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NPP Salary and Payroll Payments

Guidance for third parties

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NPP AUSTRALIA LIMITED

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NPP Salary and Payroll Payments Guidance

The NPP uses the ISO 20022 payment messaging standard, which provides a set of comprehensive xml formatted messages, rich in both structured and unstructured data.

Third parties that want to initiate a payment by instructing an NPP participating financial institution (FI) to process an NPP payment to a beneficiary party, either from their own account or from a customer's account (where customer authorisation and the relevant agreement from the processing financial institution is in place¹), can do so in a variety of ways:

- Using an ISO 20022 payment initiation message (what is known as an NPP pain.001 message).²
- An alternative file format as agreed with the financial institution processing the file; or
- Via an API hosted by the processing financial institution

The guidance provided below is specific to the NPP pain.001 message and does not cater for other forms of proprietary customer to FI payment initiation. NPP FIs' acceptance of pain.001 messages from payer customers is proprietary. The guidelines provided in this document are based on publicly available ISO message schema guidance and are subject to any additional proprietary requirements FIs may determine necessary or appropriate. Nothing in this document should be construed as a representation or warranty by NPPA or any NPP participating FI in relation to payment services offered by NPP participating FIs.

Categories of NPP payments

Just as a BECS Direct Entry record identifies the transaction code of the payment instruction, ISO 20022 messages use category purpose codes that identify the type of payment being made. NPPA has defined the use of specific category purpose codes for NPP messages for certain types of payments. Third parties that want to instruct a financial institution to process a payment to a beneficiary party, either from their own account or from a customer's account, can use these category purpose codes when sending payment instructions.

NPP ISO 20022 Salary and Payroll guidance:

The following guidance outlines the data elements of the NPP message that may be populated when making a Salary or Payroll (**payroll**) Payment. The NPP message for payroll payments will carry the same data as currently contained within the BECS file or similar file formats. The identification of the payment as a payroll payment enables consistency with current BECS Direct Entry identification of a payroll transaction and the processing conditions relevant for the employer.

Using the NPP for payroll payments means the payment can be processed in near-real time and allows for more information to travel with the payment. Additionally, the payment could be made using the employee's registered PayID³ to route the payment to the employee's bank account.

Using the NPP message also provides an opportunity to include additional information and additional reference information in the payment message, which can be presented to the payee. This can include more structured data elements or extended commentary in the payment from the employer, for example, "Adjustment pay for week ending 20/1/19" or "Commission payment for Quarter 1", up to date details of hours paid, superannuation contributions or details relevant to the employee payslip.

¹ Third party payment initiation supported by customer authorisation.

² For further information on the construction of the pain.001 message, please refer to the ISO20022.org website (<https://www.iso20022.org/>) and the NPP Payment Initiation guidance document (https://nppa.com.au/wp-content/uploads/2020/11/NPP-Payment-Initiation-message-guidance_final-31-Oct-2019.pdf).

³ A PayID is a unique proxy for a bank account number, which is registered by a customer with their financial institution, and available to payers for directing NPP payments to that customer's account. For further information on PayID, please visit www.payid.com.au



Data contained within the NPP clearing message associated with a payment instruction is encrypted and available only to the parties to the payment transaction and the sending and receiving financial institutions, and is not collected by or available to NPPA, its vendors or any other financial institutions. The NPP itself has been designed with privacy and data security as core features. Security of host-to-host or other file upload facilities provided by NPP participating financial institutions for their corporate and government customers for the transmission of payment instructions is outside of the NPP security framework.

NPPA requires that the following elements are populated in the payment initiation message to ensure the correct reporting of payroll payments.

Pain.001 element name	Guidance
Category Purpose	SALA
End to End ID	Employee Number or Direct Entry File Reference Information
Unstructured Remittance	<p><i>Optional</i></p> <p><i>Comments relating to specific employee information or payroll processing.</i></p> <p><i>Examples may include:</i></p> <p><i>“Payment for week ending 27th October 2019”</i></p> <p><i>“Commission Payment – October 2019”</i></p> <p><i>“Overtime – Saturday 9th November 2019”</i></p> <p><i>“Weekly Employees week ending 27th October 2019”</i></p>
Creditor Reference	Employee Number

NPPA recommends contacting your Financial Institution to confirm implementation requirements for the NPP pain.001 message or alternative proprietary payment initiation arrangements for payroll payments.

Implementation of NPP message usage guidelines for payroll

NPP participating financial institutions will be obliged to **receive** NPP messages with additional defined data elements for payroll payments by December 2020. Financial institutions can choose whether or not to support **sending** these payment message types according to the needs of their customer base and their individual commercial offerings.

NPPA will periodically review and update the defined data elements contained within this document for payroll payments. NPPA will also consider developing additional message usage guidelines for other payment types in the future according to market demand. Further details regarding the NPP message usage guidelines will be made available on the NPPA website at www.nppa.com.au.



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Third parties that wish to use this Guidance should consult their financial institution to ensure submission of corporate payment files in ISO20022 format (including via API) is supported by that institution.

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