



CHAPS Strategic Advisory Forum

Thursday 5 July 2018

The second CHAPS Strategic Advisory Forum was held on 5 July 2018. A summary of the meeting is provided below.

Attendees: Kevin Brown (Chair) – Independent member on the RTGS/CHAPS Board
Michael Jones – Head of Market Services, the area that operates CHAPS

External members¹

Chirag Patel (Rabobank)
Graeme Middleton (corporate treasurer)
John Lyons (TSB)
Jo Oxley (ex-officio: Head of Government Banking Service)
Jo Towers (HSBC)
Julian Richings (JP Morgan Chase)
Scott Johnson (Chas Smith)
Simon Eacott (Royal Bank of Scotland)
Sriram Iyer (Deutsche)
Thair Hanif (Al Rayan Bank (UK))

Secretariat, presenters and other Bank attendees

Samantha Leighton – Secretariat
Roy Whymark – Secretariat
Sara Ward – RTGS renewal engagement lead
Chris Redmond – Advisor, Risk Transformation (Item 4 onwards)
Vicki Vidler – Security Analyst, Risk Transformation (Item 3 onwards)

Apologies: Angus Scott (CLS)
Douglas Peel (Goldman Sachs)
Julian Sawyer (Starling)
Thom Wilkinson (Monro Wright & Wasbrough LLP)

Item 1: Introductions

1. The Chair welcomed members to the second CHAPS Strategic Advisory Forum meeting (the Forum) and invited introductions from members attending for the first time. He highlighted that while the first meeting was largely introductory and focussed on how we should engage externally, today's agenda and future meetings would increasingly focus on the substance. The Chair confirmed that all actions taken at the last meeting were closed. He and the Bank continue to welcome feedback on the shape of the future agenda for the Forum on an ongoing basis.

Item 2: Update on CHAPS external engagement strategy

2. The Chair explained that he had updated the RTGS/CHAPS Board after the first Forum held in April. The Board had discussed the importance of both being able to receive input from externals as well as then playing back how it and the Bank's executive had used that input in the CHAPS strategy.
3. As suggested at the April meeting, the previous CHAPS Co Service User Group will be replaced by a range of different events. This will include a series of roundtables, working with trade

¹ External members, with the exception of Jo Oxley, are appointed on an individual basis. Their respective organisations are shown for information. A number also have links to trade associations such as the Association of Corporate Treasurers, Association of Foreign Banks, London Money Market Association, and the Law Society of England and Wales.

associations, and attendance at various events and conferences.

4. Members provided a number of suggestions on particular events and organisations including conferences such as EBA Day, SIBOS, Money2020, trade association events, retail conferences, and Eurofinance. A number of these are held outside London (or overseas). One member noted that the London Money Markets Association would hold its first conference this year. Webinars could also be considered. Banks, particularly the larger ones offering agency services, also host events for their financial institution customers – these could also be leveraged. The Chair mentioned he had recently recorded a short video for Finextra on ISO 20022. Members felt there was a lot of focus on retail at the moment and there was still space for more on wholesale.
5. Members discussed the value of a joined up approach across UK payments (and internationally, especially for messaging standards). A high priority was for the Bank and the New Payment Systems Operator to continue to work closely together given the respective responsibilities for RTGS renewal and the New Payments Architecture, and demonstrate this collaboration to the market. And, in due course, to share further detail on delivery timelines.
6. Members reiterated the importance of understanding different audiences and setting communication objectives/messages for each. This would help the Bank to prioritise which audiences and events to focus on. Members indicated their willingness to support the Bank with input and advice as it evolves its approach.

Thematic roundtables

7. Samantha Leighton outlined suggested topics for a number of thematic roundtables over the next six to twelve months. The Bank's priorities were cyber/fraud as well as end-to-end, systemic risk management. Access may also be a popular topic. The Chair invited views from members on topics.
8. Members strongly endorsed that cyber was a priority (see agenda item 3). Other suggestions were around the theme of operational resilience, such as concentration risk in the supply chain, and how to balance broadening access with a continued strengthening of operational resilience.
9. Mike Jones noted that the Bank/PRA and FCA had recently published a discussion paper on operational resilience which was worth Forum members and others reading. The approach it describes is relevant to the development of operational resilience for CHAPS and the RTGS/CHAPS teams were actively involved in this work.

Item 3: Focus on fraud and cyber

10. Samantha Leighton described how cyber-attacks could enable fraud, and that this was captured in two major campaigns supported by the authorities and the banking industry (Cyber Aware and Take Five). In addition cyber is not just about technology but also people and processes. She also set out a number of current initiatives across the wholesale and retail space including confirmation of payee; a model for a consistent customer experience for reimbursement if a victim of fraud; and work focussing on endpoint security for wholesale payments. The key question for the Bank, as CHAPS operator, was how could it usefully add value in what is an already crowded space of organisations and initiatives? What should our niche be?
11. Members identified a number of themes and possible options in the discussion that followed.
 - Members felt that the Bank had a near-unique position at the centre of the eco-system. As well as providing infrastructure, the Bank has a wealth of data and expertise which can be put to good effect.
 - Two of the Bank's key strengths are its ability to convene diverse interests together and its ability to influence and drive forward changes on a collective basis. One continuing challenge

is to ensure sufficient information sharing – of threats, best practice responses, and other learnings.

- Members noted the importance of the payments community working together in a safe, non-competitive way in order to tackle common threats such as fraud and cyber. This was incredibly valuable when there are incidents. The Bank can encourage this community spirit.
- Members also felt that many of the principles for tackling fraud and cyber applied regardless of the payment type. So it was important to tie together approaches for wholesale and retail fraud.
- There was interest expressed in learning from other jurisdictions too.

12. The Chair and the Bank thanked members for their contribution which would inform a roundtable on cyber/fraud. The Bank would welcome support from members and their organisations for further work to design the planned roundtable. The key emphasis seemed to be around sharing best practice and learnings. The Bank would likely look to do this based on ‘user journeys’ through the value chain for a fraudulent payment, drawing on known examples. A number of members confirmed their support for this.

Item 4: Horizon scanning

13. Roy Whymark introduced the horizon scanning process that the Bank was implementing. Its purpose is to identify developments relevant to CHAPS (and/or RTGS) for the Bank to consider in its strategy design and strategy implementation. The Bank will undertake research and analysis to create a short list of relevant developments and further enrich its understanding before determining whether to continue to monitor; to implement a change of policy or approach; or undertake more substantive research.

14. Roy Whymark then described a number of broad segments the Bank had identified: payments landscape; risk; resilience; access and service provision before inviting views on major themes under this heading from members. A short discussion highlighted a number of linked themes on operational resilience: the challenges facing indirect participants looking to re-route payments from one sponsor to another in an incident (and whether an ‘operational lifeboat’ was possible); and challenges presented to housing chains if even one payment was significantly delayed.

Position of CHAPS within the payments landscape

15. The Chair then invited views from members on the broader question of the position of CHAPS within the broader payments landscape, following a brief summary of differentiating characteristics of different payment instruments.

- One aspect is availability. For example, whether CHAPS and/or Faster Payments are available to corporates via online banking.
- For many customers, Faster Payments is a real-time payment, while the end-to-end process of making a CHAPS payment has greater friction. Members noted the language used for CHAPS payments by banks such as ‘same day’ and ‘guaranteed’.
- Nevertheless, for many customers the outcome is the same i.e. the money moves from A to B, regardless of whether CHAPS or Faster Payments is used. Banks find it difficult to explain to clients why CHAPS is used instead of Faster Payments for some payments and why the costs vary.
- Increasingly the interoperability of payments implies greater convergence of certain characteristics to provide a consistent customer experience (and this should inform investment choices). For example, would overlay services such as Confirmation of Payee be used by banks for CHAPS as well as Faster Payments?

16. The Chair suggested that the Bank would set up a working group on this topic to help think through the issue. This is timely given RTGS renewal and the development of the retail New Payments Architecture. Mike Jones said input would be valuable to support a discussion with the RTGS/CHAPS Board as the Bank considers how to provide clarity about the position RTGS and

CHAPS occupy in the UK payments landscape. **Action:** Bank to arrange a working group on the position of CHAPS within the payments landscape.

Item 5: Update on Direct Delivery

17. Mike Jones set out a number of integration activities which had taken place since the transfer of responsibility for CHAPS to the Bank in November 2017. These include staff moves to create integrated risk and operational teams and a dedicated RTGS/CHAPS Chief Risk Officer. Frameworks relating to risk as well as incident/crisis management had also been integrated.
18. Chris Redmond described how the Bank's work on end-to-end, systemic risk management of CHAPS would drive an increasingly proportionate approach to risk management. The Bank will seek to target its efforts and resources on what could pose the most risk to financial stability. This may be reflected in both the requirements set as well as the assurance process used to assess against those requirements. One member noted that it would be important to understand what this meant for the trigger for an organisation to move to direct, instead of indirect, access to CHAPS.
19. Vicki Vidler described how the Bank was thinking about the level of cyber maturity that we should target for the eco-system as the operator for CHAPS. The discussion that followed reiterated the importance of the CHAPS community sharing information with each other to help prevent and respond to cyber and fraud threats. Members felt that any support the Bank could provide to greater sharing of information would be welcome. The SWIFT Customer Security Programme would provide more information on current practices and the level of cyber maturity across the industry.
20. A number of members supported a suggestion of a further discussion with their cyber experts. **Action:** Bank to arrange a session with nominated cyber security experts on threats and information sharing.

Item 6: Update on RTGS renewal programme

21. Sara Ward provided an update on the RTGS renewal programme. The Bank is currently developing the overall approach to procurement, how we will introduce the new RTGS service and working on the business case. The ISO 20022 consultation paper was also open until 18 July; members felt that the consultation had reached the right people in their organisations. One member said their response would share their experience from the move to ISO 20022 in other markets. Mike Jones noted that the Bank would welcome this feedback and that it was actively engaged with a number of other central bank and private-sector operators who had made, or were making, the move to ISO 20022. The Bank would consider how these experiences could be shared more widely within the UK.
22. Sara Ward briefly introduced the Bank's principles for transition to a renewed RTGS. The principles, which would guide how the new service is introduced, covered transition; migration; and readiness. The Bank would welcome input from members on the principles and would share the detailed text off-line. One member noted that the Bank should retain flexibility to adjust the principles in light of response to the ISO 20022 consultation. In response to a specific question, Mike Jones also noted that the Bank can't maintain true 'live' parallel running of old and new ledgers – because of settlement finality. However, the Bank may look to run the new ledger on a test basis alongside the 'old' ledger in live for a period. Members supported this approach if possible to reduce risk associated with a big bang. **Action:** Bank to share detailed transition principles for comment by members by 20 July.

23. The Chair said that at a future Forum, we would welcome thoughts on how the Bank engages vendors of banking and accounting software/platforms relative to, for example, CHAPS Direct Participants and other users undertaking such engagement.

Log of actions agreed in the meeting

No.	Date	Action agreed	Action Owner	Date due	Status	Update
1	5/7/18	Arrange a working group on the position of CHAPS within the payments landscape.	Bank	TBC	Open	
2	5/7/18	Arrange a session with nominated cyber security experts on threats and information sharing.	Bank	End 2018	Open	
3	5/7/18	Share detailed transition principles for comment by members by 20 July.	Bank	ASAP	Closed	Circulated to members.