



**BANK OF ENGLAND**

# News release

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23 July 2015

## **Extending the CHAPS/CREST settlement day**

The settlement day for CHAPS, the UK's high-value payment system, and CREST, the UK's securities settlement system, will be extended by one hour and forty minutes from summer 2016. In future, these systems will close at 18:00 for direct participants, such as the major banks.

This change better aligns the CHAPS and CREST settlement day with the typical business hours of many users of these systems. Direct participants are expected to pass on the full benefit of the extension to their customers by setting later cut-off times for them.

Users will therefore benefit from increased flexibility to initiate transactions that can settle later in the day – examples include high-value payments made by financial institutions, corporates or households for property conveyancing payments; and balance sheet investment and funding decisions undertaken by financial institutions and corporates.

The decision to extend the settlement day follows a review instigated in early 2014 by the Bank of England as settlement agent for the major sterling payment and securities settlement systems (through the operation of its Real-Time Gross Settlement (RTGS) infrastructure). The changes were decided by the CHAPS and CREST system operators, CHAPS Co and Euroclear UK & Ireland, informed by engagement with organisations that provide sterling payment and securities settlement services and representatives of significant user sectors.

Over the coming months, the Bank of England, CHAPS Co and Euroclear UK & Ireland will be working to raise awareness of the changes, and to ensure that the benefits are passed on to users through the setting of later cut-off times.

Minouche Shafik, Deputy Governor, Markets and Banking, said:

“This is a welcome step forward for the CHAPS and CREST payment and settlement systems. Extending the settlement day will provide greater flexibility to businesses and financial institutions when making

decisions on funding, investment and risk management, and a longer window during which housing transactions can complete. We expect all participants to implement the change and pass on the benefit to customers.”

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## **Notes for Editors:**

CHAPS (the UK's High Value Payment System for same-day electronic funds transfer) and CREST (the UK's Securities Settlement System for gilts, equities and money market instruments) provide settlement on a 'real-time' basis.<sup>1</sup>

CHAPS is operated by the CHAPS Clearing Company (CHAPS Co); CREST is operated by Euroclear UK & Ireland.

The Bank is settlement agent for these two systems: their transactions are settled in 'central bank money' across accounts held in the RTGS infrastructure.

In November 2013, the Bank announced that it would be instigating a good-practice review of its RTGS operating hours to assess whether making it available for longer each day would mitigate risk or provide other benefits for users.<sup>2</sup>

The Bank's policy review was informed by input from the system operators, together with a cross-section of the various service providers and users that make use of these systems.

This policy review concluded in November 2014 that there were a number of benefits in extending the CHAPS & CREST settlement day, and that doing so would broadly align it with the typical business day of many of the organisations that use these two systems.

Following the review, the Bank asked the operators of the two systems, CHAPS Co and Euroclear UK & Ireland, to engage with their participants on this proposition.

CHAPS Co and Euroclear UK & Ireland subsequently made a number of recommendations to the Bank on the design of their daily settlement timetables, and the appropriate implementation timeline for the change to take place. The Bank accepted these recommendations, which are being announced today.

The Bank, working with other UK financial authorities, will monitor the delivery of benefits to users by their service providers.

For an overview of the current and proposed CHAPS/CREST settlement day, please see [this link](#).

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<sup>1</sup> For a more detailed explanation, see "*The Bank of England's Real-Time Gross Settlement infrastructure*" <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb120304.pdf>

<sup>2</sup> See '*The UK payments landscape*' <http://www.bankofengland.co.uk/publications/Documents/speeches/2013/speech691.pdf>