

## RTGS AND CHAPS FEES

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

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 years<sup>1</sup> so that tariff volatility is reduced.
- There should be no cross-subsidisation of one service by another.

### A. RTGS SETTLEMENT TARIFFS

The Bank provides Real-Time Gross Settlement (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 sets an annual participation charge and per-item tariff for CHAPS Direct Participants (the CHAPS RTGS Settlement tariff) and CREST settlement banks (the DvP RTGS Settlement tariff); and annual participation charges for members of the other payment systems for which the Bank settles (the Deferred Net Settlement (DNS) RTGS Settlement tariff).

#### **RTGS costs**

Costs recovered through the RTGS 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 The specific costs of each service are those costs which would be eliminated should that service be withdrawn – i.e. the marginal cost of providing the service.

Shared costs are defined as those costs that would be eliminated only if all three services were withdrawn. Following a review of the methodology in 2017, shared costs are now allocated in proportion to the RTGS operating window used by each settlement service.

#### **RTGS settlement tariffs for CHAPS and DvP**

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

<i>Financial Year 2018/19</i>	CHAPS RTGS settlement tariff	DvP RTGS settlement tariff
Annual participation charge	£15,000	£15,000
Per-item fee	18p	£1.60

The CHAPS per-item fee is charged to the sending CHAPS Direct Participant for each CHAPS payment, i.e. per account debit. A separate fee is levied for CHAPS Scheme costs (see below).

The DvP 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 banks 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

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<sup>1</sup> For RTGS, this is normally four years. However, this year's cost recovery horizon for the current RTGS services has been aligned with the projected go-live of renewed RTGS, resulting in a three year recovery period to the end of the 2020/21 tariff year.

settled in CHAPS and in DvP being 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.

### **Deferred Net Settlement (DNS) in RTGS:**

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

As with the CHAPS and DvP RTGS settlement tariffs, 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 2018/19, the annual participation charges are as follows:

<i>Financial year 2018/19</i>	Payment system					
	FPS	Bacs	Cheque & Credit (paper)	Image Clearing System	LINK	Visa Europe
Annual charge per settlement participant	£8,650	£2,750	£6,050	£3,550	£1,250	£900

### **B. CHAPS SCHEME FEES**

Responsibility for the operation of the CHAPS payment system transferred to the Bank on 13 November 2017. The CHAPS Scheme tariff is set at a level that recovers the Bank's expected costs of running the scheme. For the 2018/19, these costs proved to be in line with the amounts that were expected at the point of transition.

For the avoidance of doubt, a CHAPS Direct Participant will need to pay the CHAPS RTGS Settlement tariff and the CHAPS Scheme tariff.

#### **CHAPS Scheme tariff**

<i>Financial Year 2018/19</i>	CHAPS Scheme fee
Annual participant charge	£15,000
Per-item fee	13.9p

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

HMRC has confirmed that the Bank can apply the same VAT treatment for CHAPS Scheme costs as it does for RTGS costs, therefore making CHAPS scheme costs exempt from VAT. To the extent that an organisation is unable to recover VAT, this will represent a saving on last year.

#### **Other CHAPS fees**

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

Bank of England

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