



## PRESS RELEASE

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### Central Bank Establishes a Steering Committee to Oversee Cheque Reduction Process

Following initial public consultation and feedback received during 2022, the Central Bank of The Bahamas has established a Steering Committee to oversee comprehensive efforts to achieve a reduction in the use of cheques in The Bahamas. The Steering Committee, which first convened on February 28, 2023, is comprised of a cross-section of public and private sector stakeholders. It is tasked with ensuring that The Bahamas adopts a credible and transparent approach to reduction in the use of cheques, and that the timeline for the reforms is achievable when assessed against the ease of conducting banking transactions and the ease of access to banking. In this regard, by June 30 2023, the Committee will make an initial assessment of the feasibility of the timeframe for cheque reduction and elimination.

#### Background

The Terms of Reference for the Steering Committee is to oversee a continuation of the process for the reduction and elimination of cheque usage in The Bahamas. It identifies the proposed composition and focus for target deliverables that will guide the work of the Committee.

Although some work was undertaken in 2022, critical coalescing of efforts would be required to achieve an orderly reduction and elimination of cheques. In December 2021, after consultation with the Clearing Banks Association (CBA), the Central Bank of The Bahamas published an initial public consultation paper, identifying **December 31, 2024** as the timeline on which to eliminate the instruments. Since then, efforts have progressed in collaboration with the CBA on two fronts: (i) reviewing the legal framework to identify what reforms might be necessary to the existing framework for payments and (ii) preparing a public education campaign for change. While the education strategy still requires some formulation, a local firm has already been identified to lead the effort. In the meantime, the preliminary assessment of the Bahamian legal framework has already been done.

Important, varied stakeholder feedback has been received regarding the future of cheques, highlighting general themes around which the financial sector's strategy and public policy inputs should be focused to promote an improved outcome for all users of the payments systems.

The 2021 consultation paper acknowledged important high-level themes that ought to be addressed during the reform process. These included proactively targeting improved financial inclusion

outcomes, including providing the public with legitimate access to alternative payment options. Such outcomes would have to address the needs of both individuals and businesses. The reform strategy ought to also provide adequate public education around the use of digital alternatives, and target a positive and consistent pricing incentive for electronic payments across the financial sector. The paper also identified the importance of a deliberate, coordinated sequencing of change processes, related to the experience and internal practices within each commercial bank. In addition, this work acknowledged the importance of achieving legal clarity around settlements processes that are projected to be instant or faster in nature, as it concerns transactions finality and recourse of payers and payees in the event of errors and/or fraud.

## Terms of Reference

The Steering Committee, comprised of critical financial sector stakeholders, will oversee and coordinate the check reform process with the following key mandates.

- i. Identify, agree and target key performance indicators (KPIs) and benchmarks, which would promote the public's readiness to adopt non-cheque alternative payments channels and instruments, and the commensurate ability of domestic banks and other payments services providers to deliver on such alternatives in an inclusive and cost-effective manner. The benchmarks would cover, at a minimum, the rates of access to and the adoption of digital services channels, and the speed and cost of alternative payments.
- ii. Identify and secure consensus commitment on coordinated reforms within stakeholder financial institutions to deliver on inclusive adoption, payments speed and cost benchmarks.
- iii. Regularly assess progress against the target KPIs and benchmarks, and adjust overall timelines and milestones for the phasing out of cheques as necessary to achieve success. The Steering Committee would provide an initial assessment by June 30, 2023.
- iv. As necessary, provide informed public policy advice to the Government and regulators to assist with progress on KPIs and benchmarks.
- v. Establish working groups and sub-committees with defined terms of reference to advance the cheque elimination strategy. These include, as already established, the Public Education Working Group and the Legal and Regulatory Working Group.
- vi. Provide oversight to the formulation and execution of an effective public education campaign, and maintain regular communication with the public on the execution of the strategy.
- vii. Agree on resourcing, including financial contributions, where necessary to ensure an adequate and effective public education campaign.

## Composition and Operation

The Steering Committee is comprised of individuals and representation from the institutions listed below. These are the heads of organisation and individuals of sufficient seniority to secure or commit to resources and any other necessary undertakings from their organisations.

- The Central Bank (the Governor)
- One Representative of the Ministry of Finance (Financial Secretary or designate)
- Each member of the Clearing Banks Association (CBA)
- One representative of the Bahamas Chamber of Commerce
- One representative of the Bahamas Insurance Association
- One representative of the Bahamas Credit Union League

The Steering Committee meets the first Monday of every month, co-chaired by the Governor and Head of the CBA. Decisions are made on the basis of consensus.

**3 May, 2023**