



BANK OF ENGLAND

CHAPS Co



Post-trade made easy

Market wide forum for extension of CHAPS/CREST settlement day: Terms of Reference

1. Objectives

- To facilitate discussion and resolution of issues ahead of the introduction an extended settlement day in summer 2016 especially where a collaborative approach will be beneficial:
 - Sharing information and best practice
 - Resolving issues identified by CHAPS Co or EUI's governance or other stakeholders
 - Resolving, or allocating to other fora, issues that are not appropriate for CHAPS Co or EUI's governance to address
- To provide input to the Bank of England, CHAPS Co and Euroclear UK & Ireland on factors to consider in deciding an implementation date for summer 2016.
- To provide input into the assessment of service provider/user readiness for go-live
- To ensure common understanding of the benefits of an extended settlement day and support for passing benefits to end-users

The forum is advisory and will not have formal decision-making authority; members will not be expected to vote or make binding commitments on behalf of their organisation or constituency.

2. Membership

The Bank of England will chair the first meeting. The chair for later meetings will be discussed at the first meeting.

- Chair (Bank of England)
- System operators:
 - Bank of England (as operator of RTGS)
 - EUI
 - CHAPS Co
- Sector representatives:
 - CHAPS direct participants
 - Custodians
 - Retails brokers
 - Issuing and Paying agents
 - Registrars
 - Money market participants
 - Bank treasurers
 - Overseas-based indirect participant bank
 - UK-based indirect participants banks and building societies
 - Central counterparties
 - Corporates
 - Property transactions

The Financial Conduct Authority and Payment Systems Regulator have observer status.

3. Expectations for attendees:

Attendees should represent the interests of their constituency. This may include:

- Seeking the views of, and/or feeding back to, their constituency
- Drawing on their expertise as a market practitioner or as an end-user

4. Frequency of meetings

This forum will convene on at least a quarterly basis until summer 2016, and may meet after implementation to input into a post-implementation review.

5. Secretariat

The Bank of England will provide the secretariat and analytical services as required.

6. Outputs

The Bank, as secretariat, will record minutes, actions and issues.

The forum will provide input to communications on information relevant to the wider market of service providers and end users.

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

9 July 2015

MINUTES

1. Introduction

- 1.1. The Chair welcomed attendees (see Annex 1), and briefly set out the role of the Forum and the expectations on its members. The Forum should facilitate discussion and resolution of issues ahead of the introduction of an extended settlement day in summer 2016. This would include sharing information and best practice, resolving emerging issues and ensuring a common understanding of the benefits of an extended settlement day. Whilst the Forum does not have formal decision-making authority, it does have an important advisory role to the Bank/CHAPS Co/EUI.
- 1.2. In response to a question, the Bank confirmed that the end-of-day for the Bank's Real-Time Gross Settlement (RTGS) system will be 18:00 and the CHAPS and CREST systems will be aligning with this new time – this was stated in the May policy paper.¹ Nevertheless, some of the intraday CHAPS/CREST deadlines were still to be finalised after further discussion with participants.

2. Presentation on the background to extending the CHAPS/CREST settlement day

- 2.1. The Bank, CHAPS Co and EUI gave an overview of the background to extending the CHAPS and CREST settlement day, including the Bank's policy review and the inputs it took during this process from a wide variety of institutions. The Bank said that it had identified a number of benefits in extending the settlement day, as stated in its November 2014 paper, and had asked the two system operators, CHAPS Co and EUI, to engage with their participants on how and when this should be implemented. The conclusions from this engagement were presented in the joint paper issued in May 2015.
- 2.2. Member discussed the costs and benefits of the extended settlement day. Members saw benefits for certain types of transactions, such as those relating to property transfers. They also recognised the greater flexibility a longer settlement day would enable, citing the ability for CCPs to call for margin in sterling later in their operational day.
- 2.3. Some members pointed out that a longer settlement day would incur additional costs for service providers.
- 2.4. A member speculated that a longer settlement day could spread out activity in the sterling money markets over a longer period in the afternoon, with a consequent impact on market liquidity at certain times of the day.
- 2.5. There was no consensus on whether the extended settlement day would lead to an overall increase in transaction volumes settled in CHAPS/CREST – however, while it was possible that there may be a small increase in activity, such an increase was not a policy aim of the extended settlement day.
- 2.6. A member raised the concern that lengthening the payment day could impact certain institution's ability to comply with the FCA's Client Assets (CASS) requirements, where unrecognised funds received late in the day may not be able to be fully investigated and allocated – affecting client allocation levels. The Bank will raise the concern with the relevant team responsible within the FCA.
- 2.7. A member asked when direct participants, such as the major banks, would announce revised cut-off times, and what the revised times might be. While this is a commercial decision for the banks, relatively early communications would support the ability of

¹ Please see [Extending the CHAPS and CREST settlement day - May 2015](#)

customers to make their own plans. Sufficient notice was particularly important for financial institutions that accessed CHAPS/CREST via the larger banks as they would need to consider how this would affect the deadlines that they passed on to their own customers.

ACTION (1): CHAPS Co to ask CHAPS direct participants when they would be in a position to make their users aware of revised customer cut-off times, and to update the Forum in due course.

3. CHAPS CO/EUI implementation governance and the role of the Forum

- 3.1. CHAPS Co and EUI outlined their respective governance arrangements for implementation. CHAPS Co confirmed that they were responsible for the change management for the CHAPS system, and will be managing this through the CHAPS Board, the Business and Strategy Committee (who will provide strategy alignment) and the CHAPS Technical and Operations Committee (who will monitor technical readiness). The Liquidity Throughput Working Group will examine the rules for CHAPS throughput. Each CHAPS participant will be responsible for planning the delivery of their own internal changes.
- 3.2. EUI will publish a detailed timetable in the White Book at the end of August. It intends to use its market sector groups to monitor client progress towards implementation. No technical change will be necessary to the CREST infrastructure. EUI stated it would be exploring whether its clients envisaged any trialling needs ahead of the go-live date.
- 3.3. There will be a standing item on the Forum agenda for CHAPS Co and EUI to provide an update on their respective implementation governance.

4. Ratification of the Forum's Terms of Reference

- 4.1. Members were invited to endorse and ratify the terms of reference (see Annex 2). The question of who should Chair the Forum on a permanent basis was put to members. Members were content for the Bank of England to continue in this role.
- 4.2. Members confirmed that they were content with the expectations proposed in the Terms of Reference e.g. seeking views from, and feeding back to, their respective constituencies as well as drawing on their expertise as a market practitioner and/or user. In cases where the member was not a trade association, engaging with constituencies would be through, for example, CHAPS Co or EUI, or the relevant trade association. In addition, the Financial Conduct Authority and the Payment Systems Regulator will observe the Forum. HM Treasury is aware of the proposed extension to the settlement day, and are supportive of the planned change.
- 4.3. The Terms of Reference were ratified by members and it was agreed that the Forum would aim to meet on a bi-monthly basis.

5. Inputs from the Forum on setting an implementation date in summer 2016.

- 5.1. In order to support the Bank, CHAPS Co and EUI in making a final decision on an implementation date for summer 2016, members were asked to consider dates and periods to avoid. This focused on the periods of the middle two weeks in June 2016 and the middle two weeks of July 2016. It was clarified that members were not being asked to state their preferred date and it was unlikely that there would be a date that suited all affected parties. The Bank, CHAPS Co and EUI would review this input as part of determining a suitable go-live date by the end of August 2015.
- 5.2. In response to a question, the Bank, CHAPS Co and EUI confirmed that they would ultimately make a go/no-go decision. This would be, in part, based on input from the Forum – particularly whether there was a sufficient degree of awareness and readiness of the change – and other inputs, for example from the CHAPS Co and EUI governance processes.

ACTION (2): Members to consult with their constituencies and provide input to the secretariat by 31 July 2015 on dates to avoid (with supporting rationale) for implementation.

6. Forward agenda – issues for the Forum to address in the coming months.

- 6.1. Members were asked to consider and propose items that the Forum should look to address in the coming months. The Bank provided a number of potential topics, the first of which was for members to consider what relevant market rules or conventions on intraday deadlines currently exist; how such these might change; what the governance process for any change would look like; and whether the intraday deadlines was mandated or informal.
- 6.2. The 2pm deadline for funds on completion date that forms part of the ‘standard conditions of sale’ published by the Law Society and commonly used for house purchases was cited as one such example. Members also described other deadlines that were set with the earliest cut-off times for CHAPS payments in mind.
- 6.3. Members agreed that they would provide input to the Bank on how the intraday market deadlines influenced the profile of transactions; this would be aggregated by the Bank and considered as a substantive item at the Forum’s next meeting.
- 6.4. In due course, members would be asked to input into the Bank/CHAPS Co/EUI assessment of market-wide readiness to implement and provide input into the design of the authorities’ post- assessment of how the benefits of the change had been passed on.
- 6.5. The Forum discussed whether there were any regulatory changes that might impact on the implementation of the longer settlement day, and in particular where there is a potential for any associated change to be in the same period as other mandatory regulatory changes, which could cause resource constraints. A standing item will be added to future agendas for the authorities, including input from the Prudential Regulation Authority via the Bank, to provide brief updates on any relevant regulatory changes.

ACTION (3): Members to consult with their constituencies and provide the secretariat with details of relevant market rules/conventions on intraday deadlines, with all returns to be submitted by 9 August 2015.

ACTION (4): Secretariat to aggregate members’ information to produce a profile of activity, as influenced by intraday market deadlines, across the CHAPS and CREST settlement day, for the next meeting to inform further discussion.

ACTION (5): Authorities to consider impact of overlapping regulatory changes and stand ready to provide updates to the Forum.

7. Outputs and communication: products for the Forum

- 7.1. The Forum has a role in ensuring awareness of the change and communicating information to stakeholders. In support of this, a proposal for communications outputs was put to members.
- 7.2. Members agreed that making regular minutes, FAQs and standard text for service providers to cascade to clients would be helpful. There was support for the Bank’s proposals to host such information on its website with links pointing to CHAPS Co, EUI and others, where appropriate.
- 7.3. Members would consider in due course whether the Forum should make use of newsletters other and media engagement once it was clear whether there was a demand for them.

7.4. The potential for surveys to be used to measure awareness of, and readiness for, the changes was discussed. Survey results could also be used to inform the nature of communications.

ACTION (6): Bank to create a webpage to act as a repository for information on the extended CHAPS and CREST settlement day.

8. AOB

8.1. The next meeting will be arranged for September 2015.

Summary of actions

Action	Owner	Date
(1) To consider when direct participants would be in a position to make their users aware of revised customer cut-off times, and to update the Forum in due course.	CHAPS Co (and direct participants)	TBC
(2) Consult with their constituencies and provide input to the secretariat by on dates to avoid (with supporting rationale) for implementation.	Members	31 July
(3) Consult with their constituencies and provide the secretariat with details of relevant market conventions on intraday deadlines.	Members	9 August
(4) Secretariat to aggregate members' information to produce a profile of activity, as influenced by intraday market deadlines, across the CHAPS and CREST settlement day, for the next meeting to inform further discussion.	Bank (secretariat)	For September meeting
(5) Consider impact of overlapping regulatory changes and stand ready to provide updates to the Forum.	Financial authorities (Bank, PRA, FCA, PSR)	Ahead of each meeting
(6) Create a webpage to act as a repository for information on the extended CHAPS and CREST settlement day.	Bank (secretariat)	Proposal for September meeting

Annex 1 - Attendees²

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England (secretary)
Michael Reddaway – Market Services Division, Bank of England (secretary)
Honey Kirtley – CHAPS Co (operator of CHAPS system)
Ian Dowglass – Euroclear UK & Ireland (operator of CREST system)
Julie Tuffrey – Investec (retail brokers)
Sara Castelhana – JP Morgan (CHAPS direct participants)
Sarah Boyce – Association of Corporate Treasurers
Andrew Rogan – British Bankers Association
Tom Coran - Tesco (Small Banks Association)
Gerard Smith – LCH (central counterparties)
Thom Wilkinson – Bracher Rawlins (the Law Society)
Peter Twaite – Commerzbank (London Money Market Association)
Oli Bogaerts – Payment Systems Regulator
Karen O'Donnell – Financial Conduct Authority

Apologies

Peter Stewart – Citi (custodians)
Matt Woodard – HSBC (Issuing and Payments Agents)
Simon Hale – Computershare (Institute of Chartered Secretaries and Administrators – The Registrars' Group)
Andre De Roy – Liquidity Managers Group
Bruk Woldegabreil – Association of Foreign Banks
Sam Barnett – Council of Mortgage Lenders
Andrew Hopkins – Building Societies Association

Note: The Forum was held on a day of travel disruption: the Bank followed up bilaterally with those unable to attend – relevant points from such conversation are included in the minutes as appropriate.

² Brackets denote constituency where relevant

Annex 2 - Market wide forum for extension of CHAPS/CREST settlement day: Terms of Reference

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 - Resolving, or allocating to other fora, issues that are not appropriate for CHAPS Co or EUI's governance to address
- To provide input to the Bank of England, CHAPS Co and Euroclear UK & Ireland on factors to consider in deciding an implementation date for summer 2016.
- To provide input into the assessment of service provider/user readiness for go-live
- To ensure common understanding of the benefits of an extended settlement day and support for passing benefits to end-users

The forum is advisory and will not have formal decision-making authority; members will not be expected to vote or make binding commitments on behalf of their organisation or constituency.

2. Membership

The Bank of England will chair the first meeting. The chair for later meetings will be discussed at the first meeting.

- Chair (Bank of England)
- System operators:
 - Bank of England (as operator of RTGS)
 - EUI
 - CHAPS Co
- Sector representatives:
 - CHAPS direct participants
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 - Retails brokers
 - Issuing and Paying agents
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 - Money market participants
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 - Overseas-based indirect participant bank
 - UK-based indirect participants banks and building societies
 - Central counterparties
 - Corporates
 - Property transactions

The Financial Conduct Authority and Payment Systems Regulator have observer status.

3. Expectations for attendees:

Attendees should represent the interests of their constituency. This may include:

- Seeking the views of, and/or feeding back to, their constituency
- Drawing on their expertise as a market practitioner or as an end-user

4. Frequency of meetings

This forum will convene on at least a quarterly basis until summer 2016, and may meet after implementation to input into a post-implementation review.

5. Secretariat

The Bank of England will provide the secretariat and analytical services as required.

6. Outputs

The Bank, as secretariat, will record minutes, actions and issues.

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CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

17 September 2015

MINUTES

1. Introduction

1.1. The Chair welcomed attendees to the second meeting of the Forum. Since the last meeting, there had been a public announcement of the extended CHAPS/CREST settlement day¹ and communication of the implementation date of 20 June 2016. The relevant trade associations were thanked for supportive communications for the public announcements. Attendees are listed in Annex 1.

2. Agreement of protocol for approving and publishing minutes

2.1. Minutes of the last meeting were approved, including for publication on the Bank's website.
2.2. Members agreed the proposed protocol for approving minutes for publication i.e. Bank will draft minutes, agree them with CHAPS Co/EUI, and then circulate to Forum members via email for sign-off on a 'no objections' basis. The target is to publish the final minutes around three to four weeks after each Forum.

3. Forward agenda for the Forum

3.1. Under discussion of the objective to provide input into the assessment of service provider/user readiness for go-live, it was agreed that a discussion of arrangements for go-live in case of problems, e.g. a reversion strategy, would be added to the forward agenda. One suggested action was to undertake surveys to measure awareness.
3.2. CHAPS Co and EUI would require a higher level of assurance from direct participants. It is for CHAPS Co/EUI to determine what form that might take – possible options included Code of Conduct attestation and assurance of engagement with indirect. The major banks present confirmed they had made their indirect participants aware of extended hours and of the implementation date.

ACTION (1): Secretariat to add go-live arrangements to the forward agenda – additional contingency, options for reversion/regression.

4. CHAPS Co and EUI implementation governance and role of the Forum

4.1. CHAPS Co is setting up a working group of direct participants in October, under its Technical and Operations Committee. The working group will identify the activities required to implement extended CHAPS settlement hours and track progress of each participant and CHAPS Co. Each direct participant is, or has, appointed a project manager. It is envisaged that issues from the Forum could be taken to the working group and vice versa.
4.2. EUI's 'white book' had just been updated – it includes the detailed timetable and go-live date. The timetable will be confirmed around two weeks before the go-live date.
4.3. Overall, it was commented that governance was not just about technical changes for service providers, but also to ensure benefits realisation.

5. Review of drivers of key intraday deadlines and the case for, and implication of, any changes

Current and future deadlines and conventions

5.1. A summary of the key current intraday deadlines was discussed, with attention drawn to the 'trickle-down' or 'cascade' of deadlines. The top tier relates to the published system deadlines e.g. CHAPS and CREST system; the second tier are deadlines set by direct participants for their

¹ [News Release](#), 23 July 2015, Extending the CHAPS/CREST settlement day

clients e.g. CHAPS cut-off times; and the third tier a set of deadlines set for or within a market – either collectively or by individual firms.

CHAPS cut-off times

- 5.2. A noticeable trend, from a desk-based survey, was for cut-off times set by indirect participants to be earlier than those set by direct participants.
- 5.3. There were a series of questions and points raised connected to when banks would set and communicate changes to their CHAPS cut-off times.
- 5.4. When asked if it was reasonable to agree a date by which direct participants should communicate revised cut-off times to customers, say 1 January 2016, a number of the large banks present agreed in principle. LCH and ACT flagged a critical dependency on bank cut-off times; another member said it is difficult for indirect participants to plan without revised timing from their sponsor bank.

ACTION (2): Secretariat to maintain a timeline for implementation of changes to deadlines, with input of relevant data from CHAPS Co, EUI and members to help identify how staggered changes might be.

CHAPS throughput

- 5.5. CHAPS Co has reconvened a working group to consider timings/percentage targets,² impact on liquidity and different targets for different categories of participants, with proposals to be agreed by end 2015. Checkpoints being discussed are 12:00, 15:00 and 17:00.
- 5.6. In the discussion that followed concerns were raised of unintended consequences if different targets for different participants, risk of criteria that might constrain customers from making payments late in the day and over-complexity.

ACTION (3): CHAPS Co to provide an update on Throughput at the next Forum.

LCH

- 5.7. LCH summarised that clearing members could choose to make margin calls in GBP, EUR or USD with a current deadline of 14:30 for GBP and EUR. LCH propose extending this to 16:30 for GBP and would consult on the change. LCH reiterated the importance of knowing bank cut-off times to planning. The times LCH set also reflected ability to invest received funds.

Sterling money markets

- 5.8. The Bank presented data that illustrated a typical pattern of trading in the morning and early afternoon, with settlement largely taking place in the afternoon. The subsequent discussion was framed around how the shape of trading and settlement might change in light of the extended settlement day – would economic demand change, effect of bank cut-off times and throughout criteria in CHAPS, availability of counterparties, and impact on CHAPS liquidity.
- 5.9. Points expressed including whether trading and settlement activity might be stretched out or time-shifted later in the day; whether there would be a change to LCH's RepoClear deadlines; and whether repayment of loans is linked to the 12:00 throughput target. In addition, smaller/indirect participants want confidence of finding counterparties, and a possible shift of the timing of execution of FX currency swaps was suggested - liquidity currently shifts to USD markets after around 15:00.

ACTION (4): Bank (Forum secretariat and Sterling Market Division) to meet with LMMA representative before next Forum

ACTION (5): Secretariat to further consider implications for currency swaps.

² Under CHAPS rules direct participants must settle 50% of their day's value by 12:00 and 85% of their day's value by 15:00. See [CHAPS throughput criteria](#) for further information.

ACTION (6): LCH to consider timings for RepoClear product.

ACTION (7): LMMA representative to arrange discussion at next LMMA meeting on issues raised at the Forum.

Residential property transactions

- 5.10. The Bank shared illustrative data on mortgage advances and completion payments from the CHAPS/RTGS data. The Law Society representative made a number of observations including that the early morning peak was likely to be payments that had missed the previous day's cut-off times rather than forward dated.
- 5.11. The representative from solicitors described the extension of the settlement day for CHAPS as a big help in reducing the number of payments that were held back until the next day. Extending the standard contractual deadline of 14:00 won't occur initially but will be considered by the Law Society's conveyancing committee in due course. There are implications beyond solicitors including e.g. additional fees from removal firms.
- 5.12. A member asked if solicitors had considered the use of FPS for housing payments when the system limit was increased (they had not); this could bring 24/7 ability to settle housing payments.

ACTION (8): Law Society to consider change to 14:00 standard contractual deadline in due course.

- 5.13. The input on markets that could be considered in future forum discussions included securities, corporate and international payments.

ACTION (9): Secretariat to add securities market, corporate and international payments analysis to the forward agenda.

6. Strategy for further engagement with users

- 6.1. Members suggested a number of missing stakeholders: CLS, pricing providers in same day markets and the Council of Licenced Conveyancers.
- 6.2. Following up on conversations outside the Forum, the Bank said that it would be content to work with trade bodies to create focussed communications. The BSA would welcome this for their members and engage offline with the Bank.

ACTION (10): Secretariat to work with BSA on bespoke communications for BSA membership.

ACTION (11): Secretariat to contact trade associations offline to seek an update on engagement with their members so far and potential forthcoming opportunities, such as conferences and bespoke communications.

7. Update from regulators

- 7.1. In discussions between the regulators, no previously unidentified regulations had surfaced that might impact implementation. *(Post meeting note: A conversation after the meeting with the Council of Mortgage Lenders noted the implementation of the Mortgage Credit Directive in March 2016, but compliance activities were likely to complete in 2015.)*

8. Any other business

- 8.1. A representative from the Bank's Sterling Markets Division highlighted implications of extended hours for the SONIA and RONIA benchmarks. The Bank expects SONIA/RONIA will be published later on the same day when CHAPS is open until 18:00. From 2017, the Bank anticipates publishing SONIA on a T+1 basis – a consultation paper was released in July.³
- 8.2. The next meeting of the Forum will be held on 13 November.

³ <http://www.bankofengland.co.uk/markets/Documents/cpsonia0715.pdf>

Summary of actions

Action	Owner	Date
(1) Secretariat to add go-live arrangements to the forward agenda – additional contingency, reversion strategy	Bank (secretariat)	TBC
(2) Secretariat to maintain a timeline for implementation of changes to deadlines, with input of relevant data from CHAPS Co, EUI and members to help identify how staggered changes might be.	Bank (secretariat)	Ongoing
(3) CHAPS Co to provide an update on Throughput at the next Forum.	CHAPS Co	13 November 2015
(4) Bank (Forum secretariat and Sterling Market Division) to meet with LMMA representative before next Forum	Bank and LMMA	October 2015
(5) Secretariat to further consider implications for currency swaps.	Bank (secretariat)	TBC
(6) LCH to consider timings for Repoclear product.	LCH	TBC
(7) LMMA representative to arrange discussion at next LMMA meeting on issues raised at the Forum.	LMMA	TBC
(8) Law Society to consider change to 14:00 standard contractual deadline in due course.	Law Society	TBC
(9) Secretariat to add securities market, corporate and international payments analysis to the forward agenda.	Bank (secretariat)	TBC
(10) Secretariat to work with BSA on bespoke communications for BSA membership.	Bank and BSA	TBC
(11) Secretariat to contact trade associations offline to seek an update on engagement with their members so far and potential forthcoming opportunities, such as conferences and bespoke communications.	Bank (secretariat) and trade associations	October 2015

Annex 1 - Attendees⁴

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England (secretary)
Luke Charters-Reid – Market Services Division, Bank of England
Simon Forsyth – Sterling Markets Division, Bank of England
Louise Rebuck – CHAPS Co (operator of CHAPS system)
Ian Dowglass – Euroclear UK & Ireland (operator of CREST system)
Lal Manoharan – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Matthew Loos – JP Morgan (CHAPS direct participants)
Peter Steward – Citi (custodians)
Julie Tuffrey – Investec (retail brokers)
Matt Woodard – HSBC (IPA)
Ray Maffeo – HSBC (IPA)
Tony Ware – Capita Asset Services (Institute of Chartered Secretaries and Administrators – The Registrars' Group)
Peter Twaite – Commerzbank (London Money Market Association)
Andre de Roy – Liquidity Managers Group
Bruk Woldegabreil – Association of Foreign Banks (Overseas indirects)
Andrew Hopkins – Building Societies Association (UK based indirects)
Sam Mannion – British Bankers Association (UK based indirects)
Paul Fuller – Tesco Bank (Small Banks Association)
Mike Jones – LCH (central counterparties)
John Grout – Association of Corporate Treasurers
Thom Wilkinson – Bracher Rawlins (the Law Society)

Apologies

Jennifer Bourne – Council of Mortgage Lenders
Karen O'Donnell – Financial Conduct Authority
Oli Bogaerts – Payment Systems Regulator

⁴ Brackets denote constituency where relevant

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

13 November 2015

MINUTES

1. Introduction

- 1.1. The Chair welcomed attendees to the Forum (attendees are listed in Annex).
- 1.2. Since the last meeting, a dedicated webpage for the Forum on the Bank's website had gone live.
- 1.3. The Secretariat provided an update on actions that were not yet complete nor on the agenda for this meeting:
 - 1.3.1. The Bank of England and Euroclear UK & Ireland would be meeting with registrars and would provide a summary of those discussions at the next meeting of the Forum on 28 January.
 - 1.3.2. The Secretariat had also completed initial analysis on the implications of a longer settlement day for currency swaps, and would validate this with at least one bank and corporate before a wider circulation ahead of the next Forum meeting on 28 January.
 - 1.3.3. LCH had considered some of its operational timings through engaging with its Fixed Income Product Advisory Group: its current view is that there is no demand to change either the trade input deadline for Term £ GC (DBV), which will remain at 14.30 (for same day settlement trades), nor the trade input deadline for Repoclear gilt trades, which will also remain unchanged at 11.30. However, this would be kept under review.

2. Update from regulators

- 2.1. The Secretariat updated on information on regulatory changes that could impact on firms' preparation for the longer settlement day, highlighting the Mortgage Credit Directive (21 March 2016); however, it was noted that most firms would have completed their arrangements in 2015.
- 2.2. It was noted that no major conflicts between planned regulatory changes and the implementation of the extended settlement day had been identified yet; however, the Forum would remain alert to any future impacts.

3. Update from members of the Forum

- 3.1. The Association of Corporate Treasurers had informed its members about the change through their e-newsletter, and a corporate treasurer's forum. Most corporates were waiting to find out their new transaction cut-off times from their banks: this was the key information required for them to take forward their planning.
- 3.2. The Law Society is communicating to its members through three conduits: its professional update, its property and practice magazine and its conveyancing quality scheme. It will look to undertake further member communications towards the end of Q1 2016. Its Conveyancing Policy Committee had recently discussed the benefits of the extended settlement day for housing transactions.
- 3.3. The Association of Foreign Banks has been engaging further with its members to encourage progress on impact assessments. The AFB is considering undertaking a survey to assess member awareness and readiness.
- 3.4. The Association of Small Banks reported that its members are working through the implications of an extended settlement day for the resourcing of their back office transactions processing.

- 3.5. The Secretariat updated on behalf of those trade associations who could not be present, following bilateral contact in advance of the meeting. The British Bankers' Association continues to use existing panels to spread awareness and as yet had uncovered no substantive issues.
- 3.6. The Building Societies Association and the Bank were developing bespoke communications for BSA members to raise awareness and encourage readiness preparations.
- 3.7. The Bank envisaged that this 'core text' could also be used by other trade associations for their member communications.
- 3.8. The Council of Mortgage Lenders had issued communications to its members.
- 3.9. Additionally, the Bank had initiated contact with the Council of Licensed Conveyancers and the Law Societies of Scotland and Northern Ireland. The Chair confirmed that the Bank, CHAPS Co and Euroclear UK & Ireland would be happy to support relevant user forums and events.

4. CHAPS Co and EUI update on change programme governance

- 4.1 Euroclear UK & Ireland (EUI) reported that it would discuss market readiness at its next Market User Group in January, as well as continuing its on-going engagement through various sector-based working groups.
- 4.2 CHAPS Co reported that its extended settlement day working group for CHAPS direct participants would meet on 16 November and then approximately every fortnight. The working group had been formed to identify activities required to implement the extended CHAPS settlement day and track progress.

ACTION (1): Euroclear UK & Ireland to provide list of EUI Market User Group attendees for circulation to Forum members by 7 December.

ACTION (2): CHAPS Co to provide list of CHAPS Extended Settlement Day Working Group attendees for circulation to Forum members by 7 December.

5. CHAPS Co and EUI update on process for setting of transaction cut-off deadlines by direct participants (including update on CHAPS Throughput Rule review by CHAPS Co)

- 5.1 Attendees reiterated their strong interest in knowing when settlement banks will communicate the revised transaction cut-off times to clients. It is a key factor for institutions to plan their own changes and for cascading down to end-users. At the September meeting of the Forum, January 2016 was advocated as a suitable deadline for communications to take place by.
- 5.2 Two of CHAPS Co's direct participants present confirmed that in their opinion January remained a suitable deadline. One reported that its own communications to clients would be issued by end-November.
- 5.3 CHAPS Co reported that all of its direct participants – via its Extended Settlement Day Working Group – would be asked to confirm the date by when each will have communicated the revised cut-off times to their clients. CHAPS Co's objective was for all its direct participants to meet a deadline of January. The Bank stated that it would support CHAPS Co in discussions with individual direct participants to support this objective.
- 5.4 The Payment Systems Regulator reminded attendees that timely communication of information was important under the Code of Conduct for Indirect Access Providers, and that it was important that the benefits of the extended settlement day were also available to the customers of indirect participants.
- 5.5 CHAPS Co summarised its review of the CHAPS Throughput Rules that will take account of the extension to the settlement day. It was noted that Throughput Criteria should not drive business models. The revised design was on course to be approved by CHAPS Co's

governance by end-December. One direct participant noted that the revised design of these system rules would be an input into its review of cut-off times to its clients.

- 5.6 Turning to the changes to the deadlines for securities settlement, two service providers present confirmed that they would be passing on the full benefits of the changes to CREST system deadlines their clients.

6. Update on discussions with sterling money market participants

- 6.1 The LMMA updated on its latest member discussions. A key point that had been identified is that further consideration would be required to identify how market conventions in the sterling money market (e.g. end-of-day trading times) would change. Participants thought that there may be possible benefits from coordinating the initial change to market conventions, in terms of ensuring a smooth transition to new trading times and patterns of market liquidity in the late afternoon. The Bank stated that it wanted to understand these potential risks more fully, given the importance of the operation of the sterling money market.
- 6.2 The ACT stated that corporate treasurers currently did not have sufficient clarity on when their transaction cut-off times would move to; this impeded planning for how their use of the sterling money market would adapt later in the afternoon for end-of-day 'squaring-up'.
- 6.3 The LMMA, working with the Bank, will survey its members in the second half of November to more fully understand the potential impact on sterling money market activity, including what further information sterling money market participants require to firm up their intended operating timetable. This would inform further planning by the Bank of England and the LMMA to address the identified risks.
- 6.4 The LMMA would report back to the next meeting of the Forum and also to the Money Markets Liaison Committee.

7. Impact of extended settlement day on users and service providers of securities settlement

- 7.1 The Bank presented an overview of the impact of the extended settlement day on securities settlement, and sought to validate with Forum members the benefits and risks. The Bank stated that benefits would largely be concentrated on same-day markets, with users of sterling money markets able to borrow and lend later in the afternoon, same day Money Market Instrument issuance able to take place later in the day and the potential for increased post-trade efficiency in settlement rates.
- 7.2 There would also be an impact on the back office process of registrars where there is the risk that a longer settlement day could compress processing windows and create operational pressure.
- 7.3 The Forum debated whether, in future, money market activity that settles via DBV could largely settle towards the end of the new DBV window (15:00-17:30). If this should be the case, it was asked if the DBV settlement window should start later than 15:00? This could enable the gilt DVP deadline of 15:00 to be later. There was a case for considering such changes in the medium-term.
- 7.4 LCH stated that as gilt 'free of payment' deadline was moving later in the day it would give members longer to deliver gilt securities as margin – a potential benefit that they would look to make available to their clients, since currently only eligible USD securities can be delivered late in the day.
- 7.5 Registrars also raised the need to engage with issuers on the impact on their business. The Bank and Euroclear UK & Ireland agreed to undertake this.
- 7.6 The Secretariat also updated attendees on the action regarding compliance with the FCA's Client Asset (CASS) rules: the FCA did not see that extension to the settlement day would

require modification of the CASS rules. More detail on this point would be circulated as an annex to the minutes (see under actions).

ACTION (3): Members to respond to the Secretariat (including nil returns) on any additional benefits or risks not captured in the discussion on the impact of extended settlement day on users and service providers of securities settlement by 11 December.

ACTION (4): Secretariat to arrange meeting with Bank of England, Euroclear UK & Ireland and the issuers' community

8. Any other business

8.1 The next meeting of the Forum was scheduled for 28 January 2016. Key items for further discussion would be (1) the process for direct participants informing their clients of revised cut-off times, and (2) the outcome from the LMMA member survey and its plan for considering the points raised.

Summary of actions

Action	Owner	Date
(1) EUI to provide list of Market User Group Attendees for circulation.	Euroclear UK & Ireland	7 December
(2) CHAPS Co to provide list of Extended Hours Working Group attendees for circulation.	CHAPS Co	7 December
(3) Members to respond to the Secretariat by nil return on any additional benefits or risks not captured in the discussion, with the Secretariat to present on findings at the next meeting.	Members	11 December
(4) Secretariat to arrange meeting with Bank of England, Euroclear UK & Ireland and the issuers' community.	Bank (secretariat)	18 December

Annex 1 FCA's Client Asset (CASS) rules

1) Following the publication of its policy proposal to extend the operating hours of RTGS in November 2014, the Bank asked Euroclear UK & Ireland to engage with users of their system on this proposal, and provide recommendations to the Bank on how these changes could be implemented. As part of their response, Euroclear UK & Ireland stated: *Many firms are prevented from holding more than 20% of their client money balances at any one bank. While the present cut-off of 3pm for daily CREST settlement allows firms to accurately calculate the net settlement values and ensure that these cash concentration limits are observed, **extending the settlement day by 2 hours is highly likely to result in firms not being able to comply with their CASS obligations.** The proposed extension must be accompanied by a similar extension to the general banking deadlines or further consultation with FCA to modify CASS rules.*

The Bank discussed with the FCA who stated that: The FCA does not see that extending the CHAPS settlement day by 1 hour 40 minutes requires modification of the CASS rules. Diversification of client money holdings across third party banks remains an important part of client money protection. In particular, firms must limit the funds that they deposit or holds with a relevant group entity or combination of such entities so that the value of those funds do not at any point in time exceed 20 per cent of the total of all the client money held by that firm in its client bank accounts. For client money deposited with non-group entities, firms should have regard to the guidance in CASS 7.13.23G, including whether it would be appropriate to deposit client money in client bank accounts opened at a number of different third parties.

2) The minutes of the July forum state that: Potentially lengthening the payment day could have CASS regulatory obligation impacts. Funds received late in the day, where they may be unrecognised may not be able to be fully investigated and allocated and in this case, it could impact the client money allocation levels – receiving funds later during the day, where the funds are not sufficiently identifiable, will cut down the investigation time available to allocate client money on receipt day and as such we wanted recognition that the FCA would consider this, alongside the intraday position, particularly in respect of their future consideration of intraday funding and real time CASS segregation – this will have a very definite impact to that ideal.

The Bank discussed this with the FCA who stated that: A member [of the Forum] flagged their concern that lengthening the settlement day could have impacts on compliance with CASS when trying to allocate funds received late in the day. The FCA notes that under CASS 7.13.36R, a firm must allocate any client money it receives to an individual client promptly and, in any case, no later than ten business days following the receipt (or where subsequent to the receipt of money it has identified that the money, or part of it, is client money under CASS 7.13.37R, no later than ten business days following that identification). Any firms with specific concerns relating to their individual circumstances can contact cass.queries@fca.org.uk

Annex 2 – Attendees

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Hauser – Executive Director, Banking, Payments & Financial Resilience (from item 4)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England
Thomas Mann – Market Services Division, Bank of England
Michael Reddaway – Market Services Division, Bank of England (secretary)
James Southgate – Sterling Markets Division, Bank of England
Louise Rebeck – CHAPS Co (operator of CHAPS system)
Tim Everest – CHAPS Co (operator of CHAPS system)
Jim Mitchell – CHAPS Co (operator of CHAPS system)
Samantha Blower – CHAPS Co (operator of CHAPS system)
Katherine Pakenham – CHAPS Co (operator of CHAPS system)
Ian Dowglass – Euroclear UK & Ireland (operator of CREST system)
Lal Manoharan – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Matthew Loos – JP Morgan (CHAPS direct participants)
Peter Stewart – Citi (custodians)
Ray Maffeo – HSBC (IPA)
Tony Ware – Capita Asset Services (Institute of Chartered Secretaries and Administrators – The Registrars’ Group)
Simon Hale – Computershare (Institute of Chartered Secretaries and Administrators – The Registrars’ Group)
Peter Twaite – Commerzbank (London Money Market Association)
Mark Sayell – Liquidity Managers Group
Nigel Brigden – Association of Foreign Banks (Overseas indirect participants)
Paul Fuller – Tesco Bank (Small Banks Association)
Gerard Smith – LCH (central counterparties)
Sarah Boyce – Association of Corporate Treasurers
Thom Wilkinson – Bracher Rawlins (the Law Society of England and Wales)
Oli Bogaerts – Payment Systems Regulator

Apologies

Julie Tuffrey – Investec (retail brokers)
Jennifer Bourne – Council of Mortgage Lenders
Tim Holbrow – Financial Conduct Authority
Andrew Rogan – British Bankers Association (UK based indirect participants)
Andrew Hopkins – Building Societies Association (UK based indirect participants)

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

28 January 2016

MINUTES

1. Introduction

1.1. The Chair welcomed attendees and noted apologies (see annex).

2. Update on outstanding actions

2.1. The Secretariat provided an update on actions that were not yet complete, nor on the agenda for this meeting:

2.2.1. The Bank of England and Euroclear UK & Ireland (EUI) were engaging with registrars and would provide an update at the next meeting. The registrar representative advised that there was no reason currently identified for corporate action deadlines to change.

2.2.2. LCH.Clearnet advised that it continued to see no demand to change the trade input deadline for the Term £GC product, but this would be kept under review.

2.2.3 The Bank will present a timeline of changes to market deadlines that it has been informed about at the next meeting.

3. Update from regulators

3.1. For visibility, the Financial Conduct Authority (FCA) raised the impact of the Payment Accounts Directive (PAD) as a potential congestion issue for payment account providers. PAD covers switching and access to basic bank accounts for all European customers and requires providers to make system changes, as well as having an impact on their AML/KYC procedures.

3.2. An issue was raised about the receipt of funds via a CHAPS payment late in the settlement day and when this should be made available to the customer to use for a further payment the same day. This is an issue that can arise today, but may be more likely if the receiving financial institution has its business end of day before the CHAPS end of day (18:00 from 20 June 2016).

3.3. The FCA said funds should be made available to the beneficiary by the receiving financial institution 'immediately' and value-dated the same day, under the Payment Services Regulations 2009. There is a question as to what 'immediate', 'business hours' and 'available' mean in the context of the changes to the CHAPS settlement day. It was agreed that this was an issue for regulators, notably the FCA, as the competent authority for the regulations, the Bank and CHAPS Co to consider in detail before the next Forum.

ACTION (1): The Bank, FCA and CHAPS Co to discuss financial institutions' obligations for receipts of funds later in the settlement day and report back to the next Forum.

4. Update from trade associations on awareness and readiness of their constituencies

4.1. Since the last meeting, a short guidance paper had been developed by the Bank and the Building Societies Association (BSA) to brief smaller financial institutions on how to prepare for the change to the settlement day. It had also been circulated to members of the British Bankers' Association (BBA), the Small Banks Association (SBA) and the Association of Foreign Banks (AFB). This guidance is available to any firm or trade association that wishes to use it.

- 4.2. The Association of Foreign Banks (AFB) had held a meeting of its Operations Committee on 20 January that the Bank had attended. The AFB had shared the guidance for small firms with over 600 contacts. AFB requested that CHAPS Co provide an update at their AFB Operations meeting in May.
- 4.3. The BSA had sent out the guidance for small firms to its members. It intended to undertake a survey of its members in February to establish if they had been contacted by their direct participants.
- 4.4. A representative of retail brokers updated that the Wealth Management Association (WMA) had engaged with its members on the extended settlement day, with no adverse feedback.
- 4.5. The Secretariat updated on behalf of the associations unable to attend:
 - 4.5.1. The Small Banks Association had continued to raise the extended settlement day with its members: the most important implications remained the impact on treasury management and staff resourcing. The SBA had confirmed that more of its members had now heard from their direct participants regarding their revised CHAPS cut off times.
 - 4.5.2. The Council of Mortgage Lenders (CML) is reviewing its conveyancing handbook for any necessary changes as a result of the extended settlement day. No major issues had been raised by its members.
 - 4.5.3. The Association of Corporate Treasurers (ACT) was actively engaged with its members. Its primary concern was for settlement banks to communicate customer cut offs.
 - 4.5.4. The Law Society will consider the effect of the extension and communicate it to its members. However, this will not require any change to its Standard Conditions of Sale as the benefit of the extended settlement day is that it provides additional contingency time for CHAPS settlement.

5. Update from LMMA on survey and next steps

- 5.1. The London Money Markets Association (LMMA) had surveyed its members in November 2015, in conjunction with the Bank of England, asking how sterling money market participant front offices were planning for the change to the CHAPS/CREST settlement day, what impact the change would have on sterling market activity, and if they had any concerns.
- 5.2. Some indirect CHAPS participants had raised concerns about how quickly information was flowing to them from their direct participant bank on revised CHAPS cut-off times, making planning difficult, though it was noted that this reflected their position at the time the survey was circulated in November.
- 5.3. LMMA members believed the change will have little market impact as liquidity is already thin in the afternoon, but also identified a risk that in the absence of an agreed market convention on the timing of the trading end of day, a lack of coordination could result in a detrimental impact on trading liquidity in the late afternoon. Most LMMA members did not believe that their trading would change significantly as a result of the change to the length of the settlement day, but they would still be available for trading up to the new end of day if warranted by customer demand and provided that there was available liquidity.
- 5.4. Subsequent to the survey, LMMA members had agreed a revised market convention for the end of the sterling money market trading day to move from 15:30 to 17:00 as of 20 June, covering all sterling money market products, including same-day FX swaps. The LMMA will now work with the Bank and other market bodies to communicate this decision to a wider set of money market participants.

5.5. The Bank reported that the Wholesale Market Brokers Association (WMBA), which was responsible for administration of the SONIA/RONIA benchmarks, had decided to change its methodology for the calculation of the benchmarks, from 20 June 2016.¹ In future, this will include trades executed up to the closing of the sterling settlement day at 18:00. The fixing will be made available by the WMBA at 18:30.

6. Update from EUI and CHAPS Co on programme management

- 6.1. EUI reported that it will be assessing both the readiness and awareness of its key users, particularly custodians. It also provided an overview of the governance structure that it would be utilising to oversee the implementation of the change.
- 6.2. CHAPS Co updated that its Extended Settlement Day Working Group was now active, and that all twenty two direct participants had reported they were on track in terms of their own internal preparations, which is assessed through fortnightly reporting. CHAPS Co reported that it is also considering its approach to operational trialling with the direct participants.
- 6.3. The CHAPS Throughput Working Group had been formally stood down, as CHAPS Co's Risk Committee had approved proposals to amend the CHAPS Throughput Rules to take into account the extended settlement day. Subject to confirmation from the Bank's supervisory team, the proposals would come into effect on 20 June 2016.

7. Update on communication of CHAPS cut offs by CHAPS direct participants

- 7.1. CHAPS Co confirmed that the vast majority of its direct participants will have communicated with their key clients by end-January, with a small minority doing this in February or later. The Bank indicated that, from its own contact with these institutions, it was clear that their communications were well under way, and that they were substantively intending to pass on the full benefit of the extended settlement day to their clients.
- 7.2. A representative of CHAPS direct participants indicated that it had communicated with 89 of the indirect participants it provides CHAPS settlement services for. They had communicated their intentions and included a survey, and offered to share the findings from this survey with the Forum, without reference to specific names.
- 7.3. Another CHAPS direct participant indicated that it had already undertaken communications with key clients including via a SWIFT broadcast, and would be undertaking further communications closer to the go-live date.
- 7.4. A CHAPS direct participant said that it would not want CHAPS Co to contact its indirect participants directly.

8. Risks identified by Bank, CHAPS Co and EUI

- 8.1. The Bank provided an update on the key risks arising from the project to extend the CHAPS and CREST settlement day that had been identified jointly with CHAPS Co and EUI.
- 8.2. First, a risk that there was a lack of an adequate governance structure to assess readiness of key service providers; second, a risk that a key service provider would not be ready to operate a longer settlement day from the go-live date; and third, a risk that the change could result in disorderly end of day trading in the sterling money markets.
- 8.3. The Bank also outlined the mitigating actions the Bank, CHAPS Co and EUI were undertaking, which they considered adequate to sufficiently mitigate these risks.

9. Discussion of possible go-live acceptance criteria – Bank, CHAPS Co and EUI

¹ https://www.wmba.org.uk/assets/Data_Notifications/WMBA_Market%20Notice_27-01-16.pdf

- 9.1. The Bank reported that its assessment, alongside CHAPS Co and EUI, was that preparations for implementing the extended settlement day on 20 June 2016 were on course.
- 9.2. In line with project management best practice, the Bank, CHAPS Co and EUI were developing acceptance criteria that would inform their formal decision to proceed to implement the change to their settlement infrastructures. Criteria included the readiness of key CHAPS and CREST service providers.
- 9.3. The assessment will be evidence-based, drawing on information gathered from defined populations of institutions, including key institutions' self-attestations of readiness.

ACTION (2): The Bank to present an update on acceptance criteria at the next meeting.

10. Schedule for forum meetings in 2016

- 10.1. It was proposed that the Forum meet on a monthly basis, from mid-March. The next meeting was scheduled for 16 March at 15:30 at the Bank of England.

Summary of actions

Action	Owner	Date
(1) The Bank, FCA and CHAPS Co to discuss financial institutions' obligations for receipts of funds late in the settlement day and report back to the next Forum.	Bank of England	For March forum
(2) The Bank to present an update on acceptance criteria at the next meeting.	Bank of England	For March forum

Annex - Attendees²

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England
Michael Reddaway – Market Services Division, Bank of England (secretary)
James Southgate – Sterling Markets Division, Bank of England
Tim Fitzpatrick – CHAPS Co (operator of CHAPS system)
Tim Everest – CHAPS Co (operator of CHAPS system)
Jim Mitchell – CHAPS Co (operator of CHAPS system)
Katherine Pakenham – CHAPS Co (operator of CHAPS system)
Richard Benson – CHAPS Co (operator of CHAPS system)
Craig Clayton – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Matthew Loos – JP Morgan (CHAPS direct participants)
Peter Stewart – Citi (custodians)
Ray Maffeo – HSBC (Issuing and Paying Agents)
Simon Hale – Computershare (registrars)
Ian Mair - London Money Market Association
Mark Sayell – Liquidity Managers Group
Andre de Roy – Liquidity Managers Group
Nigel Brigden – Association of Foreign Banks (Overseas indirect participants)
Gerard Smith – LCH Clearnet(central counterparties)
Oli Bogaerts – Payment Systems Regulator
Karen O'Donnell – Financial Conduct Authority
Judy Price – Investec (retail brokers)
Andrew Hopkins – Building Societies Association (UK based indirect participants)

Apologies

Jennifer Bourne – Council of Mortgage Lenders
Sam Mannion – British Bankers Association (UK based indirect participants)
Paul Fuller – Tesco Bank (Small Banks Association)
Thom Wilkinson – Bracher Rawlins (the Law Society)
Sarah Boyce – Association of Corporate Treasurers

² Brackets denote constituency where relevant

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

16 March 2016

MINUTES

1. Introduction

- 1.1. The Chair welcomed attendees to the Forum (attendees are listed in Annex).
- 1.2. The Chair noted the proximity of the EU referendum on 23 June to the planned implementation of the extended settlement day on 20 June. The Bank, CHAPS Co and EUI had considered the potential implications of this proximity with significant stakeholders.
- 1.3. The conclusion was to proceed as planned with 20 June, as the market is in a good state of readiness for the change, and the referendum will not raise the risk profile of the launch, which is already judged to be low. This position could be reviewed if necessary. Forum members agreed with this approach.

2. Update on outstanding actions

- 2.1. The Secretariat provided an update on outstanding actions that were not on the agenda for this meeting:
 - 2.1.1. Based on information gathered from stakeholders, the Secretariat presented a timeline for implementation of changes to market or firms' intraday deadlines and conventions, and asked for members to review in order to highlight any omissions.
 - 2.1.2. The Secretariat provided an update on the analysis on the implications of the extended settlement day for currency swaps. Most FX activity is not same-day. Intelligence from market contacts suggested there would be no significant increase in the overnight FX swap market as a result of the extended sterling settlement day. While, as now, there may be some firm-specific impact as a result of their business model, no market-wide impact was expected. This assessment was supported by members. The action was closed.
 - 2.1.3. LCH updated that they had received no new feedback from clients on the timing of the 14:30 deadline for its £GC RepoClear product, and considered the action closed. LCH would consider further if a client approached them to make a case for changing the deadline.
 - 2.1.4. The Law Society updated on the case for a change to the 14:00 deadline for property transactions in the Standard Conditions of Sale. It was not planning to change this timing, but the longer settlement day would provide valuable contingency to reduce the risk of a completion payment being deferred to the next day.
 - 2.1.5. The Secretariat updated on the issue of the receipt of funds via a CHAPS payment late in the settlement day and when this should be made available to the receiving customer to use for a further payment.
 - 2.1.6. The Secretariat clarified that there was existing guidance available from the FCA. The FCA was reviewing its approach more broadly and is considering the implications of the extended CHAPS settlement day as part of the review, but the FCA has no timescale defined for completion of this workstream.
 - 2.1.7. The FCA's published approach document sets out how to interpret 'business hours' for different customer offerings. A combination of findings from feedback from the BBA and the AFB, plus an analysis of CHAPS data, suggested that while some banks do close their own systems before 18:00 (the CHAPS system end-of-day from 20 June), the volume and value of CHAPS transactions is relatively small. The likely impact is contained to firms with a mismatch between the cut-off for their application of clients' receipts and availability of functionality to make outgoing payments.

2.1.8.A member enquired what the implications were for retail brokers in terms of crediting clients' same day and their ability to comply with client assets regulations (CASS). The Secretariat confirmed this was addressed at the previous Forum, and text had been provided by the FCA.

ACTION (1) Members to provide any further updates to the timeline for implementation of changes

ACTION (2): Secretariat to re-circulate text on CASS to members. ¹

3. Update from regulators

3.1. The Secretariat updated on information on regulatory changes that could impact on firms' preparation for the longer settlement day; there was no new information. It was noted that the Senior Managers Regime² was now in effect.

4. Update from members of the Forum

4.1. The British Bankers' Association updated that its members were reporting satisfactory awareness.

4.2. The Association of Foreign Banks was providing regular monthly updates to their members at its Technical Committee, and would also be discussing extended hours at their annual conference on 17-18 May.

4.3. The Law Society is continuing to communicate to its members, and is using material made available by the Bank to do so. It would also be adding an update to the Law Society website in mid-April.

4.4. The London Money Markets Association (LMMA) did not expect the change to sterling money market trading hours to have a 'big bang' impact, but that participants would start to use the extended day over time. LMMA members reported that they had received notification of revised cut-off times from their CHAPS direct participants.

4.5. The Association of Corporate Treasurers has been updating members via their newsletter. It indicated that there was a good level of awareness from its members, but some continued to note that they had not received information on revised cut-off times from their CHAPS direct participants.

4.6. The Small Banks Association reported that its members were well informed and comfortable with their state of readiness.

4.7. Investec reported that retail brokers were being updated by the Wealth Management Association and the Tax Incentivised Savings Association; their members were comfortable with the forthcoming changes.

5. CHAPS Co and EUI update on change programme governance

5.1 CHAPS Co reported that all twenty three direct participants had reported they were on track in terms of their own internal preparations for operational readiness, and that a testing framework for their CHAPS-related IT system changes had been agreed. CHAPS Co had also published guides on their website for large corporates and consumers/small businesses.³

5.2 CHAPS Co also updated on the revised CHAPS throughput rules. These were due to be approved by CHAPS Co's Governance & Compliance Committee imminently and would be published accordingly on CHAPS Co's website. Broadly, the revised rules will be that 50% of payments by value should be settled by 12:00 and 90% by 17:00. The application of these

¹ See Annex 1 of the November minutes:

<http://www.bankofengland.co.uk/markets/Documents/paymentsystem/mwfminutes131115.pdf>

² The Senior Managers Regime replaces the Approved Persons Regime for firms regulated by the PRA and the FCA. It aims to support a change in culture at all levels in firms through a clear identification and allocation of responsibilities to individual responsible for running them.

³ <http://www.chapsco.co.uk/about-chaps/how-chaps-works/chaps-stay-open-longer>

rules to each direct participant is dependent on its systemic importance to the CHAPS system. Additionally, CHAPS Co will monitor throughput at 15.00 against a notional target of 75%. All these targets will be subject to a three monthly review for the first twelve months of implementation, and be periodically reviewed thereafter by CHAPS Co, sensitive to any market changes that may potentially impact throughput rates.

5.3 Euroclear UK & Ireland (EUI) reported that it has published an updated CREST diary, with some minor adjustments.⁴

5.4 EUI had also made further progress on its outreach programme, and had updated on the extended settlement day to a wide range of industry and market committees, as well as engaging bilaterally with significant stakeholders.

6. Update from EUI on CREST client cut-off deadlines

6.1 EUI updated on this topic:

6.1.1 There was no standard approach to CREST users' cut-off times, as the majority of CREST activity is dealt on a T+n basis.

6.1.2 Cut-offs for same-day amendments (credit lines, transaction amendments etc) are often negotiated on the basis that the service provider will effect the change within a certain timeframe, rather than by a specific deadline.

6.1.3 Same-day settlement instruction deadlines by an intermediary for its 'indirect' clients are negotiated bilaterally with the service provider based on, for example, the cost of the service provided.

6.2 The Bank asked the SBA and LMMA whether their members had received updates on revisions to their CREST settlement deadlines where this was being provided by an intermediary.

ACTION (3): SBA and LMMA to consult with their members on whether revisions to CREST deadlines had been sufficiently communicated by intermediary service providers.

7. Update on acceptance criteria

7.1 The Bank updated on the project acceptance criteria that would be used to inform a formal go/no go decision for the planned launch on 20 June. Progress towards implementation on 20 June remains on schedule.

7.2 The criteria incorporated: requiring the Bank, CHAPS Co and EUI to be ready; requiring key first-tier participants and other infrastructure to be ready; assessing there is sufficient awareness of the change in affected sectors; and assessing that risks to same-day markets have been mitigated. As an input to the final sign-off, some institutions would be asked to self-attest to their readiness.

7.3 Decision-making authority rests with the Bank, CHAPS Co and EUI. However, Forum members were asked to provide views on the framework. Members agreed that the framework was appropriate. Members highlighted the importance of identifying as early as possible the individual responsible for a self-attestation of readiness and an early authentication of the format with these institutions.

8. Update on Bank and Euroclear engagement with Registrars

8.1 The Bank and EUI updated the Forum on their engagement with registrars, where they had met Capita, Computershare and Equiniti, who confirmed they were ready for the launch and had been engaged with their clients.

⁴ This can be accessed as a guest, see <https://my.euroclear.com/eui/en/news/operational-bulletin/2016/March/Operational-bulletin-2016-040-Reminder-Extended-Settlement-Day-from-20June2016-updated-CREST-Diary-Whitebook.html>

8.2 This engagement indicated that there was no change to corporate action deadlines, and that a number of intraday conventions would remain unchanged. There were no client dependencies or process changes for registrars, limiting the impact the change would have on their business model.

8.3 The Chair said that the Forum had examined the impact of the extended settlement day on a number of key sectors over the last four meetings, including registrars, and that no major issues had been identified, that had not subsequently been addressed.

9. Any other business

9.1 The next meeting of the Forum is scheduled for 22 April 2016. The Chair drew attention to two new documents that were now available on the Bank’s website – a set of Frequently Asked Questions and the ‘core text’ aimed at small financial institutions.⁵

9.2 The Association of Foreign Banks questioned whether there was a potential increased risk of fraud from the change in the length of the settlement day. The Secretariat undertook to consider this further.

ACTION (4): Secretariat to consider whether the extended settlement day provides for a potential increase in successful fraud.

Summary of actions

Action	Owner	Date
(1) Members to provide any further updates to the timeline for implementation of changes	Members	Before 22 April meeting
(2) Secretariat to re-circulate text on CASS to members.	Secretariat	12 April
(3) SBA and LMMA to consult with their members on whether revisions to CREST deadlines had been sufficiently communicated by intermediary service providers.	SBA/LMMA	22 April
(4) Secretariat to consider whether the extended settlement day provides for a potential increase in successful fraud.	Secretariat	22 April

⁵ Both can be found on the Bank’s website page for the Forum:
<http://www.bankofengland.co.uk/markets/Pages/paymentsystem/esdforum.aspx>

Annex 1 – Attendees

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England
Jeff Brown – Market Services Division, Bank of England
Michael Reddaway – Market Services Division, Bank of England (secretary)
Tim Everest – CHAPS Co (operator of CHAPS system)
Jim Mitchell – CHAPS Co (operator of CHAPS system)
Richard Benson – CHAPS Co (operator of CHAPS system)
Craig Clayton – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Claire Gould – JP Morgan (CHAPS direct participants)
Simon Hale – Computershare (Institute of Chartered Secretaries and Administrators – The Registrars’ Group)
Peter Twaite – Commerzbank (London Money Market Association)
Mark Sayell – Liquidity Managers Group
Nigel Brigden – Association of Foreign Banks (Overseas indirect participants)
Paul Fuller – Tesco Bank (Small Banks Association)
Gerard Smith – LCH (central counterparties)
Sarah Boyce – Association of Corporate Treasurers
Thom Wilkinson – Bracher Rawlins (the Law Society of England and Wales)
Oli Bogaerts – Payment Systems Regulator
Julie Tuffrey – Investec (retail brokers)
Sam Mannion – British Bankers Association (UK based indirect participants)
Diane Latter – Law Society

Apologies

Jennifer Bourne – Council of Mortgage Lenders
Karen O’Donnell – Financial Conduct Authority
Andrew Hopkins – Building Societies Association (UK based indirect participants)
Peter Stewart – Citi (custodians)
Ray Maffeo – HSBC (IPA)

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

22 April 2016

MINUTES

1. Introduction

1.1. The Chair welcomed attendees to the Forum (attendees are listed in Annex).

2. Update on outstanding actions

2.1. The Secretariat provided an update on outstanding actions that were not on the agenda for this meeting.

2.1.1. At the March meeting, the Secretariat presented a timeline for implementation of changes to market or firms' intraday deadlines and conventions. Members had not highlighted any additional changes since the March meeting; however, members agreed to inform the Secretariat of any changes as they become aware.

2.1.2. The London Money Market Association and the Small Banks Association confirmed that they had consulted with their constituencies, and no firms had flagged a significant concern that they had not received revised CREST deadlines from their service providers; some firms were still clarifying whether they had all the information they required.

2.1.3. The Financial Conduct Authority updated on the issue of the receipt of CHAPS payments late in the settlement day. Funds from an incoming CHAPS payment are required to be made available to the customer if received while it is open for business. A financial institution's 'opening hours' should be interpreted from the point of view of the customer, and guidance on this is provided in the FCA's Approach Document.¹ For example, if an account can only be accessed during branch opening hours, funds received after this time need not be made available until the following business day; if facilities such as FPS payment via online banking are available to customers 24/7, then the funds from an incoming CHAPS payment should be made available to the customer the same day. It was queried whether this would apply where a CHAPS payment passes to the customer via indirect CHAPS participants: the FCA confirmed it would.

2.1.4. The Chair noted that the Bank had written to the principal four Northern Ireland banks on the treatment of late receipts of CHAPS payments, given that only one of these four is a CHAPS Direct Participant. They had confirmed that they would process receipts up to the end of the CHAPS day (18:00 from 20 June).

2.1.5. The Secretariat provided an update on the potential impact of the extended settlement day on the risk of financial fraud being successful if investigations could not complete in a timely manner. After discussing with Financial Fraud Action UK and CHAPS Direct Participants since the March meeting of the Forum, it had been established that the largest financial institutions will be staffed until 18:00. While regulations require 'immediate' availability of funds, in practice firms make a judgement call based on a balance of risks. It was therefore concluded that there would be no material change to the risk profile arising from the extension of the settlement day. Financial Fraud Action UK could coordinate any future communications required on the issue as appropriate. The Secretariat agreed to pass on the contact details for Financial Fraud Action UK to members on request.

¹ <https://www.fca.org.uk/your-fca/documents/payment-services-approach>

3. Update from regulators

3.1. There were no further updates from regulators not covered under item 2.

4. Update from members of the Forum

- 4.1. The British Bankers' Association updated that it has passed further information onto its smaller members (including the updated information available via the CHAPS Co website).² It added that banks continue to report good awareness of the forthcoming change.
- 4.2. The Association of Foreign Banks updated that it would be discussing the extended settlement day at its annual conference on 17-18 May.
- 4.3. The Law Society had agreed further communications to its members on the extension of the settlement day, including on its website. The Law Society updated that the removals industry had expressed some concern over the impact of extended settlement day on their business hours. A representative of the industry had also been in contact with the Bank and with CHAPS Co.
- 4.4. The London Money Market Association updated that its members had reported that they were satisfied with the communications they have received from their CHAPS/CREST service providers; their members were actively cascading to major clients the fact that, from 20 June, their market convention would be to staff their sterling money market trading desks until 17:00.
- 4.5. The Association of Corporate Treasurers had updated its members via their newsletter, but did not anticipate a significant change in behaviour by corporate treasurers in the short-term.
- 4.6. The Secretariat updated on behalf of Small Banks Association, who were unable to be present: the extended settlement day had been discussed at their member meeting in mid-April, and indicated a high level of awareness amongst members.
- 4.7. A representative of the Wealth Management Association reported that retail brokers indicated of a high level of awareness.
- 4.8. The Liquidity Managers Group reported a high level of awareness amongst its members, and it was coordinating awareness with the LMMA of the revised market convention of the sterling money market trading day.
- 4.9. A representative of Registrars reported further communication of relevant information to issuers of securities.
- 4.10. LCH updated that it would be consulting with its participants on changing the timing of the automatic move of the sterling margin call deadline from 14:30 to 16:30, for possible implementation in the autumn.
- 4.11. Two direct participants in CHAPS and CREST reported that their system and business changes were on track for implementation on 20 June; they continued to communicate with their indirect participants clients on their state of readiness.

5. CHAPS Co and EUI update on change programme governance

- 5.1 CHAPS Co reported that all 23 Direct Participants, and the Participant who is about to join in May, were on track with their own internal preparations for operational readiness. CHAPS Direct Participants have been asked to self-attest to their readiness. Participants will be engaging in CHAPS system-wide testing in May. The final details for the implementation weekend and 'go live' period are being completed.
- 5.2 CHAPS Co had issued a questionnaire to indirect CHAPS participants via direct participants. The responses received so far indicate a high level of readiness.
- 5.3 CHAPS Co updated that the revised CHAPS throughput rules have been approved for implementation from 20 June.

² <http://www.chapsco.co.uk/media/press-releases/chaps-payment-system-extend-operating-hours-benefit-chaps-users>

- 5.4 Euroclear UK & Ireland (EUI) reported that it continues to engage bilaterally with its participants on their readiness for implementation. EUI had completed its internal testing for the change to the CREST diary. EUI highlighted that the auto-splitting process would run continuously throughout the day rather than in cycles as now.
- 5.5 EUI will also offer a participant testing environment between 31 May and 7 June.

6. Update on awareness communications actions

- 6.1 The Bank updated on the actions being taken to enhance awareness of the extended settlement day, and offered the opportunity to attendees to highlight any areas in which the awareness communications could be enhanced further.
- 6.1.1 The Bank, CHAPS Co and EUI have been using various fora associated with CHAPS and CREST services to increase awareness, along with Bank-hosted market committees such as the Money Market Liaison Committee and Securities Lending and Repo Committee.³ The Bank, CHAPS Co and EUI have published further information on their websites aimed at participants and users.
- 6.1.2 Trade associations are disseminating information to their members by raising at their member committees, and emailing updates in newsletters, including links to the relevant Bank, CHAPS Co and EUI webpages.
- 6.1.3 The Bank, CHAPS Co and EUI have also been contacting a range of financial and non-financial institutions via trade associations not represented at the Forum.
- 6.2 A member asked if the changes had been communicated specifically to financial institutions operating in the Channel Islands and the Isle of Man. The Bank would take this forward as an action.
- 6.3 A member queried whether the Bank, CHAPS Co and EUI would be carrying out any further public communications around go-live to raise awareness. The Bank responded that such communications would most likely take place after the 20 June technical launch.

ACTION (1): Bank to communicate to financial institutions based in the Channel Islands and Isle of Man as part of awareness communications.

7. Key events until go live

- 7.1 The Bank presented a timetable of the key dates and events up until go-live on 20 June.
- 7.2 Participants will be asked to self-attest their readiness to CHAPS Co and EUI by 23 May. The Bank, CHAPS Co and EUI will make a joint decision on whether their project acceptance criteria had been met in early-June. Most technical changes to the central infrastructures and by participants were planned for the weekend of 18-19 June.
- 7.3 At the next Forum, an update will be provided on contingency plans for the unlikely event that either there is a 'no go' decision by the Bank, CHAPS Co and EUI in early-June, or there are operational difficulties are experienced by RTGS, CREST, or CHAPS and CREST participants around go-live.

8. Risks identified by Bank, CHAPS Co and EUI

- 8.1 The Bank provided an update on the key risks arising from the project to extend the CHAPS and CREST settlement day that had been identified jointly with CHAPS Co and EUI.
- 8.2 The key risks are similar to those provided at the January meeting, although mitigants had been applied and the residual risks were decreasing.

³ Terms of reference and minutes for the MMLC and SLRC can be found on the Bank's website:
<http://www.bankofengland.co.uk/markets/Pages/money/smmlg.aspx>
<http://www.bankofengland.co.uk/markets/Pages/gilts/slr.aspx>

- 8.2.1 The risk that inadequate readiness by key institutions is not visible to the Bank, CHAPS Co and EUI is being mitigated by frequent engagement by CHAPS Co and EUI with key institutions and a formal self-attestation structure.
- 8.2.2 The risk that the change could result in disorderly end of day trading in the sterling money market if there is inadequate preparation and engagement by participants is being mitigated by ensuring the revised trading time convention is transparent to all relevant stakeholders.
- 8.2.3 The risk that the 20 June go-live date is affected by external events is being mitigated by the existence of a fall-back implementation date, and continued vigilance by the Bank, CHAPS Co and EUI.

9. Any other business

- 9.1 LCH asked whether EUI envisaged that CREST settlement banks are planning increased intraday credit provision from 20 June in the event of higher CREST activity. EUI reported that it was maintaining a dialogue with the settlement banks on their contingency planning, but did not expect increased activity on 20 June.
- 9.2 The next meeting of the Forum is scheduled for 19 May 2016.

Summary of actions

Action	Owner	Date
(1) Bank to communicate to financial institutions based in the Channel Islands and Isle of Man as part of awareness communications.	Bank of England	Before 19 May meeting

Annex 1 – Attendees

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England
Jeff Brown – Market Services Division, Bank of England
David Seaward – Market Services Division, Bank of England (secretary)
Tim Fitzpatrick – CHAPS Co (operator of CHAPS system)
Tim Everest – CHAPS Co (operator of CHAPS system)
Jim Mitchell – CHAPS Co (operator of CHAPS system)
Richard Benson – CHAPS Co (operator of CHAPS system)
Steve Gunn – CHAPS Co (operator of CHAPS system)
Craig Clayton – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Matt Loos – JP Morgan (CHAPS direct participants)
Peter Twaite – Commerzbank (London Money Market Association)
Mark Sayell – Liquidity Managers Group
Nigel Brigden – Association of Foreign Banks (Overseas indirect participants)
Sarah Boyce – Association of Corporate Treasurers
Thom Wilkinson – Bracher Rawlins (the Law Society of England and Wales)
Julie Tuffrey – Investec (retail brokers)
Sam Mannion – British Bankers Association (UK based indirect participants)
Simon Hale – Computershare (Institute of Chartered Secretaries and Administrators – The Registrars’ Group)
Elissa Holme – London Clearing House
Karen O’Donnell – Financial Conduct Authority
Oli Bogaerts – Payment Systems Regulator

Apologies

Ray Maffeo – HSBC (IPA)
Paul Fuller – Tesco Bank (Small Banks Association)
Jennifer Bourne (Council of Mortgage Lenders)
Gerard Smith (LCH)
Diane Latter (Law Society)
Ian Mair (LMMA)

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

19 May 2016

MINUTES

1. Introduction

1.1. The Chair welcomed attendees to the Forum (attendees are listed in Annex).

2. Update on outstanding actions

2.1. The Secretariat provided an update on outstanding actions that were not on the agenda for this meeting.

2.1.1. At the March meeting, the Secretariat presented a timeline for implementation of changes to market or firms' intraday deadlines and conventions. Members had no additional changes to advise since that meeting.

2.1.2. The London Money Market Association and the Small Banks Association confirmed that they had consulted with their constituencies, and that no firms had flagged a concern that they had not received revised CREST deadlines from their service providers.

2.1.3. The Chair noted that the Bank had shared information relating to the extended settlement day with contacts in the Channel Islands and Isle of Man.

3. Update from regulators

3.1. There were no further updates from regulators.

4. Update from members of the Forum

4.1. The Bank had spoken on the extended settlement day at the Association of Foreign Banks' annual conference on 17-18 May. It had also been raised under an item on the Payment Services Directive. No issues had been reported by AFB members.

4.2. The London Money Market Association confirmed that all information cascades to its members were complete. Information on the revised market convention of 17:00 is now on its website.¹

4.3. The Small Banks Association reported that its members now felt very well informed about the change and although their use of CHAPS and CREST was unlikely to change in the short term, longer term adjustments were possible as institutions adapted.

4.4. A representative of Registrars reported that communication of relevant information to clients was complete.

4.5. Direct participants in CHAPS and CREST reported that their system and business changes were on track for implementation on 20 June; they continued to communicate with their indirect participant clients on their state of readiness.

4.6. LCH updated that progress has been made on its consultation with its participants on changing the timing of the sterling margin call deadline from 14:30 to 16:30, for possible implementation in the autumn. 16:00 is emerging as the favoured new single deadline as this aligns with change to calls in USD.

4.7. The Secretariat updated on behalf of the following associations which were unable to attend:

4.7.1. The British Bankers' Association, the Building Societies and Association of Corporate Treasurers had all reported good levels of awareness to the Secretariat.

¹ <http://www.lmma.org.uk/>

4.7.2. The Wealth Management Association has issued a further notice to members as part of its recent bulletin update and no further comment or concerns have been raised.

4.7.3. The Law Society has continued to raise changes in the CHAPS settlement day in summaries in Law Society publications.

5. CHAPS Co and EUI update on change programme governance

5.1 CHAPS Co reported that all 23 Direct Participants, and the institution about to become a Direct Participant, were on track with their own internal preparations for operational readiness. The self-attestation process for Direct Participants has started. CHAPS system-wide testing is scheduled for late May.

5.2 Detailed test plans for trialling and live testing have been issued. A communications plan for the implementation weekend is near completion.

5.3 CHAPS Co updated that the revised CHAPS throughput rules for implementation from 20 June have been issued to Direct Participants.

5.4 Responses to CHAPS Co's questionnaire to indirect CHAPS participants, issued via Direct Participants, had revealed a high level of readiness; no systemic issues have been identified.

5.5 Euroclear UK & Ireland (EUI) reported that its awareness communications with participants were complete. Operational bulletins will be issued at appropriate times to indicate progress on implementation. Its self-attestation process for participants has started. EUI is operationally ready to provide its services to clients throughout the extended settlement day.

5.6 EUI is also offering a participant testing environment between 31 May and 7 June.

6. Update on Bank of England / EUI / CHAPS Co launch preparations, including contingency planning

6.1 The Bank updated on implementation planning, including communications, of the extended settlement day changes.

6.2 The key dates are:

6.2.1 3 June: Bank, CHAPS Co and EUI senior management standard governance review of the project status in order to decide, based on an assessment against pre-agreed acceptance criteria, whether or not to proceed through to technical implementation

6.2.2 By the morning of 18 June: technical changes are made to RTGS, CREST and some Direct Participants' systems

6.2.3 18 June: CHAPS Direct Participant test in live RTGS from 8:00 to 14:00, followed by a decision whether to proceed with launch on 20 June

6.2.4 20 June:

6.2.4.1 A 'CHAPS controlled start' – a payment exchange standard after all RTGS software releases – starts at 4:00

6.2.4.2 CHAPS 'monitored close-down' up to 18:00 where all Direct Participants confirm they have been able to operate to the extended settlement day timetable with no issues

6.3 Communications will be sent out to the Forum members at key stages.

6.4 The Bank explained the contingency plans to be initiated under certain unlikely scenarios. There are three possible points at which these contingency plans would be activated: prior to launch weekend (3 to 17 June); if technical problems are identified on the launch weekend of 18 June; or technical issues after launch on 20 June.

6.5 In the event of a decision not to proceed prior to the launch weekend, the Bank, CHAPS Co and EUI would promptly communicate the decision to CHAPS/CREST direct participants, Forum members, and other key stakeholders. The Bank, CHAPS Co and EUI would also publish statements on their websites.

- 6.6 In the event of severe issues encountered during testing on 18 June which cannot be resolved, the CHAPS/CREST settlement day will not be extended on a permanent basis from 20 June. In this case, the Bank, CHAPS Co and EUI would promptly communicate this decision to CHAPS/CREST direct participants, Forum members, and other key stakeholders. Recipients should cascade these communications onto their customers, clients and constituencies. CHAPS/CREST service providers would back out relevant technical changes. Some direct and indirect participants may not be able to back-out their IT changes at such short notice, so, a CHAPS/CREST general extension would be run to 18:00 on at least 20 and 21 June.
- 6.7 In the event of postponement, Bank/CHAPS Co/EUI would communicate the fall-back go live date to participants as soon as possible.
- 6.8 In the unlikely event that operational problems are experienced on 20 June, the Bank, CHAPS Co and EUI will invoke their standard operational incident management processes, including communications. Operational problems will be dealt with on a 'fix-forward' basis – resolved during the course of live operations. The CHAPS and CREST settlement day could be extended up to 20:00 to allow more time for problems to be resolved and settlement to complete.
- 6.9 A member queried whether CHAPS should be started and closed down in a 'controlled fashion' for the entire first week even after a successful launch. The Bank and CHAPS Co assured the meeting that both organisations had operational staff on site, maintaining their usual close watch on systems and that all Direct Participants had been consulted and were content with these arrangements.

7. Planning for Benefits Realisation

- 7.1 The Bank presented on planning for a future review of whether the identified benefits of the extended settlement day have been realised.
- 7.2 The following three areas of expected benefits have previously been identified:² enhanced risk management for financial market infrastructures; increased flexibility in balance sheet management; and greater flexibility for end-users.
- 7.3 The review will need to consider two factors: whether benefits have been enabled and adopted. The Bank will design a series of questions to assess these factors and indicative areas were discussed. For example, whether banks and custodians have extended cut-off times; the volume and value of settlement in the newly extended section of the settlement day; and whether the number of contingency extensions had fallen.
- 7.4 The review would naturally fall into two phases.
- 7.5 An early data-driven assessment of enablement and adoption can be undertaken in the first few months after launch. It was thought that probably this can be gathered via desk-based research, data held by the Bank and EUI and brief discussions with trade associations.
- 7.6 A review of longer-term changes and adoption would be undertaken around a year after go-live. The FCA and PSR would be involved in this stage. Trends on adoption will have built up and various markets sectors will have had a chance to adjust and make use of the extended settlement day.
- 7.7 A member asked if any future FPS value limit increase will skew results. The Bank noted that changes to the FPS limit were unlikely to have an immediate or dramatic effect on CHAPS volumes and values.
- 7.8 A member asked if the review should take into account the experiences of other central banks that have extended their settlement day. The Bank responded that it is in touch regularly with other Central Banks.

² More details are available here:

<http://www.bankofengland.co.uk/markets/Documents/paymentsystem/extendingchapscrest.pdf>

7.9 The LMMA asked if consideration had yet been given about how to collect evidence for the review. The Bank has considered this in outline, and will use sources such as SONIA, CHAPS and CREST data held by the Bank and EUI, the LMMA, and market intelligence gathering from participants.

8. Any other business

8.1 The Chair announced a meeting of the Forum which has been scheduled for 10 June 2016 at 10:00. The Forum agreed that a meeting at this time may be useful, and that a teleconference format is likely to be used.

Annex 1 – Attendees

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England
Jeff Brown – Market Services Division, Bank of England (secretary)
Tim Everest – CHAPS Co (operator of CHAPS system)
Steve Gunn – CHAPS Co (operator of CHAPS system)
Craig Clayton – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Julian Richings – JP Morgan (CHAPS direct participants)
James Chowne - Santander (CHAPS direct participants)
Ian Mair - LMMA
Paul Fuller – Small Banks Association
Nigel Brigden – Association of Foreign Banks (Overseas indirect participants)
Simon Hale – Computershare (Institute of Chartered Secretaries and Administrators – The Registrars’ Group)
Gerard Smith - London Clearing House

Apologies

Ray Maffeo – HSBC (IPA)
Jennifer Bourne - Council of Mortgage Lenders
Mark Sayell – Liquidity Managers Group
Karen O’Donnell – Financial Conduct Authority
Oli Bogaerts – Payment Systems Regulator
Sarah Boyce – Association of Corporate Treasurers
Sam Mannion – British Bankers Association (UK based indirect participants)
Diane Latter, Thom Wilkinson – the Law Society of England and Wales
Julie Tuffrey – Investec (Retail brokers)

CHAPS & CREST EXTENDED SETTLEMENT DAY: MARKET WIDE FORUM

10 June 2016

MINUTES

1. Introduction

- 1.1. The Chair welcomed attendees to the Forum conference call (attendees are listed in Annex).

2. Bank/CHAPS Co/EUI joint report

- 2.1. The Bank updated attendees on recent project progress on behalf of the Bank, CHAPS Co and EUI. On 3 June 2016, Andrew Hauser (Executive Director, Bank of England), Tim Fitzpatrick (CEO, CHAPS Co), and John Trundle (CEO, EUI) met to consider an assessment against the project acceptance criteria. The evidence demonstrated a high level of readiness for the central infrastructures and key CHAPS and CREST service providers, wider market awareness, and assurance that sterling money market participants are prepared. The Bank, CHAPS Co and EUI agreed to proceed with the implementation of the extended settlement day on 20 June.
- 2.2. CHAPS Co and EUI had communicated this decision to CHAPS and CREST Direct Participants on 3 June; members of the forum had also been informed.
- 2.3. The Bank, CHAPS Co and EUI were satisfied that risks related to the implementation had been appropriately considered with participants within the project governance and had been mitigated to within acceptable risk tolerances. The risk profile has declined further as implementation approaches and preparation activities are completed.
- 2.4. Representatives present from the participant banks on the forum confirmed that they are fully on track for 20 June implementation, with no outstanding issues.

3. Key events for next fortnight

- 3.1. The Bank outlined forthcoming key events. In the week commencing 13 June, the majority of CHAPS/CREST participants will be making their technical changes e.g. parameter changes to diary events, as will the central infrastructures (CREST and RTGS).
- 3.2. CHAPS Direct Participants will conduct live testing with RTGS on Saturday 18 June, after which a formal 'launch' decision will be taken by the Bank, CHAPS Co and EUI. The decision will be communicated to CHAPS and CREST Direct Participants, and to members of the forum.
- 3.3. As usual after a system change, a cautious approach to opening and closing the infrastructures will be taken from start of business on Monday 20 June, through the first 24 hour cycle to start of business on Tuesday 21 June, in order to detect and manage any operational issues that may occur.
- 3.4. The Bank outlined that in the unlikely event of a postponement decision on 18 June, Direct Participants and representative bodies should cascade this information as soon as possible. It was confirmed that the central infrastructures and Direct Participants have plans in place in the unlikely event of a reversion. In these circumstances, there would be a general extension to 18:00 on at least Monday 20 June and Tuesday 21 June, to allow time for the information to cascade to indirect CHAPS/CREST participants and for their technical changes to be backed-out.
- 3.5. CHAPS Co stated that they have considered plans around go-live in the event of both launch and reversion decisions in detail. The agreed approach with participants was that any operational issues on or after 20 June would be 'fixed-forward' (i.e. those affected would work to resolve the issues in live operations, with the new extended settlement day diary

remaining in place). In these circumstances, the standard incident management framework for the Bank, CHAPS Co and EUI would be invoked.

- 3.6. Direct participants present confirmed that they were ready for go-live and agreed with the fix-forward approach. LCH also confirmed its readiness. A representative from the Wealth Management Association confirmed that they were not aware of any issues regarding their members' readiness.

4. Summary of communications points

- 4.1. The Bank noted that forum members would receive email updates at key defined points between 18 June and 22 June to confirm launch was proceeding as planned or, in the unlikely event of a reversion, appropriate updates.
- 4.2. The Bank invited forum members to add additional email contacts to the forum email circulation contact list that they wish to be contacted over the implementation period.

5. Forum member questions

- 5.1 The Chair offered the opportunity for forum members to share any remaining concerns they might have about the implementation of the extended settlement day on 20 June. Forum members expressed no concerns.

6. Future use of the Forum

- 6.1 The Bank outlined that, as discussed at the May meeting of the Forum, there will be a phased review of whether benefits have been enabled and adopted. Forum members may be contacted bilaterally, as appropriate, to assist.
- 6.2 The Forum would likely be convened for one or two further meetings to discuss outputs from the review in autumn 2016 and spring 2017, including whether further actions are required to encourage the realisation of benefits.

7. Any other business

- 7.1 The Chair thanked attendees for their attendance at the forum over the past year.

Summary of actions

Action	Owner	Date
(1) Members to inform Bank of any additional contacts to add to circulation list for updates over the implementation period. (extendedsettlementday@bankofengland.co.uk)	Forum members	By 16 June

Annex 1 – Attendees

Toby Davies – Head of Market Services Division, Bank of England (Chair)
Andrew Dent – Market Services Division, Bank of England
Samantha Leighton – Market Services Division, Bank of England
Jeff Brown – Market Services Division, Bank of England
David Seaward – Market Services Division, Bank of England (Secretary)
Tim Fitzpatrick – CHAPS Co (operator of CHAPS system)
Tim Everest – CHAPS Co (operator of CHAPS system)
Sandra Green – CHAPS Co (operator of CHAPS system)
Craig Clayton – Euroclear UK & Ireland (operator of CREST system)
Kathy Lennon – RBS (CHAPS direct participants)
Claire Gould – JP Morgan (CHAPS direct participants)
Peter Stewart – Citibank (CHAPS direct participants)
Paul Fuller – Small Banks Association
Peter Twaite – Commerzbank (London Money Market Association)
Nigel Brigden – Association of Foreign Banks (Overseas indirect participants)
Thom Wilkinson – MW&W LLP (the Law Society of England and Wales)
Julie Tuffrey – Investec (retail brokers)
Gerard Smith – London Clearing House
Oli Bogaerts – Payment Systems Regulator

Apologies

Sarah Boyce – Association of Corporate Treasurers
Ray Maffeo – HSBC (IPA)
Jennifer Bourne - Council of Mortgage Lenders
Sam Mannion – British Bankers Association (UK based indirect participants)
Andrew Hopkins – Building Society Association
Simon Hale – Computershare (Institute of Chartered Secretaries and Administrators – The Registrars' Group)
Mark Sayell – Liquidity Managers Group
Karen O'Donnell – Financial Conduct Authority

Extending the CHAPS and CREST settlement day: practical issues to consider

Summary of change: The CHAPS and CREST settlement day will be extended by one hour and forty minutes from 20 June 2016. For CHAPS MT103 (customer to customer payments) the system deadline will be 17:40; for CHAPS MT202 (bank to bank payments) the system deadline will be 18:00. For CREST, Delivery-By-Value will close at 17:30, with Free of Payment transfers closing at 18:00.

Financial institutions should prepare for implementation through making relevant changes to processes, staffing, budgets, IT systems and legal documentation to enable changes to the services provided to customers and internal operations. Further information on the changes can be found on the websites of the [Bank](#), [CHAPS Co](#) and [EUI](#) (the operator of CREST). The UK financial authorities will monitor the delivery of benefits to end-users by their service providers following implementation.

External engagement:

- Engage with your **service providers** (sponsor/clearing/settlement bank, custodian, broker etc.) to understand how the cut-off times set by the service-provider on you for CHAPS, CREST and other related activities will be changing. These times may be earlier than the system deadlines set by CHAPS Co and EUI. Changes may be required in a contract or service level agreement relevant to the service you receive.
- Consider what your revised offering to **customers** will be, and when to communicate this to customers. Consider whether customer Terms & Conditions need to change.

Internal implications:

- Consider how **trading** and **settlement needs** might change and the economic drivers for those changes. This might include: cash/liquidity requirements; collateral positioning to generate liquidity; and balance sheet management including debt issuance/share registers. Consider how activity of others – including trading counterparties, customers – might affect those needs.
- Consider **staffing** and **business process** arrangements, for example, changes to customer facing and back office processes, shift patterns, and/or recruitment/training of additional staff. Changes may require consultation with staff and changes to employment contracts. Other areas to consider include front office/trading, risk management staff (counterparty and customer limits, AML/sanctions), reconciliations, and technical support staff. Consider stress-testing to ensure adequate cover for holiday, sickness, training and contingency events.
- Consider if any changes to **IT systems** and **IT processes** are required: impact of a later start to any overnight processing activities, including batch files; timing of maintenance usually scheduled outside business hours; amending internal process instructions; and changes to the timing of outputs/reports. For example, MI extracts, account postings, and reports used to manage exceptions and reconciliations. Understand whether timings require changes to system functionality or a parameter/static data change.

CURRENT & FUTURE CHAPS/ CREST SETTLEMENT TIMETABLE

