

Reducing forex dependence...

Caricom central banks approve payment system

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CENTRAL BANK governors from the Caribbean Community (Caricom) have agreed in principle to adopt a payment and settlement system, developed by Afreximbank, that aims to reduce the region's reliance on foreign exchange for cross-border transactions.

While a successful transaction has already been completed between the central banks of The Bahamas and Barbados, Caricom central bank governors called for at least two more central banks to participate in the next phase of validation. This initiative was one of the key items discussed when the Centrale Bank van Curaçao en Sint Maarten (CBCS) hosted the '64th Bi-Annual Meeting of the Caricom Central Bank Governors' in a hybrid format on May 22–23, 2025.

'A successful proof-of-concept for the Caricom Payment and Settlement System (CAPSS), demonstrating real-time cross-border payments between the central banks of The Bahamas and Barbados. Governors agreed in principle to adopt CAPSS to deliver instant, local currency payments across Caricom, and endorsed a more robust validation phase involving at least two additional central banks,' a release from the CBCS stated.

Last month, *Express Business* reported that the central banks of Barbados and The Bahamas successfully completed a cross-border payment using their respective local currencies without the need for an intermediary currency.

Key stakeholders hailed this as a significant breakthrough, emphasising its potential to help Caricom nations trade with less reliance on the US dollar and other third-party currencies.

They noted that this development paves the way for greater financial independence in regional trade.

'From February 19-21, 2025, at the Central Bank of The Bahamas, representatives from the central banks of The Bahamas, Barbados, Suriname, and Trinidad and Tobago, along with Afreximbank (The African Export-Import Bank), PAPSS (the Pan-African Payment and Settlement System), and Montran Corporation, successfully tested CAPSS's (the Caricom Payment and Settlement System's) ability to process instant cross-border payments without intermediaries,' Afreximbank stated.

Instant cross-border payments

CAPSS, designed to facilitate real-time, local currency transactions across the Caricom region, aims to replicate the success of PAPSS, which enables instant, cross-border payments in local currencies across African markets.

Afreximbank hailed the proof of concept as groundbreaking, noting key benefits such as secure, real-time, local currency transactions within Caricom and central bankbacked settlement. The successful live test between the Bahamas and Barbados was cited as proof of the possibilities for a more integrated and self-reliant regional financial system. Governor of the Central Bank of Barbados Dr Kevin Greenidge stated that the sooner CAPSS becomes fully operational across the region, the better it will be for Caricom nations.

'It will allow a trader in Trinidad to pay for goods in Barbados using TT currency, and the trader in Barbados would receive Barbados currency. Similarly, a trader in Barbados can pay for Trinidadian goods in Bajan currency, and the Trinidadian trader would receive Trinidadian currency. Why? Because the Central Bank of Trinidad and Tobago and the Central Bank of Barbados will hold reserves for each other,' Greenidge said.

'And at the end of the day, we will net out and determine the position after settling-whether it's in Trinidad's favour or on Barbados' side-and we can settle with US dollars. The beautiful thing is that you require fewer US dollars in day-to-day activities, allowing us to use the US dollars we have for other purposes. That's the beauty of it,' Greenidge said.

Acting chief operating officer at Afreximbank's Caribbean office Okechukwu Ihejirika said that CAPSS is designed to promote trade within the region and eliminate some of the existing hurdles.

'If for instance I am in Barbados and I want to buy goods from Trinidad and I don't have the US dollars to make that payment, then it becomes simply wishful thinking...we think that stifles trade,' Ihejirika said.

'We thought it was very critical to put in place an alternative payment platform,' he said.

Ihejirika said that with CAPSS, the vision is to do trade between Caricom countries without the vendor or buyer having to use an intermediary currency to complete their transaction.

Ihejirika said this would eliminate the reliance on third-party currencies such as the US dollar, euros, Japanese yen, and others.

'We can conclude the trade with our local currencies, send our local currencies, receive our local currencies and everybody is happy,' he said.

On Thursday and Friday, CBCS president Richard Doornbosch chaired the '64th Bi-Annual Meeting of Caricom Central Bank Governors', which convened senior officials from 11 Caribbean central banks to discuss regional economic developments and strengthen the resilience of the Caribbean's financial systems.

'A central theme of the meeting was the global trade policy uncertainty and its implications for the Caribbean.

Governors noted the potential for supply chain disruptions,

inflationary pressures, and broader economic risks, and reaffirmed the need for a coordinated regional response,' the CBCS stated.

'A major milestone was the signing of a cooperation agreement with the World Bank/IFC and participating central banks to develop a regional green taxonomy. Governor Kevin Greenidge signed the agreement on behalf of the group, marking a key step in advancing climate finance and fostering the creation of a regional green financial market,' it stated.

The CBCS stated that working groups and technical committees delivered updates, including the Caribbean Group of Banking Supervisors, Cybersecurity Information Sharing Group, Caricom Fintech Working Group, and the Regional Reserves Managers Group.

It stated that these reports underscored the importance of sustained cross-border collaboration in a rapidly evolving global financial landscape.

The CBCS stated that progress was also reviewed on several strategic regional initiatives including a centralised e-KYC (Electronic Know Your Customer) and CDD system (Customer Due Diligence) aimed at improving customer mobility and competition across financial institutions.

Enhancing financial stability

It stated that preliminary discussions were held on a proposed \$200 million regional bond, to be issued by the Caricom Development Fund, aimed at financing climate-resilient infrastructure.

A draft term sheet for the bond is currently under review, the CBCS stated.

'Governors supported the initiative for the issuance of the regional bond and agreed to have a finalised position paper for the upcoming Heads of Government meeting in July 2025,' it stated.

'As the meeting closed, governors reiterated their shared commitment to deepening integration, enhancing financial stability, and promoting transformation across the region. President Doornbosch thanked his colleagues for their collaboration, emphasising that only through strategic unity can the Caribbean withstand the external shocks of a polycrisis world,' it stated.

The Caricom central bank governors are scheduled to meet again in Curaçao in November 2025 at the '65th Bi-Annual Meeting and the 56th Annual Monetary Studies Conference' under the theme: 'Resilience through Transformation.'