



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 quarterly by the Central Bank of Trinidad and Tobago.**

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

**Please see our full contact details on the last page.**

## OVERSIGHT OF ELECTRONIC PAYMENTS

### What does Oversight of Payment Systems mean?

Oversight refers to the Bank's monitoring and assessment of payment clearing and settlement systems to allow prompt corrective action so as to ensure that they function in a safe and orderly manner which would not cause or add to instability in the operations of the financial market.



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### Why is Oversight important?

A safe and efficient payments system is necessary for the successful completion of business transactions, for meeting the personal banking requirements of the public and for overall stability of the financial system.



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Oversight allows the Bank, as the authority responsible for the payments system, to be aware of developments in this area in order to address potential threats to the system in a proactive manner. It also ensures that operators and participants continue to adhere to international best practices for safety and efficiency and gives businesses and consumers assurance about the settlement of their payment transactions.

### How is the Oversight of Payment Systems different from the Supervision of Financial Institutions?

Whereas the Supervision of financial institutions deals with the soundness, efficiency and safety of individual institutions, the Oversight function focuses on interbank systems, the arrangements for making payments among banks and operators of payments systems. In particular, it seeks to ensure that the risks in interbank systems designed for the transfer of funds in the financial market are adequately managed.

### Does the Bank conduct Oversight of all Payments systems?

The Bank focuses its oversight activities on those payment systems that are considered to be **systemically important**. This is because a failure in one of these systems can have serious repercussions for the entire financial system. A payment system is considered to be systemically important either because the sums involved are large or the volume of transactions handled is significant.

In Trinidad and Tobago, the payment systems that are considered to be systemically important are the cheque clearings system, the LINX system, the Automated

## Oversight of Electronic Payments (continued)



Clearing House (ACH) and the Real Time Gross Settlement (RTGS) System. Each of these systems is managed by an Operator which is required to ensure

that participants adhere to strict rules and operational guidelines. The operators for these systems are as follows:-

- **RTGS** – Central Bank
- **ACH** – Trinidad and Tobago Interbank Payments Systems (TTIPS)
- **LINX** – Infolink Services Limited (ISL)
- **Cheque System** – Central Bank

### How is Oversight performed?

The Bank uses as its benchmark the ten *Core Principles for Systemically Important Payment Systems* set out by the Basle Committee on Payment and Settlement Systems. The Principles focus on such aspects as the strength of the

legal framework, the procedures for risk management, the finality of settlement and operational reliability.

The Bank uses several tools – questionnaires, surveys, site visits, dialogue etc. - to obtain information in order to make a determination on the adherence of each of the systemically important payment systems to the principles in the benchmark.

The Bank has published a Policy document outlining the objectives and scope as well as the manner in which it conducts the Oversight function. This document is available on the Bank's website at [www.central-bank.org.tt](http://www.central-bank.org.tt).

## The World Bank Conducts a Financial Infrastructure Diagnostic in Trinidad and Tobago

World Bank representatives visited Trinidad and Tobago during the period 5<sup>th</sup> to 13<sup>th</sup> October 2009 to conduct a Financial Infrastructure Diagnostic (FID) of the local economy. The Financial Infrastructure includes all institutions, information, technologies, rules and standards that enable financial intermediation. A poor financial infrastructure poses a considerable constraint upon the ability of financial institutions to expand their offering of financial services.

The FID is to be conducted in four countries, one being Trinidad and Tobago as a pilot project. It involves the assessment of four key areas of the financial system, namely payment and securities settlement systems, remittances, credit reporting, and secured transactions and collateral registries.

The World Bank representatives held a series of meetings with a number of



L-R: Mr. Alexandre Berthaud, Ms. Joan John - Deputy Governor, Operations, Central Bank of Trinidad and Tobago, Ms. Maria Teresa Chimienti, Mrs. Fredes Montes, Mrs. Saha Shahidsaless.

financial, governmental and business sector players as well as the Payments System Council. The meetings were aimed at obtaining better understanding of the financial architecture of Trinidad and Tobago and moreover providing recommendations for improvements based on international best practice. At the end of the exercise two reports are to be completed on the status of the financial



Members of Payments System Council listen attentively to the World Bank team.

infrastructure. One will be for the Central Bank's use and the other is to be published by the World Bank.

Above are photos showing members of the World Bank delegation with Central Bank representatives and the Payments System Council.



## The World Bank Advises on the Development of Payments System Regulations

World Bank representatives visited the Central Bank from 16<sup>th</sup> to 20<sup>th</sup> November 2009, to advise the Bank on the development of Payments System Regulations.

During their visit, the World Bank representatives met with a number of payments systems stakeholders including the commercial banks, system operators, regulatory agencies and stakeholders in the telecommunications industry. The meeting addressed legal, operational and risk mitigation issues. The team was also keen to know of any improvements desired in the payments arena particularly from a regulatory or legislative point of view.

Through this exercise, the Central Bank hopes to:

1. Build a framework for the development of Payments System Oversight regulations and guidelines consistent with the Central Bank and Financial Institutions Acts as well as international best practice.
2. Develop an electronic funds transfer policy.

At the end of the visit the team provided the Bank with an interim report on its key findings. The final report will be submitted in early 2010 and will include improvements to the payments system together with guidance on the creation of Payments System Policy.

The following photo shows members of the World Bank delegation at a meeting with representatives from the Central Bank and a commercial bank.



L-R: Mr. Harish Natarajan- Payments System Specialist at World Bank; Ms. Sharon Villafana, Payments System Coordinator, Central Bank of Trinidad and Tobago; Mr. Sean O' Connor- Oversight Specialist, World Bank and representatives of a commercial bank.

## Central Bank Attends Payments Week 2009 in Uruguay

Payments Week is an annual event organized by the World Bank which brings together representatives from central banks from around the world. During the Payments Week, delegates discuss the latest trends in payment systems development and conduct workshops to chart the way forward.

The Central Bank of Trinidad and Tobago (the Bank) was represented at the recent Payments Week held in Punta del Este, Uruguay from the 17<sup>th</sup> to 20<sup>th</sup> November 2009.

The main objectives of the meetings were to assess the payments systems of Latin America and the Caribbean with a view to identifying possible measures to improve the safety, efficiency and integrity of these systems.

Payments Week 2009 was timely for the Central Bank given its focus on the development of Electronic Funds Transfer (EFT) regulations. The Bank's representative at the meetings had the opportunity to meet with officials from other Central



Banks and internationally renowned payments specialists to garner information related to this subject matter.

The key lessons learnt from the meetings included (i) the legal issues surrounding the payments system; (ii) lessons learnt from the 2008 United States financial crisis as regards the payments system; (iii) the remittance sector and improving the service of remittance companies in the region; and (iv) the importance of the retail systems in the national payments system.

# Payments Glossary



Here are 5 terms<sup>1</sup> applicable to the Payments System:

1. Clearing	the process of transmitting, reconciling and, in some cases, confirming payment orders or security transfer instructions prior to settlement.
2. Operator	an institution which is responsible for operating a payment system.
3. Oversight	a public policy activity principally intended to ensure the safety, soundness, reliability and efficiency of the payment system in order to promote the effectiveness of monetary policy, contribute to the stability of the financial system by limiting the risk of systemic crises, and ensure the preservation of public confidence in money, money transfer mechanisms and the use of payment instruments.
4. Payment Instrument	any instrument which enables the holder/user to transfer funds.
5. Settlement	the completion of a transaction, wherein the seller transfers securities or financial instruments to the buyer and the buyer transfers money to the seller. A settlement may be final or provisional.

<sup>1</sup> Source: A Glossary of Terms used in Payments and Settlement Systems, Committee on Payment and Settlement Systems, Bank of International Settlement March 2003 and Central Bank of Trinidad and Tobago definitions.

## Safe-tt, ACH and Cheques Volume Meter

### Safe-tt, ACH and Cheques statistics 2006-2009

	2006	2007	2008	2009 Jan-Sept
<b>Safe-tt</b>	26,924	34,222	43,062	34,100
<b>ACH</b>	190,431	987,318	2,028,636	1,868,595
<b>Cheques</b>	10,618,146	10,641,346	10,685,786	10,825,915
<b>Total</b>	10,835,501	11,662,886	12,757,484	12,728,610

### Safe-tt and ACH statistics 2009

	Quarter I	Quarter II	Quarter III	Quarter IV
	2009	2009	2009	2009*
<b>Safe-tt</b>	11,212	11,795	11,093	7,724
<b>ACH</b>	575,047	622,283	671,265	460,796
<b>Total</b>	586,259	634,078	682,358	468,520



\* Volume of transactions for October and November 2009 only.

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)