

EXTENDED CHAPS/CREST SETTLEMENT DAY

FREQUENTLY ASKED QUESTIONS

Key changes

From 20 June 2016, the CHAPS and CREST systems will be extending their settlement hours.

In order to facilitate this change, the Bank of England will operate the UK's RTGS infrastructure until 18:00 on business days (the current end-of-day is 16:20).

1. What is changing in CHAPS?

The headline changes in the CHAPS system for direct participants are:

- interbank CHAPS payments (MT202) will end at 18:00; and
- customer CHAPS payments (MT103) will end at 17.40 (although the deadlines set by banks for their customers may be earlier than this).

For more detail, please see the [CHAPS Co website](#).

2. What is changing in CREST?

For Euroclear UK & Ireland (EUI), the key changes in the CREST system diary for users are:

(i) Alignment of settlement deadlines for transactions in gilts and equities

- The Money-Market Issuance (MMI) deadline will move from 14:00 to 14:55.
- The settlement deadline for DvP transactions in equities will be aligned to gilts deadline and move from 14:00 to 14:55.
- The DvP transactions in gilts will remain unchanged at 14:55.
- The late Free-of-Payment (FOP) settlement window for equities and gilts will also be aligned and will run between 17:30 and 18:00.

(ii) DBV settlement extension

- The start of DBV settlement will remain unchanged at 15:00 for all currencies (USD, EUR and GBP).
- The end of EUR DBV settlement will remain unchanged at 15:40.
- The end of USD DBV settlement will move from 15:42 to 16:15.
- The end of GBP DBV settlement will move from 16:10 to 17:30.

(iii) Payment deadlines

- The EUR payment deadline will remain at 15:41 and the latest contingency extension for this will be at 16:00.
- The USD payment deadline will move to 16:16 and latest contingency extension for this will be now at 19:30.
- The GBP payment deadline will move to 17:31 and the latest contingency extension for this will continue to be at 19:30.

For more detail, please see [Euroclear UK & Ireland's website](#).

3. What is changing in RTGS?

The Real Time Gross Settlement (RTGS) infrastructure is the vehicle through which the Bank of England settles payments for the main UK sterling payment systems. Although the Bank determines the operating hours of RTGS, it is the operators of each payment system – CHAPS Co (CHAPS, the UK's high value payment system) and Euroclear UK & Ireland (CREST, the UK's securities settlement system) – that decide when, within that period, interbank obligations in their systems are settled.

In CHAPS and CREST, interbank obligations are settled on a 'real-time' basis across accounts held in RTGS. They therefore require RTGS to be operating in order for these instructions to be exchanged and settled. Consequently, to enable CHAPS and CREST settlement to take place later in the day, the Bank is extending the operating hours of RTGS from 16:20 to 18:00.

The contingency deadline for extensions to CHAPS and CREST enabled by RTGS will remain unchanged at 20:00.

4. Why is the contingency window not being maintained at its current length?

The RTGS contingency window exists to be used in the event that one or more participants has encountered operational issues and has subsequently been unable to settle their transactions by the business-as-usual end of day. Currently, the CHAPS contingency end of day is 20:00, whilst the current extension window for CREST closes at 19:30.

The Bank, CHAPS Co and EUI's assessment is that it is the absolute time available for settlement that is important, not the relative time between the business-as-usual end of day and the contingency end of day. The new timetable will maintain the maximum RTGS settlement day at 14 hours (06:00 to 20:00), meaning that there will be no material increase in the impact of an outage.

5. How does this affect reserves account holders?

Holders of reserves accounts – that are not settlement participants in a payment system – will be able to transfer funds between their reserves account and their account at their CHAPS Direct Participant throughout the RTGS operational day (i.e. until 18:00).

Preparation

6. When will this happen?

The changes will take effect from 20 June 2016. The Bank, CHAPS Co and EUI agreed the date following feedback from institutions that provide CHAPS and CREST settlement services to users.

7. What do I have to do now?

If you access CHAPS or CREST indirectly, your service provider should have communicated your new cut-off times.

Guidance is available from a number of trade associations on areas to consider when preparing for the change, including the British Bankers' Association, Building Societies Association, the Small Banks Association and the Association of Foreign Banks.

8. How will the Bank of England, CHAPS Co and EUI manage the implementation of this change in a coordinated and safe manner?

The Bank, CHAPS Co and EUI have put in place a governance structure to manage this change, and have established the necessary controls and testing to help mitigate the risks associated with moving to a longer settlement day.

The two system operators, CHAPS Co and EUI, are also overseeing preparation with key service providers who use their systems, seeking assurance that these service providers are ready for the go live date and have communicated the change to their clients.

The Bank, CHAPS Co and EUI have established a representative market wide Forum to address cross market issues where coordination may be required. The members of this Forum represent a broad population of stakeholders. This Forum meets regularly, and its minutes are published on the Bank's [website](#).

9. Will the benefits of this change be passed on to users of these systems?

The Bank expects the benefits of the later system end-of-day will be passed on to users via later transaction cut-off times by their CHAPS/CREST service provider.

A phased review covering whether the identified benefits have been enabled by service providers and adopted by users will be completed by summer 2017. The Bank will work with CHAPS Co, EUI and the other financial authorities as appropriate.

Rationale

10. Why is this happening?

For the last decade, the Bank has operated RTGS each business day from 06:00 to 16:20. Following a Bank-led review and extensive engagement with participants by the Bank, CHAPS Co and EUI, it was decided to extend the operating hours of RTGS to facilitate a longer CHAPS and CREST settlement day.

As part of its review, it was concluded that there were benefits in facilitating a longer CHAPS/CREST day by extending the hours of RTGS, including:

- enabling market participants to make CHAPS payments later in the day to fulfil sterling cash obligations arising in other financial market infrastructures (FMIs);
- enabling financial market participants and end-users to better manage their balance sheets by undertaking some funding and investment decisions later in the business day; and
- aligning the settlement day more closely with the business day, which will allow end-users to make high-value transactions later in their business day.

Sector specific

11. Will this clash with any other significant regulatory changes?

The Bank (including the Prudential Regulation Authority), Financial Conduct Authority and Payment Systems Regulator have not identified any relevant regulatory deadlines due in 2016 that firms should not already be aware of. These include UK SEPA IBAN only; senior managers and certification regime; Interchange Fee Regulation; cheque imaging enabling legislation; Mortgage Credit Directive and the Payments Account Directive.

12. What about the impacts on existing regulation, like the Client Assets Sourcebook (CASS)?

The FCA has stated that CASS rules will still apply when the settlement day is extended; firms will still be expected to comply. 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*.

13. How will the change the settlement day change the sterling money market trading day?

The London Money Market Association has 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 2016. For full details see [this link](#).

The Wholesale Market Brokers Association (WMBA), which is responsible for the SONIA/RONIA benchmarks, will change the methodology and timing for the calculation of the benchmarks from 20 June 2016. The fixing will be published by the WMBA at 18:30. For full details see [this link](#).