



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# IMPROVING THE PAYMENT SYSTEM IN TRINIDAD AND TOBAGO

A Presentation by:-

Michelle Francis-Pantor – Deputy Inspector, Banks, Non-Banks and Payments System Oversight

Nicole Chapman – Senior Manager, Legal, Contract and Corporate Secretariat Services

Leslie-Ann Des Vignes – Assistant Manager Payments System Oversight

[www.central-bank.org.tt](http://www.central-bank.org.tt); email: [info@central-bank.org.tt](mailto:info@central-bank.org.tt)

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# PRESENTATION OUTLINE

**WHAT IS A PAYMENT SYSTEM?**

**WHY THE NEED FOR MAJOR PAYMENT SYSTEM REFORM?**

**WHAT ARE WE DOING IN TRINIDAD AND TOBAGO?**

**KEY POLICY PROPOSALS FOR THE PROPOSED PAYMENT SYSTEMS LEGISLATION**

**IMPLICATIONS FOR CROSS-BORDER PAYMENTS**

**QUESTION AND ANSWER SESSION**



# WHAT IS A PAYMENT SYSTEM?

***“A set of instruments, procedures, and rules for the transfer of funds between or among participants; the system includes the participants and the entity operating the arrangement.”***

*Bank for International Settlement (BIS) Definition*

***“Any organised set of infrastructure, persons, procedures and rules allowing the transfer of funds including by means of payment instruments, or the discharge of obligations on a gross or net basis and includes interbank or non-interbank payment systems.”***

*Proposed Definition under the Policy Proposal Document*



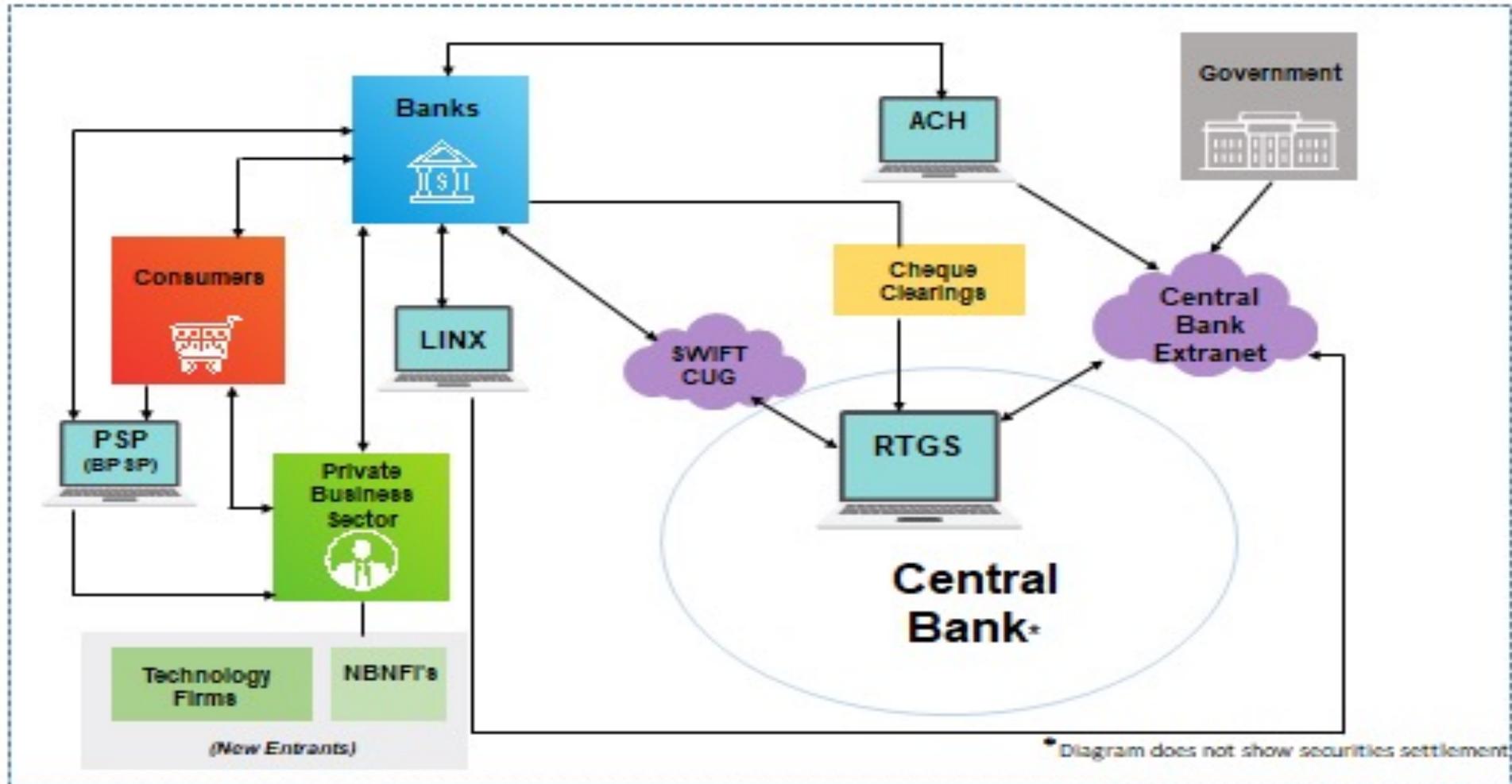
# WHY IS A PAYMENT SYSTEM IMPORTANT TO YOU?

- 1** **Backbone of the economy.**
  - *Allows for the effective clearance and settlement of monetary and financial transactions among parties.*
- 2** **Support financial stability and confidence in the financial system.**
- 3** **Facilitates economic activity; transfer of money and e-commerce.**
- 4** **Promotes financial inclusion.**



# OVERVIEW OF T&T'S PAYMENT SYSTEM LANDSCAPE

Landscape of the Payments System in Trinidad and Tobago

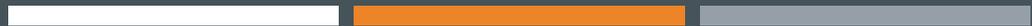




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# WHY IS PAYMENT SYSTEM REFORM NEEDED?





# KEY DEVELOPMENTS – NATIONAL PAYMENT SYSTEM

## 2002-2009

- Establishment of the Payment System Council (2002)
- Launch of RTGS & GSS (2004)
- Launch of ACH (2006)
- Development of the Payment System Policy (2006) (Core Principles)
- Amendments – FIA (2008), CBA (2008)

## 2010-2014

- Data Protection Act, 2011 (partially proclaimed)
- Electronic Transactions Act, 2011 (partially proclaimed)
- Issuance of Payment System Guidelines, 2012
- Exchequer and Audit Act amended in 2014
- Adoption of PFMI (PFMI Policy, 2014)

## 2015-2020

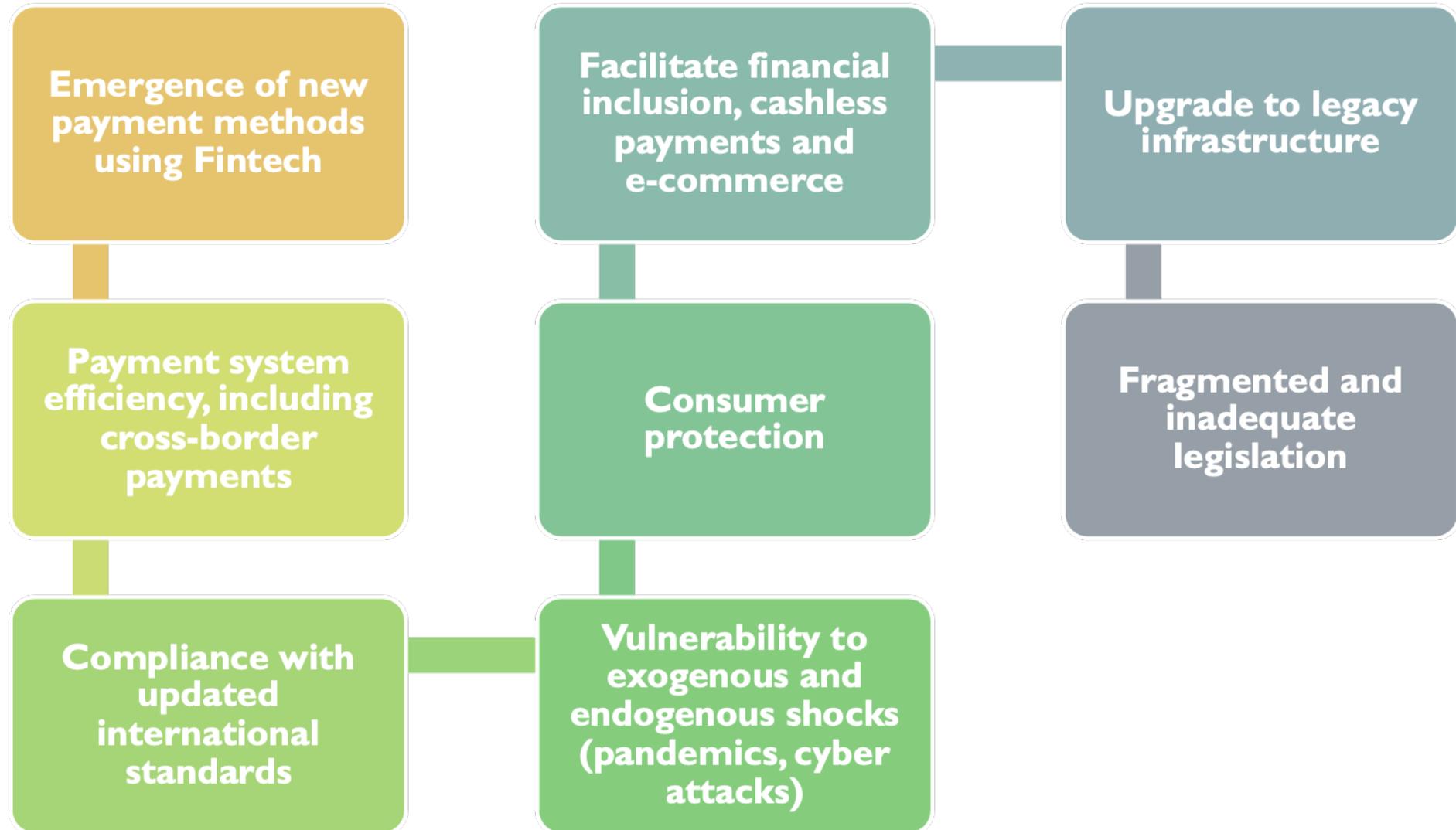
- Application of the PFMI to the payment system operators.
- Electronic Funds Transfer Regulations, 2015
- Fintech Policy, 2019
- E- Money Policy and E-Money Issuer Order, 2020

## 2021 and Beyond

- Payment Systems Bill Policy Proposal Document issued (May 2021)
- New Payment System Law to be developed
- Phase 2 of the Regulatory Sandbox to be established
- RTGS Upgrade
- Exploration of CBDC



# WHY THE NEED FOR MAJOR PAYMENT SYSTEMS REFORMS?





# CURRENT LEGAL FRAMEWORK – PAYMENT SYSTEMS

## Central Bank Act, Chap. 79:02

**Section 36 (cc) of the CBA** - The Central Bank is required “...to supervise the operations of payment systems in Trinidad and Tobago generally, Interbank Payment Systems in accordance with the Financial Institutions Act and the transfer of funds by electronic means including money transmission or remittance business...”

## Financial Institutions Act, Chap. 79:09

**Section 5(1) of the FIA** - “The Central Bank shall be responsible for the general administration of this Act, the supervision of licensees and the oversight of payment systems...”

**Part XII of the FIA** - Oversight Framework for the Interbank Payment System.

## E-Money Issuer Order, 2020

- The Order provides for specific categories of persons other than licensees (under the FIA) ) to apply to the Central Bank to be E-money issuers.

## Guidelines

- **Guideline No. 1** - Licensing and Operation of Interbank Payment Systems
- **Guideline No. 2** - Registration & Operation of Non-Interbank Payment Systems
- **Guideline No. 3** - Operation of Payment Service Providers
- **Guideline No. 4** - Oversight of Systemically Important Payment Systems



# REFORMS – STREAMLINE & ENHANCE FRAMEWORK

Reforms are needed to Streamline and Enhance the legal and regulatory framework.



## STREAMLINE

- A single comprehensive Act - clear definitions and specific mandate for the Central Bank
- Activity-based licensing regime for wider range of PSPs
- Treating with all payment systems (interbank and non-interbank)
- Treating comprehensively with systemic risks



## ENHANCE

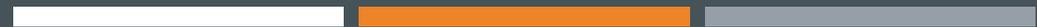
- Sandboxing for wider Fintechs, not only EMIs
- Wide, effective and flexible enforcement powers (including criminal and administrative sanctions)
- Address sector specific risks, governance, settlement, interoperability, consumer protection, AML/CFT risks
- Formalise the National Payment System Council



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# WHAT ARE WE DOING IN TRINIDAD AND TOBAGO?





# STRATEGIES TO IMPROVE THE PAYMENT SYSTEMS

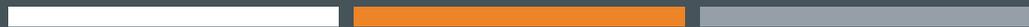
STRATEGIES TO IMPROVE THE PAYMENT SYSTEMS	Work In Progress	Complete
Operationalisation of Fintech Policy: <ul style="list-style-type: none"> <li>Establishment of the Joint Fintech Steering Committee for supervisory collaboration</li> <li>Launch of the Innovation Hub</li> <li>Regulatory Sandbox</li> </ul>	✓	✓✓
Operationalisation of E-money Policy <ul style="list-style-type: none"> <li>Introduction of the E-money Issuer Order, 2020</li> </ul>		✓
Revision of Payment Systems Guidelines	✓	
Development of a modern and comprehensive Payment Systems law – <ul style="list-style-type: none"> <li>Issued the Policy Proposal Document to inform the Payment Systems legislation for public consultation</li> <li>Draft Payment Systems legislation</li> </ul>	✓	✓
Exploration of a Central Bank Digital Currency	✓	
Upgrade of the payments infrastructure including automation of the Cheque Clearing System	✓	
Enhancing cross-border payments	✓	



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# KEY PROPOSALS FOR THE PROPOSED PAYMENT SYSTEMS LEGISLATION





# KEY POLICY PROPOSALS FOR THE PROPOSED PAYMENT SYSTEMS LEGISLATION

**Designation for Oversight of Systemically Important Payment Systems (SIPS) and Significant Retail Payment Systems (SRPS); Lighter Regulatory Regime for other payment systems**

**Licensing Regime for PSPs**

**Provisions to treat with key Regulatory Risks and Concerns**

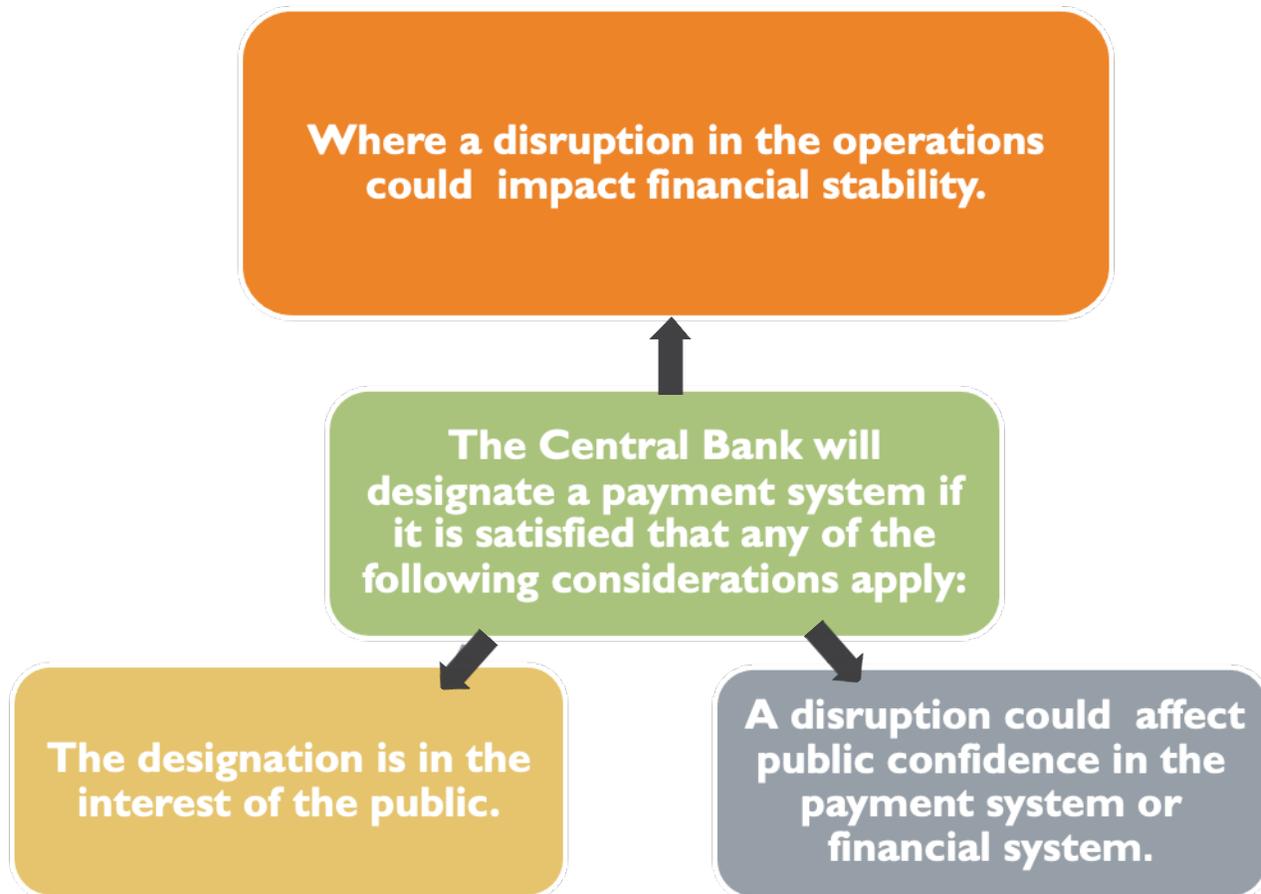
**General Supervision and Enforcement Powers of the Central Bank**

**Other - Exempted Activities; Restricted/ Prohibited Activities; Governance and the National Payments System Council**

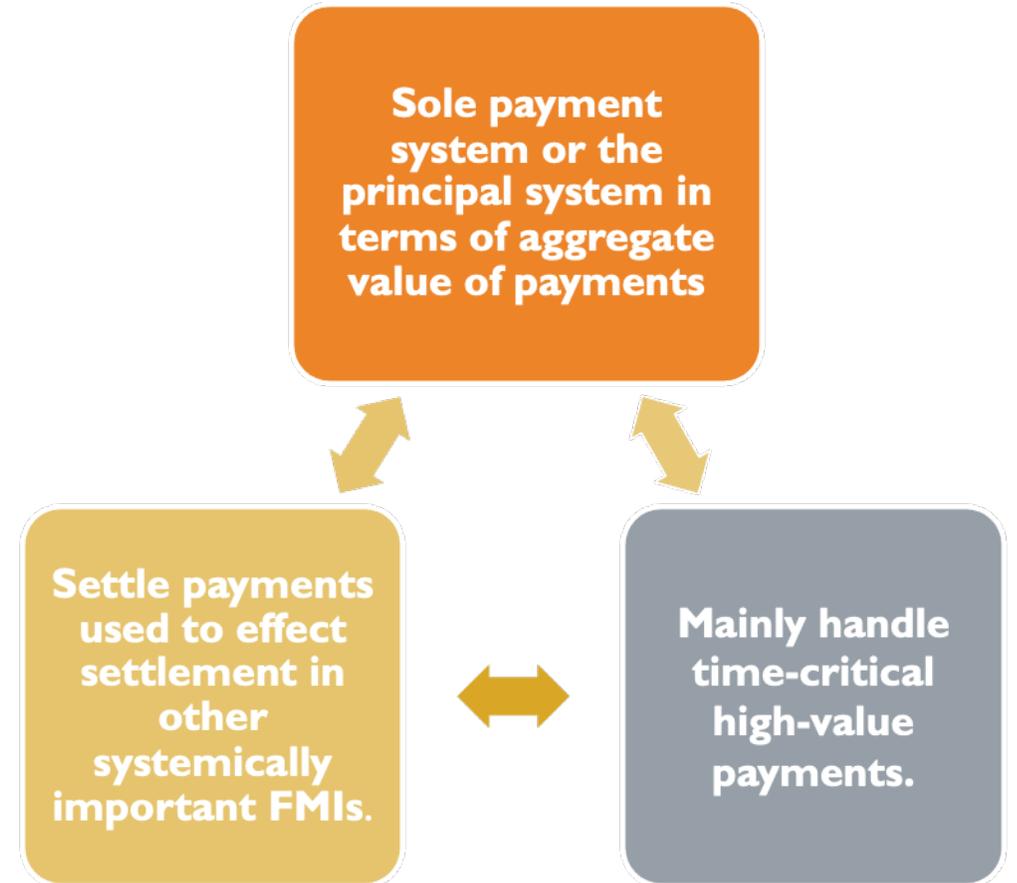


# DESIGNATION REGIME FOR OVERSIGHT OF SIPS & SRPS

## REASONS FOR DESIGNATION OF SIPS AND SRPS



## CRITERIA FOR DESIGNATION



# PSP LICENSING REGIME- PROPOSED REGULATED PAYMENT ACTIVITIES



**Account Issuance**



**Merchant Acquisition**



**Domestic Money Transfer/Remittance**



**Cross-Border Transfer/Remittance**



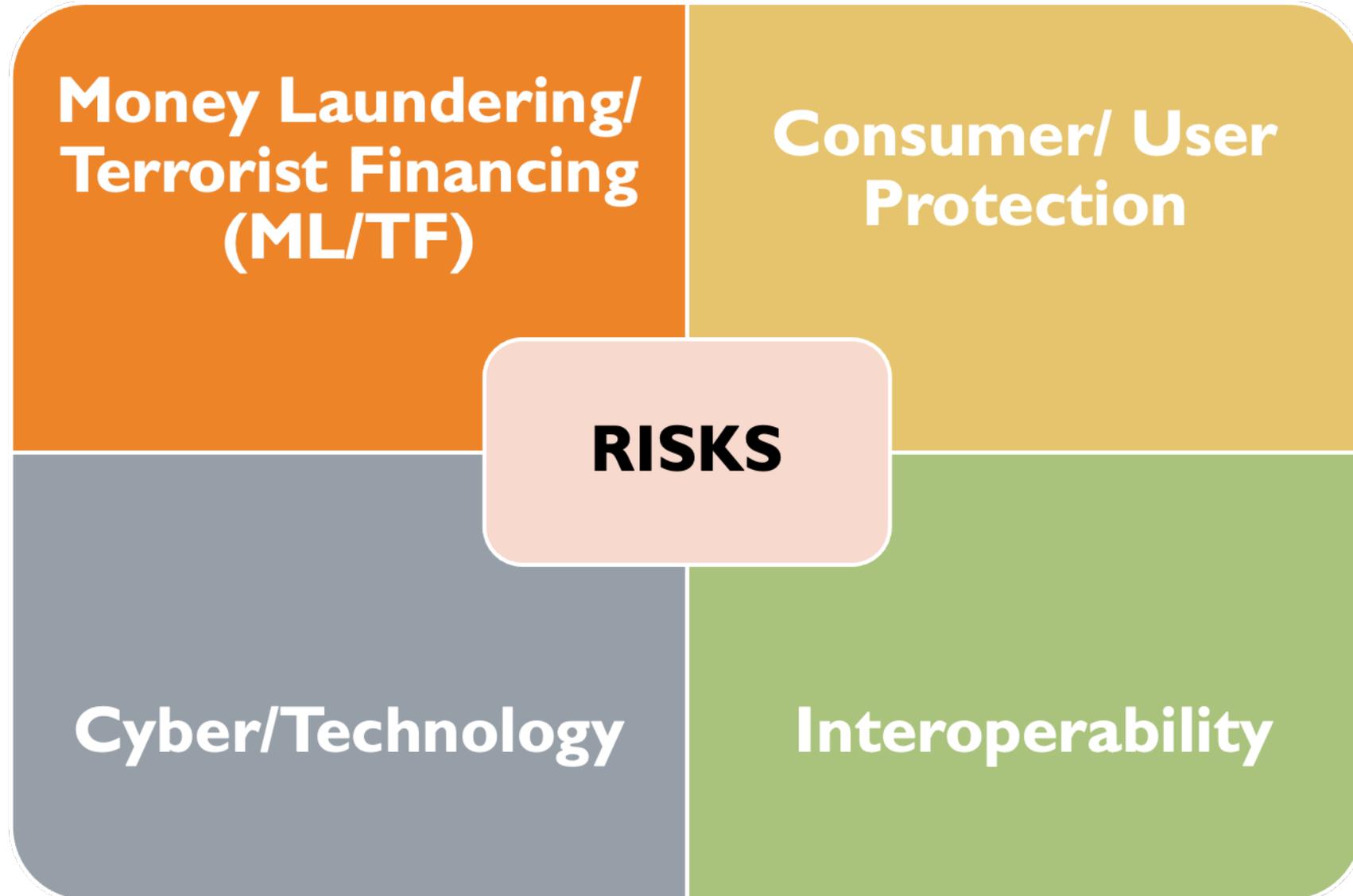
**E-Money Issuance**



**Virtual Assets (payments and transfers )**



# MAIN RISKS/CONCERNS ASSOCIATED WITH PSP ACTIVITIES





# REGULATORY REQUIREMENTS FOR PAYMENT SYSTEM AND PSPs



Incorporation as a company under the Companies Act, Chap. 81:01, with a permanent place of business or registered office in Trinidad and Tobago



Fit and Proper Requirements for shareholders, directors and officers



Sound financial condition



Robust governance arrangements



Capital requirements and application and annual fees



Adequate accounting, internal control mechanisms and risk management policies and procedures, for inter alia AML/CFT, user protection and technology/ cyber risks



# EXEMPTIONS & RESTRICTIONS OF ENTITIES/ACTIVITIES

## Entities and Activities to be Exempted from Licensing / Designation



- **Commercial banks and Non-banks licensed under the FIA.**
- **Closed-loop payment schemes.**
- **Technology Service Providers who only process data or develop or provide the enabling technology to assist others offering innovative means of payments.**
- **PSPs who conduct bill payments on behalf of utility companies.**
- **Services and systems owned and operated by the Central Bank.**

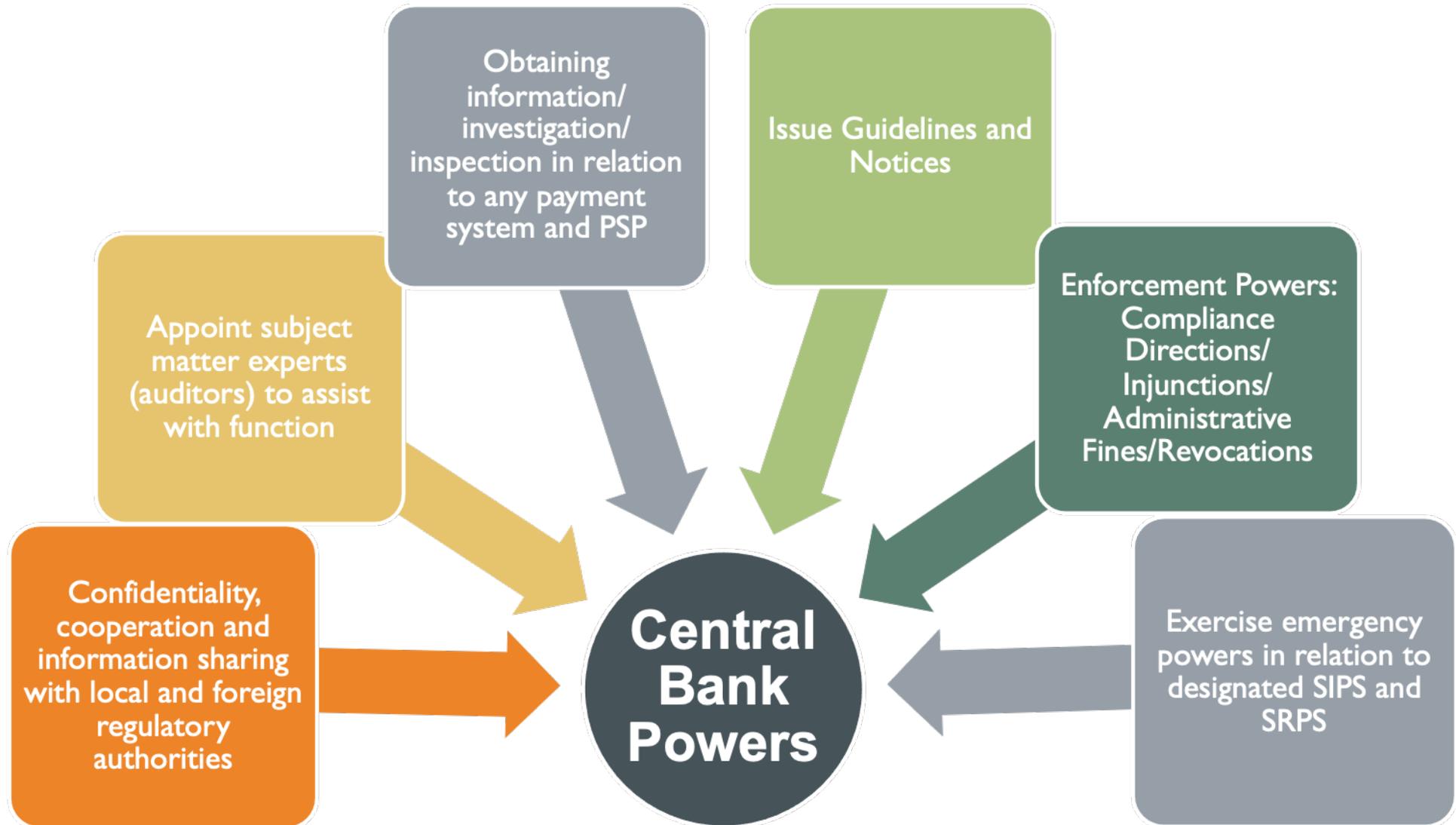
## Restricted/ Prohibited PSP Activities



- **No Lending & No Deposit Taking.**
- **Restrictions on withdrawal of cash.**
- **Restrictions on use of customers' funds.**
- **Restrictions on use of agents.**
- **No Solicitation or advertising by unlicensed PSPs .**

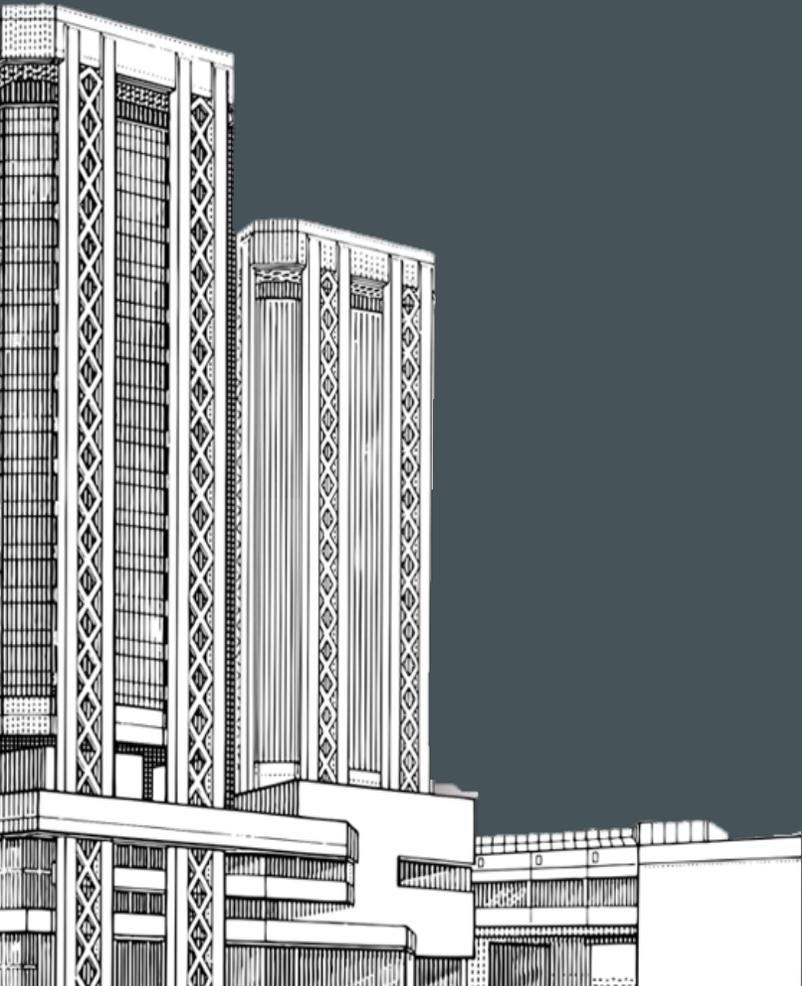


# GENERAL SUPERVISORY AND ENFORCEMENT POWERS OF THE CENTRAL BANK





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# ENHANCING CROSS-BORDER PAYMENTS



# ENHANCING CROSS-BORDER PAYMENTS

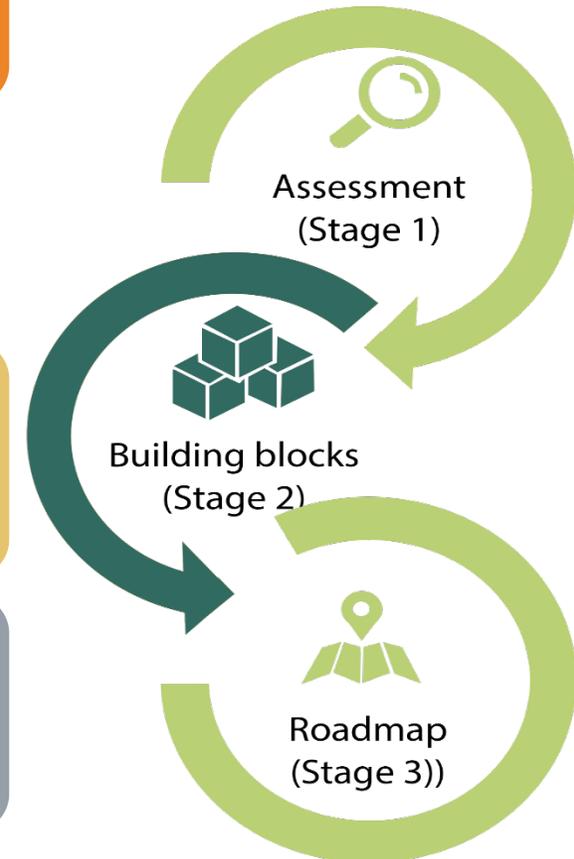
International push to make cross-border payments:

- faster
- cheaper
- more transparent
- more inclusive

Widespread benefits for citizens and economies worldwide, supporting economic growth, international trade, global development and financial inclusion.

FSB Developed a Roadmap:

- 5 focus areas
- 19 building blocks





# ENHANCING CROSS-BORDER PAYMENTS

## FOCUS AREAS AND BUILDING BLOCKS

Focus area A: Public and private sector to commit jointly to enhance cross-border payments



1. Develop common cross-border payments vision and targets
2. Implement international guidance and principles
3. Define common features of cross-border payment service levels

Focus area B: Coordinate regulatory, supervisory and oversight frameworks

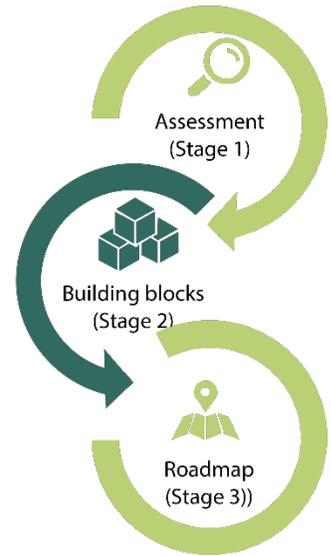


4. Align regulatory, supervisory and oversight frameworks
5. Apply AML/CFT rules consistently and comprehensively
6. Review interaction between data frameworks and cross-border payments
7. Promote safer payment corridors
8. Foster KYC and identity information-sharing
9. Facilitate increased adoption of PvP

Focus area C: Improve existing payment infrastructures and arrangements to support the requirements of the cross-border payments market



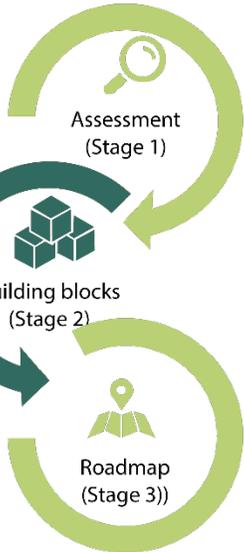
10. Improve (direct) access to payment systems
11. Explore reciprocal liquidity arrangements
12. Extend and align operating hours
13. Pursue interlinking of payment systems





# ENHANCING CROSS-BORDER PAYMENTS

## FOCUS AREAS AND BUILDING BLOCKS



Focus area D: Increase data quality and straight through processing by enhancing data and market practices



Focus area E: Explore the potential role of new payment infrastructures and arrangements

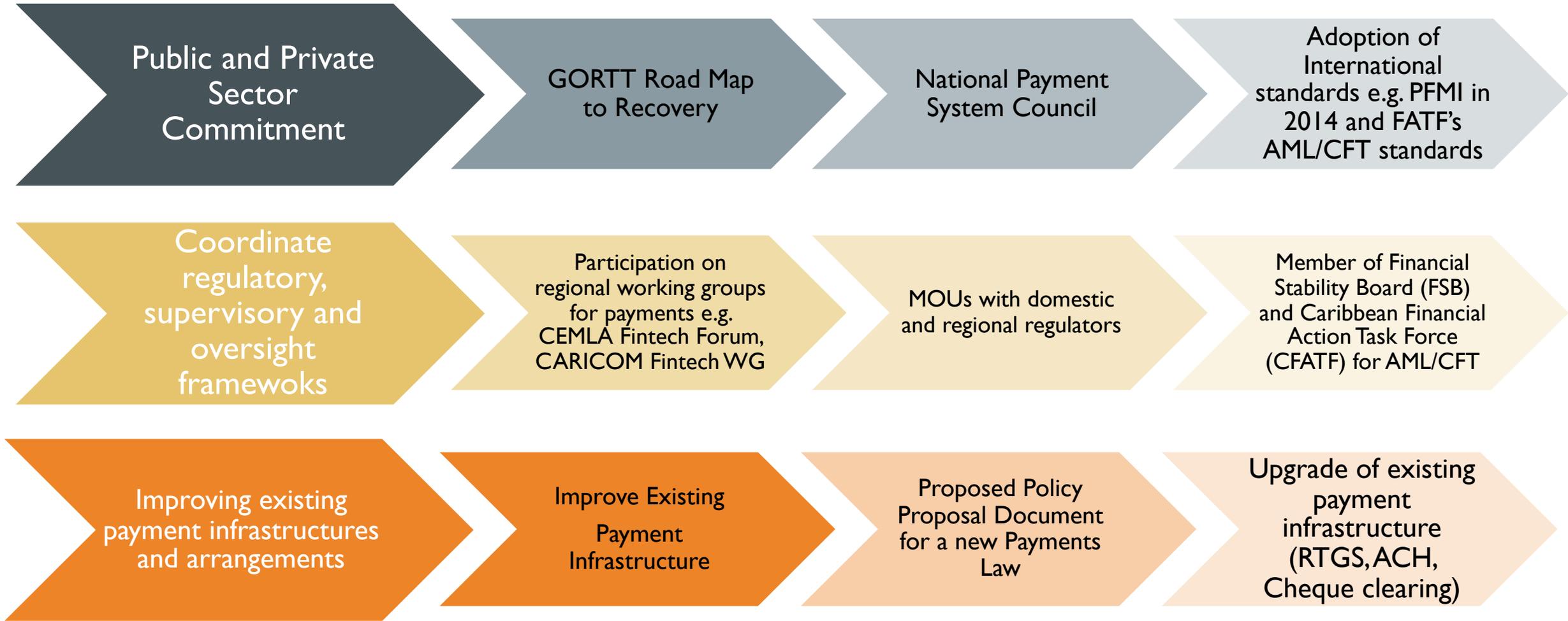


14. Adopt harmonised version of ISO 20022 for message formats (including rules for conversion/mapping)
15. Harmonise API protocols for data exchange
16. Establish unique identifiers with proxy registries
17. Consider the feasibility of new multilateral platforms and arrangements for cross-border payments
18. Foster the soundness of global stablecoin arrangements
19. Factor an international dimension into CBDC designs

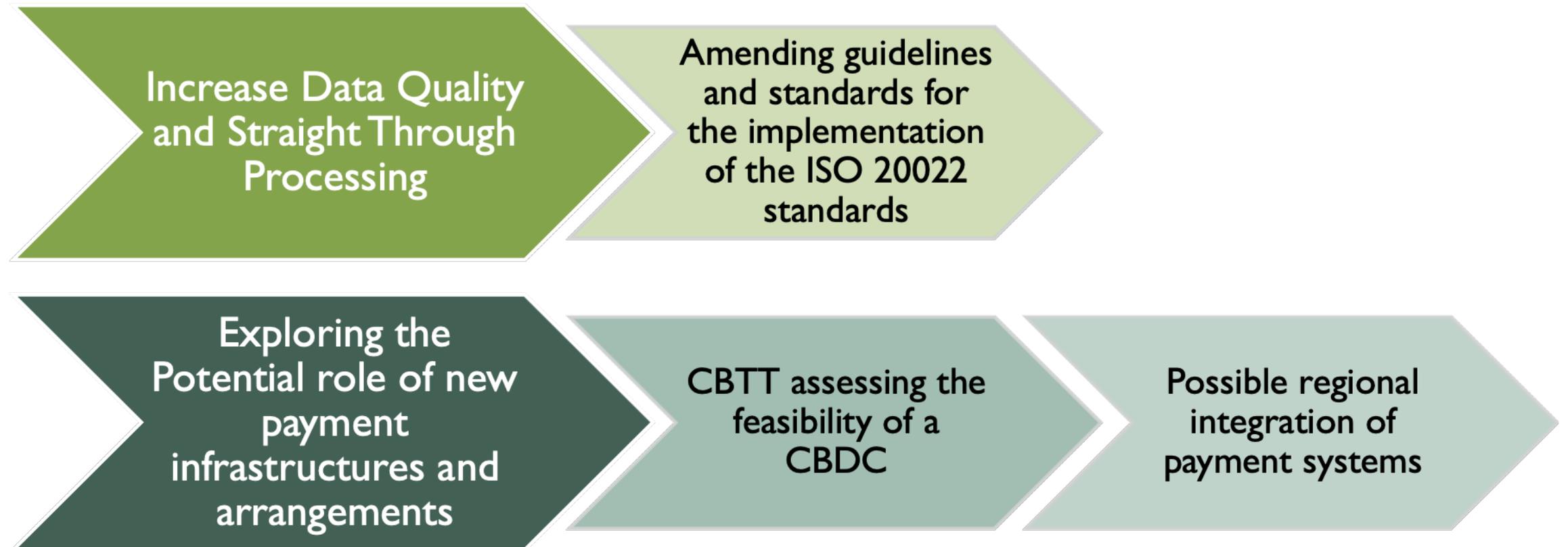


# ENHANCING CROSS-BORDER PAYMENTS

## CBTT INITIATIVES



# ENHANCING CROSS-BORDER PAYMENTS CBTT INITIATIVES (CONT'D)





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# STAKEHOLDER COLLABORATION & CONCLUDING REMARKS





# TECHNICAL ASSISTANCE AND STAKEHOLDER CONSULTATION



<https://www.central-bank.org.tt/sites/default/files/page-file-uploads/draft-policy-proposal-document-payment-system-bill-may-2021.pdf>

## IMF TECHNICAL ASSISTANCE

- **Review of the Policy Proposal Document for a new Payments law**
- **Drafting of the Payment System law**
- **Review of the Payment System Oversight Policy**
- **Exploration of a CBDC**

## STAKEHOLDER CONSULTATION

- **Payments System Council (public and private stakeholders)**
- **TTIFC**
- **Registered payment system operators and providers**
- **Financial institutions e.g. banks and nonbanks**
- **GoRTT**
- **Regional regulators**



# CONCLUDING REMARKS

The Central Bank is collaborating with all relevant stakeholders to **create a modern and enabling environment for domestic and cross-border payments**



In addition, the Central Bank has commenced **work on assessing feasibility of a CBDC**



Importantly, the Central Bank is seeking to **upgrade the payment system infrastructure to enhance domestic and cross-border payments**



# THE END

## QUESTIONS? COMMENTS?

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# Thank You



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