



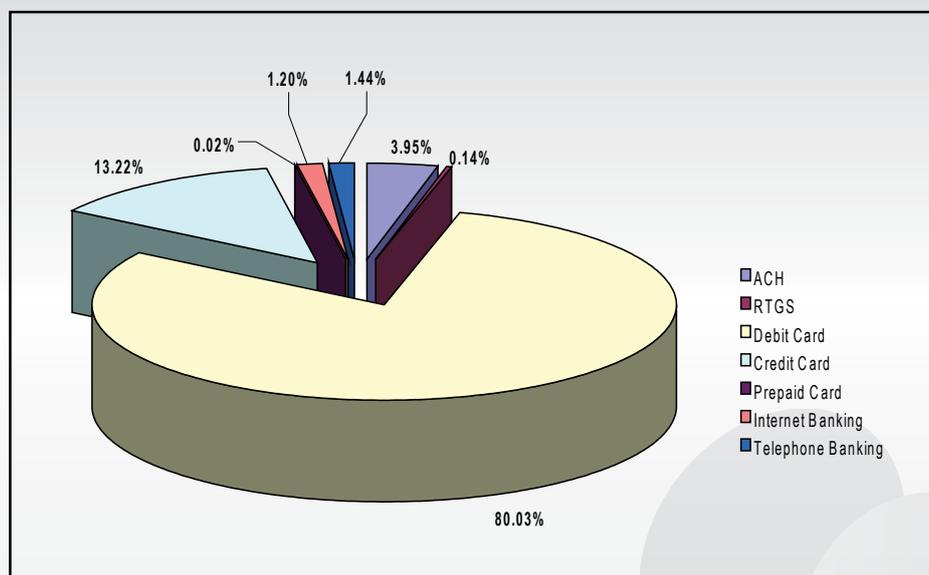
Article 4

Electronic Payment Methods

This fourth article in the series on Electronic Payments deals with **Electronic Payment Methods in Trinidad and Tobago**. This refers to any means of making payments which utilizes electronic systems to initiate the payment and to pass the value from the payer to the payee. It includes payment cards, telephone and internet banking as well as payments made over the Automated Clearing House (ACH) and the Real Time Gross Settlement (RTGS) systems.

The use of Electronic Payments has increased considerably in the current decade, although this still lags behind the use of cash and cheques. The most common form of electronic payments in Trinidad and Tobago is the payment card, in particular the debit card. The chart below shows the share of transactions made by various electronic payment methods in Trinidad and Tobago in 2007.

Electronic Payment (Volume) in Trinidad and Tobago in 2007



Payment Cards

Payment Cards are a very convenient and effective alternative to the use of cash or cheques for retail payments. They give the consumer more safety and ease-of-carry than cash and greater flexibility and acceptability than cheques. There are three basic types of payment cards - the debit card, the credit card and the prepaid or stored value card.

In 2007, **debit card** payments accounted for 80 percent of all electronic payments and 85 percent of all card payments. The volume of debit card payments has grown from around 5 million in 2000 to 23 million in 2007. The most valued feature about a debit card is that it enables the holder to have access to his account to make purchases for goods and services at the point of sale. This is commonly called a point-of-sale transaction. Debit cards can also be used to withdraw cash from ATM machines. A popular example of a debit card in Trinidad and Tobago is the LINX card, which is a locally-branded card.

By comparison, a **credit card** allows the holder to draw on a line of credit from the financial institution that issued the card. Credit cards can also be used to withdraw cash at ATM machines, but a premium interest charge is applied. The line of credit feature of this card amounts to a loan which carries interest (unless repaid within a specified time). Two examples of credit cards issued in Trinidad and Tobago are VISA and MasterCard, both of which are externally-branded cards.

A **prepaid or stored value card** represents money that was transferred to a card up-front. It is similar to a debit card in that it involves the use of one's own funds. However, unlike a debit card which is attached to an account

and is usually issued in the name of the account holder, prepaid cards can be anonymous and do not require an account in the traditional sense since they already contain the money transfer. Examples of prepaid cards are gift cards, prepaid telephone calling cards and Government book grant cards.

Internationally, a new form of payment card referred to as a **contactless payment card** is growing in popularity. This card uses Radio Frequency Identification (RFID) technology to enable payment without having the card make physical contact with a machine at the merchant.

ACH and RTGS Payments

RTGS and **ACH** payments were introduced in 2004 and 2006 respectively. The **ACH** system is ideally suited for multiple, repetitive consumer-type payments such as utility bill payments, insurance payments and membership fees, as well as corporate-type payments such as salaries and vendor payments. It provides a speedier and more convenient alternative to the use of a Standing Order, which previously was the most widely accepted means for making these types of payments. ACH payments are made either by a direct instruction to your commercial bank to use this system, or, by pre-authorizing a payee to debit your account. The latter approach is used for payments such as utility bills and insurance premiums.

RTGS payments are used by corporates and consumers for large value (TT\$500,000 and over) and time critical payments. It is a means of payment designed for ensuring that larger and urgent payments are settled almost immediately. The public can use this form of payment simply by requesting it from their banks.

Telephone and Internet Banking

Initially, **telephone banking** services in Trinidad and Tobago were largely limited to proprietary transactions

such as transfers from one account to another in the account holder's name, account information requests and utility bill payment requests. Today, banks are making a broader range of transactions available through this means on a 24-hour basis.

Internet Banking also affords the consumer the convenience of access to his bankers at any time, anywhere and the range of payment transactions tends to be similar to that offered via telephone banking. As with telephone banking, there is a formal application process which must be completed with the financial institution. Following approval, a password is assigned and a user profile created to provide access to the system. Various security protocols are also employed to ensure the integrity of the system and the protection of the user.

Mobile Payments

The basic form of mobile payment is a Person to Person (P2P) money transfer from one person's mobile "wallet" to another using text messaging. In this process, monetary value is moved from one party to the other via the mobile phone service provider. This value can be used within the network established by the provider. A simple example of a mobile payment is the transfer of cash values between prepaid cell phone owners for the purpose of making calls.

Internationally, an increasing range of payments is now being made by mobile phones. The growing popularity of this method of making payments is directly linked to the high penetration and increasing versatility of cell phones. Mobile payments are being viewed as the preferred means of payment in the future.

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