IMPROVING THE PAYMENT SYSTEM IN
TRINIDAD AND TOBAGO

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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
WHY IS PAYMENT SYSTEM REFORM NEEDED?
KEY DEVELOPMENTS – NATIONAL PAYMENT SYSTEM

2002-2009
- Establishment of the Payment System Council (2002)
- Launch of ACH (2006)
- Development of the Payment System Policy (2006) (Core Principles)

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?

- Emergence of new payment methods using Fintech
- Payment system efficiency, including cross-border payments
- Compliance with updated international standards
- Facilitate financial inclusion, cashless payments and e-commerce
- Consumer protection
- Vulnerability to exogenous and endogenous shocks (pandemics, cyber attacks)
- Upgrade to legacy infrastructure
- Fragmented and inadequate legislation
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…”

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 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
WHAT ARE WE DOING IN TRINIDAD AND TOBAGO?
## Strategies to Improve the Payment Systems

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<td>Development of a modern and comprehensive Payment Systems law –</td>
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<td>• Issued the Policy Proposal Document to inform the Payment Systems legislation for public consultation</td>
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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

Where a disruption in the operations could impact financial stability.

The Central Bank will designate a payment system if it is satisfied that any of the following considerations apply:

- The designation is in the interest of the public.
- A disruption could affect public confidence in the payment system or financial system.

CRITERIA FOR DESIGNATION

- Sole payment system or the principal system in terms of aggregate value of payments
- Settle payments used to effect settlement in other systemically important FMIs.
- Mainly handle time-critical high-value payments.
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

Money Laundering/ Terrorist Financing (ML/TF)

Consumer/ User Protection

Cyber/Technology

Interoperability

RISKS
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

Central Bank Powers

- Confﬁdentiality, cooperation and information sharing with local and foreign regulatory authorities
- Appoint subject matter experts (auditors) to assist with function
- Obtaining information/investigation/inspection in relation to any payment system and PSP
- Issue Guidelines and Notices
- Enforcement Powers: Compliance Directions/Injunctions/Administrative Fines/Revocations
- Exercise emergency powers in relation to designated SIPS and SRPS
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
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
10. Improve (direct) access to payment systems
11. Explore reciprocal liquidity arrangements
12. Extend and align operating hours
13. Pursue interlinking of payment systems

Focus area B: Coordinate regulatory, supervisory and oversight frameworks

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

Public and Private Sector Commitment

GORTT Road Map to Recovery

National Payment System Council

Adoption of International standards e.g. PFMI in 2014 and FATF's AML/CFT standards

Coordinate regulatory, supervisory and oversight frameworks

Participation on regional working groups for payments e.g. CEMLA Fintech Forum, CARICOM Fintech WG

MOUs with domestic and regional regulators

Member of Financial Stability Board (FSB) and Caribbean Financial Action Task Force (CFATF) for AML/CFT

Improving existing payment infrastructures and arrangements

Improve Existing Payment Infrastructure

Proposed Policy Proposal Document for a new Payments Law

Upgrade of existing payment infrastructure (RTGS, ACH, Cheque clearing)
ENHANCING CROSS-BORDER PAYMENTS
CBTT INTIATIVES (CONT’D)

Increase Data Quality and Straight Through Processing
Amending guidelines and standards for the implementation of the ISO 20022 standards
Exploring the Potential role of new payment infrastructures and arrangements
CBTT assessing the feasibility of a CBDC
Possible regional integration of payment systems
STAKEHOLDER COLLABORATION & CONCLUDING REMARKS
TECHNICAL ASSISTANCE AND STAKEHOLDER CONSULTATION

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

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?
Thank You

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