



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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## Inside this issue:

- Migration and Remittances 1
- The safe-tt, GSS & ACH Volume Meter 2
- Deterring Fraudulent Activities: Identity Theft 3
- ABC... glossary on the ACH 4
- Christmas Word Search 4



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If you require any further details or would like to offer any suggestions, please contact the Payments System Department at the Central Bank of Trinidad and Tobago.

Published by:  
Payments System Department  
Central Bank of Trinidad and Tobago  
Eric Williams Plaza, Independence Sq.  
Port-of-Spain, Trinidad and Tobago

If you would like to see any additional feature in this publication, please send us an e-mail.

Phone: +1 (868) 625-4835 ext. 2719  
e-mail: [rtgs@central-bank.org.tt](mailto:rtgs@central-bank.org.tt)

## Migration and Remittances<sup>1</sup>

### Introduction

The movement of people from one place to another has shaped today's political, social and economic world and continues to be a major influence on society. In the year 2000, almost 175 million people, or 2.9% of the world's population, were living outside their country of birth for longer than one year, 65 million of which were economically active<sup>2</sup>. Of these economically active persons, 65% were classified as "highly skilled" that is, those persons assumed to have completed tertiary education and have a professional job.

Labor migration and remittances have increasingly become a part of the global landscape, with profound economic and social consequences. By directly affecting a country's growth performance: the public finances, balance of payments, exchange rate and monetary conditions, these phenomena are posing fresh challenges to policy makers. As Caribbean Common Market (CARICOM) moves toward the CARICOM Single Market (CSM), the free movement of labor has been a major

focus of discussion. This movement has been part of a worldwide phenomenon in which migration and remittances have had several consequences.

### Remittance Flows

Remittances have been identified as the third pillar of development<sup>3</sup>, as globally their volume is estimated to be second to foreign direct investment flows and higher than overseas development assistance. Over the last 10 years, the annual estimate of the volume of remittances was valued around US\$200 billion. The US was the largest source country, with US\$31 billion of remittance outflows annually, followed by Saudi Arabia, with US\$15 billion. In 2003, Mexico, India and the Philippines were the top three recipients in terms of volume, while Togo, Lesotho and Jordan were the top three in percentage of GDP terms. Globally, remittances represent 2.9% of the GDP of low income countries.

Migrant remittances to Latin America and the Caribbean represent the largest flow to a particular region, accounting for approximately 30% of worldwide flows, with



Mexico as the largest recipient country<sup>4</sup>. Table 1 shows that in the English-speaking Caribbean, Jamaica is the leading CARICOM recipient of remittances, followed by Haiti, Guyana and Trinidad and Tobago. For 2005, remittances to Latin America and the Caribbean reached over US\$53 billion, making the region the largest remittances market in the world.

Remittance inflows to Trinidad and Tobago amounted to US\$97 million or 0.7 % of GDP in 2005. Although these flows have been increasing steadily over the last few years, they still remain below 1% of GDP. The relative insignificance of remittances in Trinidad and Tobago may be explained in some measure by the relatively low migration rates of the country. Data on remittance flows to Trinidad and Tobago are obtained from two principal sources, namely, enterprise surveys and the domestic commercial banking system. The institutions surveyed include the money transfer companies operating in the country as well as the national postal agency. Other possible

<sup>1</sup> This article is provided by the Research Department, Central Bank of Trinidad and Tobago.

<sup>2</sup> Bulletin of the World Health Organization (August, 2004).

<sup>3</sup> The three pillars of development are Foreign Direct Investment, Overseas Development Assistance and Remittances.

<sup>4</sup> "International Financial Flows and Worker Remittances: Issues and Lessons". Orozco, Manuel (November 2004).

## continued...Migration and Remittances



Table 1: Remittances in Selected Latin American and Caribbean Countries (US\$ million)

Year	1995	2001	2002	2003	2004	2005
<b>Total</b>	<b>18</b>	<b>24</b>	<b>32</b>	<b>38</b>	<b>45</b>	<b>53</b>
	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>
<i>of which:</i>						
Latin America	14,683	19,497	25,952	31,749	38,890	46,831
Guyana	67	na	119	137	143	270
Haiti	553	810	931	977	1,026	1,077
Jamaica	670	967	1,288	1,426	1,497	1,651
Trinidad and Tobago	34	41	79	87	87	97

Source: IMF Estimates, Latin America and the Caribbean Central Banks.

sources of data include credit unions and other non-bank financial institutions as well as the migrants themselves who may visit from time to time particularly during the Carnival and Christmas seasons. Additionally, only money order transactions are reported, to the exclusion of other possible types of transactions such as drafts, electronic transfers, migrants visiting the country at the point of entry and cards issued by foreign financial institutions.

### Payments Systems

Migrants usually send between 6 and 16% of their household income back to their countries of origin, typically \$100/\$200/\$300 a month. These amounts vary based on age, education, labor market experience, monthly earnings and

so on. They are also determined based on family needs back home. According to the Committee on Payments Settlement Systems and the World Bank (CPSS-WB), the following general principles for International Remittances Systems should apply: (1) transparency and consumer protection; (2) an efficient domestic payment system infrastructure; (3) a sound, predictable, and non-discriminatory legal and regulatory framework; (4) market structure and competition and (5) appropriate governance and risk management practices.

Trinidad and Tobago is part of a Western Hemisphere Initiative the goal of which is to increase the net proceeds of remittances in the region while reducing the cost of sending money in a more affordable and

competitive market.

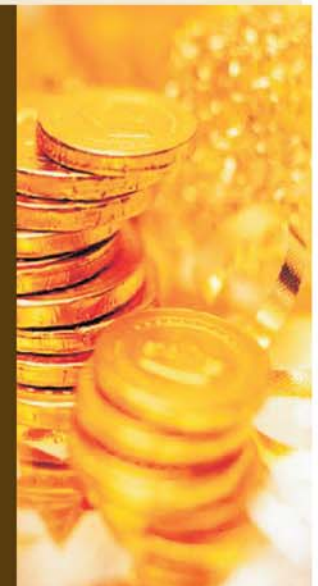
### Economic Impact of Remittances

Remittances provide a mechanism for combating poverty and unequal income distribution, as the low income and poor receive a significant portion of these transfers. For the most part, remittances are used for daily expenses such as food, clothing and health care, and they make up a significant portion of the income of those households. Funds are also spent on building or improving housing, buying land or cattle, and buying consumer goods such as washing machines and televisions.

Some researchers criticize migrants' use of remittances for focusing only on short-term consumption needs (which increase import demand) and not enough on savings or "productive investments". They believe that remittances should be channeled toward development, small businesses, and other projects that increase local production and income and reduce unemployment. In addition, it is argued that increased hard currency flows can result in exchange rate appreciation, inflation, and higher interest rates, creating what is termed "Dutch disease" and deterring investment. These flows can also create dependency and raise inequality in recipient countries. ■

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

Date	safe-tt	GSS	ACH
January 2006	1889	372	2753
February 2006	1819	683	4116
March 2006	2321	578	8071
April 2006	1959	401	8201
May 2006	2313	438	11581
June 2006	2137	466	11787
July 2006	2237	599	12817
August 2006	2184	377	16505
September 2006	2302	658	17596
October 2006	2477	624	25931
November 2006	2869	1138	33102



...continuing the series: *Deterring Fraudulent Activities*

# Q & A

## What is Identity Theft<sup>5</sup>



With the onset of internet banking/ shopping and electronic transactions becoming more popular in Trinidad and Tobago, it is important that consumers become aware of what is known as identity theft and take steps to avoid becoming a victim of this crime.

### What is Identity Theft?

Identity Theft refers to all types of crime in which someone wrongfully obtains and uses another person's personal data, such as their name, credit card number, or any other identifying information, in a way that involves fraud or deception, typically for economic gain.

While ID theft is the act of stealing identifying information, ID fraud is the use of stolen identifying information. Criminals commit identity theft by stealing personal information, sometimes removing documents from the trash or by making contact with the victim and pretending to be from a legitimate organisation.

### Common Identity Theft Scams

- Bank/Financial Institution Fraud
- Fraudulent loans
- Government documents or benefits
- Pyramid schemes
- Phony sweepstakes of charities
- Phony credit protection schemes

### How is information obtained?

- Stealing wallets and purses containing identification and bank cards.

- Stealing mail, including bank statements, pre-approved offers, new cheques etc.
- Completing a 'change of address form' to divert mail to another location.
- Rummaging through trash, or the trash of businesses, for personal data (dumpster diving).
- 'Phishing' schemes, that is posing as legitimate companies or government agencies with which business is usually done.
- Stealing files out of legitimate business places.
- 'Hacking' electronic files.

Identity theft can result in fraud affecting your personal financial circumstances and costing financial service providers. The following tips will help you protect your identity and prevent criminals from committing fraud in your name:

### Fraud Preventative Measures – Cardholders:

- Never disclose your account number and other personal information over the phone, e-mail, or Internet, unless you initiated the contact and are positive that it is a legitimate business operation.
- Secure or properly dispose of all sales slips which contain your card number.
- Never give out your personal information freely.
- Secure your Bank, Credit Union and other financial statements. Dispose of old records by either shredding or

burning.

- Never leave your wallet/purse unattended, even at home or in the office. Keep it secure at all times.
- If you find that your identity has been used, report it to your Banker, the Fraud Squad and the Merchant involved as soon as possible and keep good records.

### Fraud Preventative Measures – Merchants/Businesses:

- Always ensure that copies of cardholder receipts that contain account information are stored safely and securely, with access limited to authorized personnel only.
- Observe employees' actions and pay attention to any unusual behaviour.
- If suspicious about a transaction, contact your Banker(s) immediately. ■



"On the Internet, nobody knows that you're a dog"

<sup>5</sup> This article is provided by the Bankers Association of Trinidad and Tobago.

## ABC.. Glossary on the ACH

Here are 6 more new terms applicable to the New Electronic Payments System:



- Electronic Record**      An agreement, authorization, or written statement under penalty of perjury, or other record created, generated, sent, communicated, received or stored by electronic means.
  
- Encryption**              A term that refers to a computer generated algorithm that allows secure communication between parties.
  
- Funds Availability**      The time at which the funds from an electronic funds transfer are made available to the customer.
  
- NACHA<sup>6</sup>**                    The Electronic Payments Association - The national payments association for electronic payments, which establishes the rules, industry standards and procedures governing the exchange of commercial ACH payments by depository financial institutions in the USA.
  
- Network**                    A system of channels and interconnections such as among financial institutions, processors and merchants.
  
- ON-US Entries**            The term that refers to entries within an ACH file that belong to the Originating Depository Financial Institution (ODFI). These entries may be stripped from the file and posted internally before a file is sent to the ACH Operator.

<sup>6</sup> Trinidad and Tobago Interbank Payments System Limited (TTIPS) has adopted many of the rules and standards set by NACHA (formerly the North American Clearing House Association).

## Christmas Word Search

Christmas Word Search Puzzle	Word List
D H J O Y S E S S L E I G H	Santa
J F P W R N L N N T R E E G	Christmas
E O S N I O V O F O L G B A	Presents
G O A U F W E E C G W S U R	Reindeer
G O N T U F S L N E T M S L	Noel
N R T C K L J I S N C A A A	Holly
O N A R W A J L E D M G A N	Ornaments
G A E A D K L S W T J R R D	Tree
A M D C U E E N S R D Q Z B	Wreath
N E H K B R E I N D E E R Y	Eggnog
G N O E P S R A B G G A F U	Snowflake
E T L R A H O H Z A G T T W	Joy
L S L G C S J X T Q R Y M H	Jingle
M O Y V R Q A V G V H K R A	Bells
	Angel
	Garland
	Elves
	Sleigh
	Nutcracker
	Snowman



**Merry Christmas and Happy New Year**  
 from the staff of the Payments System Department