Development of NPP ISO 20022 message usage for
Payroll, PAYG Tax and Superannuation Payments

Market Consultation

February 2019

*This document should be read in conjunction with Development of NPP ISO 20022 message usage for
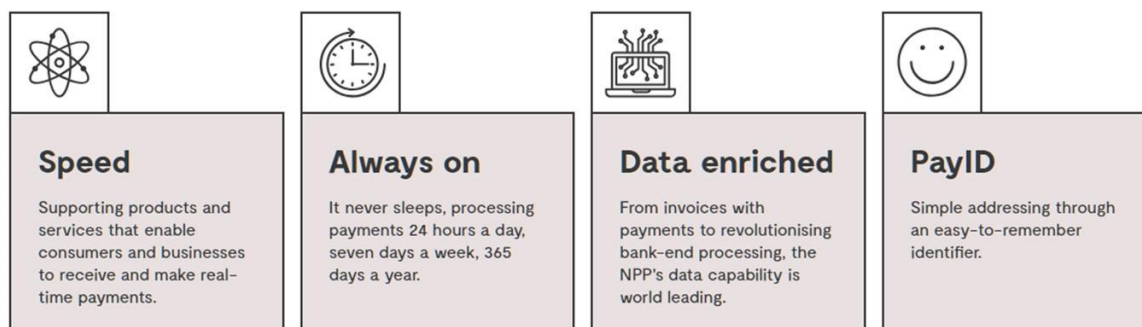Payroll, PAYG Tax and Superannuation Payments Explainer Document*

NPPA is seeking input from interested stakeholders on the development of standardised NPP ISO 20022 message usage for payroll, PAYG tax and superannuation payments.

Introduction

The New Payments Platform (**NPP**) has been designed to support a 24/7 modern, digital economy. It provides a fast, flexible and data-rich payments system for Australian consumers, businesses and government agencies, enabling them to make real-time data rich payments between accounts at participating Australian financial institutions. The NPP is new utility payments infrastructure commissioned and funded by NPP Australia Limited's founding shareholders[1] for and on behalf of the Australian payments industry. NPP Australia Limited (**NPPA**) is a public company established to oversee the development and operation of the NPP.

The NPP brings enormous potential for future payments innovation through its speed, data capability, open-access design and unique layered architecture. The Platform is intended to support multiple products and services as well as enable more digital processes, which will deliver back-office efficiencies and cost savings to Australian businesses and government agencies.

The NPP has four key capabilities:

Speed	**Always on**	**Data enriched**	**PayID**
Supporting products and services that enable consumers and businesses to receive and make real-time payments.	It never sleeps, processing payments 24 hours a day, seven days a week, 365 days a year.	From invoices with payments to revolutionising bank-end processing, the NPP's data capability is world leading.	Simple addressing through an easy-to-remember identifier.

The Platform enables the real-time movement of money, account to account, 24 hours a day, seven days a week. The NPP infrastructure comprises of two main elements:

The Platform

The NPP is a distributed switch of individual 'Payment Access Gateways' which are hosted by financial institutions who have chosen to connect directly. These gateways route and exchange financial messages between each other using the ISO 20022 message structure. Payments can be directed either using BSB and account numbers or a PayID (such as an email address, phone number, ABN number or a unique organisational identifier that is linked to a user's bank account).

The Fast Settlement Service

The Fast Settlement Service (FSS) is provided by the Reserve Bank of Australia. This world-leading capability enables every single payment made on the Platform, regardless of its size, to be settled in real-time in central bank funds between each financial institution's Exchange Settlement Account (ESA).

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[1] Current shareholders: Australia and New Zealand Banking Corporation, Australian Settlements Limited, Bendigo and Adelaide Bank Limited, Citigroup Pty Ltd, Commonwealth Bank of Australia, Cuscal Limited, HSBC Bank Australia Limited, Indue Limited, ING Australia, Macquarie Bank Limited, National Australia Bank Limited, Reserve Bank of Australia and Westpac Banking Corporation.

Pay ID

The NPP's Addressing Service, PayID, enables payments to be directed to an account using an easy to remember alias (a PayID) which has been linked to an underlying bank account. PayIDs can be easily moved from one bank account to another along with all of the associated payments linked to a PayID, which means there is no need to maintain up-to-date details for a customer's bank account.

Currently four alias types are supported on the Platform – phone number, email, ABN and an Organisation Identifier. The Platform also continues to support payments using BSB and account numbers.

Launch of the NPP

Since the NPP launched to the public in February 2018, more than 75 banks, credit unions and building societies have been rolling out real-time payment services to their customers. More than 52 million account holders are now able to make and receive payments via the NPP and this number will continue to grow as participating financial institutions complete their respective rollouts and new financial institutions come on board. Volumes are growing steadily on the platform with close to 80 million transactions worth over $65 billion being sent through the platform since launch and more than 2.5 million PayIDs registered.

NPP messaging

The NPP uses the ISO 20022 messaging format, the leading international standard used for electronic data interchange between financial institutions or organisations that move money and data. The ISO 20022 message format can carry much richer information than the 18 characters currently available for Direct Entry payments. With more than 1400 data fields in the ISO clearing message, additional data can be carried end-to-end together with the payment or via a url link or reference to externally hosted documents. ISO 20022 provides a clear standardisation for organising data, so the specific data requirements of different payment types can be easily accommodated within the one standard message format. Increasingly, markets around the world are adopting the ISO 20022 message standard for payments and financial transactions.

The structured data capabilities of the ISO 20022 message schema ensure that a common data lexicon or 'dictionary' can be established for particular payment types. This means that the data for these payment types is sent in a consistent manner by all participants involved in the processing of a payment. Ingesting these common and consistent data elements into existing business processes and systems will support automation and straight through processing. This reduces error rates and exceptions, thereby reducing the amount of manual reconciliation effort required, which results in overall efficiency improvements for the industry as a whole.
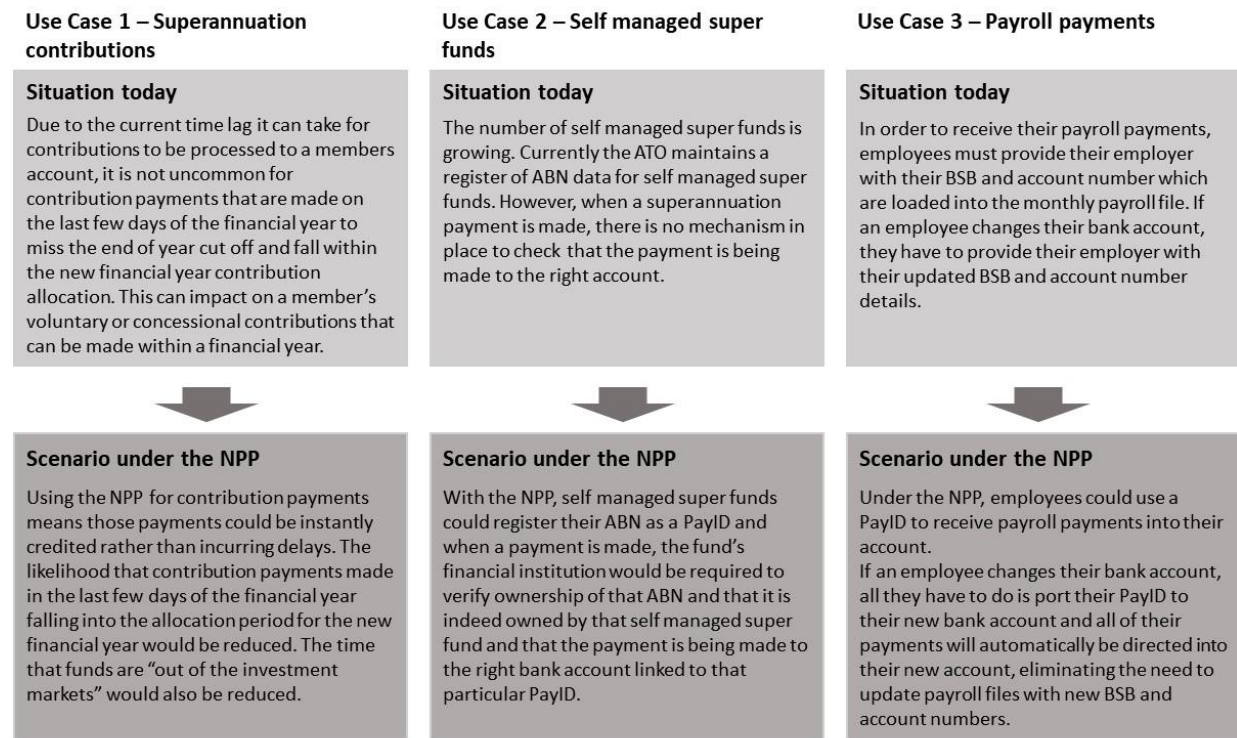
By utilising the NPP's data and real-time capabilities, improvements could be made to how payments are processed today, for example:

- Reducing the time taken for payments to be processed and immediate funds availability (with no cut off times)
- Data specific to a payment type can be contained within the payment message, reducing the amount of manual reconciliation effort required. NPP payments can contain reconciliation

data that aligns to other existing reporting standards and regulations, such as the Australian Taxation Office's (ATO) SuperStream[2] reporting standard or Single Touch Payroll (STP)[3]

- Ability to utilise PayID for payments. For self-managed super funds, the fund's ABN could be used as it's PayID, serving as a pointer to the bank account designated for that specific self-managed super fund. When a payment is being made to that super fund, the ABN PayID could be used to verify that the payment is being made to the correct bank account

The use cases below further illustrate how the NPP could be used to deliver operational improvements for superannuation and payroll payments:

Use Case 1 – Superannuation contributions	Use Case 2 – Self managed super funds	Use Case 3 – Payroll payments
Situation today	**Situation today**	**Situation today**
Due to the current time lag it can take for contributions to be processed to a members account, it is not uncommon for contribution payments that are made on the last few days of the financial year to miss the end of year cut off and fall within the new financial year contribution allocation. This can impact on a member's voluntary or concessional contributions that can be made within a financial year.	The number of self managed super funds is growing. Currently the ATO maintains a register of ABN data for self managed super funds. However, when a superannuation payment is made, there is no mechanism in place to check that the payment is being made to the right account.	In order to receive their payroll payments, employees must provide their employer with their BSB and account number which are loaded into the monthly payroll file. If an employee changes their bank account, they have to provide their employer with their updated BSB and account number details.
Scenario under the NPP	**Scenario under the NPP**	**Scenario under the NPP**
Using the NPP for contribution payments means those payments could be instantly credited rather than incurring delays. The likelihood that contribution payments made in the last few days of the financial year falling into the allocation period for the new financial year would be reduced. The time that funds are "out of the investment markets" would also be reduced.	With the NPP, self managed super funds could register their ABN as a PayID and when a payment is made, the fund's financial institution would be required to verify ownership of that ABN and that it is indeed owned by that self managed super fund and that the payment is being made to the right bank account linked to that particular PayID.	Under the NPP, employees could use a PayID to receive payroll payments into their account. If an employee changes their bank account, all they have to do is port their PayID to their new bank account and all of their payments will automatically be directed into their new account, eliminating the need to update payroll files with new BSB and account numbers.

Development of NPP ISO 20022 message usage for payroll, PAYG tax and superannuation payments

NPPA is developing ISO 20022 message usage guidelines for payroll, PAYG tax and superannuation payments on the NPP. This is intended to ensure a consistent approach to the treatment of data required to support these specific payment types when a payment is made on the NPP and to facilitate the consistent transmission of data from Payer through to Payee.

This work involves defining specific message elements that should be included for particular payment types and the use of category purpose codes to identify these types of payments. For further information, please see "Development of NPP ISO 20022 message standards for Payroll, PAYG Tax and Superannuation Payments Explainer Document."

The NPP ISO 20022 message usage can also be applied to APIs that have been developed for use on the NPP. NPPA has developed an API Framework which defines the key technical approach and mandatory data attributes for NPP APIs, aligned to the NPP implementation of ISO 20022 standards[4].
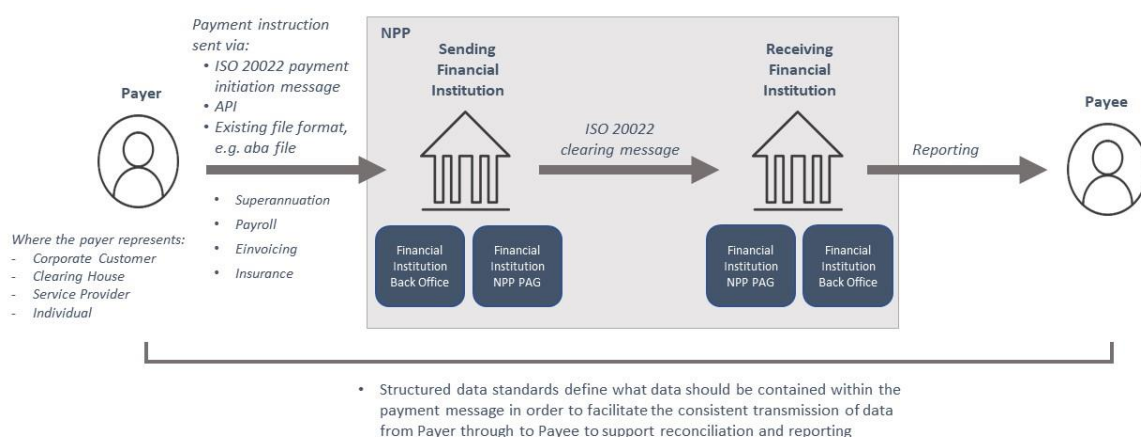
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[2] https://www.ato.gov.au/super/superstream/
[3] https://www.ato.gov.au/Business/Single-Touch-Payroll/
[4] NPPA, 'New Payments Platform API Framework opens door to capabilities'

This API Framework is intended to drive inter-operability, standardisation, and consistency in how organisations can use APIs to access the NPP for their payment needs. NPPA will align its message standards work with the NPP API Framework to facilitate the use of APIs for NPP payments. For more information on the NPP API Framework, click here.

What does this mean for organisations that want to make payroll, PAYG tax and superannuation payments on the NPP?

Payers that want to instruct a financial institution to process a payment to a beneficiary party, either from their own account or from a third party customer's account[5], could use the NPP messages and category purpose codes when making these payment instructions. The financial institution receiving the payment instructions from the Payer would be responsible for ensuring the required data is received and is passed into the payment message to ensure the end-to-end transfer of the information through to the Payee, as illustrated below:

- Structured data standards define what data should be contained within the payment message in order to facilitate the consistent transmission of data from Payer through to Payee to support reconciliation and reporting

These payments could be initiated by a Payer in various ways, such as:

- Using an NPP ISO 20022 payment initiation message
- An NPP payment initiation API hosted by the Sending financial institution (which is aligned to the NPP ISO 20022 message)
- An alternative file format as offered by or agreed with the financial institution receiving the file from the Payer. This could include the existing BECS or aba file format

The Payer would need to work with their Sending financial institution(s) to determine how the required data is received (and in what format) in order for the data to be passed into the payment message.

Market participants, such as payroll providers, cloud accounting software providers and superannuation gateways, could choose to incorporate the specified NPP ISO 20022 data elements into their product and service offerings to be able to send payroll, PAYG tax and superannuation payments via the NPP. The fees for processing these NPP payments would be determined by the relevant financial institutions involved, as occurs today with Direct Entry payments.

Market Consultation

NPPA is seeking input from interested stakeholders on the development of NPP ISO 20022 message usage guidelines for payroll, PAYG tax and superannuation payments. The aim of the consultation

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[5] Third party payment initiation supported by customer authorisation.

process is to obtain feedback from the industry and stakeholders on the proposed mandatory data elements to be included in the NPP ISO 20022 message, ensure industry needs are being met and that any relevant issues or considerations are being addressed in the overall approach.

As part of the consultation process, NPPA is providing the following documentation:

- Development of NPP ISO 20022 message usage for Payroll, PAYG Tax and Superannuation Payments - Market Consultation (this paper)
- Development of NPP ISO 20022 message usage for Payroll, PAYG Tax and Superannuation Payments – Explainer Document

In support of the consultation process, NPPA will be conducting the following activities:

- A webinar to outline the approach being taken – 2.30pm Tuesday 12th February 2019
- A series of industry roundtable discussions:
    i. Friday 22nd February 2019 – Sydney (exact time and venue to be advised)
    ii. Tuesday 26th February 2019 – Melbourne (exact time and venue to be advised)
    iii. Other locations – TBD depending on market demand

Interested stakeholders are invited to review the documentation provided and to:

- Register for the webinar here by COB Monday 11th February 2019
- Register their interest in attending one of the scheduled roundtable discussions listed above by completing the registration form here by Tuesday 19th February 2019. Attendance at the roundtables will be on a first come, first served basis and numbers will be limited. Separate sessions will be held for superannuation and for payroll. Please indicate which session you are interested in attending when registering
- Provide their input in writing to NPPA to info@nppa.com.au by no later than Friday 8th March 2019

Other general enquiries can be directed to info@nppa.com.au.

For more information on the NPP, please visit our website at www.nppa.com.au.