



Cashless, Less Cash, or No Cash? The Future of Electronic Money in Trinidad & Tobago



CENTRAL BANK OF
TRINIDAD & TOBAGO

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Key Points*

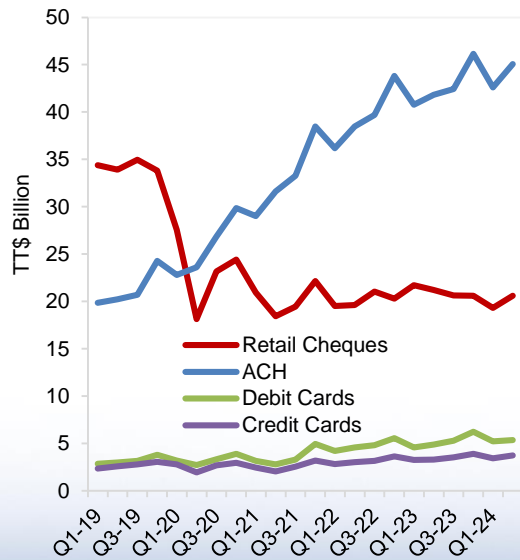
1. Cash and checks still feature prominently in financial transactions in Trinidad & Tobago.
2. But electronic transactions have become more prominent, boosted by the COVID restrictions.
3. Electronic money provides an important option.
4. Trinidad & Tobago already has a number of institutions that issue e-money.
5. Many countries have also adopted large scale 'fast payments' solutions.
6. Mpesa and Pesalink have revolutionised how ordinary Kenyans buy and sell.
7. Brazil's Pix significantly lowered the use of cash for basic goods and services.
8. While the Unified Payments Interface (UPI) was part of a larger strategy to promote financial inclusion in India's large population.
9. Trinidad and Tobago's fast payments solution will be along the lines of India's UPI.
10. Within the framework of a solid information technology, financial and communications infrastructure, fast payments will be a major game changer.

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1. Cash and checks still feature prominently in financial transactions in Trinidad & Tobago

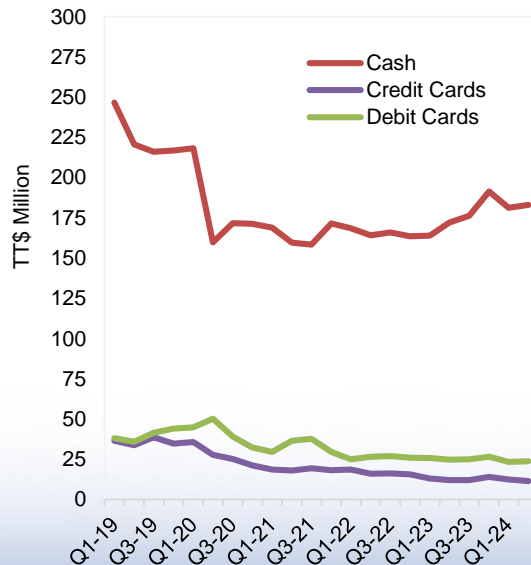
- For many years, **cash** and **cheques** have been the preferred methods of payments in Trinidad and Tobago.
- A surprise **demonetization** of the largest denomination banknote in **December 2019** unearthed the heavy dependence on cash for transactions and as a store of value.

Chart 1: Trends in Domestic Retail Payments



Source: Central Bank of Trinidad and Tobago

Chart 2: Trends in Domestic Bill Payments



2. But electronic transactions have become more prominent, boosted by the COVID restrictions.

Domestically, **Trinidad and Tobago** experienced **increased electronic transactions** during and after the COVID-19 pandemic.

Chart 3: Volume and Value of Retail Payments

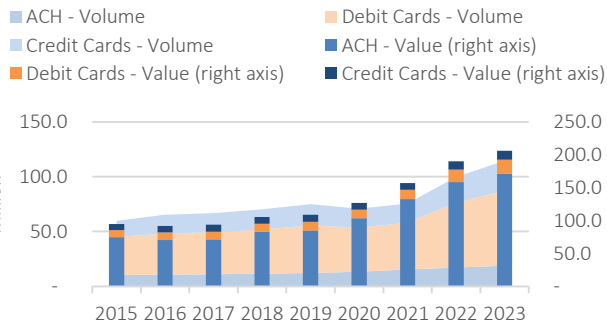


Chart 4: Volume and Value of Internet Banking Transactions

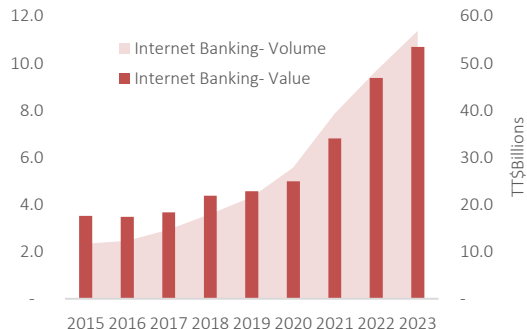
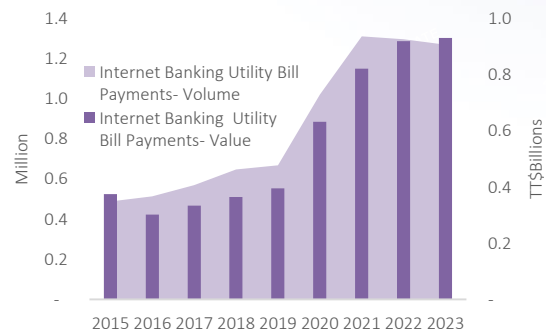


Chart 5: Volume and Value of Bill Payments

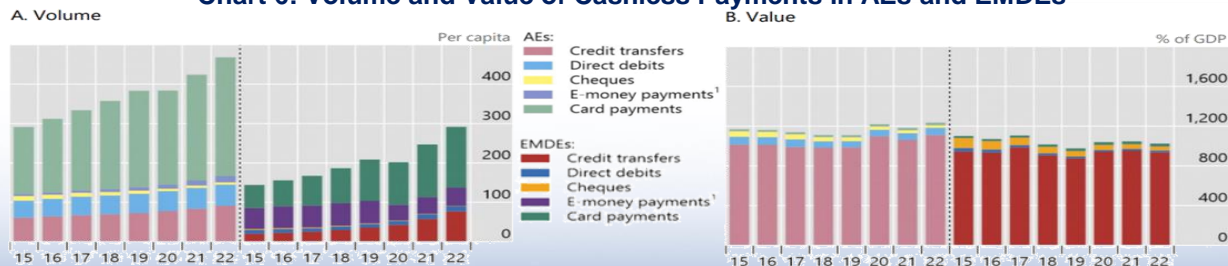


Source: Central Bank of Trinidad and Tobago

Covid-19 accelerated the digitalisation of payments internationally, boosting the use of digital and contactless payments.

The pandemic added to the motivations of central banks to develop **central bank digital currencies** (CBDCs).

Chart 6: Volume and Value of Cashless Payments in AEs and EMDEs



Source: Bank for International Settlements (BIS)

3. Electronic money provides an important option.

- Electronic money (**e-money**) is defined as monetary value represented by a claim on the issuer, which is —
 - (1) **stored on an electronic device**;
 - (2) **issued on receipt of funds** of an amount not less in value than the monetary value issued; and
 - (3) **Accepted as a means of payment** by persons other than the issuer.
- Some **similarities** between **e-money** and **other digital solutions** include; speed, convenience, cost savings and financial inclusion.
- **Distinctions** between e-money and other digital solutions are as follows :
 - (1) **E-Money is regulated** by the Central Bank of Trinidad and Tobago, it is a claim on the issuer and there is a right to redeem at par value.
 - (2) **E-Money is issued by private issuers** while CBDC is issued by a central bank;
 - (3) Generally, **virtual-assets** (for example, Bitcoin, Litecoin, Ethereum, etc.) **do not fall within the definition of e-money**;
 - (4) Most stablecoins also do not meet the definition of e-money (for example, claim on the issuer and the right to redeem at par).
- E-Money Issuers provide **electronic wallets** to facilitate the **transfer of funds between wallet holders**. Wallet holders can **cash-in** and **cash-out** via bank accounts, agents, and at the E-Money Issuer. The **Automated Clearing House** is used to facilitate the cash-in and cash-out transactions **via bank accounts**.

4. Trinidad & Tobago already has a number of institutions that issue e-money.

- The **E-Money Issuer Order, 2020** (as amended) outlines regulations for entities such as Payment Service Providers, Money Remitters, and Mobile Network Operators to apply to become E-Money Issuers. Some criteria include:
 - sufficient **capital** and maintain **liquid assets** in a Custodian account.
 - **risk management** frameworks, internal controls, and **anti-money laundering** programs.
 - e-money account holders maintain the **maximum transaction limits** within their wallet sizes.
 - **keep customer and transaction files** for at least seven years.
- In 2023, the E-Money Issuer Order was amended to **increase wallet sizes and monthly transaction limits**, following feedback from the fintech industry.
- So far, **five** companies have been registered under the EMI Issuer Order, and one recently relinquished its registration, citing other priorities.
- Financial institutions licensed under the **Financial Institutions Act** can issue e-money subject to the Central Bank's approval.





5. Many countries have also adopted large scale ‘fast payments’ solutions.

- The Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements defines **fast payments** as payments where the transmission of the payment message and the availability of final funds to the payee occur in real time or near real time, and as near to 24 hours a day, seven days a week (24/7) as possible.
- Intervention and promotion of digital payment modes by the **government** and/or central bank at a national level is a critical driver for fast payment implementation. This can facilitate **financial inclusion, payments infrastructure development, and payment digitisation initiatives**.
- Public sector intervention is important to help overcome coordination problems associated with revamping existing infrastructures or building new ones. This collaboration can be important in reconciling competing goals in the provision of fast payments solutions, which exhibits characteristics of a **public good**.
- In particular, private providers may be tempted to charge **high fees** for use and/or **restrict access** to only certain participants to obtain monopoly rents. In the absence of public sector involvement, **coordination failures** in payment system provision could also occur.
- A fast payment system differs from private sector e-money and digital options because of its (i) **speed and availability**, it can work 24 hours a day, every day of the week; and (ii) it supports **interoperability**, since participants may include the operator, payment system providers, financial institutions, consumers and merchants.

6. Mpesa and Pesalink have revolutionised how ordinary Kenyans buy and sell.



m-pesa

M-PESA is the preferred way to make payments across Africa, both for the banked and unbanked. It was launched in Kenya in 2007. Today, it allows customers across seven African markets to instantly and securely send funds, pay bills, make in-store payments, send money abroad, and access financial services.

Population
55.1 million

GDP per Capita
US\$1,950

Kenya



PesaLink is a bank account to bank account payments solution developed by the Kenya Bankers Association (KBA). It allows users to send money from their bank account to another user's bank account in under 45secs.





7. Brazil's Pix significantly lowered the use of cash for basic goods and services.

Population
216.4 million

GDP per Capita
US\$10,044

The Brazilian instant payment scheme enables its users to send or receive payment transfers in a few seconds at any time, including non-business days.

Brazil



8. While the Unified Payments Interface (UPI) was part of a larger strategy to promote financial inclusion in India's large population.



Population
1,450.9 million

GDP per Capita
US\$2,731

India



UPI is a FastPayments interface for the transfer of money between bank accounts across a single window. Users can send or receive money or scan a quick response (QR) code to pay an individual, a merchant, or a service provider to shop, pay bills, or authorise payments.

9. Trinidad and Tobago's fast payments solution will be along the lines of India's UPI.

- The **solution** comes in the context of a **wider arrangement** between the **Governments of India** and **Trinidad and Tobago**.
- The **Central Banks of India** and **Trinidad and Tobago** will also **collaborate directly**.
- **Financial institutions will participate** as intermediaries in the process.
- **A pilot** is planned for the **first half of 2025** and UPI can be a reality here by the end of that year.

T&T



Population
1.4 million

GDP per Capita
US\$22,000





10. Within the framework of a solid information technology, financial and communications infrastructure, fast payments will be a major game changer.

- People can buy anything (yes, doubles also) just using their phones. This can make **transactions easier and safer and bring more people into the formal financial system**.
- A **robust, reliable and efficient information technology network** is essential.
- **Trinidad and Tobago's entire financial ecosystem will be involved**—the earlier financial institutions prepare, the better.
- People may naturally be initially sceptical or unclear, and **good public communication** is essential on questions such as:
 - will cash cease to exist?
 - what happens if the system (or my phone) goes down?
 - is my money safe?
 - and will the state have undue access to my private financial information?

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