



## **Modernization of Guyana's National Payments System**

### **Frequently Asked Questions (FAQs) & Answers**

#### **1. What is a Payment System?**

A Payment System is any system used to conduct financial transactions through the transfer of monetary value, and includes institutions (e.g. Commercial Banks, Money Transfer Agencies, etc.); instruments (e.g. cheque, debit/credit card, etc.); people; operational procedures; rules (laws, regulations, rules etc.); and technologies (e.g. Automated Teller Machines (ATM), Point of Sale devices (POS), etc.) that make such transactions possible.

#### **2. What is meant by National Payments System?**

A National Payments System encompasses the entire set of services within a country that are associated with the sending, receiving and processing of orders for payment or transfer of funds in domestic or foreign currencies, issuance and management of payment instruments, payment systems, clearing systems and settlement systems. It includes services such as processing securities transactions and their arrangements and procedures, payment service providers, including operators, participants, and any third party provider offering payment devices or apps. Payment products and services may include machine-readable codes or other means of access to accounts that may be used from time to time to obtain funds or make payment, mobile payments and mobile banking, as well as card products such as debit, credit and stored-value cards.

#### **3. What is meant by modernization of Guyana's Payments System?**

Bank of Guyana being the implementing agency for the modernization of Guyana's Payments System commenced development of a modern, electronic payment infrastructure in fiscal year 2017 with assistance from the World Bank through a USD6M loan.

In the past, our National Payments System was predominantly paper based, with a cash-oriented culture driving most transactions. The modernization of our payments system will greatly promote paperless transactions in the processing of payments via electronic means, which will reduce the cost and security issues associated with cash and cheques.

**4. Why does Guyana need a modernized National Payments System?**

Guyana needs a modernized National Payments System to build a robust, safe, efficient and inclusive financial infrastructure that meets the current and future needs of the economy. It will further support financial activity and financial sector development, advance the use of electronic payments and contribute to financial risk mitigation, in order to achieve compatibility with international systems while adhering to the relevant international standards, guidelines and codes. A sound financial infrastructure meeting international norms encourages investment and helps to improve the country's credit rating.

**5. How can Access be made to the National Payments System?**

Access to the payment system refers to access to payment services for the public, such as card acceptance facilities, on-line and mobile payment, and access for service providers, including institutions providing payment services. These parties have differing requirements for accessing the payments system. Some need to access the payment system as end-users for transacting purposes, while others need to access the payment system to provide payment services to end-users.

**6. What is the Central Bank's (BOG) role with the National Payments System?**

The Bank of Guyana functions as the operator and regulator of the National Payments System sanctioned and guided by the National Payments System Act of 2018, and is legally authorized to establish, oversee, and develop the National Payment System in Guyana. It contains systemic and other payment related risks to the system and provides secure and effective mechanisms for the domestic exchange of funds between transacting parties.

**7. When did the National Payments System (NPS) Act 2018 come into effect?**

The NPS Act 2018 establishes the legal framework for payment services in Guyana. It received the assent of the President on August 13, 2018 and came into effect on June 3, 2019.

There are four (4) draft supporting regulations to the NPS Act 2018 on Agents, Electronic Funds Transfer (EFT), Electronic Money and Oversight. These documents can be viewed on BOG's Website at [www.bankofguyana.org.gy](http://www.bankofguyana.org.gy)

**8. What payment options will be available within the modernized National Payments System?**

The National Payments System will provide a wide range of payment options such as:

- (a) The Automated Clearing House (ACH) System, which is comprised of two (2) sub-systems (modules) namely:
  - Electronic Cheque Clearing (ECC) to enable automated processing and clearing of cheques.
  - Electronic Funds Transfer (EFT), enabling low-value bulk payments such as payroll, etc.
- (b) The Real Time Gross Settlement (RTGS) system which handles high value and urgent payments processed instantaneously and irrevocably.
- (c) The Central Securities Depository (CSD) system providing immediate settlement and delivery of securities, primary and secondary market trading, and securities lending to ensure market liquidity for settlement of payments.

**9. Is the Modernized Payments System safe and secure?**

The Modernized Electronic Payment system is safe and secure, with strong access control and enhanced with cyber-security functions to detect and prevent unauthorized access to funds.

**10. What is an Automated Clearing House (ACH) system?**

The ACH system allows processing of high volumes of low-value payments and cheques to be exchanged among Commercial Banks, through a netting process. The ACH (National) system is located at the Bank of Guyana (BOG).

**11. What purpose does the Automated Clearing House (ACH) system serve?**

ACH payments are simply funds transfers from one Bank Account to an account at another Bank. Some common uses for the ACH are:

- (a) A customer pays regular bills for a service, i.e., payments for gas and electric services.
- (b) An employer deposits salary to an employee's account.
- (c) A customer moves funds from one Bank to an account at another Bank.
- (d) A business or individual pays a supplier for goods or service as needed.

The ACH system comprises of two (2) subsystems, an Electronic Cheque Clearing (ECC) system and an Electronic Funds Transfer (EFT) system.

**12. What is an Electronic Cheque Clearing (ECC) system?**

An ECC system is a cost effective MICR (Magnetic Ink Character Recognition) cheque processing and settlement solution, where original paper cheque details are scanned, converted, and electronically processed for and between participating Commercial Banks. The ECC provides a net settlement position by adding up all debits and credits for each of the participating Commercial Banks.

**13. What is a MICR (Magnetic Ink Character Recognition) Code?**

MICR is a numeric code that uniquely identifies respective Banks participating within the payments system when electronically clearing cheques, and provides details of the payment in machine readable form.

**14. Which institutions or organizations participate in the Electronic Cheque Clearing (ECC)?**

All the Commercial Banks are participants: Bank of Baroda (BOB), Bank of Nova Scotia (BNS), Citizens Bank (Guy) Inc. (CBGI), Demerara Bank Limited (DBL), Guyana Bank for Trade & Industry (GBTI) and Republic Bank (Guy) Limited along with Bank of Guyana as the regulator.

**15. What are the benefits of the Electronic Cheque Clearing (ECC) system?**

Benefits of the ECC include the following:

- (a) Significant reductions in the time needed to clear cheques with same day clearing. This is a great improvement over the previous manual system which took a minimum of three working days for clearing individual cheques.
- (b) Early availability of funds for payee.
- (c) Electronic cheque images through the creation of paperless transactions, easing the problem of record-keeping.
- (d) Early detection of invalid/fraudulent cheques.
- (e) Elimination of the risks associated with cheques lost or stolen in transit.

**16. What is the Electronic Funds Transfer (EFT) system at BOG?**

The EFT system allows the electronic transfer of money from one participating entity account to another, both within and across multiple institutions via a computer-based system operating over the BOG interbank network. One of the most widely used EFT services is Direct Deposit, in which employer's Payroll is deposited straight into employees' Bank Accounts.

EFT transactions processed at BOG are mainly low value transactions, processed in batches (maximum of 1,000 transactions per batch) within two

hours of the transaction initiation. There are three processing periods daily (Monday to Friday):

- (a) 08:00 to 10:00;
- (b) 10:01 to 12:30 and
- (c) 12:31 to 15:30.

The EFT system was officially launched on November 16, 2018.

**17. What is meant by Electronic Funds Transfer (EFT)?**

EFT facilitates the electronic transfer of funds, initiated by a person or institution, so as to instruct, authorize or order a payment service provider to debit or credit an account through an electronic terminal, telephone handset or other automated devices, excluding the sale of postal money orders, and including:

- (a) Point-Of-Sale (POS) transfers.
- (b) Automated Teller Machine (ATM) transactions.
- (c) Transfers initiated by telephone including mobile phones.
- (d) Transactions through the internet and other communication channels.
- (e) Credit and debit card transactions.

**18. What are the benefits of the Electronic Funds Transfer (EFT) system?**

- (a) Convenience of a wide network (Commercial Banks).
- (b) Faster payment solution (shorter processing time).
- (c) Safer and secure – No need to carry around large sums of cash, along with stronger IT security systems.
- (d) Reduction of inconvenient and costly cheque usage.

**19. Who are the participants of the Electronic Funds Transfer (EFT) system regulated by BOG?**

Currently, Bank of Baroda (BOB), Citizens Bank (Guy) Inc. (CBGI), Demerara Bank Limited (DBL), Guyana Bank for Trade & Industry (GBTI), Republic Bank (Guy) Limited, Ministry of Finance (MOF) and Bank of Guyana (BOG), who is regulator of the system and also a participant.

**20. Is there a charge for an Electronic Funds Transfer (EFT) transaction?**

The Commercial Banks are permitted to set a service charge for the EFT service on a commercial and competitive basis. Thus, at present there is no standard rate or fee in effect.

**21. What is a Real Time Gross Settlement (RTGS) system?**

An RTGS system enables electronic payments for high value and time-sensitive transactions, where funds transfer takes place from one Bank to another Bank in real time and on an individual order basis. Completed RTGS payments are final and irrevocable since they are instantly settled over the commercial banks' accounts at the Central Bank. Interbank settlement happens continuously throughout the day, rather than just within a window period or day. 'Real Time' means the processing of instructions at the time they are received while 'Gross Settlement' means that the settlement of funds transfer instructions occurs individually.

**22. What is the difference between an RTGS system and an ACH system?**

In an RTGS, the transactions (high value and time-sensitive) are processed continuously on a transaction by transaction basis throughout the day (business hours). In contrast, ACH is a system in which the transactions are received up to a particular time and are processed in batches within a window period.

**23. What are the benefits of a Real Time Gross Settlement (RTGS) system?**

Benefits of the RTGS system include the following:

- (a) Eliminates the possibility of banks being unable to settle their obligations at end of day, thus removing the risk of potential bank failures.
- (b) Eliminates the problem of debtors delaying their payments.
- (c) No long wait to be sure that the payment has completed successfully.
- (d) Debtors will not be able to give "Stop Payment" instructions to his or her Commercial Bank to avoid making the payment after it has been submitted
- (e) Confirmation of the payment transaction via SMS or E-Mail.
- (f) Does not require physical presence of consumers at the bank.
- (g) Instant finality of payments, ensuring fast, secure and irrevocable settlement of business and financial market transactions.
- (h) Modern, reliable financial infrastructure which will encourage investments and trade.

**24. What essential information is required to process a Real Time Gross Settlement (RTGS) transaction?**

The remitting customer will be required to furnish the following information to the respective Bank to initiate an RTGS transaction:

- (a) Name of the beneficiary.
- (b) Beneficiary's Bank and Account Number.
- (c) Amount to be remitted.
- (d) Optionally, any useful remittance information.

Each transaction is subject to AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) compliance checks.

**25. Is the Real Time Gross Settlement (RTGS) system operational?**

The project to implement the RTGS is currently underway and the system is expected to be operational in fiscal year 2021.

**26. What is a Central Securities Depository (CSD)?**

A CSD is a financial organization which maintains records of securities holdings on behalf of their beneficial owners, such as shares either in physical form (but immobilized) or in dematerialized form (this is, they exist only as electronic records), and keeps track of the transfer of ownership of securities by book entry. A CSD system allows electronic registration, safekeeping, settlement of securities in exchange for cash and efficient processing of securities transactions in financial markets through electronic means.

**27. What are the benefits of a Central Securities Depository (CSD) system?**

Benefits of an electronic CSD system include the following:

- (a) Faster and more secure transfer of ownership.
- (b) No risk of loss/theft/fraud of shares.
- (c) Reduced transfer cost.
- (d) Reduced paperwork.
- (e) Allows a change of ownership through a simple account transfer versus transferring paper ownership that is vulnerable to human errors.
- (f) Allows access to Intraday Liquidity Management facilities to help banks to ensure all their payments are settled in a timely manner.
- (g) Provides online enquiry facilities.

**28. Has the Central Securities Depository (CSD) system been launched?**

The project to implement the CSD system is has commenced and the system is expected to be operational in fiscal year 2021.

**29. Will the ACH, RTGS and CSD systems be integrated?**

Yes, upon implementation of the RTGS and CSD systems, the existing ACH system will be integrated with the RTGS and CSD systems to form and provide a unified system for the processing of all payment types in Guyana, irrespective of the type of payment involved.

**30. What infrastructure developments are currently in place for our modern National Payments System?**

The following components of the National Payments System have been developed and implemented:

- (a) Legal and Regulatory Framework – The National Payments System Act 2018 as well as four supporting regulations addressing Agents, Electronic Funds Transfer, Electronic Money and Oversight of the payments infrastructure.
- (b) Oversight Framework – Oversight Payments System Council comprising Bank of Guyana (BOG), Guyana Association of Bankers (GAB), National Data Management Authority (NDMA) and Competition and Consumers Affairs Commission (CCAC) to ensure good governance of the payments system. A Payments System Oversight Unit to oversee all payment services activities on a day by day basis.
- (c) An Automated Clearing House (ACH) comprising an Electronic Cheque Clearing (ECC) system and an Electronic Funds Transfer (EFT) system.
- (d) On-going development work on the implementation of the RTGS and CSD systems.

**31. Where can I obtain clarification (s) or additional information regarding Guyana’s National Payments System (NPS)?**

Please be guided by the following:

- (a) Website: [www.bankofguyana.org.gy](http://www.bankofguyana.org.gy)
- (b) Email: [ikhan@bankofguyana.org.gy](mailto:ikhan@bankofguyana.org.gy)
- (c) Telephone: **592-63251-9**, Extensions: **240-242**