



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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*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.*

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## The Payments System Council: Highlights of a Study done on Understanding and Usage of Payment Options by Business in Trinidad and Tobago

In the last edition of the Payments Quarterly, we discussed the role of the Payments System Council of Trinidad and Tobago (PSC). In this issue we report on a recent study undertaken by the Council on the Understanding and Usage of Payment Instruments by businesses in Trinidad and Tobago.

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This survey was conducted over a period of four months from October 2009 to January 2010. Businesses of various sizes and across several sectors were asked about their understanding and use of various payment methods – cash, cheques, debit and credit cards, the Automated Clearing House (ACH) and the Real Time Gross Settlement (RTGS) systems. The major findings of the business survey were summarized according to the following three headings:

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- (i) Knowledge of Payment Methods;
- (ii) Use of Instruments;
- (iii) Payment Preferences.

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### Knowledge of Payment Methods

In addition to Cash, there is broad-based knowledge of payment methods such as - Cheques, Debit and Credit Cards - across business sectors; however knowledge of newer electronic methods is significantly less. In particular, only about half of respondents had knowledge of the automated Clearing House (ACH). The extent of their knowledge varied among sectors, being least in the Construction sector.

A fewer number of respondents - approximately a quarter - had knowledge of the RTGS. It is not altogether surprising that knowledge of the RTGS is less than that of the ACH since the former is targeted to transactions with a value of over \$500,000. Knowledge of both the ACH and RTGS is higher among large and medium sized businesses than among small and micro businesses.

### Use of Instruments

Cheques remain the most commonly used non-cash instruments for both making payments and receiving funds. A larger number of companies reported that they used cheques to make payments than the number reporting that they received funds by this means. For example, within the Distribution sector, about 90 per cent of respondents use cheques to effect payments, while only about 50 per cent indicated that they got their receipts by this means.

## The Payments System Council: Highlights of a Study done on Understanding and Usage of Payment Options by Business in Trinidad and Tobago (continued)

About 20 per cent of respondents reported that they use the RTGS or the ACH for either payments or receipts, noticeably less than the amount reporting that they had knowledge of these instruments.

### Payment Preferences

All sectors, irrespective of size of business, indicated a preference for making payments by cheque; however with regard to receipts, a significant number had a preference for the ACH followed by the RTGS.

The preference for receipts by electronic means is encouraging, although the asymmetry relative to payments would suggest that there is less than full appreciation for the efficiencies to be derived from the newer electronic methods.

Respondents were also asked to indicate the areas in which they would like to see improvements with each of the payment methods. For all means of payment other than cash, the need for improved customer support was mentioned. This suggests a need to ensure that those providing payment services are adequately knowledgeable and have the capacity to properly advise and assist users.

### Application of Survey Results

The results of this survey will be used by the PSC to inform further research in the area; address issues and suggestions for improvement in payment methods; and encourage the usage of electronic payments through its planned education programme. ■

	Good Understanding	High Usage for Receipts	High Usage for making payments	Preference for Receipts	Preference for making payments
<b>Cheque</b>	26	61	73	23	34
<b>Debit Card</b>	25	4	1	17	7
<b>ACH</b>	16	8	15	27	30
<b>Credit Card</b>	24	10	4	7	7
<b>RTGS</b>	9	5	6	21	21
<b>Cash</b>	Assumed High	12	1	5	1

## Regional Central Bank Operations Managers' Conference

The Regional Central Banks Operations Managers' Conference was hosted by the Central Bank of Trinidad and Tobago during the period 3rd to 5th May, 2010. This is an annual undertaking rotated among member Central Banks.

Participants included representatives from the Central Bank of Belize, Central Bank of Barbados, the Bank of Guyana, the Eastern Caribbean Central Bank and the Central Bank of Jamaica as well as the Central Bank of Trinidad and Tobago.

The theme of the conference was "Increasing Productivity and Efficiencies in the Operations of Central Banks". The objectives of the meeting were to discuss ideas/share solutions on common operational challenges; foster business relationships among operations personnel of the regional central banks; and thus effect positive change among Banks in the region.



Governor Ewart S. Williams addresses the participants to the conference

The conference covered a range of topics. These included:

- Payments System Reform
- Foreign Reserve Management
- Currency security features
- IMF Special Drawing Rights Allocations (SDR)

The Central Bank of Trinidad and Tobago and its local payments system operators made presentations on the Real Time Gross Settlement System, Automated Clearing



Participants at the Regional Central Bank Operations Managers' conference

House, Payments System Oversight, the local debit card clearing system LINX and the Government Securities Settlement System.

In addition to fostering new relationships, the conference informed participants of regional developments in central banking as well as created the opportunity for bankers to share solutions for common operational issues. ■

## The Bank of Jamaica launches its RTGS<sup>1</sup>



In 2005, the Central Bank of Jamaica embarked on a comprehensive plan to modernize the payments and settlement infrastructure to bring their systems in line with international best practice in terms of design, operation and legal underpinnings. The scope of the reform included strengthening the legal framework for the payments and settlement systems, reducing inefficiencies and potentially serious systemic risks. One of the major elements of the reform was the launch of a Real Time Gross Settlement (RTGS) system for the settlement of large-value, inter-bank payments.

Jamaica's RTGS system was implemented on 27th February, 2009.

It is an online electronic payment processing system for settling transactions of financial institutions. Jamaica's RTGS system, called *JamClear-RTGS*, replaces the Bank-owned and operated inter-bank electronic funds transfer system (end-of-day batch-based system), the Customer Inquiry and Funds Transfer System (CIFTS).

*JamClear-RTGS* is governed by agreed rules and procedures that were developed in collaboration with market participants to meet international guidelines. There are twenty-one direct participants in *JamClear-RTGS*. They comprise seven commercial banks, two merchant banks, eleven primary dealers and the Bank of Jamaica. The Jamaica Central Securities Depository (JCSD) is also a participant, with accommodation specifically

related to its role as settlement agent for the transactions executed through the Jamaica Stock Exchange (JSE).

To ensure safety and efficiency in the system, all payments are final and irrevocable, which provides effective mitigation against systemic risk. In the event that participants do not have funds to settle, they have the option of obtaining funding from the Central Bank's intra-day facility.

A total of 97,430 transactions with a value of over Jam\$7.4 trillion was processed in the system during the period 27th February to 31st December 2009. ■

<sup>1</sup> Source: Adapted from the Bank of Jamaica's presentation entitled 'Payments System Reform-Jamaican Experience' by Marcia Bair at Regional Central Bank's Operations meeting 3rd May, 2010; Bank of Jamaica Annual Report 2009.



## Operators Spot GOVERNMENT SECURITIES SETTLEMENT (GSS) SYSTEM

The Government Securities Settlement (GSS) System is an automated auction system and depository that was implemented by the Central Bank in 2005. It is used to carry out auctions of government (and some state enterprises) securities (bills, notes and bonds) and to maintain an electronic register of holders of these issues. It also provides an online record of all movements that have taken place within holders' accounts. The automation of these activities was undertaken in order to reduce risk, increase efficiency and transparency in securities transactions, as well as facilitate better record keeping.

From implementation, the GSS has been inextricably linked to the Real Time Gross Settlement (RTGS) system to enable delivery versus payment in the primary market. The system, via linkage to the Stock Exchange also enables delivery versus payment for secondary market trading.

Since 2005, two broad categories of improvements have been implemented to the GSS system:

- Enhancements to facilitate use of the system and improve efficiency. For instance, core data on any registered holder never has to be rekeyed.
- Interfaces to other systems to improve efficiency and manage overall risks. These include the development of automated links to the Bank's accounting system and other payment systems - the Automated Clearing House (ACH) and the cheque system.

The Bank continues to explore ways and means of upgrading the GSS system with a view to enhancing efficiency of the government securities market. ■



# Payments Glossary



Here are 5 terms<sup>2</sup> applicable to the Payments System:

1. Payment Instrument	Every paper-based electronic or other means of effecting the transfer or withdrawal of money.
2. Funds Transfer System	A formal arrangement based on private contract or statute law, with multiple memberships, common rules and standardized arrangements, for the transmission and settlement of money obligations arising between the members.
3. 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.
4. Real-time Gross Settlement (RTGS)	The continuous (real-time) settlement of funds or securities transfers individually on an order by order basis (without netting).
5. Intraday Liquidity	Funds which can be accessed during the business day, usually to enable financial institutions to make payments in real time.

<sup>2</sup> Source: A glossary of terms used in payments and settlement systems, Committee on Payment and Settlement Systems, Bank of International Settlement March 2003; <http://www.answers.com/topic/corporate-trade-exchange-ctx>; FIA 2008.

## Safe-tt, ACH and Cheques Volume Meter

Safe-tt, ACH and Cheques statistics 2006-2010<sup>3</sup>

	2006	2007	2008	2009	2009 Apr-Jun	2010 Apr-Jun
<b>Safe-tt</b>	26,924	34,222	43,062	46,166	11,795	11,858
<b>ACH</b>	190,431	987,318	2,028,636	2,585,502	622,283	694,999
<b>Cheques</b>	10,618,146	10,641,346	10,454,213	9,758,883	2,426,200	2,416,256
<b>Total</b>	<b>10,835,501</b>	<b>11,662,886</b>	<b>12,525,911</b>	<b>12,390,551</b>	<b>3,060,278</b>	<b>3,123,113</b>

<sup>3</sup> Data provided by Payments System Operators.



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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