



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# Payments Quarterly

*Payments Quarterly is a newsletter on developments in the Payments System in Trinidad and Tobago*

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*Payments Quarterly is  
published by the Central  
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quarter.*

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## *In this edition of Payments Quarterly:*

The first article summarises key aspects of Payments System Guideline No. 1- Licensing and Operation of Interbank Payment Systems. This is the first of four Guidelines governing the conduct of the Payments System issued by the Central Bank of Trinidad and Tobago in December 2012.

In keeping with the electronic payments theme, which was introduced in 2012, the second article provides insights into government's achievements thus far in advancing its use of electronic funds transfer systems.

In the Operator's Spot, the Trinidad and Tobago Interbank Payments System Limited, the local operator of the Automated Clearing House (ACH provides an update). ■

## **GUIDELINES FOR THE REGULATION OF PAYMENT SYSTEMS IN TRINIDAD AND TOBAGO**

### **Introduction**

The Central Bank of Trinidad and Tobago has laid a comprehensive legal and regulatory framework for the oversight of systemically important payment systems in order to effectively manage risk and to ensure the safety, soundness and reliability of the systems.<sup>1</sup> Effective oversight seeks to ensure the efficiency of clearance and settlement arrangements and to safeguard the public interest. This is in line with the view held internationally, that oversight of payment systems is "a central bank function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing change."<sup>2</sup>

The enactment of the Financial Institutions Act, Chapter 79:09 (FIA, 2008) and the consequential amendments to the Central Bank Act, Chapter 79:02 gave the Central Bank broad responsibility over the payment systems in Trinidad and Tobago. This included the authority to (i) issue licences for the operation of Interbank Payment Systems, (ii) impose access regimes, and issue Directions to participants in payment systems, and (iii) make Regulations for the issuance of electronic money, the transfer of funds by electronic means and the oversight of payment systems.

1. A payment system is systemically important where, if the system were insufficiently protected against risk, disruption within it could trigger or transmit further disruptions amongst participants or systemic disruptions in the wider financial sector.
2. Committee for Payment and Settlement Systems (CPSS), May 2005.

## GUIDELINES FOR THE REGULATION OF PAYMENT SYSTEMS IN TRINIDAD AND TOBAGO continued

In fulfillment of this responsibility, in December, 2012, the Central Bank issued four broad Guidelines for the Licensing and Operation of Interbank Payment Systems (Guideline No. 1), the Registration and Operation of Non-Interbank Payment Systems (Guideline No. 2), the Operation of Payment Service Providers (Guideline No. 3) and the Oversight of Systemically Important Payment Systems (Guideline No. 4).

Over the course of this year, the *Payments Quarterly* will carry a summary of each Guideline, beginning with Guideline No. 1 in this Issue.<sup>3</sup>

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

Section 36(cc) of the Central Bank Act gives the Central Bank the authority to supervise all payment systems; however Part XII of the FIA, 2008 establishes the framework for the licensing and supervision of Interbank Payment Systems. Currently, there are four Interbank Payment Systems operating in Trinidad and Tobago – the Real Time Gross Settlement (RTGS) System, the Cheque Clearing House, the debit card switch system (LINX) and the Automated Clearing House (ACH). It should be noted that Section 93 (3) of the FIA, 2008 exempts the RTGS and the Cheque Clearing House from the licensing requirements set out in this Guideline as they are operated by the

Central Bank. Notwithstanding, the Central Bank has adopted the standards of operation, wherever appropriate, as set out in this Guideline.

The Guideline makes the following provisions:

1. Any entity that wishes to commence or continue to operate an Interbank Payment System in Trinidad and Tobago must first apply for a licence from the Central Bank. This application must be submitted on the prescribed form accompanied by all required documentation and payment of the non-refundable application fee.
2. In determining whether to approve an application, the Bank is guided by the Section 94 (2) (a) to (d) of the FIA, 2008.
3. A licensing fee is due upon approval. If the application is rejected, the applicant may re-apply if there are material changes to the original application, with full resubmission of documents and payment of the application fee.
4. The terms and conditions of an Interbank Payment System Operator licence include (i) compliance with relevant laws, Regulations and Guidelines; (ii) payment of an annual fee; and (iii) periodic submission of data to the Central Bank.

5. The Bank may give a Direction to an Operator 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 the licence. The procedure for the issue of and response to the Direction is outlined in the Guideline.
6. The Bank may also issue Directions to Participants of Interbank Payment Systems.
7. The conditions under which the Bank may suspend or withdraw the licence of an Interbank Payment System Operator are outlined and include (i) failure to comply with the rules and procedures of the system; (ii) if the Operator is found to be conducting operations not authorized by the licence; and (iii) if the Operator has supplied the Bank with false or misleading information.
8. The procedures for suspending or withdrawing a licence are outlined including, giving advance notice in writing to the licensed Operator, of the Bank's planned action.

In the next Issue, Guideline #2, Registration and Operation of Non-Interbank Payment Systems will be highlighted. ■

#### Contributor:

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## Government and E-payments

Transacting business with the Government of Trinidad and Tobago via Electronic Funds Transfer (EFT) is imminent. EFT refers to the system of transferring funds between bank accounts through the use of electronic or computer-based systems.<sup>4</sup> EFT is fast becoming one of the preferred methods of payment worldwide and its use in

Trinidad and Tobago has been steadily increasing in recent years.

In recognition of these developments and in pursuit of the Government's National Information Communication Technology Agenda, the Ministry of Finance and the Economy in collaboration with the Central Bank of Trinidad and Tobago

developed a Policy Document in March 2009 to put in place the infrastructure to facilitate EFT. The objective was to enable the Government to make and receive payments by electronic means in order to improve the efficiency of its payments and receipts systems.

3. The Guidelines are available on the Central Bank website at [www.central-bank.org.tt](http://www.central-bank.org.tt).

## Government and E-payments continued

The development of EFT as a payment solution in Trinidad and Tobago is being guided by the Treasury Division through consultations with key stakeholders namely the Central Bank of Trinidad and Tobago, the Treasury Solicitor of the Ministry of Finance and the Economy, the Chief Parliamentary Counsel, the Legislative Review Committee of the Ministry of the Attorney General and the National Information and Communication Technology Company Limited (iGov.TT). Discussions are also being held with representatives of the various commercial banks to ensure that there is full participation by financial intermediaries.

### Objectives

The introduction of the EFT system will:

- Enable Government Ministries and Departments to make payments electronically, thereby improving efficiencies and timeliness in making

payments to employees, pensioners and service providers;

- Provide citizens with more efficient and convenient options for transacting business with the Government of Trinidad and Tobago, for example, payment of taxes and fees for government services;
- Provide a safe and secure EFT environment for the consumer to transact business with Government agencies.

### Legislation

In order for the Government to engage in EFT, amendments to the legal and regulatory frameworks are necessary. The Treasury Division was responsible for coordinating the work of an EFT Team to amend the Exchequer and Audit Act, Chapter 69:01 along with pursuant Financial Regulations. These are currently undergoing the legislative process prior to enactment.

### Government Systems for Receipts and Payments by EFT

Efforts are underway to have both the Payment and Revenue Collection Systems in place when the legislation allows for EFT.

As the Government continues to modernise its systems and modes of conducting business, citizens can look forward to greater efficiencies in the Public Service which would lead to improved service delivery to our customers.

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## OPERATOR'S SPOT

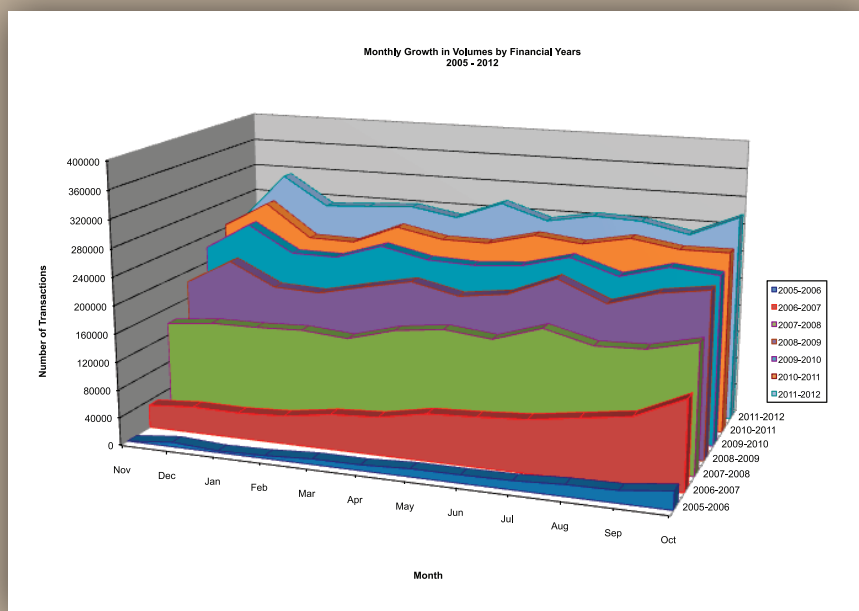
### Trinidad and Tobago Interbank Payments System Limited



In 2004, Trinidad and Tobago Interbank Payments System Limited (TTIPS) was registered in Trinidad and Tobago as a Payment System Operator of an Automated Clearings House (ACH). In October 2005, TTIPS began processing payments and the system was officially launched in January 2006.

The ACH is a retail system which facilitates timely (within 24 hours) transfer of funds (under \$500,000.00) to receiving parties on a batch basis. The suite of products and services offered by TTIPS is packaged under the Transach brand which evolved from the ACH name and offers the electronic transfer of funds via an electronic medium – The ACH system. The ACH acronym is most commonly used by the banks, of which six and the Central Bank are participants in the system.

The diagram indicates significant growth in the volume of transactions processed through



4. The Exchequer and Audit (Amendment) Bill, 2012 defines electronic funds transfer as "any transfer of funds through electronic means that is initiated by a Department or a client so as to instruct, authorize or order the Central Bank or a financial intermediary to debit or credit an account with the Central Bank or financial intermediary."



## OPERATOR'S SPOT

### Trinidad and Tobago Interbank Payments System Limited

the ACH from inception to 2011, with a leveling of activity in 2012. This reflects mainly the use of the system to effect payroll transactions as well as growing confidence in the integrity, efficiency and speed of the system.

In 2012, TTIPS conducted a survey, which results indicated that the Transach Brand was not well known to the citizens of Trinidad and Tobago. Additionally, those who used the Transach product referred to it as a payroll system. However, Transach is capable of performing not just a payroll function, but also processing both credit and debit transactions. Credit transactions entail direct deposits of payroll, pensions, annuities, insurance payments, bill payments, hire purchase, government payments, government vendor payments, business-to-business payments, income tax payments and dividends.

Debit transactions include bill payments, business-to-business payments, pension contributions, mortgage payments, rentals, tax payments and charitable donations.

For the financial year 2012/2013, TTIPS has embarked on a number of new marketing initiatives to increase public awareness, focusing on the benefits and features of the Transach brand in order to increase usage of the ACH system.

TTIPS is currently making enhancements to the ACH so as to increase the functionality of the system in light of the new initiatives being undertaken.

For further information on ACH and Transach contact TTIPS representatives at 622-3238 or 622-9421 or email us at [ttips\\_assist@tstt.net.tt](mailto:ttips_assist@tstt.net.tt).

**Transach today and keep fraud away!**



Contributor:  
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# Payments Glossary



Here are 6 terms applicable to the Payments System:

**1. Automated Clearing House (ACH)**

An electronic clearing system in which payment orders are exchanged among financial institutions, primarily via magnetic media of telecommunication networks, and handled by a data-processing centre.

**2. Oversight of Payment Systems**

A central bank task, principally intended to promote the smooth functioning of payment systems and to protect the financial system from possible "domino effects" which may occur when one or more participants in the payment system incur credit or liquidity problems. Payment systems oversight aims at a given system (eg a funds transfer system) rather than individual participants.

**3. Participant/Member**

A party who participates in a transfer system. This generic term refers to an institution which is identified by a transfer system (e.g. by a bank)

**4. Payment**

The payer's transfer of a monetary claim on a party acceptable to the payee. Typically, claims take the form of banknotes or deposit balances held at a financial institution or at a central bank.

**5. Payment Instrument**

Any instrument enabling the holder/user to transfer funds.

**6. Real-Time Gross Settlement**

The continuous (real-time) settlement of funds or securities transfers individually on an order by order basis (without netting)

Source: A Glossary of Terms used in Payments and Settlement Systems, BIS, March 2003.

## Safe-tt, ACH and Cheques Volume Meter

### Safe-tt, ACH and Cheques Volume Meter 2009-2013

(Million)

	2010	2011	2012	2012	2013
				Jan-Mar	Jan-Mar
<b>Safe-tt</b>	0.05	0.05	0.05	0.01	0.01
<b>ACH</b>	2.89	3.13	3.41	0.83	0.85
<b>Cheques</b>	9.65	9.46	9.75	2.39	2.23
<b>Total</b>	12.59	12.64	13.21	3.23	3.09

Sources: Central Bank of Trinidad and Tobago, Trinidad and Tobago Interbank Payments System Ltd.

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

**Phone number: 1 (868) 625-4835 ext. 2719;**  
**or send an email to: [rtgs@central-bank.org.tt](mailto:rtgs@central-bank.org.tt)**