



## RTGS Renewal Programme – External Advisory Body

Thursday 19 April 2018

Attendees: **Members:**

**BONYM**  
**Citi**  
**EUI**  
**Independent Challenge**  
**Metro Bank**  
**NPSO**  
**PSR**  
**Paysafe**  
**Worldpay**  
**Bank of England:**

Apologies: Lloyds  
Barclays

### Welcome and introductions

1. The Chair welcomed EAB members to the meeting. Members were introduced to Victoria Cleland, currently Chief Cashier, who would assume the role of Executive Director, Banking, Payments and Financial Resilience from June. As the new programme sponsor, Victoria would also take on the role of EAB Chair.
2. An update was provided on the formation of the Bank's new Strategic Advisory Forum (SAF) by Kevin Brown, SAF Chair. A diverse membership had been established, including direct and indirect members of CHAPS as well as end users. The first forum was scheduled for 23 April, and a summary of its discussions would be published.
3. The NPSO provided an update on preliminary work to shape the New Payments Architecture (NPA) for retail payments. Members reiterated the need for the NPSO and Bank to continue working closely together to ensure that NPA and RTGS renewal timelines were aligned. The NPSO and Bank confirmed that communication channels and regular meetings were in place and that ongoing collaboration would continue to be a priority.
4. The Chair noted the record of the previous meeting had been agreed and published on the Bank's website.
5. Members were asked to declare any conflicts of interest related to matters arising at EAB. No conflicts were identified.

### Item 1: Review of actions from previous meetings

6. An update was provided on actions. All actions were marked as complete. EAB welcomed updates on the picture of the amount of overall change underway in the payments industry, and asked for it to be consolidated into a single view. A request was also lodged for further information on how the emerging UK thinking on ISO 20022 would interact with other global standards.



### **Item 2: RTGS Renewal programme update**

7. An update on the programme was provided. The first non-bank payment service provider had gone live in RTGS on 13 April: a major early milestone. The programme was now two thirds of the way through the plan-analyse-design phase and had achieved a number of key milestones. These included the baseline of programme scope by the RTGS/CHAPS board in March.
8. A second round of supplier market engagement had concluded. This had provided an important cross-check on the Bank's thinking, and would be used as an input to formal procurement. Multiple providers were expected to be able to meet the needs of the programme. Members highlighted the need to consider supplier capacity as well as capability, to ensure that contracts were structured to align with the objectives of the programme, and to give weight to overall value delivered alongside pricing.

### **Item 3: Synchronisation**

9. The Bank explained the concept of a new settlement model which would allow a third party provider to introduce a set of payments into RTGS on behalf of its members, and enable the settlement of these to be coordinated with the settlement of payments or other movements of assets in other ledgers. Potential use cases in housing, corporate actions, the London insurance market and cross border transactions were discussed. These would be further explored, through a Proof of Concept (PoC) exercise and further market outreach, both in the UK and with other central banks.
10. The concept of synchronisation was well received by EAB members, who noted the significant possibilities it could offer, whilst also highlighting the additional complexity it would bring to the system. There was some debate about whether developing functionality of this kind required the identification of clear current industry interest and commercial viability, or whether design work should progress regardless to anticipate future demand and use cases. The Bank advised that it would be looking for potential partners for a proof of concept and that a decision on whether the functionality would remain in scope would be made later in the year.



#### **Item 4: Message Network Agnostic Design**

11. The Bank noted that, as stated in the Blueprint, the intention was for the renewed RTGS to continue to use SWIFT as the provider of message services from launch. But importantly, the renewed service would also be designed to be 'message network agnostic' ie capable of sending and receiving payment messages from multiple sources and interfacing with multiple messaging networks. To deliver this, the Bank's baseline programme scope position was that the new service would operate with a V-shaped message topology along with additional security infrastructure to ensure end-to-end message security. Further work was being undertaken to evaluate the implications for wider sterling payments and the impact on Bank and participant costs. In discussion, it was noted that several other major central banks were network agnostic, each reflecting its own drivers and setup.
12. Members supported this decision as an important step in increasing the new system's resilience to potential future developments in the payments ecosystem. At the same time, they stressed the importance of monitoring the cumulative impact of change on costs, the risk profile of the transition and hence barriers to access. The Bank acknowledged these points, and advised that it would be seeking wider industry views on the costs and benefits of message network agnostic design from a subset of direct and indirect participants through work on the programme business case.
13. There was discussion about the implications for industry of two migrations – firstly to a new RTGS based upon the "Y" shape, and then to the new "enhanced-V". It might be safer and easier for the industry to make the shift directly to "enhanced-V" even though that single step would be bigger. This would be considered as part of transition planning. Further, an important point was raised about needing to be prepared for participants remaining heavily reliant on Swift even if the enhanced-V architecture is in place.

#### **Item 5: ISO 20022**

14. An update was provided on the development of the Bank's public consultation on the transition to ISO 20022, including responses to queries raised in the February EAB, specifically:
  - a) The Bank's thinking on the transition path;
  - b) The extent to which sections of the new message would be made mandatory; and
  - c) How the UK's standard would interact with other global standards.
15. The Bank advised that transition planning was in progress. A number of factors alongside the transition to ISO 20022 would impact timelines. The Bank asked members whether a set of broad transition windows, based on current assumptions, would provide sufficient information for organisations to give informed answers to the consultation. Members were in support of this approach: while acknowledging the indicative nature of the timeline, understanding the potential windows and sequencing was still valuable. Members noted that, for international users, aligning timing with other central banks, where possible, would generate efficiencies.
16. In the consultation the Bank would set out the proposed mandatory fields, and the costs and benefits that would inform the Bank's final decisions on what would be mandatory. Members were in support of the Bank giving clear direction on mandatory fields.
17. The Bank noted that the intention was for the new UK credit message to carry all of the fields within the HVPS+ harmonisation framework, although the Bank was seeking a small number of



changes to the harmonisation framework to effect a UK specific implementation. There would be scheme specific rules for CHAPS and retail transactions limiting use of these fields for transactions originating within the UK. But the Bank did expect to allow pass-through of wider information from transactions originating overseas. Members confirmed that this was sensible.

18. Members noted that achieving the full range of benefits from transition to a new standard would require changes by a much wider group of those involved in payments than just Direct Participants, and encouraged the utilisation of all available tools in order to deliver this transition in a timely manner. It was highlighted that other jurisdictions had regulated an 'end date' which helped to facilitate successful implementation. The Chair noted that successful implementation would require co-operation amongst a wide group of stakeholders, but that the Bank was ready to play an appropriate leadership role in that process, working in close partnership with the NPSO and PSR.

#### **AOB**

19. Reflecting on the items discussed, EAB raised the continuing need to balance 'future proofing' the new service with delivering scope items where there was an immediate user demand. Safe delivery of the programme was important, but that should not prevent the Bank from delivering a new service that was flexible and could respond to user needs as they evolved over the life of the new service.