

Latest news from the Government Banking Service

In October 2008, the Government Banking Service (GBS) announced its intention to adopt a new operating model, which will:

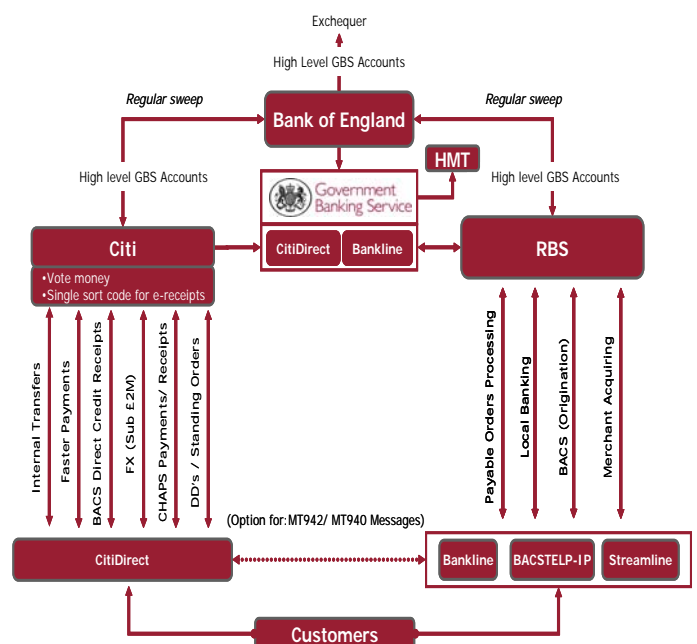
- Provide a 'direct-to-bank' service for all customers
- Replace existing ledger accounts with commercial bank accounts
- Provide customers with direct access to commercial banks
- Enable customers to initiate & view transactions
- Provide enhanced transactional support
- Improve the efficiency of banking across government
- Provide a commercially competitive and customer focused service

We have now completed the initial phase of planning and wish to share with customers the emerging details of how we expect transactions to flow in the new model.

The New GBS Direct to Bank Service Model – Key Benefits

The new direct to bank model will deliver an enhanced service to customers including: -

- On-line banking directly with the GBS commercial banking suppliers
- Increased straight-through processing of payments and receipts
- Reduced pricing per transaction
- Lower overall costs and charges
- Reduced manual processing
- Standardised 8-digit account numbers, new sort codes and adoption of other banking industry standards
- Improved visibility of transactions, with associated monitoring and reporting plus the use of images instead of paper



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IN BRIEF



The Role of GBS

GBS will continue to be the face of banking for government departments and other public bodies, providing a shared service to over 900 customers in the public sector.

Although customers will access their GBS accounts at the commercial banks directly, GBS will continue to monitor and control transactions including making the necessary arrangements for the funding or de-funding of the GBS accounts.

GBS will have oversight of all accounts and will ensure that any aggregate credit balances held with the commercial banks are swept to the Exchequer Pyramid at the Bank of England (BoE) via a group account arrangement throughout the day and again at close of day.

GBS will also deal with any queries that customers find they are unable to resolve directly with the banks and will work with customers to develop the banking service provided.

GBS will provide essential services to its customers, much as OPG did before, and will work closely with the GBS transition team to ensure a smooth transition to the new model

Account Changes

Following migration to the new banks, the majority of customers will have a GBS account with both Citibank and Royal Bank of Scotland Group (RBS) to replace each of their OPG ledger accounts.

These accounts will be held by GBS on behalf of customers.

The account numbers will be in the standard industry eight-digit format enabling customers to interface directly with the commercial banks' systems.

The two banks will each support specific transaction types that have been grouped to provide an effective banking service for customers.

Citibank will process Bacs receipts and Bacs direct debit payments, CHAPS payments and receipts, standing orders and FX payments and receipts, with the exception of FX transactions over £2m, which are currently planned to remain with BoE. RBS will process all Bacs direct credit and direct debit originations, local banking facilities, payable orders, bank giro credits and merchant acquiring services.

Please see the summary below detailing the changes to the services provided and the responsibilities of each bank.

Customers will continue to have full access to the services they currently use, including all UK clearing (payable orders, credits, Bacs and CHAPS, local banking and merchant acquiring services), through their existing OPG ledger accounts at Xafinity Paymaster (XP), until all banking activity is migrated to the two commercial banks and all outstanding transactions have been processed.

At this point, the OPG ledger accounts will be closed and all future transactions will be undertaken directly through the new GBS accounts held by customers at the two commercial partner banks.

Service	Current Supplier(s) through XP	New Supplier(s) direct
Bacs Direct Credit Receipts	Bank of England	Citibank
Bacs Direct Debit Payments		
Standing Orders		
CHAPS Receipts	NatWest (RBS)	
CHAPS Payments		
Foreign Exchange	Bank of England (over £2m) ¹ Citi (payments under £2m) RBS (receipts under £2m)	Bank of England (over £2m) ² Citi (under £2m) except forward trades which remain with BoE irrespective of value

¹ or equivalent in other currency

² 2 (two) million £ plus FX transactions (or equivalent) must remain at BoE under HMT rules.

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Service	Current Supplier(s) through XP	New Supplier(s) direct
Bacs Direct Debit Originations	Bank of England	RBS Group (NatWest/RBS/Ulster Bank)
Bacs Direct Credit Originations		
Local Banking (cash, cheques, BGCs)	NatWest (RBS)	
Payable Order Clearing	Bank of England	
Merchant Banking (debit & credit card transactions)	Alliance & Leicester (Elavon)	

Transition Support

The GBS transition team will work with customers, the commercial banks, XP and the operational GBS team to plan and execute a smooth transition of banking services.

Migration plans are being developed and we will be engaging with customers individually and through a GBS transition user group over the coming weeks to develop a support plan that meets customer's needs.

Our plans include running a pilot migration in May with a small number of volunteer customers to test our processes followed by the rollout of the migration to all our customers.

If you would like to volunteer to participate in this pilot, please contact Mrs Zeidah Hosanee on 020 8929 7661 or via gbscustomertransition@hmrc.gsi.gov.uk to register your interest.

We have already received some useful feedback and suggestions which will help to shape the plans Customers can expect to receive:

- ◆ Consultation on the changes to ensure their requirements are reflected in the new service
- ◆ Training support, both from GBS and the new commercial banks

- ◆ Regular communications throughout the migration ensuring all parties are fully informed of progress
- ◆ Support from a migration helpdesk
- ◆ Support from the operational teams at GBS and XP throughout the transition period.

In the short term customers can support the migration process by:

- ◆ Considering the key impacts that these changes may have on their banking and finance operations.
- ◆ Starting to think about how they will manage the transition within their business.
- ◆ Providing us with their thoughts on what support might be needed e.g. planning support, training
- ◆ Informing us of any changes to the key contacts with whom we should liaise regarding the changes. Please send any updates to gbscustomertransition@hmrc.gsi.gov.uk
- ◆ If you have not yet returned your questionnaire please do so as soon as possible to gbscustomertransition@hmrc.gsi.gov.uk.

Frequently Asked Questions

Q. Why are all these changes necessary?

A. Following the Bank of England's decision to withdraw from the provision of retail banking and clearing services to government and other corporate customers, new banking suppliers had to be found for GBS. Also, it was necessary to re-tender the contract for the service integrator (SI), currently held by Xafinity Paymaster, and as part of this exercise alternative solutions were considered. GBS, with support from HM Treasury and the Bank of England, decided to proceed without an SI and instead focus on the direct to bank service model.

Q. What happened to New Masterline?

A. Masterline will not now be upgraded to operate through a web browser. GBS customers will instead access their GBS Accounts using the electronic banking service of our GBS partner banks via a web browser. This will allow us to give our customers access to real-time information and straight through processing more quickly than we could using an enhanced Masterline offering.



Q. Why was it necessary to appoint two banks to replace the Bank of England?

A. HM Treasury felt that no single institution should have a complete view, or control, of the Government's cash flow. This could give them an unfair commercial advantage over their competitors.

Keep in touch

Please note that for day to day banking business all contact numbers in Crawley and at the Bank of England remain unchanged until further notice.

If you have any queries or would like more information about the transition please contact our transition helpdesk at abscustomertransition@hmrc.asi.gov.uk