



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# Payments System Guideline No. 1 – Licensing and Operation of Interbank Payment Systems

**November, 2012**

## 1.1 INTRODUCTION

Section 36(cc) of the Central Bank Act Chapter 79:02 (CBA) gives the Central Bank of Trinidad and Tobago (Central Bank) the authority for the supervision of all payment systems. The Central Bank in its policy on the oversight of payments systems has declared a special interest in those payment systems which are of systemic importance and these include both wholesale and retail Interbank Payment Systems. Further, Part XII of the Financial Institutions Act, 2008 (FIA) establishes the framework for the licensing and supervision of Interbank Payment Systems. This Guideline expands on the licensing and other arrangements for interbank payment systems.<sup>1</sup>

## 1.2 APPLICATION FOR A LICENCE TO OPERATE AN INTERBANK PAYMENT SYSTEM

1. Any entity desiring to commence or continue operation of an Interbank Payment System in Trinidad and Tobago must first apply for an Interbank Payment System Operator (IPSO) licence from the Central Bank on the relevant application form (**Form 1 at Attachment 1.2**) using the sample application letter (**Attachment 1.1**) with payment of such application fee as may be determined by the Central Bank. (**Schedule 1**). The application shall be addressed to:

**Inspector of Financial Institutions  
Financial Institutions Supervision Department  
Central Bank of Trinidad and Tobago,  
Eric Williams Plaza, Independence Square,  
PO Box 1250,  
Port of Spain, Trinidad and Tobago.**

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<sup>1</sup> The licensing requirements set out in this Guideline are not applicable to those interbank payment systems operated by the Central Bank as per section 93 (3) of the FIA. However, the Central Bank will adopt international best practices, including those set out in this Guideline, as appropriate.

2. The Central Bank has the right to approve or reject any application to become a licensed IPSO. Based upon its determination, the Central Bank shall issue the applicant with an IPSO Licence which will specify the effective date of the licence and the terms and conditions applicable.
3. The application for an IPSO licence should be accompanied by the documentation prescribed in section 94(1) of the FIA:
  - a. A statement of the name and registered address of the Applicant/Operator;
  - b. A certified copy of the Articles of Incorporation/Continuance, Bye-laws or other constituent document of the Applicant/Operator;
  - c. The name, address, nationality, experience and other relevant information pertaining to each director and senior management officer of the Applicant/Operator;
  - d. The latest audited Financial Statements of the Operator and its policies for risk management and internal controls;
  - e. A statement outlining the organizational structure of the Operator;
  - f. A statement establishing the identity of the Settlement Agent;
  - g. The Rules and Procedures of the system; and
  - h. Such additional information as the Central Bank may require.
4. With regard to 3.h above, an applicant for an IPSO licence shall also provide the following:
  - a. The name, address, nationality and other relevant information of shareholders with significant/controlling interest;
  - b. Completed Personal Questionnaire Declaration (PQD) forms for each named Director or senior management officer or proof of prior approval by the Central Bank;

### 1.3 REVIEW OF APPLICATION

1. In determining whether to approve an application, the Central Bank shall consider matters as outlined in Section 94, (2) (a) to (d) of the FIA.
2. In addition, the Central Bank may:
  - a. Request meetings with any Applicant or its representative to discuss matters arising from the evaluation of the application and supporting documentation; and
  - b. Employ any resources it may see fit to adequately complete the review process.

### 1.4 APPROVAL AND REJECTION OF APPLICATION

1. A successful Applicant will be notified by the Central Bank in writing. Immediately upon such notification of approval, the relevant licence fee becomes due. (**Schedule 1**)
2. The Central Bank may reject an application in writing without refund of the application fee.
3. Upon changes in any material conditions subsequent to the rejection of an application, the Applicant may re-apply with full resubmission of documents and payment of all relevant fees.
4. Upon receipt of the licence fee, a licence signed by the Governor or his designate will be issued, specifying the effective date of issue.
5. An IPSO licence may be suspended or withdrawn by the Central Bank in accordance with Section 95 of the FIA.
6. On a date to be specified, the Central Bank will publish annually in at least two daily newspapers published and circulated in Trinidad and Tobago, a list of licensed IPSOs.

7. A new application form should be submitted where there are material changes in the ownership of the IPSO or in the payment system activity being pursued.

## **1.5 TERMS AND CONDITIONS OF A LICENCE TO OPERATE AN INTERBANK PAYMENT SYSTEM**

1. All entities issued a licence to operate an Interbank Payment System should:
  - a. Comply with the relevant laws, regulations and guidelines pertaining to payment systems;
  - b. Institute systems and procedures that are in keeping with international best practices and adhere to the Guideline on the Oversight of Payment Systems and the principles outlined therein;
  - c. Ensure that Participants comply with all relevant legislation, regulation and guidelines pertaining to anti-money laundering and the combating of terrorist financing.
2. Notwithstanding any other action or remedy available to the Central Bank, an Operator found to be operating in an unsafe and unsound manner by the Central Bank or to be in breach of applicable legislation, guidelines or regulations may:
  - a. Be issued a Direction by the Central Bank under Section 97 of the FIA; or

- b. Have its licence suspended or withdrawn in accordance with Section 95 (1) of the FIA.
3. An annual fee is to be paid by Licensed IPSOs on or before January thirty-first of each year (**Schedule 1**).
4. All licensed IPSOs may be requested to submit data periodically to the Central Bank.

#### **1.6 DIRECTIONS TO OPERATORS OF INTERBANK PAYMENT SYSTEMS**

1. The Central Bank may give a Direction to an Operator of an Interbank Payment System under Section 97 of the FIA where the Operator has violated or is about to violate a provision of Part XII of the FIA, any regulations made thereunder or the terms and conditions of its licence.
2. The Direction will state the time by which, or the period during which, compliance is required.
3. Before a Direction is issued, the Operator will be served with a notice specifying:
  - a. The facts of the matter;
  - b. The Direction that is intended to be issued;
  - c. The time and place at which the Operator served with the notice may make representations;
4. If the Operator fails to attend at the time and place stipulated in the notice, the Central Bank may proceed to issue the Directions.

5. The Direction will be given by notice in writing to the Operator and comes into force on the day on which it is issued or the day specified in its notification and continues in force until it is revoked.
6. Notwithstanding sub-section 1.7(3), if in the opinion of the Central Bank the length of time required for representation to be made might be prejudicial to the stability of the financial system, the Central Bank may make an interim Direction with respect to the matters referred to in sub-section 1.7 (1) having effect for a period not more than twenty (20) days.
7. The Central Bank may revoke the Direction by notice in writing given to the Operator if, at the time of revocation, it considers that the Direction is no longer necessary or appropriate.

#### **1.7 DIRECTIONS TO PARTICIPANTS OF INTERBANK PAYMENT SYSTEMS**

1. Directions may be issued to Participants of Interbank Payment Systems which are also licencees under the FIA, with notice to the Operator, if the Central Bank believes that the Participant has failed to comply with the relevant legislation, regulations or guidelines for payment systems.

#### **1.8 SUSPENSION AND WITHDRAWAL OF LICENCE**

1. Under Section 95 (1) of the FIA, the Central Bank may suspend or withdraw the licence of an IPSO where:-
  - a. The Operator has failed to comply with the rules and procedures of the system;
  - b. Any of the criteria set out in section 94(2) of the FIA is not being fulfilled or is unlikely to be fulfilled;

- c. The Operator of a Licensed Interbank System has failed to comply with any term or condition imposed under section 94(3);  
or
  - d. The Operator of a Licensed Interbank Payment System has failed to comply with any provision of the FIA, any regulations made thereunder, or any requirement of the Central Bank made under Part XII of the FIA.
2. In addition to the grounds set out above, the Central Bank may also withdraw the licence of an IPSO in cases where:-
- a. The Operator is found to have ceased to conduct the operations authorized by the licence.
  - b. The Operator is found to be conducting operations not authorized by the licence.
  - c. Owing to the bankruptcy of the director(s), a company is incapable of existing in law or of carrying on its operations or fulfilling any other provisions of these Guidelines.
  - d. The Operator fails to pay the required licence fee by the stipulated date.
  - e. The beneficial owner(s) of the system, or the Operator itself, is convicted by any court of competent jurisdiction, in Trinidad and Tobago or elsewhere, of an offence related to the use or laundering, in any manner, of illegal proceeds, or is an affiliate or subsidiary of a company that has been so convicted.
  - f. the Operator has supplied the Central Bank with false or misleading information as part of its application for a licence, or subsequently during the course of its operation.





## ATTACHMENT 1.1

### **SAMPLE APPLICATION LETTER**

From: (Applicant's Name and Registered address)

To: Inspector or Financial Institutions  
Financial Institutions Supervision Department  
Central Bank of Trinidad and Tobago  
Eric Williams Plaza, Independence Square,  
PO Box 1250,  
Port of Spain.

Dear Sir/ Madam,

#### **Application for Interbank Payment System Operator Licence**

We hereby submit an application for a licence to operate an Interbank Payment System in accordance with the requirements of Section 93(2) and 94(1) of the Financial Institutions Act, 2008.

The required documentation and details of the payment of the application fee are enclosed.

We declare to the best of our knowledge that the information furnished is true, correct and complete.

Name:  
Designation:  
Company Seal:  
Date:  
Place:

## ATTACHMENT 1.2

### Form 1: Application for a Licence to operate an Interbank Payment System

#### PART : A - APPLICANT DETAILS

1. Name of applicant:
2. Constitution of applicant:
  - (a) Is the applicant a company or any other entity:
  - (b) If the applicant is a company, is it a private limited company or public limited company:
  - (c) If the applicant is any other entity please specify the statute under which it is incorporated/established:
3. Address of Registered Office and Principal Offices (if applicant is a company):
4. If applicant is a firm, names, nationality and addresses of the partners (Copy of Partnership Documents to be enclosed):
5. Date of incorporation of applicant if it is a company:
6. Date of commencement of business: (Articles of Incorporation/ Continuance and Memorandum of Articles of Association, Bye-Laws or other constituent documents to be enclosed)

7. Name, nationality and address of each of its directors/managers/principal officers/shareholders:
8. Main business of the applicant company/firm/other entity:
9. Names and addresses of subsidiary companies/associated firms/other associated entities:
10. Management information, if applicant is a company/any other entity:
  - (a) Name of Chief Executive Officer:
  - (b) Age, Nationality, Qualifications and Experience of Chief Executive Officer:
  - (c) Shares held by the Chief Executive Officer and Directors in the applicant company:
11. Name of the auditors and their business address (Attach the audited balance sheet, profit and loss statement of applicant for the last three years):
12. Name and address of bankers of the applicant:
13. Whether the applicant has committed any default in repayment of loan, advance or any credit facility taken from a bank or financial institution, if so please mention full particulars (Attach a bankers' report on the functioning of the applicant account and its financial health in sealed cover(s)):
14. Amount of fees deposited along with application:
15. Particulars of payment (Additional information sheets/documents as required may be enclosed):

Electronic Funds Transfer

Ref#

Date:

System:

Amount:

Account No:

☐ Cheque

Ref#

Date:

Bank and branch:

Amount:

## **PART: B - EXISTING INTERBANK PAYMENT SYSTEM OPERATORS**

1. Particulars of Interbank Payment System (full details to be furnished) including process flow, technology to be used, security features, interoperability etc. (details can be given in a separate note, if required):
2. Benefits to the financial system/country from the Interbank Payment System:
3. Associated entities in the Interbank Payment System:
4. If there are associated entities under 3, please furnish full particulars of this association:
5. Type of Interbank Payment System i.e. whether electronic fund transfer or payment card-based/internet-based/mobile phone-based:
6. Whether the Interbank Payment System covers a localized area or the whole country:
7. Does the Interbank Payment System address the needs of any particular social/ economic segment(s) of the population:

8. Method of settlement of payment claims, namely whether gross, net or a hybrid method combining both gross and net methods:
9. Name of the settlement agent for the Interbank Payment System:
10. Whether the applicant or settlement agent acts as a central counterparty to provide guaranteed/secured settlement:
11. On which day is the beneficiary's account credited? (e.g. T+...Where T is the date of instruction):
12. What are the risks in operating the Interbank Payment System and how does the applicant mitigate them:
13. Outline the customer grievances redress machinery for the Interbank Payment System. (Additional information sheets/documents as required may be enclosed).

**PART: C - PROSPECTIVE INTERBANK PAYMENT SYSTEM OPERATORS**

1. Amount of finance required for executing Interbank Payment System project:
2. Sources of finances for executing the Interbank Payment System project:
  - (a) Amount of own capital proposed to be deployed;
  - (b) Amount of borrowings expected from banks;
  - (c) Amount of borrowing expected from sources other than banks:  
(Sources may be mentioned)
3. Rate of return on investment expected from the Interbank Payment System sought to be set up:

4. How does the applicant propose to recover its investment and earn an income, that is, whether through cash flows or by levying joining fees, security fees, annual/operating charges etc.( Please give full details):
5. Particulars of Interbank Payment System sought to be set up (full details to be furnished) including process flow, technology to be used, security features, inter-operability etc (details can be given in a separate note, if required):
6. Expected benefits to the financial system/country from the operationalization of the Interbank Payment System to be set up:
7. Other companies/entities associated with the applicant in setting up the Interbank Payment System:
8. If there are associated entities under 7, please furnish full particulars of this association:
9. Previous experience of applicant and associated companies/entities in the Interbank Payment Systems area:
10. Type of Interbank Payment System proposed to be set up i.e. whether electronic fund transfer or payment card-based/internet-based/mobile phone-based:
11. Whether the Interbank Payment System will cover a localized area or the whole country:
12. Does the proposed Interbank Payment System seek to address the needs of any particular social/economic segment(s) of the population:

13. Method of settlement of payment claims, namely whether gross, net or a hybrid method combining both gross and net methods:
14. Name of the settlement agent for the Interbank Payment System to be set up:
15. Whether the applicant or settlement agent will act as a central counterparty to provide guaranteed/ secured settlement:
16. On which day will the beneficiary's account be credited (e.g. T+...Where T is the date of instruction):
17. What will be the risks in operating the Interbank Payment System to be set up and how does the applicant propose to mitigate them:
18. Outline the customer grievances redress machinery proposed for the Interbank Payment System to be set up (Additional information sheets/documents as required may be enclosed):
19. Any other information the applicant wishes to furnish.



**SCHEDULE 1**

**INTERBANK PAYMENT SYSTEM OPERATORS  
FEE STRUCTURE**

<b>TYPE</b>	<b>AMOUNT (TTD)</b>
<b>Application Fee</b>	<b>5,000.00</b>
<b>Licence Fee</b>	<b>50,000.00</b>
<b>Annual Fee</b>	<b>25,000.00</b>

