



## RTGS Renewal Programme – External Advisory Body

Tuesday 18 June 2019

Attendees: **Bank of England**  
**Atom Bank**  
**Bank of New York Mellon**  
**Barclays**  
**Citi**  
**EUI**  
**Lloyds Banking Group**  
**Pay.UK**  
**PSR**

Apologies: **Chair of CHAPS Strategic Advisory Forum & Independent Challenge, PaySafe, World Pay**

### Welcome and introductions

1. The Chair welcomed EAB members to the meeting and noted apologies.
2. The Chair noted that the EUI representative would be retiring in the summer and thanked him for his contribution. A replacement member would be considered.
3. The Chair asked if there was any potential conflict of interest. No members declared any conflict of interest.
4. The record of the previous meeting had been agreed and published on the Bank's website.

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

5. There were no open actions to be discussed.

### Item 2: RTGS Renewal Programme Update

6. An update on the Programme was provided. The Programme was in the 'Design, Enable and Procure' phase and was on track against the published plan.
7. **Procurement:** procurement continues to progress to plan. Potential suppliers have been shortlisted and in early June, the Programme issued the "Invitation to Participate" to shortlisted bidders – a major milestone for the Programme. Contextual material and high level requirements were issued, bidders will respond to these and a further down select will complete by October. The Programme remains on track to appoint the bidder by May 2020.
8. An update on **industry engagement** was provided, including reporting on the industry event held on 10 June where the Bank provided a Programme update and hosted a question and answer session across a wide range of topics. **LEI adoption** remains strategically important to the Bank and engagement with government departments continues.
9. The Bank updated on plans for the **transition to ISO 20022 in CHAPS**. The Bank plans to publish final 'like for like' schemas by the end of 2019, with 'like for like' implementation taking place in H1 2022 and the 'enhanced' message being introduced in H1 2023. The Bank is currently refining its approach to



transition, including mitigation for the planned 'big bang' cutover and early testing. The Bank expects to discuss proposals at September EAB.

10. There was a discussion on how Swift's recent proposals on ISO 20022 implementation would impact the Bank's own plans – as well as ISO 20022 implementations by other central banks. Swift proposals were under active consideration by the Bank team and discussions were planned with Swift on this topic. The Bank's ongoing engagement with other central banks on this topic was discussed – including the Bank's commitment to drive, as far as practicable, alignment in messaging standards across other jurisdictions. **Action:** It was proposed that a wider discussion on this topic could take place at Sibos in September 2019, the Bank will consider next steps.
11. Following discussion and valuable input at April EAB, the Programme has taken the approach to **participant readiness and monitoring** to the RTGS Renewal Committee<sup>1</sup>. It will be discussed by the RTGS / CHAPS Board<sup>2</sup> in July, and the agreed approach will be taken forward into more detailed planning.

### Item 3: Pay.UK update

12. Pay.UK provided an update on the New Payments Architecture (NPA) Programme. The next stage of procurement 'Request for Information' was issued at the end of May. Vendors have been down selected and "joint solutioning" will commence shortly, resulting in a conceptual design being developed by late summer. The overall NPA procurement timeline is being refined now there is more information on the scope of procurement and regulatory expectations.
13. Industry dialogue would continue throughout this period, focused on a number of core pillars including infrastructure renewal, ISO 20022 and resilience. An imminent next step was issuing a FPS transition questionnaire to seek industry feedback and input on the proposed approach.
14. High level similarities and differences between the two programmes' approach to transition were discussed along with the rationale. While each organisation may take a different approach, there were firm reasons for this, and both the Bank and Pay.UK remained committed to ongoing collaboration to minimise industry impact and burden.

### Item 4: Approach to RTGS Cost Recovery

15. In advance of an industry-wide consultation planned for later in 2019, the Bank was seeking early input from EAB on high level key principles for cost recovery following Renewal. This would be used to inform our thinking in advance of the consultation. The Chair noted that the Bank's legal team had carefully considered whether there were any sensitivities in raising this topic with EAB in advance of the consultation, but were content (a) that given this was a high level principles based discussion, and (b) that the Bank was primarily seeking initial market input rather than disclosing information about its future policy, there were none arising.
16. Key principles of the current approach were set out and it was noted that it was fairly simple in comparison to other domestic and international schemes. At a high level, the Bank set out what was expected to change due to Renewal and commitments made in the Blueprint. In particular, the Bank noted that costs would increase for a period while Programme costs were recovered; RTGS would

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<sup>1</sup> <https://www.bankofengland.co.uk/-/media/boe/files/about/legislation/matters-reserved-to-court.pdf?la=en&hash=2F9C60E0157D682145FD6EFB9014B4AEE745E15D>

<sup>2</sup> <https://www.bankofengland.co.uk/payment-and-settlement>



continue to be operated on a full cost recovery basis via the tariff; costs will be recovered from future users in arrears from completion of the build and amortised Programme costs are expected to be recovered over a longer period than at present.

17. Given Renewal would necessitate some changes, this was a good opportunity to review the overall approach to the tariff. The Bank set out a number of areas where it was seeking early input; high level principles; the basis for usage fees and fixed access fees. The themes emerging across all three areas were similar. In particular EAB said they valued:
- **Stability:** visibility of the expected tariff over a multi-year horizon was important for both budget planning and customer management. While it was noted that this might lead to a slight over recovery, this was considered preferable to volatility;
  - **Transparency and fairness:** the basis of tariff calculations should be transparent and equitable to all users of RTGS. Cross subsidisation across different schemes settled through RTGS should be minimised and any shared cost allocation easily explained;
  - **'Bundled pricing':** the Renewal Programme will deliver new services such as APIs and the Bank could consider a more complex model where individual services or components are priced and charged for separately. EAB favoured simplicity, indicating costs for core services should be 'bundled' as far as possible but that the Bank could consider a separate charging model for additional services if only a subset of firms were using them. EAB felt this would be fairer, result in more predictable costs and more in line with pricing models demanded by customers.
  - **Volume vs value:** EAB expressed a preference to retain the current approach where per-item fees are charged by volume rather than value. Changing this model would lead to additional complexity in approach. It was, however, noted that the need for resilience was driven by the high values settled and that this was why some other FMIs include an element of value-based charging.
  - **Business model alignment:** EAB felt that using the tariff structure to drive any changes in behaviour would be ineffective (for example reducing the number of CHAPS payments made later in the day.) The Bank's guidance on best practice was more likely to have an impact on behaviour than introducing complex tariff arrangements. Further, such behaviours were frequently aligned with firms' business models or the structure of the markets firms were operating in.
  - **On-boarding costs should be equitable for all:** there was consensus that the Bank should consider an 'on-boarding fee' for new joiners – stressing it would be more equitable if current participants did not bear the costs of on-boarding for new members. However, this must not be excessive or create an unwarranted barrier to entry. It was noted that in the long term, the fixed element of the tariff (annual participation fee) should contribute more to cost recovery given the anticipated rise in new entrants.
18. EAB suggested the Bank develop use cases across different principles to test whether any changes would create a significant advantage or barriers to entry.

## Item 5: Synchronisation update

19. An update was provided on the Bank's work to explore introducing synchronisation functionality into the new RTGS service and the extensive industry engagement undertaken.
20. Through this engagement the Bank has shared more detail on the potential functionality, planned roles and responsibilities and approach to future engagement. Feedback through the engagement process has been positive, though firms and requested more detail on both the technical design of the service and the



Bank's policies. In response, the Bank is considering developing a test system and has published further information on the Bank's current thinking and policy stance on this topic<sup>3</sup>.

21. EAB were asked for their views on the test system and the potential for synchronisation functionality now further thinking had been undertaken.
22. EAB felt more needed to be done to prove the business case for synchronisation and expressed some scepticism over whether it would deliver the benefits envisaged. They noted that previous initiatives in the housing sector had not gained traction and that similar functionality used in other countries had not, in their view, been particularly successful.
23. They stressed that policy and legal issues surrounding synchronised settlement would be complex to solve – in particular legal certainty over the asset movement – but they noted these issues were outside what the Bank can address. Resolving these issues and developing a robust business case for the functionality would be an important factor in getting potential Synchronisation Operators to commit to investing in this service.
24. EAB felt the 'technical capability' to deliver synchronised settlement had essentially been proven by CREST. However, they could see value in the Bank operating a test system to provide a tangible demonstration of how the functionality could work.
25. The Bank acknowledged these concerns, and that this was already part of the forward work plan. However, it noted that there were a number of firms already innovating in this space across a range of different use cases, and that it considered that there was value in continuing to explore this. EAB agreed that the Bank should remain open-minded on this topic.

## AOB

26. The Bank informed members that the next EAB will include an initial discussion on testing principles, including any early ISO 20022 testing. EAB's views on future agenda items were welcome.

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<sup>3</sup> <https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-renewal-programme/rtgs-renewal-synchronisation-engagement-update.pdf>

<https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-renewal-programme/rtgs-renewal-background-guide-to-proposed-rtgs-functionality-synchronisation.pdf>