



CENTRAL BANK OF TRINIDAD & TOBAGO

Payments Quarterly

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

Volume 1. Issue 3

September 2008

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Electronic Payments in Trinidad and Tobago Seminar



L-R Ms. Joan John, Deputy Governor, Operations, Central Bank of Trinidad and Tobago addressing the seminar while Mr. Massimo Cirasino, Head of the Payments System Development Group, World Bank and Mr. Tim Mills, Vice President, Association Services Electronic Payments Network listen attentively.



L-R Ms. Sharon Villafana, Payments System Coordinator, Central Bank of Trinidad and Tobago introduces panelists, Ms. Glynis Alexander-Tam, General Manager LINX; Mr. Jonathan Nanan, Manager, Trinidad and Tobago Interbank Payments System and Ms. Janice Woods, Manager, Banking Operations, Central Bank of Trinidad and Tobago.

The Central Bank of Trinidad and Tobago in conjunction with the Trinidad and Tobago Interbank Payments System (TTIPS) hosted a seminar on **Electronic Payments in Trinidad and Tobago** at the

conference facility of the Central Bank on Thursday 25th September 2008. Approximately one hundred senior officials from the public and private sectors participated in the seminar.

Electronic Payments in Trinidad and Tobago Seminar (continued)

There were two international presenters; Mr. Massimo Cirasino, Head of the Payments System Development Group, World Bank, who addressed the topic “Payments System Worldwide, Outcomes from the Global Payment System Survey 2008” and Mr. Tim Mills from the Electronic Payments Network, who discussed the topic “Developments in Retail

Payments Internationally”. Officials from the Central Bank and local system operators also made presentations. The topics covered were the Real Time Gross Settlement System (RTGS), the Automated Clearing House (ACH), LINX and the Oversight function.

The seminar sought to bring together as wide a cross section of stakeholders

as possible. This quarterly newsletter provides excerpts from some of the presentations made at the seminar. For further details please contact the Payments System Department at the Central Bank or e-mail your questions to the address provided at the back of this publication. ■



Mr. Massimo Cirasino
Head of Payments System Development Group
World Bank

Payments Systems Worldwide: A Snapshot. Outcomes of the Global Payment Systems survey 2008.

The World Bank's Global Payment Systems Survey 2008 results were based on an analysis of the 128 responses from the 142 countries to whom a detailed questionnaire was sent. The survey focused on large value payment systems, retail payment systems, remittances, payments system oversight and current reforms.

Large value and retail payments

There were 112 countries with Real Time Gross Settlement (RTGS) systems of which 108 were operated by central banks. Only fifteen of the RTGS systems also processed transactions in foreign currency. The survey showed that there was still a

relatively high usage of cheques for large value payments in Latin America and Caribbean countries (LAC).

The central bank's role in providing the necessary policy guidance was critical for the private sector to make the necessary investments in the payment systems.

Oversight

Mr. Cirasino indicated that the central banks in half of the countries surveyed had explicit powers of oversight while the other half had only implied authority. Approximately 80% of those countries with implicit powers were from LAC countries.

Generally it was found that central banks preferred to carry out their oversight function using “soft” instruments such as dialogue and moral suasion. About one third or less

of the central banks surveyed used more “formal” oversight instruments such as issuing regulations and sanctions as well as conducting onsite inspections.

Remittances

The World Bank's “*General Principles for International Remittance Service*” addresses the global challenges of lowering remittance costs, increasing performance and ensuring safer transfers. The survey found that within the remittance sector:

- Transparency was still insufficient in some corridors;
- Remittance services provided by banks were more costly and slower than their non bank counterparts;
- Corridors from Spain, Singapore, US and UK were less expensive on an average. ■



Ms. Joan John
Deputy Governor, Operations
Central Bank of Trinidad and Tobago

Recent Developments in the Trinidad and Tobago Payments System – Electronic Payments

Payment Instrument/System	Clearance and Settlement Time
Cash payments	Instantaneous
Cheques	Up to 4 days.
Real Time Gross Settlement System	Same day
Automated Clearing House (ACH)	Next Day

Clearance and Settlement Time Frames in Trinidad and Tobago

Deputy Governor, Operations, Ms. Joan John, provided a synopsis of the status of electronic payments in Trinidad and Tobago. Some of the main take aways from this presentation were:

- the processes of clearance and settlement;
- The benefits of electronic payments to the consumer, businesses and the country.

Ms. John defined the terms clearance and settlement as follows:

“Clearance refers to the process of verification that the payer has the money to make the payment and that the payment method by which the transaction is effected is valid.

Settlement refers to the exchange of value from the payer to the beneficiary.”

The table above shows clearance and settlement timeframes for different payment methods:

Ms. John stated that some of the benefits of electronic payments for the public were:

- convenience – in terms of the speed of Clearance and Settlement time;
- time saving – there are less visits to the bank; and
- a lower transaction cost - electronic payments are cheaper than traditional standing orders.

Businesses benefit from the use of electronic payments through:

- improved payment reliability;
- improved convenience and security;
- more efficient treasury and back-office management; and
- reduced operating costs.

Ms. John indicated that electronic payments also reduced systemic risk by producing finality and irrevocability in the case of large value payments and improved system efficiency through reduced settlement time and costs.

Some current initiatives in the local payments system sector include the finalization of the legal framework for the payments system, oversight of the payments system and the enhancement of the membership of the Payments System Council. ■



Ms. Sharon Villafana,
Payments System
Coordinator,
Central Bank
of Trinidad and
Tobago

Central Bank and Payments System Oversight

Ms. Sharon Villafana, Payments System Coordinator at the Central Bank of Trinidad and Tobago explained that the, *“Oversight of payment and settlement systems is a Central Bank function whereby the objectives of safety and*

efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing change.”

Ms. Villafana explained that safety relates to the assurance of payment and efficiency was viewed in the context of the relevance of the particular instrument in terms of both cost and efficacy, the treatment of associated risks and the system’s operational effectiveness.

The oversight function process included:

- Periodic assessments of the payments system against the internationally accepted standard, the Core Principles for Systemically Important Systems.
- Monitoring payment instruments/ networks through the regular collection and analysis of payment system data.

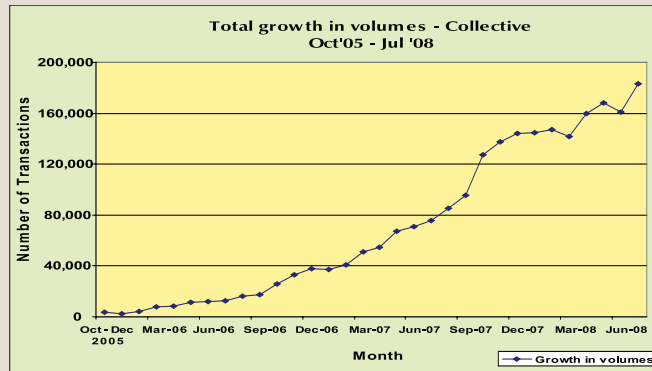
The Bank plans to incorporate a more risk-based approach to oversight in the near future. ■

¹ Definition taken from a publication by the Committee on Payment and Settlement Systems - ‘Central Bank oversight of payment and settlement systems’ May 2005.

TTIPS, the Automated Clearing House



Mr. Jonathan Nanan
Manager
Trinidad and Tobago Interbank
Payments System



Growth in ACH transactions during the period October 2005 to June 2008

The Manager of the Trinidad and Tobago Interbank Payments System (TTIPS), Mr. Jonathan Nanan, made a presentation on the Automated Clearing House (ACH), as part of a panel discussion by system operators.

He gave a brief history of the genesis of TTIPS which was formed in October 2004. In October 2005, TTIPS began processing payments in full production mode and the system was officially launched in January 2006.

Mr. Nanan explained that the ACH used a batch processing system.

Files of multiple transactions, sent by customers to their bankers, are accumulated throughout the day and transmitted in batches at specified times to the ACH. The ACH Operator (TTIPS), via data transmission, accepts ACH transactions from originating banks, sorts the transactions by destination and delivers them to receiving banks. The receiving banks in turn credit/debit their customers' accounts.

Mr. Nanan also shared some of the benefits to be derived from use of the ACH. These include reduced costs in terms of fees and administrative costs,

improved efficiency (less manual processing with a faster turn over rate) and improved employee satisfaction. Since its launch, approximately 2.5 million transactions with a value of over TT\$14 billion have flowed through the system.

Current initiatives being undertaken by TTIPS include the introduction of additional payment details to accompany transactions and the introduction of additional SEC codes for enhanced functionality. ■

The safe-tt, GSS and ACH Volume Meter

	2006	2007	Jan - Mar		April - June		July - Sept	
			2007	2008	2007	2008	2007	2008
safe-tt	26,924	34,222	7,614	10,146	8,014	10,793	8,465	11,179
GSS	6,970	11,975	2,980	3,356	3,632	3,519	2,654	3,996
ACH	190,431	978,318	128,653	433,677	193,116	489,162	256,302	516,409
Total	224,325	1,024,515	139,247	447,179	204,762	503,474	267,421	531,584

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

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