

## BANK OF ENGLAND (AS RTGS/CHAPS OPERATOR) RESPONSE TO THE FSB SURVEY ON CONTINUITY OF ACCESS TO FMIS FOR FIRMS IN RESOLUTION

This document, and the accompanying supporting document published alongside it,<sup>1</sup> comprise the Bank of England's (the Bank) response to the FSB Survey on Continuity of Access to FMIs for Firms in Resolution.<sup>2</sup> The Bank is responding to this survey as operator of CHAPS (sterling same-day system used to settle high-value wholesale payments) and RTGS (the infrastructure that underpins settlement of sterling payments). RTGS is not a payment system itself.

Question	Response
<b>Part I: Legal entity and general contract/service information:</b>	
<b>1. Please provide the following details:</b>	
a. Full Legal Name	The Bank of England (as operator of the Real Time Gross Settlement (RTGS) and CHAPS services)
b. Legal Entity Identification Number (LEI)	YUEDD7W89PH0FV8Q2S28
c. Jurisdiction of incorporation and registered number in the relevant corporate registry	The RTGS and CHAPS services are operated within the UK under the laws of England and Wales. The main legislation (law) that governs us is the Bank of England Act 1998 and the Charters. The relevant registered number is RC000042.
d. Supervisory, resolution or other relevant regulatory authority responsible for overseeing the activities of your organisation in (i) the relevant jurisdiction(s) of incorporation, and (ii) if different from the jurisdiction of	<b>CHAPS</b> (and those elements of RTGS that directly support CHAPS) are supervised, on a non-statutory basis, by the Bank's Financial Market Infrastructure (FMI) Directorate. Supervision is conducted to the same standard as that applied to Financial Market Infrastructures (FMIs) recognised by HM Treasury for statutory supervision.  The CHAPS system is designated by HM Treasury for regulation by the Payment Systems Regulator (PSR) which has statutory objectives focussed on promoting competition, innovation and the interests of service-users. The PSR does not have any regulatory powers over the Bank.

<sup>1</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/continuity-of-access-rtgs-chaps.pdf>

<sup>2</sup> <https://www.fsb.org/2020/08/fsb-publishes-questionnaire-on-continuity-of-access-to-fmis-for-firms-in-resolution/>

Question	Response
<p>incorporation, the relevant jurisdiction(s) of operation. Where an FMI is overseen by more than one regulatory authority, please also indicate which is the principal/ home regulator of the FMI and the relevant function(s) regulated by the respective authorities.</p>	<p>However, designation grants the PSR regulatory powers over the payment service providers that participate in CHAPS.</p> <p><b>RTGS</b> is not a payment system. The Bank's management and operation of the RTGS service, except when it directly supports CHAPS settlement, does not directly fall under any regulatory, supervisory or oversight framework for FMIs.</p> <p>Most of the payment system operators in the UK that settle in RTGS have been recognised by HM Treasury as systemically important and are therefore subject to statutory supervision by the Bank's Financial Market Infrastructure Directorate.</p>
<p>e. The ownership arrangement of the legal entity (e.g. is it majority owned by its users?)</p>	<p>The Bank's sole shareholder is HM Treasury, however, as the central bank it is operationally independent. The Bank is accountable to the public through Parliament.</p>
<p><b>2. Please provide the following information:</b></p>	
<p>a. Hyperlink to the published FMI disclosure template under the Disclosure Framework for Financial Market Infrastructures.<sup>3</sup></p>	<p><a href="https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-and-chaps-2020-pfmi-self-assessment.pdf">https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-and-chaps-2020-pfmi-self-assessment.pdf</a></p>
<p>b. a list or description of services provided, including a summary of the key ongoing access requirements that you require of members for each service</p>	<p><u>RTGS settlement services</u></p> <p>Institutions have accounts in RTGS (RTGS account holders) so they can: participate in the Bank's Sterling Monetary Framework (SMF), which supports delivery of the Bank's monetary policy decisions; and/or settle obligations in any of the payment systems for which the Bank acts as settlement agent.</p>

<sup>3</sup> See BIS-IOSCO, [Principles for financial market infrastructures: Disclosure framework and Assessment methodology](#), 2012 (December).

Question	Response
<p>(including operational, financial, and capital requirements).</p>	<p>Through RTGS, the Bank currently provides settlement facilities to directly-settling participants of the CHAPS payment system (CHAPS Direct Participants – DPs), the model 1 delivery versus payment (DvP)<sup>4</sup> payment system embedded within CREST, five retail payment systems (Bacs, Image Clearing System for cheques, Faster Payments, LINK and Visa Europe), as well as the Bank’s Note Circulation Scheme.</p> <p>The Bank’s RTGS system currently supports four settlement models: real-time gross settlement, delivery versus payment (DvP), as well as prefunded and standard net settlement.</p> <p>The real-time gross settlement model is only used by CHAPS.</p> <p>DvP is currently only used to support final settlement in CREST. Sterling settlement in CREST takes place in a series of very high-frequency cycles throughout the day. After each cycle, RTGS is advised of the debits and credits to be made to the CREST settlement banks’ accounts. We support settlement in CREST by providing intraday liquidity to the CREST settlement banks (a process known as auto-collateralisation).</p> <p>Net settlement systems operate in regular (e.g. daily) settlement cycles. At the end of each cycle the operator calculates each settlement participant’s obligations on multilateral net basis, so that each settlement participant either owes or is owed a single value. The operator then sends instructions to the Bank to settle the obligations. For Bacs, Faster Payments and the Image Clearing System, direct settlement participants hold cash in special accounts to cover the maximum possible net debit positions they could reach within each system (this is known as ‘prefunding’). If a direct settlement participant defaults, the cash set aside can be used to complete settlement for the relevant system.</p> <p><u>CHAPS Services</u></p>

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<sup>4</sup> A securities settlement mechanism that links a securities transfer and a funds transfer in such a way as to ensure that delivery occurs if and only if the corresponding payment occurs. DvP model 1 typically settles securities and funds on a gross and obligation-by-obligation basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) if and only if final transfer of funds from the buyer to the seller (payment) occurs.

Question	Response
	<p>The Bank provides same-day settlement for CHAPS payments made between 06:00 and 18:00 (with the ability to extend to 20:00 in contingency). Settlement can occur at any point during this period but is subject to constraints controlled by the relevant DPs, such as available liquidity, and subject to DPs' exposure limits. CHAPS DPs settle their own and indirect participants' CHAPS payments across accounts in RTGS.</p> <p>A number of other FMIs use direct or indirect access to CHAPS to complete their respective payment obligations. Final sterling settlement for CLS, a foreign exchange settlement system that eliminates settlement risk in participating currencies, is carried out through CLS's direct participation in CHAPS. LCH (a central counterparty (CCP)) and Euroclear Bank are also CHAPS DPs.</p> <p>Further details on RTGS and CHAPS services can be found in the Bank's response to the PFMI self-assessment.<sup>5</sup></p> <p><u>Access</u></p> <p>Access to reserves accounts is governed under the SMF's Terms and Conditions.<sup>6</sup> Eligibility for settlement accounts and services are set out in the Bank's Settlement Account Policy.<sup>7</sup> Eligibility criteria for direct participation in CHAPS is set out in the CHAPS Reference Manual (CRM).<sup>8</sup></p> <p>Institutions eligible for access to RTGS (subject to meeting the eligibility criteria set out in the documents described above) include:</p>

<sup>5</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-and-chaps-2020-pfmi-self-assessment.pdf>

<sup>6</sup> <https://www.bankofengland.co.uk/-/media/boe/files/markets/sterling-monetary-framework/terms-and-conditions.pdf>

<sup>7</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/boesettlementaccounts.pdf>

<sup>8</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/chaps/chaps-reference-manual.pdf>

Question	Response
	<ul style="list-style-type: none"> <li>• PRA-authorized/regulated UK incorporated, and UK subsidiaries or branches of non-UK incorporated, banks, building societies and investment firms (designated by the PRA for prudential supervision);</li> <li>• Financial Conduct Authority (FCA) authorised non-bank Payment Service Providers (PSPs);</li> <li>• CCPs operating in UK markets which are authorised or recognised under EMIR; and</li> <li>• Other systemically important FMI (as judged by the Bank).</li> </ul> <p>Non-bank PSPs require a non-objection from the FCA following a supervisory assessment before being granted access to a settlement account by the Bank (and where relevant confirmation from HM Revenue and Customs).</p> <p>Applicants for settlement accounts must also be, or apply to be, a settlement participant in one of the payment systems that settles across accounts in RTGS. Institutions must also have the operational capacity to participate in and efficiently settle transactions in RTGS.</p> <p>To be eligible to be a CHAPS DP an organisation must hold a reserves or settlement account at the Bank; be a participant within the definition set out in the Financial Markets and Insolvency (Settlement Finality) Regulations 1999; satisfy the CHAPS access criteria as set out in the CRM, including various security and resilience arrangements through a standard attestation process; and comply with the CRM. If required to do so by the Bank, as for applicants outside England &amp; Wales, an organisation must also provide information about its company status and settlement finality through a legal opinion.</p>
<p><b>3. Do your members/ clients access your services directly or through an intermediary?</b></p>	<p>Organisations hold RTGS accounts directly - they can't be held through an intermediary although some accounts for non-bank PSPs hold client funds. Where the account holder is not a CHAPS DP, they must nevertheless use CHAPS payments in order to move funds to and from their account held in RTGS.</p> <p>Users of retail payment services have an arrangement in place with one of the retail settlement participants (directly or indirectly) in order to make and receive retail payments.</p>

Question	Response
	<p>Over thirty financial institutions have direct access to CHAPS; other organisations and individuals can use CHAPS payments through those with direct access.<sup>9</sup></p> <p><u>Technical access</u></p> <p>RTGS account holders (including CHAPS DPs) communicate with the RTGS infrastructure via SWIFT. Messages to, and from, RTGS, including CHAPS settlement instructions, use SWIFT messaging formats. The Bank permits smaller CHAPS DPs to use third-party aggregators to provide technical connectivity to RTGS.</p> <p>The CREST system connects to RTGS using Transaction Delivery Agent (TDA), a SWIFT Alliance Gateway application.</p> <p>The retail payment systems settling in RTGS communicate with the RTGS Infrastructure via SWIFT.</p>
<p><b>4. Do your members/ clients need a specific software or IT programme to receive your services? If the answer is ‘yes’, is such software/ IT programme your proprietary product or a specific third party product (please also consider whether specific plug-ins that you require clients to run only run in combination with certain</b></p>	<p>The Bank provides a browser-based Enquiry Link service for RTGS Account payment queue management and liquidity management. This uses a proprietary messaging standard developed by the Bank and is accessed via SWIFT. Payment system operators that use cash prefunding also have access through the Enquiry Link.</p> <p>SWIFT is the messaging system used for settlement instructions for CHAPS and other FMI settlements. RTGS account holders, CHAPS DPs and FMIs settling through RTGS (or their service provider) must be a member of SWIFT. Each RTGS account holder and FMI settling through RTGS needs access to SWIFT – a SWIFT account and certificate to access SWIFT Alliance Web Platform or SWIFT Alliance Lite2.</p> <p>CHAPS DPs and FMIs settling through RTGS need access to SWIFT to submit settlement instructions (and receive confirmations).</p>

<sup>9</sup> A full list of CHAPS DPs is available on the Bank’s website (<https://www.bankofengland.co.uk/payment-and-settlement/chaps>)

Question	Response
<p><b>software, e.g. Microsoft products)?</b></p>	
<p><b>5. If your contracts are all governed by one governing law, please specify which governing law this is. If there are different governing laws, please specify the main governing laws applicable and explain whether this is dependent on the location of the services provided or as negotiated with the members/ client, or any other reason.</b></p>	<p>The Bank only provides sterling settlement within the United Kingdom. All contractual relationships with RTGS account holders, FMI operators (including Euroclear UK &amp; Ireland Ltd (EUI) the operator of CREST) and CHAPS DPs are governed by English law and subject to the Courts of England and Wales.</p> <p>The CHAPS payment system is designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999. This guarantees that financial instruments and payments which enter into CHAPS are irrevocable, even if the sender has become insolvent or transfer orders have been revoked. For firms incorporated outside England and Wales, the Bank seeks a legal opinion on the extent to which these settlement protections will be respected. Recital 7 of the EU Settlement Finality Directive allows EEA member states to implement settlement finality protections in respect of their domestically-based entities that participate in third country systems. Recital 7 has been implemented in all the relevant EEA jurisdictions. The Bank continues to work closely with local authorities in the relevant jurisdictions to ensure Recital 7 applies to CHAPS from January 2021.</p> <p>Some institutions participate in RTGS and/or CHAPS that are incorporated in a jurisdiction other than England and Wales. In these cases, the Bank may ask for legal opinions. The Bank also allows RTGS account holders to generate sterling liquidity by posting euro-denominated central bank money held outside RTGS as collateral. When euro cash is used for liquidity generation, the cash is held by the Bank in a named account with a Eurozone central bank. The agreements between the Bank and the Eurozone central bank underlying this arrangement are subject to the relevant local law.</p>
<p><b>6. Are there any other service providers or FMIs (for example, CSDs, payment systems or other infrastructure) that a</b></p>	<p>SWIFT is the messaging system used for settlement instructions for CHAPS and other FMI settlements. RTGS account holders, CHAPS DPs and FMIs settling through RTGS (or their service provider) must be a member of SWIFT.</p>

Question	Response
<p><b>member / client would need to have access to in order to receive your services? Please provide the names of those types of service providers and their regulatory status, where applicable.</b></p>	<p>While SWIFT is neither a payment nor a settlement system, and is therefore not regulated as such by central banks or bank supervisors, it is subject to central bank oversight as a critical service provider. The National Bank of Belgium acts as the lead overseer (as SWIFT is incorporated in Belgium), and is supported by the G-10 central banks.</p> <p>For access to CREST DvP in Central Bank Money participants must have access to RTGS and CREST. The CREST system is connected to the RTGS Processor using TDA. The Bank jointly owns the link between RTGS and the CREST system, with EUI the operator of CREST.</p> <p>EUI is approved as an operator of a relevant system under the UK Uncertificated Securities Regulations (USRs) and is regulated by the Bank's FMI Directorate. EUI is a Recognised Clearing House (RCH) under the UK Financial Services and Markets Act 2000 (FSMA). EUI is also a recognised inter-bank payment system under the UK Banking Act 2009. The CREST system is also a designated system in the UK under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999 and authorised under the EU Central Securities Depositories Regulation (CSDR).</p> <p>Each CHAPS addressable branch and participant of a CHAPS DP must have a unique sort code allocated and held in the Extended Industry Sorting Code Directory (EISCD). The EISCD is held and maintained by Vocalink Ltd under contract to Pay.UK. The EISCD file is released weekly by Vocalink and CHAPS DPs are required to ensure that the sorting code reference data held on their payment related databases and applications is updated, the next working day/within 24 hours, with fresh sorting code data from this weekly update. The Bank's FMI Directorate supervises Vocalink as a 'designated service provider' to Bacs and Faster Payments.</p> <p>Where CHAPS DPs and CREST settlement banks eligible for liquidity (under the SMF) need to generate sterling liquidity to facilitate payment flows they may rely on securities held in other settlement systems or euro denominated central bank money held outside of RTGS as cash collateral.</p>



Question	Response
<p><b>7. Does your operating framework recognise the continued operations of FMI participants once they enter into resolution (e.g. as under the Bank of England’s Resolvability Assessment Framework, or the Single Resolution Board’s Expectations for Banks)?</b></p>	<p>The provisions of the RTGS Terms and Conditions,<sup>10</sup> the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. The Bank would be unlikely to suspend an RTGS account or participation in CHAPS in a resolution situation with an intended outcome of a going-concern as long as the relevant access criteria continue to be met and funds are available for settlement.</p> <p>The CRM (section 6.8) states that certain events in a resolution scenario would not, in themselves, prompt suspension or exclusion of a CHAPS DP unless the participant is failing to perform its substantive obligations as a participant.</p>
<p><b>Part II: Rulebook / Contractual provisions regarding termination</b></p>	
<p>8. Discretionary termination rights.</p>	
<p>a. Rule Book / Participation agreement provisions: which provisions give rise to a right to terminate a service user’s access? Are the FMI’s termination provisions disclosed publicly? If so, please provide any link(s) to that information.</p>	<p><u>RTGS</u></p> <p>Section 9.2 of the RTGS T&amp;Cs,<sup>11</sup> which are disclosed publicly, defines circumstances in which the Bank may suspend or terminate an RTGS Account (i.e. decline to act on payment instructions, decline to accept payments on the account holder’s behalf, or close the account). These circumstances include a wide range of scenarios that constitute an Event of Default or Potential Event of Default (Section 8).</p> <p>An Event of Default could be a ‘technical’ default – such as where the aggregate credit balance across a firm’s RTGS accounts falls below the minimum balance - and ‘external’ default events – such as if the Bank determines that a change in the corporate structure following a ‘designated event’ materially weakens the creditworthiness of an RTGS account holder, certain permissions are removed, or the court makes a winding up order or a liquidator is appointed.</p>

<sup>10</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-mandate-and-annexes.zip>

<sup>11</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-mandate-and-annexes.zip>

Question	Response
	<p>The Bank may also suspend or terminate an RTGS Account where there is a breach of obligations or RTGS Rules, or where the Bank determines it is desirable for its own protection or for the protection of the stability or efficient operation of the financial system.</p> <p>Note, suspension or termination of an RTGS account would have a knock-on impact on the account holder's settlement in the FMI's it used its account to settle with.</p> <p><u>CHAPS</u></p> <p>The Bank may suspend or exclude a CHAPS DP in a number of circumstances set out in the CHAPS CRM,<sup>12</sup> which is disclosed publicly. This includes if the CHAPS DP is likely to become insolvent/enter liquidation, if their participation presents a threat to the CHAPS system or other DPs, or following a breach of CHAPS Rules or other Bank Direction (Section 6.8 CRM).</p> <p>The Bank can also withdraw its consent to a DP processing CHAPS payments for an indirect participant (CRM Section 2.7).</p>
<p>b. Are these provisions based solely on objective criteria, or can the FMI exercise judgement when triggering termination?</p>	<p>The Bank's right to terminate/suspend goes beyond failure to meet criteria and includes consideration of threats to financial stability and RTGS and CHAPS which may involve judgement.</p> <p>For example, under Section 9.2(d) of the RTGS T&amp;Cs the Bank may suspend or terminate an account where it determines it desirable for financial stability reasons and under Section 6.8 of the CRM the Bank may suspend or exclude a DP where continued participation could be disruptive to CHAPS or its other DPs. Equally, suspension or closure is not automatic, and the Bank may judge that risks to financial stability are best mitigated through not suspending or terminating an account.</p>
<p>c. Does the FMI use 'forward looking' indicators that may trigger termination, and if so which ones?</p>	<p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. The Bank does not rely on triggers. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank's function as RTGS/CHAPS operator would engage and share information as appropriate with other</p>

<sup>12</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/chaps/chaps-reference-manual.pdf>

Question	Response
	<p>relevant areas of the Bank, UK and overseas financial authorities (for example where the firm is subject to an overseas resolution regime or supervised by another financial authority), and other stakeholders (see further information on engagement in the Supporting Document to this response<sup>13</sup>). This is a richer source of insight than, for example, just quantitative metrics on payment flows.</p> <p>The Bank is unlikely to take pre-emptive action – it is likely to continue to provide services as long as the relevant access criteria are met. As payments within the RTGS and CHAPS systems are made in real time no credit exposures arise between participants or between participants and the Bank, so no credit risk exists to be managed. The Bank may consider suspending an account if a supervisor imposes certain restrictions. For example, if an RTGS account holder has been instructed to cease providing regulated activities including the provision of payment services.</p> <p>Other FMIs settling in RTGS have their own arrangements in place to manage financial risks that arise within their own systems. In some cases, this is through using the prefunding service we provide to certain retail systems.</p>
<p>d. Do the FMI's provisions envisage that (i) financial stress on the participant's side (as defined in its provisions- please provide the definition of such stress) and/or (ii) a resolution event (recognised in the relevant jurisdiction) qualifies as a material change that may trigger termination</p>	<p>The Bank would be unlikely to suspend an RTGS Account or participation in CHAPS in a resolution scenario, or situation of financial stress, with an intended outcome of a going-concern as long as the relevant access criteria continue to be met and funds are available for settlement.</p> <p>Responses to Question 7, 8a and 8b set out the Bank's relevant provisions to terminate/suspend an RTGS Account or CHAPS direct access.</p> <p>Under certain events that may be caused by financial stress, the Bank may choose to suspend or close an RTGS Account but this would not be automatic. These include credit balances falling below minimum levels, insufficient collateral, and failure to repay intraday liquidity (RTGS T&amp;Cs Section 8). In addition, the SMF T&amp;Cs (section 9) allow the Bank to suspend or terminate SMF access, for example should the participant begin to not meet SMF Eligibility Criteria. The Bank may also</p>

<sup>13</sup> The Bank's response to FSB survey on continuity of access to FMI - Supporting Document published alongside this response. See <https://www.bankofengland.co.uk/-/media/boe/files/payments/continuity-of-access-supporting-info.pdf>

Question	Response
	<p>suspend/exclude CHAPS participation under certain circumstances including where continued participation represents a threat to the CHAPS system or other DPs (CRM 6.8).</p> <p>The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more information on engagement).</p>
<p>e. During stress or resolution of the member, are actions by other FMIs taken into account as possible indicators or triggers for termination?</p>	<p>Default, suspension or exclusion from participation in any payment system can be considered an event of default in RTGS (RTGS T&amp;Cs 8.1(h)) upon which the Bank could choose to suspend or close the account. However, this is not automatic. The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more information on engagement).</p>
<p>f. Are there any other relevant provisions regarding termination? If so, please explain why they are necessary for the FMI to enable rights for termination.</p>	<p>No.</p>
<p><b>9. Suspension or restriction of membership.</b></p>	
<p>a. Does your framework allow for suspension or restriction of a participant's membership rather than termination? If yes, what exactly does this imply (for instance limiting the right to enter new transactions into the system)? Please explain any differences to termination.</p>	<p>Yes. As set out in the response to question 8, the Bank can suspend or terminate a firm's participation in CHAPS or disable (for a period determined by the Bank) or terminate RTGS accounts. In practice suspension would mean the Bank declining to act on CHAPS payment instructions by or on behalf of the firm, or disablement of the RTGS Account (which would impact other RTGS settlements including those for FMI obligations). An RTGS Account/CHAPS participation can be resumed without the need to enter into new legal contracts. However, a long suspension (weeks or months) may require other activities such as technical testing and other assurance before the suspension is lifted.</p> <p>Termination would mean the removal of that participant from CHAPS or RTGS – an exit from the legal arrangement. Re-entry would be treated as a new application.</p>

Question	Response
<p>b. Is there a specific timeline for a suspension period before it leads to termination of membership, and are there circumstances where suspension may be lifted without a termination of membership?</p>	<p>There is no specific timeframe for a suspension of the RTGS Account or CHAPS participation. It is for a period determined by the Bank reflecting circumstances on a case by case basis. At the end of the suspension the Bank can choose to lift the suspension or terminate participation/the account.</p>
<p>10. Critical FMI service rules, contractual arrangements, or procedures should reflect any legal restrictions on termination and suspension of access because of an FMI service user entering into resolution (FSB 2017 Guidance, 1.1).</p>	
<p>a. In what way do your rules, contractual arrangements and procedures reflect this?</p>	<p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more information on engagement).</p> <p>The CRM (section 6.8) states that certain events in a resolution scenario would not, in themselves, prompt suspension or exclusion of a CHAPS DP unless the participant is failing to perform its substantive obligations as a participant.</p>
<p>b. Do such arrangements include the effect of parent or affiliates entering resolution?</p>	<p>There are no specific provisions in the contractual arrangements or procedures on the effect of parent or affiliate resolution. The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions on termination and suspension of RTGS Accounts or CHAPS direct participation.</p> <p>The Bank may require, at any time, a legal opinion.</p>
<p>c. Do you have any plans to amend or otherwise change,</p>	<p>No.</p>

Question	Response
<p>or have you recently changed your rules, contractual arrangements or procedures to address legal restrictions on termination of access in the event that an FMI service user enters resolution? If so, please provide details of the proposed/applied changes.</p>	
<p><b>11. Triggers, procedure and consequences of termination of FMI participation.</b></p>	
<p>a. Triggers: in which situations would termination be considered? Is participation/membership generally terminated in case of financial stress? Are these criteria clearly outlined in the rulebook or other contractual documentation (please include the relevant references)?</p>	<p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. The Bank would not rely on triggers. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see further information on engagement in the Supporting Document).</p> <p>The Bank is unlikely to take pre-emptive action – it will continue to provide services as long as the relevant access criteria are met and funds are available. The nature of RTGS means that risk does not build up for CHAPS – if funds are not available, a payment will not be made.</p> <p>See the response to question 8 regarding the Bank's powers to suspend or terminate and RTGS account/CHAPS direct participation.</p> <p>There are no specific provisions on financial stress. Under certain events that may be caused by financial stress, the Bank may choose to suspend or close a participant's RTGS Account. These include credit balances falling below minimum levels, insufficient collateral, and failure to repay intraday liquidity (RTGS T&amp;Cs Section 8). The Bank may also suspend/exclude CHAPS participation</p>

Question	Response
	<p>under certain circumstances including where the continued participation represent a threat to the CHAPS system or other DPs (CRM 6.8).</p>
<p>b. Please explain the management and monitoring around the termination process - steps and timelines of the escalation and decision-making, as well as of the implementation of termination. (Please provide concrete examples, if any, of participation/membership terminations and flag, where relevant, any changes made to the termination process since).</p>	<p><i>Governance and coordination</i></p> <p>Termination or suspension of a failing firm’s RTGS Accounts/CHAPS participation is likely to require coordination across several areas of the Bank. As such, escalation and decision-making would be taken at a senior level within the Bank, coordinating a number of decisions across a number of functions and statutory and contractual frameworks.</p> <p>The Bank’s function as RTGS/CHAPS operator would engage and share information as appropriate with other relevant areas of the Bank, UK and overseas financial authorities (for example where the firm is subject to an overseas resolution regime or supervised by another financial authority), and other stakeholders.</p> <p>(For more detail on the Bank’s response as RTGS/CHAPS operator in the context of the different scopes of the Bank’s responsibilities see the Supporting Document.)</p> <p><i>Technical implementation for RTGS/CHAPS</i></p> <p>The Bank’s internal procedures codify and sequence the steps the Bank would take in response to a default event. It is a quick process to suspend an account in RTGS. An account can be suspended at any time but the Bank’s preference is outside of RTGS/CHAPS operating hours i.e. overnight or at the weekend. The Bank can also go further and terminate the relationship from a legal perspective, but this may follow suspension. Contingency planning is undertaken in advance if possible. The Bank will engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders.</p> <p>Once termination is completed the market would be informed.</p> <p><i>Examples</i></p> <p>In July 2019, the FCA imposed a number of restrictions on ipagoo LLP, including the suspension of its regulatory permissions. Shortly after receiving written notice, the Bank issued a default notice to</p>

Question	Response
	<p>CHAPS Direct Participants and took steps to ensure that ipagoo's account would be suspended in RTGS before settlement activity started the next working day. The Bank also communicated its actions to Pay.UK as ipagoo was a settlement participant in Bacs and Faster Payments. Legally, ipagoo LLP has continued to be a CHAPS Direct Participant i.e. it was not excluded but remains in a suspended state.</p> <p>The Bank uses similar legal and technical processes when firms exit from RTGS access or undergo business changes – such as those associated with structural reform.</p>
<p>c. What are the consequences of termination on the participant/member's ability to access the FMI's services? Would the firm be able to complete the processing of any outstanding transactions (e.g. not accepted for clearing or settlement, or in process but not complete) it has in the FMI's systems, or are these cancelled or liquidated?</p>	<p>At the point of termination or suspension of the RTGS Account, and/or participation from CHAPS, settlement instructions past the point of irrevocability, as defined in the RTGS Reference Manual,<sup>14</sup> will be settled. The Bank may decline to act on any or all further settlement instructions given by or on behalf of the participant. In practice, CHAPS payments submitted but not settled would be cancelled.</p> <p>Suspension from CHAPS will mean the Bank declining to act on CHAPS settlement instructions by or on behalf of the firm, or disablement of the RTGS Account (which would impact other RTGS settlements including those for FMI obligations). Termination would mean the legal removal of that participant from CHAPS or RTGS.</p> <p>For Bacs, Faster Payments and the Image Clearing System, the Bank supports prefunding (direct settlement participants hold cash in special accounts to cover the maximum possible net debit positions they could reach within each system). In the event of default – including as a result of suspension and termination – the Bank can, as security trustee, use those set aside funds to complete settlement for the relevant retail payment systems where the underlying net position reflects payments that have passed the point of irrevocability.</p>

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<sup>14</sup> Which is available to RTGS account holders.



Question	Response
<p>d. Would the decision to terminate participation/ membership be notified ex ante (i.e. before it takes effect) to the competent authorities of (i) the direct participant and/or of (ii) the FMI? Would this decision be communicated ex ante to the participant itself? On both aspects, how long in advance of actual termination would such notifications occur?</p>	<p>The Bank will engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more information) which includes the supervisors of CHAPS DPs and other RTGS account holders.</p> <p>The Bank will endeavour to give prior notice to the participant itself if it proposes to suspend or terminate its RTGS Account/CHAPS participation, but the Bank may take such steps prior to giving notice if it determines that it is necessary or desirable to protect financial stability. These discussions may take place, alongside relevant supervisors, with the firm's senior staff who are aware of impending resolution or administration – the Bank's operational contacts within the firm may not be aware.</p>
<p>e. What impact would a participant/member's termination have on their parent/subsidiaries' direct membership in the FMI?</p>	<p>There are limited instances where entities within the same group would have separate accounts in RTGS or CHAPS participation arrangements. The Bank limits the number of accounts granted to a group or individual entity. However, the Bank recognises that there are certain circumstances where it may be appropriate to offer more than one account to a group or entity.</p> <p>In the event of RTGS Account/CHAPS participation suspension or termination where another group entity also has an RTGS Account/is a CHAPS DP the Bank will assess and monitor the circumstances, in particular, as regards any potential impact on the other group entity subsidiary and act accordingly.</p>
<p>f. Does the FMI have cross-default provisions in its rule set? Could it put a member in default because of an affiliate's insolvency or of an indirect participant/client's default or do the rules</p>	<p>RTGS and CHAPS default events do not include cross-default provisions or exclusions. The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions.</p>

Question	Response
explicitly prevent or exclude such automatic termination (as long as other obligations are being met)?	
g. What assistance would the FMI provide with the porting (within the FMI) of the participant's direct and/or indirect positions/outstanding transactions to a parent/subsidiary membership, third party successor or bridge entity?	As RTGS and CHAPS are real time systems no porting of open positions would be required. Where business is transferred to a private sector purchaser/bridge bank the CHAPS participation/RTGS Account will be transferred to the purchaser/bridge bank through legal transfer (along with any appropriate outstanding liabilities) – there would not be immediate changes to technical connectivity. (See Supporting Document for more information on the Bank's response to the use of different firm failure/resolution scenarios.)
h. Please discuss any other points related to termination.	Not applicable.
<p><b>12. FMIs should retain the ability, as specified in rules or contractual arrangements, to terminate, suspend or restrict participation or continued provision of services where the firm fails to meet obligations or where safe and orderly FMI operations could be compromised (FSB 2017 Guidance, 1.1).</b></p>	
a. Under what conditions, if any, could safe and orderly FMI operations be at risk from maintaining participation of a service user in resolution?	RTGS and CHAPS operations would not be at risk from maintaining participation of a firm in resolution. Transfers within the RTGS and CHAPS systems are made in real time no credit exposures arise between participants or between CHAPS DPs/RTGS account holders and the Bank as a result of settlement. The Bank takes very limited credit risk through the provision of intraday liquidity against the very highest quality collateral supported by prudent haircuts. The Bank also takes minimal credit risk through the potential non-recovery of the RTGS or CHAPS tariff. The Bank takes on no liquidity risk in its operation of either of the RTGS or CHAPS services.

Question	Response
	<p>See the response to question 8 regarding the Bank's powers to suspend or terminate and RTGS Account/CHAPS direct participation. The Bank would exercise judgement in taking decisions and not rely on triggers. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions.</p>
<p>b. Which indicators, if any, can a participant use to anticipate that such a scenario may occur?</p>	<p>Termination or suspension of an RTGS Account or CHAPS participation is unlikely in a resolution situation with an intended outcome of a going-concern as long as the relevant access criteria continue to be met and funds are available for settlement. The Bank would be likely to suspend or terminate/exclude from access to RTGS or CHAPS in the event of a participant entering administration or insolvency proceedings i.e. a gone-concern.</p> <p>A participant can refer to the publicly available RTGS T&amp;Cs (Section 9.2) and CRM (Section 6.8) for indicators of scenarios where the Bank may exercise its power to suspend or terminate RTGS Accounts or CHAPS direct participation.</p> <p>(See Supporting Document for more information on the Bank's response to the use of different firm failure/resolution scenarios, <a href="https://www.bankofengland.co.uk/-/media/boe/files/payments/continuity-of-access-supporting-info.pdf">https://www.bankofengland.co.uk/-/media/boe/files/payments/continuity-of-access-supporting-info.pdf</a>.)</p>
<p>13. <b>Are there any further aspects or issues to mention in relation to the provisions for termination or suspension of membership? If possible, please provide concrete examples of specific factors that were considered in the past when assessing whether to exercise judgement to terminate or suspend a</b></p>	<p>No.</p>

Question	Response
<p>participant's access. Please elaborate</p>	
<p><b>Part III: Prior to resolution, during signs of distress at the participant</b></p> <p><i>The questions in this section assume a situation of stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress. Please distinguish in case there are differences between situations of idiosyncratic vs. market stress.</i></p> <p><i>To avoid duplication, respondents may cross-reference other answers when appropriate.</i></p>	
<p>14. <b>What management and monitoring process(es) does the FMI have in place to identify a situation of stress of a (direct) FMI participant or its affiliate?</b></p>	<p>To inform its decisions, the Bank, as CHAPS/RTGS operator, has access to data in its own systems such as account balances in RTGS and CHAPS payment flows/liquidity analysis. It also has access to additional information – including that provided by RTGS account holders, CHAPS DPs, and FMIs - which it may draw upon with more frequency in the event of a failing firm. For example, detailed information on participant throughput, liquidity, outages, and any extensions occurring. In addition, CHAPS DPs and other RTGS account holders are required to notify the Bank if they become aware of possible liquidation (themselves or an indirect participant) or other similar indicators (CRM Sections 3.6 and 3.7, RTGS T&amp;Cs Sections 5.1(d) 8.3).</p> <p>Where the failing firm is subject to the UK's Resolution Regime or supervised by the PRA/Bank, internal Bank guidance and processes facilitate the sharing of supervisory judgments and information with other areas of the Bank as necessary.</p> <p>The FCA is the competent authority in the UK for authorising e-money institutions and payment institutions (collectively non-bank payment service providers, or non-bank PSPs). Where a non-bank PSP has a settlement account in RTGS, the FCA would share relevant information with the Bank including any decision to revoke authorisation. The relationship between the Bank and FCA in respect of non-bank PSPs is codified in a framework.</p> <p>See Supporting Document for more information on the Bank's response according to different groupings of user.</p>

Question	Response
<p>15. Which indicators does the FMI consider as part of its management and monitoring in order to determine whether its participants/members face difficulties due to idiosyncratic and/or market stress (outside of entry into resolution)?</p>	<p>See response to question 14.</p>
<p>16. What risk mitigation actions could the FMI take under its rules / internal procedures vis-à-vis the participant or member? Which of those potential actions are likely, i.e. to be expected by the firm? How would risk mitigation vary in the event of mild, moderate, and severe stress situations at a participant/member? Could actions be taken even though the participant/member meets its obligations?</p>	<p>As the RTGS and CHAPS systems are real time, no credit risk arises between CHAPS DPs or between CHAPS DPs//RTGS account holders and the Bank. As such risk mitigation actions are predominantly suspension or termination of RTGS Accounts or CHAPS participation. The Bank can undertake close monitoring of balances and movements across an RTGS account. The Bank may also provide intraday liquidity, against the very highest quality collateral supported by prudent haircuts, to support settlement in CHAPS and CREST.</p> <p>Termination or suspension of an RTGS Account or CHAPS participation is unlikely during initial signs of stress as long as the relevant access criteria continue to be met and funds are available for settlement.</p> <p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. For example, even where an RTGS account holder/CHAPS Participant meets its obligations, under Section 9.2(d) of the RTGS T&amp;Cs the Bank may suspend or terminate an account where it determines it desirable for financial stability reasons and under Section 6.8 of the CRM the Bank may suspend or exclude a DP where continued participation could be disruptive to CHAPS or its other DPs.</p>

Question	Response
	The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see further text below).
<p>17. <b>What self-reporting requirements are placed on the member/participant in a situation of stress (e.g. additional reporting, increased reporting frequency; evidence of operational and financial capacity)? Please provide any templates or overviews of required data points, where available.</b></p>	<p>There is no standard stress or resolution reporting required by the Bank as CHAPS/RTGS operator given the level of information the Bank can observe directly, or can access from other parts of the Bank and other financial authorities.</p> <p>See response to question 14 regarding the Bank's information sources.</p>
<p>18. <b>Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in financial stress outside of resolution.</b></p>	<p>There are no predefined additional participation requirements for a participant in financial stress.</p>
<p>19. <b>Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of potential risk mitigation actions: (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action?</b></p>	

Question	Response
<p>i. Increasing membership contributions (eg default fund/loss sharing contributions), mandating pre-funding, restricting withdrawal of deposits;</p>	<p>Not part of the Bank’s predefined risk mitigation actions. Transfers within the RTGS and CHAPS systems are made in real time; no credit exposures arise between participants or between CHAPS DPs/RTGS account holders and the Bank as a result of settlement, so no credit risk exists to be managed.</p> <p>The level of prefunding or other arrangements for the retail payment systems that settle in RTGS are a matter for them and their settlement participants.</p>
<p>ii. Increasing initial/variation margin/collateral requirements, restricting collateral types, removing cross-margining facilities; increasing liquidity obligations;</p>	<p>Transfers within the RTGS and CHAPS systems are made in real time; no credit exposures arise between participants or between CHAPS DPs/RTGS account holders and the Bank as a result of settlement, so no credit risk exists to be managed. The Bank provides intraday liquidity to support settlement in CHAPS and CREST. This liquidity is already only provided against the very highest quality collateral supported by prudent haircuts.</p>
<p>iii. Removing credit lines, reliance on parental guarantees or securities borrowing facilities;</p>	<p>The Bank provides intraday liquidity to support settlement in CHAPS and CREST. This liquidity is already only provided against the very highest quality collateral supported by prudent haircuts.</p>
<p>iv. Enforcing trading controls including position limits, restricting markets</p>	<p>Not applicable.</p>
<p>v. Termination or suspension of participation/membership.</p>	<p>See the response to question 8 regarding the Bank’s powers to suspend or terminate and RTGS Account/CHAPS direct participation.</p> <p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank’s function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders.</p>

Question	Response
<p>20. Please answer question 19 also for other risk mitigation actions, if any, that are not mentioned here and would likely be taken.</p>	<p>Not applicable.</p>
<p>21. In a situation of idiosyncratic or market stress, in which one of the FMI's (direct) participants/members, or an affiliate company, exhibits signs of distress, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress</p>	
<p>a. What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution authority, the FMI's competent and/or resolution authority, the stressed firm's settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify?</p>	<p>The Bank will engage as appropriate with other UK and overseas financial authorities, and other stakeholders.</p> <p>For Bank supervised RTGS account holders/CHAPS DPs, communication with the firm in distress would be made in close coordination across the Bank's roles as RTGS/CHAPS operator, resolution authority and supervisor.</p> <p>The Bank, as the operator of RTGS/CHAPS, would not, and is not required to, provide predefined notifications to participants or RTGS account holders in the event of participant signs of distress. This reflects the real-time nature of the services provided and that RTGS account holders do not have a contractual relationship with each other by virtue of their access to RTGS. The Bank will endeavour to give prior notice to the participant itself if it proposes to suspend or terminate its RTGS Account/CHAPS Participation, but the Bank may take such steps prior to giving notice if it determines that it is necessary or desirable to protect financial stability. These discussions may take place alongside relevant supervisors with the firm's senior staff who were aware of impending resolution or administration – our operational contacts within the firm may not be aware.</p>
<p>b. Do you have a specific communication plan for this, or does your approach leverage existing crisis communication</p>	<p>The Bank's approach leverages existing internal and external communication mechanisms. External mechanisms would include CHAPS senior contacts and operational channels, including circulars provided to RTGS account holders if appropriate, and supervisory channels via the PRA/Bank and the Resolution Directorate.</p>



Question	Response
<p>mechanisms? In both cases, please describe the main features of the approach.</p>	
<p>c. Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?</p>	<p>The Bank has certain communication gateways that allow it to share information without the prior notification or consent of the firm, for example with other UK Authorities (CRM Section 7, RTGS T&amp;C Section 15). The Bank will endeavour to give prior notice to or inform the firm where appropriate but is not required to.</p> <p>More generally, communication plans would be developed in close coordination across the Bank's roles as RTGS/CHAPS operator, resolution authority and supervisor and agreed with the firm as appropriate.</p>
<p>d. Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?</p>	<p>The Bank considers all factors relevant to its monetary and financial stability objectives in considering when and what information to share with other institutions. This includes its obligations and legal gateways to share that information. Any information sharing would be taken in close coordination across the Bank's roles as RTGS/CHAPS operator, resolution authority and supervisor of most RTGS account holders.</p>
<p>e. Are your communication protocols standardised across participants or do they take into account the specificities of firms' participation and roles in respect of the FMI?</p>	<p>Any information sharing/communication would be proportionate to the participation and role of the firm in RTGS and CHAPS and taken in close coordination across the Bank's roles as RTGS/CHAPS Operator, resolution authority and supervisor of most RTGS account holders.</p> <p>In certain circumstances – such as liquidity stress – we would engage with CHAPS DPs as a whole if there was significant idiosyncratic liquidity stress given the likely impact on other DPs.</p>
<p><b>22. Alleviating uncertainty for the FMI.</b></p>	
<p>a. Which actions could the firm or the relevant authorities take in order to alleviate uncertainty</p>	<p>Beyond existing arrangements, no further actions have been identified which the firm could take to alleviate uncertainty for the Bank. As set out in the response to question 14, the Bank has access to key information.</p>

Question	Response
<p>for the FMI, and reduce the risk that the FMI may take risk mitigation actions that may have an adverse financial impact on the firm?</p>	<p>The Bank would be conscious of potentially adverse impacts of its actions on the firm. Emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking decisions. The Bank would engage as appropriate with the firm in coordination/consultation with other relevant areas of the Bank and UK and overseas financial authorities.</p>
<p>b. Which data / quantitative information and what qualitative information might you need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate.</p>	<p>There is no standard stress or resolution reporting required by the Bank as CHAPS/RTGS operator given the level of information the Bank can observe directly, or can access from other parts of the Bank and other financial authorities</p> <p>See response to question 14.</p>
<p>c. What other actions could be taken ex-ante to avoid a temporary interruption of services or the risk of some transactions remaining unexecuted?</p>	<p>None.</p>
<p>d. Please discuss any other considerations.</p>	<p>Not applicable.</p>
<p><b>23. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants.</b></p>	

Question	Response
<p>a. Some actions, designed to protect the FMI, may precipitate the failure of the relevant participant/member or worsen its position at the time of resolution. How does the FMI consider this when deciding to protect itself?</p>	<p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank's function as RTGS/CHAPS Operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for further information on the Bank's engagement, see <a href="https://www.bankofengland.co.uk/-/media/boe/files/payments/continuity-of-access-supporting-info.pdf">https://www.bankofengland.co.uk/-/media/boe/files/payments/continuity-of-access-supporting-info.pdf</a>).</p> <p>The Bank does not bear significant financial risk through its role as RTGS and CHAPS Operator – and so would be unlikely to take steps to protect itself that could precipitate the failure of a CHAPS Direct Participant or RTGS account holders.</p>
<p>b. Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member facing financial stress?</p>	<p>Yes. As for 23 (a), the Bank is guided by its stability objectives. The Bank is also the home or host supervisor of many of these indirect participants.</p>
<p><b>24. Possible differences in treatment of domestic and foreign FMI service users entering into resolution.</b></p>	
<p>a. Do you differentiate in your treatment of domestic and foreign FMI service users, and if so in what way?</p>	<p>Ahead of granting access to an RTGS account or direct participation in CHAPS, users may be asked to provide a legal opinion confirming their power, authority and capacity to meet the RTGS T&amp;Cs and CHAPS specifications and agreements under the laws of the jurisdiction or jurisdictions in which it is incorporated.</p> <p>The Bank's likely responses to an RTGS account holder/CHAPS DP resolution are set out in the Supporting Document. In all situations of a failing RTGS account holder/CHAPS DP (whether UK or non-UK incorporated) the Bank would be guided by UK financial stability concerns, and threats to RTGS and CHAPS. In pursuit of that, certain Bank decisions may be more or less appropriate given the resolution regime the firm is subject to.</p>

Question	Response
b. Among foreign users, is there a distinction for users from certain jurisdictions? If so, what are those distinctions?	Refer to 24(a)
<b>25. Safeguards in jurisdictional legal frameworks.</b>	
a. How do you assess whether the resolution framework of the jurisdiction in which a firm resides provides adequate safeguards to the provider of critical FMI services? <sup>15</sup>	<p>Ahead of granting access to an RTGS account or direct participation in CHAPS firms may be asked to provide a legal opinion confirming their power, authority and capacity to meet the RTGS T&amp;Cs and CHAPS specifications and agreements under the laws of the jurisdiction or jurisdictions in which it is incorporated.</p> <p>The CHAPS payment system is designated under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999. This guarantees that financial instruments and payments which enter into CHAPS are irrevocable, even if the sender has become insolvent or transfer orders have been revoked. For firms incorporated outside England and Wales, the Bank seeks a legal opinion on the extent to which these settlement protections will be respected. Recital 7 of the EU Settlement Finality Directive allows EEA member states to implement settlement finality protections in respect of their domestically-based entities that participate in third country systems. Recital 7 has been implemented in all the relevant EEA jurisdictions. The Bank continues to work closely with local authorities in the relevant jurisdictions to ensure Recital 7 applies to CHAPS from January 2021.</p>
b. From which regulatory regimes (e.g. countries) do you accept service users?	The Bank does not limit RTGS accounts/CHAPS direct participation specifically by jurisdiction. Where an institution is incorporated in a jurisdiction other than England and Wales, firms may be asked to provide a legal opinion confirming their power, authority and capacity to meet the RTGS T&Cs and CHAPS specifications and agreements under the laws of the jurisdiction or jurisdictions in which it is incorporated.

<sup>15</sup> See FSB, [Principles for Cross-border Effectiveness of Resolution Actions](#) 2015 (November).

Question	Response
	<p>For prospective CHAPS participants in jurisdictions where the Bank cannot rely on statutory settlement finality protection, the Bank seeks sound legal opinions regarding the applicability of settlement finality ahead of admitting them as a CHAPS DP.</p> <p>Institutions eligible for access (subject to meeting the eligibility criteria set out above) include:</p> <ul style="list-style-type: none"> <li>• PRA-authorized/regulated UK incorporated, and UK subsidiaries or branches of non-UK incorporated, banks, building societies and investment firms (designated by the PRA for prudential supervision);</li> <li>• FCA-authorized non-bank PSPs;</li> <li>• CCPs operating in UK markets which are authorized or recognised under EMIR; and</li> <li>• Other systemically important FMIs (as judged by the Bank).</li> </ul>
<p>26. <b>Are there any further aspects or issues to mention in relation to interaction between the FMI and a participant in financial stress? Do you have any examples of past experiences where the FMI has utilised its powers in relation to a member undergoing stress? What actions were undertaken and what were the outcomes? Could this example be indicative of</b></p>	<p>No.</p>

Question	Response
actions that may be taken in a future case?	
<b>Part IV: During and after resolution</b>	
<p>27. When the FMI becomes aware of a participant entering a resolution process, which actions would the FMI be likely to take vis-à-vis the participant? Could actions be taken even though the participant/member meets its obligations?</p>	<p>RTGS/CHAPS risk mitigation actions in the event of a failing RTGS account holder/CHAPS Direct Participant are predominantly suspension or termination of RTGS accounts and – where applicable – direct access to CHAPS. The provision of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. As such, the Bank could suspend/terminate an RTGS account or CHAPS direct participation where the firm continued to meet its obligations. However, this action is unlikely in a resolution situation with an intended outcome of a going-concern as long as the relevant access criteria continue to be met and funds are available for settlement.</p> <p>An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking decisions. The Bank’s function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see further text below).</p>
<p>28. Please explain the methodology used to calibrate additional membership requirements (including operational, financial and capital requirements) for a member/client in resolution. To what extent does the FMI take into account the resolution strategy and tools applied to a member to</p>	<p>The Bank does not anticipate setting additional participation requirements for a firm in resolution. As such, there is no predefined methodology to calibrate additional or varied participation requirements for a participant in resolution, ring fenced or safeguarded.</p> <p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank’s function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see further text below).</p> <p>Further information on the Bank’s likely response to resolution strategies is set out in the supporting document.</p>

Question	Response
<p>determine their financial and operational requirements? Does the FMI consider anything specific in its methodology in relation to ring-fenced or specifically safeguarded entities?</p>	
<p>29. Please describe for each of the below risk mitigation actions, in as far as they form part of the FMI's set of risk mitigation actions upon a participant entering a resolution process (in addition to actions that would be taken prior to resolution): (i) whether these actions are discretionary or pre-determined, e.g., would the FMI follow a required set of actions, which may be described in its rule book; (ii) in which way, if at all, the FMI could deviate from the predetermined procedure so as to either disregard a mandated risk mitigation action or adopt a non-standard action; (iii) how/when the following risk mitigation actions would be communicated to the participant.</p>	
<p>i. Temporary suspension of certain activities (and if so, which activities);</p>	<p>See the response to question 8 regarding the Bank's powers to suspend or terminate and RTGS Account/CHAPS direct participation. Suspension of an RTGS Account/CHAPS direct participation is unlikely in a resolution situation with an intended outcome of a going-concern as long as the relevant access criteria continue to be met and funds are available for settlement.</p> <p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions.</p> <p>The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders.</p> <p>The Bank will endeavour to give prior notice to the firm if it proposes to suspend or terminate its account, but the Bank may take such steps prior to giving notice if it determines that it is necessary or desirable to protect financial stability.</p>

Question	Response
ii. Potential requirements to contribute additional margin or amounts to default or guarantee funds, secure additional liquidity commitments (including on an intra-day basis), or to pre-fund part or all of payment and settlement obligations;	Not applicable.
iii. Potential changes to operational or information requirements, including those needed because certain services might not be available;	<p>There is no standard stress or resolution reporting required by the Bank as CHAPS/RTGS operator given the level of information the Bank can observe directly, or can access from other parts of the Bank and other financial authorities.</p> <p>See response to question 14 regarding the Bank's information sources.</p>
iv. Potential requirements that may apply in relation to a bridge institution or a third party purchaser to which functions have been transferred.	<p>The purchaser/bridge bank will need to meet the relevant access criteria for RTGS/CHAPS.</p> <p>In particular circumstances where the bridge bank/purchaser is unable to meet certain requirements, the Bank would be guided by UK financial stability concerns, and threats to RTGS and CHAPS. In pursuit of that, the Bank would be prepared to be flexible and proportionate in its approach where necessary and possible without bringing risks to RTGS/CHAPS.</p> <p>See Supporting Document for more information on the Bank's likely actions in the event of functions being transferred to a bridge bank/private sector purchaser.</p>
30. <b>Please answer question 29 also for other risk mitigation actions, if any,</b>	Not applicable.



Question	Response
<p><b>that are not mentioned here and that would likely be taken.</b></p>	
<p><b>31. In what way should a service user prepare for resolution-related risk mitigation measures by the FMI to maximise the likelihood of maintaining access? Does the FMI provide any documented guidance on this to its participants/members, and/or to their RAs?</b></p>	<p>A participant can refer to the publicly available RTGS T&amp;Cs (Section 9.2) and CRM (Section 6.8) for indicators of scenarios where the Bank may exercise its power to suspend or terminate RTGS accounts or CHAPS direct participation.</p>
<p><b>32. What impact would a member/ participant's resolution have on any parent or subsidiary's direct membership at the FMI?</b></p>	<p>See response to question 11(e).</p>
<p><b>33. In a situation of idiosyncratic or market stress in which one of the FMI's (direct) participants/members, or an affiliate company, enters resolution, communications and notifications may be necessary. Please distinguish in the below in case there are differences between a situation of idiosyncratic vs. market stress.</b></p>	
<p>a. What notifications or communications would the FMI undertake to the participant/member, their competent and/or resolution</p>	<p>As for 21(a)</p>

Question	Response
<p>authority, the FMI's competent and/or resolution authority, the firm's settlement agent, and other stakeholders, and when? Would any of these be based on an obligation for the FMI to notify</p>	
<p>b. Do you have a specific communications plan for this or does your approach leverage existing crisis communication mechanisms?</p>	<p>As for 21(b)</p>
<p>c. Does the FMI need to get consent from the firm or inform the firm prior to a notification or communication?</p>	<p>As for 21(c)</p>
<p>d. Do the communication/notification protocols require specific factors to be considered, for example legal implication, market impact, etc.?</p>	<p>As for 21 (d)</p>
<p>e. Are your communication protocols standardised across participants or do they take into account the specificities of</p>	<p>As for 21 (e)</p>

Question	Response
firms' participation and roles in respect of the FMI?	
f. Would your members / clients be able to leverage any preparations your organisation has undertaken to access the necessary communication infrastructure to deliver the increased extent of communications that may be needed to respond to a resolution and any restructuring of a member/ client (such as increased call volumes to call centres)?	Not applicable.
g. What management and monitoring arrangements would apply for these crisis communications and notifications? Would you have a dedicated team or a point of contact for receiving and initiating all communications that relate to a member/ client entity in resolution or any related restructuring?	The Bank's external communication mechanisms would leverage existing channels and include CHAPS senior contacts and operational channels, including circulars provided to RTGS account holders if appropriate, as well as supervisory channels via the PRA/Bank and the Resolution Directorate. The Bank, as operator of RTGS and CHAPS would engage and coordinate as appropriate with other UK and overseas financial authorities.

Question	Response
<p><b>34. Alleviating uncertainty for the FMI. (As requested in Part II, if the responses to sub-questions a.-f. below have been documented in rulebook/contractual provisions or other documents, please reference.)</b></p>	
<p>a. What actions (such as communication) could the participant or authorities take in order to alleviate uncertainty for the FMI about the participant's situation, and thereby reduce the risk that the FMI may take risk mitigation actions that may have a further adverse financial impact on the participant</p>	<p>As for 22(a)</p>
<p>b. Assuming that the authorities and the affected member/ client may not be able to share relevant information before the commencement of the resolution process, would that represent a material issue that could determine how your organisation responds to the fact that a member/ client has been placed in resolution?</p>	<p>The Bank is the operator of RTGS and CHAPS, the UK resolution authority and supervisor of most RTGS account holders/CHAPS DPs. The Bank also has relationships with other UK and overseas financial authorities. As such, the Bank is likely to have access to relevant information.</p> <p>See response to question 14 and the Supporting Document for more on the information available to the Bank.</p>

Question	Response
<p>c. Which data / quantitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access (please consider the three levels of access mentioned in footnote 3)? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.</p>	<p>As for question 24(b), there is no standard stress or resolution reporting required by the Bank as CHAPS/RTGS operator given the level of information the Bank can observe directly, or can access from other parts of the Bank and other financial authorities.</p> <p>See response to question 14.</p>
<p>d. Which qualitative information would the FMI need to receive from the participant and/or RA in order to allow the participant to maintain access to the FMI? Please specify by when you would need each piece of information, if appropriate, including when you would need to be informed prior to resolution measures.</p>	<p>There is no standard stress or resolution reporting required by the Bank as CHAPS/RTGS operator given the level of information the Bank can observe directly, or can access from other parts of the Bank and other financial authorities.</p> <p>See response to question 14.</p>
<p>e. What other actions could be taken ex-ante to avoid a temporary interruption of</p>	<p>Not applicable.</p>

Question	Response
services or the risk of some transactions remaining unexecuted?	
f. Please discuss any other considerations.	Not applicable.
<b>35. Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants</b>	
a. Some actions, designed to protect the FMI, may worsen the position of the participant at the time of resolution and as a result may also affect other participants. How does the FMI consider this when deciding to protect itself?	See response to question 23(a).
b. Does the FMI take into account the impact on indirect participants of actions taken in response to a direct participant/member entering into resolution?	See response to question 23(b).
<b>36. FMI rules and contractual arrangements should allow a bridge institution to maintain its predecessor's participation (membership) during a resolution process (FSB 2017 Guidance, 1.1). (As requested in Part II, if the responses to the sub-questions below have been documented in rulebook/contractual provisions or other documents, please reference.)</b>	
a. Please explain how the FMI rules, contractual	The RTGS and CHAPS Rules, contractual arrangements and procedures do not prevent a bridge institution maintaining participation. The provisions of the RTGS T&Cs, the CRM, and other relevant

Question	Response
<p>arrangements and/or procedures reflect this.</p>	<p>documents allow the Bank to exercise judgement/discretion in taking decisions. In particular circumstances where the purchaser/bridge bank is unable to meet certain requirements, the Bank would be guided by UK financial stability concerns, and threats to RTGS and CHAPS. In pursuit of that, the Bank would be prepared to be flexible and proportionate in its approach where possible.</p> <p>See Supporting Document for more information.</p>
<p>b. What would be the FMI's process to ensure that continuity of access can be maintained for the purchaser of a resolved entity or for a bridge institution?</p>	<p>The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting document for more information on engagement).</p> <p>Where assets and liabilities including the deposit book, technical infrastructure and contracts with the Bank are transferred to a private sector purchaser/bridge bank the CHAPS participation/RTGS Account is likely to move to the purchaser/bridge bank. The purchaser/bridge bank will need to meet the relevant access criteria for RTGS/CHAPS. Subject to technical capabilities in the given timeframe, this may result in one legal entity spanning two operational participants for a period of time (i.e. purchaser original participation plus the newly purchased arrangements).</p> <p>Where partial transfer occurs the CHAPS participation/RTGS Account is likely to move to the purchaser/bridge bank to ensure continuity of those critical operations. Where the purchaser is already a CHAPS Participant/RTGS account holder this may result in one legal entity spanning two operational participants for a period of time.</p> <p>The Bank's internal procedures codify and sequence the steps the Bank would take to effect the movement of an RTGS Account/CHAPS participation to a purchaser/bridge bank.</p>
<p>c. Please share any timelines and any external dependencies for this process.</p>	<p>The Bank's preference, as RTGS/CHAPS operator, is for the transfer to take place outside of RTGS/CHAPS operating hours i.e. overnight or at the weekend. Planning is undertaken in coordination with the broader resolution timetable, and in advance where possible.</p>

Question	Response
<p>d. If the purchaser or bridge institution requires a new access, do you have a “fast-track” procedure to allow access for such a purchaser or bridge institution? How long is setting up access expected to take (with or without a “fast-track” procedure)? What would the FMI require in order to continue providing the service pending completion of the onboarding procedure (e.g. connectivity and BIC/SWIFT codes to remain unchanged)?</p>	<p>The Bank does not have a fast track procedure. Planning is undertaken in coordination with the broader resolution timetable, and in advance where possible.</p> <p>The Bank’s internal procedures codify and sequence the steps the Bank would take to effect the movement of an RTGS Account/CHAPS participation to a purchaser/bridge bank. The Bank’s function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting document for more information on engagement).</p> <p>The purchaser/bridge bank will need to meet the relevant access criteria for RTGS/CHAPS. This is conditional upon the technical arrangements remaining unchanged i.e. BIC/SWIFT codes as these cannot be changed at short notice. If a split is required, this should be implemented through an indirect access arrangement with the relevant – continuing – direct CHAPS participation.</p>
<p>e. What type of information is needed in the context of a change-of-control assessment, i.e. to accept a purchaser or bridge institution as a participant/member? Please specify by when you would need each piece of information, if appropriate. How long would you then need to take an informed decision</p>	<p>Information required to accept a purchaser or bridge entity would include evidence the purchaser/bridge bank will meet the relevant access criteria for RTGS/CHAPS. This information will primarily come from close engagement with the purchaser, other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more detail on engagement). To the extent possible, we would make a decision once the purchaser was known but ahead of completion, or during the resolution window itself. This is made possible by the RTGS/CHAPS function sitting within the central bank enabling coordination with other relevant areas of the Bank (e.g. the UK’s resolution authority), and other UK and overseas financial authorities (for example where the institution is subject to an overseas resolution regime).</p>



Question	Response
on access for the purchaser or bridge institution?	
f. Does the FMI explicitly consider, in its rulebooks or internal procedures, the possibility of a RA requiring access for the purchaser or bridge institution even in case they do not meet the membership or participation criteria (for instance where a credit rating is required)?	<p>The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more detail on engagement). This includes the Bank as resolution authority, or overseas Resolution Authorities.</p> <p>The response to question 2b sets out access requirements for RTGS and CHAPS.</p> <p>In particular circumstances where the failing firm is unable to meet certain requirements, the Bank would be guided by UK financial stability concerns, and threats to RTGS and CHAPS. In pursuit of that, the Bank would be prepared to be flexible and proportionate in its approach where necessary and possible without bringing risks to RTGS/CHAPS.</p>
g. Please discuss any other, e.g. practical, considerations around continuity of FMI access of a bridge institution or of a purchaser.	Not applicable.
<b>37. FMIs should consider the operational, technological, financial and legal implications arising from the transfer of functions or positions to a successor (either a bridge institution or a third-party purchaser). (FSB 2017 Guidance, 1.4)</b>	
a. What preparations are necessary in your circumstances for such a transfer to be successful?	The Bank's internal procedures codify and sequence the steps the Bank would take to effect the movement of an RTGS Account/CHAPS participation to a purchaser/bridge bank.

Question	Response
<p>What changes would be necessary for such a transfer to be successful? Please consider any preparations and changes by the FMI as well as by FMI members/service providers/others.</p>	<p>The Bank's preference, as RTGS/CHAPS operator, is for the transfer to take place outside of RTGS/CHAPS operating hours, i.e. overnight or at the weekend. Planning is undertaken in coordination with the broader resolution timetable. Contingency planning is undertaken in advance if possible. The Bank will engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders.</p> <p>Legal changes would need to be quickly executed as part of the resolution. New contracts or contract novation between the Bank and the entity may be required. Most, if not all, technical changes would follow at a later date if necessary. As long as the BIC/SWIFT codes and operational arrangements remain the same, there are no changes required by other CHAPS DPs or FMIs settling through RTGS although – depending on the purchaser – they may choose to review their sign-off to the counterparty relationship.</p> <p>The Bank used similar legal and technical processes for transferring ownership of RTGS accounts, and creating second participations, during the work to implement structural reform and in response to the merger of Clydesdale and Virgin Money.</p> <p>See Supporting document for more information.</p>
<p><b>38. Portability/Transferability of underlying client positions, for example to facilitate a bridge or partial transfer resolution strategy.</b></p>	
<p>a. For CCPs: Which kind of segregated accounts are offered to (underlying) clients to facilitate the portability/transferability of client positions and securities collateral? Do you envisage</p>	<p>Not applicable.</p>

Question	Response
<p>that there may be material barriers to the effective and timely transfer of client positions following a decision to transfer the activities of the member in resolution to another member? If so, please explain.</p>	
<p>b. For ICSDs: Do you offer segregated accounts to (underlying) clients? Do you envisage that there may be material barriers to the effective and timely transfer of client securities and cash to another custodian following a decision to transfer the activities of the participant in resolution to another participant? If so, please explain.</p>	<p>Not applicable.</p>
<p>39. <b>Are there any further aspects or issues to mention in relation to interaction between the FMI and the participant during or</b></p>	<p>Not applicable.</p>

Question	Response
after resolution of the participant?	
<b>Part V: Arrangements and operational processes to facilitate continued access in resolution</b>	
<b>40. The FMI should consider establishing management, monitoring and operational rules and procedures that facilitate the ability of FMI management to make prompt decisions in response to a service user's resolution (including a period when the FMI is closed for business). (FSB 2017 Guidance, 1.4)</b>	
a. What is the process that the FMI typically follows to identify, escalate, and come to a final decision on issues related to (i) the financial condition of a member, (ii) the performance or lack of performance by a member of its obligations under the FMI's rulebook, and/or (iii) the continuing membership of a member?	<p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank's function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders.</p> <p>Escalation would be through established governance channels and decision-making would be taken at a senior level within the Bank, coordinating a number of decisions across a number of the Bank's functions and statutory and contractual frameworks.</p> <p>Further information on the Bank's response processes is set out in the Supporting Document.</p>
b. What positions, committees, or decision-making bodies in the FMI's organisation have a role in each phase of the identification, escalation, and final decision-making process?	<p>The Bank as operator of RTGS/CHAPS will take its lead from the actions of the Bank as supervisor and resolution authority. As such, escalation and decision-making would be taken at a senior level within the Bank, coordinating a number of decisions across a number of functions and statutory and contractual frameworks.</p>

Question	Response
<p>c. What procedures are in place to facilitate prompt decision making at any time? What, if any, are the limitations?</p>	<p>Internal Bank guidance and processes facilitate the sharing of supervisory judgments and information enabling early planning (potentially months in advance), to facilitate prompt responses if issues crystallise.</p> <p>Escalation and decision-making would be taken at a senior level within the Bank, coordinating a number of decisions across a number of functions and statutory and contractual frameworks.</p>
<p>d. What would be the likely range of decisions undertaken after receiving notice of a service user entering into resolution? What market communications or notifications to the regulator would be undertaken?</p>	<p>As set out in response to question 8, RTGS/CHAPS risk mitigation actions in the event of a failing account holder/Participant are predominantly suspension or termination of RTGS Accounts and – where applicable – direct access to CHAPS. This action is unlikely in a resolution situation with an intended outcome of a going-concern as long as the relevant access criteria continue to be met and funds are available for settlement.</p> <p>The provisions of the RTGS T&amp;Cs, the CRM, and other relevant documents allow the Bank to exercise judgement/discretion in taking decisions. An emphasis is given to financial stability concerns, and threats to RTGS and CHAPS in taking those decisions. The Bank’s function as RTGS/CHAPS operator would engage as appropriate with other relevant areas of the Bank, UK and overseas financial authorities, and other stakeholders (see Supporting Document for more detail on engagement).</p>
<p><b>41. In line with the Key Attributes, 16 FMIs should regularly test the effectiveness of their relevant rules, contractual arrangements and procedures in responding to a resolution scenario of a participant.</b></p>	
<p>a. How do you test these contingency arrangements? How do you take participants in resolution into account in those contingency arrangements?</p>	<p>The Supporting Document sets out the Bank’s (as operator of RTGS/CHAPS) likely response to a resolution scenario or a failing firm.</p> <p>The Bank tests these processes through contingency planning and hypothetical exercises, in coordination with other relevant areas of the Bank. Internal Bank guidance and processes facilitate</p>

<sup>16</sup> See FSB, [Key Attributes of Effective Resolution Regimes for Financial Institutions](#), 2014 (October), Appendix II-Annex I, part II, section 2.2, p. 73.

Question	Response
	<p>the sharing of supervisory judgments and information facilitating early planning (potentially months in advance) to respond to possible future events.</p> <p>The Bank used processes to suspend an RTGS Account/CHAPS direct participation in July 2019 when it suspended a non-bank PSP, ipagoo LLP, from CHAPS and settlement account access in RTGS, in the light of the FCA requiring it to cease undertaking regulated activities.</p> <p>The Bank used similar legal and technical processes for transferring ownership of RTGS accounts, and creating second participations, during the work to implement structural reform.</p>
<p>b. How do your rules facilitate the transfer of positions of a client of a service user in resolution to another service user of the FMI, as applicable</p>	<p>As RTGS and CHAPS are real time systems no transfer of open positions would be required.</p>
<p><b>42. How do you test members' readiness of arrangements for meeting increased information and communication requests (beyond those required in BAU) that will be needed prior to and during resolution? Which disclosures do you require from members in this regard?</b></p>	<p>This is not tested as there is no standard stress or resolution reporting required by the Bank as CHAPS/RTGS operator given the level of information the Bank can observe directly, or can access from other parts of the Bank and other financial authorities.</p> <p>See response to question 14 regarding the Bank's information sources.</p>

Question	Response
<p>43. Please describe any simulation exercises the FMI has held with relevance to continuity of access. Please share examples of scenarios covered and whether such scenarios have been inspired by actual crisis events, and clarify the points below:</p>	
<p>a. Key Objectives/ how it correlates to a real life scenario;</p>	<p>The Bank as RTGS/CHAPS operator has a finite pool of well-defined responses. As set out in the Supporting Document, these are broadly termination/suspension or transfer of the RTGS Account/CHAPS Direct Participation. Particularly for resolution, legal changes would need to be quickly executed as part of the resolution, with most, if not all, technical changes following at a later date if necessary</p> <p>The Bank has developed and tests arrangements to deliver these responses through live operations, structural changes such as mergers and structural reform, general and firm-specific resolution contingency planning, and hypothetical exercises, in coordination with other relevant areas of the Bank and where appropriate, other stakeholders.</p> <p>The Bank considers the live examples below to be the optimal way to test the arrangements. Further, scenario exercises would offer limited marginal value due to: the likely uniqueness of any live situation given the potential variation in the Bank’s wider responsibilities; and, the fact that the Bank, as RTGS/CHAPS operator, has early access to supervisory judgments and information facilitating early planning (months in advance) to respond to specific potential events.</p> <p>Legal and technical arrangements for testing onboarding new RTGS account holders/CHAPS DPs occurs regularly (the Bank added 12 new CHAPS DPs and 49 new RTGS account holders since the start of 2017).</p> <p>The implementation of structural reform has involved the transfer of RTGS and CHAPS access from one RTGS account holder/CHAPS DP to another (as would be the case for the transfer of business to a bridge bank/private sector purchaser). This included two complex sets of arrangements – each separating the legal changes from operational changes in order to safely make the changes in a controlled manner.</p>
<p>b. Frequency;</p>	<p>See response to question 43(a)</p>

Question	Response
c. Involvement of (large) FMI participants and whether any FMI participants have performed a simulation on their side in parallel;	See response to question 43(a)
d. Involvement of authorities: competent authorities of the FMI, competent authorities of participants, and RAs; and	See response to question 43(a)
e. Lessons Learned.	The Bank records lessons learned from all testing, exercising and live incidents.
44. <b>Are there any further aspects or issues to mention in relation to arrangements and operational processes to facilitate continued access in resolution?</b>	No.