



Customer Benefits from Advancements in Trinidad and Tobago Payment Systems

Having enough cash or your cheque book as you go about your day to day routine in today's fast-paced lifestyle can be bothersome and also a security concern. Many of us have therefore turned to bankcards, debit and credit, to pay for goods and services via Point-of-Sale machines at merchants. By the end of the 1990's we had become quite familiar with card payment systems but by then other electronic payment systems were becoming popular.

Through the collaboration of all the commercial banks and the Central Bank, Trinidad and Tobago launched, within the last four years, both a Real Time Gross Settlement (RTGS) system called **Safe-tt**, pronounced as 'safety', and an Automated Clearing House (ACH) called **Transach**, pronounced 'trans act'. Both of these electronic payment systems allow secure electronic transfer of funds between banks on behalf of their customers.

With Safe-tt, there is same day processing of high value (\$500,000.00 and over) transactions between all the commercial banks. Time-sensitive transactions of any amount may also be processed in this system. Same day availability of funds by the receiver, rather than the 4-day wait for a cheque deposit, is possible as the sender's account is debited immediately and the payment sent electronically between banks to credit the receiver's account. Using Safe-tt is very cost-effective to a business as funds are available earlier and less administrative work is required. There is no cost from float or interest that is usually incurred for the time taken for cheques to clear. With high value transactions, this can be a significant cost saving.

Transach enables next day processing and is particularly efficient for regular payments such as, lower value transactions (below \$500,000) between the banks. It can be used for salary, dividend, interest and pension payments. Processing of salary payments are usually time-consuming, however with Transach, salary payments are debited same day from an employer's account and credited electronically into each employee's account at their respective banks the next day. The employer initiates the transaction by simply sending a data file to his bank detailing the account information for each employee. The employer's bank then transmits the payment to the bank of each employee. For the employer, there is considerably less administration and processing effort than with the preparation of salary cheques. There is also no exposure to cheque fraud or errors and significantly less processing time by banks, resulting in greater assurance of timely payments to employees.

Generally payments between businesses or individuals can be made via Transach with the payer initiating the transaction at his bank and giving details of the payee's name, bank and account number. The payer's account is debited immediately and the payment is sent electronically to the payee's bank where the funds are credited and available the next day.

For the payer, there is a lower cost than that of a personal or Manager's cheque. For the payee, there is savings from quicker availability of funds and no risk of cheque fraud.

Both Safe-tt and Transach are fast, reliable and secure payment systems that make doing business more convenient and economical.

What developments are on the horizon? Work is underway to implement the Safe-tt and Transach systems to process payments to and from all Government agencies. When completed, the benefits of electronic payments would be significant for the Government, business community and the general population.

Also to be implemented would be the use of Transach by companies for the collection of payments from their customers. This would be beneficial for insurance companies, utility companies, credit unions, associations and clubs.

How would this work? The customer would be required to sign a one time authorization from which would give the company permission to debit his account at a commercial bank for payments that become due.

If the payment amount varies from due date to due date, for example a utility bill payment, then the company is required to give advance notice to the customer of the exact amount which will be debited for every payment.

On the agreed date, the company sends a transaction file to its bank made up of all the pre-authorized payments which are due. These transactions are then transmitted to the customers' banks where the funds are withdrawn the same day from their accounts.

Settlement between the banks can occur either on that same day or the next day, and the funds are deposited into the company's account.

For the company, processing costs are significantly lower and the risk of non payment by its customers is reduced, and for the customer, there is that assurance that payments will be made on time.

What can be expected further down the road? Advancements in mobile technology and wireless networks have brought about the next progression in payments systems – **mobile payments**. Throughout the world, applications are being implemented that bring the functionality of longstanding card payment systems to the cell phone. There are two methods by which mobile payments are being made by the cell phone. One allows consumers to pay for goods and services at merchants by waving their cell phone over a wireless terminal using contactless payment technology, and the other, allows a payment to be made to a particular merchant or person using text messaging.

We are all familiar with making payments using bankcards, but can you imagine using your cell phone to pay for goods and services or to electronically transfer funds from your bank account to another. Although this prospect may seem to be sometime away for Trinidad and Tobago, one local bank has already launched cell phone top-up from a bank account using text messaging. So it may be closer than you think.

Similar to the Automated Teller Machine (ATM) before and more recently Internet Banking, mobile banking may just be something local banks would need to have in place to remain competitive and to satisfy customers' expectation of faster and more convenient banking. Mobile banking will take anywhere, anytime banking to a whole new level.