



RTGS Renewal Programme: Synchronisation Workshop

6 February 2018

Attendees:

A&T Advisory Limited	EBF	RBS
Barclays	HMRC	Santander
BNP Paribas	HSBC	Software- Integrators
BNY Mellon	JP Morgan	Transpact
CHAPS	Law Society	UK Finance
CLS	Lloyds	Vocalink
CREST	NPSO	WorldPay
Ebury		

Overview

The Bank of England ('the Bank') has established a programme to renew its Real Time Gross Settlement (RTGS) service. In February 2018, as part of this programme, the Bank invited members of the payments community to participate in a workshop on Synchronisation.

The purpose of the workshop was to discuss use cases and risks as well as potential benefits. The outputs of the session will be used to inform design of the new RTGS service.

General discussion

- The Bank introduced the concept of synchronisation. It was noted that the RTGS Blueprint proposed offering the ability to synchronise cash movements in RTGS with the movement of cash and assets held in other systems. Synchronisation in this context is the concept of a payment (or group of payments) settling if and only if another payment (or set) also settles.
- The Bank described three potential layers of synchronisation:
 - Synchronising payments within a domestic high value payment system (HVPS);
 - Synchronising payments in a domestic HVPS with payments or movements of assets on other ledgers in the same jurisdiction; and
 - Synchronising payments across two HVPS in different countries.
- The Bank explained how synchronisation functionality might be introduced in RTGS. A synchronisation module (which could be part of the system, or operated by a third party) would co-ordinate requests for payments to be synchronised, earmark funds, and then instruct synchronised settlement of linked transactions.
- Participants discussed the use cases for synchronisation. Several areas were highlighted, including corporate actions, trade finance, synchronising with existing and developing asset ledgers and insurance payments. Participants noted that solutions



were already in place for settling these payments, but these relied on settlement in commercial bank money.

- Several benefits were identified. These included reduced operational burden, elimination of settlement risk, and the potential to increase competition, particularly for new entrants.
- Participants also highlighted risks. The importance of a clearly defined exceptions process was flagged. And participants noted the need to ensure industry knowledge of current process is retained, in case of system outage. It was also noted that any new process would require significant systems changes.
- Participants' discussed regulatory and legal questions that would need clarifying before synchronisation could be introduced. For example, the application of earmarks could have implications for liquidity measures. And settlement finality would need to be ensured, particularly in cross-ledger synchronisation.
- The Bank will continue to investigate the case for introducing synchronisation functionality. The Bank will follow up with workshop attendees for further detail on some of the use cases raised. Similar discussions may be organised in the future once thinking on this topic has progressed.