



Enhancing Cross Border Payments: Perspectives from Trinidad and Tobago



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Key Points

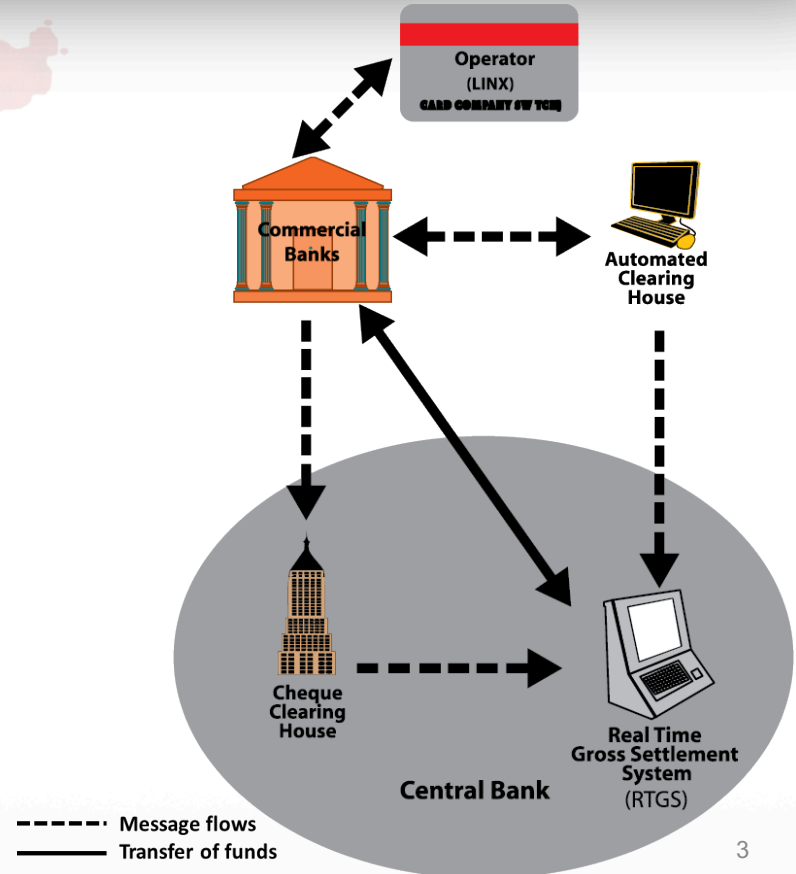
1. Trinidad and Tobago (TT) has a relatively efficient payments infrastructure, centered around RTGS, ACH and the card switch system (LINX).
2. Cross-border payments are mainly done via commercial bank correspondents and money remitters.
3. Current gaps include rigidities in legacy systems, limited access, and fragmented payment system legislation.
4. Countries in the wider Caribbean are at different stages of modernization of their payments infrastructure and legislation, and de-risking poses a problem for some.
5. The *Enhancing Cross-Border Payments Project* involves 3 phases: Assessment, Building Blocks and an upcoming Roadmap.
6. The work on the *Project* to date is well organized, thorough and provides a good basis for action.
7. We recommend more focus be placed on strengthening national systems and on region-specific issues (especially in emerging market and developing countries) and support via technical assistance (e.g. through IMF RTACs).
8. Moving forward, the Central Bank of TT will redouble its efforts in the payments area as part of a national digitization drive.
9. Globally, a clear, practical and precise action plan is essential to assure meaningful reform, particularly in the current context dominated by the coronavirus pandemic and widespread economic uncertainty.

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Trinidad and Tobago's domestic payments system is relatively efficient

1. **Retail Payment Operators** – retail payments conducted via (a) the card switch system (LINX); (b) the Automated Clearing House (ACH); and (c) Cheque Clearing Arrangement (CCA).
2. **Wholesale Payment Operator** – Real Time Gross Settlement System (RTGS) for payments \geq TT\$500,000 (~US\$75,000).
3. **Settlement Agent** – RTGS settles for the ACH, CCA and LINX. Settlement directly conducted by banks via the RTGS Browser and indirectly for all other payment system participants.
4. **Ownership** – RTGS and CCA owned and operated by the Central Bank. ACH and LINX owned and operated by the commercial banks.
5. **Other Payment System Participants** access the payment system and conduct payments via the commercial banks.

















TT's cross border payments primarily involve correspondent banks



1. **Commercial Banks** – SWIFT User Group and Correspondent Banks. So far no major de-risking problem but there are some difficulties.
2. **Money Remitters** – retail money transfers both regionally and internationally. TT is a net sender of remittances to the rest of the world.
3. **Business and Individuals** – wire transfers, credit cards, cash. Currently, there are some (macroeconomic) constraints to forex access.
4. **New Technologies** – some initial interest by potential providers (e-money, mobile wallets etc.)



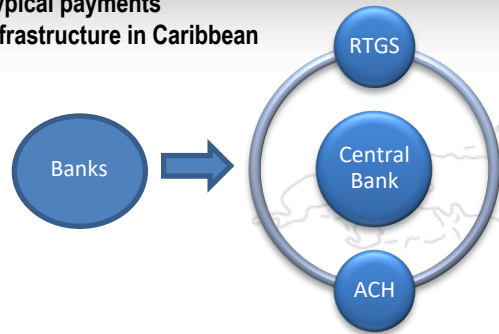
Actions are needed to bolster the efficiency of our payments system

AREAS		SOLUTIONS
I. Legislative - Lack of Comprehensive Payments System Act	 	Development of Payment Systems Act as a CBTT strategic priority; recent enactment of E-money Regulations to allow non-banks non-financial entities to issue e-money
II. Legacy Infrastructures (domestic) - fixed operating hours, outdated payment messaging, only can settle in TTD, lack of straight through processing	 	Upgrade of retail payment infrastructures to address existing issues in progress, introduction of Electronic Cheque Clearing, plans to upgrade RTGS
III. Access - by (a) institutions- not all payment system participants have direct access; Banks AML/CFT monitoring requirements leads to de-risking (b) Individuals- Banks AML/CFT KYC process may exclude some persons; (c) Lack of access to foreign exchange	 	Payment System Act to give CBTT power to require an inclusive access regime; implementation of simplified KYC on-boarding requirements to aid with financial inclusion for individuals, standardization of compliance requirements across all payment service providers, and operators
IV. Compliance with International Guidance/Standards - Principles for Financial Market Infrastructures (PFMI) gaps - Lack of comprehensive risk management framework, and participant default procedures	  	Operators in the process of closing the gaps; Cooperation of public agencies and private operators in legislative/institutional reforms and negotiations with other countries (e.g. re FATCA)
V. Potential Vulnerability to Shocks - Environmental- Hurricane, earthquake; Pandemic- impact of Covid-19; Technological- Cyberattacks	  	Regulator/overseer to work with PSPs and other actors to implement robust BCP plans. External technical assistance will offer useful support in building resilience



In the wider Caribbean, efforts are in train to modernize payments regimes ...but de-risking poses an important problem for some countries

Typical payments infrastructure in Caribbean



Developments include:

- Upgrading of systems - Curacao & Sint Maarten adopted Instant Payments; The Bahamas will roll out CBDC nationally
- Some Central Banks formally adopted PFMI (e.g. ECCB, Jamaica, TT); others are opening systems to allow wider participation (Belize – credit unions)
- Existence of regional financial institutions facilitates cross border (regional) activity

Challenges facing cross-border payments include:

- De-risking—lack of access to correspondent banks
- Black or grey listing (e.g. The Bahamas, Barbados and Jamaica on FATF grey list as at June 30 2020)
- High cost of remittances in certain corridors – e.g. Haiti

Payments issues discussed at different fora:

- CARICOM Central Bank Governors Meeting; Western Hemisphere Payments and Securities Settlement Forum; CARICOM Private Sector etc.
- But there is scope for greater formal regional coordination on payments issues

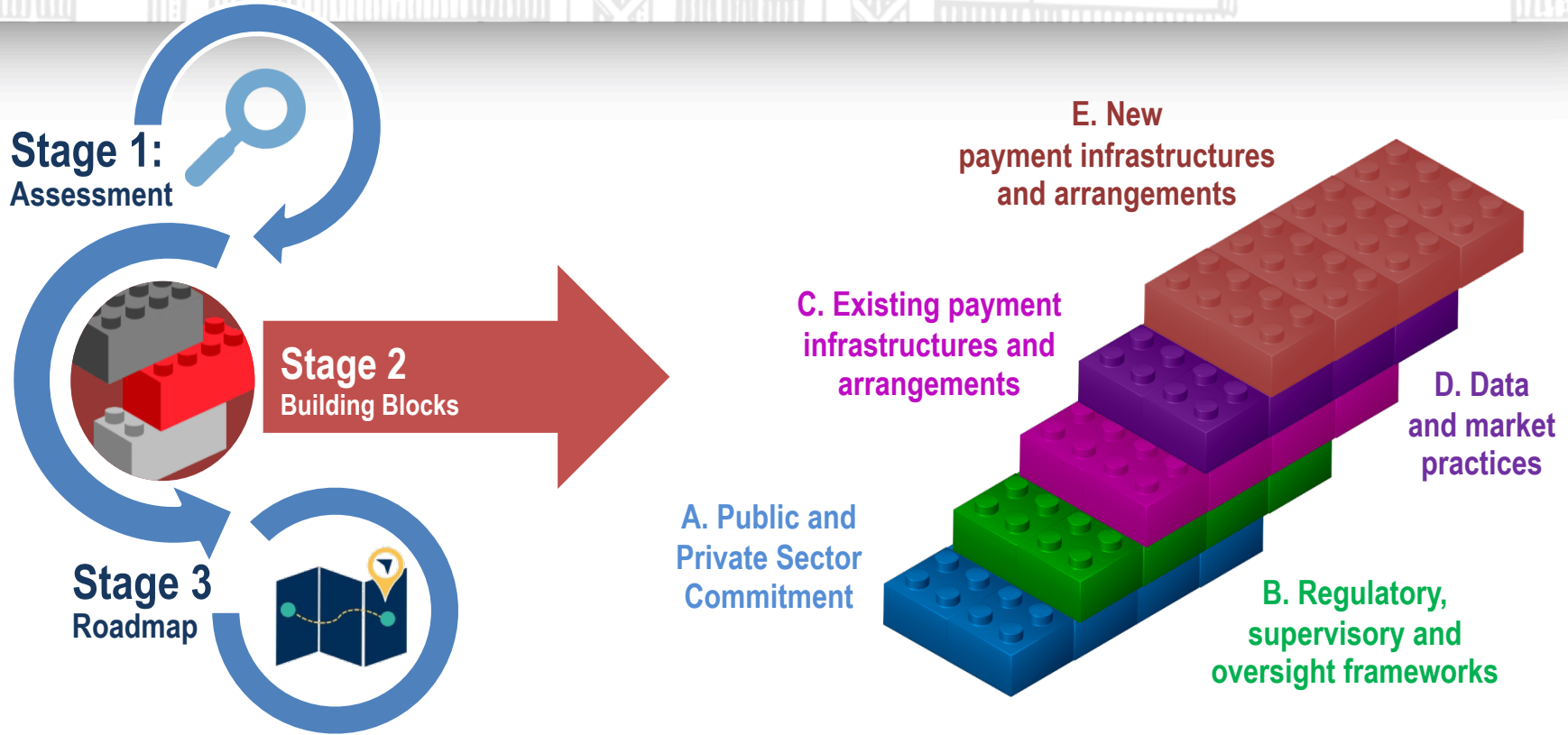
Regional Initiatives

CARICOM
Multilateral
Clearing Facility
(1977-1983)

Centralized Payment
System
in the ECCB



Focus areas of building blocks in the *Enhancing Cross-Border Payments Project* are appropriate





We recommend greater attention to fortifying domestic systems and region-specific issues (especially for EMDEs) as well as technical assistance

- 1 The Stage 2 Report is comprehensive, well-organized, clear and concise.
- 2 The building blocks adequately cover the frictions and challenges of high cost, slow speed, lack of transparency and limited access.
- 3 From our experience in TT, we believe that strengthening domestic payments systems (especially in emerging market and developing economies) would go a long way towards streamlining cross-border transactions.
- 4 Moving from there, concentration on region-specific issues would be useful (e.g. CARICOM, Africa, Middle East etc.).
- 5 We see an important role for technical assistance; e.g. the IMF's Regional Technical Assistance Centers seem well placed to contribute.



Concluding thoughts on implementation....

- We have enough material for action and there is no need for further analysis; of course, we would need to keep abreast of the impact of evolving technology on the dynamics of cross-border payments.
- In Trinidad and Tobago, the Central Bank plans to redouble its efforts to improve the payments architecture in close collaboration with legislators, other regulators, the private sector and regional actors as part of a wider digitization drive.
- Globally, a clear, practical and precise action plan is essential to assure meaningful reform, particularly in the current context dominated by the coronavirus pandemic and widespread economic uncertainty.



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