



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# safe-tt

Volume 2. Issue 1

March 2005

safe-tt is a newsletter on developments in the Payments System in Trinidad and Tobago

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## Welcome Back!



We warmly welcome all readers to this, the first issue of the **safe-tt** newsletter for the year 2005. **safe-tt** is now being published on a quarterly basis given that the Real Time Gross Settlement System, **safe-tt** and the Government Securities Settlement (GSS) System have both been successfully implemented.

The year 2004 was a dynamic and activity filled year for the Payments System department as we worked with the financial institutions, consultants and the internal project teams to implement the systems. Both systems are live and operating satisfactorily. As the project implementation phase draws to a close, the department continues to assist the operational areas in sundry activities such as finalizing the hot site, making final adjustments to the systems to enhance their operations and the fine-tuning of operational and technical procedures. We at the Payments System department are proud of the Bank's accomplishments and

acknowledge the support of the financial community in the preparations for implementation of **safe-tt** and the GSS systems. Participants have shown keen interest in the operations of the systems and provided valuable feedback on possible enhancements over the last few months. We hope to expand these feedback sessions through regular meetings of a **safe-tt** participants' user group which is being set up by the Banking Operations department.

During this year the Payments System department will address the requirements of its role as payment systems' overseer. The preparatory stage for this role is to be completed by the end of 2005. This would include defining its functions and scope of oversight, finalizing staffing arrangements and determining its operational tools and procedures for oversight. The department will also continue to coordinate and cooperate with stakeholders in the various National Payments System initiatives.

We also plan to continue to offer readers of our newsletter current information on the developments in payment systems in Trinidad and Tobago such as:

- ✓ Trinidad and Tobago's Automated Clearing House

called the Trinidad and Tobago Interbank Payments System (TTIPS) Ltd. that is scheduled to begin operations in September 2004;

- ✓ Government's involvement in the payments system;
- ✓ Improvements in legislation as it pertains to payment systems;
- ✓ Information on the operations of **safe-tt** and the GSS;
- ✓ Developments in the area of oversight.

We would like to encourage readers/stakeholders to participate in the newsletter which can be used as a forum for the presentation and discussion of ideas from the stakeholders in the payments system. We invite those of you who have worked with the GSS and **safe-tt** over the last months to submit your opinions on the operations of the systems, areas you would like to see improved, comments and other tidbits. Messages can be sent in writing to the Payments System Department, Central Bank or via email at [rtgs@central-bank.org.tt](mailto:rtgs@central-bank.org.tt)

We thank you for your continuing interest and support.

**Happy reading!!**

**Payments System Department**

### Safe-tt is published by the Central Bank of Trinidad & Tobago

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

Please see our full contact details on the last page.



Readers will recall that on December 9th, 2004 the Government Securities Settlement (GSS) System was launched at the Central Bank. However at that time only the Treasury Bills and Treasury Notes facilities of the system were made operational. Previously, the Bank was involved in the migration of bills and notes into the GSS depository which was also launched at that time.

We are pleased to announce that the Bond Auction Facility of the GSS went live on February 21, 2005 with the first automated auction taking place on March 14, 2005. The first government bond auction using the GSS system went relatively smoothly. Participants placed their bids on-line and allotment

to successful bidders took place automatically following the close of the auction on Wednesday 16, 2004.

The \$400 million issue with a coupon rate of 6.0% and a maturity date of March 16, 2015 attracted \$601 million in bids. Successful competitive bids ranged between \$100.07 and \$99.63 and were allotted at a price of \$99.63, offering investors a yield of 6.05% per annum to maturity.

This is the first of two bonds to be auctioned by the government this year.

The bond auction facility automates the issuance of government securities, providing the capability to

handle Treasury securities of all maturities. It is planned to offer online access to the Ministry of Finance to monitor the status for each security issue. The facility links the main participants in the government bond market to the Central Bank, primary dealers and government securities intermediaries.

In addition to the auction and automatic allotment of securities, users of the GSS can also benefit from other features of this new online system. These features include:

- 1. Ability to view their bids;
- 2. Cancel or create additional bids prior to the close of the auction;



3. View results of the auction from their work stations and download reports in various formats;

4. Access to a comprehensive record of beneficial owner and intermediary details and a complete record of the life of the security is kept by the Central Bank;

5. Reduced risk as delivery of securities occurs simultaneously with the exchange of value. ■

### Introduction to Pricing for *safe-tt* and the GSS



#### The Pricing Methodology

The Central Bank has adopted a **Two-Part pricing** methodology for the pricing of *safe-tt* (the RTGS) and the GSS. Two-Part pricing reflects one part for the average fixed cost of providing the payment service and the other part for the average variable cost.

Two-part pricing therefore allows for the discernment of prices that may fall with volume from those that do not. The fixed charge will be used to recover the implementation cost of the systems while the variable charge or the volume-related fee will recover the day to day operating costs of running the systems.

#### Membership Fee (fixed cost recovery)

The Central Bank has proposed to charge an annual membership

fee to participants of *safe-tt* and the GSS systems. The annual membership fee will be used to partially offset the costs of implementing the system.

Additionally, since the current users of *safe-tt* will also be using the GSS for the purchase of Treasury Bills and Notes and Intraday Liquidity, it has been determined that these users (namely commercial banks who are also Primary Dealers (PDís) for government securities) will pay a single membership fee which includes one-third of the set-up cost of the GSS system. The other two-thirds would be recovered from the remaining GSS participants.

#### Transaction Fees (recovery of operational costs)

Transaction fees will reflect the cost of operating the systems. Each transaction on the RTGS

and the GSS will command a transaction fee. The transaction fees for the use of *safe-tt* and the GSS were derived by dividing the estimated cumulative operating cost over five years by the estimated volume of transactions for the period.

In addition to membership and transaction fees, new members will be required to pay a **Joining fee** for use of these systems.

An effectual pricing policy is important as it ensures the efficient use of the payments system services and contributes to the cost recovery of these systems. Commercial banks and the Central Bank are currently working out the operational arrangements to effectively administer the pricing policy. ■

**safe-tt and GSS  
Payment & Settlement  
Volumes**



Date	Safe-tt	GSS
October 2004	860	—
November 2004	1527	—
December 2004	1751	275
January 2005	1681	563
February 2005	1345	329
March 2005	1784	541

## Government and the Reformed Payments System



Presentation to Government on the Reformed Payments System held at Central Bank in December 2004

Government has a large part to play in the payments system. In fact government could become the largest user of the **Safe-tt**, and the Trinidad and Tobago Interbank Payments System (TTIPS). These systems can also substantially assist government in improving the efficiency of its daily operations.

During the first quarter of 2005, representatives from the Ministry of Finance, the Central Bank and TTIPS held meetings with the Treasury Division of the Ministry of Finance with the view to enabling government to take advantage of the benefits of a reformed payments system. Several issues related to electronic payments were discussed, in

particular, the implementation of the government's Integrated Human Resource Information System, project IHRIS, and the Integrated Global Payroll (IGP) system, which is soon to be completed.

As mentioned in an earlier edition of the **safe-tt** newsletter, government issues approximately 40% of the cheques presented domestically. These payments can alternatively be made electronically via TTIPS for values less than TT\$500K and over **safe-tt** for values TT\$500K and over. The government has met with some challenges in converting from manual to electronic payments and is seeking to overcome them.

Government is considering various alternatives particularly with regard to the payment of government employee salaries electronically. One of the first challenges to be overcome however is the procurement of employee bank account numbers. Traditionally, government employees have been wary of giving out their bank account numbers. However, bank account numbers are essential to the

new systems in order to pay employees electronically directly to their accounts. Currently a hybrid system using NIS numbers is being used for salary payments. This system is inefficient and has led to errors and inconvenience for both the commercial banks and public servants.

The government has begun testing IGP payments with a few pilot ministries. It will soon do testing with TTIPS for direct payments to employees' bank accounts using their bank account numbers. This is the first step towards getting public service employees familiar with the new salary payment approach. It is hoped that all Divisions will soon be able to have their salaries paid directly to their bank account numbers instead of NIS numbers as references.

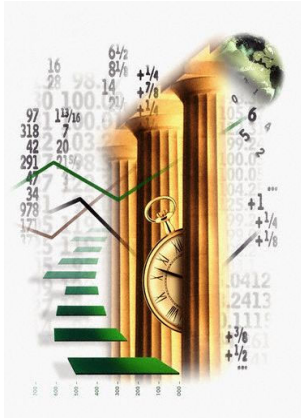
The government envisions that a phased approach may have to be used whereby some employees will be paid electronically, while other government employees will be paid via cheque. Government has estimated that it will take 12-18 months to gather all public servants' account numbers to

be able to make payments to be able to make payments directly to their bank accounts. The Central Bank and TTIPS have agreed to assist government in this process.

Meanwhile, the Central Bank and TTIPS are also actively involved at the technical level, working with government to ensure that the format for generating payment data meets the required standard. The Central Bank is assisting the Treasury Division of the Ministry of Finance with processing large value payments through **safe-tt**. ■



(L-R) Mr. Roland Shepherd Ag. Comptroller of Accounts, Treasury Division, Ms Joan John, Deputy Governor of the Central Bank and Mr. Roger Butts, Project Director IHRIS, at a meeting of Government Officials at the Central Bank.



## Project Progress

The project has been completed with implementation of the GSS bond auction facility on the 21st February 2005. Both **safe-tt** and the GSS are operating smoothly. Work on the Hot-site also was completed on 17 March 2005. Tests on the hot site reveal that it is replicating data satisfactorily. This brings to an end the project implementation aspect of this initiative. The Bank is currently working on establishing links between the systems and:

• the **Stock Exchange Electronic Trading** system which was implemented by the Stock Exchange this year and began operations on March 18, 2005;

• **Automated Clearinghouse** - ACH (called the iT&T Interbank Payments System) to handle large volume, small value electronic payments..

The Bank will also be finalizing amendments with regard to the legal aspects of the reform.

• the **central securities depository** which began operations as the TTCD in January 2003;

## Safe-tt Word Search March 2005

- ARBITRAGE
- CERTIFICATE
- CONFIRMATION
- DEALER
- DELETION
- DELIVERY
- INTEGRITY
- LOAD
- MATCHING
- NOVATION
- OUTCRY
- PLEDGE
- PRINCIPAL
- REGISTRATION
- REPUDIATION
- RESPONDENT
- SCHEDULING
- SWAP
- TRANSFERABILITY
- TRUNCATION

T O U T C R Y N D P J S W A G J H T C B  
 R R G O B Z O W K E M Y R K G S A G O D  
 S V A U V I D I A H A B P S N T J F N D  
 A I B N T U U J L H I L F G I W J R F E  
 T F J E S K L O P T J N E Z L O W A I T  
 R R L O R F A R R V Z Y K R U B F R R H  
 K E I K C D E A Z V L T H R D I T P M O  
 D N H V X J G R C F N K E L E Q V Y A P  
 Y Y O H X E W T A F D G N Z H E S P T R  
 R N Q I S S E O G B I F E A C V Y Z I I  
 E W O Q T K I W F S I N R H S P P T O N  
 V T Y I R A Y N T P Z L Y E V L N W N C  
 I W B Q T I I R T I N W I Y M E B P B I  
 L P A W S A A D P E P Q K T D D N J R P  
 E H F L H T V D U O G Y Q N Y G A L Y A  
 D X N C I O M O Z P T R O B Y E S G N L  
 T W K O O S E B N B E P I X I Z E D E D  
 Y P N Z J K B E D L S R Z T K W G A H I  
 E T A C I F I T R E C S K B Y J N C Q H  
 G N I H C T A M R M T R U N C A T I O N

## Solution to the Safe-tt Double Puzzle December 2004

TIDAU LIATR	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
LIINEEFACB WONRE	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
TACIAPL SIKR	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
DIALY METLETSTEN	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
TIDBE DARC	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
LCEORITCEN NEOMY	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
ROECD F TETMENTELS	■ ■
BEOILRRCAEV RETRAFNS	■ ■
RELGALAVEU SEATYPM	■ ■
ENT TDCIRE SOTNIPOI	■ ■
FEANSRTR MYTSES	■ ■
SURE EEF	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

- ## Answers
- audit trail
  - beneficial owner
  - capital risk
  - daily settlement
  - debit card
  - electronic money
  - forced settlement
  - irrevocable transfer
  - large value payments
  - net credit position
  - transfer system
  - user fee

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