



CENTRAL BANK OF
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Payments Quarterly

Payments Quarterly is a newsletter on developments in the Payments System in Trinidad and Tobago

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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.

Development and Implementation of JAMCLEAR - Jamaica’s Central Securities Depository (CSD) Part 1

Jamaica, like Trinidad and Tobago and other countries in the region, is among a growing number of developing market economies that have been paying closer attention to the importance of their respective payments, clearing and settlement systems. The Bank of Jamaica (BOJ), through this article, is pleased to share information on the development, management and operations of JamClear-CSD, the oversight arrangements for the system, as well as system utilization levels.

Development of JAMCLEAR-CSD under the Payments System Reform Project

Under the guidance of the Bank of Jamaica (BOJ), the National Payments System Reform Project was launched in Jamaica in 2005. Since then the reform agenda has progressed significantly resulting in modernization of the country’s payments and settlement infrastructure to correct areas of weakness and to reduce exposure to systemic risk. Of significance is that:

- (a) a new real time gross settlement system which has been branded JamClear-RTGS was developed and implemented on 27 February 2009.
- (b) a new central securities depository was developed and implemented on 15 May 2009. This system which is branded JamClear-CSD serves as the official electronic registry of all Bank of Jamaica Certificates and all domestic issues of Government of Jamaica Securities.
- (c) JamClear-RTGS and JamClear-CSD were seamlessly integrated to facilitate real time settlement of fixed income securities transactions in both the primary and secondary market.

The drive to eliminate paper certificates from the domestic fixed income securities market received a significant boost with the passing of the Government Securities Dematerialization Act, on 16 February 2010. This Act provides for the dematerialization of Bank of Jamaica Open Market Securities and Government Securities that are issued in the domestic market. The Act also gives the Bank

Development and Implementation of JAMCLEAR – Jamaica’s Central Securities Depository (CSD) Part 1 (continued).

of Jamaica the authority to “establish, operate or participate in” a securities depository.

Also of significance is the fact that the legal infrastructure that is required to support payments, clearing and settlement arrangements is steadily advancing to completion. The Payments, Clearing and Settlement Bill was passed in Parliament in December 2010. The Governor General’s assent is required before it becomes operational.

The BOJ, in leading the reform project, is being supported by the Ministry of Finance and the Public Service, the Financial Services Commission, the Bankers Association, the Security Dealers Association, the Jamaica Stock Exchange, as well as other stakeholder groups that are represented on the National Payments Council (NPC). The NPC is supported by Work Groups which are focused on providing technical advice on Large Value Systems, Retail Systems, and Securities Trading and Settlement Systems. Through the efforts of the members of these work groups, the BOJ has benefitted from the experience and expertise available in the financial sector, culminating in the successful design, development and

implementation of the settlement infrastructure phases of the reform project.

Management and Operation of JAMCLEAR-CSD

JamClear-CSD is owned, operated and managed by the BOJ. In addition, the BOJ:

- a. utilizes the system for the purpose of issuing, redeeming and trading all BOJ open market securities;
- b. was appointed as the Registrar for all domestic issues of securities by the Government of Jamaica and utilizes JamClear-CSD to support its role as Registrar for the GOJ securities as well as for BOJ open market securities;
- c. provides brokerage services to a select group of individuals and entities; and
- d. is responsible for effective oversight of the JamClear-CSD towards ensuring full compliance with the rules and regulations, and the establishment of risk mitigation strategies to include business continuity arrangements.

In light of the potentially conflicting roles of the BOJ, the management, operations and oversight of JamClear-CSD has been separated and assigned to four departments within the Bank, each of which is operated independently of the other (see the table below). ■

Department	Functions
1. Market Operations Department	The Department holds responsibility for issuing, redeeming and trading of all BOJ securities in JamClear-CSD
2. Banking Department	As the operator of JamClear-RTGS, the Department performs the back office functions related to settlement securities transactions that are initiated in JamClear-CSD; The Department also provides brokerage services to a select group of individuals and companies.
3. Electronic Securities Department	Operation of JamClear-CSD to provide Registrar Services for BOJ and GOJ issues.
4. Payment Systems Department	Oversight of all payments, clearing & settlement systems including JamClear-CSD.

OPERATORS SPOT

Development of the LINX Debit Card System



Following a World Bank study in 1993, the LINX network was initially established by Infolink Services Limited (ISL) to provide connectivity among four banks in Trinidad and Tobago - First Citizens Bank, Republic Bank of Trinidad and Tobago Limited, RBTT Bank Limited and Scotiabank (Trinidad and Tobago) Limited. The network allowed LINX debit cardholders from any of these commercial banks to use their LINX card to effect transactions at an ATM or Point of Sale terminal belonging to these four banks.

By 1996, the LINX network established connections to 160 ATMs in Trinidad and Tobago. One year later in 1997, the LINX Point of Sale network was established with 900 terminals at various merchants. In 2008 the network expanded to include Eastern Credit Union, adding 11 ATMs to the network and adding over 30,000 new LINX cardholders. Today there are approximately 321 ATMs and over 9710 Point of Sale terminals attached to the network.

In the first quarter of 2011, Bank of Baroda and Intercommercial Bank Limited will join LINX, adding a further 8 ATMs to the network and the potentially significant cardholder base of both banks.

The volume of transactions on the LINX network has grown annually and in 2009 was recorded as 29.4 million transactions. In 2010 it was observed that there was cautious spending among LINX cardholders however the positive growth trend in transaction volumes was maintained as the network continued to transact over 2.5 million transactions monthly.

ISL has been licensed by the Central bank of Trinidad and Tobago under the authority of the Financial Institutions

Act, 2008, as an Interbank Payment System Operator to operate the LINX debit card scheme. As a result, LINX operations are now overseen by the Central Bank and subject to regular oversight assessments benchmarking against international standards. ■



OPERATORS SPOT



Payments Glossary



Here are 5 terms¹ applicable to the Payments System:

1. Dematerialization	the elimination of physical certificates or documents of title which represent ownership of securities so that securities exist only as accounting records.
2. Security	a negotiable instrument representing financial value.
3. Central Securities Depository	a facility (or an institution) for holding securities, which enables securities transactions to be processed by book entry. Physical securities may be immobilised by the depository or securities may be dematerialised (i.e. so that they exist only as electronic records). In addition to safekeeping, a central securities depository may incorporate comparison, clearing and settlement functions.
4. Automated Clearing House (ACH)	an electronic clearing system in which payment orders are exchanged among financial institutions, primarily via magnetic media of telecommunication networks, and handled by a data-processing centre.
5. Real-Time Gross Settlement	the continuous (real-time) settlement of funds or securities transfers individually on an order by order basis (without netting).

¹ Source (except second term): A glossary of terms used in payments and settlement systems, Committee on Payment and Settlement Systems, Bank of International Settlement March 2003.

Safe-tt, ACH and Cheques Volume Meter

Safe-tt, ACH and Cheques statistics 2007-2010²

	2007	2008	2009	2010
Safe-tt	0.03	0.04	0.05	0.05
ACH	0.99	2.03	2.59	2.89
Cheques	10.64	10.51	9.74	9.43
Total	11.66	12.58	12.38	12.37

N.B.: Volumes in Millions.

² Data provided by Payments Systems Operators except in the case of cheque data gathered from commercial banks and the Central Bank.

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

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