participate in the LVSS must nominate which branches they will use for LVSS transactions. Members are able to use the same branches/cash accounts for all payment services, or they can use different branches/cash accounts for each payment service (including the payment service used for clearing interest postings). As an FSI only contains the 4-character RITS mnemonics of the two parties to the settlement transaction, a look-up table in RITS will match the payment service and identify the correct branch for both the Payer and Payee.

The Reserve Bank recommends that Members set up separate new branches and new cash accounts for the LVSS in order to minimise the impact on RITS arrangements. This allows Members to separately select override statuses, AIF messages and cash account limits. New cash accounts are included in Members' end-of-day Cashlist Reports, and are reported in relevant AIF messages such as pre- and post-settlement advices and ESA statements.

Members that wish to manage their LVSS transactions using AIF Pre-settlement Advices, or that wish to receive AIF Post-settlement Advices for posting or reconciliation purposes, should note that these advices are selected at the branch level.

Forms for branch set-up

A Member will need to complete a standard RITS form (the *Feeder, Batch and Other Branches* form, available under 'Standard Forms' on the RITS Information Facility) to add any new branches (and cash accounts – see below) required for the LVSS. Members will also need to advise the RITS Help Desk (via the *LVSS Branch Allocation* form, available under 'Standard Forms' on the RITS Information Facility) of the credit items branch and debit items branch they intend to use for each LVSS Payment Service. This is required even if a payment service has only credit items or only debit items. Members should note that these branches do not need to be unique. For example, a Member may use the same pair of branches for both BECS payment

services (BECN and BECG). Please note that each form will need to be signed by the Member's RITS Authorised Signatories.

As part of this process, Members will also need to advise the RBA of the branch they intend to use for the settlement of clearing interest transactions. Clearing interest transactions will be posted against the nominated debit items branch for the payment service 'CINT', regardless of whether it is a net payment or a net receipt. The Clearing Interest branch may be a branch that the Member uses for other LVSS transactions, or it may be a special purpose branch.

5.1.3   Credit Items and Debit Items

The LVSS is different from other services in that in addition to allowing an Originator to send an instruction to credit another Member's ESA, it allows an Originator to send an instruction that debits the other Member's ESA (as is required for FSIs containing only debit items, or where the value of debit items exceeds the value of credit items). The LVSS has therefore been designed to allow Members to manage (i.e., by separately selecting override statuses) the outgoing LVSS payments they initiated separately from the outgoing LVSS payments that were initiated by other Members. This is done by each Member nominating at least one 'Credit Items Branch' and one 'Debit Items Branch'.

An FSI created for credit items (e.g., a BECS file exchange where the value of credit items exceeds the value of debit items) will have the Originator as Payer. The settlement amount in this FSI will be posted to the Originator's nominated Credit Items Branch and to the Counterparty's nominated credit items branch.

An FSI created for debit items (e.g., an APCS file exchange or an IAC settlement) will have the Originator as Payee. The settlement amount in this FSI will be posted to the Originator's nominated Debit Items Branch and to the Counterparty's nominated debit items branch. In this circumstance, the Counterparty is the Payer and the payment statuses in the FSI will be ignored. The FSI will be given a default ESA Status of Deferred (and a credit and cash account status of Active). This will be overridden by any override ESA Status set by the Counterparty (i.e., the Payer) on the cash account used for the Debit Items Branch.

The use of different branches for credit items FSIs and debit items FSIs means a Member can select to use different overrides for LVSS payments it originated to and those that were originated by another Member.

EXAMPLE

This example involves the following sample set-up.

Member	Credit Items Branch	Debit Items Branch
NABL	NABLLC	NABLLD
WPAC	WPACLC	WPACLD

(a) Credit Items FSI Example:

If NABL sends a direct entry file to WPAC where the value of credit items exceeds the value of debit items (therefore NABL must pay the net amount to WPAC), NABL will send an FSI to RITS where:

> Originator = NABL, Counterparty = WPAC, Payer = NABL, Payee = WPAC

RITS will post the following: NABLLC will be debited; WPACLC will be credited.

(b) <u>Debit Items FSI Example</u>:

If NABL sends a direct entry file to WPAC where the value of debit items exceeds the value of credit items (therefore NABL is owed the net amount by WPAC), NABL will send an FSI to RITS where:

Originator = NABL, Counterparty = WPAC, Payer = WPAC, Payee = NABL

RITS will post the following: WPACLD will be debited, NABLLD will be credited.

This means that, for a particular Member, <u>outgoing payments</u> (i.e., ESA payments) arising from clearing files or obligations that it <u>originated</u> will be recorded in its Credit Items Branch, while <u>outgoing payments</u> arising from clearing files or obligations that it <u>received</u> will be recorded in its Debit Items Branch. This allows different management methods to be used if desired.

<u>Incoming payments</u> for a particular Member (i.e., ESA receipts) arising from clearing files or obligations that it <u>originated</u> will be recorded in its Debit Items Branch, while <u>incoming payments</u> arising from clearing files or obligations that it <u>received</u> will be recorded in its Credit Items Branch. As receipts, these payments do not need to be managed.

5.1.4   RITS Cash Accounts for LVSS Transactions

Use of a single cash account for debit items and credit items branches

All inter-bank LVSS transactions are recorded against an ESA. Both inter-bank and intra-bank transactions are also recorded against a cash account. Each branch in RITS has at least one cash account to record transactions. Generally speaking, the nominated cash account will be a real bank account that exists in the Member's own banking application or general ledger.

A typical RITS setup is for one cash account to be associated with one branch. However, it is possible for a single cash account to be used by two or more branches. This would allow, for example, transactions in the credit items branch and transactions in the debit items branch to post to a single cash account.

A Member that wishes to use a single cash account for debit items transactions and credit items transactions should note that only a single override ESA Status setting will be available. This will mean that the same override must be used for own-initiated FSIs that will debit the ESA as well as FSIs initiated by other Members that will also debit the ESA. This may be acceptable if the override ESA setting of Priority is to be used.

The Reserve Bank strongly recommends that Members set up new RITS cash accounts for LVSS transaction processing. This will help to minimise the impact on other RITS arrangements and allow the separate selection of override statuses.

Members should note that new cash accounts will automatically be included in their end-of-day Cashlist Reports. They will also be shown in relevant AIF messages such as Pre- and Post-settlement Advices and in ESA statements.

If a Member wishes to use a BSB that it does not already use in RITS, some additional, minor administration may be required. Members can view their existing cash accounts in RITS using the function Cash Account Limit (accessed via the menu item ESA Management / Cash Account / Limit). Alternatively, Members may obtain this information by contacting the RITS Help Desk.

The following sections set out some further information about the use of cash accounts in RITS and some setup considerations in terms of LVSS processing.

Posting transactions to cash accounts

Each FSI settlement is posted to a RITS cash account for the Payer and a RITS cash account for the Payee. There are a number of RITS reports and AIF messages that use the cash account to identify a transaction:

- The cash account is used to identify payments in AIF Pre-settlement Advices, which may be used by AIF banks for the management of LVSS transactions.

- The cash account is used to identify payments in Post-settlement Advices, which may be used by AIF banks for the posting or reconciliation of LVSS transactions.

- The cash account is used to identify the transaction in the MT950 ESA Statement, which may be used by AIF banks for the reconciliation of LVSS transactions.

- The net end-of-day balance for each cash account is shown in the Cashlist Report, which may be used by the Member for internal posting or reconciliation purposes.

Override ESA Status set on cash account

The override ESA Status is set at the cash account level. If a Member wishes to set different overrides for different payment services, it will need to use separate branches and separate cash accounts for each payment service.

A Member that intends to use its 2E branch (ESA branch) for LVSS transactions should ensure that the current override ESA Status setting in its 2E branch is not inconsistent with its LVSS transaction management requirements.

Cash account limit processing turned OFF

The Reserve Bank requires all Members to turn cash account limit processing to **Off** for all cash accounts used in the 9am Settlement process and intraday direct entries. Members that elect to use their 2E branch for LVSS transactions should be aware that this setting may affect the processing of other transactions settling across their 2E branch.

5.1.5 Examples of RITS Branch and Cash Account Setup

The following table illustrates four potential models of LVSS branch and cash account setup.

The RITS mnemonic for the RITS Member is 'BANK' in the examples below. The example cash accounts are in the form of a BSB and account number. CIB and DIB are abbreviations of Credit Items Branch and Debit Items Branch. A separate CINT branch and cash account (for clearing interest postings) is also shown.

Participation	Branches		Cash Accounts	Comments
Member of a single clearing system (e.g., BECS) with two related payment services (BECN and BECG).	BECN CIB: BECG CIB: BECN DIB: BECG DIB: CINT DIB	BANKLC BANKLC BANKLD BANKLD BANKCI	048-001 12345678 048-001 12345678 048-001 98765432 048-001 98765432 048-001 57395124	All LVSS transactions will post to one of two cash accounts (with interest posted to a separate cash account).

Participation	Branches		Cash Accounts	Comments
Member of three clearing systems (APCS, BECS and IAC). Sharing two branches and two cash accounts across all clearing systems (and related payment services).	APCE CIB: BECN CIB: BECG CIB: CECS CIB: APCE DIB: BECN DIB: BECG DIB: CECS DIB: CINT DIB:	BANKLC BANKLC BANKLC BANKLC BANKLD BANKLD BANKLD BANKLD BANKCI	048-001 12345678 048-001 12345678 048-001 12345678 048-001 12345678 048-001 98765432 048-001 98765432 048-001 98765432 048-001 98765432 048-001 57395124	Different overrides for, say, APCS and BECS debit items transactions are not possible. All LVSS transactions will post to one of two cash accounts (with interest posted to a separate cash account).
Member of three clearing systems (APCS, BECS and IAC). Sharing credit items and debit items branches (and their cash accounts) across related payment services within a clearing system.	APCE CIB: BECN CIB: BECG CIB: CECS CIB: APCE DIB: BECN DIB: BECG DIB: CECS DIB: CINT DIB:	BANKAC BANKBC BANKBC BANKCC BANKAD BANKBD BANKBD BANKCD BANKCI	048-001 45698712 048-001 87535897 048-001 87535897 048-001 47851236 048-001 21749870 048-001 54781236 048-001 54781236 048-001 78236548 048-001 57395124	Overrides are able to be set at clearing system level. LVSS transactions in different clearing systems will post to different cash accounts.
Member of three clearing systems (APCS, BECS and IAC). Separate credit items and debit items branches (and cash accounts) for each payment service.	APCE CIB: BECN CIB: BECG CIB: CECS CIB: APCE DIB: BECN DIB: BECG DIB: CECS DIB: CINT DIB:	BANKEC BANKNC BANKBC BANKCC BANKED BANKND BANKBD BANKCD BANKCI	048-001 45698712 048-001 87535897 048-001 34879245 048-001 47851236 048-001 21749870 048-001 54781236 048-001 65897531 048-001 78236548 048-001 57395124	Greatest level of granularity – allows different overrides at the payment service level. LVSS transactions in different payment services will post to different cash accounts.

5.2   LVSS Administration – Users and Roles

This section covers requirements for the allocation of LVSS-related roles to RITS users and the setting of authorisations on LVSS-related update functions.

Requests for new RITS users can be made by completing the *User Access Request Form* or *User Access Request Form for Multiple Users* available from the RITS Information Facility. Any questions on user access should be directed to the RITS Help Desk (1800 659 360 or via email to rits@rba.gov.au).

Members should note that a Production logon must be generated for each user access request in order for the user to be provided with a RITS Digital Certificate. This process applies even if the request is for access to RITS Pre-Production only. The Member Password Administrator can ensure users are only granted roles in the relevant environment as necessary.

5.2.1   What a Member Needs to Do

Each Member needs to:

- allocate new LVSS related roles to its users as necessary

- be aware of the LVSS enquiry functions are part of the Member Enquiries role

- assess whether authorisations need to be set for each new LVSS update role

- link users to branches as necessary.

The rest of this section provides further information to help Members determine their requirements in these areas.

5.2.2   Allocating LVSS Update Roles to Users

The RITS Member must allocate specific LVSS roles to its users as necessary. Note that optional authorisations are available on the functions indicated with an asterisk (*).

Role Name	Functions in the Role	Function Description	RITS UI Function Name
LVSS Settlement Method – Set Override	LVSS Settlement Method – Set Override *	Set an override LVSS Settlement Method, in the same manner as overrides are set for ESA and Credit Statuses. The override is applied at Cash Account level, as for ESA and Credit Statuses.	Override ESA/Credit Status/LVSS Settle Method
LVSS Settlement Method Queue Management	LVSS Settlement Method - Queue Management *	Change the LVSS Settlement Method of queued LVSS transactions.	Queued Payments Management – ESA/Credit Status/LVSS Settle Method
	LVSS Settlement Method – Bulk Change *	Change the LVSS Settlement Method of many LVSS transactions in one action, similar to Bulk ESA and Bulk Credit Status Management. LVSS Settlement Method can be changed by branch for payments on the System Queue and/or new transactions entering the system.	Bulk LVSS Settlement Method Management
Unsolicited Advices	LVSS Message Selection *	Select or change selection of specific LVSS advices and responses.	LVSS Message Selection (accessed from Unsolicited Advices screen)
Overnight Enquiry	Holiday Enquiry LVSS Bilateral Position Summary LVSS Clearing Interest Enquiry LVSS File Enquiry LVSS Transaction Enquiry Password – Change Own Password Manual FSI Enquiry Manual FRI Enquiry	This role allows access to LVSS related enquiry functions, including during the Overnight Enquiry session.	RITS Holidays LVSS Bilateral Position Summary LVSS Clearing Interest Enquiry LVSS File Enquiry LVSS Transaction Enquiry Change Password Manual FSI Enquiry Manual FRI Enquiry

Role Name	Functions in the Role	Function Description	RITS UI Function Name
Limited Overnight Enquiry	Holiday Enquiry LVSS File Enquiry Password – Change Own Password	This role allows access to LVSS File Enquiry, but not other LVSS related enquiry functions, including during the Overnight Enquiry session.	RITS Holidays LVSS File Enquiry Change Password
Manual FSI Entry	Manual FSI Enquiry Manual FSI Entry* Manual FSI Amend/Delete	This role allows access to enter, enquire on, amend, or delete manual FSIs.	FSI Enquiry FSI Entry FSI Amend/Delete
Manual FRI Entry	Manual FRI Enquiry Manual FRI Entry*	This role allows access to enter or enquire on the status of manual FRIs.	FRI Enquiry FRI Entry
Manual FSI Authorisation	Manual FSI Enquiry Manual FSI Authorisation	This role allows access to authorise or enquire on the status of manual FSIs.	FSI Enquiry FSI Authorisation
Manual FRI Authorisation	Manual FRI Enquiry Manual FRI Authorisation	This role allows access to authorise or enquire on the status of manual FRIs.	FRI Enquiry FRI Authorisation

5.2.3   LVSS Functions in Member Enquiries and All Users Roles

The following LVSS enquiry functions form part of the 'Member Enquiries' or 'All Users' roles. All users who have these roles are able to access these LVSS functions.

Role Name	Functions in the Role	Function Description	RITS UI Function Name
Member Enquiries	LVSS File Enquiry	View LVSS FSIs, FRIs, LVSS advices and responses.	LVSS File Enquiry
	ESA/Credit Status – Override Status Enquiry (includes LVSS Settlement Method overrides)	View the LVSS Settlement Method overrides that have been applied.	Override ESA/Credit Status/LVSS Settle Method
	LVSS Message Selection Enquiry	View specific LVSS advices and responses.	LVSS Message Selection (accessed from Unsolicited Advices screen)
	LVSS Multilateral Position Summary	View multilateral net position of LVSS transactions and details of any account limit failures.	LVSS Multilateral Position Summary
	LVSS Settlement Method Queue Management Enquiry	View LVSS Settlement Method of FSIs on the RITS System Queue.	Queued Payments Management – ESA/Credit Status/LVSS Settle Method
	LVSS Transaction Enquiry	View LVSS transactions.	LVSS Transaction Enquiry
	LVSS Bilateral Position Summary	View overall settlement position by payment service and by counterparty.	LVSS Bilateral Position Summary

Role Name	Functions in the Role	Function Description	RITS UI Function Name
	LVSS Clearing Interest Enquiry	View details of clearing interest transactions.	LVSS Clearing Interest Enquiry
	Manual FSI Enquiry	View details of manually entered FSIs.	FSI Enquiry
	Manual FRI Enquiry	View details of manually entered FRIs.	FRI Enquiry

5.2.4   Authorisations

Optional authorisations are available on the following LVSS functions:

- LVSS Settlement Method – Set Override

- LVSS Settlement Method – Queue Management

- LVSS Settlement Method – Bulk Change

- LVSS Message Selection

- Manual FRI Entry

- Manual FSI Entry

Each RITS Member should determine to which of these LVSS-related functions they wish to add a requirement for user authorisation. These must be advised to the RITS Help Desk for authorisation to be set up (using the *Member Authorisation Maintenance* form, available under 'Standard Forms' on the RITS Information Facility). Once this has been done, the Member's Password Administrator can allocate specific authorisations to users, as required. (See the *Authorisations User Guide* on the RITS Information Facility for more information.)

5.2.5   Linking Users to Branches

Members that set up new branches for LVSS transactions need to ensure that users are linked to those branches in order to perform updates on transactions in those branches (for example, change the ESA Status of a queued transaction, change the LVSS Settlement Method of a queued transaction) and to amend settings on those branches (for example, to turn cash account limit processing off). This must be done in addition to ensuring that users have the relevant role(s).

The Member Password Administrator manages users' links to branches in the function User Privileges.

5.3   LVSS Advices and Responses – Transaction Management

This section covers setup requirements for the management of LVSS transactions in RITS, including the selection of advices and responses and AIF messages.

5.3.1   What a Member Needs to Do

Each Member needs to:

- Determine whether it wishes to set an override ESA Status on each of its cash accounts (particularly for cash accounts linked to debit items branches where the Member will be the Payer but not the Originator).

- Determine whether it wishes to set an override LVSS Settlement Method on each of its cash accounts.

- Ensure that the status of Deferred is not used for either the Credit Status or the Cash Account status in any LVSS transaction, including as an override setting.

- Ensure that cash account limits processing is turned off for all cash accounts used for LVSS transactions to be settled in all Multilateral Runs.

- Determine which optional LVSS advices and responses the Member wishes to select.

- Determine the AIF messages the Member wishes to select in relation to LVSS transactions.

- Ensure the necessary settings and details are entered into RITS for each of the above items.

The rest of this section provides further information to help Members determine their requirements for transaction management.

5.3.2   Override ESA Status

RITS Members can set an override ESA Status at any time.

Members should note that debit items FSIs are given an ESA Status of Deferred by RITS, as the Originator is not the Payer. If the Payer Member wishes to have these transactions queued with an ESA Status of Active or Priority, it must set an override ESA Status on the relevant cash accounts (i.e., those belonging to its debit items branches).

Credit items FSIs take the ESA Status set by the Originator in the FSI (if present). An override ESA Status on the relevant cash accounts (i.e., those belonging to credit items branches) will override the value set in the FSI. If an ESA Status is not present in the FSI, and an override value is not set in the Payer's relevant cash account, the system default of Active is applied.

Members should note that ESA Status overrides can optionally be set differently for amounts above and below a Member-determined threshold. This would allow, for example, an ESA Status override of Priority for transactions below a threshold, and a status override of Null above the threshold. This would allow very large net debit FSIs to retain the Deferred ESA Status until manual verification of the amount and change of status.

Please refer to the *ESA Management User Guide* for more information on setting an override ESA Status.

5.3.3   Override LVSS Settlement Method

The override LVSS Settlement Method can be set on a cash account by a RITS Member at any time.

The Originator of an FSI is optionally able to indicate an LVSS Settlement Method in the FSI, both for transactions where they are the Payer and for those where they are the Payee. This will be overridden by the override LVSS Settlement Method on the Payer's relevant cash account, if set.

If an LVSS Settlement Method value is not present in the FSI, and an override value is not set on the Payer's relevant cash account, the system default of 'I' for Individual is applied.

FSIs with a Settlement Method of 'I' are immediately tested for settlement on the settlement date. Accordingly, transactions in the BECG payment service (BECS government transactions) should use the Settlement Method of 'I'. Transactions in all other payment services are currently expected to use a Settlement Method of 'M' for Multilateral. It is recommended that Members set an override LVSS Settlement Method of 'M' on all relevant LVSS branches (other than those used for BECG FSIs). A Paying Member should note that an LVSS transaction that has an LVSS Settlement Method of 'I' set by the Originator, and an Active or Priority ESA Status when placed on the Queue, may settle immediately.

Please refer to the *ESA Management User Guide* for more information on the functionality for setting overrides.

5.3.4 Credit Status

Members are not expected to need to use the Credit Status in their management of LVSS transactions. As such, a Credit Status of Deferred should not be used in FSIs. Members should also ensure that they do not use an override Credit Status setting of Deferred on any of their LVSS-related cash accounts.

5.3.5 Cash Account Limit Processing

Cash limit processing for LVSS transactions must be turned off.

5.3.6 Cash Account Status

Members should ensure that a Cash Account Status of Deferred is not used in FSIs. Even if cash account limit processing is turned off, a transaction with a Cash Account Status of Deferred will not be eligible to settle. Members should also ensure that they do not use an override Cash Account Status setting of Deferred on any of their LVSS branches' Cash Account.

5.3.7 Selecting LVSS Advices and Responses

Members can select optional LVSS advices and responses in RITS. Members should note that their selection is applicable to all payment services; i.e., they cannot select advice and response messages per payment service. The selection covers those FSIs where the Member is the Originator and those where the Member is the Counterparty.

The function to select LVSS advices and responses is accessed via a button labelled 'LVSS Messages' in the **Unsolicited Advices** function. The following advices and responses can be selected:

Message Type	Description
FSRS	File Settlement Response Settled
FSRU2	File Settlement Response Recalled
FSRU3	File Settlement Response Unsettled at EOD
FRRS	File Recall Response Recalled
FRRU2	File Recall Response Failed
FSA1	File Settlement Advice 1 – Accepted
FSA2	File Settlement Advice 2 – Changed SM

FSRU1 and FRRU1 messages are not selectable as they are mandatory, and will always be sent.

For further information about unsolicited advices and LVSS message selection, please refer to the *Member Administration User Guide*.

5.3.8   AIF messages and LVSS Transactions

RITS Members who are AIF users can select Pre- and Post-settlement Advices for their LVSS transactions. A user must select **Unsolicited Advices** from the **Member Admin** tab on the menu to make the necessary selections.

Pre- and Post-settlement Advices are selected at the branch level. Other advices relevant to LVSS (see table below) can only be selected at the global level.

This table shows the AIF messages that, if selected, will be produced for LVSS-related transactions.

Message Type	Sub Message Type	Description	Selection Level
198	028	Pre-Settlement Advice (Credit Level)	Branch
198	029	Pre-Settlement Advice (ESA Level)	Branch
198	036	Post-Settlement Advice Debit Interbank	Branch
198	037	Post-Settlement Advice Credit Interbank	Branch
198	003	Recall Advice (RITS Trans)	Global
198	006	Change ESA Status Advice (RITS Trans)	Global
198	009	Change Credit Status Advice (RITS Trans)	Global
198	038	Unsettled Transaction – End of Day Advice	Global

Members should note that the Transaction Type field (tag 908) in AIF Pre- and Post-Settlement Advices will contain the 4-letter code of the payment service (e.g., APCE, BECN, BECG) in place of a feeder system identifier.

Members that receive an ESA Statement (MT942 or MT950) will see each individual LVSS transaction as a separate statement line. Members should note that the Transaction Type element of the statement line (tag 61) in ESA Statements will contain the 4-letter code of the payment service (e.g., APCE, BECN, BECG) in place of a feeder system identifier.

For further information about unsolicited advices, please refer to the *Member Administration User Guide* and the *RITS/SWIFT Interface User Guide*.

5.4   LVSS Agency Arrangements

As mentioned earlier in this Document, FSIs may be sent by the Member, or by an agent of the Member. This section applies to those RITS Members that use an agent for the delivery and receipt of files relating to the processing of LVSS instructions.

5.4.1   What a Member Needs to Do

A Member that wishes to use an agent for LVSS needs to:

- Advise the Reserve Bank of any agent(s) that will act on its behalf for the LVSS.

- Execute the '*Low Value Services – Appointment of Agent*' form for each agent that it wishes to appoint.

5.4.2   Appointing an Agent

Where a RITS Member makes an arrangement with an agent to undertake LVSS file transfer for one or more clearing systems, the RITS Member must authorise the agent to deal with the Reserve Bank on its behalf. This authorisation is provided by the RITS Member's completion of the *Low Value Services – Appointment of Agent* form. (Refer to the *RITS Regulations* which contain terms that apply to the Member appointing an agent; the form is available under 'Standard Forms' on the RITS Information Facility.)

The agent may be authorised to undertake LVSS file transfer activity for one or more clearing systems. A separate form must be completed for each agency relationship the RITS Member wishes to authorise. Appointment of an agent for the Low Value Clearing Service (LVCS) can be done on the same form.

RITS Members are advised to contact the Reserve Bank via the RITS Help Desk to discuss their organisation's requirements.

Members should note that RITS checks that FSIs for each payment service are delivered by authorised agents in accordance with the Member's instructions. FSIs submitted by a Sender other than the Originator or the Originator's authorised agent are rejected.

5.5   LVSS Advice and Response Routing

This section sets out the arrangements for the routing of LVSS advice and response files sent to Members by RITS.

5.5.1   What a Member Needs to Do

Each Member needs to:

- Note the file naming conventions used by RITS for LVSS advice and response files, particularly for reject responses where an agent is used.

- Advise the RITS Help Desk of its routing requirements for the mandatory LVSS reject response files.

- Advise the RITS Help Desk of its routing requirements for the optional LVSS advice and response files, as necessary.

The rest of this section provides further information to help Members determine their requirements.

5.5.2   File Routing Principles and Guidelines

LVSS advices and responses can be delivered to Members via SWIFT FileAct or the COIN. If a Member already receives files from the Low Value Clearing Service (LVCS) via the COIN, the Reserve Bank will use the same destination/mailbox used for the LVCS to deliver LVSS advices and responses. Alternatively, Members may nominate a different destination/mailbox by contacting the RITS Help Desk.

For SWIFT participants, LVSS advices and responses use the SWIFT FileAct Request Type of 'pacs.xxx.lvs' (low value settlement), regardless of the request type that was used to deliver the related FSI.

The agreed routing arrangements cover the transfer of LVSS files from RITS to the nominated recipient. They do not cover any subsequent process flows (which may be internal or involve

passing the file on to an eventual recipient). The file naming standard (see Section 5.5.3) is designed to assist the recipient with further internal processing or any on-forwarding that may be required.

Members who elect to receive settlement response messages should note that a large number of files (in some cases, hundreds) are sent by RITS when the 9am Settlement process is completed. When determining their internal processing arrangements, Members should take these multiple incoming file transfers into account.

LVSS advices and responses can be routed according to each Member's requirements. It is expected that one of the following approaches will be adopted by each Member. The actual approach adopted depends on whether the Member directly participates in low value clearings and settlement or whether they use an agent across one or more payment services:

- A Member that delivers its own FSIs/FRIs directly to RITS can request that all LVSS advices and responses be routed to it.

- A Member that uses a single agent for all of its LVSS messaging can request that all LVSS advices and responses be routed to that agent.

- A Member that uses one agent for one clearing system and a different agent for another clearing system can request specific routing rules to be set up for each payment service to differentially route to their nominated agent.

- A Member that sends some FSIs on its own behalf and uses an agent for others can request specific routing rules be set up for each payment service to differentially route to their nominated agent.

Members whose circumstances are not addressed above should contact the Reserve Bank to discuss their requirements.

RITS Members (and their agents) should note that FSI/FRI reject responses are mandatory. Reject responses are addressed to the 'Sender' of the rejected FSI or FRI (by the Recipient ID in the file name) and routing rules are set up to deliver the response to that party. Members that use an agent to deliver their FSIs/FRIs should note that the reject response file name contains the Recipient ID code of the agent. Routing rules need to be based on that code (and not the Member as Originator).

Members should also note that there are no LVSS advices and responses sent for the payment service CINT (the payment service used by RITS for the clearing interest transactions).

The RBA's file routing arrangements have the capability to withhold messages, which may be used if a message type is needed for one payment service but not others.

5.5.3   File Naming for LVSS Advices and Responses

Advices and non-Reject Responses

The standard syntax for file names associated with LVSS advices and non-reject responses is:

MessageType.MessageID.RecipientID.PaymentService.XML

The Recipient ID will always be the Originator ID or Counterparty ID from the related FSI or FRI (i.e., the 4-character RITS mnemonic). The payment service element will always be populated.

FSI Reject responses – FSRU1

The file name syntax for FSI reject responses (FSRU1) is:

MessageType.MessageID.RecipientID.PaymentService.*OriginatorID*.XML

The Recipient ID is the Sender of the FSI. The Sender ID used will be the Sender's RITS mnemonic, or a 4-character code assigned by the Reserve Bank if the Sender is not a RITS Member. (Agents that are not RITS Members should contact the RITS Help Desk to be advised of their codes.)

The Payment Service value in the FSRU1 file name is the value recorded in the related FSI. If this field is invalid in the FSI, the invalid value will be contained in the FRRU1 file name. If the Payment Service field was absent from the FSI, the Payment Service component of the FRRU1 file name will be populated with 'XXXX'.

The Originator ID is only included in the FSRU1 file name if the Sender of the FSI is different from the Originator ID included in the FSI. This will usually only occur when the Originator uses an agent to deliver their files to RITS. However, it will also occur when a Member delivering its own files includes an incorrect Originator ID in its FSI. This 'incorrect' Originator ID will be included in the reject response file name. Also, if an agent delivers an FSI without an Originator ID, the Originator ID component of the file name will be absent.

FRI Reject Responses – FRRU1

The file name syntax for FRI reject responses (FRRU1) is:

MessageType.MessageID.RecipientID.*OriginatorID*.XML

As with FSI reject responses, the Recipient ID is the Sender of the FRI. For an invalid FRI, it is possible that the Originator ID field in the FRI is actually incorrect or is absent. This is the reason that the Recipient ID component of the FRI reject response file name is the Sender rather than the Originator.

The Payment Service is not included in the file name for FRI rejects, as it is not included in the related FRI.

The Originator ID is only included in the FRRU1 file name if the Sender of the FSI is different from the Originator ID included in the FRI. This is the case even if the Originator ID in the FRI is incorrect. This is to assist agents in their processing FRI reject response files. If the Sender is also the Originator, this component of the file name is absent.

5.5.4 Test File Names

RITS will use the same file names for LVSS advices and responses in the Production and Pre-Production environments. Members that wish to send and/or receive different file names for test purposes should contact the Reserve Bank via the RITS Help Desk to discuss their requirements.

5.5.5 File Name Structure Examples

The following table shows examples of the file name structure to assist Members (and agents) to determine their LVSS message routing requirements. Specific examples of routing rules and file names are shown in the next section.

Members should note the second element of the file name is the Message ID assigned by RITS. This field is 8 characters in length, consisting of the letter 'L' followed by seven numbers (e.g., L1000123), which increments for each file sent by RITS. This numerical sequence is applied

across RITS, not by Member, so Members will not receive sequential numbers. Members should ensure their file transfer applications and mainframe systems (where applicable) can cater for a variable value in this field. PSRV is used (for illustrative purposes) as an abbreviation for payment service.

File Type	File Name	Comment
FSA1 (File Settlement Advice Accepted)	FSA1.Lxxxxxxx.ORIG.PSRV.XML FSA1.Lxxxxxxx.CNTY.PSRV.XML	Advice for Originator Advice for Counterparty
FSA2 (File Settlement Advice Changed SM)	FSA2.Lxxxxxxx.ORIG.PSRV.XML FSA2.Lxxxxxxx.CNTY.PSRV.XML	Advice for Originator Advice for Counterparty
FSRS (File Settlement Response Settled)	FSRS.Lxxxxxxx.ORIG.PSRV.XML FSRS.Lxxxxxxx.CNTY.PSRV.XML	Response for Originator Response for Counterparty
FSRU2 (File Settlement Response Recalled)	FSRU2.Lxxxxxxx.ORIG.PSRV.XML FSRU2.Lxxxxxxx.CNTY.PSRV.XML	Response for Originator Response for Counterparty
FSRU3 (File Settlement Response UnsettledEOD)	FSRU3.Lxxxxxxx.ORIG.PSRV.XML FSRU3.Lxxxxxxx.CNTY.PSRV.XML	Response for Originator Response for Counterparty
FRRS (File Recall Response Recalled)	FRRS.Lxxxxxxx.ORIG.PSRV.XML	Response for Originator
FRRU2 (File Recall Response Failed)	FRRU2.Lxxxxxxx.ORIG.PSRV.XML	Response for Originator
FSRU1 (File Settlement Response Rejected)	FSRU1.Lxxxxxxx.SNDR.PSRV.XML	Payment Service from FSI and Sender is Originator (or Originator ID is absent).
	FSRU1.Lxxxxxxx.SNDR.PSRV.ORIG.XML	Payment Service from FSI and Sender is not Originator.
	FSRU1.Lxxxxxxx.SNDR.XXXX.XML	Payment Service not in FSI and Sender is Originator (or Originator ID is absent).
	FSRU1.Lxxxxxxx.SNDR.XXXX.ORIG.XML	Payment Service not in FSI and Sender is not Originator.
FRRU1 (File Reject Response Rejected)	FRRU1.Lxxxxxxx.SNDR.XML	Sender is Originator.
	FRRU1.Lxxxxxxx.SNDR.ORIG.XML	Sender is not Originator.

5.5.6   Examples of File Routing Rules and File Names

The following table sets out some examples of different types of Member participation and how the LVSS advices and responses are likely to be routed in each of these circumstances.

Example 1:

Member Arrangement	RITS Routing rules	Sample file names (RITS routing rule is based on **bold** component)
North Bank is a Participant in BECS and APCS and sends its own FSIs. North Bank is not an agent for other participants. North Bank wants all of its LVSS advices and responses (as both Originator and Counterparty) to be sent to North Bank.	If Recipient ID=NRTH, route to North Bank.	Routed to North Bank: FSA1.L1234561.**NRTH**.BECN.XML FSRS.L12345682.**NRTH**.APCE.XML FSRU1.L1234563.**NRTH**.BECN.XML

Example 2:

Member Arrangement	RITS Routing rules	Sample file names (RITS routing rule is based on **bold** component)
Green Bank and Blue Bank both use an agent called File Courier Services for BECS. Green Bank wants all of its optional LVSS advices and responses to be sent to <u>File Courier Services.</u>	If Recipient ID=GREN, route to File Courier Services. Note, this excludes reject responses, as they have the Recipient ID of File Courier Services.	Routed to File Courier Services: FSA1.L1234570.**GREN**.BECN.XML FSRS.L1234571.**GREN**.BECG.XML
Blue Bank wants all of its optional LVSS advices and responses to be sent to <u>File Courier Services</u>.	If Recipient ID=BLUE, route to File Courier Services. Note, this excludes reject responses, as they have the Recipient ID of File Courier Services.	Routed to File Courier Services: FSA1.L1234572.**BLUE**.BECN.XML FSRS.L1234573.**BLUE**.BECG.XML
Reject responses for files sent in by File Courier Services on behalf of Green Bank and Blue Bank will be sent to <u>File Courier Services.</u>	If Recipient ID=COUR, route to File Courier Services. This will only be reject responses, as they have the Recipient ID of File Courier Services, other files will have the Recipient ID of the Originator or Counterparty.	Routed to File Courier Services: FSRU1.L1234574.**COUR**.BECN.GREN.XML (the reject message for an invalid FSI sent by File Courier Services on behalf of Green Bank) FSRU1.L1234575.**COUR**.BECN.BLUE.XML (the reject message for an invalid FSI sent by File Courier Services on behalf of Blue Bank) *File Courier Services may use the GREN and BLUE file name elements for internal routing or processing.*

Example 3:

Member Arrangement	RITS Routing rules	Sample file names (RITS routing rule is based on **bold** component)
East Bank is a Participant in BECS and APCS and sends its own FSIs. **East Bank is also agent for Pink Bank in BECS.** East Bank wants all of its LVSS advices and responses to be sent to <u>East Bank.</u>	If Recipient ID=EAST, route to East Bank. Note, this includes reject responses for FSIs and FRIs sent on behalf of Pink Bank, as they have the Recipient ID of East Bank.	Routed to East Bank: FSA1.L1234564.**EAST**.BECN.XML FSRS.L1234565.**EAST**.APCE.XML FSRU1.L1234566.**EAST**.BECN.XML FSRU1.L1234567.**EAST**.BECN.PINK.XML (the reject message for an invalid FSI sent by East Bank on behalf of Pink Bank)

Member Arrangement	RITS Routing rules	Sample file names (RITS routing rule is based on **bold** component)
Pink Bank wants its optional BECS LVSS advices and responses to be sent to <u>East Bank.</u>	If Recipient ID=PINK, route to East Bank. Note, this excludes reject responses, as they have the Recipient ID of East Bank.	Routed to East Bank: FSA1.L1234568.**PINK**.BECN.XML FSRS.L1234569.**PINK**.BECG.XML

Example 4:

Member Arrangement	RITS Routing rules	Sample file names (RITS routing rule is based on **bold** component)
Red Bank only participates as an APCS Tier 1B Member. It does not originate any FSIs.	There are no LVSS messages with Red Bank as Recipient ID. Note that reject responses would be addressed to the sender of the FSI/FRI, not to Red Bank. Red Bank does not need to specify any routing requirements.	

Example 5:

Member Arrangement	RITS Routing rules	Sample file names (RITS routing rule is based on **bold** component)
Yellow Bank uses South Bank as agent for BECS and uses File Courier Services as agent for IAC. Yellow Bank wants its BECS optional advices and responses to be sent to <u>South Bank.</u> Yellow Bank wants its IAC optional advices and responses to be sent to <u>File Courier Services.</u>	If Recipient ID=YELO and Payment Service=BECS, route to South Bank If Recipient ID=YELO and Payment Service=CECS, route to File Courier Services Note, this excludes reject responses, as they have the recipient ID of either South Bank or File Courier Services	Routed to South Bank: FSA1.L1234576.**YELO**.**BECN**.XML FSRS.L1234577.**YELO**.**BECG**.XML Routed to File Courier Services: FSA1.L1234578.**YELO**.**CECS**.XML FSRS.L1234579.**YELO**.**CECS**.XML
Reject responses for files sent in by South Bank will be sent to <u>South Bank</u>	If Recipient ID=STHB, route to South Bank.	Routed to South Bank: FSRU1.L1234580.**STHB**.BECN.YELO.XML (the reject message for an invalid FSI sent by South Bank on behalf of Yellow Bank)
Reject responses for files sent in by File Courier Services will be sent to <u>File Courier Services.</u>	If Recipient ID=COUR, route to File Courier Services.	Routed to File Courier Services: FSRU1.L1234581.**COUR**.CECS.YELO.XML (the reject message for an invalid FSI sent by File Courier Services on behalf of Yellow Bank)

5.5.7 File naming for LVSS advices and responses for manually-entered FSI and FRI

There are some differences between the file names for rejects of FSIs and FRIs manually entered into RITS compared to those received for instructions received via a file sent by a Member's agent. Members that use an agent for the LVSS should ensure that their LVSS advice and response routing arrangements will cater for different file name formats.

The file name of rejects of message-based FSIs and FRIs submitted by an agent (i.e., where the sender of the file to the RBA is not the same as the Originator within the FSI or FRI) contains the agent's ID. The principal (Originator) ID is also given in the reject file name where it is known to RITS.

For rejects of manually-entered FSIs and FRIs, an agent manually entering on another Member's behalf must be set up as a user of that Member. RITS does not know that an agent is entering the FSI or FRI; it sees only that Member part of the User ID is the same as the Originator ID. If a manually-entered FSI or FRI is rejected, the file name contains only the Member's (Orignator's) ID, and not the agent's.

This means that Members using an agent will need to carefully check their LVSS message delivery arrangements.

Naming and Routing of Non-Reject Responses

For non-reject responses and optional advices, that is, the FSA1, FSA2, FSRS, FSRU2, FSRU3, FRRS, and FRRU2, the file name does not contain the agent ID even where a message-based FSI or FRI is sent to the RBA by an agent. The Member ID and payment service are used to route a Member's messages to their agent (as requested).

> Example file name: where agent AGNT sends or manually inputs a successful FSI on behalf of Member MEMB for the payment service BECS (the same file name format applies to all non-reject messages listed in the paragraph above; only the FRSR is shown here, the other file names are identical except for the first element):
>
> FSRS.L1234567.MEMB.BECS.XML

The same file name format applies to these message types for message-based and manually-entered FSIs and FRIs. No special arrangements will be required for Members using agents.

Naming and Routing of FSI Reject Responses

For FSI reject responses (FSRU1) to message based FSIs, the file name contains the agent's ID if the FSI is sent to the RBA by an agent. Generally, the agent ID in the file name is used to route the message to the sender (i.e., the agent).

> Example file name where agent AGNT sends an invalid FSI on behalf of Member MEMB for the payment service BECS:
>
> FSRU1.L1234567.AGNT.BECS.MEMB.XML

For FSI reject responses (FSRU1) to manually-entered FSIs, the file name will not contain an agent ID even if the FSI is manually entered by the agent. This is because the agent is set up as a user of the principal, and RITS considers that the principal has entered the FSI, not the agent. However, as the file name includes the payment service, a combination of the Member ID and payment service can be used to route the message to the Member's agent (as requested).

Example file name where agent AGNT manually inputs an invalid FSI on behalf of Member MEMB for the payment service BECS:

FSRU1.L1234567.MEMB.BECS.XML

Where a Member has instructed the RBA to deliver their messages for a specified payment service to a particular agent, the RBA will deliver messages in the name format above to the agent. No further action by the Member is required for this routing to take place.

If the agent wishes the file name to arrive with the same file name format as for message-based FSI rejects, the Member can instruct the RBA to rename the FSRU1 to include the agent's ID.

RITS creates with file name: FSRU1.L1234567.MEMB.BECS.XML

RITS delivers with file name: FSRU1.L1234567.AGNT.BECS.MEMB.XML

Naming and Routing of FRI Reject Responses

For FRI reject responses (FRRU1) to message-based FRIs, the file name contains the agent's ID if the FRI is sent to the RBA by an agent. Generally, the agent ID is used to route the message to the sender (i.e., agent).

Example file name where agent AGNT sends an invalid FRI on behalf of Member MEMB for the payment service BECS (note that the FRRU1 does not contain the payment service code, as it is not part of the FRI):

FRRU1.L1234567.AGNT.MEMB.XML

For FRI reject responses (FRRU1) to manually-entered FRIs, the file name will not contain an agent ID even if the FRI is manually entered by a staff member of an agent. This is because the agent is set up as a user of the principal, and RITS considers that the principal has entered the FRI, not the agent. Note that the file name will not include the payment service.

Example file name where agent AGNT manually inputs an invalid FRI on behalf of Member MEMB for the payment service BECS:

FRRU1.L1234567.MEMB.XML

The Member will need to advise the RBA of a single destination for all FRI reject messages that do not contain an agent ID (which will apply to all rejects of manually-entered FRIs and to rejects of any message-based FRIs entered by the Member). This destination may be the Member, or their agent.

Note that a Member that uses more than one agent (or themselves and an agent) for different payment services and that selects to send all FRRU1s to one of those agents should make clear that the agent may well receive FRRU1s that relate to manual FRIs entered by the other agent or that relate to manual or message-based FRIs entered by the Member.

Action Required by Members that use an agent for LVSS

FSRU1 –   File Settlement Instruction Rejects for manually entered FSIs

Members that have advised the RBA to route their messages for one or more payment services to a particular agent will have these messages for that payment service(s) routed to their nominated agent. No further action is required.

If the agent wishes the FSRU1 to be renamed to the same file name format as for rejects of message-based FSIs, the Member will need to provide an instruction to do this to the RBA. This can be done in the *LVSS Message Delivery Form*, by requesting in Section 6 'For FSRU1 for payment service [insert required payment service(s)], rename the FSRU1 for manually entered FSIs to be the same as for rejects of FSIs entered by [name of agent].'

FRRU1 – File Recall Instruction Rejects for manually entered FRIs

Advise the RBA of a single destination for all rejects of manually-entered recalls and of recalls entered by the Member (not their agent). This may be the Member, one of the Member's agents, or it may be a request to withhold the message. This can be done in the *LVSS Message Delivery Form*, by requesting 'For FRRU1 messages where no agent is identified in the file name, [route to desired destination] or [withhold].'