



APSSS () ADVISOR

Introduction

Greetings and welcome to the first issue of APSSS Advisor. This periodic newsletter will provide you with insights on the Central Bank of Belize's project to modernize the national payment system, an ongoing work of national importance, which is in accordance with the Bank's mission to assure a safe, sound, and efficient financial system. The payment system reform project is being implemented as a collaborative effort involving the Central Bank, Central Government and domestic financial institutions.

The benefits of national payment system reform include significant enhancement of the safety, reliability, and efficiency of the financial system's payment infrastructure, which is integral to economic activity and growth. Financial institutions will be connected in a local network, which will enable banks and other authorized institutions to make electronic payments quickly, safely, and securely, anywhere in Belize. The reform will thus provide a wider range of payment options and services. New laws will govern the efficient

operation of the Automated Payment and Securities Settlement System (APSSS) and all other payment systems in the country. As a stakeholder, you will be kept informed on the status of the national payment system reform effort through the APSSS Advisor. The objective is to empower you to take full advantage of the system's benefits and enhance your capacity to be a change agent for this transformational project.



DGO, Marilyn Gardiner-Usher
Project Coordinator, NPS Reform



APSSS Components

Payment System News

- Learn more about the National Payment System Reform Project
- Benefits of the National Payment System
- Project Implementation Team
- Introducing the APSSS Logo
- What is a Payment and Securities Settlement System
- Project Governance Structure

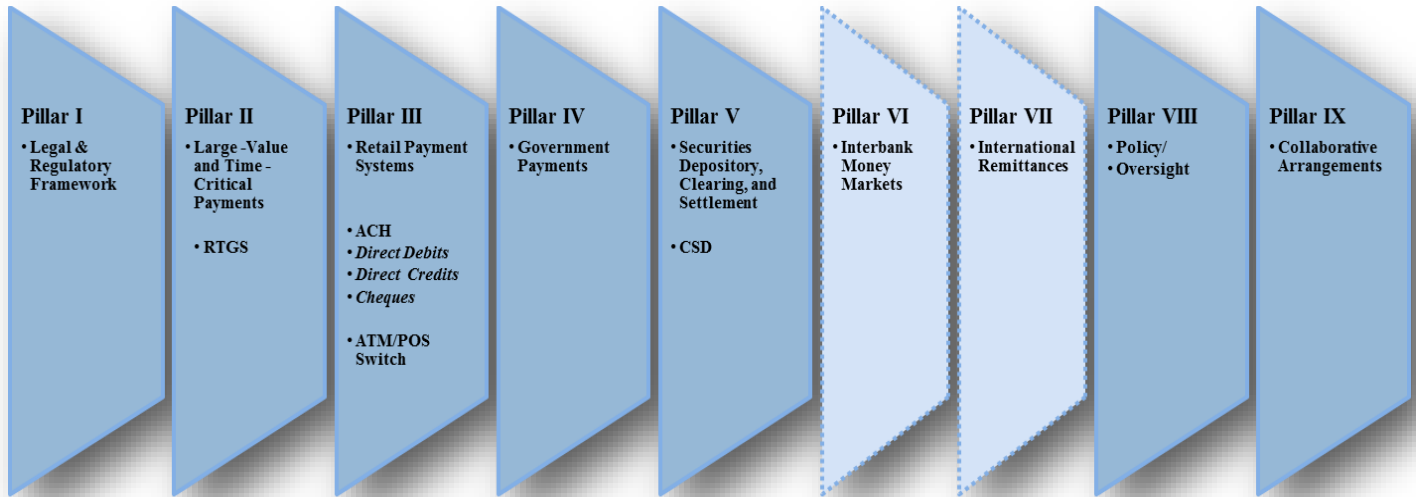
Background

The Central Bank's first efforts at reform focused on automation of cheque processing and clearing which led to the adoption of standards for Magnetic Ink Character Recognition (MICR) by the domestic banks in 2005. In 2006, the Central Bank, with technical assistance from the World Bank and CEMLA, conducted a study of the existing payment environment in Belize. Working with the same team in 2010, the Central Bank updated the study and in 2012, completed the National Payments System (NPS) Development and Implementation Plan, which laid out a roadmap for future

work. Funding for technical assistance to complete the plan, Request for Proposal, and the legislative framework was provided by FIRST Initiative and AusAID. In line with its corporate strategy, the Central Bank adopted a collaborative approach, securing the active involvement of stakeholders at every stage of the project with numerous working group meetings, presentations, and wide consultations. The reform encompasses a comprehensive modernization of the laws, information technology infrastructure, and operating environment of the payment system. This will

have a positive impact on the business processes of commercial banks and the way their customers effect payments. Major components of the system include:
⇒A real-time gross settlements system (RTGS) to enable large value and time sensitive payments upon receipt on an individual basis (no waiting).
⇒An automated clearing house (ACH) for electronic clearing and settlement of retail payments, such as cheques, credit transfers and direct debits.
⇒A central securities depository (CSD) to enable liquidity management, electronic auction, custody, and registry of ownership of government securities.

Scope of the Reform



The new payment system is designed to be compliant with international standards, in particular, the CPSS Core Principles for Systemically Important Payments Systems and CPSS-IOSCO Recommendations for Securities Settlement Systems and best practices.

The NPS project encompasses nine focus areas. The Central Bank expects Phase 1 to be substantially completed by September 2016. This encompasses the development of the legal framework to buttress the establishment, operations, and oversight of

the payment system and implementation of the Automated Payments and Securities Settlement System (APSSS), the backbone of the NPS.

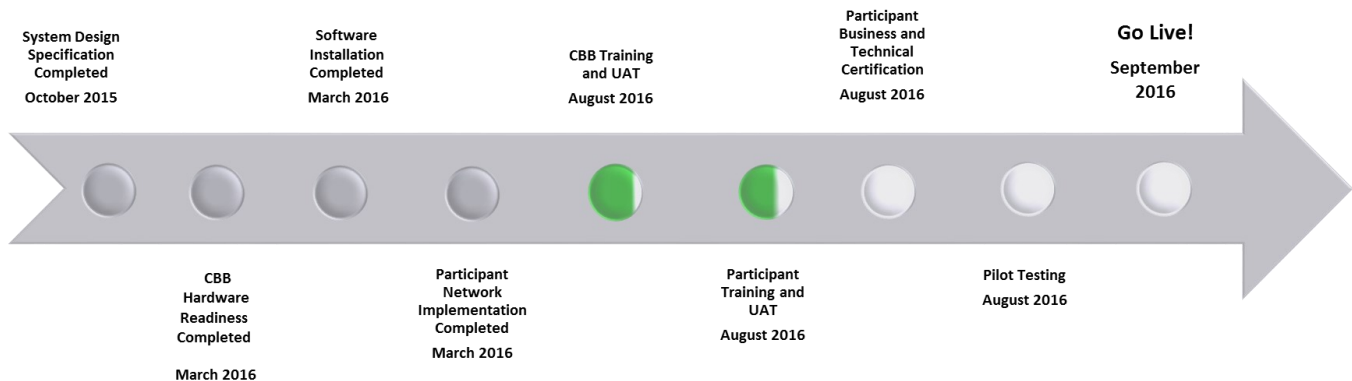
The APSSS comprises the RTGS, ACH, and the CSD. In addition to standard payment instruments, the ACH will introduce an Instant Funds Transfer feature, which will be available 24/7. Another component of the APSSS is the CSD, which will replace the existing manual registry at the Central Bank. The CSD will enable

the immediate settlement and delivery of securities that are auctioned with electronic evidence of ownership. The Government’s transactions (Customs, Income Tax and Sales Tax) are being fully integrated into the APSSS in order to improve processes for collecting revenues, making payments, and managing cash flows via a single account.

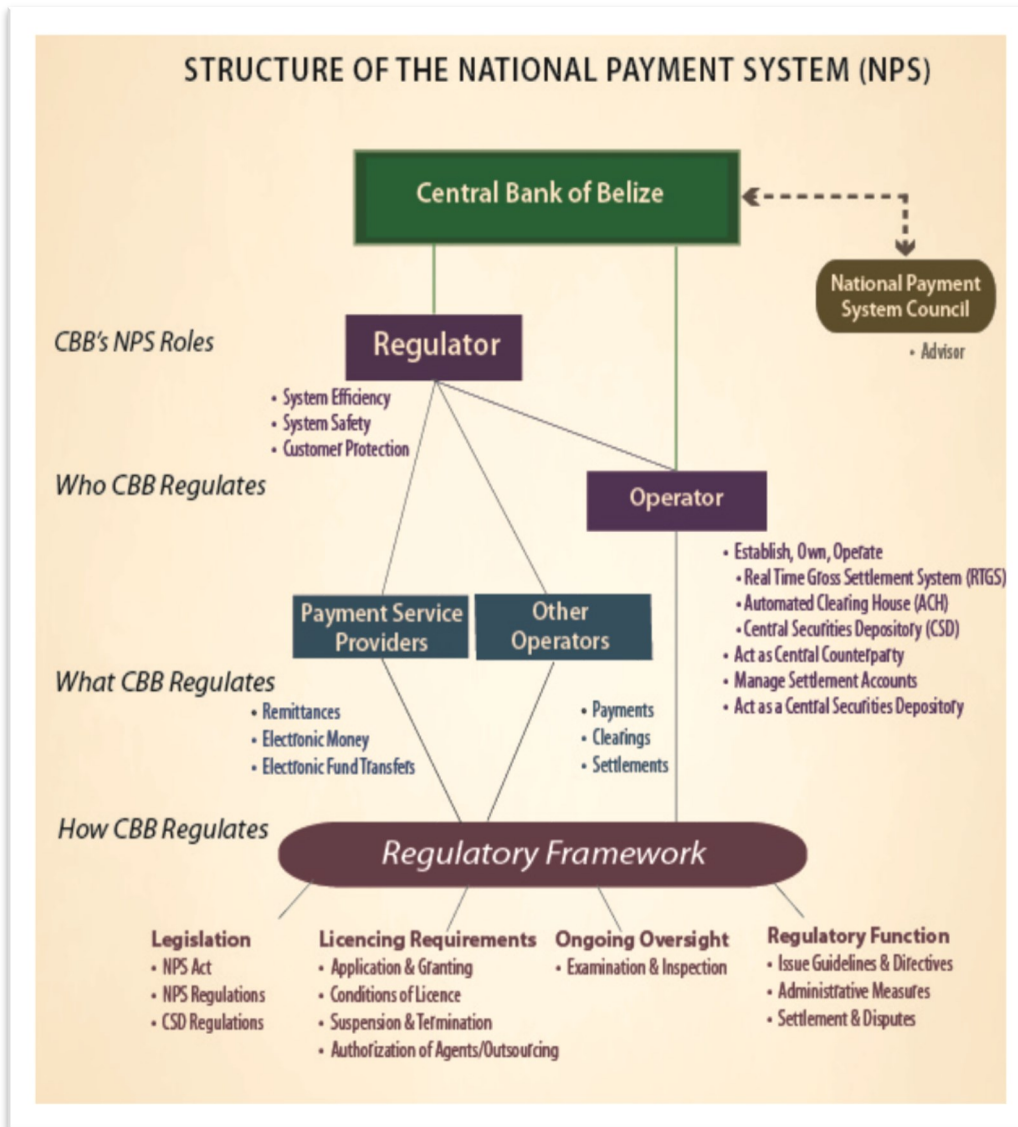
The Central Bank is responsible for the oversight and evolution of the payment system and thus aims to ensure that risks to

the system are mitigated and that fair access is fostered. Phase 2 of the project will span 4 to 5 years. It includes implementing a direct debit mandate management system, enhancing the interoperability of payment card mechanisms, expanding the securities settlement system to support capital market development, fostering interbank money market operations, and improving the efficiency of international remittance services.

Project Timeline



Structure of the NPS



"...an integral part of the financial system and is vital for its soundness, and for facilitation of monetary policy implementation and capital market development..."
 – National Payments System Development Plan



WHY?

- * Slow and inefficient manual cheque system
- * No network to clear and settle electronic payments
- * Fragmented legal framework that does not address electronic transfer of cheque data, image and PS risks
- * No on-line access to monitor accounts and manage liquidity
- * Increased usage of electronic payment instruments/services
- * Need for increased competition to expand and improve payment services
- * Need for supporting infrastructure to automate clearing and settlement of payments.
- * Need for compliance with international standards to improve safety and efficiency



Central Bank and Montran officials at contract signing for procurement of the APSSS - 14 July 2015

Meet the Implementation Team

The NPS Implementation Team includes staff from the Banking & Currency, Finance, Information Technology, and the Project Management departments.



Introducing the APSSS Logo



What it stands for:

Automated Payment and Securities Settlement System

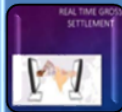
What it means:

Map of Belize says this is our National System - it is for our use at anytime to send payments anywhere in the country. (Dis da fi we!!!)

S³ represents:

- 3 S's (Securities Settlement System)
- 3 Systems (RTGS/ACH/CSD)
- 3 main benefits to users (FAST SAFE RELIABLE) payment transfers

Learn the Lingo



Real Time Gross Settlement System (RTGS)

- The continuous (real-time) settlement of large value funds or securities transferred individually on an order by order basis (without netting).



Automated Clearing House (ACH)

- An electronic system that clears and settles retail (low value) payments (cheques, electronic credit/debit transfers).



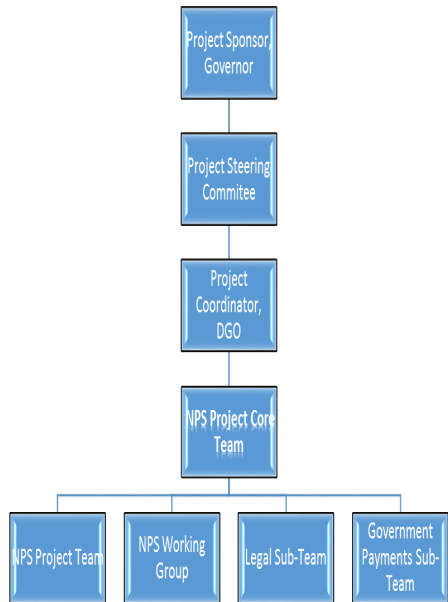
Central Securities Depository (CSD)

- A facility for immobilized (exists as an electronic record) or dematerialized (eliminates need for a physical certificate) securities. The CSD also provides the RTGS with liquidity by enabling government securities to be used as a collateral—pledging, repos.

What is a Payment and Securities System

1. A payment system is the collection of procedures, rules, standards, instruments, institutions and technical means used to exchange financial value between two parties discharging an obligation.
2. Although the purpose is simple, payment systems evolve over a period of years. The different conditions in each country (size, legal systems, business practices, technological infrastructure, stages of development of financial sector institutions) make each set of payment mechanisms unique.
3. Appropriate payment systems will satisfy the "evolving needs and requirements" all users - both current and future - of the payments clearance and settlement mechanisms.
4. Securities systems, because of their close linkages with payment systems, are increasingly considered as integral part of the payment system.

Project Governance Structure



Many have contributed to the work of NPS reform over the years. We take this opportunity to thank individuals from various stakeholder groups (from the Committee for Electronic Payments and Settlements (CFEPS) and to groups subsequently formed) for their dedication and support to the NPS Project.

Gratitude is extended to the Project Sponsor, Governor Ysaguirre, who has provided unwavering support for the project and has left no stone unturned in making sure that adequate resources are assigned.

The Working Groups continue to be dedicated to the Project implementation. These groups are working tirelessly to deliver a successful project.



CFEPS - Exploring Cheque Automation Options - September 2005

NPS Reform Teams

Payment System Team

Marilyn Gardiner Usher - Deputy Governor Operations
 Sheree Smiling Craig - Director, Project Management Department
 Rabey Cruz - Director, Information Technology Department
 Hollis Parham - Director, Finance Department
 Michelle Estell - Director, Banking and Currency Department
 Curlette Johnson - Deputy Director, Banking and Currency Department
 Gina Requena - Manager, Automated Transfer System
 John Hertular - Manager, Central Securities Depository
 Indira Banner - Manager, Payment System Oversight

Working Group for National Payment System Reform (CFEPS + BCUL, MOF)

Atlantic Bank Limited - Manuel Castellanos, Miguel del Angel, Rene Perera
 Belize Bank Limited - Jose Cardona, Chantelle Awe, Javier Sosa
 Belize Credit Union League (BCUL)- Abraham Obando, Corrine Fuller, Niall Gillett, Jose Can
 Heritage Bank Limited - William Ysaguirre, Patrick Herbert, Peter Dacoff
 Ministry of Finance (MOF) - Anna Bennett, Alberto Tzib, Teresita Miranda, Emily Guy
 National Bank Limited - Antonio Madrid, Gemayel Babb
 Scotiabank Limited - Hernan Riverol, Jose Chan

Government Payments Working Group

Central Bank - Teresa Busch
 Central Bank - Thilda Soberanis
 CITO - Francisco Gonzalez
 CITO - Gabrielle Bol
 Customs Department - Rigel Bowen
 Income Tax Department - Louis Ayuso
 Treasury Department - Emily Guy, Veronica Smith, Anna Bennett, Alberto Tzib



Working Group NPSR - Workshop 2 on Payment Flows