Bank of England

RTGS Renewal Programme

Workshops on Roadmap for RTGS beyond 2024: Synchronisation

21 June 2022

This workshop focused on linking RTGS with other asset ledgers and payment systems, which is known as synchronisation.

Synchronisation

The Bank outlined the key drivers behind synchronisation functionality, highlighting that new technologies are emerging and driving innovation in the payments infrastructure space. There is a need to ensure RTGS supports these developments and so is accessible for new types of infrastructure. A key aim is that central bank money is accessible to as many as possible and remains central to settling of money in UK payments infrastructure, which synchronisation functionality can enable. The Bank indicated it has made progress in this space with recent launch of omnibus accounts and is progressing an application from Fnality, a DLT based firm, who will join in the next year.

The Bank outlined the ambition of this feature to allow different types of ledgers to connect to RTGS to achieve synchronised settlement (i.e. atomic settlement, DvP, PvP) in broader types of assets. Reflecting on previous engagement in this area that confirmed there is strong demand for this functionality in UK as well as ongoing work in wider international context to facilitate increased PvP adoption is being undertaken as part of the G20 initiative to enhance cross-border payments. Bank of England hosts one of 7 global BIS Innovation hubs which recently launched Project Meridian which is exploring the potential to build a prototype system which supports atomic settlement.

Attendees showed their support for synchronisation functionality, the majority both to utilise and provide synchronised settlement. They were in favour of the benefits which synchronisation could bring to their organisations such as reducing settlement risk and simplifying complicated transactions. In discussing potential synchronisation use cases attendees showed most support for corporate actions followed by housing transactions and FX transactions.

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The Bank set out a proposed model for how synchronisation could work to facilitate innovation in the industry. The key message was that synchronisation should be easily extendable to different types of use cases and organisation. In discussing the proposed model, attendees were clear in their support of need for multiple channels to exist for synchronisation operators to connect RTGS.

The Bank discussed with attendees the pros and cons of having a single synchronisation operator performing a number of use cases or multiple operators performing different roles. A single operator creates a natural monopoly, inhibiting innovation in the market, though multiple operators could lead to issues of fragmentation.

In discussion on the policy framework that should be applied to synchronisation operators, attendees understood that synchronisation operators would need visibility over all transaction information over movement of participants funds though would not require full transparency over all balances within participant account.