

RTGS Renewal Proof of Concept: Supporting DLT Settlement Models

Background

The Bank of England has set out its vision for a renewed Real Time Gross Settlement (RTGS) service that will deliver a materially stronger, more resilient, flexible and innovative sterling settlement system for the United Kingdom to respond to the rapidly changing payments landscape.

The RTGS blueprint, published in May 2017¹, stated that the renewed service will offer a diverse and flexible range of settlement models, to enable existing and emerging payment infrastructures to access central bank money.

The Proof of Concept

Although the Bank has concluded that Distributed Ledger Technology (DLT) is not yet sufficiently mature to provide the core for the next generation of RTGS, it places a high priority on ensuring that the new service is capable of interfacing with DLT as and when it is developed in the wider sterling markets.

Therefore, the Bank is undertaking a Proof of Concept (PoC) to understand how a renewed RTGS service could be capable of supporting settlement in systems operating on innovative payment technologies, such as those built on DLT. The Bank is partnering with a range of firms developing payment arrangements using innovative technologies: Baton Systems, Clearmatics Technologies Ltd, R3 and Token. These firms are engaging with the PoC in a range of ways. The inclusion of multiple firms in the PoC will give broader insight into the range of functionality the Bank might need to offer to support this sector.

Participants in the PoC have access to a cloud-based system developed by the Bank which replicates a version of the prefunded net settlement arrangement a renewed RTGS service will offer to the major UK retail payment systems. The PoC is exploring whether innovative settlement systems are able to interface with that functionality and identifying ways in which the renewed RTGS service functionality could be expanded.

Next steps

The Bank expects to publish a summary of findings from the PoC later in 2018. This will set out any enhancements to the settlement functionality offered in the renewed RTGS service to accommodate payment systems using innovative technologies. It will also set out any further work that needs to be undertaken in order to identify ways in which the renewed RTGS service functionality could be expanded.

¹ See <https://www.bankofengland.co.uk/paper/2017/a-blueprint-for-a-new-rtgs-service-for-the-uk>