

December 2010

Payments Settlements Department

# RITS Low Value Settlement Service

## Member Workshop



# Contents

- Overview
- LVSS messages
- LVSS message flows
- New 9am Arrangements
- Operational Arrangements
- Member system development and migration



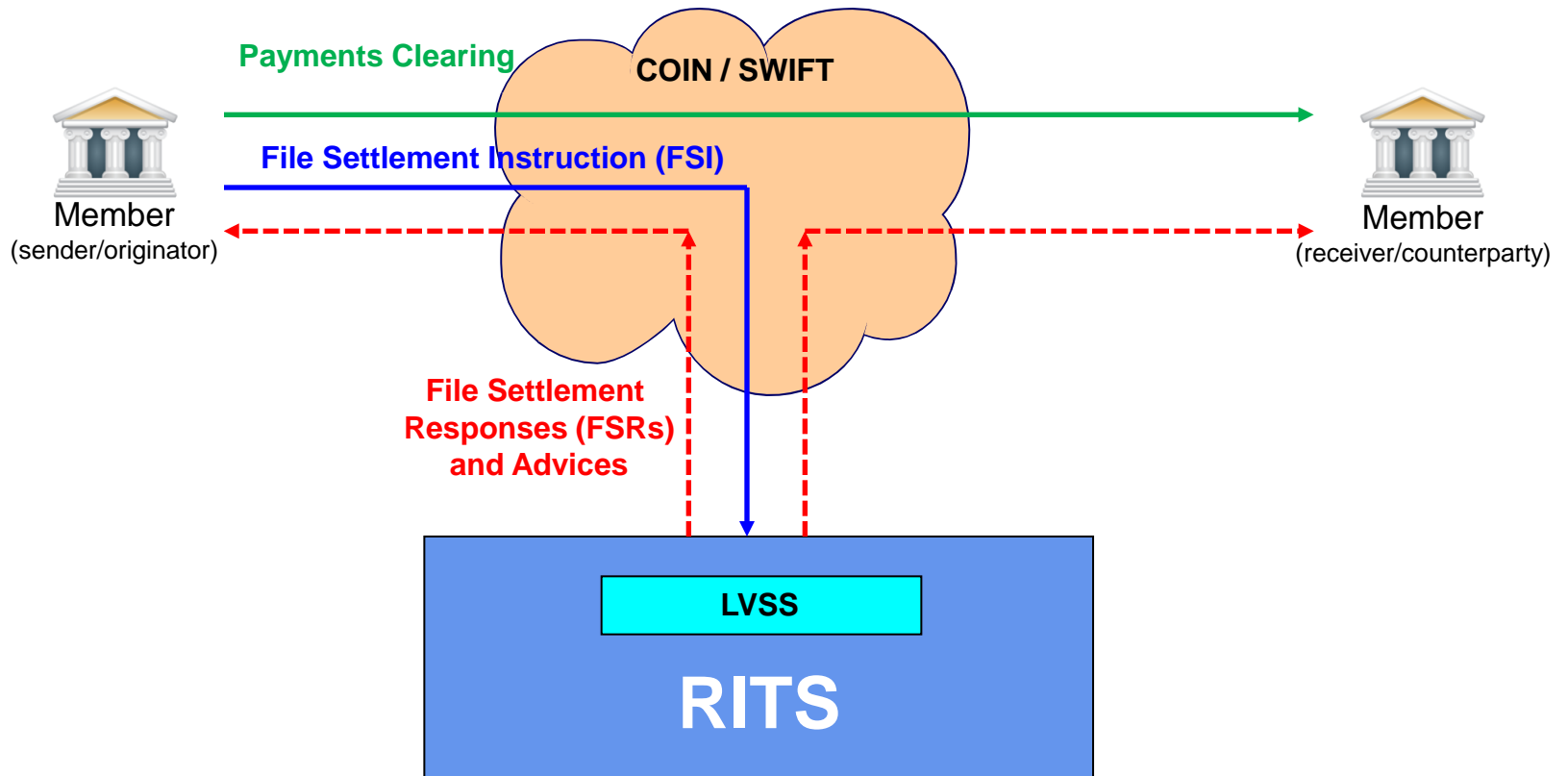
# Background

- *Same-day Settlement of Low-value Payments in RITS - Industry Consultation Paper, May 2008*
- *Industry Consultation Paper 2: Network Arrangements, Message Flows and Settlement of Low Value Payments in RITS, January 2009*
- *Industry Consultation Paper 3: Some Initial Design Aspects proposed for the Low Value Feeder, March 2009*
- *Clearing Interconnector Service, Information Paper, June 2009*
- *Overview of Governance Arrangements, December 2009*
- *Payments Network Connectivity: Partner Migration, Information Paper, December 2009*
- *Low Value Network Migration Project: Timetable and Scope, Information Paper, February 2010*
- *Low Value Clearing Service (Clearing Interconnector) Member Documentation, May 2010*
- *Low Value Clearing Service (Clearing Interconnector) User Guide, July 2010*
- *Low Value Settlement Service: Member Documentation, November 2010*
- *Low Value Settlement Service: Member Technical Specifications, November 2010*



# Overview of LVSS

## Payment clearing and LVSS message flows





# Existing Collator Process



Member



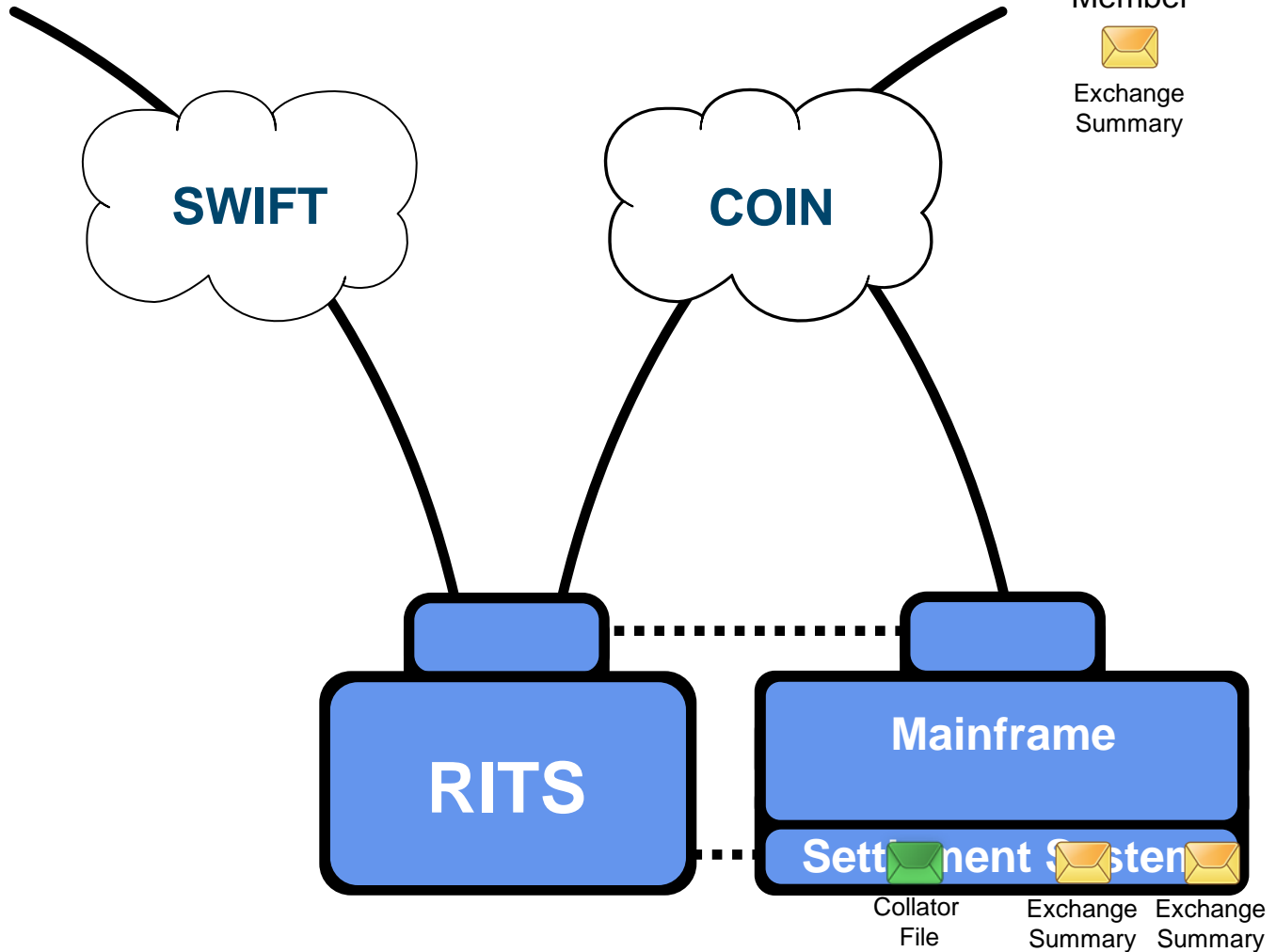
Exchange  
Summary



Member

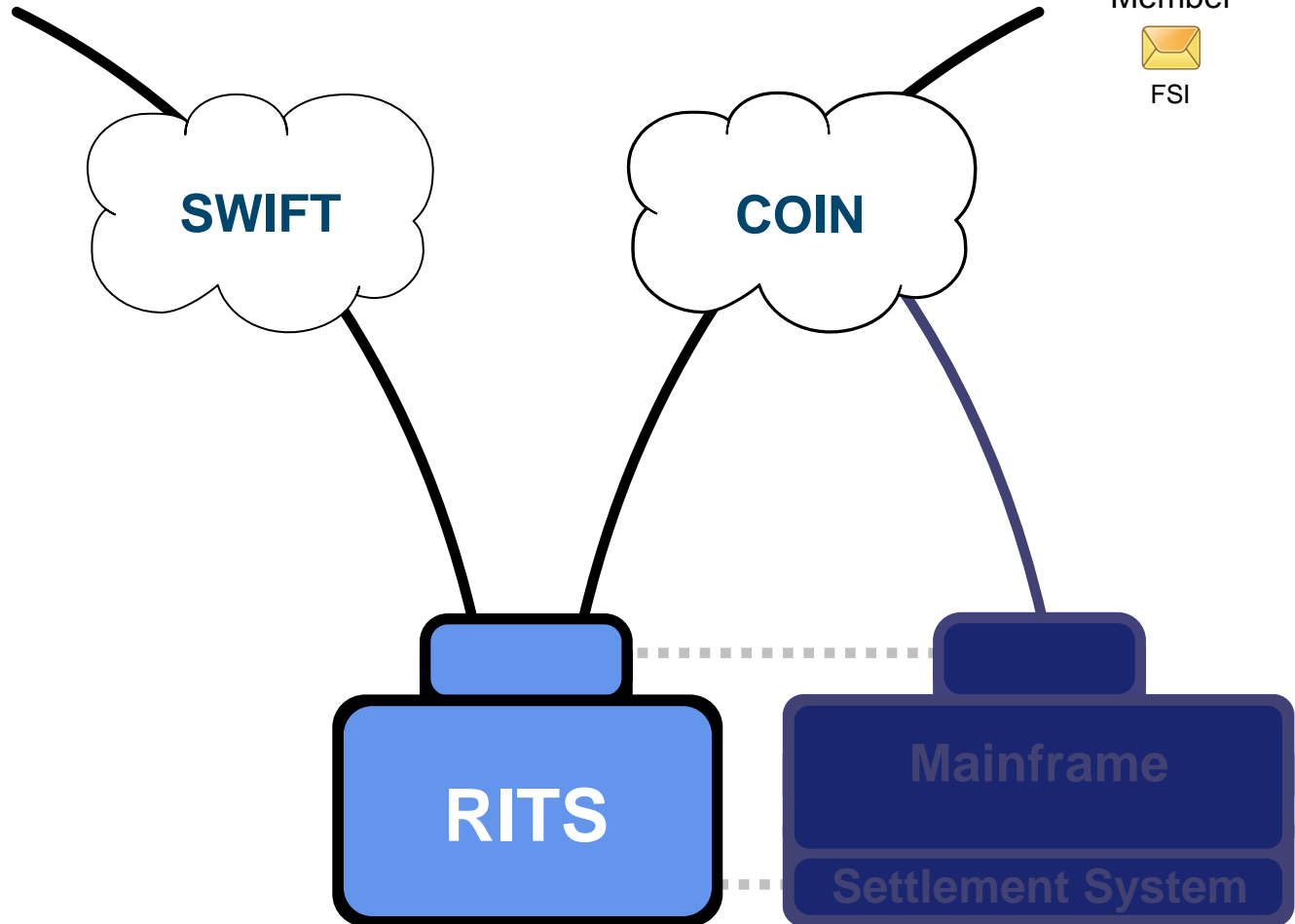


Exchange  
Summary





# LVSS Process



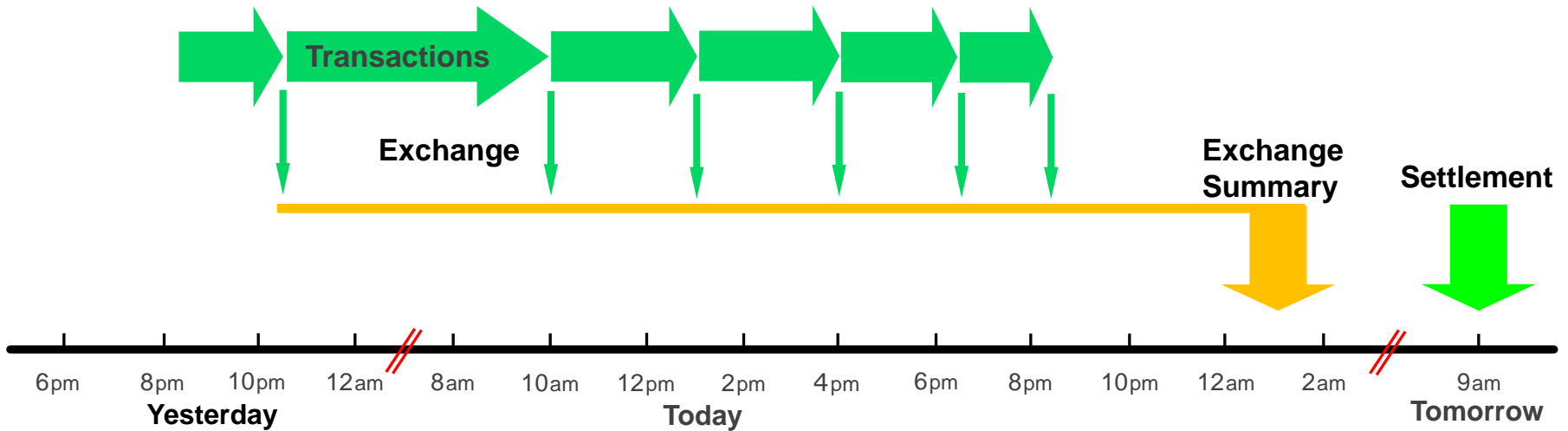


# Current Payment Cycle

Cumulative % of day's value in exchange:

9%    18%    36%    67%    100%

**BECS**

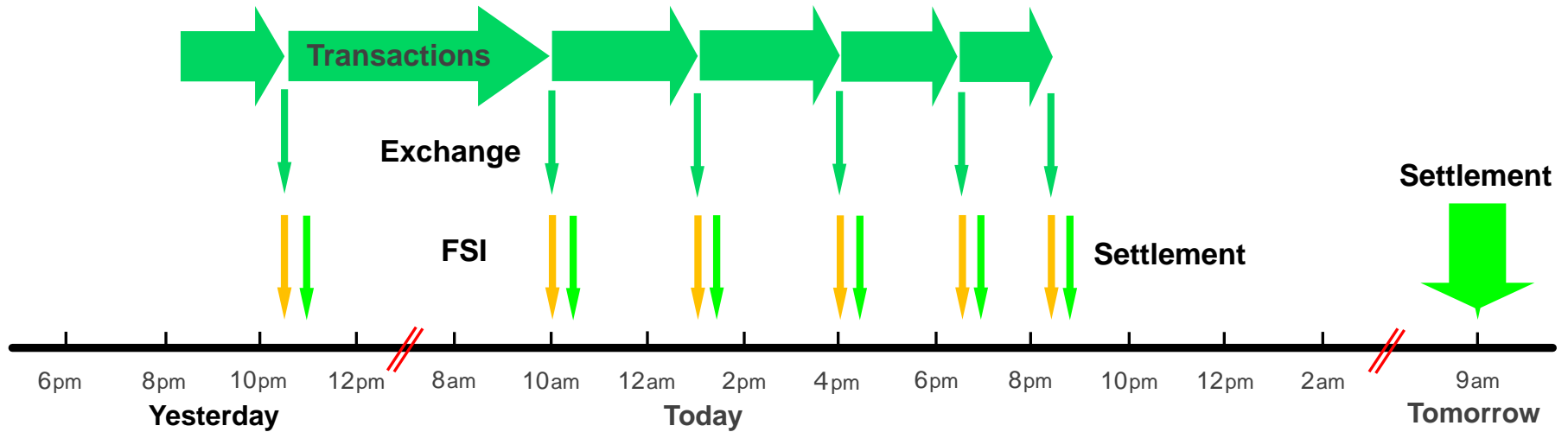


**HVCS**



# New Payment Cycle

BECS



HVCS





# Contents

- Overview
- **LVSS messages**
- LVSS message flows
- New 9am Arrangements
- Operational Arrangements
- Member system development and migration



# LVSS messages

- New LVSS messages
  - Instructions, advices, responses
- COIN or SWIFT FileAct
- Files containing XML formatted data
- Adhere to ISO20022 standards
- XML schema is downloadable from RITS Information Facility



# LVSS messages

<b>Name</b>	<b>Description</b>
FSI – File Settlement Instruction	Used to send settlement details to RITS to create a transaction to be settled across the ESAs of the Originator and the Counterparty.
FSA Accepted	Advises that an FSI was received and successfully validated.
FSA Changed SM	Advises that the Payer in an LVSS transaction has changed the LVSS Settlement Method of a Queued transaction.
FSR Settled	Advises that an FSI was settled.
FSR Rejected	Advises that an FSI was received, but failed validation and was rejected. A reject code and description are given.
FSR Recalled	Advises that an FSI was recalled.
FSR UnsettledEOD	Advises that an FSI was removed from the RITS Queue as unsettled at end of day.



# LVSS messages

<b>Name</b>	<b>Description</b>
FRI – File Recall Instruction	Used to recall an FSI from RITS.
FRR Recalled	Advises that an FRI was successful in recalling the targeted transaction.
FRR Rejected	Advises that an FRI was received, but failed validation and was rejected. A reject code and description are given.
FRR Failed	Advises that an FRI was not successful in recalling the targeted transaction. A reason for the failure is given.



# LVSS message description of purpose

## 4. File Settlement Instruction (FSI)

### 4.1 FSI Message Purpose

- The FSI is used to send settlement details to RITS to create a transaction to be settled across the ESAs of the Originator and the Counterparty. The Originator can be Payer or Payee. An FSI may reflect credit items or debit items, or both.
- The content of the FSI will include clearing details, settlement details and participant settlement information.



# FSI message example

```
<?xml version="1.0" encoding="UTF-8" ?>
- <FSI xmlns="urn:au:gov:rba:rits:lvss:xsd:LVSS">
- <Hdr>
  <TxId>NTHB27938764</TxId>
  <Vrsn>1.0</Vrsn>
</Hdr>
- <ClrInf>
  <PmtSvc>BECN</PmtSvc>
  <PmtDt>2010-08-16</PmtDt>
  <ClrDesc>1000</ClrDesc>
  <ClrFileRef>DEDATA.FILENAME</ClrFileRef>
  <ClrDtIs>content to be specified</ClrDtIs>
  <InstgAgt>NTHB</InstgAgt>
  <InstdAgt>STHB</InstdAgt>
  <TtlCdtAmt>10632056.23</TtlCdtAmt>
  <NbOfCdtItms>1062</NbOfCdtItms>
  <TtlDbtAmt>1321457.85</TtlDbtAmt>
  <NbOfDbtItms>133</NbOfDbtItms>
</ClrInf>
- <SttlmInf>
  <IntrBkSttlmDt>2010-08-17</IntrBkSttlmDt>
  <IntrBkSttlmAmt>9310598.38</IntrBkSttlmAmt>
  <Dbtr>NTHB</Dbtr>
  <Cdtr>STHB</Cdtr>
  <SttlmMtd>M</SttlmMtd>
  <SttlmDtIs>content to be specified</SttlmDtIs>
</SttlmInf>
- <DbtrSttlmInf>
  <ESASts>P</ESASts>
  <CdtSts>P</CdtSts>
  <CshAcctSts>P</CshAcctSts>
</DbtrSttlmInf>
</FSI>
```





# FSI message specifications

Content of File Settlement Instruction					
Business Element	XML Element	XML Data Type	Description and Business Parameters	M/O	Mul
Transaction Reference Number (TRN)	Hdr/TxId	Max16AlphaNumericText	Identifier for the message assigned by the Originator.  Up to 16 alphanumeric characters, case sensitive.  Must start with the 4 character RITS mnemonic of the Originator.  Must be unique for Originator within 16 calendar days.	M	1
XML Schema Version	Hdr/Vrsn	VersionNumber	LVSS Schema version.  Three numeric characters in the format x.y (e.g. 1.0), taken from the XML Schema.	M	1
Payment Service	ClrInf/PmtSvc	Max4Text	The APCA clearing system, or other payment service, under which the underlying payments were cleared. Acceptable values will be advised to members (e.g. APCS, BECS).  4 alphanumeric characters, not case sensitive. Lower case letters will be converted to upper case in RITS screens and reports and for LVSS advices and responses.	M	1
Payment Date	ClrInf/PmtDt	ISODate	Date on which clearing items are to be processed to customers accounts by the receiving institution.  This field is used in conjunction with the Settlement Date to determine clearing system interest for eligible transactions.  Date format: YYYY-MM-DD.  Must be a business date (Mon-Fri) when clearing can take place. Does not have to be a date when RITS is open for settlement.	M	1





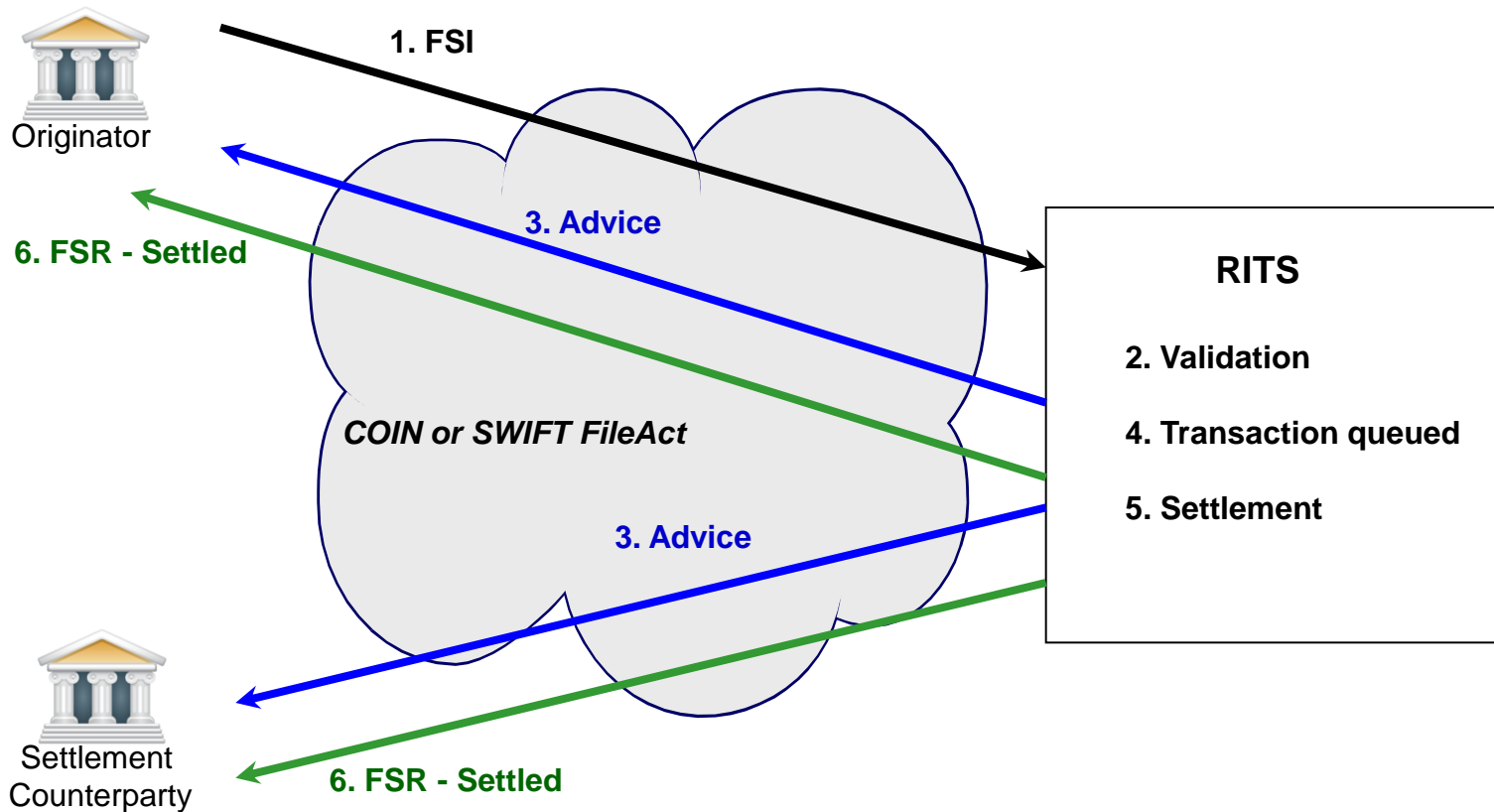
# Contents

- Overview
- LVSS messages
- **LVSS message flows**
- New 9am Arrangements
- Operational Arrangements
- Member system development and migration



# LVSS Message Flows

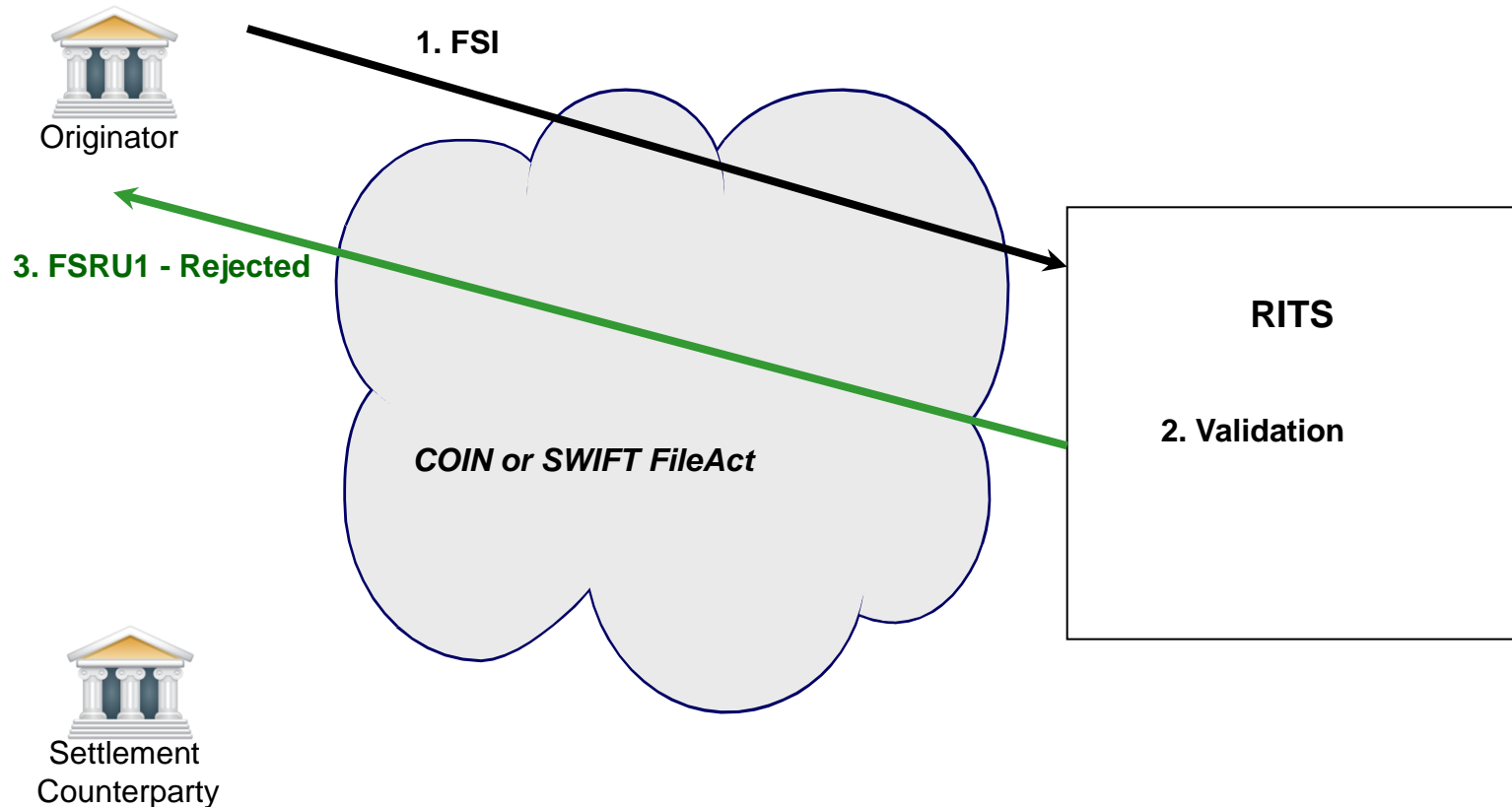
## Settled FSI





# LVSS Message Flows

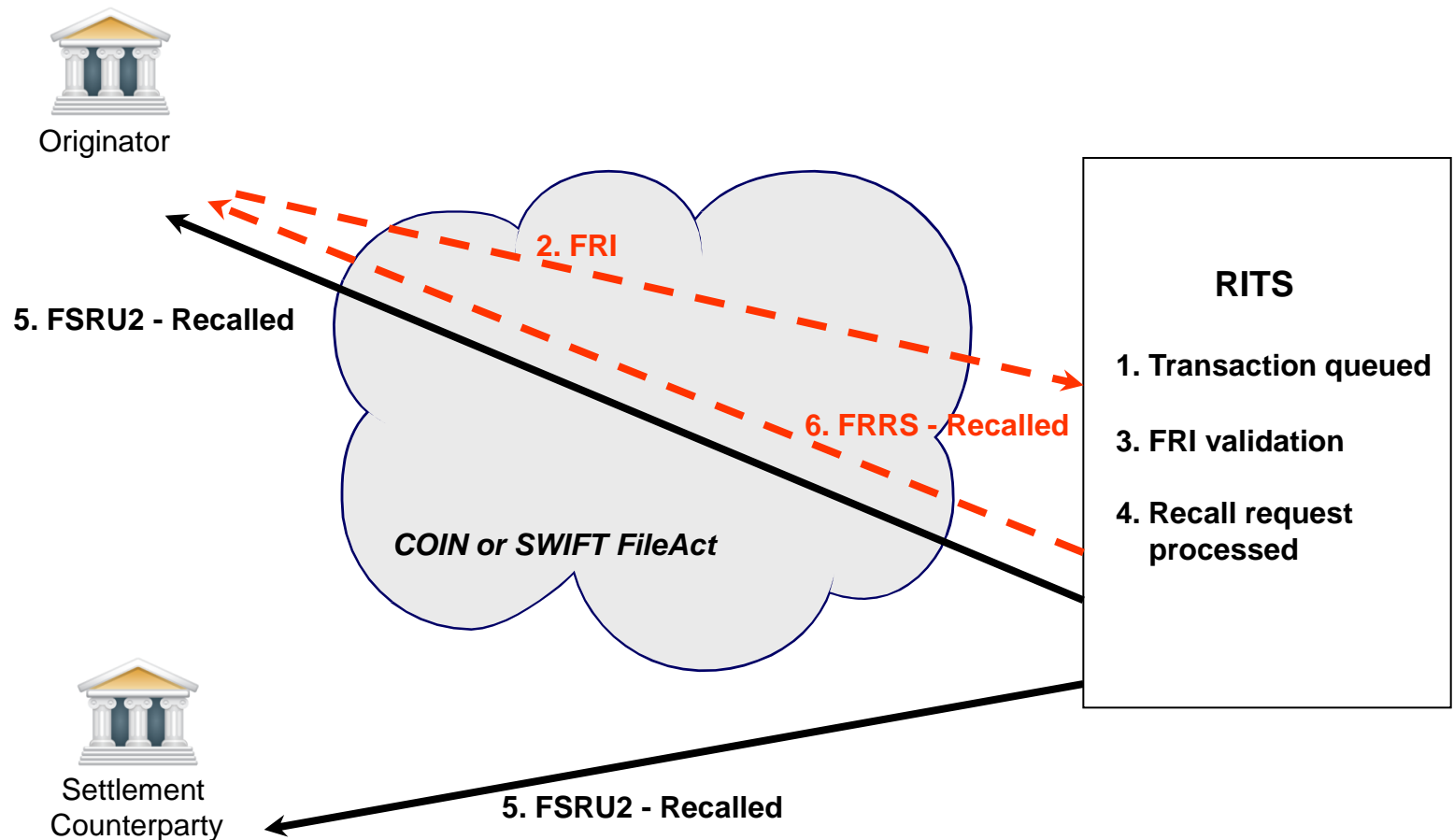
## Rejected FSI





# LVSS Message Flows

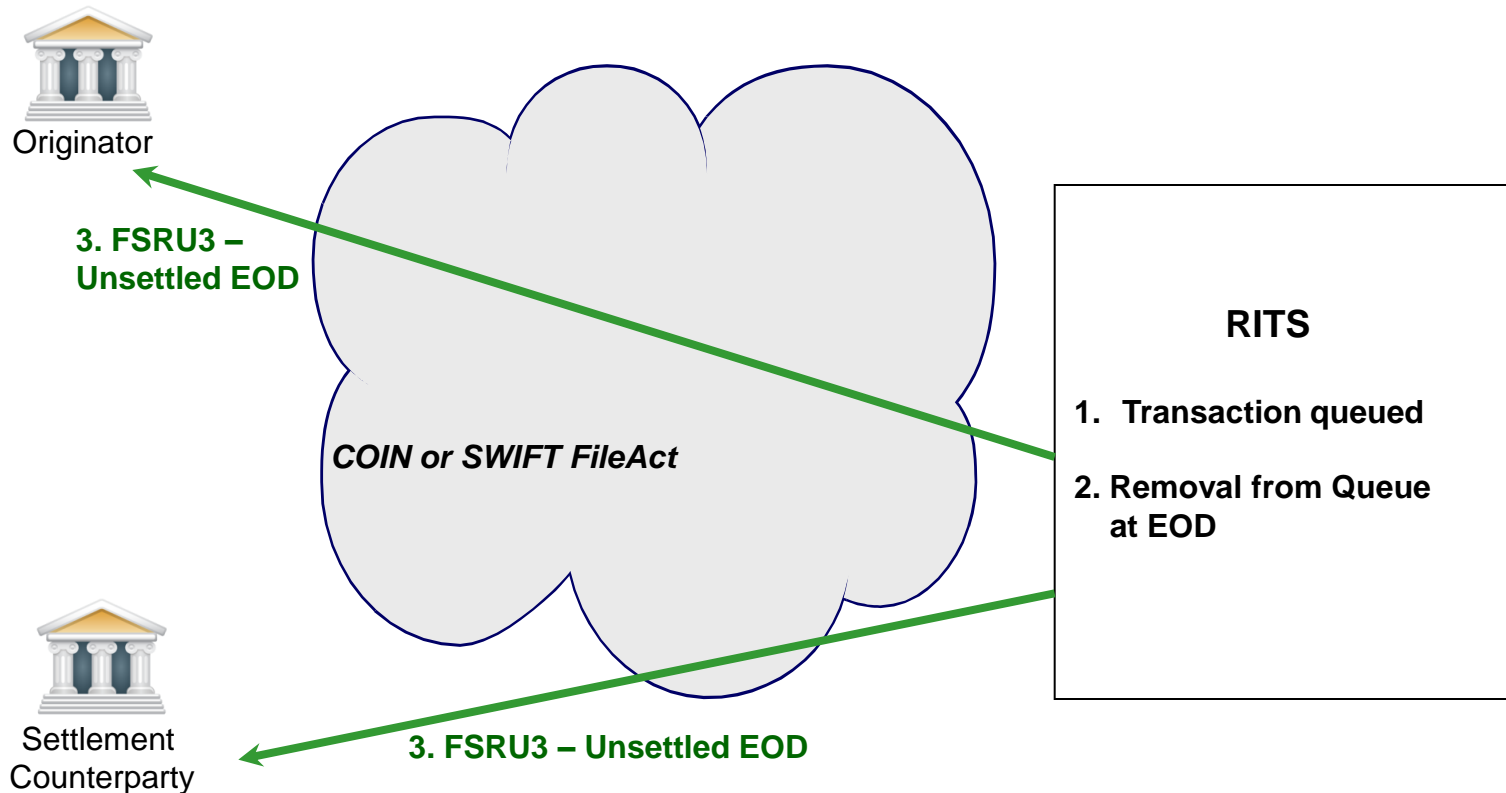
## Recalled FSI





# LVSS Message Flows

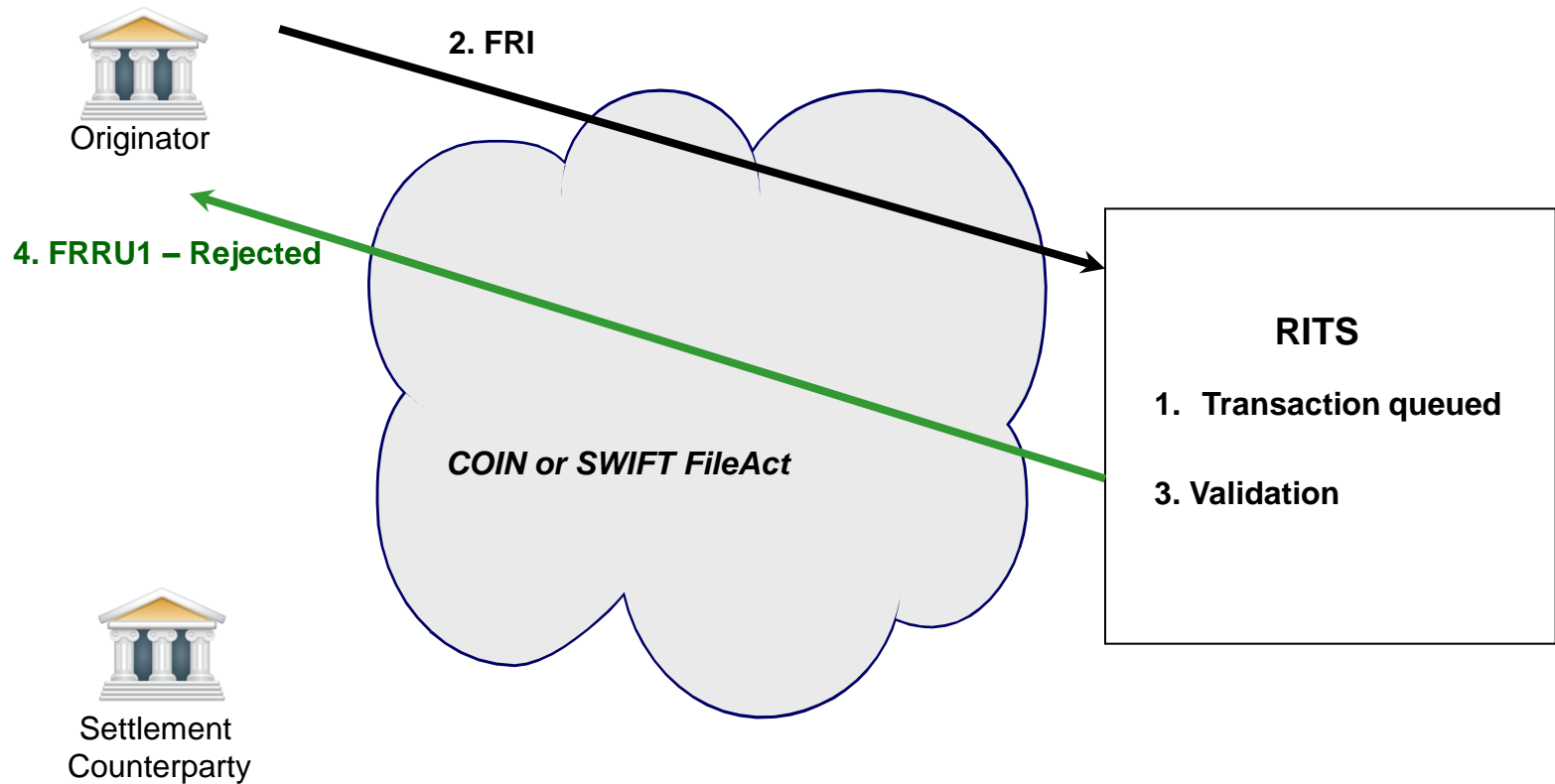
## FSI Unsettled at End of Day





# LVSS Message Flows

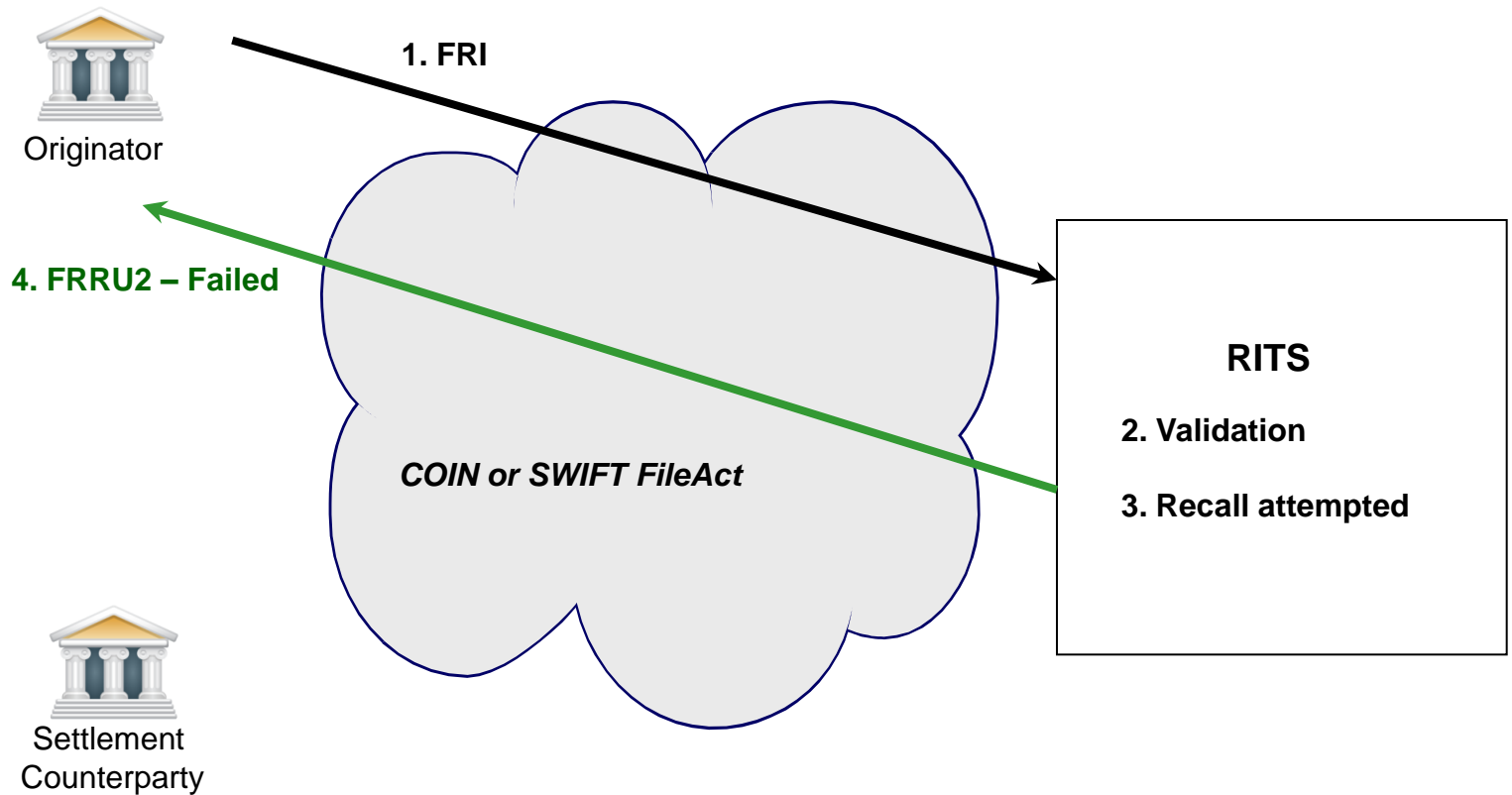
## Rejected FRI





# LVSS Message Flows

## Failed FRI





# Eligibility to Receive LVSS 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)	x
Response	FSR Recalled	✓	✓
Response	FSR UnsettledEOD	✓	✓
Response	FRR Recalled	✓	x
Response	FRR Rejected	Mandatory (to Sender)	x
Response	FRR Failed	✓	x





# Participation & Allowable Payment Services

<b>Payment Service Code</b>	<b>Payment Service Name</b>
APCS	APCA's Australian Paper Clearing System
BECN	APCA's Bulk Electronic Clearing System
BECG	APCA's Bulk Electronic Clearing System (Govt)
CECS	APCA's Consumer Electronic Clearing System
CSHD	Cashcard Closed User Group
GABS	Government Agency Balances Sweep



# FSIs required to be sent

<b>Type of Exchange</b>	<b>Number of FSIs</b>
APCS (Originators)	1 FSI for each Tier 1A counterparty for each official EP&D exchange involving a transfer of value.  1 FSI for each Tier 1A counterparty for that day's total outward regional paper (for-value) exchanges for each region in which you participate.  1 FSI for each Tier 1A/Tier 1B relationship for that day's exchanges.
Normal BECS (Originators)	1 FSI for each Tier 1 counterparty to which you send files in each official exchange and any non-official exchanges (eg BPAY).
Government BECS (Originators)	1 FSI for each Tier 1 counterparty to which you send files in each official exchange and any non-official exchanges.
CECS	1 FSI for each Direct Settler with each other Direct Settler on a frequency that will be determined in consultation with the industry.
Cashcard	1 FSI for each Cashcard member with each other Cashcard member on a frequency that will be determined in consultation with Cashcard and its members.
Government Sweeps	1 FSI per day for each transactional banker providing banking services to an agency of the Australian Government.



# Exchange Summaries Vs FSIs

<b>Exchange Summary</b>	<b>FSI</b>
Multilateral	Bilateral
End-of-day	At each exchange
Inward and outward	Outward only
Exchange date	Payment date and settlement date
Can be resent and overwritten	Sent once, can be recalled
Matching process	One sided notification
6 character RITS mnemonic	4 character RITS mnemonic
Provisional, final, net obligation advices	LVSS responses and advices



# Contents

- Overview
- LVSS messages
- LVSS message flows
- **New 9am Arrangements**
- Operational Arrangements
- Member system development and migration



# 9am Settlement Process Summary Table

Timing	Current 9am settlement process steps	LVSS 9am settlement process steps (future)
<p><b><u>Clearing</u></b></p> <p>Clearing files at agreed exchange times and messages throughout the day</p> <p><b><u>Advice of Settlement Obligations</u></b></p> <p>Collator files between 7.00 pm and 4.00 am</p> <p>Files containing FSIs sent at time of clearing file exchange.</p> <p>Other FSIs (for non-file exchanges) sent as agreed</p>	<ul style="list-style-type: none"> <li>- APCS EP&amp;D file exchanges</li> <li>- APCS regional exchanges</li> <li>- BECS (normal) file exchanges</li> <li>- CECS ATM/EFTPOS messages</li> </ul> <p>Send/receive Collator Advices:</p> <ul style="list-style-type: none"> <li>- EOD Exchange Summary</li> <li>- Provisional/Final advices</li> <li>- Net Obligations advice</li> <li>- Clearing interest</li> </ul>	<ul style="list-style-type: none"> <li>- APCS EP&amp;D file exchanges</li> <li>- APCS regional exchanges</li> <li>- BECS (normal) file exchanges</li> <li>- CECS ATM/EFTPOS messages</li> </ul> <p>Send/receive Collator Advices: (to be phased out)</p> <ul style="list-style-type: none"> <li>- EOD Exchange Summary</li> <li>- Provisional/Final advices</li> <li>- Net Obligations advice</li> <li>- Clearing interest</li> </ul> <p>And/or</p> <p>- Send/receive LVSS messages:</p> <ul style="list-style-type: none"> <li>- Send FSI</li> <li>- Receive responses/advices</li> <li>- View FSI position in RITS</li> </ul>



# 9am Settlement Process Summary Table

Timing	Current 9am settlement process steps	LVSS 9am settlement process steps (future)
<b>RITS Morning Settlement Session</b> (currently 7.30 am to 8.45 am)	Locked 9am Batch position shown in RITS.	Locked 9am Batch position shown in RITS.
	9am Funding period	LVSS (FSI) transaction management Lock of LVSS transactions 9am Funding period
<b>8.45 am</b> (Morning Settlement Session closes)	9am Settlement Testing period  <i>9am transactions tested against full ESA balance</i>	Creation of clearing interest for eligible LVSS transactions  9am Settlement Testing period (includes both Collator and LVSS transactions including clearing interest)  <i>9am transactions tested against full ESA balance</i>
<b>8.45 am to 9.00 am</b>	9am Settlement	9am Settlement



# Contents

- Overview
- LVSS messages
- LVSS message flows
- New 9am Arrangements
- **Operational Arrangements**
- Member system development and migration



# Operational Arrangements

- Initial Validation and Processing of FSIs and FRIs:
  - Validations
  - Statuses and LVSS Settlement Method applied from FSI

<b>Where Originator = Payer</b>	<b>Where Originator = Payee</b>
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.

- Override statuses applied when transaction added to system queue





# Operational Arrangements

- Member LVSS Setup in RITS:
  - User Guides to be provided
  - Roles and Functions
  - RITS Branches for Settlement of LVSS Transactions
  - Automated Information Facility and the LVSS



# Operational Arrangements

- Settlement of LVSS Transactions in RITS
  - Two Settlement Options
    - Individual Settlement
    - Multilateral Settlement (including 9am settlement)
  - LVSS Transaction Management



# Other Service Principles

- Using an agent
- Debit and credit items
- Session eligibility of LVSS transactions
- Clearing interest
  - 9am Batch: per Clearing System
  - LVSS: per counterparty, per Clearing System



# Contents

- Overview
- LVSS messages
- LVSS message flows
- New 9am Arrangements
- Operational Arrangements
- Member system development and migration



# What you need to do

- Commence project planning
- Be able to create and send FSIs
- Be able to create and send FRIs
- Be able to accept and process responses and advices
- Provide details of LVSS participation
- Set up new branches in RITS
- Assess impact on accounting systems and reconciliation



# Key dates

- Member specifications November 2010
- LVSS workshops December 2010
- Project management checkpoint March 2011
  - Project team assembled
  - Project scope
  - Timetable established
- Status update August 2011
- Initial testing (with RBA) by end 2011
- Migration to LVSS during 2012



# Migration Planning

- Migration planning in consultation with APCA and industry
- LVSS message content through APCA Management Committees
- Industry testing – parallel operations
- Migration may be by Clearing System