



A Survey on the Cost & Access of Payment Methods at Commercial Banks Preliminary Summary of Results June 2023

i. Background

In line with its strategy towards the reduction and elimination of cheques, the Central Bank conducted a survey to ascertain the time and cost associated with alternate payment types; in particular, bank transfers and local and international wires. Specifically, banks were asked to report on the cost, frequency and turnaround time for cheque orders, as well as whether cheques were printed locally or internationally. In addition, banks were asked to clarify the cost associated with various forms of bank transfers, including NACHA payments, RTGS payments and wire transfers, as well as ATM/ABM services. Banks were also asked to provide details around the daily limits for online and ATM/ABM transfers, as well as the time associated with a payment being posted to a recipient account, versus having the funds available for use. Lastly, banks were requested to clarify the length of time it would take to correct an erroneous incoming transfer via different payment types.

The results of the survey are intended to propel the efforts of the Business Matters Working Group, a subcommittee of the Steering Committee on the Reduction and Elimination of Cheque Usage in The Bahamas, which has been tasked with identifying business gaps related to cheque elimination.

The survey was disseminated on May 4, 2023, after which banks had three (3) weeks to complete and submit. There were a total of six (6) submissions from the applicable commercial banks.

ii. Summary of Results

Cheques

By and large, commercial banks' cheques are printed by local vendors, with Executive Printers and Bahamas Cheque Services Ltd. identified as the two largest vendors. However, one bank noted that they print their cheques in-house. While some banks execute cheque printing orders on behalf of their clients, two banks indicated that their customers ordered directly with the local vendors to print cheques. In these cases, banks were unable to report on the cost associated with printing cheques. For those that acted as conduits for their clients with regard to cheque printing, the client fee¹ for an order of standard personal cheques (per 100) averaged \$34.38, and \$39.76 for an order of standard business cheques (per 100), inclusive of VAT.

Further, banks indicated that the frequency of their cheque orders was based mostly on customer demand, with those printing in-house citing daily printing, and others indicating that they order cheques on a weekly (1 bank) and annual (1 bank) basis. For banks that used local vendors, the turnaround time for printed cheques averaged five (5) to seven (7) business days.

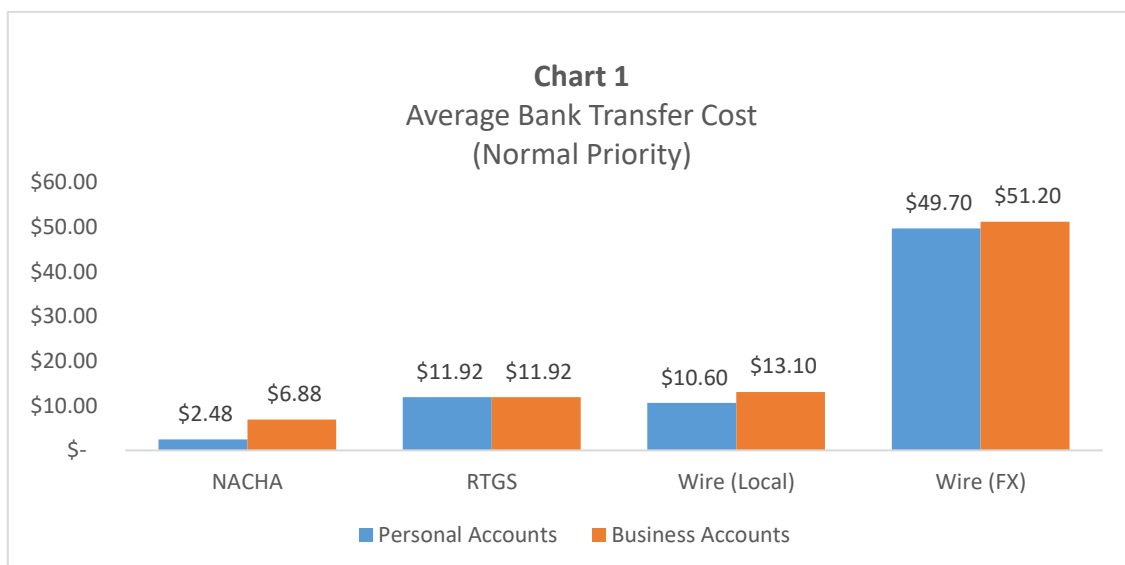
¹ This represents the fee charged by the printers to the local bank for printing the cheques for the client.

Bank Transfers

As an alternative to cheque payments, customers can settle payments via bank to bank transfers through the Automated Clearing House (ACH) and Real Time Gross Settlement (RTGS) System, as well as via local and international wire transfers. Commercial banks reported that the cost of these alternative payment solutions varied depending on the type of account and the processing time (i.e., normal or urgent priority).

NACHA (ACH) payments costs averaged \$2.48 (VAT inclusive) for personal accounts, vis-a-vis \$6.88 for business accounts, with settlement occurring between one (1) to two (2) business days, depending on the time the payment was made² (see Chart 1). RTGS payments, which typically feature higher amounts (>\$150,000), averaged \$11.92 for both personal and business accounts. Comparatively, local wire transfer costs averaged \$10.60 for personal accounts and \$13.10 for business accounts, while the mean cost for international wires totaled \$49.70 for personal accounts and \$51.20 for business accounts, with one bank indicating that costs for this type of payment could range as high as \$137.50.

For urgent payments, which were settled on the same day, average costs for NACHA payments stood at \$2.93 for personal accounts and \$2.75 for business accounts.



For comparison, there were a number of different costs associated with cheques. For the drawer, a Government Stamp Tax of \$0.40 was applied for each cheque that is drawn and subsequently cleared, as well as a bank service fee that can range from \$0.66 to \$1.65³ per cleared instrument between personal and business accounts. For the drawee, the cheque cashing fee averaged approximately \$2.46⁴ per transaction for customers with accounts at the cashing bank, and \$9.17 for non-customers. In addition, cheque deposit charges in-branch averaged \$1.74 for savings accounts and \$2.06 for checking accounts, with one bank noting that deposits over \$10,000 were charged at 1% of the value plus VAT. Further, other related costs such as the dishonored cheque charge averaged \$34.57.

² Most banks noted that payment can be settled within the same day once it is initiated before 10am.

³ Includes four banks.

⁴ Commercial Bank Fees Schedule June 2022 -

<https://www.centralbankbahamas.com/viewPDF/documents/2023-07-03-14-52-04-Commercial-Bank-Fees-June-2022.pdf>

ATM/ABM Transactions

With regard to ATM/ABM transactions, all banks reported that they did not charge customers to make deposits or transfer funds between their own accounts. However, customers were charged for ATM/ABM withdrawals, with the fee across banks ranging from as low as \$0.83 per withdrawal to a maximum of \$1.38, VAT inclusive.

Time and Access

Access

It is important to note that customers may be restricted by transaction value limitations when using means of payment other than cheques. To this end, the survey queried the daily dollar limit for online transfers, which ranged from \$15,000 to no limits for personal accounts, and from upwards of \$500,000 to no limit for business accounts. However, limits for business accounts can vary depending on the nature of the business activity.

As it relates to the daily dollar limit for ATM/ABM transfers, two banks reported having no limits, while the limits for the remaining four banks ranged between \$1,500 and \$2,500.

Time

Another important factor in assessing payment alternatives is the turnaround time associated with settlements across the various instruments. Banks were asked to disclose how long it took for payments to be posted to a recipient account, as well as the average time it took for those funds to become available for use.

For personal accounts, five of the six banks reported that “on-us” cheque deposits made in-branch were posted to the account immediately, while one reported that funds were posted within the day. Similarly, deposits of cheques from other banks made in-branch were posted to the account immediately by two thirds of respondents, with the remaining banks reporting that they were posted within the day. Further, ATM/ABM cash and cheque deposits were generally posted to the account either immediately or within the day, though one bank reported that it could take up to three business days to post a cheque from another bank deposited at the ATM/ABM. Transfers made at the ATM/ABM, however, were posted to the account immediately or within the day. Moreover, the bulk of respondents indicated that RTGS payments were posted to the recipient account either immediately or within the same day, with one bank indicating that it could take up to two business days. As for wires, half of the banks reported that both local and international wires could take up to two business days to be posted to a recipient account.

Once the payment is posted to the account, banks reported that the funds became available for use within the same day for “on-us” cheque deposits made within the branch, though one bank reported that it could take up to six months in some cases (i.e., to clear USD cheques). However, for in-branch cheque deposits from other banks, it could take between two and three business days. Two thirds of the respondents reported that cash deposits at the ATM/ABM were available for use within the day—and automatically at Smart ATMS—with one bank indicating that there could be a delay of up to two business days for the funds to clear. Cheques deposited at the ATM/ABM, however, took an average of three business days for the funds to be available for use, with transfers clearing immediately or within the same day. Further, once the payment was posted to the account, the funds were available for use immediately or within the same day for RTGS payments, as well as for local and international wires.

Table 1: Average Processing Time of Various Payment Types for Personal Accounts

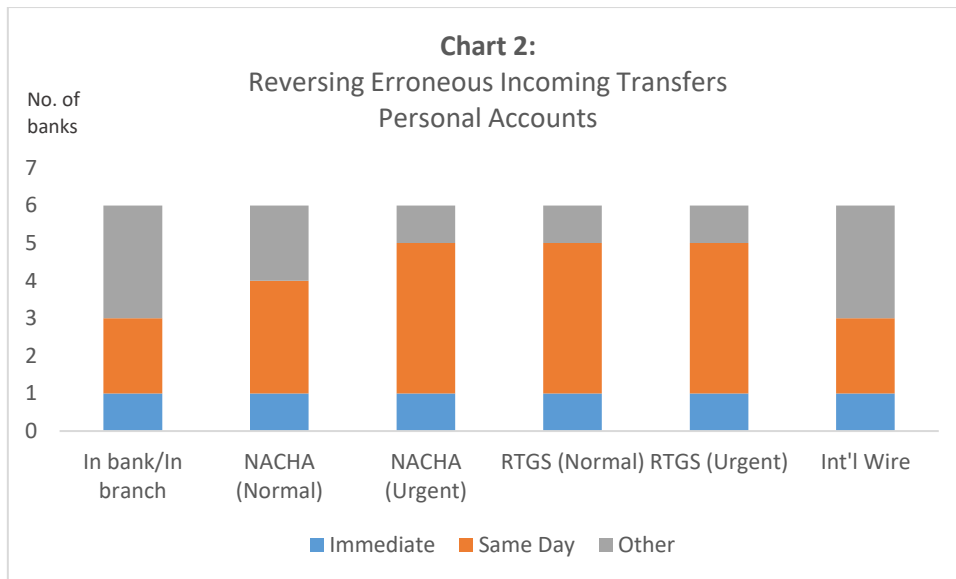
	Posted to Account	Available for Use
On-Us Cheques	SAME DAY	SAME DAY
Other Bank Cheques	2-3 BUSINESS DAYS	2-3 BUSINESS DAYS
Cash Deposit	SAME DAY	SAME DAY
Bank Transfers	SAME DAY	SAME DAY
Local & Int'l Wires	2-3 BUSINESS DAYS	2-3 BUSINESS DAYS

The results were largely similar for business accounts. Cheque deposits in-branch were posted to the recipient account within the same day, with “on-us” cheques clearing either immediately or within the same day of posting, and cheques from other banks taking up to three business days to clear. ATM/ABM cash and cheque deposits were also posted within the same day for the majority of banks, with two indicating that it could take two business days to post and as much as three business days to become available for use. ATM/ABM transfers are posted and settled within the same day, while RTGS and ACH transfers are both posted and available for use within the same day. For international wires, most banks indicated posting and clearing within the day.

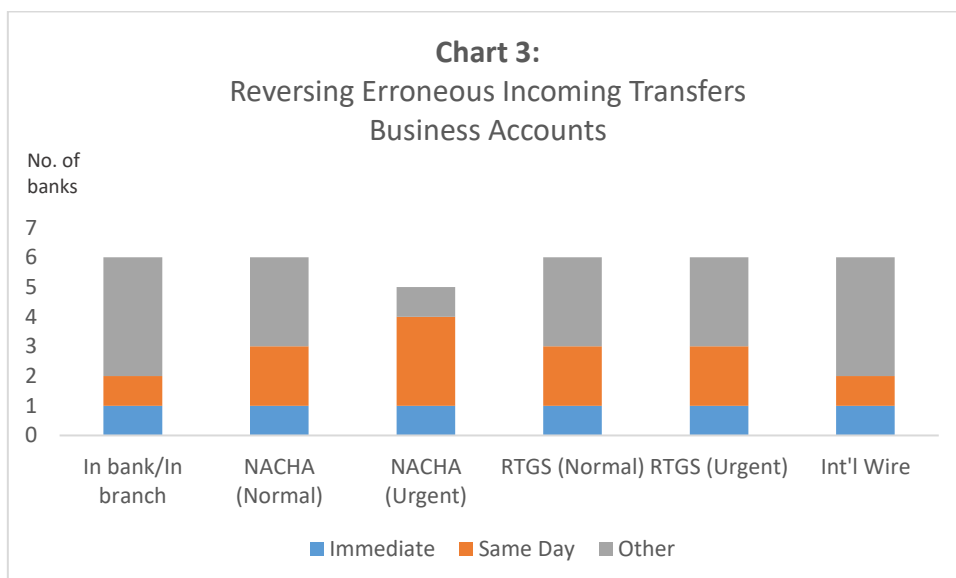
Table 2: Average Processing Time of Various Payment Types for Business Accounts

	Posted to Account	Available for Use
On-Us Cheques	SAME DAY	SAME DAY
Other Bank Cheques	2-3 BUSINESS DAYS	2-3 BUSINESS DAYS
Cash Deposit	SAME DAY	SAME DAY
Bank Transfers	SAME DAY	SAME DAY
Local & Int'l Wires	SAME DAY	SAME DAY

With regard to reversing erroneous incoming transfers on personal accounts, most banks indicated that they were able to remediate the issue and return the funds to the sender within the same day (see Chart 2). For matters related to fraud, the error could be resolved immediately, but it could take longer in other instances, and can depend heavily on the customer’s ability to indicate approval and provide supporting documents, if any. In these instances, correcting the erroneous transfer could take two business days or longer. By payment type, NACHA and RTGS payment errors could be resolved immediately in most cases or within the day, while in-bank/in-branch and international wires could take longer.



For business accounts, the turnaround time to resolve erroneous incoming transfers was a bit longer when compared to personal accounts, except in the case of fraud. Like personal accounts, erroneous transfers due to fraud could be resolved fairly quickly. However, errors for other purposes such as the sender making an error when filling in the recipient’s banking information, could take longer to correct (up to three business days). Further, NACHA and RTGS payments could be resolved on average faster than in-branch/in-bank transfers and international wires (see Chart 3).



iii. Conclusion

In summary, when compared to the time and cost of processing cheques, alternative payment methods (i.e., bank transfers, wires, and cash deposits) were indicated to be overall more timely, efficient and cheaper to use.

Specifically, “on-us” cheques (which did not require inter-bank transit), cash deposits and inter-bank transfers could be transacted and cleared within the same day for personal accounts, with other cheque deposits and wire transfers taking up to three business days to post and clear, which could

extend to up to six months for one bank. With regard to costs, the standard bank transfers made through the ACH were priced on par with cheque cashing services, though the cost for wires (particularly international) were higher. As it relates to business accounts, the turnaround time associated with alternative payments were more or less the same as personal accounts, with average costs reflecting higher—though marginally—when compared to personal accounts. Further, personal and business customers are not generally limited when it comes to online transfers, though one bank has a limit of \$15,000 for personal accounts and \$500,000 for business accounts. Noteworthy, the limit for business accounts could be increased based on the nature of the business. In the event an erroneous transfer was made, funds could be settled and returned to customers within the same day generally, though it could take up to three business days for non-fraudulent activities.