CPMI Secretariat
Committee on Payments and Market Infrastructures
Bank for International Settlements
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Consultation on extending and aligning payment system operating hours for cross-border payments

NPP Australia welcomes the opportunity to provide a response to the Bank for International Settlement's consultation on extending and aligning payment system operating hours for cross-border payments. NPP Australia is the company that manages the operation of the New Payments Platform (**NPP**), Australia's real-time payments infrastructure.

The NPP enables Australian consumers, businesses and government agencies to make and receive data-rich payments in real-time between bank accounts, 24 hours a day, 7 days a week, 365 days of the year. The NPP now processes more than 30% of all domestic account-to-account credit transfers in the market[1].

Every NPP payment is settled in real-time in central bank funds via the Reserve Banks of Australia's Fast Settlement Service, thereby providing a 24/7 RTGS solution for the Australian market. The platform was intentionally designed to be able to support all types of payments, from retail payments through to commercial and wholesale payments. The infrastructure does not have any transaction value limits imposed centrally and the largest transaction settled on the platform to date was for A$19.8 billion.

NPP Australia welcomes the work being done by the CPMI to address current challenges in the cross-border payments market and is supportive of actions to help improve the processing of cross-border payments. NPP Australia's perspective is that an extension of the 'global settlement window' will be one key element in achieving the desired outcomes with respect to cross-border payments.

Supporting real-time cross-border payments in Australia

Whilst the NPP currently supports domestic payments, the intention is for the NPP to be able to support both domestic and cross-border payments. In order to achieve this, NPP Australia has defined a business service for processing the final domestic leg of an inbound international payment on the NPP (known as the NPP International Payments business service). This service has been intentionally designed to be used by a range of parties, including Australian banks, foreign exchange remitters and international payment service providers, thereby giving it broad applicability in being to support a wide range of cross-border payments (including supporting SWIFT's gpi service which is noted in the CPMI's consultation report).

A key consideration in designing this service has been ensuring it supports the AML/CTF compliance requirements of all parties involved in processing these cross-border payments. Specifically, the service enables the inclusion of additional data in the payment message in order to support these requirements given the NPP uses the ISO20022

[1] Source data: Reserve Bank of Australia's payments data Schedule C06-1 hist

message schema. Data such as the full legal account name of the sender and additional identifiers like date of birth can be carried from the country of origination through to the receiving bank in Australia. This allows the receiving bank (as the bank holding the account of the ultimate beneficiary) to perform necessary due diligence and screening of the payment to meet their regulatory obligations. The ability to flag the NPP payment as a cross-border transaction and include additional data means that the NPP will support faster cross-border payments, available 24/7, as well as being more effective in addressing financial crime.

In implementing this service, NPP Australia has focused on achieving broad reach of the service with the intention that all domestic Australian bank accounts, that are NPP enabled, should be able to receive funds resulting from a cross-border payment. Hence all NPP participating organisations are obliged to join the NPP International Payments business service to receive inbound international payments via the NPP by the end of April 2023. This will mean that over 76 million Australian bank accounts (which account for the vast majority of domestic accounts), will be able to receive a cross-border payment via the NPP. In terms of access, we are also already seeing diverse participation in the NPP including by banks, credit unions, building societies and a growing number of payment service providers and fintechs.

With the NPP International Payments business service operational, it is the view of NPP Australia that Australia would have a 24/7 RTGS infrastructure available to process various types of cross-border payments without the need to uplift other existing infrastructure in the market with existing processes already in place including 24/7 liquidity arrangements. Indeed, we anticipate seeing a number of cross-border payments that would use the High Value Clearing System (HVCS) today migrating over to the NPP once the service is operating.

It should be noted however that the use of the service is dependent on the capabilities and services of organisations participating in the NPP and any proprietary limitations that they may have in supporting cross-border payments. However, given the feedback we have received from the market in preparing for the delivery of the NPP service, we anticipate that there will be a range of organisations seeking to offer real-time cross-border payment services which will serve a range of different customer segments.

Enhancing and improving global cross-border payments

By extending the ‘global settlement window’ available for the processing of cross-border payments, NPP Australia sees benefits that extend beyond just the speed in which that payment can be processed particularly if that window is extended to weekends and public holidays.

Based on our experience in Australia, one of the key benefits would be the extended availability for payments processing and quickly knowing with certainty the outcome of a payment. By being available 24/7 and processing payments in real-time, the NPP has been able to deliver considerable benefits with users being able to use the platform at any time of day or night and knowing immediately whether or not the payment has been successful. Knowing the outcome of a payment can result in considerable efficiency gains by reducing exceptions handling, much of which may be dealt with via predominantly manual processes today. While these benefits currently apply to domestic payments, it is reasonable to assume that similar benefits can be realised for cross-border payments.

Extending the time in which cross-border payments can be processed will have a considerable impact on the end customer experience. Whilst this is most obvious for retail customers whose expectations are increasingly that such things should happen immediately, this also applies to corporate and institutional customers where the economic benefits could be considerable. We are already seeing demand from a number of sections of the Australian market for real-time cross-border payments and we anticipate that this demand will only continue to grow.

The full benefits are likely to only be realised when operating times are extended 24/7 in multiple jurisdictions around the world or within regional jurisdictions. For example, when the NPP International Payments business service is operational, other countries within the Asia Pacific region will benefit as a result. However, we acknowledge that this will require greater change and investment in some markets compared to others depending on what their respective ‘points of departure’ are in terms of current infrastructure, capabilities, and operating hours. In order to strike the right balance between effort and benefits, we would recommend focus is given to key corridors which account for the majority of cross-border payment flows. Given a number of fast payment systems are starting to explore opportunities to connect to support cross-border payments this may be another opportunity to achieve the desired outcomes.

In working towards an end state that would support greater efficiency in the processing of cross-border payments a number of key considerations need to be assessed in greater detail including liquidity management, system resilience, the extent to which existing technology needs to be uplifted, alignment on messaging standards and the treatment of data. Based on NPP Australia’s experience, planning for high availability and robust resilience of the payments system are critical when operating a 24/7 payments system or payments related infrastructure (including a comprehensive incident management framework). When considering extended operating hours for cross-border payments, issues of fraud and financial crime and having adequate controls, processes and resources in place in the areas of fraud detection, sanctions screening and AML are of upmost importance.

As acknowledged in the CPMI consultation report, operational changes required by the system operator itself (often the central bank) is only one part of the change required. Change is also required by system participants, payment service providers and other industry stakeholders and the degree of change required will vary considerably from one organisation to another. In our experience, this is where most of the effort is required and where the main focus needs to be in order to deliver the desired outcomes

NPP Australia appreciates the opportunity to provide input to this consultation and would be happy to answer any additional questions that the CPMI may have and look forward to a continued dialogue on the opportunities to improve the processing of cross-border payments.