



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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Highlights on the Electronic Transactions and Data Protection Bills¹

The Government of Trinidad and Tobago established an ICT team in May 2003 to develop, among other things, appropriate enabling legislation and policies to facilitate e-commerce. To date the team has prepared two pieces of legislation, namely the Electronic Transactions and Data Protection Bills.

Electronic Transactions Bill

The Electronic Transactions Bill provides the enabling legal framework for the recognition of electronic documents, records, contracts (with specific exceptions), as well as the rules governing any electronically-enabled business transaction, commonly called “e-commerce”. It also establishes the framework by which persons who provide electronic authentication (or “certification”) services are regulated and facilitates the recognition of electronic signatures².

The main highlights of the Bill are as follows:

1. It sets out the requirements to be met by an electronic document so that it may be legally recognized as being valid as its paper equivalent.

2. It provides the overarching framework for the recognition of electronic signatures.
3. It establishes the framework that will guide the regulation of persons who shall provide accredited third party authentication services.
4. It treats with the responsibilities of the parties involved in the provision of support services in e-commerce, namely, intermediaries and communications service providers.
5. Additionally, it provides that Government and/ or Public Authorities may engage in electronically facilitated transactions in the conduct of business.

Data Protection Bill

The Data Protection Bill provides for the protection of personal information of citizens of Trinidad and Tobago, primarily where such information

¹ Based on information provided by the Legal Services Division of the Ministry of Public Administration, February 2009.

² Electronic signatures are electronic symbols, codes or attestations that will have the same effect as a personal, written signature.

Highlights on the Electronic Transactions and Data Protection Bills (continued)

is held by public authorities. It also provides mechanisms for similar protections with regard to the private sector.

It is important to note that whereas the Freedom of Information Act (FOIA) provides a general right of access to members of the public to information in the possession or control of Public Authorities, the Data Protection Bill seeks to strike the appropriate balance in the granting of access to personal and sensitive information of an individual to members of the public as well as to other third parties.

The main highlights of the Bill are as follows:

1. It provides for the office of the Data Commissioner. He/she when appointed can hold office for five

years and will be responsible for ensuring compliance with the Act and promoting the development of codes of conduct.

2. It also provides for the protection of personal data by Public Authorities. It requires that personal information be collected directly from the individual and that they are informed about the reason for so doing. It also requires a public authority to retain personal information it has used for a specified period of time and keep all personal information secure.
3. It gives citizens of Trinidad and Tobago the right to access their personal information that is contained in a personal information bank and any other

personal information which is in the custody or control of a public authority.

4. It provides for the protection of personal information by the private sector. The Bill requires persons who collect and store personal information to follow General Privacy Principles.
5. It sets out the offences under this Act. For example it is an offence for a person to willfully obstruct the Data Commissioner while carrying out an audit or an investigation. It is also an offence for a person to make a request for information under false pretences. (There are penalties applicable.)■

Electronic Payments - The RTGS System

The Real Time Gross Settlement System (RTGS) in Trinidad and Tobago was established by the Central Bank in October 2004. It is a fully automated system through which large value (\$500,000 and over) and time-critical payments are cleared and settled. In Trinidad and Tobago the name given to our RTGS is **safe-tt**, which stands for **Settlement Assured for Financial Exchange in Trinidad and Tobago**.

How safe-tt works

To use **safe-tt**, a payer simply has to inform his banker that he wishes to use this system and provide details of

the payment such as the beneficiary, the bank and branch, the amount and account number to be credited and the purpose of the payment. As long as the payer has sufficient funds, the bank would send instructions electronically through **safe-tt** to the requested bank for credit to the beneficiary's account. **Safe-tt** uses the SWIFT messaging system, which is used internationally by central banks to send payment instructions.

Benefits of safe-tt

1. Payments made via **safe-tt** are prompt and certain. There is same-day access to funds;

2. Improved bank liquidity management as banks are able to keep track of all inflows and outflows to their account held at the Central Bank in real time;
3. It reduces risks within the payments system as there is prompt and final settlement of large payments on an individual transaction basis;
4. Based on worldwide experience, RTGS transactions are more efficient and cost effective than cheque transactions. This is demonstrated in the following example:

Electronic Payments - The RTGS System (continued)

- Assume that in one case Company A makes a payment of \$500,000 to Company B by cheque and in another case makes a payment to Company C through the RTGS. As shown in the table below, Company C would have access to its money 4 working days ahead of Company B. This is because banks have 4 working days within which to return a dishonoured cheque to the branch at which it was deposited. Only after this period therefore there is finality of payment.

Performance

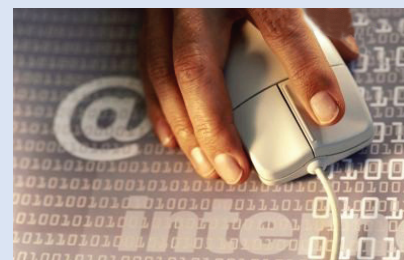
Since its launch on October 14, 2004, the number of transactions processed through **safe-tt** has increased consistently. The volume of payments has grown from just approximately 21,000 in 2005, the first full year of operations, to just over 40,000 in 2008.

Conclusion

Over time, the goal is to have all large value transactions made electronically

Date	Company B	Company C
03.09.08	Company A pays Company B \$500,000 by cheque. Company B has to deposit the cheque in its bank. If it is a branch, then the branch takes this to the main centre on the same day so that it can be presented to Company A's bank for clearing.	Company A pays Company C \$500,000 by RTGS. Company C receives funds the same day and can either invest this sum, use it to reduce its overdraft or meet some other commitments.
04.09.08	Company A's bank agrees to pay Company B's bank subject to verification of the cheque. Interest begins to accrue; however the principal is not available for Company B's use until verification of the payment in another 3 working days.	
08.09.08	Company B can now use the \$500,000.	

and so cleared and settled through the RTGS. This would substantially improve the safety of the payments system. Further information on the payments system can be obtained from the Bank's website, www.central-bank.org.tt/financial_stability. ■



Q & A on E-money

The Financial Institution (FIA) 2008 was passed as law in December 2008. This Act provides for the regulations of commercial banks and non-bank financial institutions which engage in the business of banking and business of a financial nature operating within Trinidad and Tobago. It also provides the regulatory framework for payments systems. Among other things, the Act addresses the concept of electronic money. Listed below are three Questions and Answers designed to explain the business of electronic money.

What is electronic money?

'Electronic money' refers to monetary value represented by a claim on the issuer, which is:-

- a) stored on an electronic device;
- b) issued on receipt of funds of an amount not less in value than the monetary value issued; and
- c) accepted as a means of payment by persons other than the issuer.

What entities can engage in electronic money business?

Licensed financial institutions and any other institution licensed by the Central Bank may carry out the business of electronic money. The Minister of Finance may also grant special permission, upon the advice of the Central Bank, to any other categories of persons other than the licensees to issue e-money.

Q & A on E-money (continued)

What role does the Central Bank play in ensuring that persons approved to issue electronic money are doing so in an acceptable manner?

The Central Bank has a statutory obligation to oversee the operations of entities that

are approved to issue electronic money. In so doing, the Bank has the power to:-

- a) impose terms and conditions as it sees fit on any entity approved to issue electronic money;
- b) issue directives as it sees fit to the

persons approved to issue electronic money; and

- c) revoke approval to issue electronic money if the person is in breach of the terms and conditions imposed or directed by the Central Bank. ■

Payments Glossary



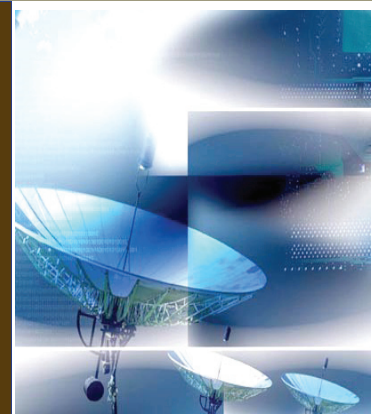
Here are 4 terms² applicable to the Payments System:

1	Financial Entity	A licensee, a person registered under the Insurance Act, and any company or unincorporated body whether incorporated or constituted in Trinidad and Tobago or elsewhere that carries on a business that includes the provision of any financial service and includes the holding company of any such financial entity.
2	Payments System 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.
3	Payment Instrument	Every paper-based, electronic or other means of effecting the transfer or withdrawal of money.
4	Payment System	Any organized set of infrastructure, persons, procedures and rules allowing the transfer of money, including by means of payment instruments, or the discharge of obligations on a gross or net basis.

² Source: The Financial Institutions Act 2008.

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

	Jan - Mar				
	2006	2007	2008	2008	2009
safe-tt	26,924	34,222	43,062	10,146	11,212
GSS	6,970	11,975	14,444	3,356	4,193
ACH	190,431	978,318	2,028,636	433,677	575,047
Total	224,325	1,024,515	2,086,142	447,179	590,452



Payments Quarterly replaced the *safe-tt* newsletter from 2008.

Payments Quarterly is published quarterly by the Central Bank of Trinidad and Tobago, Eric Williams Plaza, Independence Square, Port-of-Spain.

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