



Article 5

Oversight of Electronic Payments

This is the fifth and final article in the series on Electronic Payments. Previous articles covered an **Overview of the Payments System in Trinidad and Tobago**, the **Operations of the Automated Clearing House** and the **Real Time Gross Settlement system** and the different forms of **Electronic Payments**. In this article we discuss the subject of the Oversight of Payment Systems.

What does Oversight of Payment Systems mean?

Oversight refers to the Bank's monitoring and assessment of payment clearing and settlement systems to ensure that they function in a safe and orderly manner. The Bank seeks to ensure that the clearing and settlement arrangements for payment systems do not operate in such a way as to cause or add to instability in the operations of the financial market.

Why is Oversight important?

A safe and efficient payments system is necessary for satisfying the business needs of the economy, for meeting the personal banking requirements of the public and for overall stability of the financial system.

Oversight allows the Bank, as the authority responsible for the payments system, to be aware of developments in this area in order to address potential threats to the system in a proactive manner. It also ensures that operators and participants continue to adhere to international best practices for safety and efficiency and gives businesses and consumers assurance about the settlement of their payment transactions.

How is the Oversight of Payment Systems different from the Supervision of Financial Institutions?

Whereas the Supervision of financial institutions deals with the soundness, efficiency and safety of individual institutions, the Oversight function focuses on arrangements for making payments among banks and operators of payments systems. In particular, it seeks to ensure that the risks in inter-bank systems designed for the transfer of funds in the financial market are adequately managed.

Does the Bank conduct Oversight of all Payments systems?

The Bank focuses its oversight activities on those payment systems that are considered to be **systemically important**. This is because a failure in one of these systems can have serious repercussions for the entire financial system. A payment system is considered to be systemically important either because the sums involved are large or the volume of transactions handled is significant.

In Trinidad and Tobago, the payment systems that are considered to be systemically important are the cheque clearings system, the LINX system, the Automated Clearing House (ACH) and the Real Time Gross Settlement (RTGS) System. Each of these systems is managed by an Operator which is required to ensure that participants adhere to strict rules and operational guidelines. The operators for these systems are as follows:-

- **RTGS** – Central Bank
- **ACH** – Trinidad and Tobago Interbank Payments Systems (TTIPS)
- **LINX** – Infolink Services Limited (ISL)
- **Cheque System** – Central Bank

How is Oversight performed?

The Bank uses as its benchmark the ten *Core Principles for Systemically Important Payment Systems* set out by the Basle Committee on Payment and Settlement Systems. The Principles focus on such aspects as the strength of the legal framework, the procedures for risk management, the finality of settlement and operational reliability.

The Bank uses several tools – questionnaires, surveys, site visits, dialogue etc. - to obtain information in order to make a determination about the adherence of each of the systemically important payment systems to the benchmarks.

The Bank has published a Policy document outlining the objectives and scope of the Oversight function as well as the manner in which it conducts the Oversight function. This document is available on the Bank's website at www.central-bank.org.tt.

Electronic Payments are becoming more and more prevalent globally. This is no less the case in Trinidad and Tobago. As a result, we do hope that this series of articles has helped to make you more aware and more familiar with this payment method.