



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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## Central Bank and TTIPS speak at Breakfast Meeting of the Trinidad and Tobago Chamber of Industry and Commerce - West Moorings



Ms. Sharon Villafana, Payments System Coordinator delivers an address at the Breakfast Meeting hosted by the Trinidad and Tobago Chamber of Industry and Commerce.

The Central Bank of Trinidad and Tobago and the Trinidad and Tobago Interbank Payments System (TTIPS) were invited to speak at a Breakfast Meeting hosted by the E-Business, Information Technology and Telecommunications (EBITT) Committee of the Trinidad and Tobago Chamber of Industry and Commerce on June 4th, 2008. The

audience was mainly persons from the business community and the financial sector.

The Central Bank's presentation was made by Ms. Sharon Villafana, Payments System Coordinator at the Bank. The presentation covered the evolution of the national payments system since 2000, the status

## Central Bank and TTIPS speak at Breakfast Meeting of the Trinidad and Tobago Chamber of Industry and Commerce - West Moorings (continued)

of domestic non-cash payment instruments and the benefits and challenges for businesses today in using electronic systems. Specific emphasis was placed on the use of the RealTimeGrossSettlement (RTGS) system.

The presentation on the Automated Clearing-House (ACH) was facilitated by Mr. Jonathan Nanan, Manager, TTIPS. Mr. Nanan spoke about how the use of the ACH can make a positive change to the way businesses conduct their financial

affairs. The presentation took the audience through the types of transactions that can be easily executed through the ACH system (for example, payroll), the main players involved in an ACH transaction and the various settlement "windows" (*times*) for these transactions.

One of the main highlights of the meeting was a testimonial given by Ms. Beverly Halford-Jack, Assistant Vice-President (Funds & Trust) of the Trinidad and Tobago Unit Trust Corporation. Ms. Halford-Jack spoke of her experiences in making payments via the

RTGS system. She indicated that her level of comfort is such that she personally felt as if "*the RTGS system always existed*" and acknowledged that it has greatly improved their way of doing business. She mentioned that the main benefit of using the RTGS system is the increased productivity of her unit for which effective performance requires the timely placement of investments. The RTGS facilitated the making of the associated payments safely and quickly without the tedious administrative duties associated with the issuance and delivery of cheques.

There was active participation from the members of the audience. Participants were particularly interested in getting additional information about the new electronic systems. Mr. Ronald Hinds, Chairman of EBITT Committee said that he welcomed sessions of this nature which were designed to increase the general awareness of the members of the Chamber and in so doing encourage their entrance into the electronic payments era. ■

## What is Electronic Money? - Part 2



In our last edition, we introduced the concept of electronic money. Electronic money refers to monetary value stored electronically in a device such as a smartcard or electronic tokens.

Electronic money has been around for over a decade. In the early stages of development electronic money in the form of prepaid cards was issued as

**single-purpose** payment instruments in which the card issuer and the goods or services provider were one and the same (e.g. telephone cards). Subsequently **Multi-purpose** cards were introduced. Multi-purpose cards can be used for purchase of goods or services not only from the issuer but also by other parties who are willing to accept the cards as a means of payment.

**Pre-paid cards**, as the term implies are pre loaded with the value paid for by the cardholder. One of the main benefits to the cardholder lies in the ability to manage or control expenditures more effectively. Some popular types of pre-paid cards include gift cards, travel cards, corporate payment cards and student cards. ■

## **“Faster Payments” Introduced in the United Kingdom**

The government of the United Kingdom was concerned that for some time there was no means of electronically transmitting funds from one party to another with same day value except via CHAPS Clearing Company Limited, which operates one of the largest real-time gross settlement (RTGS) systems in the world. Given that CHAPS is targeted at large value payments and costs associated with usage are relatively high, it was not thought to be an appropriate vehicle for making small value retail payments.

BACS is the largest retail payment system in the United Kingdom and is currently responsible for processing direct debits, direct credits and standing order products. In 2007, BACS processed an average of 21.9 million electronic payments per day with an average daily value of £14.6 billion. However, Settlement Risk remained of grave concern for the authorities, as settlement for these transactions

occurred within a three-day business cycle.

In response to the situation outlined above, the banking industry in the UK decided to introduce a new payment system, called “Faster Payments”. This system is geared towards facilitating same-day, small value payments especially telephone and mobile-based payments as well as standing order transactions.

“Faster Payments” is aimed at low value payments of about £10,000 (US\$20,000) or less and will replace BACS for some of the payments currently executed on the latter system: namely internet banking, telephone banking payments and standing orders while BACS will continue to facilitate direct debits and direct credit payments.

On May 27th 2008, the new “Faster Payments” service was launched in the United Kingdom. This new service will

revolutionize the way in which retail payments are made; one main benefit being that the system is available all day and every day. This means that customers will have the option and convenience to transfer money between accounts or pay bills on same day within a few hours on any day of the week. The service will allow customers to initiate mobile and internet electronic payments spontaneously for execution in a near real time basis.

The new system will have three settlement cycles within each day and all payments processed through “Faster Payments” will settle during one of these three cycles. This arrangement will facilitate near real time updates to the accounts of users of “Faster Payments” thereby eliminating float on these transactions and significantly reducing settlement risk. ■

## **ABC...Glossary of Payment Systems Terms**



### **1 Internet Banking**

refers to the use of the Internet to view account details and perform banking functions. This is also loosely referred to as electronic banking, remote banking and online banking.

### **2 Retail Funds Transfer System**

is a system which handles a large volume of payments of relatively low value in such forms as cheques, credit transfers, direct debits, ATM and EFTPOS transactions.

### **3 Settlement Risk**

is a general term used to designate the risk that settlement in a transfer system will not take place as expected. This risk may comprise both credit and liquidity risk.

### **4 Telephone Banking**

is a service provided by a financial institution which allows its customers to perform transactions over the telephone. The system generally offers many simple banking transactions, with the exception of cash withdrawals and deposits, such as account balance enquiries, transaction history and information, bill payments and funds transfers between customer accounts.

## Central Bank of Trinidad and Tobago Upgrades the Real Time Gross Settlement (RTGS) and Government Securities Settlement (GSS) systems

The Central Bank implemented the RTGS and GSS systems in 2004 with the Auction module of the GSS system going live in February 2005. The Central Bank recently completed the first upgrade of both systems.

Intense preparations for the upgrade of the RTGS and GSS began as early as the last quarter of 2007 and the upgrade was completed on the weekend of the 14th of June 2008. Some of the key changes are as follows:

### Operator changes:

The major change for the Operator's system is an improvement in the

functionality of the database in order to provide more efficient processing, greater throughput and faster execution of SQL (Structured Query Language) queries. This means that the RTGS and GSS processing at the back-end will be more robust and efficient.

### User Changes:

#### RTGS:

- The client application is now a web based browser and is much more user-friendly.
- There is now a facility for two-way communication between the Central Bank and participants. Prior to the upgrade free format

messages only flowed in one direction i.e. from the Central Bank workstation to the participants of the RTGS system.

#### GSS:

- An additional layer has been added to the security architecture of the GSS system by which all trades now require a dual authorizing process by participants before any movements are accepted by the system.

Following implementation on the weekend of the 14th of June 2008, the systems were closely monitored by the Bank to ensure optimal performance.

No major problems have arisen.

This upgrade is significant as it has improved the functioning of the RTGS and GSS applications and by extension, ensures that the entire payments system maintains its robustness, integrity and availability.

We wish to take this opportunity to thank all the persons involved at the Central Bank for making this upgrade a success and a hearty thank you is extended to the system participants for their time and effort through the testing phase. ■

## The safe-tt, GSS and ACH Volume Meter

	2006	2007	Jan - Mar		April		May	
			2007	2008	2007	2008	2007	2008
<b>safe-tt</b>	26,924	34,222	7,614	10,146	2,783	3,688	2,716	3,609
<b>GSS</b>	6,970	11,975	2,980	3,356	1,342	904	1,224	1,138
<b>ACH</b>	190,431	978,318	128,653	433,677	54,702	160,051	67,547	168,078
<b>Total</b>	<b>224,325</b>	<b>1,024,515</b>	<b>139,247</b>	<b>447,179</b>	<b>58,827</b>	<b>164,643</b>	<b>71,487</b>	<b>172,825</b>

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