

**THE INSTITUTIONAL FRAMEWORK/GOVERNANCE  
ARRANGEMENTS FOR THE PAYMENT SYSTEM**



**EASTERN CARIBBEAN CENTRAL BANK  
ST KITTS AND NEVIS**

**July 2005**



# THE INSTITUTIONAL FRAMEWORK/GOVERNANCE ARRANGEMENTS FOR THE PAYMENT SYSTEM

## **Background**

The successful discharge of the mandate of overseer of the payment system is to be accomplished through a proper governance structure. In this regard, the Central Bank had established in 2000, forums for discussions and consultation with the banking industry and the private sector in general. A Bankers' Committee embodied the Payment Council (PC), which included eight National Technical Operational Committees (NTOCs) and one Regional Technical Operating Committee (RTOC). The intent of this institutional arrangement was for the Payments Council to serve as an advisory body to the ECCB and provide a mechanism for transparency and accountability (through industry-wide consultation) regarding the Central Bank's activities in the payments arena.

The ECCB is ultimately responsible for payment system oversight for a number of reasons<sup>1</sup>:

1. It has a mandate to safeguard the stability of the financial system of which the payment system is the underlying enabling infrastructure for monetary transfers;
2. An efficient payment system reduces transaction costs across the economy, and is indispensable to the functioning of the inter-bank and money and capital markets;
3. A weak payment system may severely drag on the stability and developmental capacity of the economy; and
4. Failure in the payment system can result in loss of confidence in the financial system and in the very use of money.

## **Industry Acceptance**

At the Tenth Meeting of the Bankers' Committee held 8 July 2005, the banks accepted the following revised arrangement for governance in the payment system that was proposed by the Central Bank:

### **1. Payments Council**

#### **Objective**

To support the achievement of sound and efficient payment and securities clearance and settlement systems, and to serve as a forum for cooperation to maintain orderly conditions in the ECCU payment system.

---

<sup>1</sup> These reasons were extracted from the work of Biagio Bossone and Massimo Cirasino, "The Oversight of Payment Systems: A Framework for the Development and Governance of Payment Systems in Emerging Economies", July 2001.

This body would actively advise the Central Bank on payment system issues **but responsibility for final decision/action would remain with the Central Bank as overseer of the payment system.**

To ensure a delicate balance of transparency through consultation with system participants and the proper placement of the responsibility for oversight with the Central Bank, a senior officer of the Central Bank such as the Deputy Governor would preside as chairman of the Payments Council. The officer would be strongly supported by the Banking and Monetary Operations Department of the ECCB, which will perform the role of Secretariat to the Payment Council.

The Payments Council would meet at least twice per annum.

**Composition of the Payments Council (6 members):**

- Senior Officer of the ECCB, Chairman;
- Another Senior Officer of the ECCB;
- President of the Executive Committee of the ECCU Bankers' Association;
- Another member of the Executive Committee of the ECCU Bankers' Association;
- CEO Eastern Caribbean Institute of Banking and Financial Services; and
- Chairman Eastern Caribbean Securities Regulatory Commission.  
Secretariat – Eastern Caribbean Central Bank

**2. RTOC – A Task Force Commissioned by the Payments Council**

Objective

To undertake research, identify solutions to improve the payment system and make recommendations to the Payments Council accordingly.

This group would serve as the working arm of the Payments Council for the effective performance of its role as adviser to the Central Bank on payment system issues. To ensure that the relevant interests of all industry participants are duly considered, the composition of this task force would comprise representation from all banks and all member countries. In terms of substantive membership, the four foreign bank groups, namely Bank of Nova Scotia, Royal Bank of Canada, RBTT Banking Group and FirstCaribbean International Bank Ltd, would each be represented by one individual. One individual would represent the indigenous banks in each of the eight territories. Information exchange among indigenous banks in the various territories would be facilitated through the operation of the National Technical Operating Committees (NTOCs).

The chairmanship of the RTOC would be determined by direct appointment by the Payments Council or election within the group.

Members of the private sector (credit unions, non-bank financial institutions, merchant houses, etc) would be invited to specific meetings of the RTOC for consultation on relevant issues.

**Composition of RTOC (12 members):**

- Representative for each foreign bank group (4);
- Representative for indigenous banks of each member territory (8).

Secretariat – BMOD, ECCB

**2. National Technical Operating Committees (NTOCs)**

Objective

To discuss emerging payments issues for submission to the RTOC for broader-based discussion.

This arrangement takes cognizance of the fact that the interests of the foreign branch banks are represented at the RTOC at regional office level. The NTOC would also serve as a forum for brainstorming and addressing country-specific issues to which all banks could make relevant and valuable inputs. This group would operate synchronously with the local chapters of the ECCU Bankers' Association.

The chairmanship of each NTOC is to be determined by its membership. The ECCB Resident Representative in each territory would perform the secretariat function for the groups.

Members of the private sector (credit unions, non-bank financial institutions, merchant houses, etc) would be invited to specific meetings of the RTOC for consultation on relevant issues.

**Composition of NTOCs:**

- Technical persons involved in operations and/or IT from all banks in the territory;
- The ECCB Resident Representative.

**Organizational Structure  
ECCU Payment System Governance Arrangements**

