



CHAPS Strategic Advisory Forum

Monday 23 April 2018

The first CHAPS Strategic Advisory Forum was held on 23 April 2018. A summary of the meeting is provided below.

Attendees: Kevin Brown (Chair) – Independent member on the RTGS/CHAPS Board
Michael Jones – Head of Market Services, the area that operates CHAPS

External members¹

Angus Scott (CLS)
Chirag Patel (Rabobank)
Douglas Peel (Goldman Sachs)
Graeme Middleton (Honda Motor Europe)
Jo Oxley (ex-officio: Head of Government Banking Service)
Jo Towers (HSBC)
Julian Richings (JP Morgan Chase)
Julian Sawyer (Starling)
Simon Eacott (Royal Bank of Scotland)
Sriram Iyer (Deutsche)
Thair Hanif (Al Rayan Bank (UK))
Thom Wilkinson (Monro Wright & Wasbrough LLP)

Secretariat, presenters and other Bank attendees

Tim Everest – CHAPS Chief Operating Officer
Samantha Leighton – Secretariat
Roy Whymark – Secretariat
Sara Ward – RTGS renewal engagement lead
Chris Redmond – Advisor, Risk Transformation (Item 4 onwards)

Apologies: John Lyons (TSB)
Scott Johnson (Chas Smith)

Item 1: Introductions

1. The Chair welcomed members to the first CHAPS Strategic Advisory Forum meeting (the Forum) and invited introductions from members and the Bank's executive present. He also explained his role as one of four independent members on the Bank's RTGS/CHAPS Board, noting his background including his past role as Head of RBS's Global Transaction Services.

Item 2: Role of the Strategic Advisory Forum

2. The Chair set out the role of the Forum as a senior, strategic forum for the Bank to engage Forum members on how the Bank runs, develops and manages the CHAPS service. The Chair explained that, in setting up the Forum, the Bank had looked for a good mix of senior experience from a range of backgrounds.
3. The Chair explained that he, the Board and the Bank's executive were keen to have user input on how the Bank runs the service and any significant changes. While the Forum is not decision-making, he considered it to have influence by virtue of a direct channel to the Board. The Bank hosts a number of committees and other fora to engage with industry across the range of its functions, however, the Forum was notable for having an independent chair. The Bank will

¹ External members, with the exception of Jo Oxley, are appointed on an individual basis. Their respective organisations are shown for information. A number also have links to trade associations such as the Association of Corporate Treasurers, Association of Foreign Banks, London Money Market Association, and the Law Society of England and Wales.

welcome candid advice and robust challenge from the Forum. The Chair would provide an update after each the Forum to the Board. In governing the CHAPS service, the Board and the executive want to gather views from users, to assess those views and any proposed changes. Resulting action might vary from implementing a change to the service, a change in how the Bank governs and manages risk, or additional communications and/or feedback.

4. The Chair confirmed that it would highlight any sensitive content that was not suitable for onward distribution – expected to be rare. Otherwise, members are welcome to share within their organisations and with any trade associations they are linked to. However, it is not a requirement of membership to gather or feedback views to trade associations or respective sectors. The Bank recognises its own role in communicating with users.
5. The Bank will publish a summary of the Forum’s discussion on its website, and considered this important for transparency. The summary will be shared with members before publication for information and to provide an opportunity to highlight any significant concerns. In general, the discussion would not be attributed. **Action:** Bank to publish the Terms of Reference, following ratification at the RTGS/CHAPS Board in May.

Interaction with the New Payment System Operator and the RTGS renewal External Advisory Body

6. In the course of the discussion, the Bank confirmed regular engagement, at multiple levels, with the New Payment System Operator (NPSO) that would shortly become the operator for Bacs, Faster Payments and cheque clearing. The Bank and NPSO will also share experiences on setting up the Forum and Participant/End-User Councils respectively and consider where communication could be undertaken jointly. It was noted that Jo Oxley sat on the Forum as well as the NPSO’s End-User Council as a representative of the Government Banking Service.
7. Sara Ward also explained the relationship with the RTGS renewal External Advisory Body (EAB). EAB was set up in July 2017 with representatives from direct and indirect participants to provide input on the RTGS renewal programme. Attendees include the NPSO and the Payment Systems Regulator. Two independents from the Board also attend EAB – Sandy Boss and Kevin Brown. Information will flow between EAB and the Forum, through Kevin Brown, Mike Jones and Sara Ward. EAB and the Forum each have a channel into the Board. Due to the pace of change, EAB is currently meeting six times a year. The separate EAB and Forum helps to ensure sufficient focus on both the RTGS renewal and the transformation of the CHAPS service. **Action:** Bank to share EAB minutes with the Forum.

Item 3: External engagement strategy for CHAPS

8. The Chair introduced the item by explaining that part of the CHAPS transformation was reviewing how the Bank should engage with its stakeholders in respect of CHAPS. The Forum itself is an important part of the strategy. Advice from the Forum would be welcome on the engagement strategy for a wider population.
9. The Forum had a wide-ranging discussion and made the following points:
 - The benefit of layered communications reflecting, on the one hand, a large but niche group of experienced payments professionals as well as organisations active in the financial markets. And on the other hand, a large population extending into retail end-users such as those buying property or a car.
 - A number of those who provide banking and payment services described the benefits of ‘core text’ that was customer-friendly. This provided consistent wording that could be used by the Bank as well as banking and payment services providers.

- Careful thought should be given to the style of communications. Members liked the newsletters that had been shared on RTGS renewal and from CHAPS Co. A very short circular pointing to more information on the website would work well.
 - The Forum identified that much of the market was still reliant on communication from the Direct Participants, with mixed success. This was important but the Bank, at the centre, could do more in terms of making information available to indirect participants and end-users.
 - Members expressed their willingness to continue to support the Bank, through the Forum, on structuring with who and how the Bank should communicate. A number of members also reiterated the benefits of using trade associations given their well-established communication channels.
 - Mixed views were expressed on use of social media. It is a useful tool to raise awareness of information, especially LinkedIn to payment professionals. However, on more sensitive topics there needed to be careful management of key messages.
10. The Chair thanked members for their input. He and the Bank's executive will reflect on these as part of the development of the stakeholder engagement and communications strategy for CHAPS.

Future of the CHAPS Service User Group

11. Tim Everest explained that CHAPS Co had operated an open-invite Service User Group that met every six months. It discussed a number of topics, such as cyber and on-boarding. Due to the diversity of the attendees, it was difficult to identify sufficient common interests and maintain interest.
12. The Chair said that a single annual event was under consideration to help encourage greater user engagement, and invited views from members.
- Members flagged the good attendance levels at the annual SWIFT Business Forum in London as well the PSR's annual plan events.
 - One option could be an event within a broader payments exhibition (SWIFT, PayExpo).
 - Another option would be a joint event with the NPSO.
13. Summarising the discussion, the Chair confirmed the Bank would revisit this topic at the next Forum. He noted little enthusiasm from members for a stand-alone Service User Group, reflecting the challenge of identifying common topics of interest. Instead, the Bank would reflect on the valuable suggestions, highlighting the efficiency of joint communications with organisations such as the NPSO, attendance at conferences etc. In addition, the Bank would consider increasing use of trade associations for 'business as usual' communications as well as change initiatives.

Item 4: Update on Direct Delivery

14. Mike Jones set out that the rationale for bringing CHAPS in-house was to reduce risks to financial stability through enabling a single entity to manage risks holistically across the system. The transfer of responsibility and staff took place in November. Since then, staff and functions had been integrated into the Bank. The RTGS/CHAPS Board meets every two months as part of the new governance arrangements that were established in November 2017. Work was in progress on integrating the RTGS and CHAPS risk and incident management frameworks. A review of the external engagement and communication strategy was also underway, as discussed under the previous agenda item.
15. Chris Redmond gave an overview of how the Bank needed to act as a single systemic risk manager to reduce risks to financial stability from the operation of CHAPS. This was in terms of breadth of the system i.e. end-to-end, as well as magnitude of the risks i.e. targeting the most important risks to financial stability. The Bank will seek to draw on the full set of tools and resources available to the Bank. The two key areas were drawing on the knowledge and tools available to the Bank as the prudential supervisor of many CHAPS Direct and indirect

participants. For cyber, the Bank also had a wide pool of internal experts and strong relationships with external agencies such as the National Cyber Security Centre.

16. Chris confirmed that the framework would consider the relatively small number of indirect participants that undertake to-be-defined systemically important activities, and likely look to set appropriate requirements on the Direct Participants. Members discussed the potential implications of this broader approach:
 - The boundary between indirect participants in and out of scope would need to be fluid over time as activities and firms evolve.
 - What information on end-to-end risk should be shared more broadly with the industry?
17. The Chair noted that the strategic transformation of the CHAPS service, and in particular, its risk management, was a major piece of work for the Bank. It is a topic that the Bank expects to engage with the Forum on as it develops.

Item 5: Current priorities for users

18. The Chair invited high-level views from members on their current priorities including from a change and a risk perspective. Member consensus was the priority for the CHAPS service was on areas such as resilience including interoperability, risk management and security. For example, preventing and responding to incidents across the end-to-end CHAPS system, including those from the infrastructure and participants. Or identifying thresholds above which participants should have direct access. A CHAPS payment is not considered a scheme product in the same way as, for example, Direct Debit, and this may lead to different expectations from the market in terms of service development.
19. One member noted that in light of the risk environment in which we now operate, it would be prudent to review the way obligations and liabilities within the payment system are defined as well as the way in which any losses are allocated and provisioned. This would allow the Bank to evaluate if these measures are appropriately aligned to the current risks and continue to promote best practice risk management processes amongst stakeholders.
20. The Secretariat noted that the related issue of fraud was currently being looked at by the Payment Systems Regulator and UK Finance, with a view to introducing a contingent reimbursement model and clarity of what controls a payment service provider should have in place in order not to be considered negligent. **Action:** Members to provide any further views on user priorities off-line to the Chair or the Secretariat.

Item 6: Update on RTGS renewal programme

21. Sara Ward provided an update on the RTGS renewal programme covering the drivers behind renewal and the Bank's vision for the renewed service. The key features are increased resilience; greater access; wider interoperability; improved user functionality; and strengthened end to end risk management.
22. Sara also shared indicative programme timelines. The programme is now two thirds of the way through the plan-analyse-design phase and had achieved a number of key milestones. These included the baseline of programme scope by the RTGS/CHAPS Board in March 2018. The Bank has also decided that the core settlement engine of the new RTGS system will be bespoke built rather than purchased 'off the shelf' – a significant number of choices still remain on the selection of other architectural components and the roles that 3rd parties will take in the delivery of the solution. Looking further ahead, indicative go live windows span 2020 to 2023 with the core ledger transfer likely in 2021/2022.

23. Sara outlined key deliverables for the rest of this year including more detailed transition planning and a consultation on ISO 20022. On both deliverables, the Bank is working very closely with the NPSO who are delivering a 'New Payments Architecture' on a similar time horizon. On ISO 20022 and a number of other topics, the Bank is working closely with the payments industry as well as the international community of central banks.
24. Members agreed to be added to the distribution list for RTGS renewal communications, including the bi-monthly newsletter and ISO 20022 consultation. **Action:** Bank to add members to RTGS renewal distribution list.

Item 7: Future meetings

25. Further dates in 2018 are 5 July and 8 October. Dates for four meetings in 2019 will be identified once Board dates were known, with the Forum typically being 3 – 6 weeks before a Board. The Bank will circulate draft agendas for both meetings for comment in June, taking into account members' input. **Action:** Members to provide views on future agenda items off-line.
26. The Chair thanked members for their attendance and valuable input before closing the meeting.

Log of actions agreed in the meeting

No.	Date	Action agreed	Action Owner	Date due	Status	Update
1	23/4/18	Bank to publish the Terms of Reference, following ratification at the RTGS/CHAPS Board in May.	Bank	End May	Open	
2	23/4/18	Bank to share EAB minutes with the Forum.	Bank	End April	Closed	Forum members have been added to the distribution list.
3	23/4/18	Members to provide any further views on user priorities off-line to the Chair or Secretariat	Members	End May	Open	
4	23/4/18	Bank to add members to RTGS renewal distribution list	Bank	End April	Closed	Forum members have been added to the distribution list.
5	23/4/18	Members to provide views on future agenda items off-line.	Members	End May	Open	