



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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Herald in a new Electronic Payment System



Wait no more, it's here! On 11th January 2006, the Trinidad and Tobago Interbank Payments System Limited (TTIPS) formally launched its automated clearing house, an electronic payment system for processing small value transactions. The new electronic payment system hopes to revolutionize the way in which business is conducted in Trinidad and Tobago by offering another safe and secure means of making and receiving electronic payments.

The media launch took place at the Conference Facilities of the Central Bank of Trinidad and Tobago. Guest speakers

at this milestone event, were Mr. Ewart S. Williams, Governor of the Central Bank of Trinidad and Tobago and Mr. Larry Howai, President of the Bankers Association of Trinidad and Tobago (BATT). Also in attendance were Robert Soverall, Chairman of TTIPS, Marsha McKell-Suite, Manager of TTIPS and Les Smith of Gold Leaf Technologies.

As highlighted by Mr. Howai, "This new electronic payment system is not a revolutionary step in financial services but rather an evolutionary one." While this system may be new to Trinidad and Tobago, it has been

adopted successfully in many other countries. The primary mission of TTIPS is the operation of a processing and delivery system that provides for collection, distribution and settlement of electronic credits and debits for all six commercial banks and the Central Bank.

The electronic payment system uses a web based batch processing mechanism. Simply put, each commercial bank will receive pre-formatted batched transactions from their corporate customers and submit these transactions to the operator (TTIPS) who will sort and deliver these payments to each bank



(front row L-R)

Robert Boopsingh – General Manager Infolink Services Ltd.,
Craig Balance - e-finity consultant,
Caramae Farmer – Manager Payments System Central Bank,
Robert Soverall- Chairman of TTIPS,
Ms. Marsha McKell-Suite - Manager TTIPS,

(back row L-R)

Randy Khan - e-finity consultant,
Andy Mc Eachrane e-finity consultant,
Larry (Les) E. Smith Vice President, Product Services Goldleaf Technology.

continued...Herald in a New Electronic Payments System

Ms. Marsha McKell –Suite, Manager TTIPS (centre) and some members of the TTIPS committees



electronically. Each bank would credit/debit its customers' accounts accordingly. It is important therefore, that the company originating customer payments provides its bank with correct bank account information. At the end of the process, the net value of all the transactions pertaining to each bank would be forwarded to the Central Bank for settlement where each bank will be credited or debited for the net of payment requests.

The major target groups to utilize this new electronic payment system are corporations, utility companies and the general public.

Examples of transactions which may be processed include salaries, annuities, pensions, mortgage and insurance payments, utility bill payments, cable TV subscriptions and club dues.

Anyone can opt to use this payment method to make or receive routine payments. The major benefit of this system is that payment transactions are automatic and can be periodic. The system is also reliable and convenient. A customer does not have to worry about waiting in line to make his/her monthly payments. Recurring payments can be made automatically by an electronic

transfer of funds directly from the customer's bank account on payment date to the recipient's account. No hassle, no worry, no bother!

For the recipient of funds, payments are made directly to his account and funds are available within 24 hours of the transfer. There is no waiting for a cheque to clear.

On the issue of cheques, this new payment option hopes to have its greatest impact on the cheque writing community. Even with the ready availability of credit cards, debit cards and online banking, cheque writing remains a preferred payment option for many consumers and businesses alike. As emphasized by Governor Williams, "It is hoped that the automated clearing house will significantly reduce the volume of cheque-based transactions used in conducting business."

The Governor also highlighted that this system overcomes many of the security issues

involved in handling electronic payments. For example, there is no plastic card to lose or to be counterfeited and the system uses both biometrics and encryption to ensure clear messaging, to prevent unauthorized access and protect the information that is being transmitted.

The current legislative framework was developed to support a payments system based on cash and cheques. The Central Bank is currently working on amending existing legislation to support a modern and efficient national payments and settlements system that recognizes electronic payments. Amendments have been made to the Financial Institutions Act to assign regulatory responsibilities for the payments system to the Central Bank. Data Protection and Electronic Transactions policies, published for public comment by the Ministry of Public Administration and Information are now at the stage of legal drafting. ■

The *safe-tt* and GSS Volume Meter

Date	safe-tt	GSS
January 2005	1681	563
February 2005	1345	329
March 2005	1784	541
April 2005	1671	437
May 2005	1639	376
June 2005	1734	330
July 2005	1877	710
August 2005	1731	229
September 2005	1832	403
October 2005	1875	365
November 2005	2002	461
December 2005	2054	269
January 2006	1889	372
February 2006	1819	683
March 2006	2321	578



The Trinidad and Tobago Central Depository Limited (TTCD)

"Moving towards a brighter future"



From a practical point of view, a financial system is meant to provide for the allocation of economic resources to productive investment opportunities, the trading of risks and the collection and processing of information. Prominently, this also includes the provision of clearing and settlement services which are normally provided by Central Securities Depositories. Central Securities Depositories, therefore, are among the crucial building blocks of any well-organized financial system.

A Central Securities Depository (CSD) is a system for the central handling of securities where all securities, of any class or series of any company, deposited within a system may be electronically traded, transferred, and pledged to a Bank or other financial institution, without the physical delivery of the securities. In other words, it is a system by which shares, as one form of securities, can be sold and transferred from the seller to the buyer or pledged to a financial institution for a loan, by simply passing ownership of the shares to the buyer or control of the shares to the financial institution. This transfer is executed by way of computer entries rather than

having the physical share certificate pass from the seller to the buyer or with respect to the pledge, having to pass the share certificate to the financial institution.

The Trinidad and Tobago Central Depository Limited is committed to the development of the securities market of Trinidad and Tobago. The Depository provides efficient, safe and prompt clearing and settlement of securities transactions for participants by employing automated data processing book entry systems and communication techniques. Thus, the use of the Depository increases the efficiency and cost effectiveness in the trading, clearing and settlement of securities.

It is in this context that the Trinidad and Tobago Central Depository Limited (TTCD) was established by the Trinidad and Tobago Stock Exchange Ltd. It was incorporated on September 30, 1998 and commenced operations on January 21, 2003. Indeed, the TTCD is a wholly owned subsidiary of the Trinidad and Tobago Stock Exchange. Some of the benefits that the TTCD brings to bear on the financial system are:

1. **Efficiency Gains.** The use of the automated book entry system for the transfer of ownership of securities eliminates manual errors and simultaneously increases the speed of processing the transfer of ownership of securities. Whereas, before the commencement of operations of the TTCD, it took as many as six weeks to transfer ownership of shares from seller to buyer, it took five business days to do so on commencement. On January 17, 2006 this period of settlement was reduced to three business days.
2. **Safe-keeping of securities.** Share certificates that are kept at home are always in danger of being defaced, misplaced, lost or destroyed by fire. Should an investor experience any one of these misfortunes he would have to obtain a duplicate certificate from the Company's Registrar or transfer Agent and this

takes time. However, if the shares are deposited into the TTCD they are kept for safekeeping in the vault of the Central Bank. All deposits of shares in any one Company are accumulated into one Jumbo Certificate and lodged at the Bank.

It is important to state that as at February 10, 2006 just over 25% of the issued share capital of the twenty-eight (28) local companies listed on the Stock Exchange are deposited with the TTCD. If we make adjustments to the issued share capital to discount for substantial shareholding, then the figure goes up to 84.4%. These statistics demonstrate the confidence shareholders have reposed in the operations of the TTCD in just three years of its operations and we expect these figures to continue to increase further. We take this opportunity to advise shareholders who hold share certificates in

continued...The Trinidad and Tobago Central Depository Limited (TTCD)

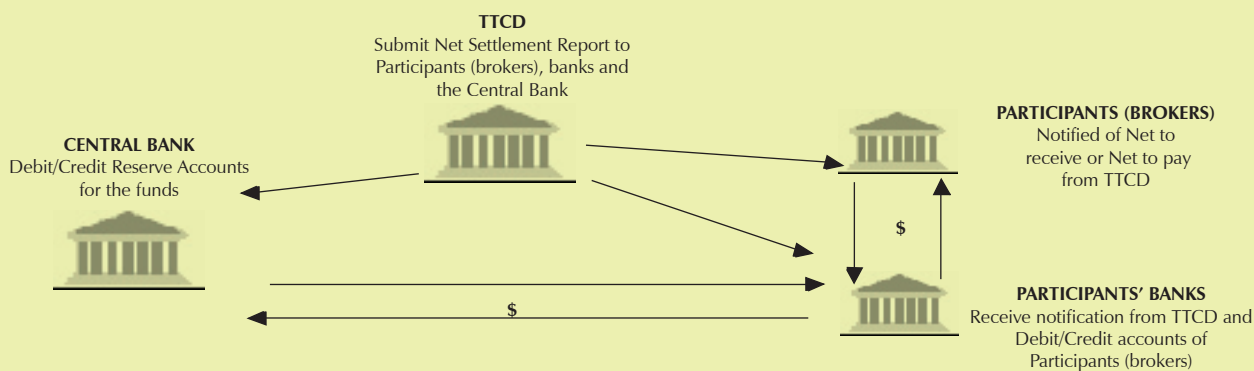
their homes to go to their brokers and deposit these shares in the TTCD for safe keeping. The cost of depositing the shares is \$15 per certificate per company and this fee will be increased to \$20.00 from April 1, 2006.

3. Convenience in trading and settlement of share transactions. If an investor wishes to sell part or all of his shares which are deposited into the TTCD, he will simply give his broker the order to sell. On settlement day, which is three business days after the trade date

(T+3), the seller of the shares will receive the requisite funds from his Broker and the buyer will obtain ownership of the shares bought through the transfer of shares to his account by way of book entry. It is important to note that if a shareholder does not

wish to sell his shares, he is not obligated to deposit his shares into the TTCD. However in the event that he wishes to sell his shares, then he would have to deposit the shares into the TTCD before the shares could be sold.

Settlement of Funds Process Flow Chart



Systemic Risk

One of the most important concerns of the Depository is systemic risk - or the inability of one market participant (broker) to meet its obligations when due, which will cause others to fail to meet their obligations. Any unsettled trades pose a risk to our financial market, especially if market prices plunge and trading volumes

soar. The longer the period from trade execution to settlement, the greater the risk that securities firms and investors, hit by sizable losses, would be unable to pay for their transactions.

For many years, the Trinidad and Tobago Stock Exchange Limited had operated on a

"T+5" settlement cycle. On January 17th, 2006, there was a reduction to the settlement cycle from five business days to three business days after the trade date. In the event there were any unsettled trades, there will be less time for the value of trades to deteriorate between trade execution and settlement. Furthermore,

shorter settlement cycles would also reduce liquidity risk and shortening the settlement cycle encourages greater efficiency in clearing and settlement. ■

Special thanks to the Trinidad and Tobago Central Depository for providing this article.

ABC.. Glossary on the ACH

ACH Operator

An organization that provides processing services for the ACH Network. The Trinidad and Tobago Interbank Payments System Limited (TTIPS) is an ACH Operator.

ACH Return Automated Clearing House (ACH)

A dollar item not accepted by the receiving bank and returned to the originator.

Batch

A payment system for electronic funds transfer between institutions.

CCD

A group of records or documents considered as a single unit for the purpose of data processing.

The Standard Entry Class Code for Cash Concentration and Disbursement. Transactions that hit corporate accounts at the commercial banks are called CCD transactions.