



Proposal to extend RT2 and CHAPS settlement hours (phase 1)

UK Finance member response to
Bank of England's consultation paper

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UK Finance member response - summary

UK Finance members are broadly supportive of the proposed extension of settlement hours - RT2 has been built with the capability to operate on a near 24/7 basis, and it is right that UK makes early and full use of this facility. Members welcome the proposal for the early extension that would align with the EU T2 and also with jurisdictions in Asia and the Middle East helping to meet customer needs and the UK's growth agenda. We note that other jurisdictions have progressed towards near 24/7 operations, and the UK doing the same would also help advance the G20 Roadmap for cross-border payments.

The Bank has previously set out its ambition to reach near 24/7 capability by 2030, with this consultation response setting out proposals for Phase 1 of a multi-stage programme to reach near 24/7. The Bank's early sharing of the entire roadmap and key milestones from Phase 1 towards near-24/7 would support industry planning and preparedness in realising the capabilities of RT2.

Members particularly welcome the optionality element of the proposal on the basis that the Bank's *'engagement with larger DPs suggests that most would take advantage of the early settlement window, which should ensure sufficient liquidity during this time'*. Nevertheless, members would like to understand from the Bank how it will ensure critical mass will be achieved.

Members believe that optionality should be an ongoing feature as we move towards near 24/7 and should remain as a key element of RT2 and CHAPS. The optionality element will also allow DPs (particularly smaller DPs) to plan and manage internal systems appropriately.

In this consultation response, we set out our member considerations for extension of settlement hours with the need for clearer safeguards on incidents and liquidity requirements, on the need to manage and minimise additional costs, and on the need for a crisper roadmap to near-24/7 RT2 and CHAPS operational window. Early and clearly sign-posted activities for 2026 and leading up to near 24/7 by 2030 are an essential element for the industry to plan and manage implementation.

This response also sets out areas in which further detail and discussion with the Bank would be welcomed: for example, discussions on details of the liquidity participation modelling for the 01:30 window, and on incident communication mechanism before 05:45am. It should be

noted that if a large DP liquidity provider does not finish its overnight batch until post 1.30, in reality the liquidity will only flow when that DP opens its CHAPS channel.

In this consultation response, we set out UK Finance member views across a diversity of firms and business models, with firms sharing general views and submitting firm-specific responses directly to the Bank.

Bank of England's consultation paper questions

Would your organisation expect to use the earlier CHAPS settlement window from 1.30am to send payments?

If so, please outline the use cases and associated benefits for your organisation, as well as any key changes or costs (in terms of people, process, or systems) that would be needed to support.

If not, please explain why and whether you would consider using the earlier start in the future.

UK Finance members express broad support for earlier opening with a 01:30 start. In the response to the Bank's 2024 Discussion Paper, our members had opined on the benefits of an early hour settlement window from 1:30 noting the opportunities for alignment with other jurisdictions to support the UK's growth ambitions, specifically in key markets in the EU/T2 area, and operating hours that provide a greater overlap with Asia/Middle East. The extension also forwards the ambitions of the G20 Roadmap in improving the speed of cross-border payments.

Operational implications and benefits

The earlier CHAPS settlement hours are expected to deliver benefits through the longer transaction window negating the requirement for DPs to wait until 6:00am, thereby helping to smooth out the bottleneck of queued payments. The shortening of settlement windows would also support firms' liquidity and access to funds.

It is expected that DPs would process STP transactions to make optimal use of the extended settlement window where minimal support would be required, with transactions in which sending DPs are required to intervene held until normal business hours.

Given the element of optionality DPs with international operations would likely be the 'early adopters' and are expected to realise greater benefits with the ability to offer improved services to customers, for example, with the overlap with jurisdictions in Asia and the Middle East.

The proposed extension to 1:30am should allow for end of day batch processes to be completed the day before but this may not be the case with all DPs. Generally, it is not expected that DPs will be required to undertake significant technical and infrastructure build but will require operational process to be re-configured and investment made in training and testing. However, for those DPs who will need to rework overnight batch processes to meet the 1.30 opening time there could be significant investment requirements. The DPs who also participate in T2 may be able to leverage the earlier settlement with only incremental changes required to their operations.

Members have noted that changes to the operation of RT2 and CHAPS would require GUI enhancements for limits and payment scheduling to manage early-window liquidity. Similarly, reference manuals and documentation provided by the Bank will need to be updated.

Operational challenges

It is noted that the Bank proposes a limited support window between 01:30–05:45am, raising some concerns about how DPs would flag firm specific incidents. Members suggest that a simple, automated outage notification mechanism visible to all DPs would help firms coordinate in the absence of active support from the Bank. We think having a screen and dashboard in BERTI, available as a read-API, via which CHAPS DPs could report their status, is something the Bank should consider as a support tool. The Bank is also asked to define what would trigger a "critical incident" and ensure rapid detection/response is in place.

Some DPs may want to automate the management of flows in the early hours period. This could be supported by the development of a user interface to indicate which DP is active, and to make the interface machine readable so bilateral payments can be released once the activity status is 'green'. If the activity status turns 'red', for whatever reason, the bilateral flows can be automatically halted.

Some firms, smaller and also those in the innovation phase, have expressed some concern about the cost associated with this proposal as they expect that they will need to renegotiate contracts with their third-party suppliers / service providers.

While there is no real concern around the provision of liquidity, however clarity is required on any implementation of Liquidity savings mechanism cycles during the early opening hours and if that would drive a discussion around throughput rules. The working assumption is that throughput rules would not be changed but this would need to be specified by the Bank.

Payment types

The Bank has proposed that the earlier settlement window would be used for non-urgent payments, but our members note that full benefits of the extension will be realised by considering end users and use cases, such as corporate initiated payments that can be time sensitive.

A review of payment types to be processed and the support model would help to build use cases that meet end-user needs and realise the full benefits of an extension.

What is your view of the proposed participation model for the early morning extension?

The proposed optionality is a proportionate and welcomed approach allowing DPs with an international footprint to utilise the additional hours while those with a domestic footprint can explore additional future opportunities. We note that optionality is common within other jurisdictions.

It is understood that the Bank has engaged extensively with a number of the larger DPs to assess their appetite to utilise the extended window and the likelihood of there being availability of sufficient liquidity to ensure that optionality could work in practice. The industry would welcome the opportunity to understand the assumptions and high-level analysis of the Bank's modelling. Of particular interest is the critical level of participation required to ensure sufficient liquidity.

The Bank's proposed extension would see all CHAPS DPs receive incoming payments from 1:30am regardless of whether they are sending payments or not, and therefore all DPs will need to consider the implications for internal processes, staffing costs and any sort of risk management. For DPs not sending payments during the extension, operational considerations could be minimised if only STP payments are processed.

A number of operational details will need to be surfaced and agreed prior to implementation. For example, further discussion is required on the operational implications for many DPs that automate defunding at CHAPS opening. For these DPs, liquidity stress or bottlenecks could arise if the Bank's systems or one of more DPs have issues before 05:45.

We welcome the Banks' proposal to monitor take-up of the extended window and trust that findings will be shared as the Bank progresses toward near 24/7 operations.

Should the Bank review its approach towards the participation model, potentially to make sending payments mandatory for DPs, we suggest that the Bank shares its thinking and proposed timeline as early as possible, and that the proposals are subject to an open consultation with the industry.

Clarity regarding the treatment of indirect participants would be welcomed in terms of whether there should be a specific rule set for how their funds should be treated if they are not in scope of the mandatory receive or the optional send position. If participants (both direct and indirect) are not required to send payments at the earlier time this could have an impact on direct participant liquidity positions.

What is your view of the proposed support model for the early morning extension?

UK Finance members suggest that further consideration is given by the Bank to its proposal for limited support between 1:30am and 5:45am. As larger DPs are expected to use this early window, transaction volumes could be high, and an overnight incident could create a substantial bottleneck when CHAPS opens again in the morning. We note also that support is available in the TARGET world from 2:30am as soon as the system is open.

Given the value of CHAPS payments, we would welcome clear escalation routes, minimum monitoring standards, and contingency planning for unsupported hours; these transactions will require real-time AML/sanctions screening. With the proposed support model, members would like to understand at a level of detail how the Bank defines a critical incident, the type and severity of events that would trigger a support response from the Bank, and the processes in place to ensure the response is swift and proportionate.

Members have set out a few suggestions:

- Particularly in the early days of the extended settlement window some level of active support would be welcomed that can be withdrawn as the operations enter a BAU phase.
- Firms currently have a limit of the number of automated balance enquiries they can make per day through BERTI – this would need to be increased to support the extended settlement window.
- As the Bank progresses towards near 24/7 operations, continued industry engagement will be required to ensure that the support model is still fit for purpose and meets DP's evolving requirements.
- Further exploration of potential pain points is required, for example DPs unable to defund their Bank of England reserve accounts or unable to meet their outgoing payments at 1:30.
- An automated approach to support, for example, a communication mechanism to allow DPs to alert other participants of an outage or incident before 5:45, whilst ensuring there is minimal to no cost passed down to DPs.

Do you agree with the proposed implementation date for the early morning extension in the second half of 2027 (subject to further work internally)? If not, what timeframe would you prefer and why?

The industry is currently faced with a landscape consisting of competing regulatory and industry change programmes requiring major technology and systems upgrades. We ask for the Bank and authorities to consider this and ensure enhanced coordination to support the delivery of shared priorities and outcomes, alongside what is being asked for in the

Payments Forward Plan. We suggest flexibility in timelines and seek further clarity from the Bank on its plans.

As the industry and the Bank progress towards extended operating hours, clarity from the Bank on the transition arrangements would help to smooth the process. The Bank may want to consider setting lower bilateral limits or throughputs in the initial period and provide enhanced 'hyper care' from the technical team during the transition period.

What are the main actions you would need to take in order to be ready?

As the Bank considers how best to support co-ordination of payments during extended settlement hours, they are interested in industry views on whether additional tools or information would be beneficial.

UK Finance members welcome the Bank's early and consistent communication of its planned activities for RT2 including that of an extended settlement window. As such, DPs who have anticipated implementation in the second half of 2027 believe that the date is generally achievable for DPs that have the capacity and capability to move forward. Given the optionality element, it is assumed DPs who need time to build a business case, and operational capabilities could join, presumably, as and when they're ready.

As noted, reference manuals and documentation provided by the Bank will need to be updated to support implementation. Timely enhancements to the GUI would also be required so that limits and schedule payments can be set by DPs to facilitate liquidity management.

It is noted, however, that a delay to the policy statement from the Bank, could impact the start of DPs' internal change programmes and impact their ability to proactively manage budget planning

Are there any other factors that we need to consider when implementing the early morning extension?

The Bank has noted its intention to consider how best to recover costs from the industry for early morning extension proposals.

UK Finance members note that the funding process and substantial investment by DPs required for the recent renewal costs should be sufficient to cover the limited costs the Bank is expected to incur with the extension of the settlement window.

It is proposed that the Bank automated solutions for additional services, such as support and communication, should avoid cost pass-through to DPs.

In what scenarios or use cases would a later contingency window provide tangible benefits for your organisation or clients? For example, could it improve client service or help mitigate specific risks?

Would your organisation or its clients directly benefit from the additional time provided by a later contingency window? If so, please describe how.

What changes would be required within your organisation to support a CHAPS contingency window closing at 10pm, and what risks or challenges might this involve? Please consider impacts on end-of-day processing, staffing, third-party dependencies, and any operational or technical constraints.

The Bank may be considering the later opening as a stepping stone toward a 24/7 paradigm but there is limited appetite within the DP community for a later contingency extension (evenings) with benefits limited to ad-hoc use when incidents occur. This is not the basis around which DPs can be expected to be able to build enhanced customer propositions. In addition, considerations need to be made regarding value date implications and implications for regulatory reporting.

Further details would be helpful on the Bank's expectations on how the contingency window would be triggered and whether it would be closed once the incident is resolved.

What is your view of adopting a stepped approach to implementing a later contingency window, for example with an interim extension of 'up to 9pm'?

Further assessment and discussion of the alternative approaches is suggested with our members sharing a range of views.

Some members have noted that if there is to be a later extension, a stepped approach is sensible for an evidence-based understanding of the types of payments being made in this period and would help de-risk the eventual move out to 10pm.

There is also a view that a one-step move to 10pm would be preferred as a stepped approach would duplicate testing effort and costs.

It will take considerable resource and technical change for some DPs to meet the 10pm closing window.

Further comments point to the proposed contingency extension, potentially provided on an ad hoc basis, could add an element of unpredictability. Instead, an extension of normal operating hours up to 9pm would help build the cost-benefit case for extended hours.

Based on the last question, what lead time would your organisation need to implement these changes?

Members will advise the Bank on a bilateral basis.

Would your organisation make use of, or benefit from, settlement during bank holiday weekends, if it was available?

If yes, for which payment systems or use cases, and what benefits would this provide (e.g. improved client service or reduced settlement risk)?

Would you expect to credit end users on the same day for payments settled on these additional days?

What factors would influence this decision?

What challenges or constraints would your organisation face in supporting CHAPS settlement on these additional days? This could include operational, technical, or liquidity-related issues.

What factors would shape your preference for Sunday or Monday settlement during bank holiday weekends?

UK Finance members note that additional settlement days during the bank holidays could marginally improve cross-jurisdiction settlements (e.g., between the UK and US on distinct holidays) and also help to reduce backlogs. However, the proposal is not considered one that could materially advance the market towards near 24/7 settlement on its own but rather one that could help align with other jurisdictions particularly if T2 is open at the same time.

Additional detail from the Bank on some elements of the proposal would inform industry's assessment including on the definition of "business day" on value-dating (including interest on reserves and end-user credit) and on regulatory reporting cut-offs. Further consideration is required by the industry on operational and staffing implications if some holidays become settlement days. The Bank will also need to indicate whether settlement during bank holidays would be optional for DPs, and how the Bank anticipates that retail systems would be impacted.

Members have also noted that if the settlement opening during the suggested bank holidays is a precursor to eventual weekend opening then there would be considerable operational, technical and liquidity considerations that would need to be worked through.

Specific and detailed consideration is required on FX implications of bank holiday settlement. The practice currently is for PSPs to settle on the FX spot rate on Thursday prior to the Monday bank holiday and deal on the following Tuesday. However, the introduction of settlement on a bank holiday, particularly as it is subject to optionality, could cause confusion in the market. It is questionable to what extent the spot FX market would utilise this change. Nonetheless, DPs could seek to improve client services and settle a day earlier on the Monday (that would have been a bank holiday). This would require staff and resources to step through the accompanying processes, sorting value date implications and implications for regulatory reporting. There may also be a requirement to reconfigure systems to accommodate any changes in systems that currently recognise bank holidays as non-working days.