



CENTRAL BANK OF
TRINIDAD & TOBAGO

safe-tt

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

Volume 4. Issue 2

June 2007

Inside this issue:

Prepaid Cards 1

Guess What's New in Town?...*Transach* 3

Q&A: Money Laundering: What internal controls and procedures can be used? 3

ABC... glossary on the ACH 4

The Safe-tt, GSS & ACH Volume Meter 4



safe-tt is published quarterly by the Central Bank of Trinidad and Tobago

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.

Published by:
Payments System Department
Central Bank of Trinidad and Tobago
Eric Williams Plaza, Independence Sq.
Port-of-Spain, Trinidad and Tobago

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

Phone: +1 (868) 625-4835 ext. 2719
e-mail: rtps@central-bank.org.tt

Prepaid Cards

What do your telephone cards, birthday/wedding gift cards, travel cards and the TT-Card¹ have in common? They are all prepaid cards and they are becoming increasingly popular in Trinidad and Tobago. These cards are pre-loaded cards that can be re-loaded with value for use by customers. Others cards like telephone cards are preloaded single use cards. Prepaid cards have been issued to users of public assistance programs and to the general public for telephone use and gift-giving.

Domestically...

In July 2003 a Book Grant card was introduced by the Government of Trinidad and Tobago through one of the commercial banks. Pre-loaded plastic cards were issued to students for a value of TT\$1,000.00 each. All cards were accepted at point of sale terminals and ATMs. Card holders could have also made balance enquires at ATM's. This service is not currently in operation.

In November 2004, a commercial bank began offering pre-paid gift cards for sale directly to the public via the bank's branch network and through special arrangements with the bank's partners. It was intended to satisfy the gift giving needs of the public e.g. for birthdays, weddings and anniversaries. These cards range in value from TT\$100.00 to TT\$2,500.00 and expires after six months. Other banks have since begun to offer a similar product.

The TT-Card was implemented recently by the Ministry of Social Development as part of a cash transfer food assistance and development programme. The TT-Card is an electronic debit card that assists needy citizens with food purchases. The recipient's



card is topped up every month by the government with a value between TT\$300 and TT\$500.

There are two telecommunications companies in Trinidad and Tobago. One company issues prepaid phone cards for both fixed line and mobile

services, which may be used to complete local and international calls. The other company offers prepaid mobile phone cards only.

One company also issues a calling card (for use with fixed line services) that allows the holder to make international calls from any touch-tone telephone. These cards can also be used to call Trinidad and Tobago from other countries such as the United States, Canada, United Kingdom and Germany. This service will soon be made available in the Caribbean and Venezuela. The cards are widely available at business outlets and authorized dealers in TT \$10, \$30, \$60 and \$100 denominations (vat exclusive).

For prepaid mobile customers, there are a variety of top up options including prepaid top up cards, e-cards, e-top ups and self-top ups. Outlets for the purchase of cards and facilitation of top ups are easily and widely accessible across Trinidad and Tobago.

- Physical prepaid top up cards are PIN based and are sold in TT \$15, \$50 and \$100 denominations (vat exclusive).
- E-cards are electronically issued in the form of a receipt in lieu of a physical card. A PIN is also used, however a wider range of denominations is available.

¹ The TT-Card is issued by the Ministry of Social Development.

continued...
Prepaid Cards



These are TT \$10, \$15, \$25, \$50, \$100, and \$200 (vat exclusive).

- E-Top up is a paperless form of topping up an account - no PINs, no numbers. Any value (inclusive of cents) ranging between TT \$10 and \$230 can be requested. The cashier at the company or authorized dealer inputs the value in the system. A few seconds later a text message is received by the user, confirming that the account was topped up with the value requested. E-top up is available at select locations nationwide.

Internationally...

Prepaid cards are popular internationally. They offer recipients a more convenient and cost effective means to make purchases. According to the article "US Prepaid Card Market: A review" written by Sujit Charkravorti and Victor Lubasi in the Journal of Payments Strategy and Systems January 2007, the general purpose prepaid card has been proclaimed as an electronic cash substitute in different parts of the world during the last decade.

The use of prepaid cards is more extensive in countries like the United States and Europe where prepaid cards have been used as payroll cards and pre-tax spending cards. Government benefit transfer programs also use prepaid cards to deliver benefits more efficiently to needy cases e.g. the United States Food Stamp programme which now uses Electronic Benefit Transfer (EBT) prepaid cards instead of physical food stamps. This has reduced the cost of delivering social programme benefits.

EBT is an electronic system that allows a recipient to authorize transfer of his government benefits from a Federal

account to a retailer account to pay for products received. EBT system was implemented in all States in June of 2004.²

Prepaid cards have also been effective in the United States as a cash substitute in closed environments such as mass transit systems, university campuses and coffee shops.

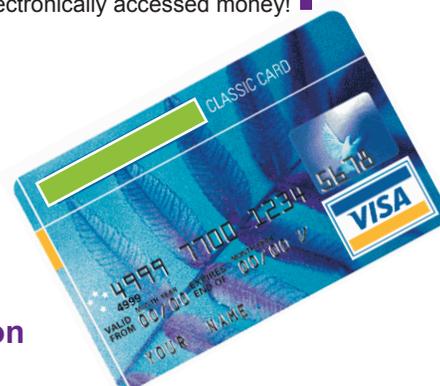
The UK has issued its first fully virtual prepaid card, the WWWcard, aimed at internet shoppers. The new card incorporates online safety features and a limit against overspending. It is the UK's only prepaid card that can be purchased online and used immediately. Customers can make purchases anonymously on the internet without having to disclose credit or debit card numbers online. The WWWcard is issued by Cal³, a global financial service provider and leading credit and debit card innovator.⁴

Payment Cards

Prepaid cards are just one of a number of different types of cards available on the market. Payments cards can be divided into three categories.

- *Cards with a pay before function – prepaid cards*
- *Cards with a pay now function – debit cards*
- *Cards with a pay later function – credit cards*

Together, all cards can be viewed as electronically accessed money! ■



Examples of market segmentation for prepaid cards

Buyer/User Combination	Examples of Payment applications
Consumer to Consumer	Birthday and wedding gift cards
Business to Business	Travel card per diem e.g. Republic Bank Visa travel card
Business to Employee	Not popular in Trinidad. Examples in the United States include payroll cards, health care related cards
Business to Consumer	Not popular in Trinidad. Examples in the United States include insurance claim cards, promotional incentives
Government to Consumer	TT-Card - food assistance

² Source: <http://www.fns.usda.gov/fsp/ebt/>

³ Cal is owned by Israel Discount Bank, First International Bank and Harel, a major insurance company.

⁴ Source: <http://www.www-card.com>

Guess what's new in town? ...



The ACH was started by the Trinidad and Tobago Interbank Payments System (TTIPS) in January 2006. Recently, the company launched its brand. This article was provided by TTIPS.

Exciting times await the payments market with the launch of the **Transach** brand, which represents the electronic payments service facilitated by the local Automated Clearing House (ACH). The system is designed to process low value, high volume transactions and since January 2006, more than three hundred and fifty thousand (350,000) transactions have flowed across this seamless, secure electronic network.

Transach allows for both electronic credits and debits and the processing and settlement of these electronic transactions between all banks. With **Transach**, customers are able to receive payments or make payments from any of the six commercial banks to another through a fully automated system, significantly reducing the dependence upon

paper-based transactions, like cheques, and forever transforming our banking industry into world class standards.

Companies enjoy the benefit of automatically paying their employees every month by sending one file of multiple payments to a single bank and having those payments posted to accounts at any bank, at any branch in the country, in a faster, more secure and more cost efficient manner. With electronic debits, the consumer grants the company, e.g. an insurance company, permission to debit his or her account on a pre-determined date, for an agreed sum, e.g. an annuity premium. For the consumer, it is more convenient and timely than standing in line or paying by cheque; it's automatic and

easy. For the company, collection efforts are enhanced and cash flow forecasting improved with more predictable timing of receipts.

Electronic payments not only provide organizations with wider payment options, but also allow them more reliability and security, increased business efficiencies in the local community, fewer errors, reduction of fraud, reduction of settlement risk and cost of payment processing and greater consumer convenience. The benefits of **Transach** will have tremendous impact upon all consumers and organizations throughout Trinidad and Tobago. ■

Q & A Money Laundering II



Last year we shared with you various forms of business fraud and how to avoid instances of fraud. This year we are bringing you a four part series on Money Laundering .

What Internal Controls and Procedures can be used?

Financial institutions should implement programs which are appropriate for the size and nature of their operations and which comprise at a minimum: -

1. Adequate internal policies, procedures and controls, including:
 - Procedures governing customer identification, documentation and verification of customer information;
 - Designation of a compliance officer at the management level to coordinate and monitor the compliance program, receive

Suspicious Activity Reports and submit same to the Designated Authority ;

- Guidelines for identifying suspicious activity;
 - Procedures for reporting suspicious activity; and
 - Screening procedures for new employees and procedures for monitoring existing employees.
2. An ongoing employee training program;
 3. A risk based approach to monitoring. This would include information on what the institution considers to be high-risk activities/businesses to which it may be

exposed. Additionally, a list of countries which do not comply with international standards on combating money laundering and terrorist financing should be maintained;

4. External and internal independent testing for compliance. An effective risk-based audit function should evaluate the compliance program. The audit should review a sample of accounts and files for both occasional and usual transactions, to the extent necessary to enable a proper evaluation of compliance with due diligence and risk management procedures and record keeping and reporting requirements. ■

ABC.. Glossary on the ACH

Here are 7 terms applicable to the Electronic Payments System:



- Banking Day** With reference to an Originating Depository Financial Institution (ODFI), any day on which such ODFI is open to the public for carrying on substantially all of its banking functions, and, with reference to an ACH Operator, any day on which the appropriate facility of such ACH Operator is being operated.
- Beneficiary** A person who has applied for and is entitled to benefits payable by law.
- Business Day** A calendar day other than a Saturday, Sunday or public holiday.
- Cash Concentration** The transfer of funds from diverse accounts, usually in different financial institutions, into a single central account to effect more efficient cash management.
- Cash Concentration or Disbursement (CCD)** A debit or credit entry initiated by an organisation to consolidate funds of that organisation or to fund outlying accounts.
- Central Information File (CIF)** A file maintained by an ACH operator to verify the routing/transit numbers and other pertinent information of participating ODFI's.
- Check Digit** The final digit of a routing/transit number which may be used to test the validity of a specific routing/transit number.

The *safe-tt*, GSS and ACH Volume Meter

The actual volumes of payment transactions to date are as follows:-

Date	<i>safe-tt</i>	GSS	ACH
January 2006	1889	372	2753
February 2006	1819	683	4116
March 2006	2321	578	8071
April 2006	1959	401	8201
May 2006	2313	438	11581
June 2006	2173	466	11787
July 2006	2237	599	12817
August 2006	2184	377	16404
September 2006	2302	658	17596
October 2006	2477	624	25931
November 2006	2869	1138	33102
December 2006	2381	636	38069
January 2007	2490	756	37285
February 2007	2546	1507	40601
March 2007	2578	717	50767
April 2007	2783	1342	54702
May 2007	2716	1224	67547
June 2007	2515	1066	71659

