



safe-tt

Volume 1. Issue 5

September 2004

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

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Safe-tt and You!

Internationally, governments, businesses and consumers are realizing that secure electronic payments permit cheaper and more convenient means of doing business. As a result, there has been significant growth in electronic payments worldwide. Statistics for Canada, for instance, show that whereas 10 years ago about 80% of consumer transactions were completed by cash or cheques; in more recent times, this share has fallen to about 50%; the other half of transactions are made by debit cards, credit cards or other electronic means of payment. In Trinidad and Tobago (T&T) we have also seen an increase in the use of electronic payments. The number of ABM switched transactions increased by 125% to just under TT\$5.5 billion between 1997 and 2002. Over the same period, the number of Point of Sale Transactions increased eight-fold from just under 1 million to 7.5 million.

In the context of this development, countries worldwide have been putting in place the infrastructure to support electronic payments. In Trinidad and Tobago, we have been doing likewise and the Central Bank has been working with the financial sector to improve the clearing and settlement arrangements for electronic means of payment. By the end of 2004, the Central Bank will have in place the centerpiece of a new payments architecture in the form of a real time gross settlement system, called **safe-tt**.

Safe-tt will provide a faster, safer and more efficient means of making large value payments in Trinidad and Tobago. Here is how it works. To utilize *safe-tt*, the payer needs to request his bankers to make payment over the real time gross settlement system and give the particulars of the payment such as bank name, the account number and the purpose of the payment. Naturally, one must have the funds for the payment to be made. The payment instructions are then sent electronically from the paying bank, through **safe-tt**, to the receiving bank. On receipt, the receiving bank will credit the beneficiary's account. The entire process can take place almost instantaneously, allowing the beneficiary to make use of his funds on the same day, if needed.

costs (which can be a significant part of corporate overhead) and cycle times. In fact, a study on North American businesses in 2003 showed cost savings of US\$69 per purchase order transaction and a reduction of 8.3 days in the cycle time to obtain goods as a result of use of electronic arrangements.

As the name implies, *safe-tt* makes settlement assured for financial exchange in Trinidad and Tobago for You, the users of the system. ■



Safe-tt is published 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.



Risks associated with waiting for moneys from payments made with paper-based instruments can now be substantially eliminated. All users will experience time efficiency and avoid risks such as cheque fraud. Businesses in particular, can benefit from a reduction in their purchasing



Safe-tt

Safe-tt will provide a faster, safer and more efficient means of making large value payments in Trinidad and Tobago.



SwiftNetFIN Migration



SWIFTNet

is the renewal and reconstruction of the SWIFT network infrastructure in order to facilitate the future growth of the network and offer new services to all users.

What is SWIFTNet Migration?

SWIFTNet is the renewal and reconstruction of the SWIFT network infrastructure in order to facilitate the future growth of the network and offer new services to all users. SWIFT users are expected to move from the **X.25** network to SWIFTNet which was launched in January 2003. At the end of 2003, 25% of the SWIFT customers had migrated to SWIFTNet. The migration is expected to be completed worldwide by December 2004.

The migration window for Trinidad and Tobago was August 23-27, 2004. The Central Bank of Trinidad and Tobago and some commercial banks, namely the First Citizens Bank Limited, Republic Bank Limited and RBTT Bank, have recently migrated to SWIFTNet. Other banks already had the SWIFTNET infrastructure in place.

SWIFTNet Migration in Trinidad and Tobago

SWIFTNet country migration window ended on 27 August 2004 in T&T. However the standard migration provides a three month comfort period after the end of the country migration window for T&T. That comfort period is until 26 November 2004. Until that time, customers (namely local commercial banks) can comfortably complete testing and migrate all traffic (that is, live and Test and Training), for all destinations and Logical terminals (LTs), from the former

X.25 connection to the SWIFTNet connection. Customers who retain the **X.25** connection beyond 27 November 2004 will be subject to **X.25** surcharges.

Views From the Central Bank and Commercial Banks on SWIFT Net Migration

We at the *Safe-tt* newsstand asked the SWIFT teams at the commercial banks and the Central Bank to provide comments on migration to SWIFTNet. Here is what they said:



First Citizens Bank

The process of migration from the **X.25** platform to SWIFTNET was fairly smooth from inception to finish despite several hiccups along the way.

The necessary hardware and software and all related documentation were received on schedule for our Migration Window and testing went well with some aid from the SWIFT help desk.

Cutover to live was completed despite connectivity problems, which were eventually solved.

However dial up connection on the IP based network is proving to be more difficult than **X.25** and is currently under evaluation.

Republic Bank Limited

The SWIFTNet Fin Migration was a relatively smooth process for the bank. The bank undertook an even greater challenge of upgrading our SWIFT Alliance Access software from Release 5.0 to 5.5 in addition to implementing our Migration to SWIFTNet Fin at the same time.

The months preceding the migration window (August 23rd - 27th) were hectic, as it involved extensive planning and frequent communication with our Network Provider and SWIFT. Despite a few challenges along the way, we were able to successfully migrate our Live SWIFT traffic to SWIFTNet Fin in August 2004. This was a tremendous accomplishment for the bank, as it was undertaken together with the SWIFT Alliance software upgrade which was also completed successfully.

RBTT Bank

The SWIFTNet FIN project was officially started in March 2004, with approximately 6 core team members. The bank's project was two-fold - (1) the relocation & rebuilding of its current production environment running on a UNIX platform and (2) the migration to SWIFTNet.

In addition to the milestones outlined by SWIFT, there were a number of other major milestones and challenges for the team, not the least of which was determining the preferred network design and security level to be established for the

Group to ensure the integrity of the Bank's network. The high point of the project though, was the actual migration week, when there were some nail-biting moments, but with the support of SWIFT and that of our service providers TSTT, RBTT successfully transmitted its first message to SWIFT at approximately 4:30 p.m. on August 27, 2004.

The Central Bank

SNFmigration was carded for the week of Aug 23rd – 27th, 2004. The decision was taken to register for a leased line connection to the SwiftNet service with a dial-up back-up. The local telecommunications provider, Telecommunications Services of Trinidad and Tobago (TSTT) encountered technical delays in procuring and installing the leased line. As a result numerous calls had to be made to TSTT and SWIFT during that time. The leased line was finally installed on the morning of Friday 27

August 2004 and the SwiftTNet Migration completed later that day, narrowly making the Migration Window. It is due to be hard work and dedication of the Central Bank IT staff that the technical problems encountered by TSTT were resolved and the SWIFT software was installed and tested in such a short timeframe. ■

About SWIFT

SWIFT is an international community of financial institutions that sets standards for payments, securities, treasury and trade, and a messaging network of the highest security and reliability. SWIFT has been in existence for 30 years and has a membership of 7,654 institutions in 200 countries.

SWIFT has managed up to 9,685,754 messages per day (recorded in September 2003) and as at December 2003 handled more than two billion messages.

A SWIFT Closed User Group (CUG) was established in T& T as the messaging network for participants in the Real Time Gross Settlement system, *safe-tt*.



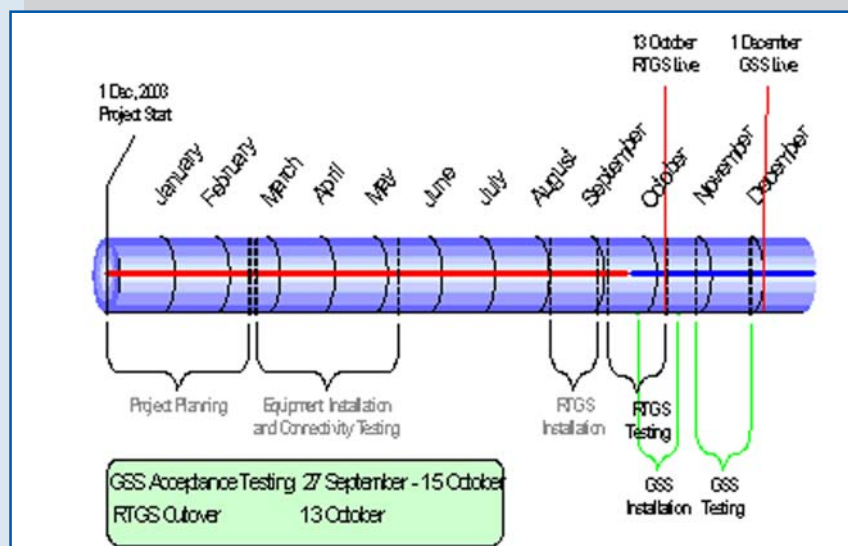
Project Progress

Site Acceptance Tests (SAT) for the *safe-tt* /RTGS system were concluded in August 2004. This involved running a series of test scripts to ensure that (a) the functionality expected was delivered and (b) the system processed all payments correctly. The Central Bank officially accepted the system on 27 August 2004.

Member trials on the RTGS began on 6 September 2004 and will be continuing through to 10 October 2004. Member trials give participants the opportunity to train on the RTGS/*safe-tt* system and to test their own internal processes.

Meanwhile the consultants, LogicaCMG, are conducting Factory Acceptance Tests on the GSS and are expected to install the system by the end of September 2004. Site Acceptance

Testing will then commence for the GSS. This is carded to begin on 27 September 2004, and will be followed in October and November by GSS and Auction member trials. The diagram below shows the project's timeline; the progress made to date is indicated by the red line. ■



THE EXTRANET

The Central Bank's Extranet facility is like your organisation's Intranet. An Intranet is a private Internet within your company that uses the same technology, as the public Internet. An Extranet on the other hand is a private Internet between businesses working together. For the banking community in Trinidad



and Tobago, the Extranet provides a safe and secure network that allows participants to share information totally privately from the outside world. It uses technology called a VPN, or Virtual Private Network. Although the Central Bank's Extranet is implemented over the public Internet, the VPN provides a secure private "tunnel" through that public network.

To achieve a high level of privacy and security, the Central Bank uses the best encryption technology available thus making it impossible for anyone to eavesdrop on the messages going over the network. In addition each user on the Extranet has a special "token" that displays a constantly changing series of numbers that the user combines with his password to provide a unique access to the system. In this way the system can guarantee that only selected persons can connect to the Extranet.

The Extranet offers great benefits for **safe-tt** participants. It will provide participants in **safe-tt** with a facility to monitor their settlement accounts and will give them a number of tools to help them manage those accounts and manage their intraday liquidity. It also provides a secure messaging service from the Central Bank to **safe-tt** Participants.

Once the Government Securities Settlement (GSS) system goes live, Government Intermediaries will be able to participate in securities auctions over the Extranet. Future services could also include the ability for participant banks to securely communicate with their branches without the need to implement their own Intranet or risk compromising security by using the public network. This facility will also be available to other Central Bank customers. ■

UNSCRAMBLE THIS

safe-tt September 2004

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OEZOHRRU	Zerohour
AJLF	Fail
OBKERR	Broker
BTIILYLAVAA	Availability
THOSKERADLE	Stakeholder
OINIALITEMTRSADEA	dematerialisation
YORPRNATTEUC	Counterparty
CIPP/T	TCP/IP
HNEEGLLCA OREPSESN	Challenge response
IFUBILGTYIN	Funqibility
SPO	POS
AEPMNTY	Payment
EORP	Repo
TOVRIESHG	Oversight

UNSCRAMBLE THIS...SOLUTION

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In next month's issue

- **Safe-tt Training**
- **RTGS Member Trials**

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

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