



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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Inside this issue:

The Automated Clearing House (ACH) system in Trinidad and Tobago: 2006 to Present

Banking on the Future Summit 2009

Payments Glossary

Safe-tt, ACH and Cheques Volume Meter

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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.

The Automated Clearing House (ACH) system in Trinidad and Tobago: 2006 to Present

1 The Automated Clearing House (ACH), called *Transach*, is jointly owned by six of the commercial banks and the Central Bank. The ACH is operated by the company, Trinidad and Tobago Interbank Payments System (TTIPS). This electronic payment system processes high volume, low value (less than TT\$500,000.00) transactions. Since its launch in January 2006, the ACH has experienced phenomenal growth in the number of transactions it processes. The new features recently added to the system are expected to stimulate further volume increase in the coming years. This article looks at the development of the ACH from 2006 to present.

The Core Values of the ACH

3 The ACH operations are based on four main principles (i) security, (ii) reliability, (iii) convenience of use and (iv) fast processing of transactions.

4 (i) **Security** - participation in the ACH network is limited only to authorised members, namely commercial banks and the Central Bank and triple level authentication, inclusive of biometrics, is required to access the system.

4 (ii) **Reliability** - this relates to the performance assurance of the system. To date there have been no major technical issues experienced with the system and there is an overall operating efficiency of 99.98%.

(iii) **Convenience** - the system utilises online banking portals and web access points for consumer accessibility.

(iv) **Speed** - finality of payment is achieved by the next business day.

How the ACH works

To use the ACH, an individual (or company) simply informs his bank that he wants to make a payment through this system and provides details of the payment such as the amount of the transaction, the beneficiary's account number, and the date for payment. Inasmuch as many businesses tend to process several transactions simultaneously, they sometimes find it more convenient to send an electronic file containing multiple requests to their bank for processing. The file can contain instructions to debit one or more of its accounts and/or to credit any number of accounts either within the same bank or at several banks. On receipt of these multiple requests, the files are sorted to separate those payments that are for accounts at the receiving bank from those that are for accounts at other banks.

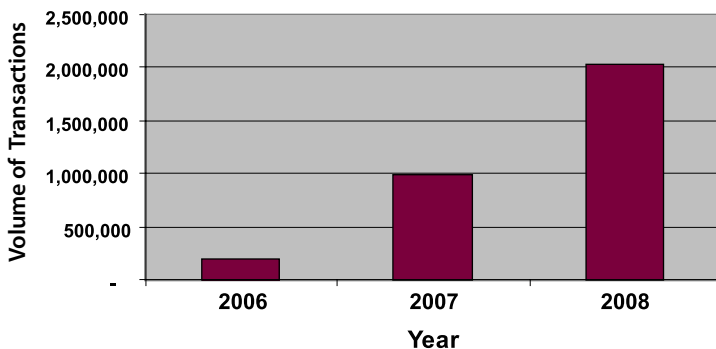
The Automated Clearing House (ACH) system in Trinidad and Tobago: 2006 to Present

All requests involving other banks, whether coming from individuals or businesses, are sent via a secure internet connection to the ACH operator. The ACH operator electronically sorts and delivers to each bank a list of its payments and receipts. It also calculates the net value for each bank and forwards this information to the Central Bank where each commercial bank's account, held at the Central Bank, is automatically updated. Payments transmitted through the ACH are available to the beneficiary by the following day.

Performance of the ACH

The ACH began operations in October 2005 (in pilot mode) and officially launched in 2006. Over the three year period 2006 - 2008, ACH transactions have increased significantly from 190,431 transactions in 2006 to 2,028,636 transactions in 2008. (See Diagram 1 below).

Diagram 1:
Volume of ACH Transactions 2006-2008



Benefits of the ACH

The major benefit of the ACH is that payment transactions are completed in a timely, convenient, secure and cost-effective manner. Common examples of these payments include salaries, annuities, pensions, mortgage and insurance payments, utility bills, cable TV subscriptions and club dues. For example in the case of payroll, a company can automatically pay its employees every month at accounts at any bank by sending a single ACH file of multiple payments to one bank. Funds are available to employees by the following day compared to the four days required for processing cheques.

Challenges encountered with the use of the ACH

One of the challenges encountered by TTIPS at the inception of the ACH system was resistance by consumers because the system was unknown. In addition there were concerns over the security and reliability of the system, especially audit trails and funds recovery. Thus TTIPS engaged in a marketing and promotion exercise to inform and educate the public about the benefits of using the ACH network. Presentations were held with interest groups and member banks were given additional support with their individual marketing initiatives. The company also launched the Transach brand shown below in June 2007 to provide for consumer product recognition and improved ACH perception.



Getting the Word out about the ACH

TTIPS engages in direct marketing and educational sessions with key stakeholders in the marketplace.

In an ongoing effort to educate the key stakeholders about the electronic payment systems in September 2008, the Central Bank of Trinidad and Tobago in conjunction with TTIPS hosted a conference on 'Electronic Payments in Trinidad and Tobago'. This was followed by TTIPS participation at the 'Trinidad and Tobago ICT Symposium' in November 2008 and presentations with the National Financial Literacy Program in June 2009.

TTIPS continues to assist its member banks in the development of their customer awareness programmes as well as in-house training programmes on the ACH. In this regard, TTIPS annually hosts sessions for its members banks with foreign trainers from the Electronic Payments Network, United States on areas such as:

- Resolving Customer Service Issues
- ACH Technical Specifications
- ACH Audit
- Conducting ACH Risk Assessments
- Fighting Payments Fraud



(L-R) Sharon Villafana, Glynis Alexander-Tam, Jonathon Nanan and Janice Woods at the Electronic Payments in Trinidad and Tobago Seminar



Participants at the Electronic Payments in Trinidad and Tobago Seminar

What's New: ACH Developments!

- ✓ In September 2007, TTIPS conducted upgrades to the ACH to ensure compliance with NACHA rules. Upgrades included modification to the 'return codes'.
- ✓ In 2008, TTIPS included 'addenda record' to its payment messages. Addenda records facilitate the transmission of additional payment details with each transaction.
- ✓ In 2009, TTIPS in conjunction with its participants is in the early stages of testing the CTX code which is designed to process bulk payments, e.g. insurance and credit card payments.

The CTX code will facilitate one-to-many processing, meaning that one payment could be transmitted with details of numerous beneficiaries.

- ✓ In July 2009 TTIPS will launch its website. The website will include a brief history of ACH, current developments, hyperlinks to online banking portals of participating members, ACH FAQ's, sample presentations, etc.

Banking on the Future Summit 2009

The "Banking on the Future Summit" is a bi-annual conference that is hosted by Infolink Services Limited in conjunction with e-finity group. The 2009 seminar was held at the Trinidad Hilton on the 4th and 5th of June. The forum provided an opportunity for members of the financial community to learn and explore strategic banking service development in the Caribbean region and beyond. Participants gained new insights into banking and interacted with experienced local and international practitioners in the field. Presentations focused on regionally pertinent topics and made use of case studies.



Mariano Brown, Minister of Finance (left) and Mahadeo Seerath, Chairman InfoLink Services Limited

of Finance who spoke on "What Are the Economic Realities that must be Resolved for the Future of the Financial Industry in the Caribbean?". Ms. Joan John, Deputy Governor Operations at the Central Bank of Trinidad and Tobago was the feature speaker on the second day. Ms. John spoke on the "Lessons to be learnt by the banking sector from the current financial crisis". There were a host of other speakers including representatives from Inter American Development Bank, RBTT Trinidad, TSTT Mobile Services, Trinidad & Tobago Stock Exchange, IBM Americas, Payment Solutions Group Canada and the Jamaica Bankers Association.

The two day event, which was focused on financial institutions making life easier for their customers while increasing growth for themselves, was opened by Minister Mariano Brown, Minister

The next Banking on the Future Summit is carded for 2011.

Payments Glossary



Here are 4 terms applicable to the Payments System:

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| 1 | Cheque | a written order from an account holder instructing his bank to pay upon request a specified sum of money to a named beneficiary. |
| 2 | ¹Interbank Payments System | any payment system between or among financial institutions which facilitates the transfer of money or the discharge of obligations on a gross or net settlement basis. |
| 3 | ¹Netting | an agreed offsetting of transfer orders, positions or obligations by trading partners or participants resulting in one net claim or one net obligation per participant or trading partner. |
| 4 | ¹Operator | the institution responsible for operating the Interbank Payment System. |

¹ Source: The Financial Institutions Act 2008.

Safe-tt, ACH and Cheques Volume Meter

Safe-tt, ACH and Cheques statistics 2006-2008

	2006	2007	2008
Safe-tt	26,924	34,222	43,062
ACH	190,431	987,318	2,028,636
Cheques	10,618,146	10,641,346	10,685,786
Total	10,835,501	11,662,886	12,757,484

Safe-tt and ACH statistics 2009

	Quarter I	Quarter II
	2009	2009
Safe-tt	11,212	11,795
ACH	575,047	621,837
Total	586,259	635,641



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