

RTGS AND CHAPS FEES

The Bank charges fees in order to recoup the costs of providing Real-Time Gross Settlement (RTGS) settlement services and acting as the payment system operator for CHAPS, the UK's high value payment system.

These fees are reviewed annually and apply in advance from 1 April each year. All fees are set according to the following tariff principles:

- The Bank aims to recover all of the costs it incurs in the provision of RTGS and CHAPS services, without generating any long-term profit or loss.
- The recovery of costs may be smoothed across a number of years¹ so that tariff volatility is reduced.
- There should be no cross-subsidisation of one service by another.
- Fees will not be reduced ahead of the go live for the renewed RTGS system, even if this results in a surplus being generated.

This approach is designed to reduce long-term volatility in the tariff, as capital and investment costs related to the original RTGS system diminish in the final years of operation. Organisations will be able use any surplus generated from the payment of their fees prior to go-live of the renewed RTGS system to provide an initial offset against the new tariff, which will include the investment and costs related to the RTGS Renewal Programme.

RTGS AND CHAPS TARIFFS

The Bank provides RTGS services for two of the UK's high-value payment systems, CHAPS and the embedded payment system that supports DvP (Delivery versus Payment) securities settlement in CREST. A number of other payment systems ('Deferred Net Settlement' schemes) settle participants' multilateral net obligations across accounts held in RTGS.

The Bank is also the operator of the CHAPS payment system.

The CHAPS tariff consists of a per-item fee for CHAPS payments and a fixed annual fee: these combine the Bank's activities as operator of RTGS and CHAPS services i.e. settlement as well as 'scheme' activities such as owner of the CHAPS rulebook and supporting risk management and assurance activities. The DvP RTGS tariff consists of an annual participation fee and a per-item fee for CREST settlement in RTGS.

Annual participation charges are levied on settlement participants of the other payment systems for which the Bank settles in RTGS (the Deferred Net Settlement (DNS) RTGS tariff).

RTGS and CHAPS costs

Costs recovered through the tariffs are categorised as either specific or shared. The specific costs of each service are those costs which would be eliminated should that service be withdrawn – i.e. the marginal cost of providing the service.

Shared costs are defined as those costs that would be eliminated only if all three services were withdrawn. Shared costs are allocated in proportion to the RTGS operating window used by each settlement service.

CHAPS tariff and DvP RTGS tariff

Each tariff consists of an annual charge and a per-item fee.

¹ The cost recovery horizon is aligned with the current projected go-live of renewed RTGS, resulting in a three-year recovery period to the end of the 2022/23 tariff year.

<i>Financial Year 2020/21</i>	Combined CHAPS tariff	DvP RTGS tariff
Annual charge	£30,000	£15,000
Per-item fee	31.9p	£1.60

The combined CHAPS per-item fee is charged to the sending CHAPS Direct Participant for each CHAPS payment, i.e. per account debit.

The DvP RTGS per-item fee is also charged on the basis of account debits.

DvP settlement in CREST takes place in a series of high frequency cycles through the day. At the end of each cycle, the cash movements between each pair of CREST settlement firms in each direction during that cycle are aggregated and the resulting set of bilateral debits and credits applied to the accounts in RTGS. This combination of cycles and aggregation results in far fewer debit postings being made each day for DvP compared to CHAPS. So, given that the values settled in CHAPS and in DvP are of fairly similar orders of magnitude, the respective per item fees needed to recover each system's allocation of RTGS shared costs are quite different.

Other CHAPS fees

The Bank does not currently charge a joining fee but certain costs, such as external legal fees in relation to foreign jurisdiction opinions, may be recovered from CHAPS Direct Participants.

Deferred Net Settlement (DNS) in RTGS

The Bank also provides a standardised net settlement service to a number of the UK's main DNS/high volume payment systems. This is a fully automated process within RTGS and uses standard SWIFT MT298 messaging.

As with the combined CHAPS tariff and DvP RTGS tariff, the Bank recovers both the marginal costs of providing this service and an element of the RTGS shared costs (with a *de minimis* contribution of £10,000 from any one system). The resulting annual settlement charge for each system is then divided equally amongst that system's settling participants as at 31 March that year. For 2020/21, the annual participation charges are as follows:

<i>Financial year 2020/21</i>	Payment system ²				
	FPS	Bacs	Image Clearing System	LINK	Visa Europe
Annual charge per settlement participant	£6,900	£2,650	£3,600	£1,450	£950

Manual Contingency Defund charge

Non-CHAPS account holders can use the Bank's Enquiry Link service to instruct 'defunds' from their accounts held in RTGS to an account held with a commercial provider. In the event that a non-CHAPS account holder is unable to access the Enquiry Link to instruct such a defund, it is possible to ask the Bank to process a manual contingency defund on the account holders behalf. There is a charge for this service where more than two manual contingency defunds are made within a fixed twelve month period (1 April – 31 March), of £550 per defund. Charges will be invoiced, on an aggregate basis, every two months. Charges will not be levied for defunds of less than or equal to £1, including as part of the regular manual defund tests.

² 2019/20 C&CC DNS paper clearing fees per settlement participant were £2,960 which spanned the period 1 April 2019 up until the schemes closure on 19 September 2019.