

Bank of England

RTGS Renewal Programme

Workshops on Roadmap for RTGS beyond 2024: Liquidity Generation

23 May 2022

The workshop focused on more ways to generate intraday liquidity as part of innovative and flexible services. The Bank is considering two enhancements beyond 2024:

- (i) New liquidity bridges with RTGS systems in other currencies; and
- (ii) Generating liquidity in RTGS using securities in CREST as collateral.

Liquidity functionalities

The Bank gave an overview of its current liquidity functionalities, which include lending intraday liquidity to participants; Euro Liquidity Bridge; auto-collateralised repo (ACR) allowing settlement banks to use securities held in CREST as collateral; and, Liquidity Saving Mechanisms (LSMs) which help to reduce intraday liquidity requirements for CHAPS participants.

The Bank invited views from attendees on the key drivers behind future changes to liquidity generation functionality in the renewed RTGS. The current environment of quantitative easing (QE) initiatives globally has meant that the market has remained highly liquid, but it was noted that the demand for more options for liquidity generation may increase should central banks adopt quantitative tightening (QT) policies.

Attendees discussed the benefits of increasing the range of currencies available through which to generate liquidity and which currencies should be prioritised for consideration by the Bank beyond 2024. These included USD, EUR, CHF and JPY. Attention was called to the importance of considering enhanced liquidity functionalities in a global context, particularly when enabling the use of liquidity between markets in different time zones. In addition, some attendees highlighted the link between improved liquidity generation and the proposal to extend RTGS operating hours, noting that the demand for liquidity functionalities may be dampened should there not be open/active markets in which to raise liquidity.

Bank of England

RTGS Renewal Programme

Attendees discussed current challenges in managing liquidity and the ways in which the Bank's LSM can both keep and improve its flexibility. They mentioned that ACR functionality is currently available for CREST settlement banks and suggested considering whether this could be extended to benefit a wider population including indirect participants.

New liquidity bridges in other currencies

Several use cases were discussed for further liquidity bridges (and reciprocal liquidity bridges), including but not limited to, cross-border payments efficiencies, greater flexibility, and opportunities to lower operational risk.

The Bank welcomed views on potential design features and attendees suggested speed and cost savings, amongst others, as important aspects for the functionality to enhance and support. The Bank also asked attendees about their preferred timeline for the implementation of new liquidity bridges, and discussion ensued surrounding the weighting of liquidity functionality against other proposals included in the future roadmap.

Extending CREST ACR functionality

The potential use cases and ways through which this extension to CREST ACR functionality could result in more effective liquidity generation were highlighted. This included enabling ACR to be used through other RTGS channels, in other words, not limited to CREST. Attendees gave their views on the preferred delivery timeline for such changes. The Bank will continue to engage with Euroclear UK & Ireland (EUI) on this functionality.