



CENTRAL BANK OF
TRINIDAD & TOBAGO

IMPROVING THE PAYMENT SYSTEM IN TRINIDAD AND TOBAGO

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PRESENTATION OUTLINE

WHAT IS A PAYMENT SYSTEM?

WHY THE NEED FOR MAJOR PAYMENT SYSTEM REFORM?

WHAT ARE WE DOING IN TRINIDAD AND TOBAGO?

KEY POLICY PROPOSALS FOR THE PROPOSED PAYMENT SYSTEMS LEGISLATION

IMPLICATIONS FOR CROSS-BORDER PAYMENTS

QUESTION AND ANSWER SESSION



WHAT IS A PAYMENT SYSTEM?

“A set of instruments, procedures, and rules for the transfer of funds between or among participants; the system includes the participants and the entity operating the arrangement.”

Bank for International Settlement (BIS) Definition

“Any organised set of infrastructure, persons, procedures and rules allowing the transfer of funds including by means of payment instruments, or the discharge of obligations on a gross or net basis and includes interbank or non-interbank payment systems.”

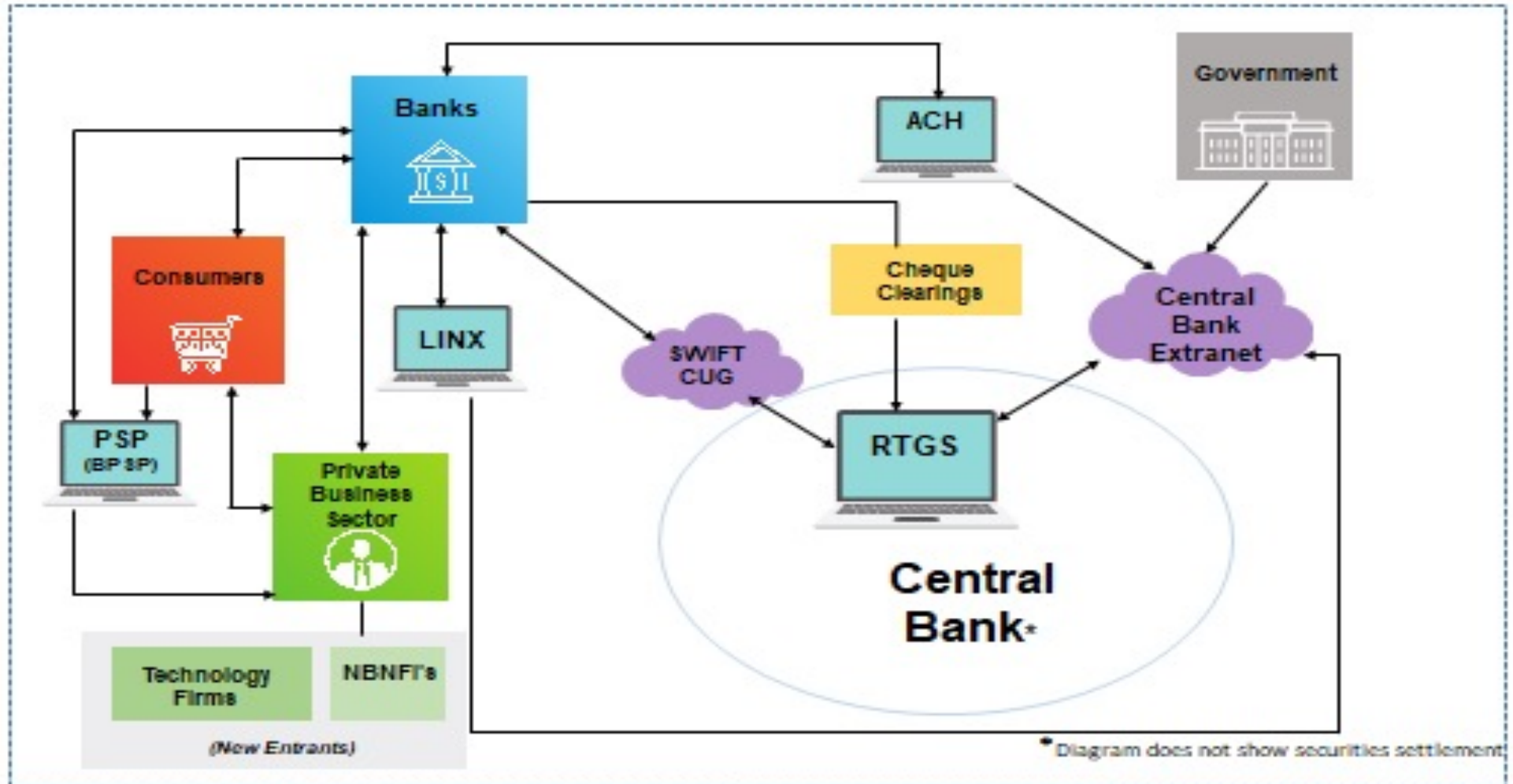
Proposed Definition under the Policy Proposal Document

WHY IS A PAYMENT SYSTEM IMPORTANT TO YOU?

- 1 Backbone of the economy.**
 - *Allows for the effective clearance and settlement of monetary and financial transactions among parties.*
- 2 Support financial stability and confidence in the financial system.**
- 3 Facilitates economic activity; transfer of money and e-commerce.**
- 4 Promotes financial inclusion.**

OVERVIEW OF T&T'S PAYMENT SYSTEM LANDSCAPE

Landscape of the Payments System in Trinidad and Tobago





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WHY IS PAYMENT SYSTEM REFORM NEEDED?





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KEY DEVELOPMENTS – NATIONAL PAYMENT SYSTEM

2002-2009

- Establishment of the Payment System Council (2002)
- Launch of RTGS & GSS (2004)
- Launch of ACH (2006)
- Development of the Payment System Policy (2006) (Core Principles)
- Amendments – FIA (2008), CBA (2008)

2010-2014

- Data Protection Act, 2011 (partially proclaimed)
- Electronic Transactions Act, 2011 (partially proclaimed)
- Issuance of Payment System Guidelines, 2012
- Exchequer and Audit Act amended in 2014
- Adoption of PFMI (PFMI Policy, 2014)

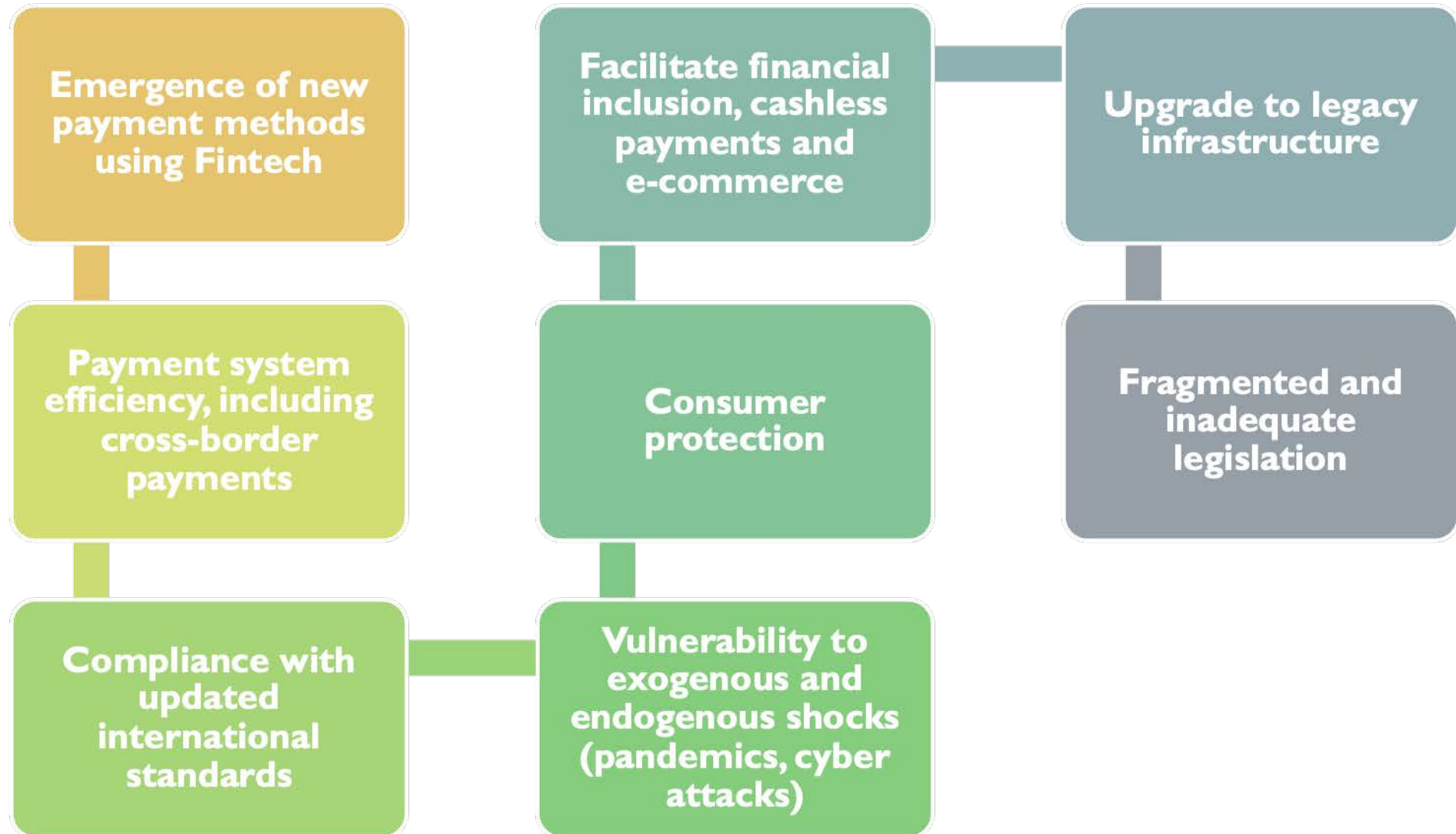
2015-2020

- Application of the PFMI to the payment system operators.
- Electronic Funds Transfer Regulations, 2015
- Fintech Policy, 2019
- E- Money Policy and E-Money Issuer Order, 2020

2021 and Beyond

- Payment Systems Bill Policy Proposal Document issued (May 2021)
- New Payment System Law to be developed
- Phase 2 of the Regulatory Sandbox to be established
- RTGS Upgrade
- Exploration of CBDC

WHY THE NEED FOR MAJOR PAYMENT SYSTEMS REFORMS?



CURRENT LEGAL FRAMEWORK – PAYMENT SYSTEMS

Central Bank Act, Chap. 79:02

Section 36 (cc) of the CBA - The Central Bank is required “...to supervise the operations of payment systems in Trinidad and Tobago generally, Interbank Payment Systems in accordance with the Financial Institutions Act and the transfer of funds by electronic means including money transmission or remittance business...”

Financial Institutions Act, Chap. 79:09

Section 5(1) of the FIA - “The Central Bank shall be responsible for the general administration of this Act, the supervision of licensees and the oversight of payment systems...”

Part XII of the FIA - Oversight Framework for the Interbank Payment System.

E-Money Issuer Order, 2020

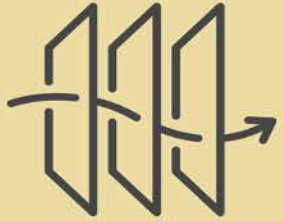
- The Order provides for specific categories of persons other than licensees (under the FIA)) to apply to the Central Bank to be E-money issuers.

Guidelines

- **Guideline No. 1** - Licensing and Operation of Interbank Payment Systems
- **Guideline No. 2** - Registration & Operation of Non-Interbank Payment Systems
- **Guideline No. 3** - Operation of Payment Service Providers
- **Guideline No. 4** - Oversight of Systemically Important Payment Systems

REFORMS – STREAMLINE & ENHANCE FRAMEWORK

Reforms are needed to Streamline and Enhance the legal and regulatory framework.



STREAMLINE

- A single comprehensive Act - clear definitions and specific mandate for the Central Bank
- Activity-based licensing regime for wider range of PSPs
- Treating with all payment systems (interbank and non-interbank)
- Treating comprehensively with systemic risks



ENHANCE

- Sandboxing for wider Fintechs, not only EMLs
- Wide, effective and flexible enforcement powers (including criminal and administrative sanctions)
- Address sector specific risks, governance, settlement, interoperability, consumer protection, AML/CFT risks
- Formalise the National Payment System Council



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WHAT ARE WE DOING IN TRINIDAD AND TOBAGO?





STRATEGIES TO IMPROVE THE PAYMENT SYSTEMS

STRATEGIES TO IMPROVE THE PAYMENT SYSTEMS	Work In Progress	Complete
Operationalisation of Fintech Policy: - Establishment of the Joint Fintech Steering Committee for supervisory collaboration - Launch of the Innovation Hub - Regulatory Sandbox		
Operationalisation of E-money Policy Introduction of the E-money Issuer Order, 2020		
Revision of Payment Systems Guidelines		
Development of a modern and comprehensive Payment Systems law – - Issued the Policy Proposal Document to inform the Payment Systems legislation for public consultation - Draft Payment Systems legislation		
Exploration of a Central Bank Digital Currency		
Upgrade of the payments infrastructure including automation of the Cheque Clearing System		
Enhancing cross-border payments		12



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KEY PROPOSALS FOR THE PROPOSED PAYMENT SYSTEMS LEGISLATION



KEY POLICY PROPOSALS FOR THE PROPOSED PAYMENT SYSTEMS LEGISLATION

Designation for Oversight of Systemically Important Payment Systems (SIPS) and Significant Retail Payment Systems (SRPS); Lighter Regulatory Regime for other payment systems

Licensing Regime for PSPs

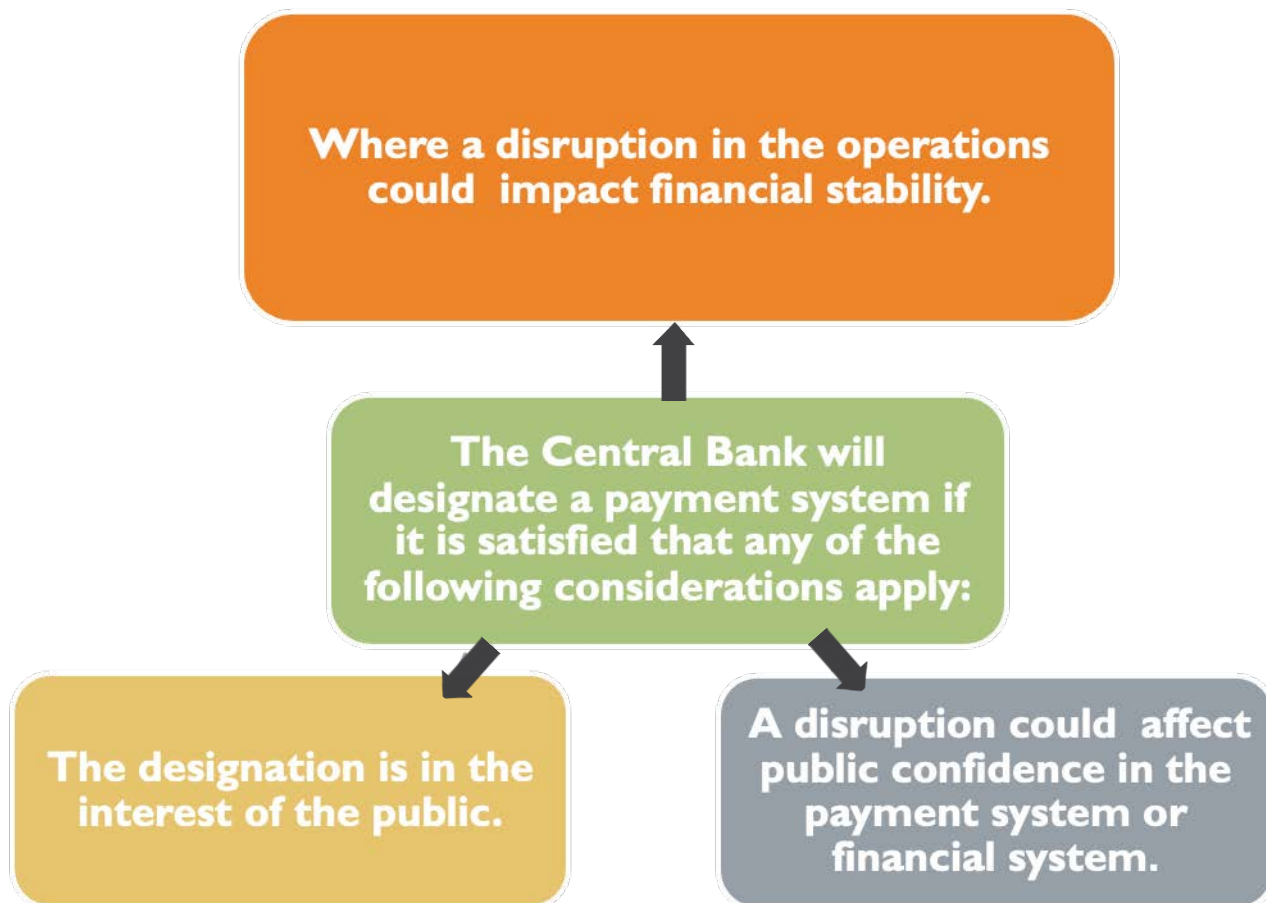
Provisions to treat with key Regulatory Risks and Concerns

General Supervision and Enforcement Powers of the Central Bank

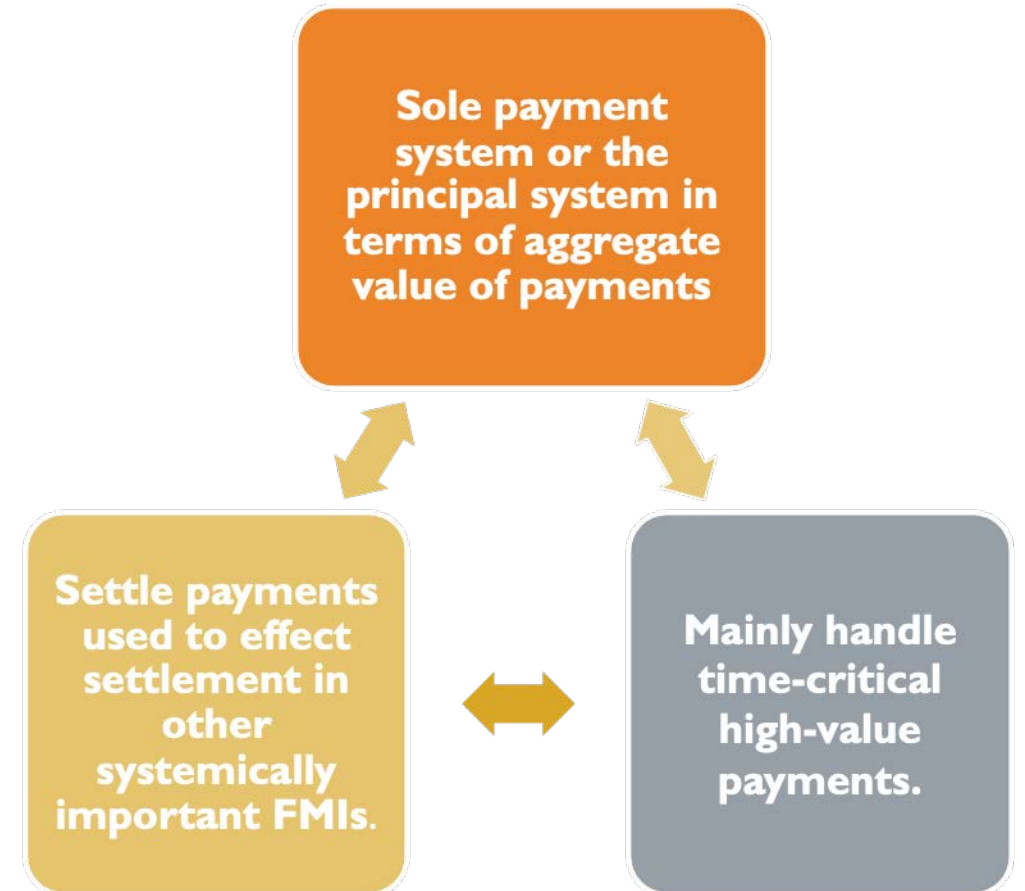
Other - Exempted Activities; Restricted/ Prohibited Activities; Governance and the National Payments System Council

DESIGNATION REGIME FOR OVERSIGHT OF SIPS & SRPS

REASONS FOR DESIGNATION OF SIPS AND SRPS



CRITERIA FOR DESIGNATION



PSP LICENSING REGIME- PROPOSED REGULATED PAYMENT ACTIVITIES



Account Issuance



Merchant Acquisition



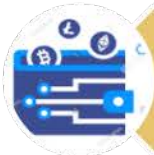
Domestic Money Transfer/Remittance



Cross-Border Transfer/Remittance

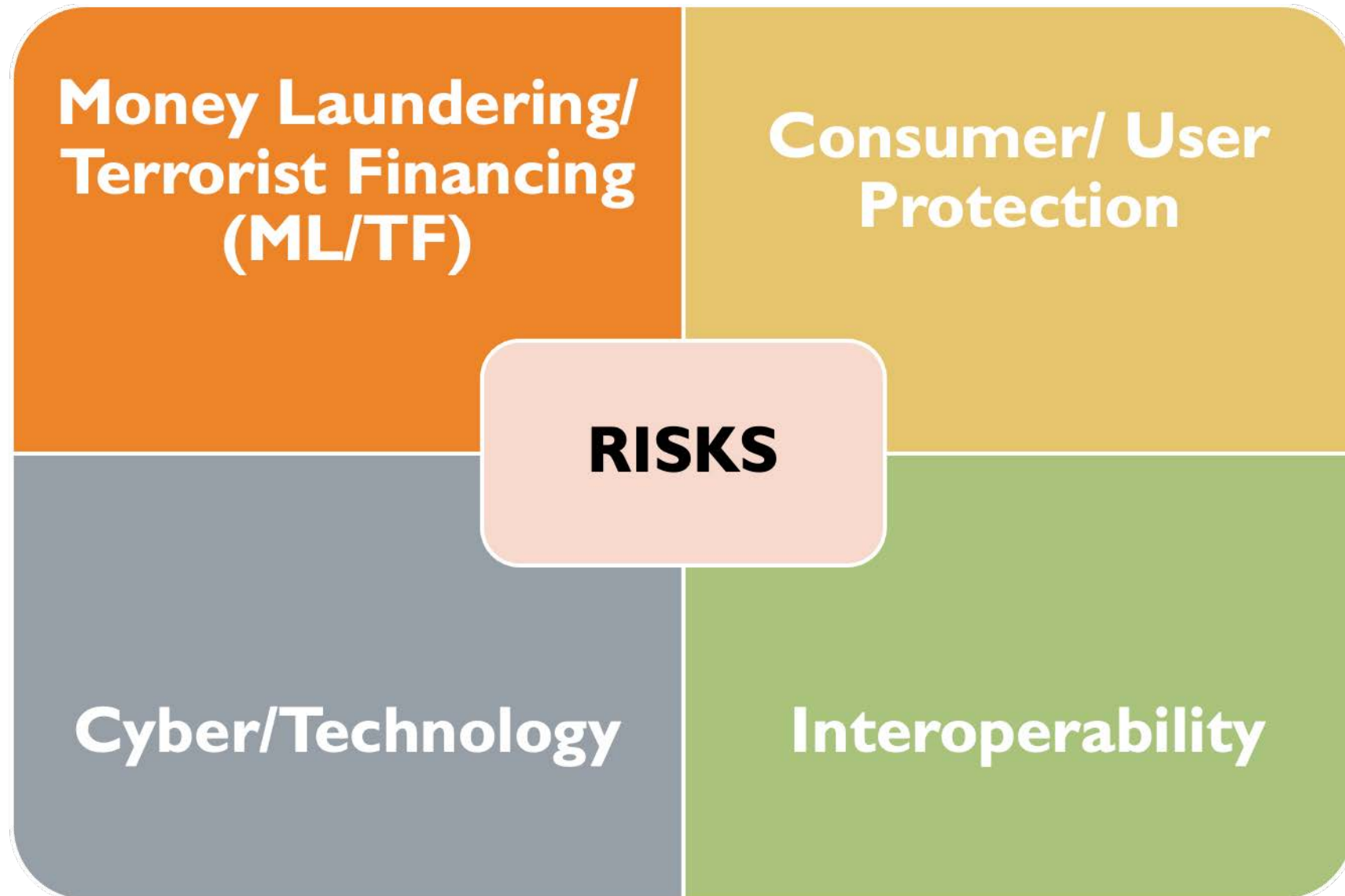


E-Money Issuance



Virtual Assets (payments and transfers)

MAIN RISKS/CONCERNS ASSOCIATED WITH PSP ACTIVITIES





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REGULATORY REQUIREMENTS FOR PAYMENT SYSTEM AND PSPs



Incorporation as a company under the Companies Act, Chap. 81:01, with a permanent place of business or registered office in Trinidad and Tobago



Fit and Proper Requirements for shareholders, directors and officers



Sound financial condition



Robust governance arrangements



Capital requirements and application and annual fees



Adequate accounting, internal control mechanisms and risk management policies and procedures, for inter alia AML/CFT, user protection and technology/ cyber risks

EXEMPTIONS & RESTRICTIONS OF ENTITIES/ACTIVITIES

Entities and Activities to be Exempted from Licensing / Designation



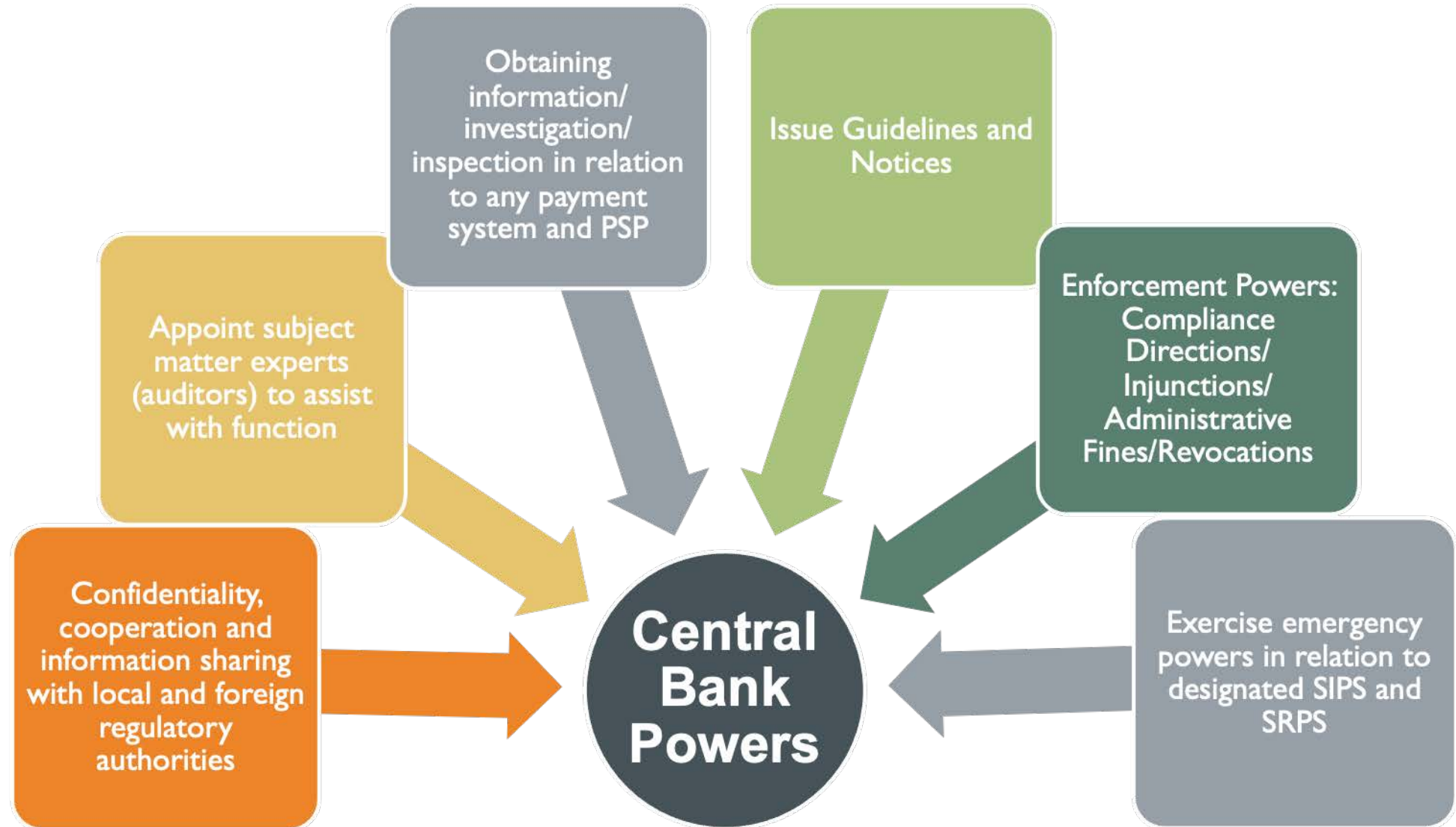
- **Commercial banks and Non-banks licensed under the FIA.**
- **Closed-loop payment schemes.**
- **Technology Service Providers who only process data or develop or provide the enabling technology to assist others offering innovative means of payments.**
- **PSPs who conduct bill payments on behalf of utility companies.**
- **Services and systems owned and operated by the Central Bank.**

Restricted/ Prohibited PSP Activities



- **No Lending & No Deposit Taking.**
- **Restrictions on withdrawal of cash.**
- **Restrictions on use of customers' funds.**
- **Restrictions on use of agents.**
- **No Solicitation or advertising by unlicensed PSPs .**

GENERAL SUPERVISORY AND ENFORCEMENT POWERS OF THE CENTRAL BANK





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ENHANCING CROSS-BORDER PAYMENTS



ENHANCING CROSS-BORDER PAYMENTS

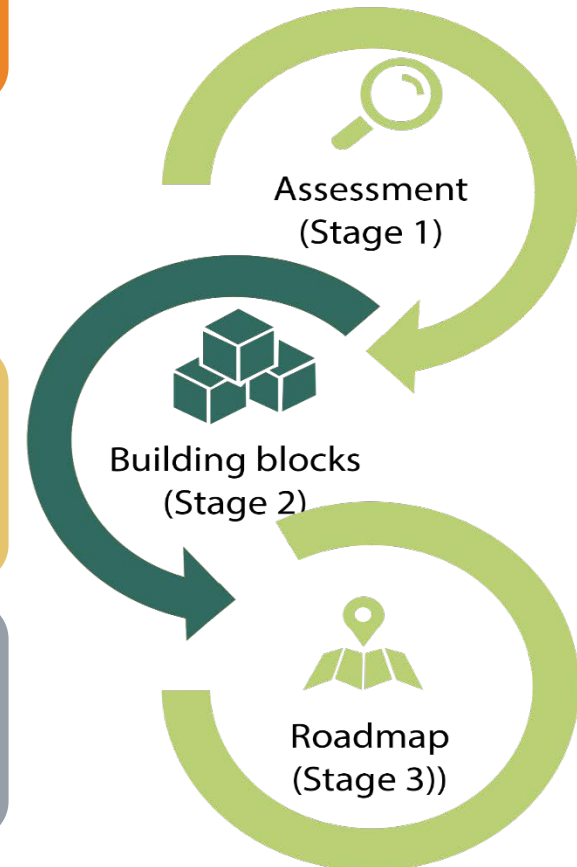
International push to make cross-border payments:

- faster
- cheaper
- more transparent
- more inclusive

Widespread benefits for citizens and economies worldwide, supporting economic growth, international trade, global development and financial inclusion.

FSB Developed a Roadmap:

- 5 focus areas
- 19 building blocks



ENHANCING CROSS-BORDER PAYMENTS

FOCUS AREAS AND BUILDING BLOCKS

Focus area A: Public and private sector to commit jointly to enhance cross-border payments



1. Develop common cross-border payments vision and targets
2. Implement international guidance and principles
3. Define common features of cross-border payment service levels

Focus area B: Coordinate regulatory, supervisory and oversight frameworks

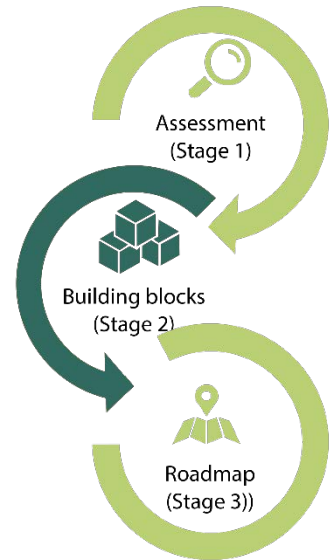


4. Align regulatory, supervisory and oversight frameworks
5. Apply AML/CFT rules consistently and comprehensively
6. Review interaction between data frameworks and cross-border payments
7. Promote safer payment corridors
8. Foster KYC and identity information-sharing

Focus area C: Improve existing payment infrastructures and arrangements to support the requirements of the cross-border payments market

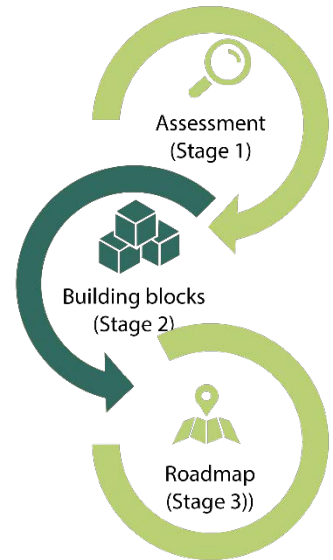


9. Facilitate increased adoption of PvP
10. Improve (direct) access to payment systems
11. Explore reciprocal liquidity arrangements
12. Extend and align operating hours
13. Pursue interlinking of payment systems



ENHANCING CROSS-BORDER PAYMENTS

FOCUS AREAS AND BUILDING BLOCKS



Focus area D: Increase data quality and straight through processing by enhancing data and market practices



Focus area E: Explore the potential role of new payment infrastructures and arrangements



- 14. Adopt harmonised version of ISO 20022 for message formats (including rules for conversion/mapping)
- 15. Harmonise API protocols for data exchange
- 16. Establish unique identifiers with proxy registries
- 17. Consider the feasibility of new multilateral platforms and arrangements for cross-border payments
- 18. Foster the soundness of global stablecoin arrangements
- 19. Factor an international dimension into CBDC designs



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ENHANCING CROSS-BORDER PAYMENTS

CBTT INITIATIVES

Public and Private
Sector
Commitment

GORTT Road Map
to Recovery

National Payment
System Council

Adoption of
International
standards e.g. PFMI in
2014 and FATF's
AML/CFT standards

Coordinate
regulatory,
supervisory and
oversight
frameworks

Participation on
regional working groups
for payments e.g.
CEMLA Fintech Forum,
CARICOM Fintech WG

MOUs with domestic
and regional regulators

Member of Financial
Stability Board (FSB)
and Caribbean Financial
Action Task Force
(CFATF) for AML/CFT

Improving existing
payment infrastructures
and arrangements

Improve Existing
Payment
Infrastructure

Proposed Policy
Proposal Document
for a new Payments
Law

Upgrade of existing
payment
infrastructure
(RTGS, ACH,
Cheque clearing)

ENHANCING CROSS-BORDER PAYMENTS

CBTT INITIATIVES (CONT'D)

**Increase Data Quality
and Straight Through
Processing**

**Amending guidelines
and standards for
the implementation
of the ISO 20022
standards**

**Exploring the
Potential role of new
payment
infrastructures and
arrangements**

**CBTT assessing the
feasibility of a
CBDC**

**Possible regional
integration of
payment systems**



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STAKEHOLDER COLLABORATION & CONCLUDING REMARKS





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TECHNICAL ASSISTANCE AND STAKEHOLDER CONSULTATION



<https://www.central-bank.org.tt/sites/default/files/page-file-uploads/draft-policy-proposal-document-payment-system-bill-may-2021.pdf>

IMF TECHNICAL ASSISTANCE

- **Review of the Policy Proposal Document for a new Payments law**
- **Drafting of the Payment System law**
- **Review of the Payment System Oversight Policy**
- **Exploration of a CBDC**

STAKEHOLDER CONSULTATION

- **Payments System Council (public and private stakeholders)**
- **TTIFC**
- **Registered payment system operators and providers**
- **Financial institutions e.g. banks and nonbanks**
- **GoRTT**
- **Regional regulators**



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CONCLUDING REMARKS

The Central Bank is collaborating with all relevant stakeholders to **create a modern and enabling environment for domestic and cross-border payments**



In addition, the Central Bank has commenced **work on assessing feasibility of a CBDC**



Importantly, the Central Bank is seeking to **upgrade the payment system infrastructure to enhance domestic and cross-border payments**



THE END

QUESTIONS? COMMENTS?



Thank You



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