



ECONOMIC OUTLOOK AND POLICY MEASURES

The Sri Lankan economy grew by 7.6 per cent during the first quarter of 2014, in real terms, due to favorable growth in industry and services sectors. The growth in the Services Sector, which recorded 6.5 per cent growth, was due mainly to the growth in the hotels and restaurants (23.2 per cent), wholesale and retail trade (8.3 per cent), transport and communication (7.3 per cent) sectors. The growth in the mining and quarrying (15.4 per cent), manufacturing (8.9 per cent) and construction (22.5 per cent) sectors mainly contributed to the growth of 12.6 per cent in the Industry Sector. The Agriculture Sector recorded a marginal 0.2 per cent growth due mainly to the growth in fishing (13.3 per cent) sector, during the first quarter of 2014.

Table 1: Economic Indicators – First Quarter of 2012, 2013 and 2014

Description	2012	2013	2014 ^(a)
	Q1	Q1	Q1
Real GDP growth rate (%)	8	6.1	7.6
Agriculture Sector	12	3.4	0.2
Industry Sector	10.8	10.7	12.6
Services Sector	5.8	4.3	6.5
External Finance (US\$ million)			
Exports	2,570.1	2,358.4	2,808.9
Imports	5,349.2	4,510.3	4,748.0
Trade Balance	(2,779.1)	(2,151.9)	(1,939.1)
Prices			
Colombo Consumers' Price Index (2006/07 = 100) Quarterly average Point to Point Change (%)	4.0	9.1	4.2
Wholesale Price Index (1974 = 100) Quarterly average Point to Point Change (%)	-8.5	13.1	
Exchange Rate			
Period average (Rs./US\$)	118.8824	126.7941	130.7196
End - period (Rs./US\$)	128.1878	126.8528	130.6949

(a) Provisional

Source: Central Bank of Sri Lanka

Table 2: Money Market Rates – First Quarter of 2012, 2013 and 2014

Description	2012	2013	2014
	Q1	Q1	Q1
Interest rates (Per cent per annum at the end of the quarter)			
Bank rate	15.00	15.00	15.00
Call money market rate (3 month average)	9.32	9.57	6.97
Treasury bill yield rates (Primary)			
91 days	9.50	9.38	6.82
182 days	9.46	10.32	6.99
364 days	10.04	11.21	7.18
Repo rate (overnight)	7.50	7.50	6.50*
Reverse repo rate (overnight)	9.00	9.50	8.00*
Commercial Banks' Average Weighted Deposit Rate (AWDR)			
	7.59	10.54	8.81
Commercial Banks' Average Weighted Prime Lending Rate (AWPR)			
	11.85	14.13	9.28

Source: Central Bank of Sri Lanka

* Repo rate and Reverse repo rate under the standing facility were renamed as Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR), respectively with effect from 2 January 2014.

The Central Bank of Sri Lanka (CBSL) continued the monetary policy relaxation process throughout the first quarter of 2014 as well. Accordingly, the Statutory Reserve Ratio (SRR) was at the level of 6.00 per cent during the first quarter of 2014 maintaining the reduction effected in July 2013. The Standing Lending Facility Rate was reduced by 50 basis points to 8.00 per cent with effect from 02 January 2014 thereby compressing the Policy Rate corridor which was renamed as Standing Rate Corridor with effect from 2 January 2014 to 150 basis points (bps) from prevailed 200 bps. Further in responding to the policy stance, the call money market rates and the rates of government securities market also

recorded significant decreases as at end of the first quarter of 2014 over the same quarter of 2013.

PAYMENT SYSTEM- HIGHLIGHTS

Cash

Cash payments continued to persist as the most popular payment mode in retail payments in Sri Lanka. Currency in circulation increased by 11.6 per cent to Rs. 370.6 billion at the end of the first quarter of 2014 from Rs. 332.3 billion as at the end of the same period of 2013.

Table 3: Monetary Aggregates – As at the end of First Quarter of 2013 and 2014

Description	(Rs. Mn)		% change	
	2013 Q1	2014 ^(a) Q1	13/12 Q1	14/13 Q1
1. Currency	332,261	370,649	5.4	11.6
of which held by:				
1.1 Banks	69,705	88,975	11.7	27.6
1.2 Public	262,566	281,674	3.8	7.3
2. Demand deposits	840,230	828,061	8.5	-1.4
of which held by:				
2.1 Government (b)	25,119	24,423	4.4	-2.8
2.2 Banks (c)	612,256	573,902	10.3	-6.3
2.3 Public	202,856	229,736	3.7	13.3
3. Narrow Money Supply (M1) (1.2 + 2.3)	456,413	511,410	1.7	12.0
4. Time and Savings deposits held by public	2,284,029	2,654,400	22.0	16.2
5. Broad Money Supply (M2) (3+4)	2,749,442	3,165,810	18.5	15.1

(a) Provisional Source: Central Bank of Sri Lanka

(b) Government demand deposits with commercial banks and the Central Bank of Sri Lanka

(c) Inter-bank deposits of both local and foreign banks including deposits of international organizations and commercial banks with the Central Bank of Sri Lanka.

The broad money supply (M2) as at end of the first quarter of 2014 increased by 15.1 per cent compared to the same quarter of 2013. The increase in credit to the Government and private sector from the banking sector was the main contributory factor for the growth in broad money supply.

Table 4: Relative Sizes of Monetary Aggregates - First Quarter of 2012, 2013 and 2014

Description	2012 Q1	2013 Q1	2014 ^(a) Q1
Share of Currency (%) held by			
Banks	19.8	21.0	24.0
Public	80.2	79.0	76.0
As a % of Broad Money Supply			
Currency held by public	10.9	9.5	8.9
Demand deposits held by public	8.4	7.4	7.3
Time and Savings deposits held by public	80.7	83.1	83.8

(a) Provisional

Source: Central Bank of Sri Lanka

The share of currency held by public was 76.0 per cent in the first quarter of 2014. Out of all three components of broad money supply, Time and Savings deposits held by public still remained as the major component of broad money supply which accounted for 83.8 per cent at end of the first quarter of 2014.

Non-cash Payments

The Real Time Gross Settlement (RTGS) System and the Cheque Imaging and Truncation (CIT) System, the two systemically important payment systems in Sri Lanka accounted for 99.0 per cent of the total value of non-cash payments in the country. The rest of the non-cash payments were made using the Sri Lanka Interbank Payment System (SLIPS), card based payment mechanisms, drafts, postal instruments and other electronic means of payments such as phone/mobile/ tele-banking and internet banking.

Cheques

The total number of cheques cleared in the first quarter of 2014 through CIT System operated by LankaClear (Pvt) Ltd. (LCPL) grew by 3.4 per cent to 12.0 million cheques in comparison to the same quarter of 2013. The total value of the cheques cleared increased by 10.8 per cent to Rs. 1,842 billion during the first quarter of 2014, when compared to the same quarter of 2013.

**Table 5: Cheque Clearing -
First Quarter of 2013 and 2014**

Description	2013 Q1	2014 Q1	% change	
			13/12 Q1	14/13 Q1
1.Total number of cheques cleared	11,633,262	12,031,897	-4.9	3.4
2. Total value of cheques cleared (Rs. bn)	1,663	1,842	0.7	10.8
3. Average number of cheques cleared per day	200,573	203,930	-1.6	1.7
4. Average value of cheques cleared per day (Rs.mn)	28,677	31,227	4.1	8.9

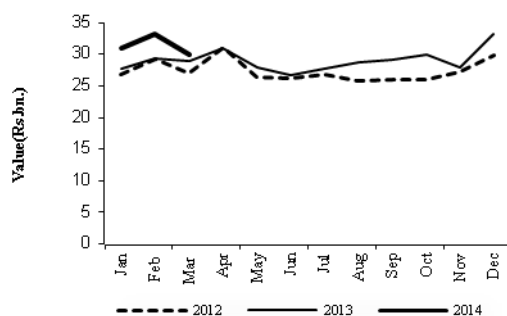
Source: LankaClear (Pvt) Ltd

The average volume of cheques cleared per day increased by 1.7 per cent and the average value of cheques cleared per day increased by 8.9 per cent during the first quarter of 2014 in comparison to the same period of 2013.

**Chart 1
Average Volume of Cheques Cleared per Day**



**Chart 2
Average Value of Cheques Cleared per Day**



**Table 6 : Volume of Cheque Clearing by Size -
First Quarter of 2013 and 2014**

Description	Number of Cheques		(14/13) Q1 % change	2014 Q1 Share (%)
	2013 Q1	2014 Q1		
Below Rs. 0.1 mn	9,575,275	9,775,684	2.1	81.2
Rs.0.1mn - Rs. 1mn	1,797,262	1,964,305	9.3	16.3
Rs.1 mn - Rs.1.1mn	249,603	279,543	12.0	2.3
Rs.1.1 mn - Rs.5.1mn	9,688	10,650	9.9	0.1
Rs.5.1mn - Rs.100mn	1,159	1,373	18.5	Neg
Above Rs. 100 mn.	275	342	24.4	Neg
Total	11,633,262	12,031,897	3.4	100.0

Neg - Negligible

Source: LankaClear (Pvt.) Ltd

Reflecting the popularity of cheques for small value transactions, cheques cleared through CIT System below Rs. 1 million accounted for 97.5 per cent (Table 6) of the total volume of cheques cleared during the first quarter of 2014. However, the value of those cheques accounted for only 42.0 per cent (Table 7) of the total value of cheques cleared through CIT system during the quarter.

**Table 7 : Value of Cheque Clearing by Size -
First Quarter of 2013 and 2014**

Description	Value of Cheques (Rs.mn.)		(14/13) Q1 % change	2014 Q1 Share (%)
	2013 Q1	2014 Q1		
Below Rs. 0.1 mn	222,502	234,347	5.3	12.7
Rs.0.1mn - Rs. 1mn	492,232	539,638	9.6	29.3
Rs.1 mn - Rs.1.1mn	563,401	632,360	12.2	34.3
Rs.1.1 mn - Rs.5.1mn	206,587	226,876	9.8	12.3
Rs.5.1mn - Rs.100mn	86,837	102,736	18.3	5.6
Above Rs. 100 mn.	91,698	106,405	16.0	5.8
Total	1,663,257	1,842,364	10.8	100.0

Source: LankaClear (Pvt.) Ltd

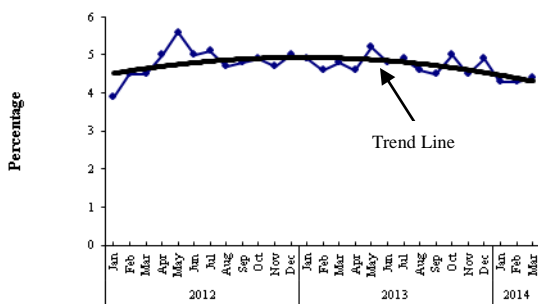
**Table 8: Cheque Returns -
First Quarter of 2013 and 2014**

Description	2013 Q1	2014 Q1	% change	
			13/12 Q1	14/13 Q1
1.Total number of cheques returned	554,802	523,301	5.7	-5.7
2. Total value of cheques returned (Rs. mn)	52,665	52,108	17.1	-1.1
3. Average number of cheques returned per day	9,566	8,870	9.4	-7.3
4. Average value of cheques returned per day (Rs.mn)	908	883	21.1	-2.7
5.Number of cheques returned as a % of total number of cheques received for clearing	4.8	4.3		
6.Value of cheques returned as a % of total value of cheques received for clearing	3.2	2.8		

Source: LankaClear (Pvt) Ltd

The total number of returned cheques declined by 5.7 per cent during the first quarter of 2014 in comparison to the same quarter of 2013. The total value of returned cheques also recorded a marginal decrease of 1.1 per cent and the average value of cheques returned per day decreased by 2.7 per cent to Rs. 883 million in the first quarter of 2014 compared to the same quarter of 2013.

**Chart 3
Cheque Returns as a Percentage of Total
Number of Cheques Received for Clearing**



The volume of cheque returns, as a percentage of total volume of cheques received for clearing declined to 4.3 per cent and the value of cheque returns as a percentage of total value of cheques received for clearing declined to 2.8 per cent during the first quarter of 2014.

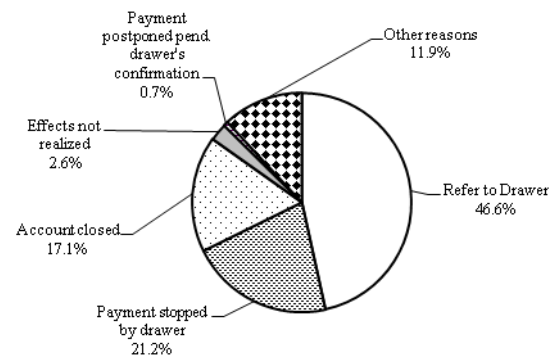
**Table 9: Return Code-wise Cheque Returns (%) -
First Quarter of 2013 to First Quarter 2014**

Return Code	2013			2014	
	Q1	Q2	Q3	Q4	Q1
Refer to Drawer	45.6	46.5	46.8	46.4	46.6
Payment stopped by drawer	20.5	21.2	21.6	21.6	21.2
Account closed	16.2	16.4	16.8	17.1	17.1
Effects not realized	3.6	3.2	2.9	2.7	2.6
Payment postponed pending drawer's confirmation	0.8	0.7	0.6	0.7	0.7
Other reasons	13.4	12	11.3	11.5	11.9

Source: LankaClear (Pvt.) Ltd

As shown in Table 9 and Chart 4, 'Refer to Drawer' remained as the major factor for the cheque returns which is accounted for 46.6 per cent of total cheques returned, during the first quarter of 2014.

**Chart 4
Return Code-wise Cheque Returns
1st Qtr. 2014**



US Dollar Clearing System

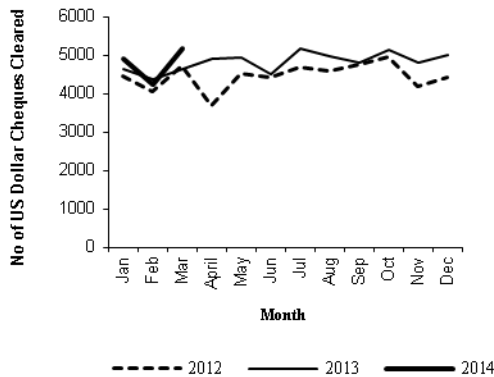
The volume and value of US Dollar cheques cleared through the US Dollar Cheque Clearing System operated by LCPL increased by 5.0 per cent and 30.1 per cent, respectively, in the first quarter of 2014.

Table 10: US Dollar Cheques Clearing of LCPL - First Quarter of 2013 and 2014

Description	2013 Q1	2014 Q1	% change	
			13/12 Q1	14/13 Q1
1.Total number of US Dollar cheques cleared	13,678	14,359	3.2	5.0
2. Total value of US Dollar cheques cleared (\$)	49,612,375	64,557,439	-3.2	30.1
3. Average number of US Dollar cheques cleared per day	236	243	6.7	3.2
4. Average value of US Dollar cheques cleared per day (\$)	855,385.8	1,094,193.9	0.1	27.9

Source: LankaClear (Pvt) Ltd

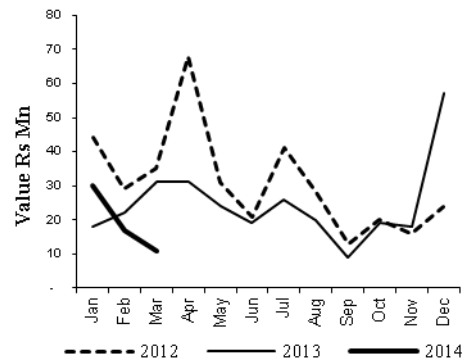
Chart 5
Monthly Volume of US Dollar Cheques Clearing



Rupee Draft Clearing System

The total value of Rupee Drafts cleared through LCPL decreased by 18.5 per cent to Rs. 57.8 million in the first quarter of 2014 in comparison to the same quarter of 2013.

Chart 6
Monthly Value of Rupee Draft Clearing



Sri Lanka Interbank Payment System (SLIPS)

Continuing the increasing popularity of transactions through SLIPS in the past quarters, volume and value of transactions cleared through SLIPS increased further by 24.7 per cent and 26.4 per cent, respectively, during the first quarter of 2014. Accordingly, the average daily volume and value of SLIPS transactions increased by 22.6 per cent and 24.3 per cent, respectively, during the quarter, in comparison to the same quarter of 2013.

Table 11: SLIPS Transactions - First Quarter of 2013 and 2014

Description	2013 Q1	2014 Q1	% change	
			13/12 Q1	14/13 Q1
1.Total volume of transactions cleared	3,842,260	4,791,266	13.2	24.7
2. Total value of transactions cleared (Rs. mn)	156,010	197,270	26.6	26.4
3. Average volume of transactions cleared per day	66,246	81,208	17.1	22.6
4. Average value of transactions cleared per day (Rs.mn)	2,690	3,344	31.0	24.3

Source: LankaClear (Pvt) Ltd.

Chart 7
Average Volume and Value of SLIPS Transactions per day

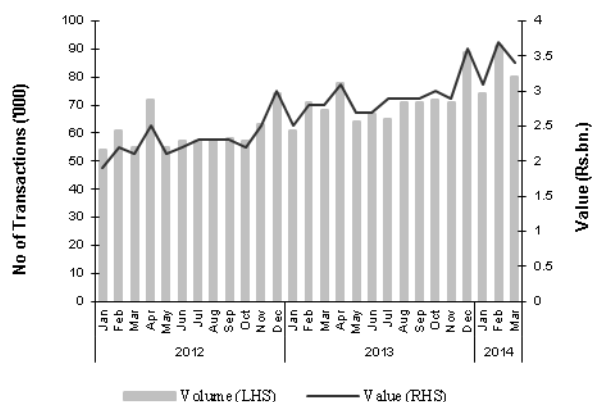


Table 12: SLIPS Transactions by Size - First Quarter of 2013 and 2014

Transaction Value (a)	Number of Transactions		Total Value (Rs. mn.)	
	2013 Q1	2014 Q1	2013 Q1	2014 Q1
Less than Rs. 1 mn.	3,825,151	4,769,281	116,652	145,646
Rs. 1mn – Rs. 5 mn	17,109	21,985	39,358	51,624
Total	3,842,260	4,791,266	156,010	197,270

Source: LankaClear (Pvt) Ltd

(a) An upper limit of Rs 5 million per SLIPS transaction was imposed in 3rd Quarter of 2010.

The majority of SLIPS transactions processed during the quarter were of value less than Rs. 1 million and such transactions accounted for 99.5 per cent of the total volume of SLIPS transactions and 73.8 per cent of the total value of SLIPS transactions (Table 12).

Table 13: SLIPS Transactions by Type - First Quarter of 2013 and 2014

Transaction	Total Volume		Total Value (Rs. mn)	
	2013 Q1	2014 Q1	2013 Q1	2014 Q1
Credit transactions	3,839,779	4,789,002	155,467	196,620
Debit transactions	2,481	2,264	543	651
Total transactions	3,842,260	4,791,266	156,010	197,270

Source: LankaClear (Pvt) Ltd.

In terms of the types of SLIPS transactions, credit transfers continued to remain as the major transaction category. The share of the total volume and total value of credit transactions of the total transactions were 99.9 per cent and 99.7 per cent, respectively, during the reference quarter (Table 13).

Real Time Gross Settlement (RTGS) System

The RTGS System, which is the main large value inter-participant fund transfer system in the country, had 35 participants consisting of CBSL, 24 Licensed Commercial Banks (LCBs), 8 Primary Dealer companies, Employees' Provident Fund (EPF) and Central Depository System of the Colombo Stock Exchange, as at end of the first quarter of 2014.

Table 14: RTGS Transactions – First Quarter of 2013 and 2014

Description	2013 Q1	2014 Q1	% change	
			13/12 Q1	14/13 Q1
1. Total no. of transactions	72,911	76,249	2.6	4.6
2. Total value of transactions (Rs.bn.)	13,346	14,034	9.1	5.2
3. Average no. of transactions per day	1,257	1,292	6.1	2.8
4. Average value of transactions per day (Rs.bn.)	230	238	12.8	3.4

Source: Central Bank of Sri Lanka

Table 15: Volume of RTGS Transactions by Size - First Quarter of 2013 and 2014

Transaction Value	No. of Transactions		% share	
	2013 Q1	2014 Q1	2013 Q1	2014 Q1
Below Rs. 1 mn	9,116	10,248	12.5	13.4
Rs 1 mn - Rs 100 mn	45,287	45,901	62.1	60.2
Rs 100 mn - Rs 500 mn	13,626	14,756	18.7	19.4
Rs 500 mn - Rs 1,000 mn	2,808	2,928	3.9	3.8
Rs. 1,000 mn and above	2,074	2,416	2.8	3.2
Total	72,911	76,249	100.0	100.0

Source: Central Bank of Sri Lanka

Total number of RTGS transactions during the quarter and the average number of transactions per day increased by 4.6 per cent and 2.8 per cent, respectively. Further, total value of

RTGS transactions during the quarter and the average value of transactions per day recorded increases of 5.2 per cent and 3.4 per cent, respectively.

In terms of volume, RTGS transactions with values between Rs. 1 mn - Rs 100 mn continued to remain as the highest transactions category (60.2 per cent) during the first quarter of 2014 (Table 15) as well. However, in value terms, that category accounted for only 7.9 per cent (Table 16) during the quarter.

Table 16: Value of RTGS Transactions by Size – First Quarter of 2013 and 2014

Transaction Value	Value (Rs. bn.)		% share	
	2013 Q1	2014 Q1	2013 Q1	2014 Q1
Below Rs. 1 mn	2	3	Neg	Neg
Rs 1 mn - Rs 100 mn	1,107	1,115	8.3	7.9
Rs 100 mn - Rs 500 mn	3,445	3,711	25.8	26.4
Rs 500 mn - Rs 1,000 mn	2,162	2,278	16.2	16.2
Rs. 1,000 mn and above	6,630	6,927	49.7	49.4
Total	13,346	14,034	100.0	100.0

Neg - Negligible Source: Central Bank of Sri Lanka

In value terms, RTGS transactions over Rs. 100 mn accounted for 92.1 per cent of the aggregate value of RTGS transactions during the first quarter of 2014.

Table 17: Volume of RTGS Transactions by Type - First Quarter of 2013 and 2014

Type	No. of Transactions		% change	
	2013 Q1	2014 Q1	13/12 Q1	14/13 Q1
Repo/R.Repo/ILF	16,821	19,825*	23.6	17.9
Interbank Transactions	12,515	10,514	-15.8	-16.0
Customer Transactions	36,173	38,035	3.9	5.1
LankaSecure Transactions	1,012	926	-7.4	-8.5
Clearing House Transactions	6,390	6,948	-4.4	8.7
Internal Fund Transfers	-	1	-100.0	-
Total	72,911	76,249	2.6	4.6

Source: Central Bank of Sri Lanka

* 1,078 Standing Deposit Facility (SDF) transactions are included.

Customer transactions which was the largest category in terms of RTGS transactions volume (Table 17), accounted to 38,035 transactions in the first quarter of 2014 recording an increase of 5.1 per cent.

The category of Repo, Reverse Repo and ILF transactions increase both in terms of volume and value by 17.9 per cent and 18.1 per cent, respectively, (Table 17 and Table 18). The increase was mainly in Repo transactions carried out due to the excess liquidity in the market during the first quarter of 2014 in comparison to the same quarter of 2013.

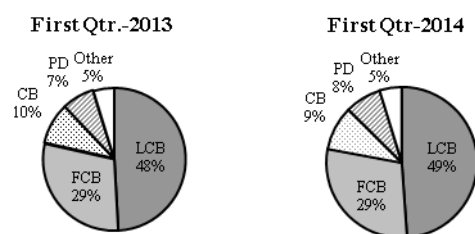
Table 18: Value of RTGS Transactions by Type - First Quarter of 2013 and 2014

Type	Value (Rs. bn.)		% change	
	2013 Q1	2014 Q1	13/12 Q1	14/13 Q1
Repo/R.Repo/ILF	7,895	9,327*	30.0	18.1
Interbank Transactions	3,171	2,306	-19.4	-27.3
Customer Transactions	1,196	1,321	-0.8	10.5
LankaSecure Transactions	575	535	0.7	-7.0
Clearing House Transactions	509	545	13.0	7.2
Internal Fund Transfers	-	Neg	-100	-
Total	13,346	14,034	9.1	5.2

Neg - Negligible Source: Central Bank of Sri Lanka

* SDF transactions amounted to Rs.1,077 billion included.

**Chart 8
Volume of RTGS Transactions by Type of Participants**



LCB - Local Commercial Banks
 FCB - Foreign Commercial Banks
 CB - Central Bank of Sri Lanka
 PD - Primary Dealers in Government Securities
 Other - Central Depository System of Colombo Stock Exchange, Multilateral Net Settlements, Employees Provident Fund

Chart 8 compares the participant-wise distribution of the RTGS transactions in the first quarters of 2013 and 2014. Local commercial banks accounted for 49 per cent of the RTGS transactions, while foreign commercial banks accounted for 29 per cent, in the first quarter of 2014.

Table 19: Time Distribution of Receiving and Settlement of RTGS Transactions - First Quarter of 2013 and 2014

Description	No of Items		% share	
	2013 Q1	2014 Q1	2013 Q1	2014 Q1
Before 12.00 noon	24,786	23,842	34.0	31.3
After 12.00 noon	48,125	52,407	66.0	68.7
Total	72,911	76,249	100.0	100.0

Source: Central Bank of Sri Lanka

As shown in Table 19, out of the total RTGS transactions, majority of transactions were effected after 12.00 noon accounting for 68.7 per cent of total transactions, during the first quarter of 2014.

Payment Cards

Credit Cards

At the end of the first quarter of 2014, 12 credit card issuers licensed by CBSL were engaged in the credit card business. Total number of credit cards in use was 961,663 recording an increase of 6.7 per cent at end of the first quarter 2014 in comparison to the same quarter of 2013.

Table 20: Credit Cards in Use - First Quarter of 2013 and 2014

Description	2013 Q1	2014(a) Q1	% change	
			13/12 Q1	14/13 Q1
No of Cards issued during the period	38,076	38,403	2.2	0.9
Total No. of Credit Cards in Use (As at end period)	901,052	961,663	9.1	6.7
Domestic and International Cards	862,451	926,414	10.1	7.4
Domestic Only Cards	38,601	35,249	-9.5	-8.7
Total Number of transactions ('000)	4,910	5,407	5.5	10.1
Total Value of transactions (Rs.mn)	27,398	29,696	7.6	8.4

(a) Provisional

Source: Commercial Banks

Volume and value of credit card transactions recorded an increase of 10.1 per cent and 8.4 per cent, respectively in the first quarter of 2014 in comparison to the same quarter of 2013.

Chart 9
Total Number of New Credit Cards Issued (during the quarter)

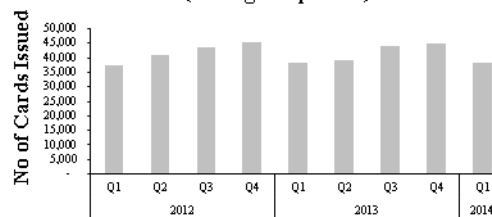
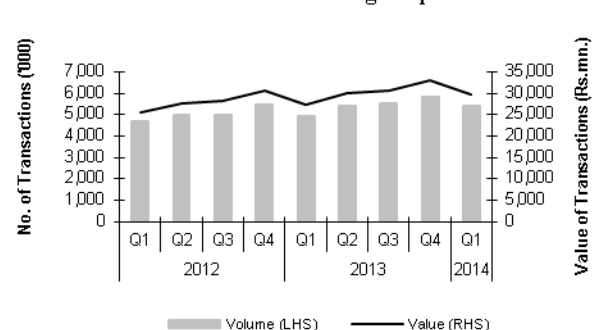


Chart 10
Total Volume & Value of Transactions effected through Credit Cards during the quarter



The average number of transactions per credit card was at 5.6 in the first quarter of 2014 indicating a decline from 6.1 recorded in the fourth quarter of 2013. The decline in transactions volume and value in the first quarter (Chart 10 and 11) compared to the fourth quarter of the previous year showed the seasonal trend observed over the past several years due mainly to the increased volume of transactions during the festive season in the month of December.

Chart 11
Average Number of Transactions per Credit Card during the quarter



Credit Cards in Default

As recorded by the Credit Information Bureau, the total number of credit cards in default (i.e. credit cards, when the minimum payment is in arrears for 90 days or more from the due date) as at the end of the first quarter of 2014, was 77,623 and the total value of defaulted credit card payments amounted to Rs 4.4 billion.

Debit Cards

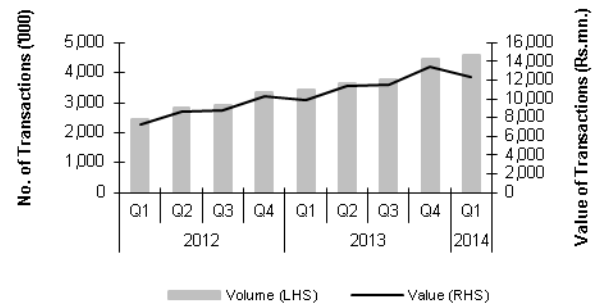
Table 21: Debit Cards in Use - First Quarter of 2013 and 2014

Description	2013 Q1	2014 Q1 (a)	% change	
			13/12 Q1	14/13 Q1
Number of Debit Cards issued during the period	537,578	617,717	7.7	14.9
Total No. of Debit Cards (As at end period)	10,920,162	12,537,953	18.5	14.8
Domestic & International	10,559,376	12,186,426	19.3	15.4
Domestic Only	360,786	351,527	0.4	-2.6
Total Number of transactions('000)	3,429	4,592	39.4	33.9
Total Value of transactions (Rs.mn)	9,827	12,414	34.4	26.3
(a) Provisional		Source: Commercial Banks		

As at end of the first quarter of 2014, there were 24 debit card issuers licensed by CBSL. The total number of debit cards in use was 12.5 million as at end of the quarter. The

majority of debit cards had the facility to use for both domestic and international transactions. Total volume and value of debit card transactions recorded increases of 33.9 per cent and 26.3 per cent, respectively, during the first quarter of 2014 in comparison to the same quarter of 2013.

Chart 12
Total Volume & Value of transactions effected through Debit Cards during the quarter



Mobile Phone/Tele-banking/Internet Banking

Table 22 : Payment Instructions Handled Through Electronic Systems - First Quarter of 2013 and 2014

Description	2013 Q1	2014(a) Q1	% change	
			13/12 Q1	14/13 Q1
Tele-banking / Mobile Phone Banking				
No. of financial transactions	50,954	117,022	7.7	129.7
Value of Transactions (Rs.mn)	1,439	1,679	23.5	16.7
Internet Banking				
No. of financial transactions	1,998,751	2,403,278	35.6	20.2
Value of Transactions (Rs.mn)	164,702	231,738	52.5	40.7

(a) Provisional

Source: Commercial Banks

Continuing the popularity of phone based electronic payments, the volume of financial transactions effected through tele-banking/mobile banking recorded a significant increase of 129.7 per cent, in the first quarter of 2014 when compared to the same quarter of 2013. However, the volume of transactions increased by 15.8 per cent when compared to the fourth quarter of 2013.

Value of financial transactions also increased by 16.7 per cent in the first quarter of 2014 in comparison to the same quarter of 2013.

Reflecting the growing popularity of internet banking, the volume and value of the financial transactions effected through internet banking recorded increases of 20.2 per cent and 40.7 per cent, respectively, during the first quarter 2014.

Automated Teller Machines (ATMs)

The total number of ATM terminals stood at 3,144 recording an increase of 7.5 per cent as at end of the first quarter of 2014 in comparison to the corresponding period of 2013. Reflecting the customer preference for cash withdrawals through ATM terminals, both volume and value of ATM terminal transactions grew by 14.8 per cent and 17.1 per cent, respectively, in the first quarter of 2014.

Table 23 : ATM Terminals and Transactions - First Quarter of 2013 and 2014

Description	2013 Q1	2014(a) Q1	% change	
			13/12 Q1	14/13 Q1
ATMs				
Total number of machines (End of period)	2,925	3,144	9.8	7.5
Total volume of financial transactions (During the period in '000)	36,292	41,661	11.9	14.8
Total value of transactions (During the period in Rs. mn.)	263,618	308,659	15.1	17.1

(a) Provisional Source: Commercial Banks
Specialized Banks
Registered Finance Companies

Common Card and Payment Switch (CCAPS)

The Common ATM Switch (CAS), which is the first phase of the Common Card and Payment Switch (CCAPS), was launched on 23rd July 2013. As at end of the first quarter 2014, there were four commercial banks facilitating their customers to operate ATM transactions through CAS. The other switches of CCAPS are Shared ATM Switch (SAS), Common Electronic Fund Transfer Switch (CEFTS), Common Mobile Switch (CMobS) and Common POS Switch (CPS). CCAPS is a project undertaken by the LankaClear (Pvt.) Ltd. based on a recommendation of CBSL, in order to establish a national platform for the electronic retail payments in the country. The volume and value of transactions carried out through CAS were in increasing trend as shown in Table 24.

Table 24 : Common ATM Switch (CAS) – Volume and Value of Transactions cleared through CAS

Description	2013		2014
	Q3	Q4	Q1
Total number of transactions	403,547	716,652	881,404
Total value of transactions (During the period in Rs. mn.)	1,293	2,311	2,976

Source: LankaClear (Pvt.) Ltd

Electronic Fund Transfers at Point of Sale (EFTPOS) Terminals

The total number of EFTPOS terminals stood at 27,982 as at end of the first quarter of 2014 in comparison to the same quarter of 2013. Total volume and value of financial transactions grew by 23.3 per cent and 20.6 per cent, respectively, during the first quarter of 2014.

Table 25 : EFTPOS Terminals and Transactions - First Quarter of 2013 and 2014

Description	2013	2014 ^(a)	% change	
	Q1	Q1	13/12 Q1	14/13 Q1
Total number of machines (End of period)	24,949	27,982	-11.0	12.2
Total volume of financial transactions (During the period in '000)	8,100	9,984	10.2	23.3
Total value of transactions (During the period in Rs. mn.)	45,605	54,984	8.5	20.6

(a) Provisional Source: Commercial Banks

Money Orders

As at the end of first quarter of 2014, the total number of post offices stood at 4,628. The total value of transactions effected through money orders was Rs. 1.9 billion in the first quarter of 2014. In terms of value, E- Money orders stood as the major postal payment instrument used by the public which accounted for 75.5 per cent of total value of Money Orders. The value of the payments effected through e-money orders was over Rs. 1.5 billion in the first quarter of 2014.

Table 26 : Value of Payments made through Money Orders and Postal Orders

	2013 Q1	2014 Q1 ^(a)	% Change (14/13)
Money Orders (Value Rs. '000)	1,827,917	1,994,222	9.1
Ordinary Money Orders	553,218	446,941	-19.2
Telegraph Money Orders	21,047	156	-99.3
Fax Money Orders	3,148	35	-98.9
E Money Orders	1,204,892	1,506,497	25.0
International Money Orders	1,788	3,277	83.3
Local Value Payment Money Orders	43,060	36,600	-15.0
British Postal Orders (Value Rs. '000)	764	716	-6.3
Total No. of Post Office (end period) ^(b)	4,737	4,628	-2.3

(a) Provisional

Source: Postal Department

(b) Including post office, sub-post office and agency post office

Settlement of Payments through Asian Clearing Union (ACU)

The Asian Clearing Union (ACU) was established in 1974 with the main objective of facilitating payments among member countries for eligible transactions, thereby economising the use of foreign exchange reserves and transfer costs as well as promoting trade among the member countries. The settlement mechanism of ACU involves settling intra-regional trade related payments among member central banks on a multilateral basis. At present, ACU consists of nine central banks/monetary authorities of Bangladesh, Bhutan, India, Iran, Nepal, Maldives, Myanmar, Pakistan and Sri Lanka.

Table 27: Asian Clearing Union (ACU) Transactions Value and Volume of Sri Lanka - First Quarter of 2013 and 2014

Description	2013 Q1	2014(a) Q1	% change	
			13/12 Q1	14/13 Q1
Total Number of Transactions	1,247	1,401	-4.0	12.3
Value of total receipts (Rs. Mn)	5,649	5,852	-10.8	3.6
Value of total payments (Rs. Mn)	55,432	69,085	-65.5	24.6

(a) Provisional

Source: Central Bank of Sri Lanka

The total volume of transactions effected by Sri Lanka through the ACU mechanism increased to 1,401, in the first quarter of 2014. The value of total payments effected through ACU mechanism increased by 24.6 per cent and the value of total receipts effected through ACU mechanism increased by 3.6 per cent during the first quarter of 2014 when compared to the same quarter of 2013.

SWIFT

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is an internationally accepted, standard and secured communication system for financial transactions. The main purpose of the SWIFT communication is to ensure smooth, efficient and risk free transmission of messages (relating to financial transactions and financial information) through the SWIFT communication system.

Table 28: Participation in SWIFT Customer Base (Live)

Item	2013	2014
	Q1	Q1
Total Domestic SWIFT users (End of Period)	35	37
Members	11	11
Sub-members	12	12
Participants	12	14
Total SWIFT worldwide users (End of Period)	10,363	10,615
Members	2,399	2,384
Sub-members	3,345	3,342
Participants	4,619	4,889

Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The domestic SWIFT users increased to 37 from 35, while the total number of Global SWIFT users increased to 10,615 from 10,363 at the end of the first quarter of 2014 when compared to the same quarter of 2013.

Table 29 : SWIFT Message Flow in Sri Lanka - First Quarter of 2013 and 2014

Description	2013 Q1	2014 Q1	% change	
			13/12 Q1	14/13 Q1
All messages sent by domestic users	994,498	1,043,821	1.1	5.0
From Category I *	143,784	157,433	1.2	9.5
Category II **	103,890	111,201	-9.1	7.0
All messages received by domestic users	1,155,715	1,199,058	-1.6	3.8
To Category I	413,442	435,859	-6.0	5.4
Category II	31,957	33,856	-8.8	5.9
Domestic Traffic	492,759	492,677	5.3	0.0

Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)

*Category I - Customer (Funds) Transfers

**Category II - Bank (Funds) Transfers

There was no significant difference in domestic SWIFT traffic in the first quarter of 2014 compared to the same quarter of 2013. However, the global SWIFT traffic recorded an increase of 17.6 per cent to 1,340 million during the first quarter of 2014, in comparison to 1,139 million the same quarter of 2013.

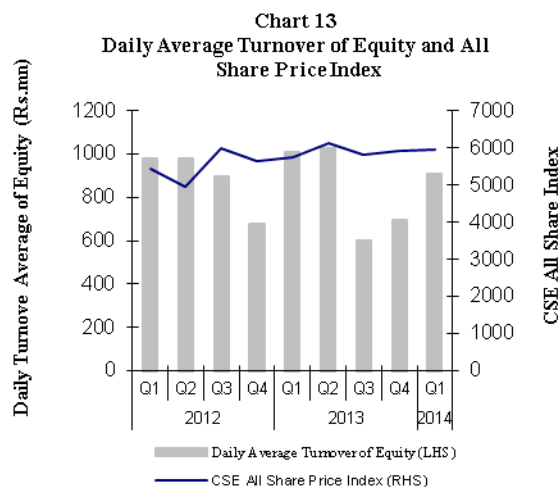
All messages sent by domestic users increased by 5.0 per cent in the first quarter of 2014 when compared to the same quarter of 2013. Meanwhile, all the messages received domestically increased by 3.8 per cent during the period under review.

Trading and Settlements on the Colombo Stock Exchange

The total number of intermediaries i.e. member firms (15) and stockbrokers (15) who engaged in trading of equity and debt securities on behalf of investors on the Colombo Stock Exchange (CSE), remained at 30 as at the end of first quarter of 2014. The total number of customer accounts in the Central Depository System (CDS) of CSE was 736,814 and the total volume and value of equity shares lodged in the CDS were 70.8 billion and Rs 2,221.9 billion, respectively, as at end of the first quarter of 2014.

The daily average turnover of equity transactions decreased by 11.7 per cent to Rs 892.2 million in the first quarter of 2014.

The All Share Price Index (ASPI) of CSE increased by 0.9 per cent in the first quarter of 2014.



Chronology of Major Events in the Payment and Settlement Systems in Sri Lanka.

Year	Event
August 1950	Functions of the Colombo Clearing House were taken over by the Central Bank of Sri Lanka (CBSL).
December 1974	CBSL joined the Asian Clearing Union (ACU) – (An Intra-regional Clearing Union)
September 1981	Introduction of a Proprietary Credit Card by a non-bank financial institution in Sri Lanka
June 1986	Introduction of Automated Teller Machines (ATMs) in Sri Lanka
March 1988	Establishment of Sri Lanka Automated Clearing House (SLACH)
February 1989	Introduction of Credit Cards by commercial banks, in Sri Lanka
August 1992	CBSL joined the EuroClear System
June 1994	CBSL joined the SWIFT
August 1994	Introduction of Sri Lanka Interbank Payment System (SLIPS) - An off-line Electronic Fund Transfer System.
March 1997	Introduction of Debit Cards in Sri Lanka
March 1999	Introduction of Internet Banking in Sri Lanka
January 2002	Establishment of the Payments and Settlements Department of Central Bank of Sri Lanka
February 2002	Formation of LankaClear (Pvt) Ltd.
April 2002	LankaClear (Pvt) Ltd commenced clearing operations
September 2003	Real Time Gross Settlement (RTGS) System went live
February 2004	LankaSecure, the securities settlement components of LankaSettle went live
March 2004	The Debt Securities Exchange (DEX) of the Colombo Stocks Exchange (CSE) was officially launched
December 2004	Red Book – Payment Systems in Sri Lanka was published by the Bank for International Settlements (BIS)
February 2005	National Savings Bank (NSB) received direct access status in SLIPS
September 2005	Payment and Settlement Systems Act No.28 of 2005 was passed in the Parliament
March 2006	CBSL issued Guidelines on Business Continuity Planning to participants of the LankaSettle System
May 2006	Cheque Imaging and Truncation (CIT) System was launched
May 2006	CBSL issued a General Direction on CIT System to LankaClear (Pvt) Ltd and participants of the CIT System
November 2006	Lanka Financial Services Bureau Ltd was established
December 2006	CBSL issued norms and standards on settlement of inter participant transactions in the LankaSettle System, to LankaSettle participants
January 2007	The “Road Map: Monetary and Financial Sector Policies for 2007 and beyond” of CBSL was announced

Continued..

Year	Event
June 2007	The Money, Payment, Clearing and Settlement Service Providers Regulations No.01 was issued by the Hon. Minister of Finance and Planning
November 2007	CBSL issued the General Direction on the participating institutions' service norms and standard times for accepting cheque deposit from customers and crediting cheque proceeds to customers' accounts under the CIT System
February 2008	Lanka Financial Services Bureau Ltd, which was established in June 2007, began its operations.
March 2008	Inauguration of the SAARC Payments Initiative and the first meeting of the SAARC Payments Council (SPC) was held in Colombo, Sri Lanka
September 2008	3rd meeting of the SAARC Payments Council (SPC) was held in Colombo.
October 2008	Acquisition of Standard Chartered Bank (Pakistan) Limited by Standard Chartered Bank
January 2009	Option to settle the ACU transactions either in US Dollar or Euro was introduced.
May 2009	Sri Lanka's first certification authority under the brand name of LANKASIGN was established by the LankaClear Pvt Ltd. to provide digital certificate for the financial sector on electronic transactions.
June 2009	38 th meeting of the ACU Board of Directors was held in Colombo, Sri Lanka.
July 2009	Service Providers of Payment Cards Regulations No. 1 of 2009 was issued by the Hon. Minister of Finance and Planning.
September 2009	LankaSettle System Rules Version 2.0 was issued to participants of the LankaSettle System.
March 2010	Credit Card Operational Guidelines No 01 of 2010 was issued
August 2010	CBSL commenced licensing of service providers of payment cards under the Regulations No1 of 2009.
September 2010	SLIPS System was upgraded to an on - line system with T+0 settlements facility.
January 2011	CBSL issued the General Direction on Sri Lanka Interbank Payment System No. 01 /2011 to LankaClear (Pvt) Ltd. and the participants of the Sri Lanka Interbank Payment System
March 2011	Mobile Payments Guidelines No. 1 of 2011 for the Bank-led Mobile Payment Services and Mobile Payments Guidelines No. 2 of 2011 for Custodian Account Based Mobile Payment Services were issued by CBSL
June 2012	LankaClear (Pvt) Ltd migrated to direct connectivity mode of the CIT System (Settlement Clearing) The first Custodian Account Based Mobile Payment System was launched by a Mobile Network Operator
March 2013	Adoption of the Terminal Line Encryption (TLE) Technology for Electronic Fund Transfer Point of Sales (EFTPOS) Terminals
May 2013	The Payment Card and Mobile Payment Systems Regulations No. 1 of 2013 was issued by the Hon. Minister of Finance and Planning replacing the Service Providers of Payment Cards Regulations No.1 of 2009 issued in July 2009. CBSL issued the General Direction No. 01 of 2013 of the Operations of the Common ATM Switch
July 2013	LankaClear (Pvt) Ltd launched the Common ATM Switch (CAS) as the first phase of the Common Card and Payment Switch (CCAPS) CBSL issued the General Direction No. 02 of 2013 of the fees chargeable on the transactions effected through the CAS
November 2013	Second Custodian Account Based Mobile Payment System was launched by a Mobile Network Operator

