

## SWIFT MESSAGE STANDARD TO ISO 20022

| QUESTIONS   | CUSCAL RESPONSE  |
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| <p>Q1. Does your organisation currently support ISO 20022 payments and reporting messaging? If yes, what payment systems and/or associated activities are currently supported? If no, what plans does your organisation have to support ISO 20022 by 2024?</p>  | <p>Yes, Cuscal is an NPP Participant which uses the ISO 20022 messaging format.</p>  |
| <p>Q2. Does your organisation currently provide or use inbound and/or outbound correspondent banking services?</p>  | <p>Cuscal does not provide correspondent banking services but does provide domestic agency clearing and settlement services across all AusPayNet clearing frameworks as well as Visa, Mastercard and eftpos.</p>   |
| <p>Q3. Are there any other objectives that your organisation believes the Australian financial industry should look to achieve as part of an ISO 20022 payments migration? If yes, please explain your views</p>  | <p>We support your objectives of a seamless integration and well-run industry project with no delays. The RBA should consider what periodic reporting it may require, to assess each entity's project status including scheduled milestones.</p>   |
| <p>Q4 a) Do you have any comments on the high-level risks and challenges of payments messaging migration to ISO 20022 outlined in section 2.5? If yes, please provide your comments under the relevant risk/challenge: prioritisation against other initiatives, business case approval, project horizon and cross-border migration.</p>  | <p>In considering the project horizon risk, the RBA should be conscious that this project may reduce the availability of IT and project management resources if all FIs and their service providers have a similar timing for commencement of this project.</p>  |
| <p>Q4 b) Are there any other major risks and challenges that you believe need to be considered? If yes, please explain your views.</p>  | <p>There is an additional but minor risk for Cuscal around "Client integration and migration". We expect the key change will be around the use and capture of additional fields. Each of our clients will need to evaluate the impact of changes to their own internal processes, all of which may impact our project horizon. (Also refer to our response to Qn 16)</p> |
| <p>Q5. For your organisation, please consider each risk and challenge outlined in Section 2.5 and list any others you have identified in Q4 b). Please rate each risk/challenge for your organisation according to the scales for likelihood (rare, possible, likely, almost certain, certain) and consequence (insignificant, minor, moderate, catastrophic). Please rank each risk/challenge by the</p> | <p>As part of obtaining business case approval, there may be alternative strategies in achieving a final solution – this investigation, definition of project scope and potential interdependency on other projects will pose the greatest challenge for Cuscal.</p>   |

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| difficulty they pose to your organisation, with 1 being the most difficult.   |   |
| Q6. Which, if any, of the messages categorised as “Other messaging that could be migrated”, should be included as part of an ISO 20022 payments migration? Are there any that you think could potentially form part of a later stage of migration? Please explain your views. | No, at this stage different message formats help support the various payment channels and would be difficult to cover in a single project. We do however support a convergence in message format over the longer term understanding careful consideration would need to be taken on use of the additional fields. |
| Q7. Do you have any other specific feedback you wish to provide on the overall ISO 20022 payments migration scope? Please explain your views.   | Nil   |
| Q8. For organisations that use the RBA’s AIF reporting and enquiry service, what are your initial views on a replacement solution to modernise this service? Please explain your views  | N/A – Cuscal does NOT use the RBA’s Automated Information Facility (AIF) reporting  |
| Q9 a) Please provide your views on whether to include each of the enhanced content items proposed in Section 3.2.   | Yes, the ability to include payment purpose codes and identity information would assist with AML/CTF obligations and fraud monitoring (by our clients).   |
| Q9 b) What other enhanced content considerations would you like to see included as part of the migration project? Please explain your views.  | We agree that the project should also look to standardise the use of ISO 2022 payment investigation messages which could then help facilitate automation of various investigation processes.  |
| Q10. Do you agree with the view that it is appropriate to maintain a dedicated HVPS alongside other payment systems, including the NPP? If no, please explain your views.   | No, while there may be some market arrangements to be worked through, we do not think it appropriate to maintain a system simply for contingency purposes   |
| Q11 a) Does your organisation have any other views or preferences on how the long-term design of the Australian payments system should evolve?  | The industry should carefully review whether we migrate legacy payment systems (such as BECS) to ISO 20022, or whether we consolidate, ensuring the full and appropriate use of existing ISO 20022 based payment systems such as NPP.   |
| Q11 b) If yes, how does choice of settlement method and system resiliency factor into this view?  | Consolidation to higher availability systems would be an advantage, but a proliferation of migrated payment systems with multiple settlement methods adds complexity that also introduces risk.   |
| Q11 c) From your organisation’s perspective, what other long-term design considerations should be factored into this migration project? Please frame your response from a strategic standpoint rather than any focus on short-term challenges or required investment.         | Any payment design should support APIs. In addition, payment systems should be managed as a service, independent of the core payment system with controls operating (outside the participants) closest to the point of where the customer initiates the payment.  |

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| Q12. If a separate high value clearing system is maintained for the ISO 20022 payments migration, what is your organisation's preference on the RTGS messaging model (i.e. Y-Copy or V-Shape) that should be adopted? Please explain your views. | Maintenance of the Y-copy messaging model is preferred, given challenges in using multiple networks to connect to RITS and need for consistent security considerations.  |
| Q13. Does your organisation agree with the proposed high-level stages of the ISO 20022 payments migration project? Please explain your views.  | The approach and high-level stages appear appropriate  |
| Q14. Taking into account the advantages and disadvantages of each migration option, which approach do you support? Please explain your views.  | We support option 2 – direct migration to enhanced content which enables benefits of enhanced content to be realised sooner.   |
| Q15. What is your organisation's preferred approach for transitioning between existing message formats and ISO 20022? Please explain your views.   | We support coexistence as Cuscal in turn will need to support the migration of our 100+ client users of RTGS to make the transition  |
| Q16. Does your organisation face any impediments or constraints that are evident at this stage that would limit your ability to migrate to ISO 20022 within the 2024 target timeframe set out in this paper? If yes, please explain.             | As noted earlier, Cuscal will need to support the migration of our 100+ clients which use our RTGS service to process RTGS transactions. Our client base may face similar challenges around competing priorities and business case to support a change to an existing payment channel and associated data changes with limited benefits. |
| Q17. Are there other international ISO 20022 initiatives that you consider the Australian ISO 20022 payments migration timeframe should be aligned to? E.g. large domestic implementations in other jurisdictions. Please explain your views     | No, Cuscal is a domestic payments provider   |
| Q18 a) Is your organisation affected by the timing of SWIFT's ISO 20022 migration for cross-border payments?   | No, this should be handled by the correspondent banks we interact with.  |
| Q18 b) If yes, are there benefits to aligning the migration of domestic AUD payments messaging to cross-border payments migration for your organisation  | n/a  |
| Q19. Do you support the HVPS+ developed message guidelines being used as the starting point for the development and implementation of new ISO 20022 standards for Australia's HVPS? Please explain your views                                    | Yes, as a general principle we should be utilising global standards wherever possible, with assistance from a local working group  |
| Q20. To what extent should other ISO 20022 standards for payments messaging (e.g. those used for the NPP) be considered? Please explain your views   | We should leverage NPP messages where possible using business services to differentiate between payment types or purposes.   |

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| <p>Q21. Are there any other areas of work that you believe are relevant in looking to achieve message harmonisation (to the extent possible)? Please explain your views</p>                      | <p>NPP payment messages together with the consent and mandate service could be leveraged to form the basis of a consolidated payment ecosystem.</p>   |
| <p>Q22. Does your organisation have a preferred governance structure? Please explain your views and include your preference for the roles of different parties in that governance structure.</p> | <p>Either the RBA or APN should take the lead with a project reporting structure through a portal that should be played back to the Industry periodically, with increasing frequency as we get closer to the transition date.</p> |