Australia's RTGS System

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RITS

- *The **R**eserve Bank **I**nformation and **T**ransfer **S**ystem*

- Began operation in 1998

- Operated by the RBA

- Currently processes around $160 billion in value, and 25,000 in volume per day

What may be unusual

- Two Boards

- Participation

- CLS Settlement

- Liquidity

- Formality of Failure To Settle Arrangements

- Pricing

RBA Boards

- Main Board determines monetary policy and general operation of the RBA
- Payments System Board determines the Bank's payments system policy to promote:
  - Competition
  - Efficiency
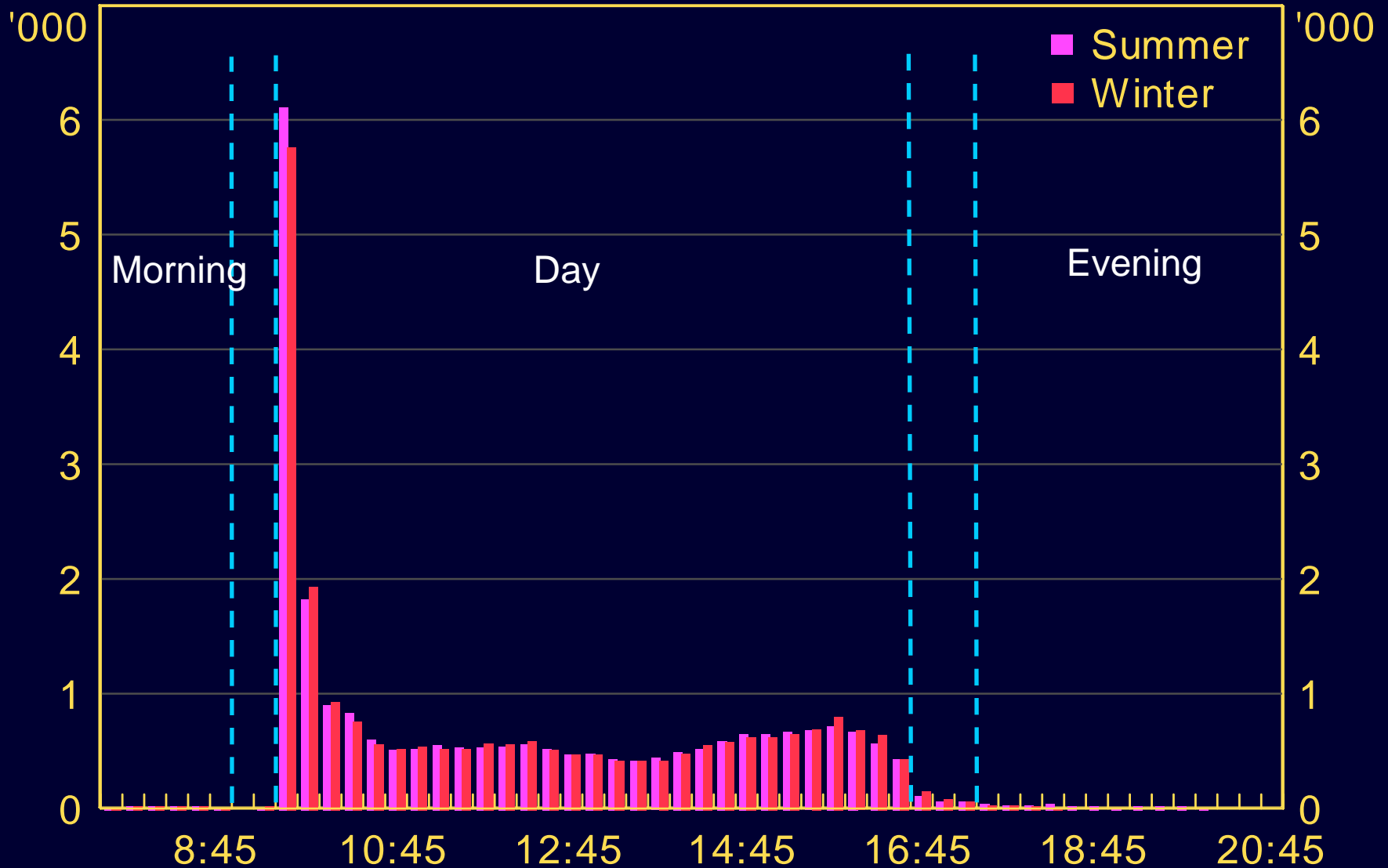 - Stability

Participation

- Originally, all banks required to settle as direct participants using own ESA

- ESA Access policy set by PSB:
    - "*an actual or prospective provider of third-party payment services with a need to settle clearing obligations with other providers*"

- From 2003, indirect participation by banks permitted for participants with volume less than 0.25% of RTGS transactions

RITS Settlement

- RTGS of transactions for:
    1. Securities transactions settled through Austraclear
    2. The domestic currency leg of FX transactions and large corporate payments through SWIFT PDS
    3. Money market transactions through RITS

- Interbank transfers in respect of multilateral net settlement of:
    1. low value transactions (cheque, direct entry, ATM & EFTPOS) – at 9am each day
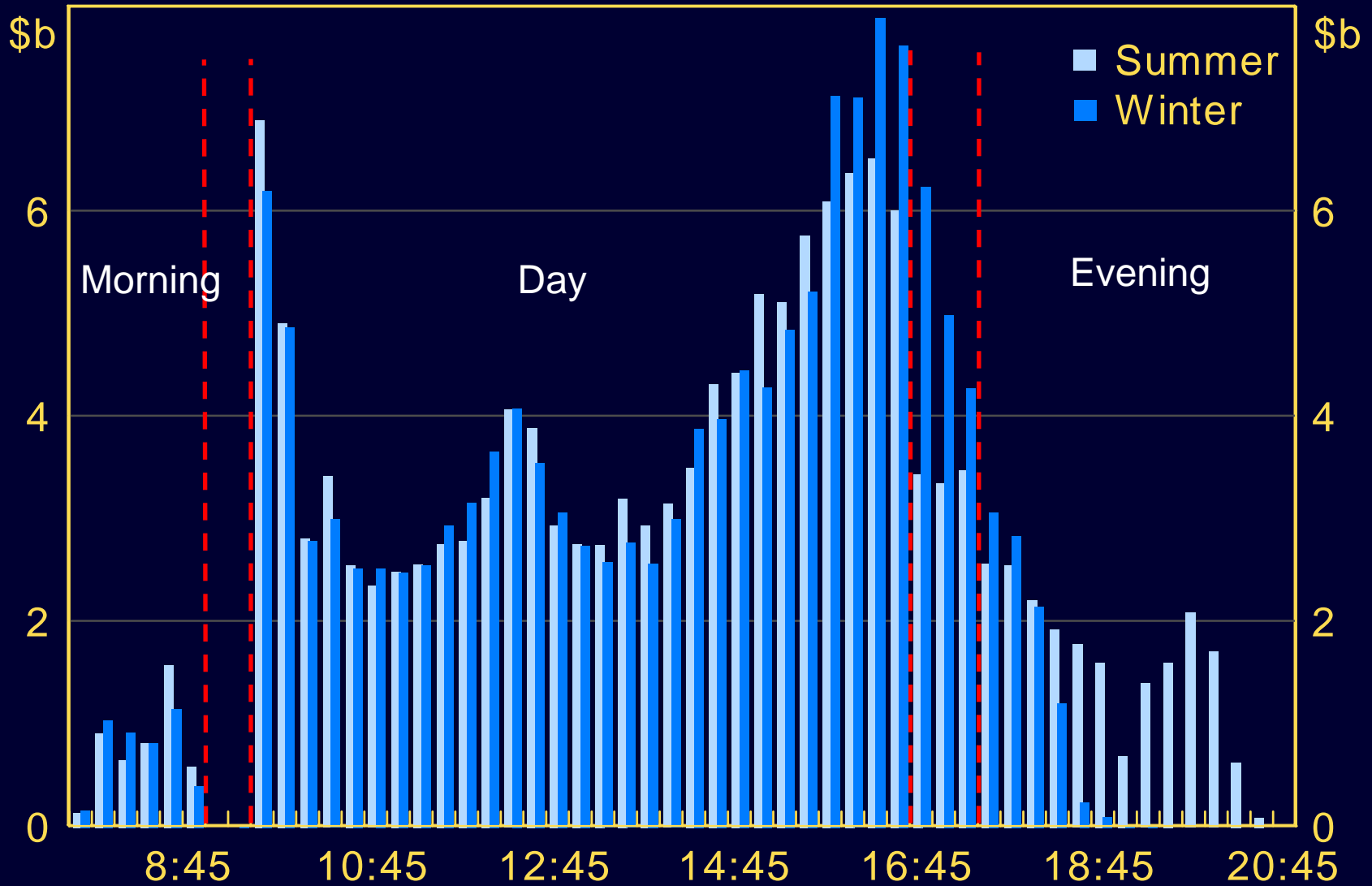   2. equities (ASX)
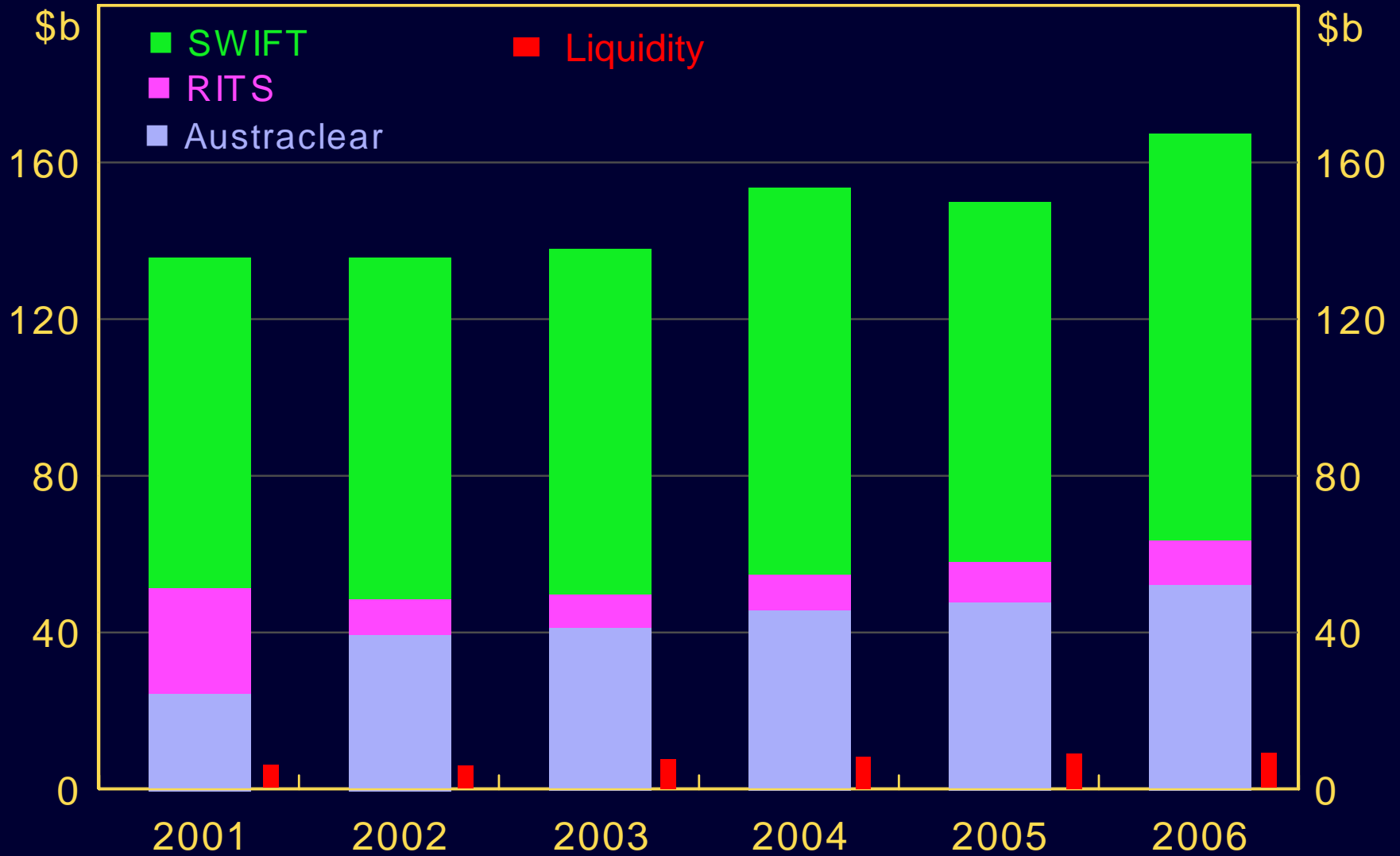
RITS Transaction Value

Settled by time, 2005

Source: RBA

Value Settled by System

Daily average

Source: RBA

System Liquidity

Daily average, 2005

Source: RBA

Failure to Settle

- Approved real-time gross settlement (RTGS) system in terms of the *Payment Systems and Netting Act 1998*

- Approved multilateral netting arrangement in terms of the *Payment Systems and Netting Act 1998* for settlement of APCA clearing streams (9am batch)

- Clearing system rules set out procedures to apply in the event of the failure of a participant

Failure to Settle

- Low value arrangements recast multilateral net positions to exclude a defaulter
- Where RITS is unavailable, high value payments only settle on by bilaterally agreement as deferred net
  - Industry holiday

Pricing

- Current policy is full cost recovery, achieved by a flat per transaction price of $0.88 for both sender and recipient
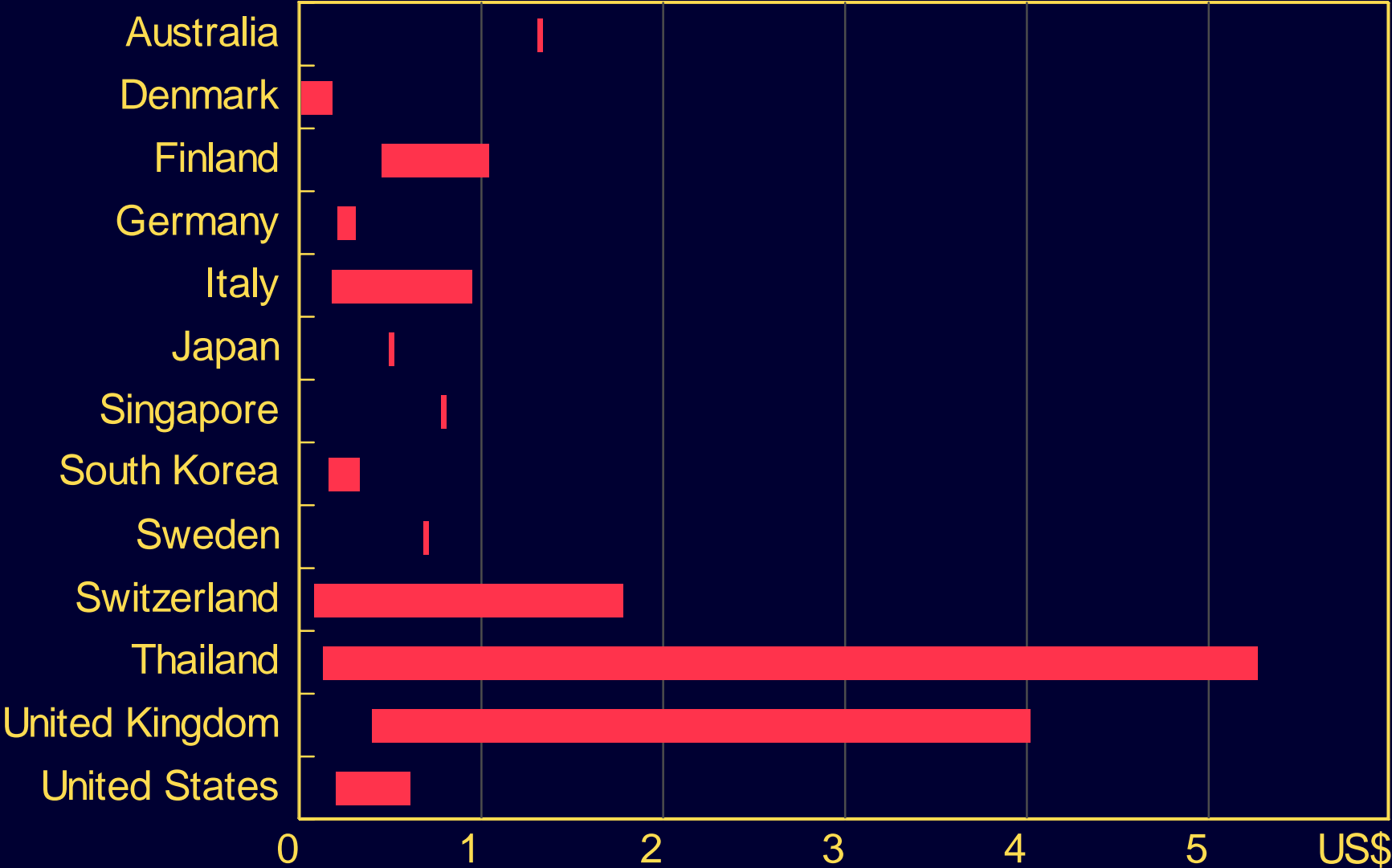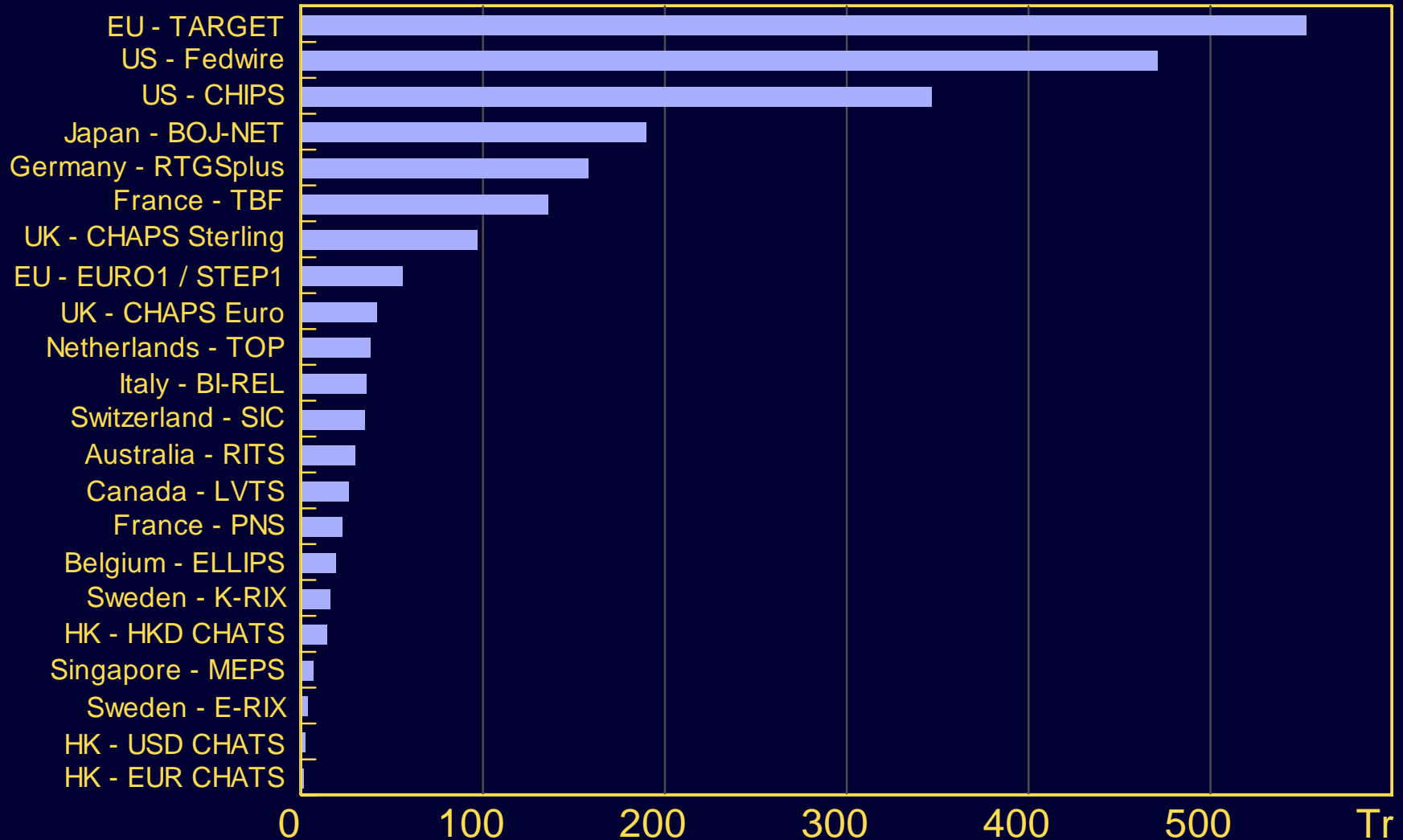
Volume Settled
Daily average
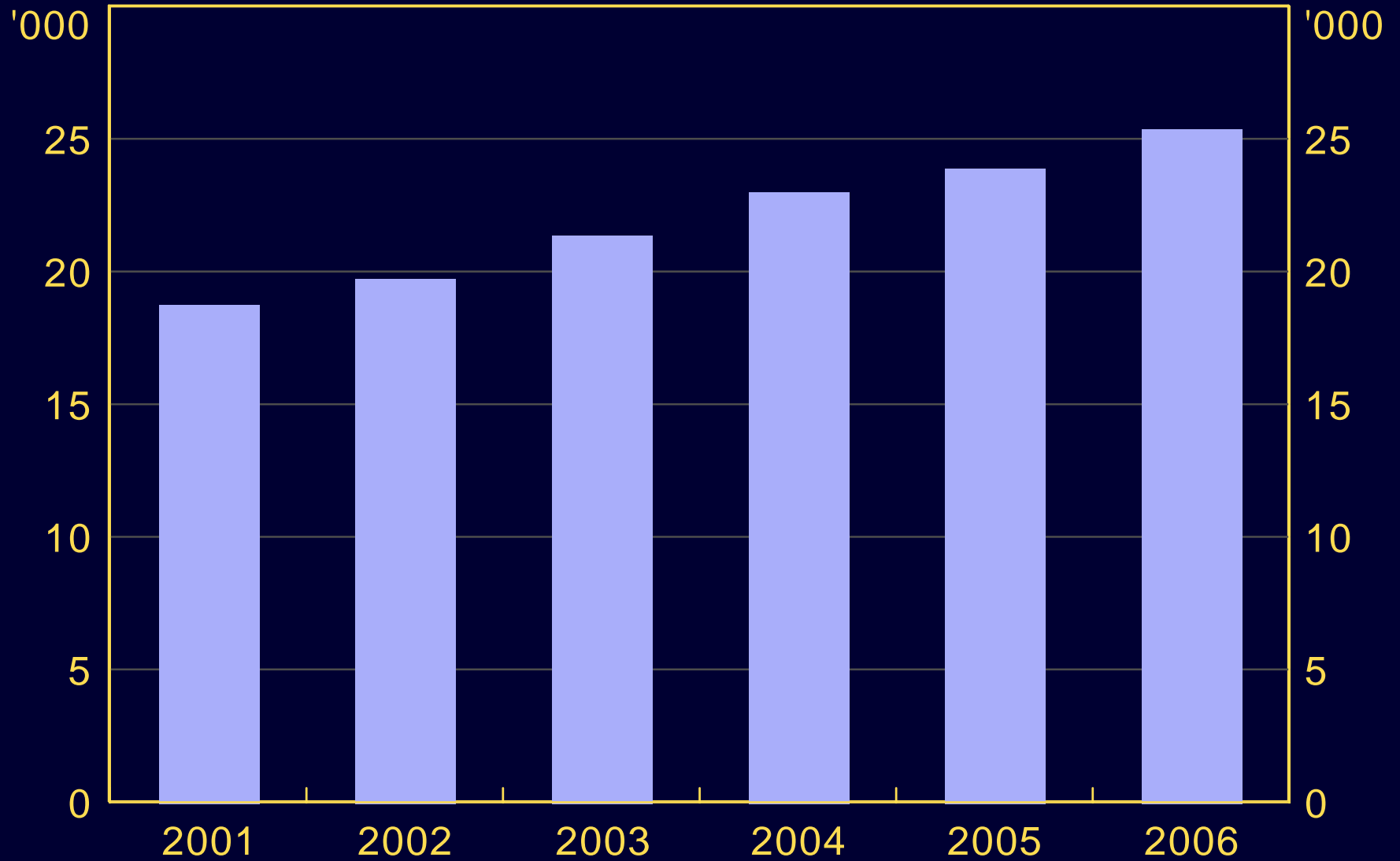
Country	Entry fee	Ongoing membership fee	Type of transaction fee (US$)			Average volume
			Flat	Value/Time	Volume	'000
Australia			1.32			25
Denmark	✓	✓			0.01-0.17	3
Finland	✓	✓			0.45-1.03	1
Germany					0.21-0.30	139
Italy					0.18-0.94	33
Japan		✓	0.50			22
Singapore		✓	0.79			10
South Korea		✓		0.16-0.32		8
Sweden	✓	✓	0.69			6
Switzerland			0.06	0.02-2.43		1024
Thailand		✓		0.13-5.26		6
United Kingdom	✓	✓	0.29		0.11-3.72	113
United States		✓			0.20-0.60	528

Transaction Fee

Country	
Australia	
Denmark	
Finland	
Germany	
Italy	
Japan	
Singapore	
South Korea	
Sweden	
Switzerland	
Thailand	
United Kingdom	
United States	

0   1   2   3   4   5   US$

Total Value Settled 2004
USD trillions*

| System	Value
EU - TARGET	~560
US - Fedwire	~480
US - CHIPS	~355
Japan - BOJ-NET	~195
Germany - RTGSplus	~165
France - TBF	~140
UK - CHAPS Sterling	~100
EU - EURO1 / STEP1	~60
UK - CHAPS Euro	~48
Netherlands - TOP	~45
Italy - BI-REL	~43
Switzerland - SIC	~42
Australia - RITS	~35
Canada - LVTS	~32
France - PNS	~28
Belgium - ELLIPS	~25
Sweden - K-RIX	~20
HK - HKD CHATS	~18
Singapore - MEPS	~10
Sweden - E-RIX	~8
HK - USD CHATS	~5
HK - EUR CHATS	~3

* Average exchange rate for 2004
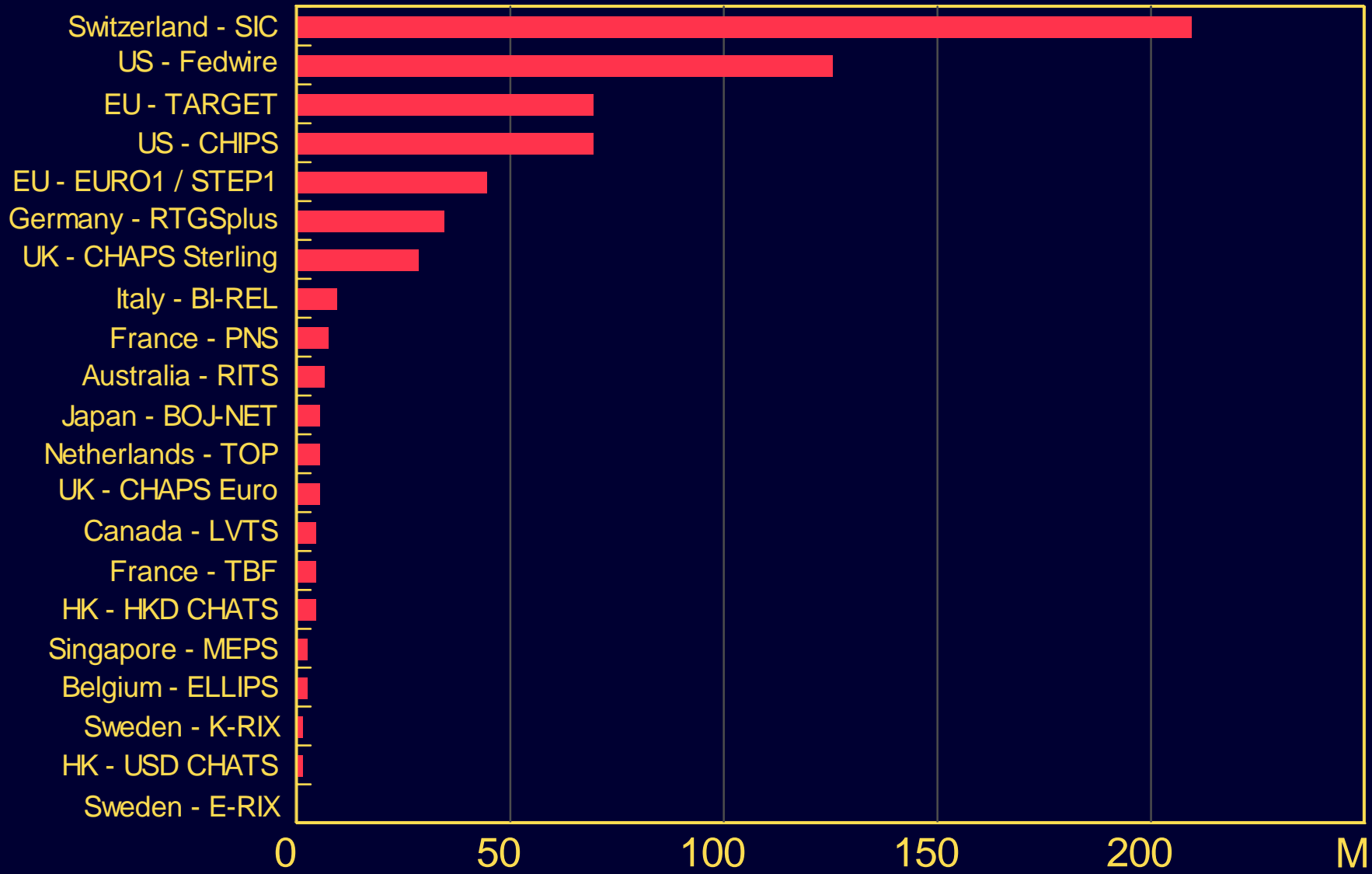Sources: CPSS; RBA

Value by Institution
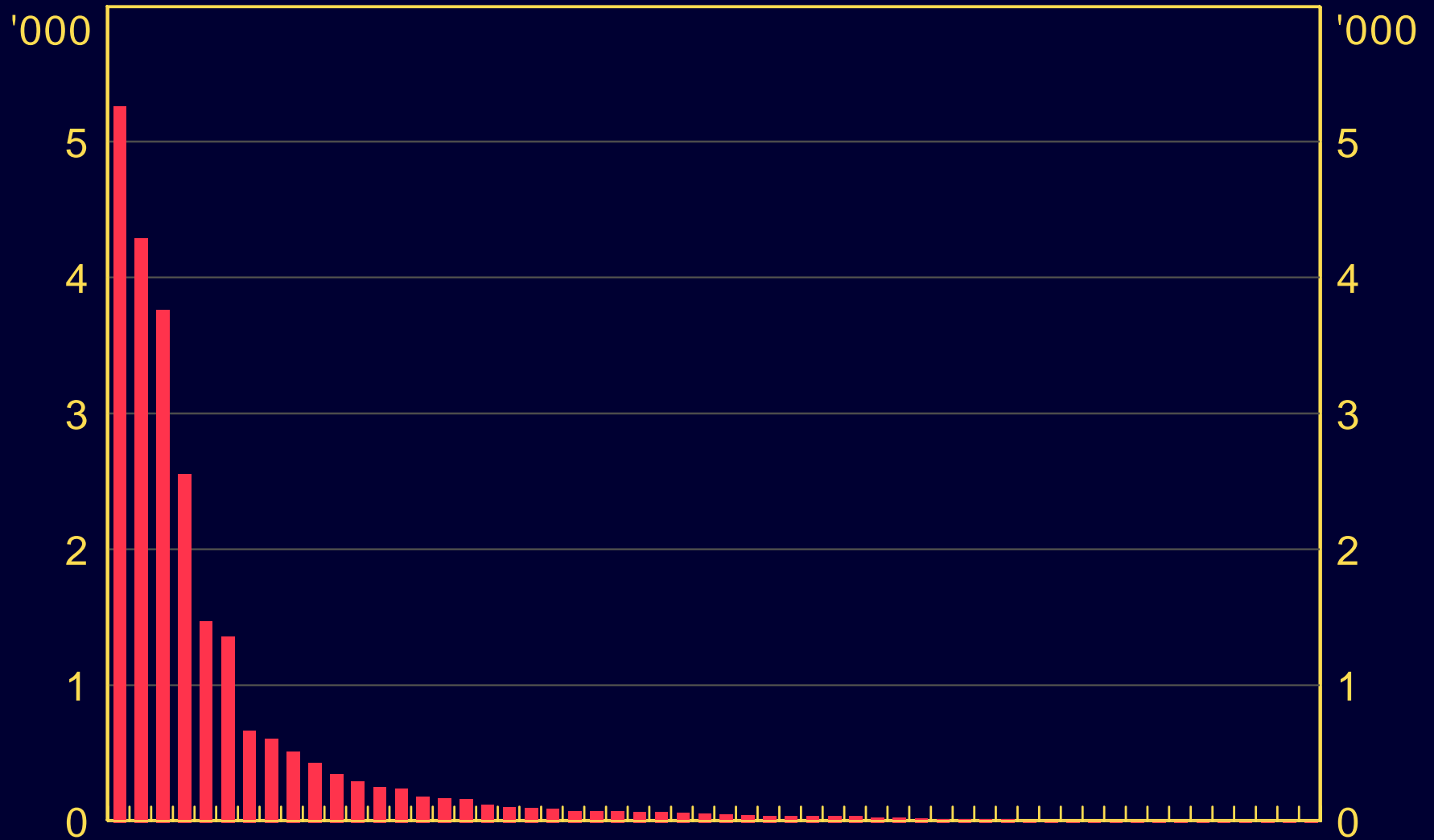## Daily average 2005
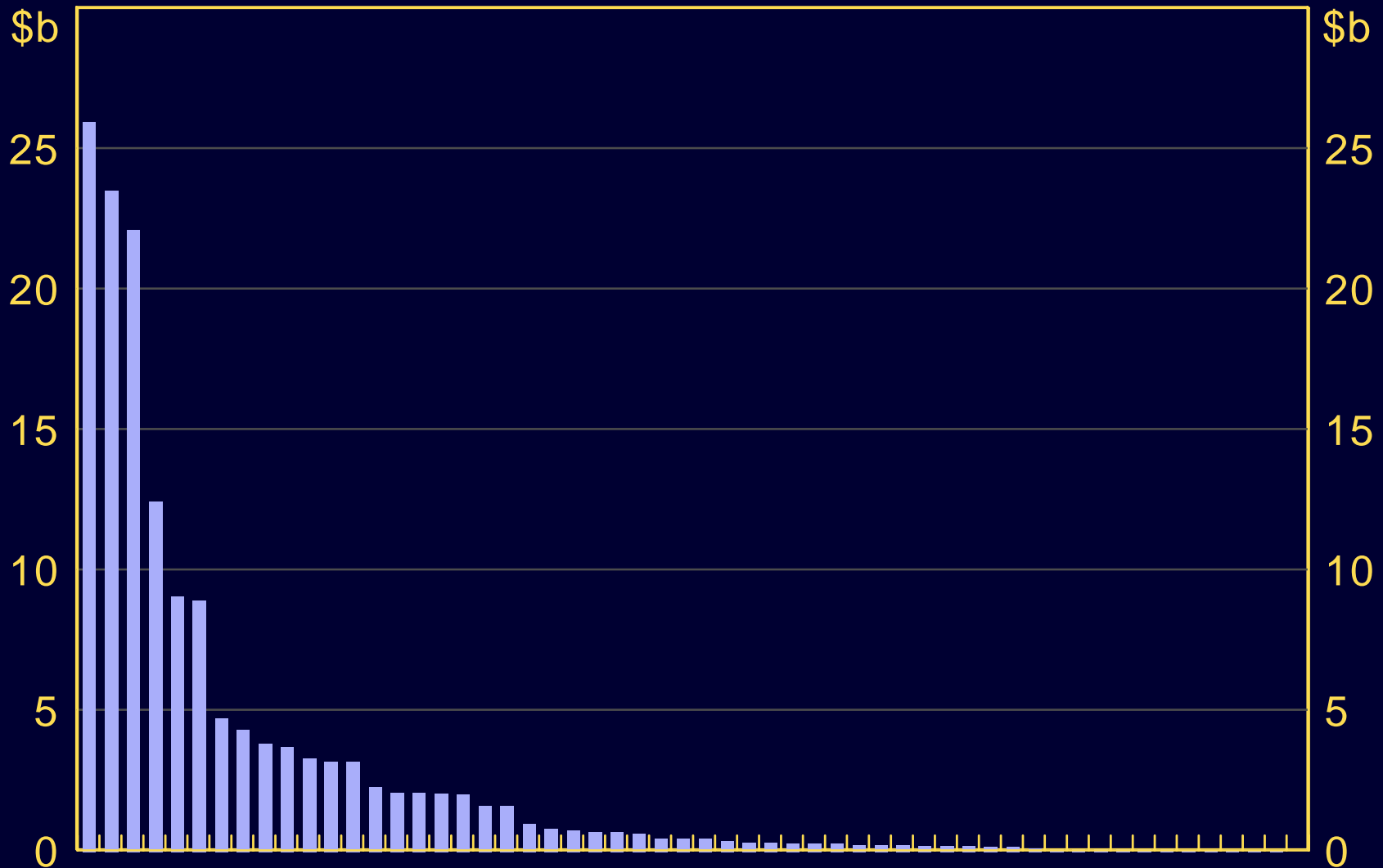
56 ESA holders

Source: RBA

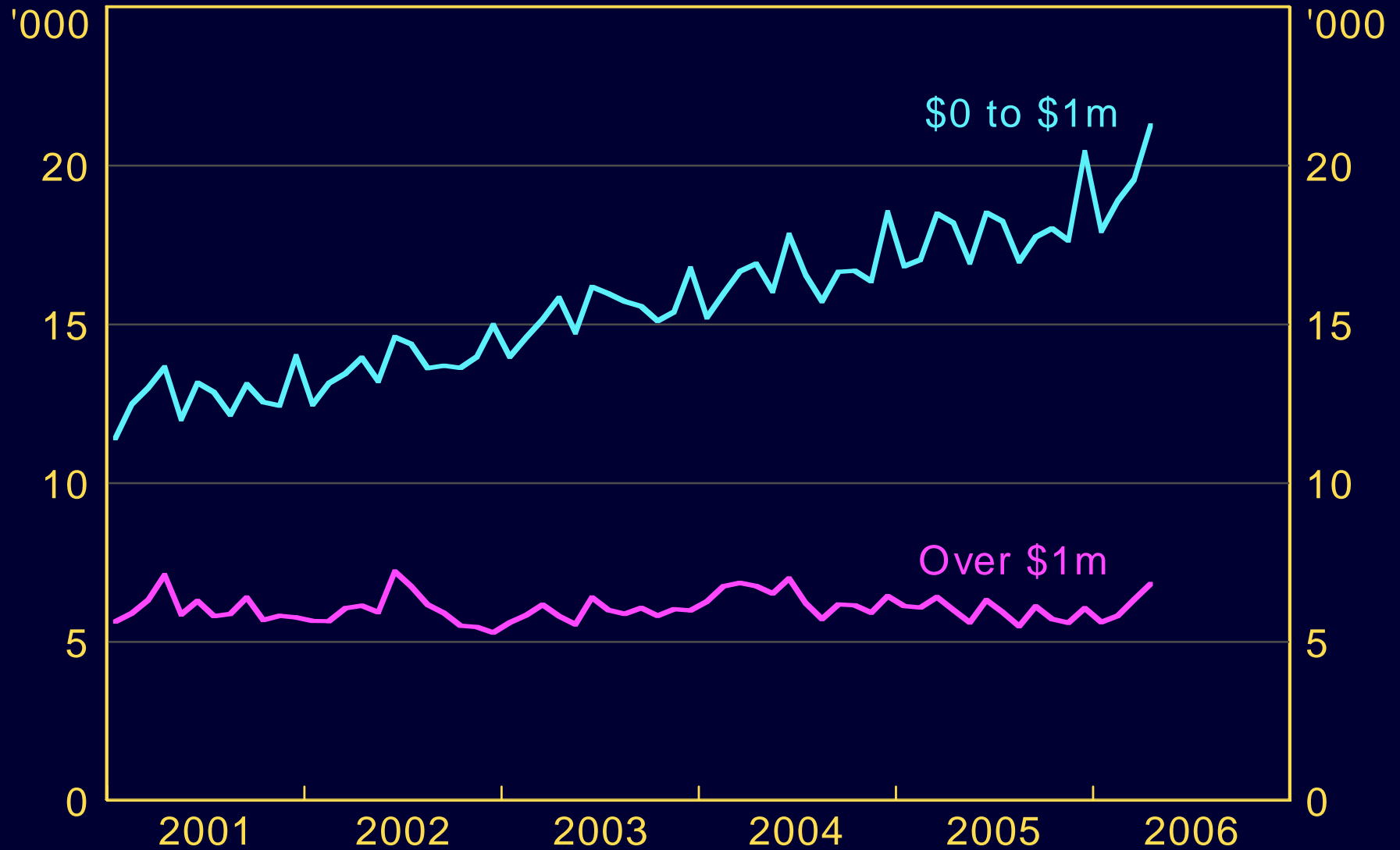# Total Volume Settled 2004

Sources: CPSS; RBA

Volume by Institution

Daily average 2005

56 ESA holders

Volume Settled by Transaction Value

Average daily

Source: RBA

Pricing

- Relatively small number of transactions

- Relatively high per transaction fees

- Concentrated industry

- Volume driven by low value transactions

Pricing

- Degree of cost recovery?
  - full cost recovery or subsidy

- How?
  - marginal pricing
  - average pricing
  - fixed joining/ongoing membership fees
  - per transaction fees – flat, or dependent on volume, value or time of settlement

Australian RTGS transactions
Breakdown by transaction size

Transaction Size $	Cumulative volume per cent of total	Cumulative value per cent of total
0 - 5 000	30	0.0
5 000 - 25 000	46	0.0
25 000 - 100 000	58	0.1
100 000 - 1 000 000	75	1.1
More than 1 000 000	100	100

Pricing

- A large number of very small transactions
  - Could migrate to direct entry

Pricing

- Is migration of low value to a relatively riskier system a concern?

  - Probably not

- Is RTGS a public good?

  - Probably