

# **RESERVE BANK INFORMATION AND TRANSFER SYSTEM**

## **RITS Low Value Feeder Project**

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### **Low Value Settlement Service**

### **Overview of Contingency Arrangements**

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## 1. Introduction

The Reserve Bank released specifications for the RITS Low Value Settlement Service (LVSS) in November 2010<sup>1</sup>. This initiative affects all institutions that currently participate in the RITS 9:00 am settlement of low value clearings. Further information on the LVSS can be found on the [RITS Information Facility](#) under the Projects tab.

The Reserve Bank is now able to outline the business continuity (or contingency) arrangements that will be put in place to enable the continuation of low value settlement processing in the event of a contingency affecting:

- the lodgement of settlement instructions (File Settlement Instructions (FSIs) and File Recall Instructions (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 Automated Information Facility messages).

The purpose of this document is to provide an overview of the contingency arrangements expected to apply in these circumstances. This will help Members to understand the intended processes and to finalise their overall LVSS requirements.

### 1.1 Current Arrangements and Proposed New Arrangements

The advice of settlement obligations to the Collator for low value clearings currently occurs via the submission of Exchange Summary advice files using either the Telstra COIN or SWIFT network. The current contingency arrangement for the Collator is a facsimile advice. Where electronic advices are unable to be provided for whatever reason, a faxed advice must be sent to the Reserve Bank instead.

In the circumstance where a settlement obligation does not end up being advised to the Collator and is therefore not included in the 9am settlement, industry procedures generally require these obligations to be settled via a manual two-sided RITS Cash Transfer. The cash transfer amount usually includes an adjustment to cater for clearing interest. A similar adjustment transaction is made when the settlement amount included in the 9am Batch is different from the amounts exchanged (e.g. as a result of a failure to match).

The proposed new arrangement for FSIs is to manually enter settlement instructions into RITS in the event of a contingency that prevents the normal submission of these instructions. This manual entry will replace the current facsimile arrangements for Collator advices. It will also replace, in many cases, the use of RITS Cash Transfers.

Current arrangements are set out in detail in APCA's Clearing System Regulations and Procedures. These rules will be revised as part of the review by APCA of the required changes for the LVSS.

### 1.2 Scope

This document covers alternate arrangements for the entry into RITS of settlement instructions (FSIs) that would normally be submitted via either COIN or SWIFT FileAct. The document also covers alternate arrangements for the management of these transactions

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<sup>1</sup> Minor revisions to these specifications were released in June 2011.

if normal RITS transaction management activities are unable to be performed (e.g. user access to RITS is unavailable).

This document does not deal specifically with all possible scenarios that might lead to the inability to submit settlement instructions via normal means. It also does not deal with any issues (e.g. funding) that might arise with the running of the 9am settlement process itself; these will be managed by the Reserve Bank. Contingency arrangements for the clearing of low value payments are also not covered.

Members should note that current contingency arrangements covering the lodgement of 9am settlement obligations via the Collator will continue until the migration to the LVSS has been completed.

### **1.3 Assumptions**

The following assumptions have been made in this document:

- Each Member has appropriate systems redundancy in place, especially in respect to payment and file transfer applications involved in the clearing and settlement process.
- Each Member (or their agent) has appropriate network redundancy in place. For Members using the Telstra COIN, this includes having two distinct connections to the COIN (at least) and being able to exchange files with the Reserve Bank via either connection. Similarly, SWIFT FileAct users must be able to exchange files with the Reserve Bank via both their primary and backup SWIFT links.
- Each Member has taken into account the Reserve Bank's network redundancy and can communicate with both the Reserve Bank's primary and secondary sites. Further information on the Reserve Bank's payments network connectivity is available [here](#) (refer Chapters 3 and 4).

## 2. Contingency Scenarios Overview

There are a wide range of contingency scenarios that may potentially lead to the failure of normal LVSS message processing (i.e. the input of FSIs into RITS and the receipt and processing of responses and advices) or the inability to perform transaction management using the RITS Automated Information Facility. Although there may be many possible causes for these types of events, the actual responses in terms of LVSS processing will essentially be the same. This will be to revert to the manual entry of FSIs into RITS and to use RITS online transaction management functions as necessary.

It is also important to note that, as is the case in RITS now, Members must advise the Reserve Bank when they have a system or network problem which affects their LVSS or other RITS processing.

### 2.1 Summary of Possible Scenarios

The following high-level scenarios assume that settlement obligations have been created due to the related clearings having taken place. They also assume normal systems and network fallback arrangements have been used or attempted where appropriate. The response column is focussed on LVSS-related actions only.

Component	Example Scenario	LVSS Response
Member system(s) including those of any Agent	Problem with source payments systems and/or file transfer applications (including middleware, if applicable) used to create and send FSIs or FRIs.	Originator to enter FSIs or FRIs manually in RITS. This will be dependent on the availability of the necessary information. Consultation with the Counterparty may be required.
	Problem with systems used for processing LVSS responses and advices.	Members to monitor transactions, as Originator and Counterparty, in RITS using LVSS enquiry and reporting functions.
	Problem with systems used for AIF messaging (if applicable).	Payer to manage transactions using RITS online functions.
Industry Network	Core network problem (COIN or SWIFT) and/or network connection problem.	Originators to enter FSIs or FRIs manually in RITS. Members to monitor transactions, as Originator and Counterparty, in RITS using LVSS enquiry and reporting functions.
RITS <sup>2</sup>	Member user access to RITS is unavailable (i.e. LVSS instructions cannot be entered, viewed or managed).	Contact RITS Help Desk. Request Assisted Transaction(s) as necessary – refer section 3.3.
	RITS is unavailable (including its file transfer capability).	Await advice from Reserve Bank.

<sup>2</sup> RITS can be accessed via the Austraclear network (known as ANNI) or via the Internet.

### 3. RITS FSI/FRI Manual Entry Functionality

RITS will be enhanced early in 2012 to provide for the manual entry of File Settlement Instructions (FSIs) and File Recall Instructions (FRIs) by Members. This functionality is intended to be used by Members when the normal means of submission is unavailable.

This chapter provides some overview information on the intended operation of this functionality.

#### 3.1 Manual FSI entry

Details of the new manual FSI entry functionality are as follows:

- There will be a new function in RITS which will provide for individual FSI details to be manually entered by the Originator.
- There will be a separate user role for this function.
- The order of data entry will be the same as the existing xml structure of the FSI.
- Many of the fields will have drop down boxes to assist with the entry of the data.
- Members will enter a TRN for each FSI. The TRN entered will be subject to the same validations as FSIs submitted via normal means (i.e. file-based).
- RITS will validate as far as possible that each field is correctly populated. Members should note that some validations can only occur after the transaction has been submitted.
- Members may optionally select to have an authorisation placed on this new RITS function. If authorisation is selected, a second user must verify the entry before it is submitted.
- If the authorisation parameter is set, a manually entered FSI which is yet to be authorised may be amended. However, if the authorisation parameter has not been set, there will be no ability to amend the instruction as it will have already been submitted. Like FSIs lodged via normal means, submitted transactions are able to be recalled (if this action is required).
- An FSI which has been submitted (including any authorisation) will be treated in RITS like an FSI received via normal means. The counterparty does not have to match or confirm the transaction (i.e. unlike RITS Cash Transfers, manual FSIs will be one-sided transactions, as are file-based FSIs).
- Manually entered FSIs will be displayed in all LVSS enquiry functions in RITS. These enquiry functions will show both normally received FSIs and those entered manually.
- A new enquiry function for manually entered FSIs will be made available to Members. This will assist with the monitoring of these transactions. A downloadable report will also be available.
- LVSS responses and advices, if selected, will be generated as normal for any manually entered FSIs. Counterparties receiving these messages will not be able to distinguish between an FSI entered manually by the Originator and one entered via normal means.

- AIF messages such as pre-settlement advices will also be generated as normal, if selected.

### 3.2 Manual FRI entry

Details of the new manual FRI entry functionality are as follows:

- There will be a new function in RITS which will provide for the Originator to manually enter a request to recall an individual FSI.
- There will be a separate user role for this function.
- The new function will display all FSIs lodged that are able to be recalled. Filters will be provided to narrow the list of FSIs displayed in this function (e.g. Counterparty, Payment Service). The display list will include both FSIs lodged via normal means and any that have been manually submitted.
- The user will be able to select the FSI that is to be recalled from this display list. Once the FSI to be recalled has been selected, the user will be asked to enter a TRN for the FRI. The TRN entered will be subject to the same validations as FRIs submitted via normal means (i.e. file-based FRIs).
- Members may optionally select to have an authorisation placed on this new RITS function. If authorisation is selected, a second user must verify the recall request before it is submitted.
- An FRI which has been submitted (including any authorisation) will be treated in RITS like an FRI received via normal means.
- LVSS responses, if selected, will be generated as normal for any manually entered FRIs. Counterparties receiving these messages will not be able to distinguish between an FRI manually entered by the Originator and one sent via normal means.

### 3.3 Other information

Members should also note the following in respect to these new RITS functions:

- New roles will be set up in RITS to enable Members to allocate these functions to their users as necessary. There will be separate roles for the manual FSI entry, the manual FRI entry, and for the associated authorisations.
- Manual entry and authorisation capability is currently expected to be available in RITS during both normal RITS hours and also overnight (during weekdays up to Saturday morning).
- The new functionality is expected to be available for Members to use in the RITS Pre-Production environment during the first quarter of 2012.
- If a Member's system problems also prevent RITS access to enter or manage LVSS transactions, the Member may request the Reserve Bank to perform an Assisted Transaction on its behalf during normal RITS settlement hours. Please refer to the [Assisted Transaction User Guide](#) for information on how this facility presently operates.

## 4. Member Considerations

It is recommended that Members assess the implications and procedural requirements for each of the various circumstances where RITS manual entry capability might need to be used. The following aspects should be considered as part of this assessment:

- The need for all source internal systems to be able to produce reports on request that provide full details of each FSI that might require manual entry.
- The range of internal systems used in the LVSS process. There may be some circumstances where the system that normally creates FSIs is unavailable but other internal systems have the necessary information. Being able to extract relevant information from those other systems could enable the manual data entry of settlement obligations to proceed. Members should assess the extent of information that might be available in these other systems and identify any gaps.
- The implications if systems or network channels are restored after manual FSIs/FRIs have been entered in RITS. One method of helping to prevent duplicate transactions is to use the same TRN, as generated by the source system, when entering the manual FSI details. RITS will reject any transaction which has a duplicate TRN.
- The proposed arrangements if an agent is used for the submission of file-based FSIs/FRIs. In broad terms, the Member may wish to enter these manual settlement instructions themselves if a contingency event occurs, or they may wish to arrange for the agent's staff to be granted access in RITS (as a user of the Member) to perform these specific functions. This will be at the discretion of the Member with the 9am settlement position.
- The staff that will be used to enter the FSIs in the event of a contingency. The nominated staff will need access to RITS and this access will need to be made available from the Member's primary and secondary operating sites. Procedures will need to ensure that passwords are kept up to date for any users who do not regularly use RITS.
- The timing of entry of manual FSIs in the event of a contingency. As a general rule, the sooner contingency arrangements are invoked, the less disruption there is to overall industry payments activity. However, operational experience indicates that most organisations prefer to wait to see if systems can be recovered before invoking contingency arrangements. It should be noted that significant time spent waiting for systems to be restored will have a flow on effect to all counterparties as the LVSS advices they receive will be delayed and this may potentially affect the reconciliation activities they perform.