



BANK OF ENGLAND

News release

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Bank of England publishes independent review of RTGS outage

The Bank of England today published the results of an independent review by Deloitte of the disruption to the Real Time Gross Settlement (RTGS) system on 20 October 2014. The Bank also published its response, in which it accepted all of the review's recommendations and set out how it intends to implement each of them.

On 20 October 2014, following the restoration of the RTGS system after a nine-hour service disruption, Governor Mark Carney announced that the Bank would commission an independent review into the causes of the incident, the effectiveness of the Bank's response and the lessons to be learned.

The key findings of the independent review are:

- i. The root cause of the incident was the introduction of defects as part of functionality changes made to the RTGS system in April 2013 and May 2014.
- ii. All submitted payments (total value of £289.3 billion) were settled within the day's operating hours (which were extended until 20:00) and substantive risks to financial stability, financial loss or long-term damage to the economy were avoided through the execution of a comprehensive plan to fully resolve the issue and enable all submitted transactions to be cleared by the end of the day.
- iii. The outage caused inconvenience to RTGS participants, and by consequence, to their customers – most notably a delay to some housing transactions.
- iv. Among the lessons learned, the incident has highlighted the need for the Bank to further consider the contingency solutions for RTGS, as well as the future development of the system. In addition it highlights the need to strengthen the Bank's crisis management framework.

The Bank apologised to those who were affected, and implemented a compensation scheme to cover claims for costs incurred. Affected parties were advised to contact their bank or building society and the Bank undertook to reimburse all claims paid. To date the Bank has settled nine claims totalling approximately £4,060.

A series of actions taken by the Bank, in parallel to Deloitte's review, have already addressed several of the review's recommendations. The Bank has reconstituted its RTGS Board, now chaired by the Deputy Governor for Markets and Banking, and is putting in place an enhanced crisis management framework. All of the remaining recommendations will be implemented as soon as possible, as detailed in the Bank's response.

Minouche Shafik, Deputy Governor for Markets and Banking, said: "The RTGS system is vital to the effective functioning of the UK economy and the financial system. Participants in the RTGS system – and most importantly, their customers – rightly expect it to meet extremely high standards of service, availability and resilience. The Bank is committed to meeting those high expectations, including through the full and timely implementation of the recommendations contained in this independent review."

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Notes to Editors

1. The Bank of England is responsible for the operation of the RTGS system, through which it acts as settlement agent to the UK's main interbank payment systems. In this role, the Bank provides ultimate, risk-free means of discharging payment obligations between parties.
2. The Bank is grateful to Deloitte – appointed by Court – for the independent and thorough review it has conducted. The review had the full cooperation of the Bank and benefited from input from affected stakeholders.
3. Deloitte's report outlining the results of its review is available on the Bank's website, in appropriately redacted form: <http://www.bankofengland.co.uk/publications/Documents/news/2015/rtgsdeloitte.pdf>
4. The Bank's response to the review is also available on its website: <http://www.bankofengland.co.uk/publications/Documents/news/2015/rtgsresponse.pdf>
5. Terms of reference and 20 October statement on RTGS: <http://www.bankofengland.co.uk/publications/Pages/news/2014/156.aspx>
6. Quarterly Bulletin article Q3 2012 – *The Bank of England's Real-Time Gross Settlement infrastructure* <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb120304.pdf>
7. Quarterly Bulletin article Q3 2014 – *Enhancing the resilience of the Bank of England's Real-Time Gross Settlement infrastructure*: <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q305.pdf>