

PRESS RELEASE

**Introduction of The Bahamas Inter-Bank Settlement System (BISS)**

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On Friday, 28<sup>th</sup> May 2004, the Central Bank of The Bahamas successfully implemented the first electronic interbank payment and settlement system in The Bahamas, positioning The Bahamas closer towards its goal of modernizing the domestic payment infrastructure.

BISS, the acronym for Bahamas Interbank Settlement System, is a real time gross settlement system (RTGS) which utilizes the software developed by Montran Corporation, and is owned and operated by the Central Bank. Membership in this large value scheme is limited to the current seven (7) clearing banks, which all participated in its development.

The introduction of BISS culminates Phase 1 of the larger Payment System Modernization Initiative (PSMI), which commenced in 1999 with technical assistance from the World Bank. The objectives of the PSMI are to bring the domestic system into compliance with international best practices, to mitigate risk inherent in payment systems, to increase the efficiency of payment services and to provide an infrastructure that can support the growth of new products and services and satisfy the business needs of all sectors of the economy.

Consistent with the strategic and collaborative approach taken to reforming The Bahamas' payment system, a National Payment Council (NPC) was constituted in May 2003, comprising representatives of the Central Bank and the CEOs of the participating clearing banks. The NPC, which is charged with overseeing the development of the national payment strategy, has been the decision making body in framing this process.

International best practices suggest that RTGS is a requirement for a modern payments infrastructure. The BISS is based on the Core Principles for Systemically Important Payment Systems (SIPS) as developed by the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements. As an RTGS, BISS now enables all participating clearing banks to settle Bahamian dollar payments electronically, on a transaction by transaction basis in real time--among each other and between themselves and the Central Bank of The Bahamas. Consistent with international best practices, funds transferred through BISS are immediate, final

and irrevocable, bringing the system in line with generally accepted principles for safe and efficient national payment systems.

Although it typically handles large value and time critical payments, payments of any magnitude may be submitted via the BISS. The system is supported by rules, procedures, and a service level agreement between the Central Bank and the participants to underpin the overall safety and efficiency objectives.

In the near future, BISS will also handle Delivery versus Payment (DvP) for securities trades, which will ensure that the transfer of title to the security (delivery) occurs simultaneously with the transfer of the underlying financial consideration (payment).

The BISS operates during weekdays from 8:30 a.m. to 5:00 p.m., except on holidays. BISS participants communicate in a Closed User Group (CUG) environment via the S.W.I.F.T network and access the system via a web browser.

With the completion of Phase 1 of the PSMI programme, work has already commenced on Phase 2, the establishment of an Automated Clearing House (ACH) which is expected to be implemented in the first quarter of 2005. Domestic checks are still cleared manually at the Central Bank, and the resulting interbank obligations are settled through the BISS. With the advent of the ACH, the current manual system of cheque processing will be eliminated and a full range of facilities, including direct debits and credit services and interoperability of domestic ATMS, will be available to customers.