



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# safe-tt



safe-tt is a newsletter on developments in the Payments System in Trinidad and Tobago

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## Combating the Paper-Based Cheque Culture in Trinidad and Tobago

The challenge of persuading individuals and businesses to use safer and faster electronic based payment systems, such as the Automated Clearing House (ACH) for low value payments and the Real Time Gross Settlement System (RTGS) for time critical, high value payments, as an alternative method to the paper-based cheque, remains a key priority for the Central Bank at the close of 2007.

For the period October 2006 to September 2007, 31,820 transactions were recorded on the RTGS as compared to 25,128 for the same period of the previous fiscal year. This represented an increase of 27% in the number of transactions. While there has been significant growth in RTGS payments, this figure still only represents a small portion of the volume of large value cheques generated domestically.

In an attempt to better understand the less than optimal use of electronic based payments, the Central Bank solicited feedback from a number of potential and existing business clients. The comments are summarized below.

1. Some businesses are comfortable with the traditional means of issuing payments as this has been their modus operandi for a number of years –Inertia.
2. Some businesses claim that cheques are more familiar payment instruments and are well established in the operational procedures of their account payable and receivable units. -Legacy systems and operating procedures.
3. Some cash management/accounting systems were purchased long before electronic payments options were available in Trinidad and Tobago and thus the media required to facilitate sending and receiving electronic payments cannot be implemented without great expense to the institution. - Legacy systems and set up cost considerations.



4. Some firms expressed concern over the sufficiency of details for the posting of transactions received via the Automated Clearing House. –Audit Trails
5. In the government's case, existing legislation does not readily support the adoption of electronic payments-Legislative issues

Let us take this opportunity to treat with some of these perceptions. Change is a fundamental aspect of positive growth and institutions must move forward in order to take full advantage of the improvements afforded by advancements in technology. The cost associated with making these changes often prove to be far smaller by comparison to the ultimate cost of being left behind.

As with all new initiatives some minor adjustments will be required until processes are streamlined. The planned inclusion of addenda records in transactions processed through the ACH will create the audit trails necessary for the better identification of payments.

There are some disadvantages associated with paper based payment instruments which may not be very apparent.

1. Cheques take a long time to clear.
2. High value cheques that are returned could compromise the credibility of businesses.
3. Fraud is a very real threat in the paper environment and losses can undermine the stability of commercial enterprises.

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## Combating the Paper-Based Cheque Culture in Trinidad and Tobago



Conversely there are quite a few advantages to be derived from the use of Electronic Payments.

1. Electronic payment systems provide greater security and increased transaction speeds.
2. Electronic payment methods are significantly more cost effective than cheque issuances.
3. Businesses that employ electronic payment systems will have improved Treasury Management as transactions are settled in a relatively short time ranging from same day value over the

RTGS, to a maximum of 48 hours via the ACH.

More local businesses would take advantage of e-payment facilities if they could better appreciate how these payment options enhance the efficiency of their overall businesses, in particular, cash flow management. Therefore the Central Bank will be placing greater emphasis on the promotion of electronic payment systems in the New Year.

Already in 2006, in order to promote the use of electronically-based payment systems

and in particular the use of the RTGS system, the banking sector introduced the following initiatives:-

1. Effective September 17th, 2007 a fee of TT\$100.00 was implemented by all commercial banks and the Central Bank for the processing of high value cheques.
2. All cheques are now subject to T+1 settlement at best thereby ensuring a stricter adherence to clearing times. ■

## An Update on Government's e-Payments Initiative

Part of the responsibilities of the Treasury Division of the Government is to ensure that adequate and up-to date financial management and accounting systems are in place in the Public Service. Two systems reviewed by the Treasury Department which have been selected for upgrade/replacement are the Cheque Writing System (CWS) and the semi automated payroll system at the National Information Systems Centre (NISC).

In keeping with its mandate to increase efficiencies and improve service delivery to clients, the Ministry of Finance commenced the implementation of two new systems in July of 2005 - the Government Payment System (GPS) and the Integrated Global Payroll (IGP) system - which are intended to replace the CWS and the system at the NISC respectively.

### Integrated Global Payroll (IGP)

The IGP system is a fully automated payroll solution which is integrated with the Government's Human Resource Information System (IhRIS). Roll out of

the system for monthly paid employees was completed in May 2006 and to date over 85,000 employees and Government pensioners are paid via this system. At present the system provides electronic information to commercial banks and third parties and with the implementation of the GPS will facilitate the payment of salaries, wages and allowances directly to employees' bank accounts.

### Government Payment System (GPS)

The GPS is a web based integrated solution, which facilitates central control, support and maintenance. The benefits of this system are to be derived from the increased functionalities which include Electronic Funds Transfer (EFT) via the Automated Clearing House (ACH) and the Real Time Gross Settlement System (RTGS) and Automated Cheque Reconciliation.

The solution has been assessed as meeting 90% of the Treasury Division's requirements and it is expected that the cheque module will be implemented in pilot Ministries within this financial year.



There are still some challenges which must be overcome in order to meet the time frames identified.

- i. The Exchequer and Audit Act Chapter 69.01 must be amended to facilitate electronic funds transfer.
- ii. Bank account numbers of all employees in the Public Service must be collected and validated and the database updated.
- iii. the solution has to be rolled out to all 41 Accounting Units

The government is committed to bringing a timely resolution to these issues and continues to hold discussions with various stakeholders. ■

# Q & A Money Laundering IV<sup>1</sup>

The Central Bank has produced guidelines on how to combat money laundering and terrorist financing and this document is easily available for more in-depth analysis on the Bank's website. In this issue we would like to focus on money laundering the processes to be carried out by financial institutions in maintaining proper record keeping.



## How can Financial Institutions Keep Proper Records?

### General Record Keeping Requirements

1. Financial institutions must retain for a minimum of six<sup>2</sup> years, all necessary records on transactions, both domestic and international to enable them to comply with lawful information requests from law enforcement authorities.
2. Business transaction records must be kept in sufficient detail and appropriate form to permit reconstruction of individual transactions (including the amounts and types of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity. These records must be made available to law enforcement authorities in the context of relevant criminal investigations and prosecutions.
3. Financial institutions should keep

records on the identification data obtained through the customer due diligence process (e.g., copies or records of official identification documents like passports, drivers' permits and identity cards), account files and business correspondences for at least six years after the business relationship has ended

### Large/Suspicious Transaction Records

1. Financial institutions should review and properly document the background and purpose of all complex, unusual, or large transactions and all unusual patterns of transactions, which have no apparent economic or lawful purpose.
2. Every financial institution which receives cash, bank cheques, drafts, money orders or travellers' cheques in an amount in excess of the threshold shall keep and retain a large transaction record that includes at a minimum, the information outlined in paragraph 3(i) of the draft Financial Obligation Regulations.

### Register of Enquiries

1. Financial institutions should maintain a register of all enquiries made to them by the law enforcement authority or other local or foreign authorities acting under powers provided by the relevant laws or their foreign equivalents.
2. The register should be kept separate from other records and contain as a minimum the following details: -
  - (a) the date and nature of the enquiry;
  - (b) the name and agency of the enquiring officer; and
  - (c) the powers being exercised. ■



<sup>1</sup> Source: Guidelines on Combating Money Laundering and Terrorist Financing, Central Bank of Trinidad and Tobago, December 2005..

<sup>2</sup> The legal requirement for retention varies by type of record. Retention of records for 6 years satisfies all requirements.

## ABC...Glossary on the Payments System



Here are 6 terms applicable to the Payments System:

<b>Clearing House</b>	An association of depository institutions that facilitates the clearing of cheques and electronic items through the direct exchange of funds among members.
<b>Electronic Money</b>	Value stored electronically in a device such as a chip card or a hard drive in a personal computer.
<b>Money Laundering</b>	The attempt to conceal or disguise the ownership or service of the proceeds of criminal activity and to integrate them into the legitimate financial systems in such a way that cannot be distinguished from assets acquired by legitimate means.
<b>Prepaid Card</b>	A card on which value is stored, and for which the holder has paid the issuer in advance.
<b>Single-purpose prepaid card</b>	A store value card for which the card issuer and merchant (card acceptor) are identical, thus representing a prepayment for specific goods and services delivered by the issuer.
<b>Multi-purpose prepaid card</b>	A prepaid card which can be used at the outlets of several service providers for a wide range of purposes, and which has the potential to be used on a national or international scale but may sometimes be restricted to a certain area. ■

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

The actual volumes of payment transactions to date are as follows:-

Date	safe-tt	GSS	ACH
January 2006	1889	372	2547
February 2006	1819	683	4119
March 2006	2321	578	8071
April 2006	1959	401	8201
May 2006	2313	438	11581
June 2006	2173	466	11787
July 2006	2237	599	12817
August 2006	2184	377	16404
September 2006	2302	658	17596
October 2006	2477	624	25931
November 2006	2869	1138	33102
December 2006	2381	636	38069
January 2007	2490	756	37285
February 2007	2546	1507	40601
March 2007	2578	717	50767
April 2007	2783	1342	54702
May 2007	2716	1224	67547
June 2007	2515	1066	70867
July 2007	2882	943	75451
August 2007	2843	577	85448
September 2007	2740	1134	95403
October 2007	3456	938	127380
November 2007	3409	859	137548
December 2007	3264	912	144319

