

# Bank of England

## RTGS Renewal Programme

# Workshops on Roadmap for RTGS beyond 2024: Third settlement platform

9 June 2022

This workshop focused on settlement contingency.

### **Overview**

RTGS currently uses the MIRS as its settlement contingency product. This has been an appropriate service for the current RTGS: it is operationally independent from the Bank's primary service; enables transactions to be stored by SWIFT under the Y-copy model; and it is well documented and known by both the Bank and industry.

The Bank explained motivations for rethinking their contingency solution in line with their future ambitions – this includes removing a single point of failure; meeting industry expectations; and to ensure the Bank's contingency solution supports the new services introduced in their future roadmap. In light of this, the Bank proposed that work enhancing or replacing the current 'third site' settlement contingency solution will be necessary as part of the future roadmap.

### **Principles**

The attendees discussed principles for a third site settlement contingency solution. They emphasised the importance of a solution being easy to use; being able to invoke and revoke quickly, automatically, and with minimal participant impact such as manual reconfiguration or intervention. Contrarily, the attendees gave relatively less weight to the principle on value for money. They thought that more extensive upfront development could be worthwhile if it saved test and operational efforts for participants going forward.

There was strong preference for suitability; a solution should allow settlement to continue in all extreme but plausible scenarios of varying nature, severity and duration. The attendees also thought that a solution must have channel agnosticism and must not introduce single points of failure in the end-to-end payments system. The participants put lower importance on the principle of strategic flexibility – the idea that we should avoid locking into a solution that could make it hard for us to disentangle from later on.

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The attendees also thought that it is critical that a third site solution is completely independent from the primary site in operation, architecture, infrastructure, and code base. They emphasised the importance of thinking through how a contingency site solution would sit alongside other propositions in the Roadmap for RTGS beyond 2024, and what the introduction of other non-resilience features would mean to the changing resilience requirements.

### **International engagement**

The Bank shared with the attendees what they learnt from international engagement on diverse approaches to settlement contingency. The Bank explained that some system operators activate their contingency solution from zero balances, while others reconstruct balances. The Bank also highlighted different modes of participant connection to the contingency product and sending payment instructions.

Attendees were interested to hear whether other solutions had been used in live incidents, as the current UK solution had not. The attendees observed that a third site solution is not always helpful when there is a data integrity issue.

### **Example models**

While clarifying the Bank is not ruling out continuing to use an enhanced MIRS, the Bank stated that the industry and the Bank together should consider whether there could be better options available. The Bank described their design based approach on a contingency solution to make their design choices suited to the resilience framework and the needs of the industry.

The Bank set out two contrasting example models for a third site solution with a clear caveat that the examples were for purely illustrative purposes to highlight the full range of design choices. These two example models illustrated options for third site structures, including potential mechanisms (with or without balances) and forms of connection (usual channel or contingency channel). The attendees reemphasised the importance of ease of invocation, including the ability to connect to the contingency solution flexibly (i.e. the contingency solution should support MNAD) and highlighted the importance of a fully independent third site.