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BoE Consultation Extending RTGS and CHAPS settlement hours – next steps towards near 24x7settlement

The Global Financial Markets Association's (GFMA) Global Foreign Exchange Division (GFXD) was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants[1], collectively representing the majority of the FX inter-dealer market[2].

We welcome the opportunity to respond to the BoE's consultation on extending settlement hours. We will not be responding the specific questions but would like to submit comments with respect to the wider operation of the global, wholesale FX market.

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We support the BoEs proposal to extend RTGS operating hours.

With respect to the principal drivers identified by the BoE to extend settlement hours, it is helpful to consider how these specifically apply to the wholesale FX markets, as wholesale FX drivers are different to other sectors, such as retail. Specifically for wholesale FX:

- Enabling innovation: We agree that extended hours will support the opportunities for future innovations, including 'always on' solutions and new PvP services. However, it is important to also recognise what the successful path to adoption is and how the public sector can support widespread/networked, efficient and cost-effective adoption across multiple jurisdictions. Multiple solutions (with increased liquidity/process fragmentation) may not offer the most optimal outcome and is important that developments are supported by a positive business case.

[1] Bank of America, Bank of New York, Barclays, BBVA, BNP Paribas, Citi, Credit Agricole, Deutsche Bank, Goldman Sachs, HSBC, ING, JP Morgan, Lloyds, Mizuho, Morgan Stanley, MUFG Bank, NatWest Markets, Nomura, Northern Trust, RBC, Standard Chartered Bank, State Street, UBS, US Bank and Wells Fargo
[2] According to Euromoney League Tables

- Enhancing cross-border payments: For wholesale FX, it is unclear how extended hours on their own will reduce costs and improve security. Wholesale FX markets are typified by larger notional volumes, a value-date construct to determine when funds move with finality, and well-established and well-supervised payment corridors. For example, as per the 2025 BIS Triennial survey[3] 'The US dollar continued to dominate global FX markets, being on one side of 89.2% of all trades, up from 88.4% in 2022. The share of the euro fell to 28.9% (from 30.6%) and that of the Japanese yen was virtually unchanged at 16.8%. The share of sterling declined to 10.2% (from 12.9%). The shares of the Chinese renminbi and the Swiss franc rose to 8.5% and 6.4%, respectively'. These flows are not typified by the same pressures for instance as those felt by the retail markets that have sizeable activity in emerging and developing economies.

- Liquidity and risk management: Given the size of the notionals settling within the wholesale markets, the ability to settle on a bi or multilateral netted basis is fundamental in reducing both risk and liquidity costs. The ability for market participants to continue to net settle through extended operating hours is key. For example, any increase in gross-bilateral settlement resulting from an increase in trading activity after settlement nets are agreed would be sub-optimal.

We also welcome the suggestion that an extension to the RTGS operating hours will create opportunities to further reduce wholesale FX settlement risk (also known as principle and Herstatt risk[4]), and for wholesale FX we suggest that this driver (rather than those above) should be the key driver in extending operating hours.

Settlement risk remains the most significant risk within the wholesale FX markets, and we suggest that reducing settlement risk is the key goal/metric when considering the enhancement of wholesale FX settlements (versus for example the metrics used in the CPMI cross-border work, such as availability, transparency and cost).

BIS recently sized wholesale FX settlement as over $14 trillion/day[5], settled via a hierarchy of settlement methods, illustrated in Table 1 below. The optimal approach in reducing FX settlement risk is via PvP settlement practices; at this time CLS Bank[6] is the largest provider of PvP settlement, accounting for most of the FX market settling on a PvP basis. Table 2 illustrates the daily volumes settled per settlement method, PvP accounting for 36%.

[3] https://www.bis.org/statistics/rpfx25.htm
[4] https://www.bis.org/publ/bcbs241.pdf
[5] https://www.bis.org/publ/qtrpdf/r_qt2606.pdf
[6] https://www.cls-group.com/

Table 1: BIS Hierarchy of FX Settlement Models

The hierarchy of FX settlement methods

Methodology in the 2025 BIS Triennial Survey of FX markets — Table 1

Risk	Settlement method	Description
1.	Payment versus payment (PvP)	**Mechanism:** Payment in one currency occurs if and only if the payment in the other currency occurs. **Risk:** Eliminates FX settlement risk.
2.	Intragroup settlement	**Mechanism:** Trades that are settled intragroup, ie between two entities that are part of the same banking group. **Risk:** Internal coordination across the banking group can mitigate the risk of settlement failures. But internal settlement, particularly across borders, can be at risk of liquidity ring-fencing if the banking group is in distress.
	Pre-settlement netting	**Mechanism:** Multiple FX trades between counterparties are netted, resulting in a single net payment per currency. **Risk:** Netting reduces gross FX settlement risk, but net amounts need to be settled. Netting effectiveness requires its legal enforceability.
	Settlement over bank accounts with timing controls	**Mechanism:** Trades that are settled over an account where the reporting dealer has control over the timing of settlement. **Risk:** Timing controls can mitigate FX settlement risk but require coordination between counterparties to be effective. Could result in delayed payment instructions or liquidity hoarding.
3.	Gross bilateral settlement	**Mechanism:** Payment of the full amount is made without any FX settlement risk mitigation. **Risk:** Trades settled on a gross bilateral basis are fully exposed to FX settlement risk.

Source: Authors' elaboration.

Table 2: BIS FX settlement by settlement method

Settlement of FX obligations by settlement method[1] — Table 2

	USD bn	%
Total gross financial obligations settled	14,186	100
PvP	5,157	36
Intragroup settlement	4,950	35
Pre-settlement netting	2,167	15
Net amount[2]	(337)	(2)
Settlement over bank accounts with timing controls	496	3
Gross bilateral settlement	1,416	10

PvP = payment versus payment

[1] Net-net basis, daily averages in April 2025. [2] Figures in brackets denote post-netting amounts that settle by other means (eg traditional correspondent banking relationships).

Sources: BIS Triennial Central Bank Survey; authors' calculations.

[8] Instruments that involve a single payment only are not included (eg non-deliverable forwards, option premia).

[9] For example, trades that took place in April but settled in May were included in the FX settlement measures derived from turnover data in the 2019 and 2022 surveys, but not in the 2025 survey.

As we have noted in our previous analysis[7,8,9] an extension to RTGS operating hours, when coordinated with extensions by other central banks, will create more opportunities for the industry to settle

[7] https://www.gfma.org/wp-content/uploads/2023/08/mag-accelerated-fx-settlement-final-july-2023.pdf
[8] https://www.gfma.org/wp-content/uploads/2021/02/gfxd-response-to-cpmi-8feb2021-1.pdf
[9] https://www.gfma.org/wp-content/uploads/2020/03/expanding-pvp-opportunities-march-2020.pdf

wholesale FX transactions on a payment versus payment[10] (PvP) basis, preferably on a multilateral netted basis to further reduce liquidity pressures.

Creating an environment for more PvP settlement requires several (non-trivial) coordinated factors:

1. Multiple central banks follow suit to create the maximum amount of operating hour overlap.
2. Market providers within the settlement chain (e.g. nostro banks and custodians), increase their operating hours/services to ensure any benefits afforded from central bank extensions are passed on to all market participants.
3. Encouraging the development of new PvP services, providing effective cost/benefits to achieve wide adoption.
4. Market participants are able to:
    a. Implement new operating processes (both within FX and associated functions such as treasury funding, legal, credit).
    b. Increase levels of automation, including nostro account reconciliation.
    c. Reduce both the number of and the time taken to address exceptions.
    d. Staff accordingly, including weekends and/or during extended operating hours.
    e. Develop their technical systems to accommodate extended operating hours, considering for example shortening downtime periods e.g. for maintenance.

As we note in our 2023 paper[11] (Table 3 extracted below), a RTGS extension can be expected to impact most processes – trading, post trade and funding – hence the greater benefits of scale when other central banks also extend their operating hours to create the maximum overlap.

Table 3: GFXD table of post trade processes impacted by RTGS extensions

When	What	Impacted by RTGS extension?
Value Date (VD)	Non- PvP transaction matching and confirmations	Likely
VD	Non- PvP net and gross settlements	Likely
VD	Intra-day controls and reconciliations	Likely
VD	Intra-day liquidity management	Likely
VD	Final checks prior to cut-off	Likely
VD/VD + 1	Regulatory reporting	Likely
VD	EOD batch processes: ledgers and statements	Likely

Such changes can be considered significant and will need a positive cost benefit analysis to secure budget and associated resources.

We suggest that whilst it is positive to create an environment for more PvP settlement, on its own it may not be enough to change behaviours. As part of the BoE's RTGS extension analysis, (and critical for the wider adoption of and subsequent future benefit to the industry), we recommend that the BoE takes into consideration the following factors, especially given the UKs leading position as the centre of the global wholesale FX market.

1. Identify within the current wholesale FX settlement landscape (Table 2) where and how (plus associated volumes) extended operating hours will result in positive opportunities to reduce

[10] https://www.bis.org/publ/bcbs241.pdf
[11] https://www.gfma.org/wp-content/uploads/2023/08/mag-accelerated-fx-settlement-final-july-2023.pdf

FX settlement risk. For example, real-world cases resulting in the migration of settlement flow from gross-bilateral to PvP or providing increased settlement netting opportunities etc.

2. Engage and partner with FX settlement providers (e.g. nostros banks and custodians) to promote the wider networked adoption of extended RTGS hours. This will result in as many market participants as possible benefitting from the extension and avoiding unintended settlement and liquidity challenges due to varied adoption, as well as any associated increases in interest claims for late payments.
3. Promote the development of new PvP services to enable further opportunities to reduce settlement risk.
4. Promote the positive impacts of extension with other central banks, creating as much overlap as possible within the current calendar/value date construct.
5. Actively engage with other public sector initiatives, such as CPMI PIE[12] taskforce, who are currently discussing a global value date construct.

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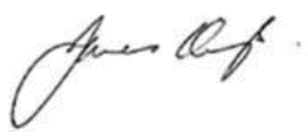
We greatly appreciate you giving us the opportunity to share our views, to further contribute to this evolving discussion and request the opportunity to discuss these with you in more detail in person. Please do not hesitate to contact Andrew Harvey on +44 203 828 2694, email aharvey@eu.gfma.org, should you wish to discuss the above.

Yours sincerely,



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[12] https://www.bis.org/press/p230223.htm