



**BANK OF ENGLAND**

# News release

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## **Payment Systems Oversight Report 2010**

The Bank of England is today publishing its Payment Systems Oversight Report 2010. The Oversight Report is an important element of the Bank's oversight work. It offers public accountability for this statutory function of the Bank, as well as increasing transparency about the performance of the overseen systems and acting as a tool to encourage further risk reduction.

Following the introduction of the Banking Act 2009, the Oversight Report sets out how the Bank has implemented the statutory regime for oversight under Part 5 of the Act and how the Bank carries out its oversight of the recognised UK payment systems. It reports on the key changes in the key UK payment systems and explains the focus of the Bank's work in this field.

The key UK payment systems have continued to demonstrate high levels of operational availability and developments since the previous Oversight Report have contributed to further reductions in risk. The Oversight Report notes some areas where, in the Bank's view, further measures to reduce potential systemic risks should be undertaken. These include:

- *Tiering*: the accession of two new members of CHAPS in 2010 and one new settlement member of CREST in 2009 has helped reduce tiering in these payment systems, but tiering remains a risk in UK payment arrangements and should be reduced.
- *Payment arrangements for central counterparties (CCPs)*: the two recognised CCPs should consider ways to reduce commercial bank risk in their payment arrangements.
- *Default arrangements*: Bacs should develop proposals to ensure that settlement can complete in all circumstances in the event of a member default.
- *Contingency arrangements*: payment systems should ensure they conduct a challenging programme of business continuity tests to prove their contingency arrangements.
- *Governance*: payment systems should ensure that their governance arrangements reflect corporate governance good practice, and provide appropriate strategic guidance and challenge to management.

## Notes to Editors

The Bank uses the *Oversight Report* as a means of explaining how it is discharging its public policy responsibilities for oversight. These responsibilities were placed onto a statutory footing under Part 5 of the Banking Act 2009, as part of the Bank's broader mandate for financial stability. (The Banking Act 2009 is available at: [http://www.opsi.gov.uk/acts/acts2009/pdf/ukpga\\_20090001\\_en.pdf](http://www.opsi.gov.uk/acts/acts2009/pdf/ukpga_20090001_en.pdf)).

The Bank oversees interbank payment systems that are 'recognised' by order by HM Treasury. HM Treasury has issued recognition orders for Bacs, CHAPS, CLS, Faster Payments Service, and the embedded payment arrangements within CREST, ICE Clear Europe Ltd and LCH.Clearnet Ltd.

This is the first *Oversight Report* to be produced since the commencement of the statutory oversight regime on 31 December 2009. The Oversight Report focuses on the Bank's implementation of the regime and the payment systems that have been recognised by HM Treasury.

A summary of the Bank's statutory framework for oversight was published in September 2009, and can be found at <http://www.bankofengland.co.uk/publications/other/financialstability/oips/oips090928.pdf>

Copies of the Report are available below.

## Key Resources

[Payment Systems Oversight Report 2010 - Issue No 6, March 2011](#)

[The Bank of England's oversight of interbank payment systems under the Banking Act 2009](#)  
September 2009