

Understanding Bank-to-Bank Payments using ISO 20022 (pacs.008 via CHAPS)

Block 1 – The Problem

Most people assume when Bank A sends money to Bank B, the funds magically appear. In reality, there's confusion about what happens between those banks and the Bank of England. Without understanding ISO 20022 and CHAPS, teams struggle to trace payments, handle exceptions, or explain where money "sits" during transfer.

Block 2 – The Simple Truth

Think of CHAPS like a secure postal system for banks. Bank A writes a "digital letter" (the *pacs.008* message) saying, "Please pay £100,000 to Bank B's customer." The Bank of England acts like the central sorting office — checking both banks have enough funds before delivering that "letter." Once verified, Bank B receives it and credits the payee.

Block 3 – The Example

Imagine Company Alpha (Bank A) pays Supplier Beta (Bank B) £100,000 via CHAPS.

1 Customer Instruction

- A customer at **Bank A** asks to pay a supplier at **Bank B**.

2 Bank A Creates a pacs.008 Message

- Bank A builds a **payment instruction** (pacs.008) — a structured ISO 20022 message — that includes all details (amount, currency, sender, receiver, purpose).

3 CHAPS & Bank of England Process

- The message is sent through **CHAPS**, the UK's payment highway.
- The **Bank of England's RTGS** checks:
 - Does Bank A have enough balance and Is the message valid?
 - If yes, funds move instantly between **Bank A's** and **Bank B's** accounts held at the Bank of England.

4 Bank B Credits the Payee

- Bank B receives the message and updates the supplier's account balance.



Block 4 – The Next Step

Pull up a sample pacs.008 message and trace each field: who's sending, who's receiving and how settlement occurs. Once you see where each element fits, the whole payment process feels less mysterious — it's just a structured message guiding money securely through the Bank of England.

Appendix – ChatGPT Input

CONTEXT:

- Business Situation: I work for a bank as a payments solution architect, with over 50 people in my area collaborating with architecture (designer), project team (for requirements), developers through to developers. We need to create high-level flows of how ISO20022 messaging works for payments (pacs.008 as an example) between bank-to-bank payments via CHAPS infrastructure

- Objective: • Create a document with diagrams that can be used to help understanding between teams using pacs.008 between two UK banks between a payer and payee with a real-life example

- Audience: • For those how have little or no understanding of the process and ISO20022 payment messages between banks

ROLE:

- Act as a Senior Product Manager with 10+ years of experience in design tools and developer productivity software for a bank

INSTRUCTION:

- Specific Task: Write a 5-10 page document containing clear diagrams

- Purpose: To get alignment across engineering, design and leadership

- Key Requirements: Must clearly articulate the user pain points with a real banking customers and / or operations scenarios. Must identify the primary user persona and their workflow context

- Success Criteria: The Document enables the who team to understand the payment flow between banks and Bank of England for our next planning meeting

SPECIFICATION:

- Format: Multi page document with process flows and examples as necessary

- Length: • Maximum 10 page total. - Tone: Direct and evidence-based. Use concrete examples. Write for busy executives who need to make quick decisions

- Structure: • Use clear diagrams and examples

PERFORMANCE:

- Success Metrics: The diagram should be clear and containing examples

In ChatGPT added:

Step2 confusion - People get confused about how a ISO 20022 payment credit transfer works between banks and Bank of England (CHAPS Infrastructure).

Step3: Help me explain how high-level payments (pacs.008 credit) work between banks and Bank of England. in exactly 4 blocks:

- Block 1 (The Problem): What frustration does this solve? (50 words)
- Block 2 (The Simple Truth): What's the core insight? Use an analogy. (75 words)
- Block 3 (The Example): One concrete scenario showing it in action. (100 words include diagram)
- Block 4 (The Next Step): One thing they can try immediately. (50 words) Keep it conversational. My audience is for new trainees.

In ChatGPT refined:

Step 4: Where does this sound jargony or unclear? Can you create a one-pager showing the flow between banks with if possible?