



# safe-tt

Volume 1, Issue 1

*safe-tt is a newsletter on developments in the Payments System in Trinidad and Tobago*

## Welcome to *safe-tt*

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### **Safe-tt is published monthly by the Central Bank of Trinidad & Tobago**

If you require any further details on any aspect of the reforms process, or would like to offer any suggestions, then please contact the Payments System Department at the Central Bank of Trinidad and Tobago.

Please see our full contact details on the last page.

Welcome to the first of a series of newsletters on the payments system in Trinidad and Tobago.

As some of you may be aware, the Central Bank is currently spearheading a number of reforms to the payments system. We would like to take the opportunity provided by this development to share with you information on the payments system in general and also on the specific reforms we are undertaking. We shall there-

fore focus on issues such as what is a payment system, why we are undertaking the reforms and the benefits to be derived. We shall also share with you information on the payments system reform exercise. Initially, we will be concentrating on two of the major projects: the Real Time Gross Settlement (RTGS) project and the Government Securities Settlement (GSS) project which are scheduled to begin operations in October and December of 2004 respectively. In later issues we will examine in more detail the processes involved in payments and settlements, including how they interact with other related systems such as the Stock Exchange and the LINX system.

Once the new systems are up and running, this newsletter will continue to be a source of information on developments in the payments system. For instance, it will provide information on potential new products and services to enable readers to know the choices which are available to them when making their payments for whatever goods and services they are purchasing. We shall also provide information on interesting and important developments in payments



**Caramae Farmer**  
Manager, Payments System

*“Trinidad and Tobago is somewhat unique in that it is among the first countries to adopt an integrated approach to payments reform”*

systems internationally.

In each issue, there will be at least one feature article. This week our feature article ‘*Why Reform a Payments System*’ explains what is meant by payments system and the reasons for undertaking the reforms. It is interesting to note that Trinidad and Tobago is somewhat unique in that it is among the first countries to adopt an integrated approach to payments reform. By simultaneously addressing the improvement in the clearing and settlement of both payments and securities, not only is there better integration of systems but also the linkages allow for improvement in the

processing of transactions in the money and capital markets.

I would like to thank all of you for taking the time to read this brief introduction. I do hope that these newsletters would provide you with useful information on how you can make your everyday purchases more efficiently and that you would know what choices are available. Please remember that we would like to be of assistance to you and that we would welcome suggestions on what you may want to see in this publication. Please feel free to contact me or any of my colleagues in the Payments System Department at the addresses given in this issue. ■

## Reforming the Payments System



Our first feature article focuses on two topics. These are: 'What is a payments system?' and 'Why is the Central Bank reforming the payment system?'

First, what is a payment system? Let us first provide a definition and then apply this to Trinidad and Tobago to better understand what this means. One definition of a payment system is that it is the infrastructure used for the transfer of money between economic agents. This infrastructure consists of the laws and regulations, the instruments (e.g. cheques,

Together, these systems make up the national payments system.

In Trinidad and Tobago, cash and cheques are the major forms of making payments although the use of debit and credit cards is constantly increasing. The major payment system therefore deals with the arrangements for clearing of cheques. There are also arrangements for debit/credit cards and for electronic payments. Two different systems exist for cheques, one for large value payments and the other for retail or small value pay-

To answer this question, let us first understand the role of the Central Bank in payments systems. In 2000, the Bank for International Settlements (BIS) established Core Principles to govern the design and operation of payment systems in all countries including four responsibilities for Central Banks in the payments systems. These principles suggest key characteristics that all major payment systems should satisfy in order to operate in a safer and more efficient manner. The four responsibilities for central banks are as follows:

*"Trinidad and Tobago will have a National Payments System that is periodically updated using proven technologies; that is widely viewed as fair, reliable, cost efficient, well managed and supervised and dynamic in its provision of services. The system will be supported by a sound legislative framework and will inspire the confidence of both the domestic and international community"*

### *The vision for the National Payments System*

debit/credit cards etc.) the rules, processes and procedures to be followed, the standards, the institutions and equipment that are involved in ensuring that value passes from the person paying to the person who is to receive payment. (Cash is the only instrument of payment whereby the transfer of value takes place instantaneously so that there is no clearing process required).

There are generally several payment systems in a country, each dealing with the clearance and settlement of different means of payment or instruments.

ments.

Each time an individual, company or any other entity makes a payment, the individual is using the payment system. In subsequent issues, we shall explain the processes and other arrangements that are involved in ensuring that the cheque that you write results in a movement of money from your account to that of the person or company to whom you want to make the payment.

Why is the Central Bank reforming the payments system in Trinidad and Tobago?

1. To clearly state the objective of its payment system and disclose to the public its role and major policies regarding this system.
2. To ensure that the payments system complies with the core principles designed by BIS.
3. To ensure that its own payment systems comply with BIS core principles and also that other operators of payment systems comply as well.
4. In promoting payment system safety and efficiency through the Core Principles

*(Continued on page 3)*



## **Reforming the Payments System**

(Continued from Page 2)

ples, the central bank should co-operate and communicate with other central banks and any other relevant domestic or foreign authorities.

In the context of these guidelines and the country's wider developmental goals, including that of becoming a financial centre, the Central Bank, together with an international team, undertook an assessment of the payments and securities clearance and settlement systems in Trinidad and Tobago. In the wake of this assessment, the Central Bank undertook to work with participants in the payments system to implement a number of reforms. The objective was to provide improved payment services to the people of Trinidad and Tobago, and also to ensure that the arrangements in Trinidad and Tobago are in accordance with international best practices. Later issues of this newsletter will discuss these reform initiatives. ■

## **What is safe-tt**

Many countries give names to their major payment systems in order to provide a unique means of identifying these systems. In Trinidad and Tobago we have not generally done so, except for LINX which is the name of the debit card system used by four of the commercial banks. The Central Bank is involved in automating its processes for clearing and settling payments by introducing a real time gross settlement (RTGS) system. The existing system is largely manual and is generally referred to as special or large value clearings. We therefore thought that it would be fitting to give a name to the new system.

Some of the names given to RTGS systems in other countries include 'CHAPS' in the United Kingdom, 'FedWire' in the United States and the system in Barbados is referred to as 'CBRTGS'.

In searching for a name for the RTGS in Trinidad and Tobago, there was general agreement that the name should present the image of confidence and security which the introduction of an RTGS is expected to bring to the financial system. At the same time, the name should be simple so that it could be easily remembered. Some of the important characteristics of RTGS systems worldwide include assurance of settlement, certainty, finality and reliability. We carefully considered with these words and the image we wanted to convey and came up with the letters "SAFETT", as an acronym for Settlement Assured for Financial Exchange in Trinidad and Tobago. For ease of pronunciation and a bit of artistic licence, we modified this to "safe-tt", pronounced 'safety'. ■

## **Frequently Asked Questions**

**A number of questions has arisen over the last few months. These have been sent to our e-mail address [rtps@central-bank.org.tt](mailto:rtps@central-bank.org.tt). Here are some of those questions and the answers:**

### **What is an RTGS**

A Real Time Gross Settlement System (RTGS) is an electronic system that ensures that settlement takes place irrevocably between financial institutions and virtually immediately if the funds are available.

### **Does the RTGS cater for multi currency?**

No, the RTGS system is only for Trinidad and Tobago domestic currency.

### **How long does a transaction take to settle?**

If the bank sending the transaction to another has sufficient funds in its settlement account with the Central Bank, then the transaction will settle as quickly as it takes for an electronic message to travel from the bank to the Central Bank. Essentially it will be immediate. If sufficient funds are not available then the transaction will queue and wait for the necessary funds to become available. It will then settle immediately.

### **What happens if a participant does not have sufficient funds at the end of the day?**

At the end of the day, any transactions that are queued and have not settled are cancelled.

We will publish more of your questions in our next issue. ■





**Glossary**

<b>ABM</b>	Automated Banking Machine
<b>ATM</b>	Automated Teller Machine
<b>BIS</b>	Bank for International Settlements
<b>Clearance</b>	The process of sending, reconciling and confirming payment prior to settlement
<b>CUG</b>	Closed User Group. A number of participants that are in a single network for transmission of payment messages
<b>GSS</b>	Government Securities Settlement system, a depository and a clearing and settlement system for Government Securities
<b>ISL</b>	Infolink Services Limited
<b>LINX</b>	LINX is the network in Trinidad and Tobago where low value POS and switched ATM transactions are cleared
<b>POS</b>	Or EFT/POS, Electronic Funds Transfer at Point of Sale
<b>RTGS</b>	Real Time Gross Settlement System, a system for clearing and settling large values
<b>SEC</b>	Securities and Exchange Commission
<b>SWIFT</b>	Society for Worldwide Interbank Financial Telecommunication. An intelligent private network used for communicating payment instructions and messages
<b>Settlement</b>	The completion of a transaction between a buyer and a seller

**Coming Events**

SWIFT Closed User Group Key Exchange	From 3 May
RTGS Participant Seminar	5 May
Extranet Connectivity Testing	10 May

**In next month's issue**

RTGS Features Explained
Introduction to Security

**If you would like to see any additional features in this publication, please send us an e-mail.**

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**Project Teams**

The Payments System reform process is overseen by the Core Project Team which comprises representatives of CBTT and the Securities and Exchange Commission. A number of teams have been established to work through the various aspects of the implementation plan. Each team has a different role, however many responsibilities overlap. The teams, their responsibilities and their leaders are shown below. ■

<b>Payments System Dept.</b>	<b>Technical Team</b>	<b>Help Desk Team</b>
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<b>GSS Operations Team</b>	<b>RTGS Operations Team</b>	<b>Testing Team</b>
Team Leader: Hazel Marcelle <a href="mailto:hmarcelle@central-bank.org.tt">hmarcelle@central-bank.org.tt</a>  Deputy: Michael Craigwell <a href="mailto:mcraigwell@central-bank.org.tt">mcraigwell@central-bank.org.tt</a>  Tasks: <ul style="list-style-type: none"> <li>✦ Participant Familiarisation</li> <li>✦ System Rules and Procedures</li> <li>✦ Connectivity Testing</li> <li>✦ GSS Implementation</li> </ul>	Team Leader: Ken Coker <a href="mailto:kcoker@central-bank.org.tt">kcoker@central-bank.org.tt</a>  Deputy: Leslie-Ann Figaro <a href="mailto:lfigaro@central-bank.org.tt">lfigaro@central-bank.org.tt</a>  Tasks: <ul style="list-style-type: none"> <li>✦ Participant Familiarisation</li> <li>✦ System Rules and Procedures</li> <li>✦ Connectivity Testing</li> <li>✦ RTGS Implementation</li> </ul>	Team Leader: John Griffith <a href="mailto:jgriffith@central-bank.org.tt">jgriffith@central-bank.org.tt</a>  Tasks: <ul style="list-style-type: none"> <li>✦ Site Acceptance</li> <li>✦ RTGS and GSS Testing</li> <li>✦ Connectivity Testing</li> <li>✦ Member Trials</li> <li>✦ Acceptance Testing</li> </ul>