



ECCU PAYMENT SYSTEM DEVELOPMENT INITIATIVES

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Roadmap

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BACKGROUND

- ECCU comprises of eight (8) islands
- Population of approximately 600,000
- Single Currency Union
- One central bank
- 36 Banks
- Payment System dominated by cash, card payments and cheques
- Objective is to have a single financial space where financial transactions can occur seamlessly.
- Geographical configuration presents challenges as the islands have a level of autonomy in the implementation of their own laws, rules and regulations.



PAYMENT SYSTEM DEVELOPMENT TIMELINE

- 2003** – Technical Assistance - CARTAC
- 2003** – Technical Assistance - FIRST Initiative
- 2004** – Monthly collection of Payments System Statistics (BS10)
- 2005** – Vendor selection and Due Diligence exercise to initiate interoperability and develop an ACH.
- 2004 – 2007**: Consultation on Payment Legislation
- 2008 – 2009**: Straight Through Processing
- 2008 – 2009**: Draft rules to support payment system.
- 2009** – Present: Refocus on Retail Payment System
- 2016** – Reformulation of ECCB Governance Arrangements
- 2017** – Assessment of the Payment System in the ECCU by the World Bank
- 2018** – Reactivation of the Eastern Caribbean Payments Council and Go-Live for NACHA PPD or Electronic Funds Transfer.



DEVELOPMENTAL FOCUS

Governance Structure

- Legal Framework
- Institutional Arrangements

Retail Payments System

Gross Settlement System



Governance Structure

Legal Framework

It is comprised of the following:

- The ECCB Agreement
- The Banking Act
- The Payment System Act
- The Bills of Exchange Act
- Money Services Business Act
- ECACH Rules

No single piece of legislation addresses the Payment System

The Legal framework is uniformly in place in the 8 countries.



Governance Structure Cont'd

Legal Framework

The ECCB's role in the Payment System is multifaceted.

- According to the law the ECCB has been formally entrusted with the regulation and oversight of payment and settlement systems.
- The ECCB will seek to ensure that the payment system support a competitive private sector environment.
- The Payment System Act establishes the exclusive authority of the ECCB for the operation, administration, and supervision of the payment system.
- ECCB is also a participant in the Payment System.



Governance Structure Cont'd

Institutional Arrangement

- Establishment of a Payment System Development and Oversight Unit at the ECCB
- Reactivation of Eastern Caribbean Payments Council
- Reestablishment local National Technical Operating Committees(NTOC) in each of the 8 territories.
- Reestablishment of a Regional Technical Operating Committee(RTOC)



Retail Payments System

ACH Development

- The Eastern Caribbean Automated Clearing House Services Inc. (ECACHSI) owns and administers the Eastern Caribbean Automated Clearing House (ECACH).
- Established in 2011 with the objective to implement a cheque imaging and automated clearinghouse system in the ECCU.
 - the first phase, cheque image clearing, began in March 2015;
 - the second phase, electronic funds transfers, is expected to go live mid-May 2018
- Improve cheque processing – especially to facilitate inter-island payments – Currently settles at t+2 and expected to move to t+1 in July 2018.



Gross Settlement System

System whereby funds are settled between the Commercial Banks/Participants in the Payment System on an individual transaction basis.

- Prior to June 2000
 - Batch Posting System
 - End of Day Settlement
- June 2000 - 2009
 - Evolution of Real Time Gross Transfer System
 - Individual Transaction Posting
 - Online/Real Time Account Update
- Early 2009
 - Implementation of Straight Through Processing



Gross Settlement System Cont'd

Straight Through Processing(STP)

- The ECCB accounting application (SAP) is interfaced with SWIFT thus allowing for straight-through-processing (STP) on the ECCB end.
- SAP receives and validates incoming messages and processes transactions accordingly by debiting the sending institution's account and crediting the beneficiary institution's account.
- Upon crediting of its account, the beneficiary institution will receive a confirmation message.
- In the case of customer-initiated transfers, the manner and timing of the crediting of the final beneficiary's account depends on the internal systems and policy of the commercial banks.



Work Programme Ahead

- Revitalise the Eastern Caribbean Payments Council
 - Review membership
 - Review terms of reference and issue updated mandate
 - Develop a road map for the payment system
- Develop regulations for various aspects of the Payment System Act especially with respect to mobile wallets and digital payments
- Review / revise licensing regimes under the Money Service Business Act



Work Programme Ahead Cont'd

- Define criteria for designation
- Establish rules and procedures for the RTGS that are consistent with the law.
- Undertake changes in access policies to ensure that the ECACH is fully utilized
- Implement the NACHA PPD/ EFT functionality
- Establishment of Risk-Management framework for the comprehensive management of all risks incurred in, and posed by, the Payment System.



Critical Observations

- The need for recognition that a strong, safe and efficient payment system is key to financial stability and to economic growth.
- Institutional arrangements governance structure and mandates need to be clear.
- Support for initiatives should be at highest level of institution.
- The collection of Statistics is very important.
- Research and capacity building should be ongoing to remain relevant and responsive.



Response to New Developments

FinTech - Digital Currency/ Block Chain Technology/ Distributed Ledger Technology

- ECCB has signed a MOU with BITT Inc. to conduct a FinTech pilot on block chain technology in the ECCB countries.
- The pilot is expected to develop and test technology which focuses on data management, compliance, Know Your Customer (KYC) and Anti-money laundering (AML).