

# Payments Bulletin

**Second Quarter 2017**



Payments and Settlements Department  
**Central Bank of Sri Lanka**

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## 1

## Currency in Circulation

The Central Bank of Sri Lanka (CBSL) has the sole authority to issue currency notes and coins on behalf of the Government of Sri Lanka. At the end of the second quarter of 2017, currency notes and coins in circulation amounted to Rs. 553 billion. Cash continued to persist as the most popular payment mode in retail payments in Sri Lanka.

Table: 1

Currency in Circulation (As at end period)

| Description             | Rs. million |         | Percentage Change |          |              |
|-------------------------|-------------|---------|-------------------|----------|--------------|
|                         | 2016        | Q2 2016 | Q2 2017 (a)       | Q2 16/15 | Q2 17/16 (a) |
| Currency in Circulation | 552,778     | 507,543 | 562,770           | 15.7     | 10.9         |
| of which held by:       |             |         |                   |          |              |
| a) Banks                | 123,276     | 114,763 | 136,647           | 20.4     | 19.1         |
| b) Public               | 429,502     | 392,780 | 426,123           | 14.5     | 8.5          |

(a) Provisional

Source: Central Bank of Sri Lanka

Chart 1

Currency in Circulation

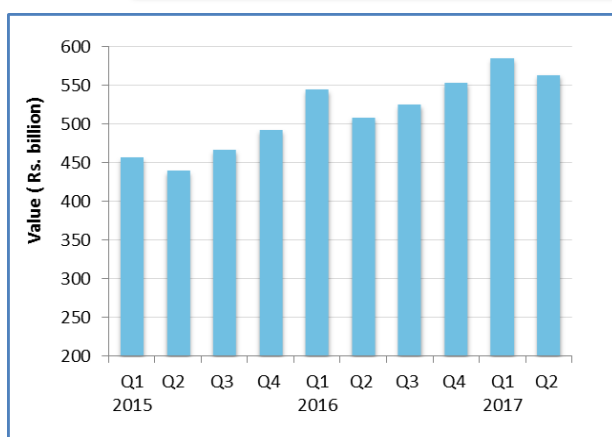


Chart 2

Share of Currency held by Public and Currency held by Banks

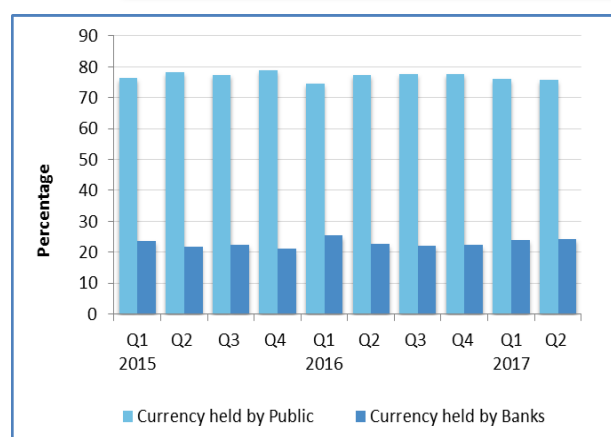
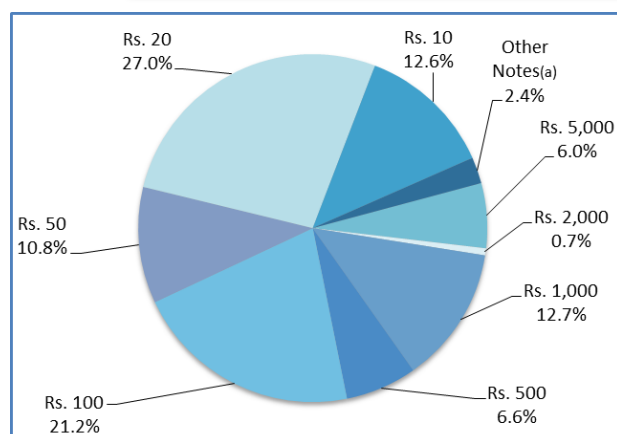


Chart 3

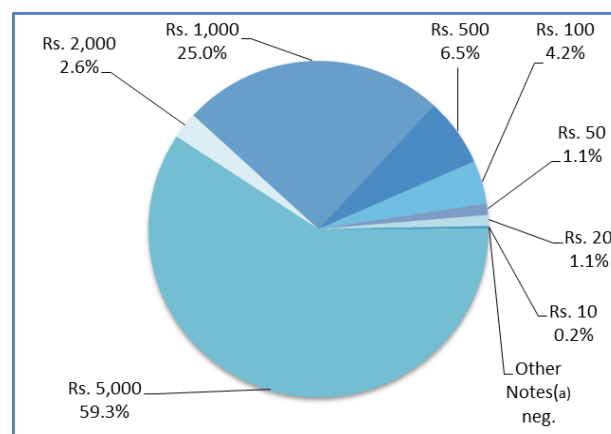
Currency Notes in Circulation by Denominations at end Q2 2017 (in Volume Terms)



(a) Currency notes with denominations including Rs. 200 and below Rs. 10

Chart 4

Currency Notes in Circulation by Denominations at end Q2 2017 (in Value Terms)



(a) Currency notes with denominations including Rs. 200 and below Rs. 10

- Non-cash payments are facilitated through both large value payment system and retail payment systems in Sri Lanka.

### Large Value Payment System

Real Time Gross Settlement (RTGS) System

### Retail Payment Systems and Instruments

Cheques

Sri Lanka Interbank Payment (SLIP) System

Payment Cards

Mobile Phone based Payment Mechanisms

Internet based Payment Mechanisms

Tele Banking

Postal Instruments

Chart 5

Large Value Payments and Retail Payments  
(in Value Terms)

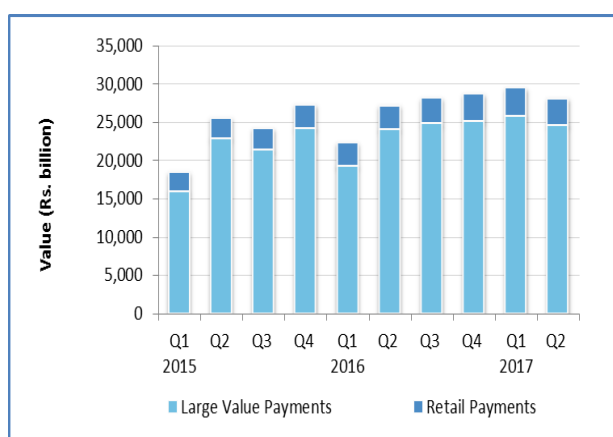
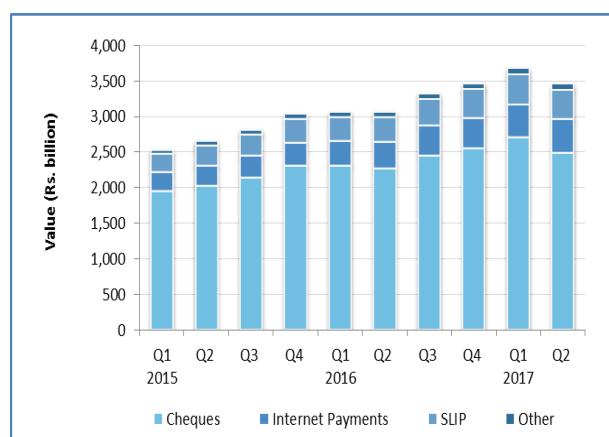


Chart 6

Retail Payments  
(in Value Terms)



- RTGS System and Cheque Imaging and Truncation System (CITS) are the two systemically important payment systems in the country.
- About 96.5 per cent of the total value of non-cash payments of the second quarter of 2017 was effected through RTGS system (87.7%) and CITS (8.9%).
- Cheques are the most popular non-cash retail payment instrument in Sri Lanka which accounted for 71.8 per cent of the value of total non-cash retail payments in the second quarter of 2017.

## 2.1 Real Time Gross Settlement (RTGS) System

- RTGS System, the large value inter-participant fund transfer system in Sri Lanka is owned and operated by the Central Bank of Sri Lanka.
- RTGS System is open for business on bank business days and settles payment instructions between 8.00 a.m. and 4.30 p.m.
- RTGS System provides settlement facilities for individual customer payments of participant institutions from 8.00 a.m. to 3.00 p.m.
- As at end of the second quarter of 2017, there were 36 participants in the RTGS System, i.e. CBSL, 25 Licensed Commercial Banks, 8 Primary Dealers, Employees' Provident Fund and the Central Depository System of the Colombo Stock Exchange.
- The Payment and Settlement Systems Circular No. 03 of 2015 on Operator Charges and Maximum Limits on Transaction Fees of LankaSettle System was issued with effect from 01 September 2015, through which:
  - the operator charge levied by CBSL for RTGS transaction was reduced to Rs. 450 from Rs. 600, and
  - the maximum fee that can be charged by participating institutions of RTGS System from customers for fund transfers effected through RTGS System was imposed as Rs. 1,000 per transaction.

**Table: 2**

**Volume and Value of RTGS Transactions**

| Description        | Volume  |         |         |                            | Value (Rs. billion) |          |          |                            |
|--------------------|---------|---------|---------|----------------------------|---------------------|----------|----------|----------------------------|
|                    | 2016    | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 | 2016                | Q2 2016  | Q2 2017  | Percentage Change Q2 17/16 |
| Total Transactions | 365,991 | 92,798  | 91,209  | -1.7                       | 93,377.9            | 24,130.3 | 24,668.1 | 2.2                        |
| Average per day    | 1,519   | 1,547   | 1,600   | 3.5                        | 387.5               | 402.2    | 432.8    | 7.6                        |

### Transactions by Type

|                                     |         |        |        |        |          |         |         |        |
|-------------------------------------|---------|--------|--------|--------|----------|---------|---------|--------|
| 1 Repo/R.Repo                       | 62,020  | 18,022 | 13,724 | -23.8  | 35,899.0 | 9,852.1 | 9,435.4 | -4.2   |
| 2 Intraday Liquidity Facility (ILF) | 37,906  | 9,694  | 9,969  | 2.8    | 18,701.6 | 4,528.6 | 6,405.6 | 41.4   |
| 3 Standing Deposit Facility (SDF)   | 7,637   | 1,865  | 1,325  | -29.0  | 11,180.1 | 2,341.8 | 1,676.2 | -28.4  |
| 4 Interbank Transactions            | 44,045  | 11,412 | 10,885 | -4.6   | 14,941.8 | 4,214.1 | 4,095.9 | -2.8   |
| 5 Customer Transactions             | 169,957 | 40,844 | 44,389 | 8.7    | 6,909.9  | 1,630.8 | 1,956.8 | 20.0   |
| 6 LankaSecure Transactions          | 4,461   | 1,092  | 372    | -65.9  | 2,494.7  | 754.7   | 151.0   | -80.0  |
| 7 Clearing House Transactions       | 39,938  | 9,868  | 10,545 | 6.9    | 3,234.3  | 808.1   | 947.2   | 17.2   |
| 8 Internal Fund Transfers           | 27      | 1      | 0      | -100.0 | 16.6     | 0.1     | -       | -100.0 |

| Transactions by Size      |         |        |        | Percentage Share Q2 2017 |          |          |          | Percentage Share Q2 2017 |
|---------------------------|---------|--------|--------|--------------------------|----------|----------|----------|--------------------------|
| Below Rs. 1 mn            | 50,526  | 11,957 | 13,057 | 14.3                     | 12.4     | 2.9      | 3.1      | neg.                     |
| Rs. 1 mn – Rs. 100 mn     | 194,663 | 48,729 | 49,819 | 54.6                     | 4,952.2  | 1,271.9  | 1,313.3  | 5.3                      |
| Rs. 100 mn – Rs. 500 mn   | 75,940  | 19,982 | 18,486 | 20.3                     | 20,707.6 | 5,533.1  | 4,952.1  | 20.1                     |
| Rs. 500 mn – Rs. 1,000 mn | 26,540  | 7,082  | 5,763  | 6.3                      | 20,194.0 | 5,494.8  | 4,109.7  | 16.7                     |
| Rs. 1,000 mn and above    | 18,322  | 5,048  | 4,084  | 4.5                      | 47,511.8 | 11,827.5 | 14,289.9 | 57.9                     |

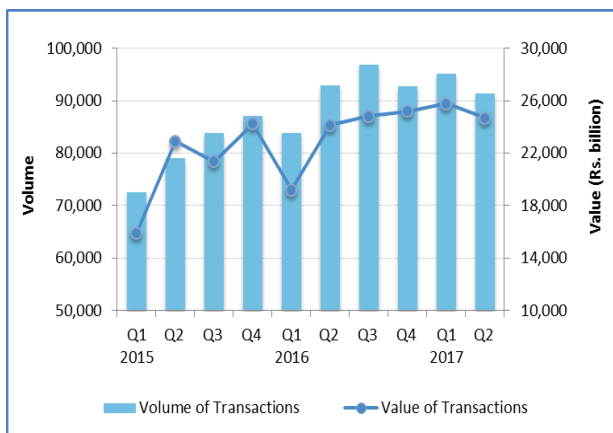
neg. - negligible

Source: Central Bank of Sri Lanka



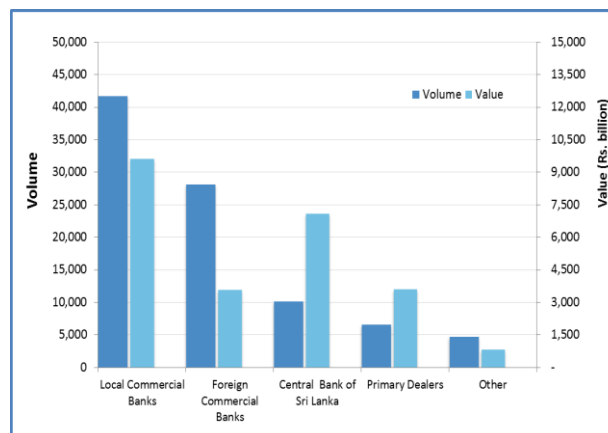
**Chart 7**

**Total Volume and Total Value of RTGS Transactions**



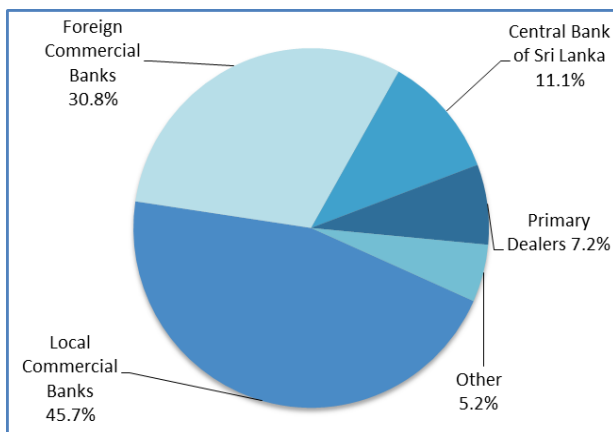
**Chart 8**

**RTGS Transactions by Type of Participants Q2 2017**



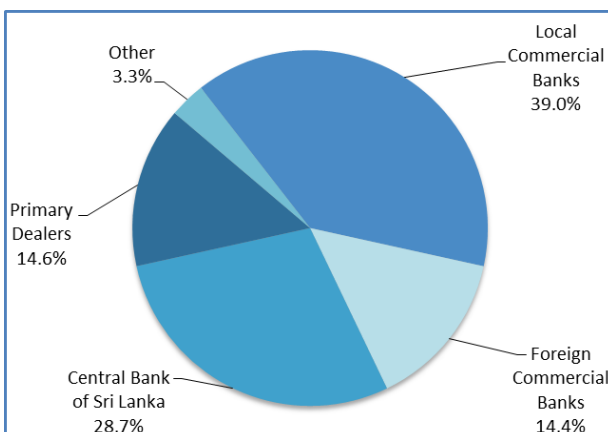
**Chart 9**

**RTGS Transactions by Type of Participants Q2 2017 (in Volume Terms)**



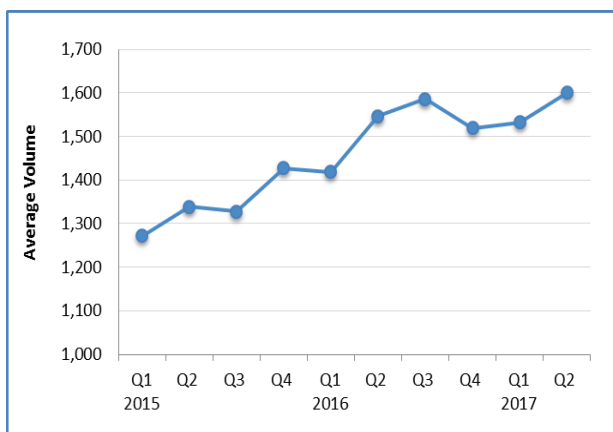
**Chart 10**

**RTGS Transactions by Type of Participants Q2 2017 (in Value Terms)**



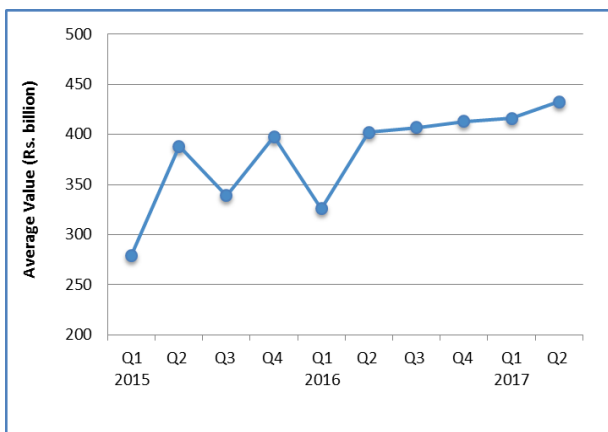
**Chart 11**

**Average Volume of RTGS Transactions per day**



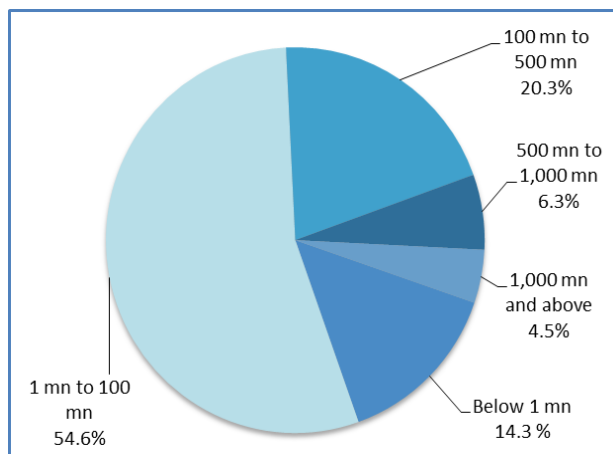
**Chart 12**

**Average Value of RTGS Transactions per day**



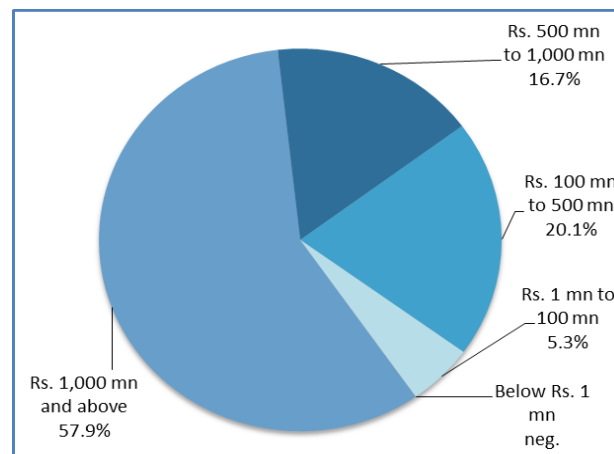
**Chart 13**

**Composition of RTGS Transactions by Size Q2 2017 (in Volume Terms)**



**Chart 14**

**Composition of RTGS Transactions by Size Q2 2017 (in Value Terms)**



**Table: 3**

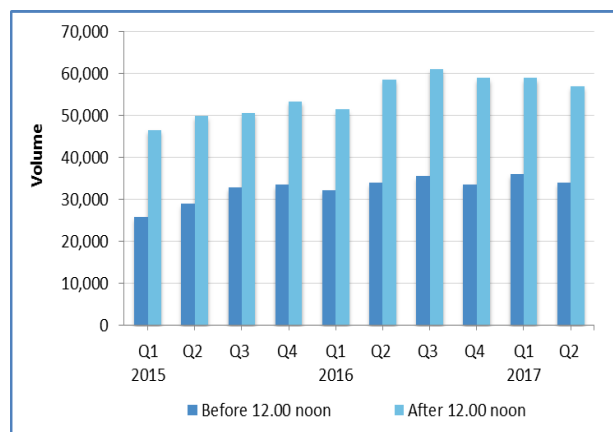
**Time Distribution of RTGS Transactions**

| Description       | Volume  |         |         |                          | Value (Rs. billion) |          |          |                          |
|-------------------|---------|---------|---------|--------------------------|---------------------|----------|----------|--------------------------|
|                   | 2016    | Q2 2016 | Q2 2017 | Percentage Share Q2 2017 | 2016                | Q2 2016  | Q2 2017  | Percentage Share Q2 2017 |
| Before 12.00 noon | 135,657 | 34,089  | 34,077  | 37.4                     | 47,615.5            | 12,130.9 | 12,384.9 | 50.2                     |
| After 12.00 noon  | 230,334 | 58,709  | 57,132  | 62.6                     | 45,762.4            | 11,999.3 | 12,283.2 | 49.8                     |

Source: Central Bank of Sri Lanka

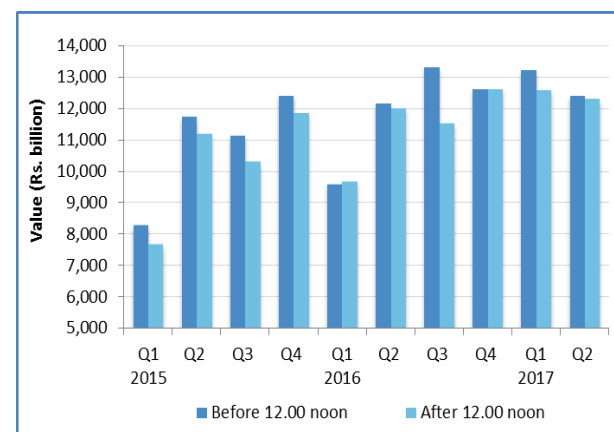
**Chart 15**

**Time Distribution of RTGS Transactions (in Volume Terms)**



**Chart 16**

**Time Distribution of RTGS Transactions (in Value Terms)**



## 2.2 Cheques

### LKR Cheque Clearing

- At present, all LKR cheques and drafts are cleared by LankaClear (Pvt) Ltd (LCPL) through the Cheque Imaging and Truncation (CIT) System.
- CIT System commenced operations on 11 May 2006 with the aim of reducing the time taken for clearing and settlement of cheques, by avoiding physical delivery of cheques and enhancing efficiency of the system.
- With the introduction of the CIT system cheque realization time was reduced to T+1, where T is the day on which LCPL receives the cheque for clearing and 1 indicates one business day from T, i.e. the following business day.
- The General Direction No. 01 of 2006 on Cheque Imaging and Truncation System was issued by CBSL to streamline the operations of the CIT System.
- The General Direction No. 01 of 2007 on the Participating Institutions' Service Norms and Standard Times for Accepting Cheque Deposits from Customers and Crediting Cheque Proceeds to Customers' Accounts was replaced by the General Direction No. 03 of 2013 on Service Norms and Standard Times for Accepting Cheque Deposits and Crediting Cheque Proceeds.
- As per the General Direction No.03 of 2013;
  - The island-wide minimum cut-off time for accepting cheques for T+1 clearing by participating institutions is 3.00 p.m. and proceeds of cleared cheques should be credited to the respective customer's accounts by 2.30.p.m. on the following business day.
- LCPL charges Rs. 2.50 per cheque from the paying bank for clearing.

**Table: 4**

**Cheque Clearing**

| Description           | Volume ('000) |          |          |                            | Value (Rs. billion) |         |         |                            |
|-----------------------|---------------|----------|----------|----------------------------|---------------------|---------|---------|----------------------------|
|                       | 2016          | Q2 2016  | Q2 2017  | Percentage Change Q2 17/16 | 2016                | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 |
| Total Cheques Cleared | 51,995.8      | 12,488.6 | 12,381.5 | -0.9                       | 9,601.5             | 2,269.6 | 2,494.2 | 9.9                        |
| Average per day       | 215.8         | 208.1    | 217.2    | 4.4                        | 39.8                | 37.8    | 43.8    | 15.7                       |

#### Cheque Clearing by Size

|                     |          |         |         |      |         |       |       |      |
|---------------------|----------|---------|---------|------|---------|-------|-------|------|
| Below Rs. 0.1 mn    | 40,143.7 | 9,645.3 | 9,324.5 | -3.3 | 1,064.6 | 255.7 | 257.5 | 0.7  |
| Rs. 0.1mn - Rs. 1mn | 10,498.6 | 2,520.0 | 2,702.1 | 7.2  | 2,913.7 | 700.2 | 749.1 | 7.0  |
| Rs.1 mn - Rs.11mn   | 1,285.6  | 307.4   | 336.8   | 9.6  | 3,082.0 | 740.3 | 809.9 | 9.4  |
| Rs.11 mn - Rs.51mn  | 57.9     | 13.7    | 15.4    | 12.5 | 1,233.9 | 291.7 | 331.0 | 13.5 |
| Rs.51mn - Rs.100mn  | 8.0      | 1.6     | 2.1     | 28.9 | 620.6   | 124.1 | 160.7 | 29.5 |
| Above Rs. 100 mn.   | 2.0      | 0.5     | 0.5     | 11.2 | 686.6   | 157.7 | 186.1 | 18.0 |

Source: LankaClear (Pvt) Ltd.



Chart 17

Average Volume of Cheques Cleared per day

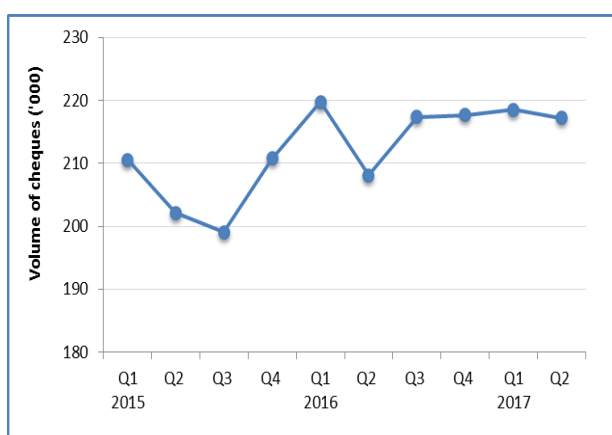
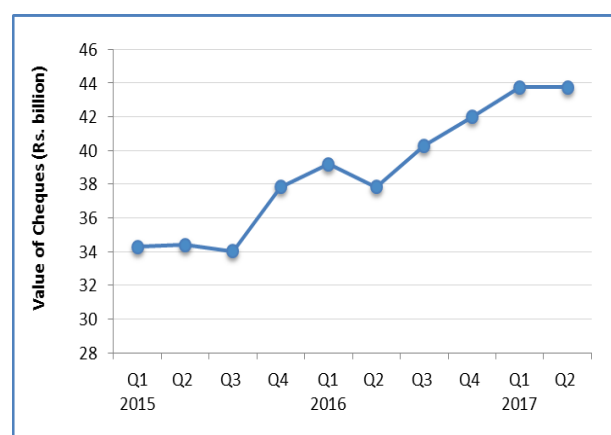


Chart 18

Average Value of Cheques Cleared per day



- The majority of cheques cleared (97.1 per cent) was with a value less than Rs. 1 million reflecting the popularity of cheques as a means for low value payments. This may mainly be due to the lower cost and reduction in the time taken for cheque clearing.

Table: 5

Cheque Returns

| Description            | Volume ('000) |         |         |                            | Value (Rs. billion) |         |         |                            |
|------------------------|---------------|---------|---------|----------------------------|---------------------|---------|---------|----------------------------|
|                        | 2016          | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 | 2016                | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 |
| Total Cheques Returned | 1,821.5       | 455.4   | 526.7   | 15.7                       | 254.2               | 63.7    | 85.7    | 34.5                       |

Source: LankaClear (Pvt) Ltd.

Table 6

Cheque Returns

| Description   | 2016    | Q2 2016 | Q2 2017 |
|---|---------|---------|---------|
| Volume of Cheques Returned (as a % of total volume of cheques received for clearing through LCPL) | 3.5     | 3.6     | 4.3     |
| Value of Cheques Returned (as a % of total volume of cheques received for clearing through LCPL)  | 2.6     | 2.8     | 3.4     |
| Average Volume of Cheques Returned per day  | 7,558.0 | 7,590.5 | 9,240.5 |
| Average Value of Cheques Returned per day (Rs. million)   | 1,054.9 | 1,062.1 | 1,503.3 |

Source: LankaClear (Pvt) Ltd.

Table 7

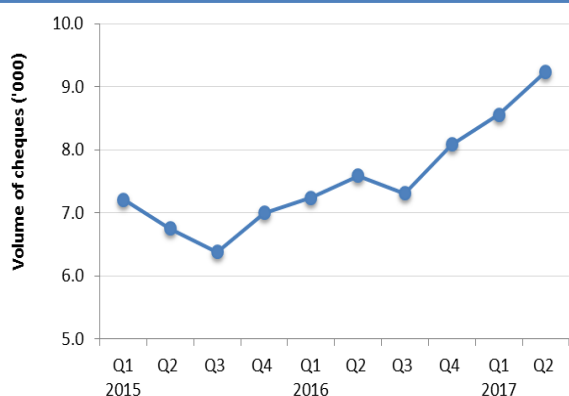
Return Code-wise Cheque Returns (As a Percentage of Total Volume of Cheque Returns)

| Return Code                                     | 2016 | Q2 2016 | Q2 2017 |
|---|------|---------|---------|
| Refer to Drawer                                 | 45.7 | 44.6    | 47.5    |
| Payment Stopped by Drawer                       | 21.4 | 23.0    | 19.0    |
| Account Closed                                  | 14.7 | 13.9    | 14.9    |
| Effects not Realized                            | 2.0  | 2.1     | 1.7     |
| Payment postponed pending drawer's confirmation | 1.0  | 1.2     | 0.9     |
| Other   | 15.3 | 15.2    | 16.0    |

Source: LankaClear (Pvt) Ltd.

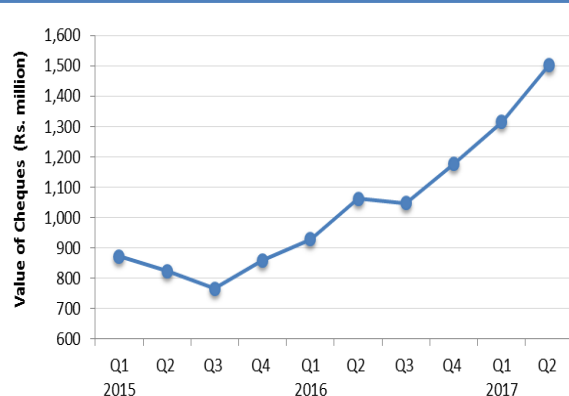
**Chart 19**

**Average Volume of Cheques Returned per day**



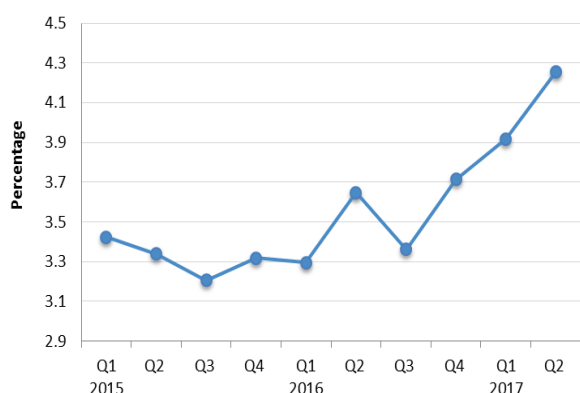
**Chart 20**

**Average Value of Cheques Returned per day**



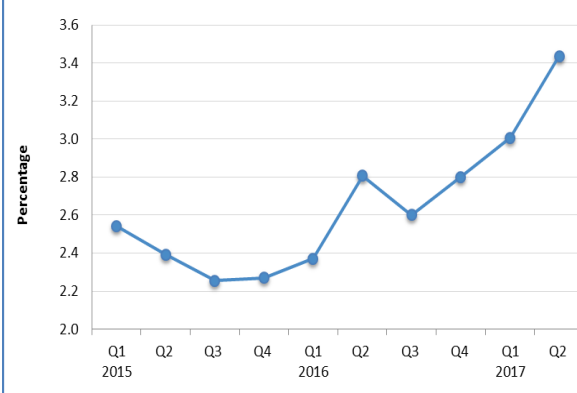
**Chart 21**

**Total Volume of Cheque Returns as a Percentage of Total Volume of Cheques Received for Clearing**



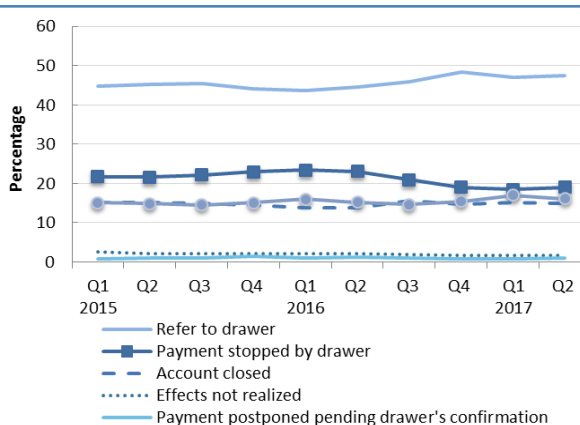
**Chart 22**

**Total Value of Cheque Returns as a Percentage of Total Value of Cheques Received for Clearing**



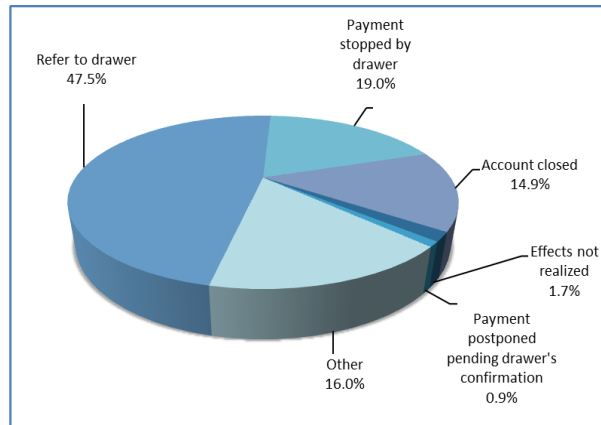
**Chart 23**

**Cheque Returns by Return Code As a Percentage of Total Cheque Returns**



**Chart 24**

**Composition of Cheque Returns Q2 2017 by Return Code**



## US Dollar Cheque Clearing

- US Dollar Cheque Clearing System operated by LCPL was introduced on 1 October 2002.
- The System clears ;
  - US Dollar cheques/drafts issued by commercial banks in Sri Lanka payable to Sri Lankan individuals and institutions.
  - US Dollar cheques issued by Banks or Exchange Houses abroad drawn on commercial banks in Sri Lanka.
- 23 Commercial Banks in Sri Lanka participate in this system and Sampath Bank PLC acts as the settlement bank.
- LCPL charges Rs. 10 per cheque/draft for clearing.

**Table: 8**

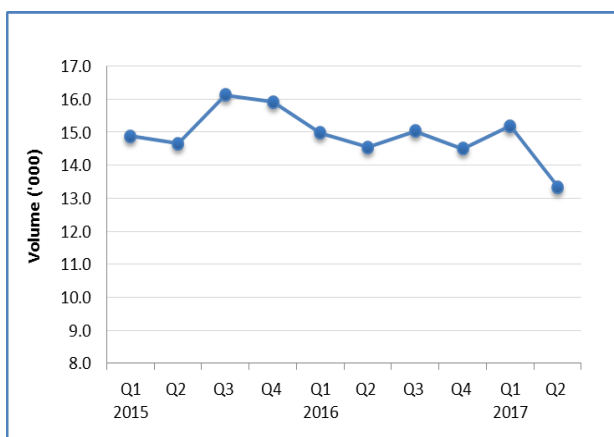
**US Dollar Cheque Clearing**

| Description             | Volume |         |         |                            | Value (US Dollar million) |         |         |                            |
|-------------------------|--------|---------|---------|----------------------------|---------------------------|---------|---------|----------------------------|
|                         | 2016   | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 | 2016                      | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 |
| Total Cheques Cleared   | 59,066 | 14,545  | 13,333  | -8.3                       | 265.9                     | 62.1    | 48.9    | -21.3                      |
| Cheque Clearing per day | 245    | 242     | 234     | -3.5                       | 1.1                       | 1.0     | 0.9     | -17.1                      |

Source: LankaClear (Pvt) Ltd.

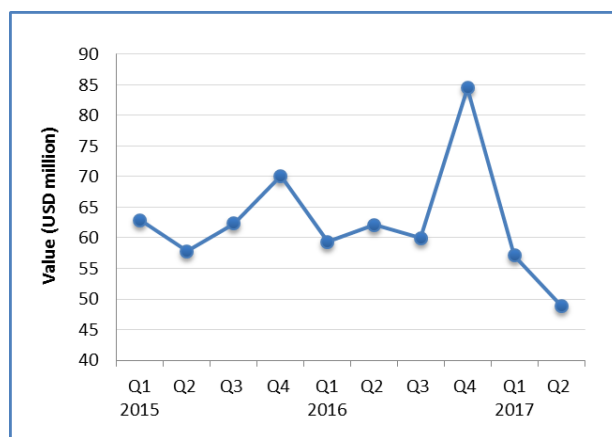
**Chart 25**

**Volume of US Dollar Cheques Cleared**



**Chart 26**

**Value of US Dollar Cheques Cleared**



## 2.3 Sri Lanka Interbank Payment (SLIP) System

- SLIP System is operated by LCPL.
- SLIP System provides facility for settlements on T + 0 basis on each business day, for payment instructions submitted before the cut-off time specified by the respective banks.
- SLIP System has the facility of accepting payment instructions for T + n (where n=0 to 14 days).
- Customer transfers, standing orders and low value bulk payments such as salaries are effected through this system.
- A maximum limit of Rs. 5 million per transaction was imposed with effect from 29 October 2010.
- As at end of the second quarter of 2017, there were 44 participants in the SLIP System, i.e. CBSL and 25 Licensed Commercial Banks as primary members and, 5 Licensed Specialized Banks and 13 Licensed Finance Companies, as secondary members.
- LCPL charges Rs. 3.50 per transaction from Presenting Bank/Financial Institution.
- The Payment and Settlement Systems Circular No. 02 of 2015 on Maximum Limit on Transaction Fees of Sri Lanka Interbank Payment System was issued with effect from 01 September 2015, by which:
  - the maximum fee that can be charged from a customer for a fund transfer transaction effected through SLIP System was imposed as Rs. 50

**Table: 9**

**Transaction Volumes and Values of SLIP System**

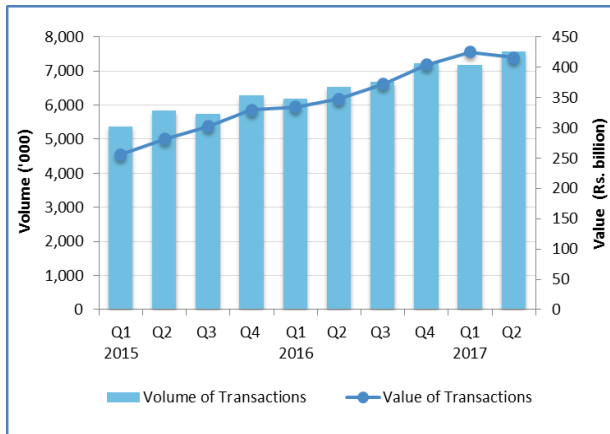
| Description                 | Volume ('000) |         |         |                            | Value (Rs. billion) |         |         |                            |
|-----------------------------|---------------|---------|---------|----------------------------|---------------------|---------|---------|----------------------------|
|                             | 2016          | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 | 2016                | Q2 2016 | Q2 2017 | Percentage Change Q2 17/16 |
| Total Transactions Cleared  | 26,646.7      | 6,535.4 | 7,584.5 | 16.1                       | 1,457.5             | 347.5   | 415.6   | 19.6                       |
| Average per day             | 110.6         | 108.9   | 133.1   | 22.2                       | 6.0                 | 5.8     | 7.3     | 25.9                       |
| <b>Transactions by Size</b> |               |         |         |                            |                     |         |         |                            |
| Less than Rs. 1 mn          | 26,448.0      | 6,489.1 | 7,526.6 | 16.0                       | 966.7               | 233.7   | 271.6   | 16.2                       |
| Between Rs. 1 mn – 5 mn     | 198.7         | 46.3    | 57.9    | 25.1                       | 490.8               | 113.8   | 144.0   | 26.5                       |
| <b>Transactions by Type</b> |               |         |         |                            |                     |         |         |                            |
| Credit transactions         | 26,632.9      | 6,532.0 | 7,580.5 | 16.1                       | 1,445.1             | 344.3   | 412.0   | 19.7                       |
| Debit transactions          | 13.8          | 3.4     | 4.0     | 17.6                       | 12.5                | 3.2     | 3.6     | 13.5                       |

Source: LankaClear (Pvt) Ltd.

- SLIP System which accounted for 12.0 per cent of the value of total non-cash retail payments has been used mainly for salary payments.

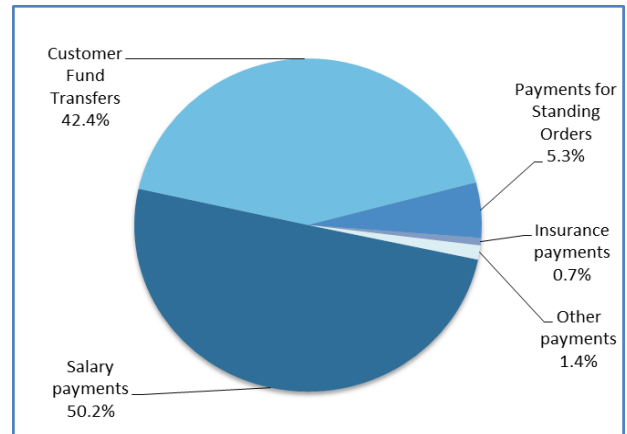
**Chart  
27**

**Volume and Value of SLIP System Transactions**



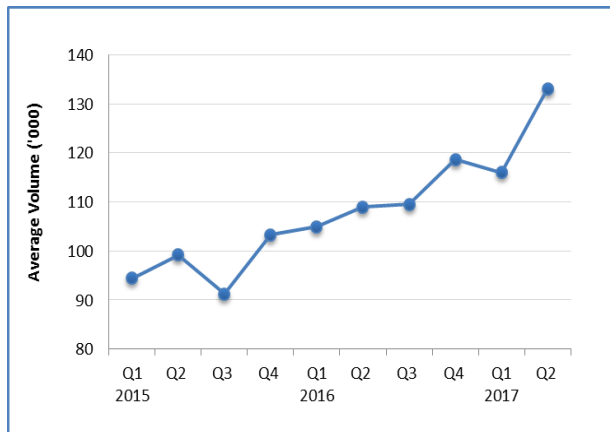
**Chart  
28**

**SLIP System Transactions: by  
Transaction Code Q2 2017  
(in Volume Terms)**



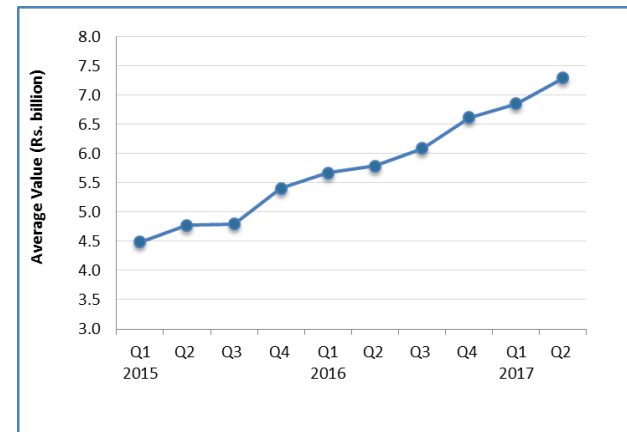
**Chart  
29**

**Average Volume of SLIP System  
Transactions per day**



**Chart  
30**

**Average Value of SLIP System  
Transactions per day**



## 2.4 Payment Cards and Mobile Phone based Payment Mechanisms

- *In order to regulate and supervise activities of service providers of payment cards and mobile phone based payment systems, the Service Providers of Payment Card Regulations No 1 of 2009, were issued in July 2009.*
- *The above regulation was replaced by the Payment Cards and Mobile Payment Systems Regulations No. 1 of 2013 (Regulations) on 07 June 2013.*
- *In terms of the Regulations, Issuers of Payment Cards, Financial Acquirers of Payment Cards, Operators of Customer Account based Mobile Payment Systems and Operators of Mobile Phone based e-money Systems should obtain licences from CBSL to engage in the business or function as service providers of Payment Cards and/or Mobile Payment Systems.*

### 2.4.1 Payment Cards

- *As per the Regulations, service providers of payment cards include issuers of payment cards (debit cards, credit cards, charge cards and stored value cards) and financial acquirers of payment cards.*

#### ***Licensed Service Providers of Payment Cards (as at 30 June 2017)***

| <b>Class of Business</b>             | <b>Number of Service Providers</b> |
|--------------------------------------|------------------------------------|
| Issuers of Debit Cards               | 32                                 |
| Issuers of Credit Cards              | 14                                 |
| Issuers of Stored Value Cards        | 7                                  |
| Financial Acquirers of Payment Cards | 9                                  |

*Source: Central Bank of Sri Lanka*



## (a) Credit Cards

- In 1989, commercial banks commenced issuing of credit cards in Sri Lanka.
- The Credit Card Operational Guidelines No. 1 of 2010 were issued to streamline the operations of the credit card business.
- At end of the second quarter 2017, 13 Commercial Banks and one Finance Company had been licensed to engage in credit card business.
- Stamp duty for credit cards on usage of credit facility for the purchase of goods or services or the withdrawal of money where the merchant country (the country in which the purchase of goods or service or the withdrawals of money is taken place) is a country other than Sri Lanka is set at Rs. 25.00 per every Rs. 1,000.00 or part thereof from 01 January 2016.

**Table: 10**

**Credit Card Transactions**

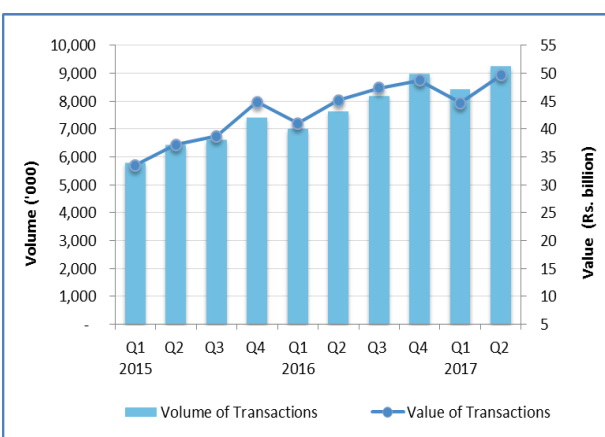
| Description                                       | 2016      | Q2 2016   | Q2 2017 (a) | Percentage Change |          |
|---|-----------|-----------|-------------|-------------------|----------|
|   |           |           |             | Q2 16/15          | Q2 17/16 |
| 1 Number of cards issued during the period        | 264,058   | 56,681    | 65,782      | 22.1              | 16.1     |
| 2 Total number of cards in use (as at end period) | 1,315,915 | 1,206,677 | 1,392,931   | 11.3              | 15.4     |
| 3 Total volume of transactions (million)          | 31.9      | 7.7       | 9.3         | 18.7              | 21.0     |
| 4 Total value of transactions (Rs. billion)       | 182.1     | 45.1      | 49.7        | 21.2              | 10.2     |

(a) Provisional

Source: Licensed Commercial Banks

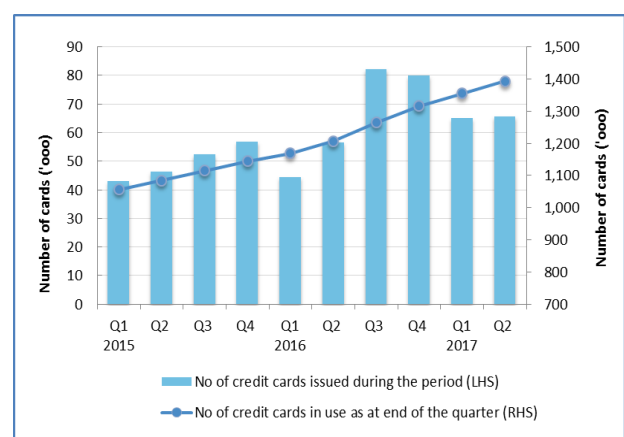
**Chart 31**

**Credit Card Transactions**



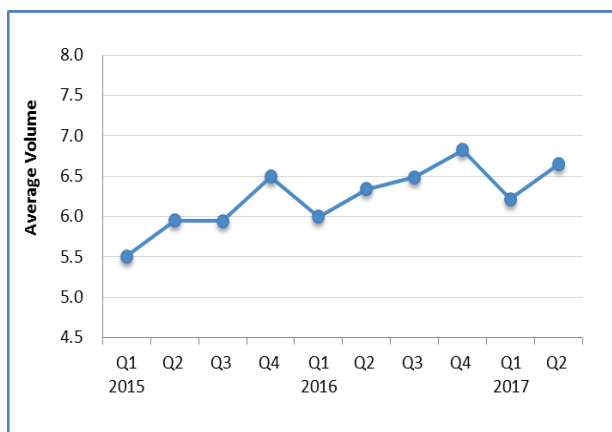
**Chart 32**

**Number of New Credit Cards Issued and Total Number of Credit Cards in Use**



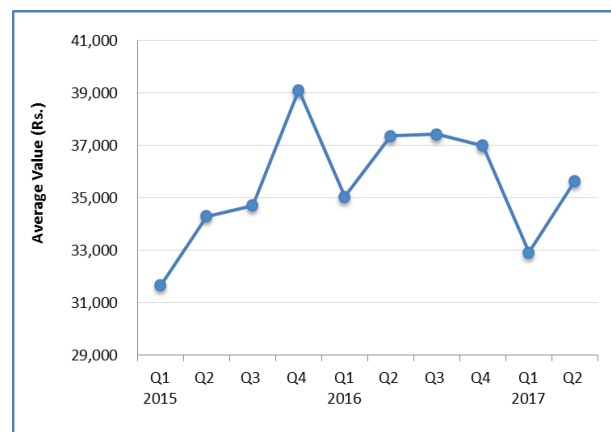
**Chart 33**

**Average Volume of Transactions per Credit Card**



**Chart 34**

**Average Value of Transactions per Credit Card**



**Table: 11**

**Credit Cards in Default (As at end period)**

| Description              | Number of Cards |         |             |                            | Defaulted Transaction Value (Rs. billion) |         |             |                            |
|--------------------------|-----------------|---------|-------------|----------------------------|---|---------|-------------|----------------------------|
|                          | 2016            | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 | 2016                                      | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 |
| Defaulted Credit Cards * | 84,155          | 75,898  | 96,349      | 26.9                       | 5.8                                       | 5.1     | 6.7         | 32.4                       |

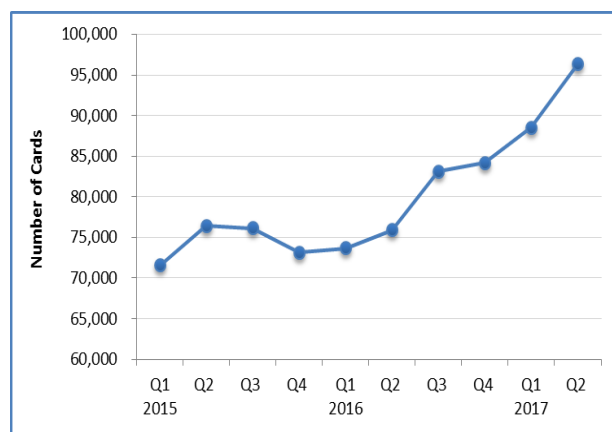
(a) Provisional

Source: Credit Information Bureau of Sri Lanka

\*Where the payment is in arrears for 90 days or more

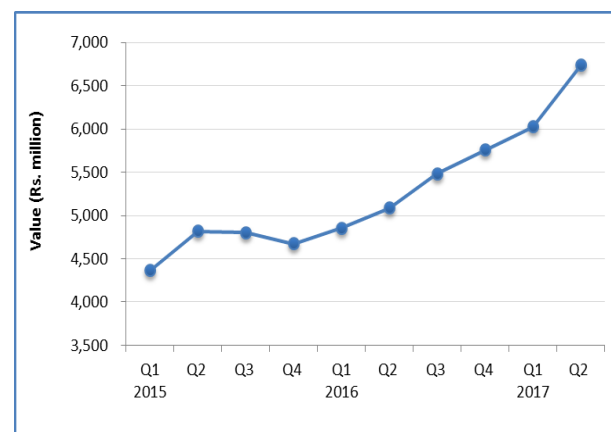
**Chart 35**

**Number of Credit Cards under Defaulted Payment Category (As at end period)**



**Chart 36**

**Value of Credit Cards under Defaulted Payment Category (As at end period)**



## (b) Debit Cards

- Debit cards were first introduced to Sri Lanka in 1997.
- As at the end of second quarter 2017, 19 Licensed Commercial Banks, 2 Licensed Specialised Banks and, 11 Licensed Finance Companies had been licensed for issuing debit cards.

**Table: 12**

**Debit Card Transactions**

| Description                                       | 2016       | Q2 2016    | Q2 2017 (a) | Percentage Change |          |
|---|------------|------------|-------------|-------------------|----------|
|   |            |            |             | Q2 16/15          | Q2 17/16 |
| 1 Number of cards issued during the period        | 3,025,664  | 700,278    | 869,725     | 0.4               | 24.2     |
| 2 Total number of cards in use (as at end period) | 17,732,516 | 16,399,025 | 18,167,593  | 16.4              | 10.8     |
| 3 Total volume of transactions (million) (b)      | 38.1       | 9.5        | 11.7        | 16.2              | 23.4     |
| 4 Total value of transactions (Rs. billion)(b)    | 108.0      | 27.0       | 34.2        | 32.4              | 26.7     |

(a) Provisional

Sources: Licensed Commercial Banks

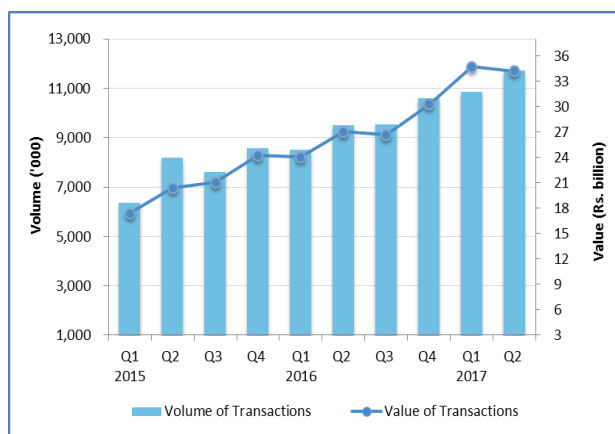
(b) Transactions carried out at POS terminals during the period

Licensed Specialised Banks

Finance Companies

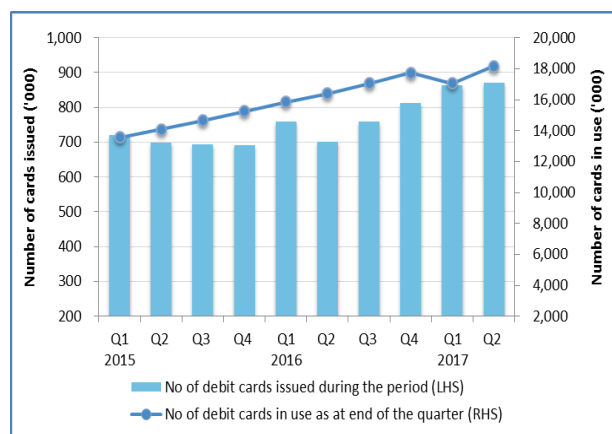
**Chart 37**

**Debit Card Transactions (carried out at POS terminals)**



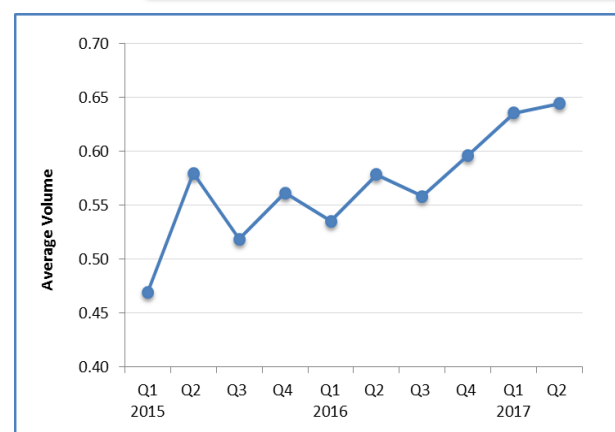
**Chart 38**

**Number of New Debit Cards Issued and Total Number of Debit Cards in Use**



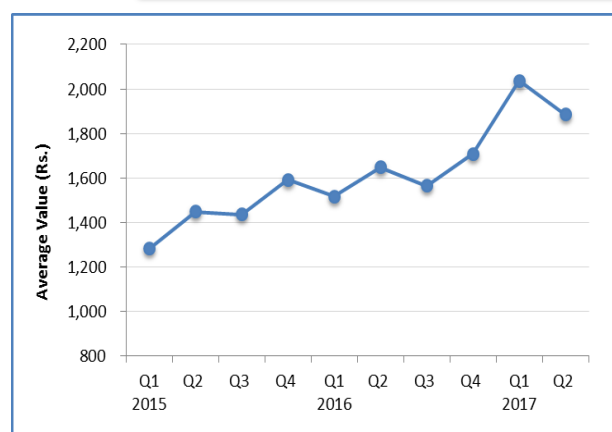
**Chart 39**

**Average Volume of Transactions (carried out at POS terminals) per Debit Card**



**Chart 40**

**Average Value of Transactions (carried out at POS terminals) per Debit Card**



## 2.4.2 Payment Card Infrastructure

### (a) Automated Teller Machines

- Automated Teller Machines (ATMs) were introduced to Sri Lanka in 1986.
- Services provided through ATMs include cash withdrawals, balance inquiries, cheque book requisitions, fund transfers, cash and cheque deposits, utility bill payments and change of Personal Identification Numbers (PIN) etc.

**Table: 13**

**ATM Terminals**

| Description   | 2016    | Q2 2016 | Q2 2017 (a) | Percent Change |          |
|---|---------|---------|-------------|----------------|----------|
|   |         |         |             | Q2 16/15       | Q2 17/16 |
| 1. Number of ATM terminals in use (as at end period)                        | 3,871   | 3,649   | 4,035       | 5.4            | 10.6     |
| 2. Total volume of financial transactions during the period (million)(b)    | 223.7   | 54.5    | 58.3        | 9.6            | 7.2      |
| 3. Total value of financial transactions during the period (Rs. billion)(b) | 2,082.6 | 508.1   | 593.4       | 20.9           | 16.8     |

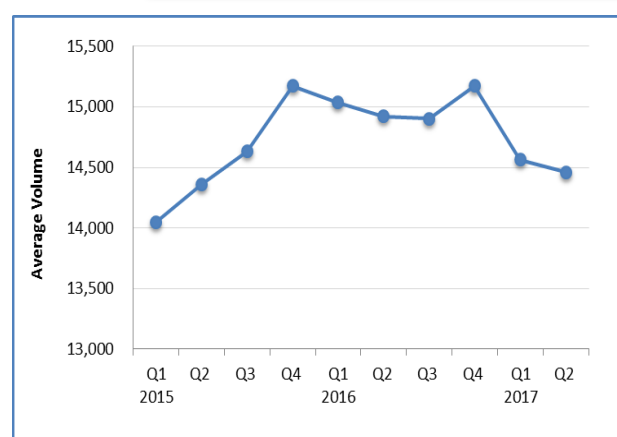
(a) Provisional

(b) Cash withdrawals at ATMs during the period

Sources: Licensed Commercial Banks  
Licensed Specialised Banks  
Finance Companies

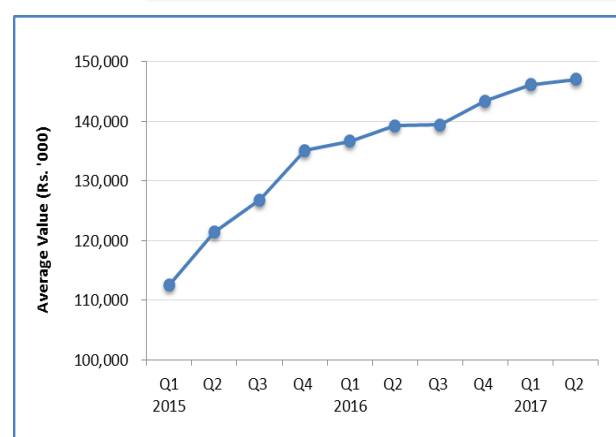
**Chart 41**

**Average Volume of Transactions per ATM Terminal**



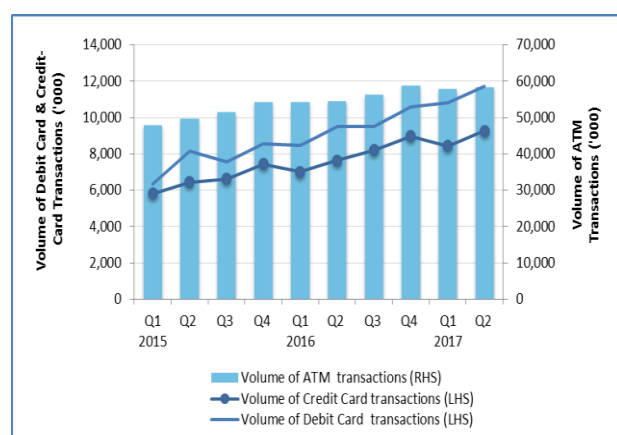
**Chart 42**

**Average Value of Transactions per ATM Terminal**



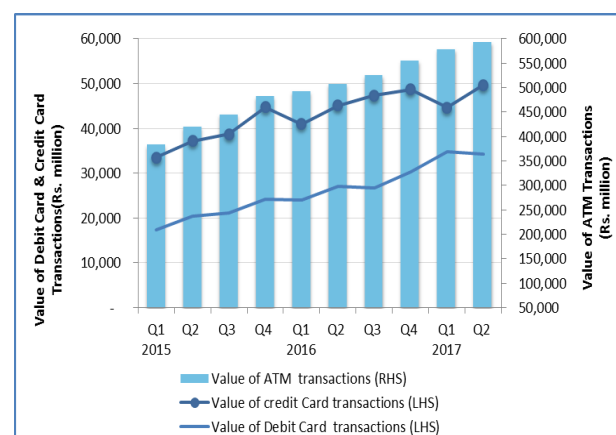
**Chart 43**

**ATM Cash Withdrawals and Payments Effected through Debit Cards and Credit Cards in Volume Terms**



**Chart 44**

**ATM Cash Withdrawals and Payments Effected through Debit Cards and Credit Cards - in Value Terms**



## (b) Point of Sale Terminals

- Point of Sale (POS) terminals were introduced to Sri Lanka in 1994.
- POS terminals allow customers to make their payments through credit, debit and stored value cards at merchants' outlets.
- As at end of the second quarter of 2017, 8 Licensed Commercial Banks and one Private Company had been licensed to function as Financial Acquirers of Payment Cards.
- All Financial Acquirers of Payment Cards in Sri Lanka upgraded their POS terminals with the Terminal Line Encryption technology by 31 March 2013, adhering to the directive given by CBSL with a view to enhancing the security of payment card transactions.
- In 2014, CBSL instructed all financial acquirers to ensure that their merchants do not engage in double swiping (i.e. merchants swiping payment cards in devices other than POS terminals provided by financial acquirers) with the intention of protecting card holder data from unauthorized use.

**Table: 14**

### Payments at POS Terminals

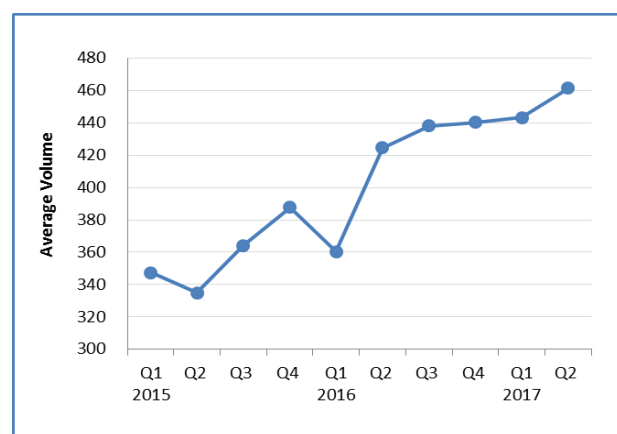
| Description   | 2016   | Q2 2016 | Q2 2017 (a) | Percentage Change |          |
|---|--------|---------|-------------|-------------------|----------|
|   |        |         |             | Q2 16/15          | Q2 17/16 |
| 1 Number of POS terminals in use (as at end period)                             | 43,355 | 39,911  | 44,832      | 7.8               | 12.3     |
| 2 Total volume of transactions during the period (million) during the period    | 70.0   | 17.0    | 20.7        | 36.7              | 22.0     |
| 3 Total value of transactions during the period (Rs. billion) during the period | 359.0  | 81.0    | 101.1       | 27.5              | 24.9     |

(a) Provisional

Source: Licensed Financial Acquirers of Payment Cards

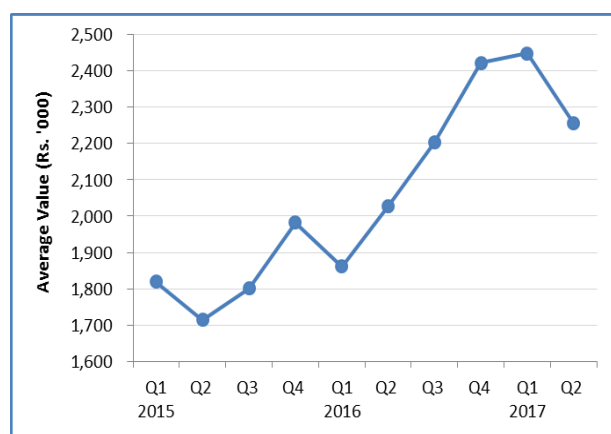
**Chart 45**

### Average Volume of Transactions per POS Terminal



**Chart 46**

### Average Value of Transactions per POS Terminal



## 2.4.3 Mobile Phone based Payment Mechanisms

- *Service Providers of Mobile Payment Systems (Operators of Customer Account based Mobile Payment Systems and Operators of Mobile Phone based e-money Systems) are required to obtain licences from CBSL to function as service providers of mobile payment systems.*

### **Licensed Service Providers of Mobile Payment Systems**

*(As at end of the second quarter 2017)*

| Class of Business  | Number of Licensed Service Providers |
|--|--------------------------------------|
| Operators of Customer Account based Mobile Payment Systems | 12                                   |
| Operators of Mobile Phone based e-money Systems            | 2                                    |

### **(a) Customer Account based Mobile Payment Systems**

- *Customer Account based Mobile Payment Systems (Mobile Phone Banking) provide the facility to customers of licensed service providers to access their accounts through their mobile phones.*
- *The Mobile Payments Guidelines No. 1 of 2011 were issued by CBSL to streamline the Mobile Phone Banking services.*

**Table: 15**

**Mobile Phone Banking**

| Description                            | Volume    |         |             |                            | Value (Rs. million) |         |             |                            |
|--|-----------|---------|-------------|----------------------------|---------------------|---------|-------------|----------------------------|
|  | 2016      | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 | 2016                | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 |
| Total Transactions (during the period) | 3,433,005 | 879,336 | 939,972     | 6.9                        | 14,589.3            | 3,487.1 | 5,457.6     | 56.5                       |

(a) Provisional

Source: Licensed Commercial Banks

### **(b) Mobile Phone based e-money Systems**

- *Mobile phone based e-money systems issue monetary value upon receipt of funds and store electronically for the purpose of using for payments.*
- *The Mobile Payments Guidelines No. 2 of 2011 were issued to streamline the custodian account based mobile payment services.*
- *In June 2012, a mobile network operator obtained a licence from CBSL to operate the first mobile phone based e-money system, while another mobile network operator was licensed and commenced operations of its mobile phone based e-money system in November 2013.*



Chart  
47

Composition of Mobile Phone based  
e-money Transactions in Q2 2017  
(in Volume Terms)

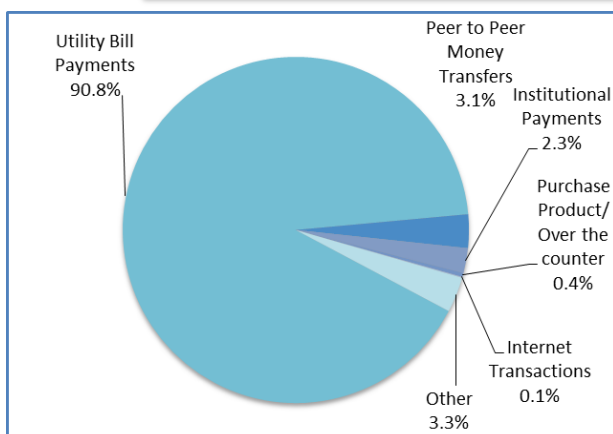
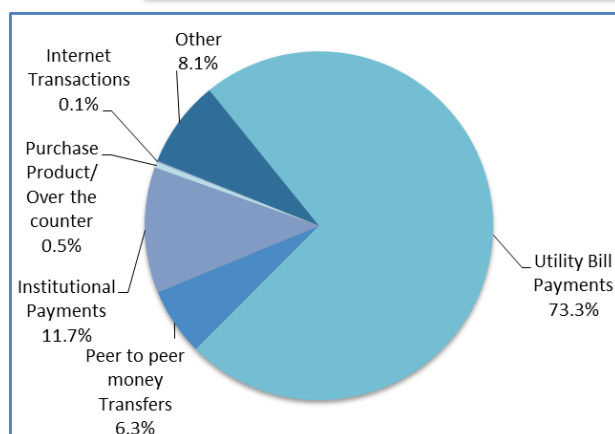


Chart  
48

Composition of Mobile Phone based  
e-money Transactions in Q2 2017  
(in Value Terms)



Source: Operators of Mobile Phone based e-money Systems

## 2.5 Internet based Payment Systems

- Internet banking which allows bank customers to access the banking services in a convenient and efficient manner through Internet was introduced in Sri Lanka in 1999.
- Financial institutions offer facilities through Internet banking, for customers mainly to obtain account information, apply or subscribe for financial products/services, perform own account/ third party fund transfers and pay utility bills.

Table: 16

Internet based Payment Systems

| Description                                      | Volume ('000) |         |             |                            | Value (Rs. billion) |         |             |                            |
|--|---------------|---------|-------------|----------------------------|---------------------|---------|-------------|----------------------------|
|  | 2016          | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 | 2016                | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 |
| Total financial transactions (during the period) | 18,163.6      | 4,313.4 | 5,487.5     | 27.2                       | 1,588.6             | 383.6   | 470.9       | 22.8                       |

(a) Provisional

Sources: Licensed Commercial Banks  
Licensed Specialised Banks  
Finance Companies

- Reflecting the growing popularity of Internet banking, volume and value of financial transactions effected through Internet banking continued to increase during the second quarter of 2017.
- This growing popularity may be due mainly to customer convenience, time saving benefits and various promotional measures and awareness programmes carried out by the banks to enhance the usage of Internet banking.

## 2.6 Tele-banking

- Tele-banking customers are given access to their bank accounts by connecting via a telephone.
- Services provided through tele-banking, include the facilities to check own account balance, credit card services including checking credit card balances, the status of new credit card application, reporting of lost or stolen credit/debit card, information on banking services and products and utility bill payments.

**Table: 17**

### Tele-banking

| Description  | 2016   | Q2 2016 | Q2 2017 (a) | Percentage Change Q2 17/16 |
|--|--------|---------|-------------|----------------------------|
| 1. Total volume of financial transactions (during the period)              | 11,060 | 2,835   | 2,183       | -23.0                      |
| 2. Total value of financial transactions (during the period) (Rs. million) | 949.2  | 243.1   | 195.1       | -19.7                      |

(a) Provisional

Sources: Licensed Commercial Banks  
Licensed Specialised Banks  
Finance Companies

## 2.7 Postal Instruments

- Post offices issue money orders and postal orders to transfer funds and they are mainly used to make small value payments to individuals and institutions.
- A money order is an order granted by the Post Office for the payment of a sum of money through any Post Office.
- A money order can be issued up to a maximum amount of Rs. 25,000.

**Table: 18**

### Volume and Value of Payments Made through Money Orders and Postal Orders

| Description                               | Volume    |         |             | Percentage Change Q2 17/16 | Value (Rs.'000) |           |             | Percentage Change Q2 17/16 |
|---|-----------|---------|-------------|----------------------------|-----------------|-----------|-------------|----------------------------|
|   | 2016      | Q2 2016 | Q2 2017 (a) |                            | 2016            | Q2 2016   | Q2 2017 (a) |                            |
| 1. Ordinary Money Orders                  | 218,976   | 59,282  | 65,102      | 9.8                        | 919,366         | 214,280   | 246,703     | 15.1                       |
| 2. E-money Orders                         | 949,581   | 200,632 | 174,416     | -13.1                      | 6,075,040       | 1,288,206 | 1,162,575   | -9.8                       |
| 3. Local Value Payment Money Orders       | 75,400    | 14,600  | 19,595      | 34.2                       | 158,372         | 35,859    | 42,746      | 19.2                       |
| 4. British Postal Orders                  | 275       | 80      | 61          | -23.8                      | 1,808           | 375       | 373         | -0.5                       |
| Total                                     | 1,244,232 | 274,594 | 259,174     | -5.6                       | 7,154,586       | 1,538,720 | 1,452,397   | -5.6                       |
| Total number of Post Offices (end period) | 4,691     | 4,692   | 4,691       |                            |                 |           |             |                            |

(a) Provisional

Source: Postal Department

## 2.8 Common Card and Payment Switch (CCAPS)

- The CCAPS operated by LCPL, was set up in order to establish a national platform for electronic retail payments in the country.
- CCAPS has been designated as the national payment switch in Sri Lanka and LCPL launched operations of CCAPS under the brand name of "LankaPay".
- CCAPS consists of five switches; Common ATM Switch (CAS), Common Electronic Fund Transfer Switch (CEFTS), Shared ATM Switch (SAS), Common POS Switch (CPS) and Common Mobile Switch (CMobS).

### (a) Common ATM Switch (CAS)

- LankaPay CAS, the first phase of CCAPS which provides the facility to customers of LankaPay CAS members to withdraw cash from their accounts and inquire the account balances, through ATMs of other LankaPay members, was launched on 23 July 2013.
- The General Direction No. 01 of 2013 on Operations of the Common ATM Switch was issued to impose key prudential and obligatory requirements to LCPL and members of CAS.
- The General Direction No. 01 of 2014 was issued on maximum fees of transactions effected through the LankaPay CAS.
- The maximum fee that can be charged from a customer for a LankaPay CAS transaction is as follows:

| Description  | Maximum Fee<br>(per transaction) |                               |
|--|----------------------------------|-------------------------------|
|  | For cash<br>withdrawals (Rs.)    | For balance<br>inquires (Rs.) |
| Fees charged from the customer by card issuer                      | 30.00                            | 7.50                          |
| Interchange fee charged by financial acquirer from the card issuer | 35.00                            | 10.00                         |

- As at end of the second quarter 2017, LankaPay CAS consisted of 24 members [twenty (20) Licensed Commercial Banks, three (3) Licensed Specialized Banks and one (1) Licensed Finance Company] connecting through 4,021 ATMs.

**Table: 19**

### Common ATM Switch (CAS)

| Description   | 2016      | Q2<br>2016 | Q2<br>2017 | Percentage<br>Change<br>Q2<br>17/16 |
|---|-----------|------------|------------|-------------------------------------|
| 1 Number of members joined to CAS (as at end period)      | 23        | 21         | 24         | 14.3                                |
| 2 Number of ATMs connected to CAS (as at end period)      | 3,820     | 3,589      | 4,021      | 12.0                                |
| 3 Total volume of financial transactions ('000) (a)       | 31,331.1  | 7,746.7    | 10,976.3   | 41.7                                |
| 4 Total value of financial transactions (Rs. million) (a) | 174,112.0 | 43,258.8   | 64,736.7   | 49.6                                |

(a) Cash withdrawals at ATMs during the period

Source: LankaClear (Pvt) Ltd.

Chart  
49

Average Volume of CAS Transactions  
per day

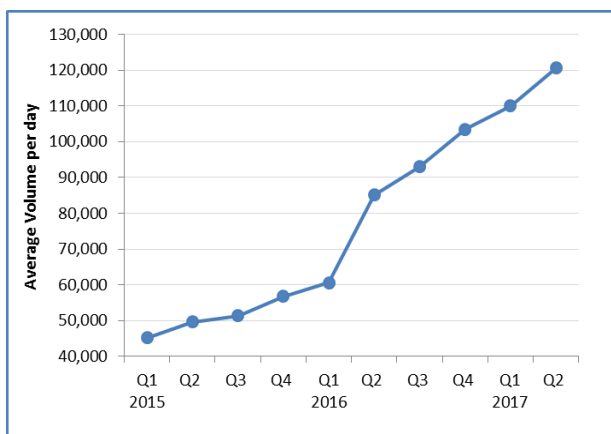
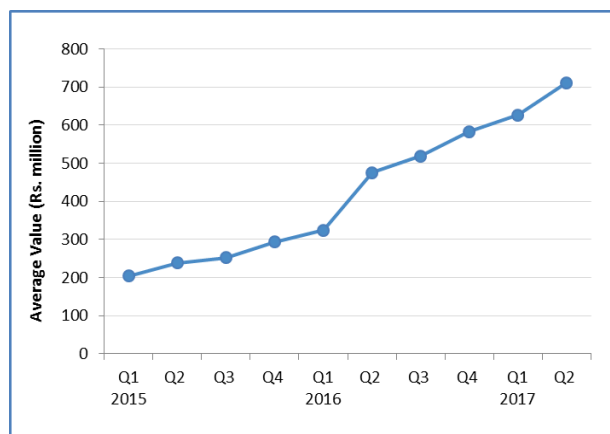


Chart  
50

Average Value of CAS Transactions  
per day



## (b) Common Electronic Fund Transfer Switch (CEFTS)

- LankaPay CEFTS, the second phase of CCAPS, which provide the real-time, retail fund transfer facilities to customers of LankaPay CEFTS members through payment channels such as Internet Banking, Mobile Banking, Kiosks, Over the Counter (OTC) and Automated Teller Machines (ATM) was launched on 21 August 2015.
- As at end of the second quarter 2017, CEFTS consisted of twenty nine (29) members [twenty two (22) licensed commercial banks one (1) licensed specialized bank and six (6) Finance Companies].
- The General Direction No. 02 of 2014 was issued by CBSL imposing key prudential and obligatory requirements to LCPL and members of CEFTS.
- The Payments and Settlements Systems Circulars No 01 of 2015 was issued on Maximum limits on Transaction Value and Fees of the Common Electronic Fund Transfer Switch.
- Maximum fee that can be charged from a customer for a CEFTS transaction is as follows:

| Fund Transfer mode   | Maximum Fee<br>(per transaction) (Rs.) |
|--|--|
| Effected through Internet Banking, Mobile Banking, ATMs of respective members of CEFTS | 50                                     |
| Effected through ATMs of other member of CEFTS   | 100                                    |
| Effected Over-the-Counter  | 100                                    |

Table: 20

## Common Electronic Fund Transfer Switch (CEFTS)

| Description   | 2016     | Q2 2016  | Q2 2017  | Percentage Change Q2 17/16 |
|---|----------|----------|----------|----------------------------|
| 1 Number of members joined to CEFTS (as at end period)    | 22       | 16       | 29       | 81.3                       |
| 2 Total volume of financial transactions ('000) (a)       | 894.7    | 196.5    | 677.8    | 244.9                      |
| 3 Total value of financial transactions (Rs. million) (a) | 69,389.1 | 14,659.8 | 58,410.0 | 298.4                      |

(a) Cash withdrawals at ATMs during the period

Source: LankaClear (Pvt) Ltd.

Chart 51

## Average Volume of CEFTS Transactions per day

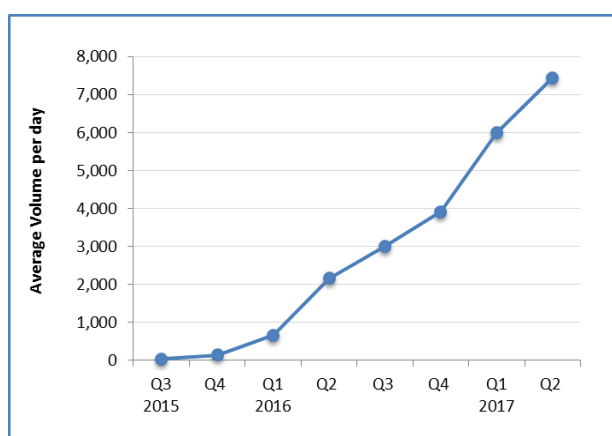
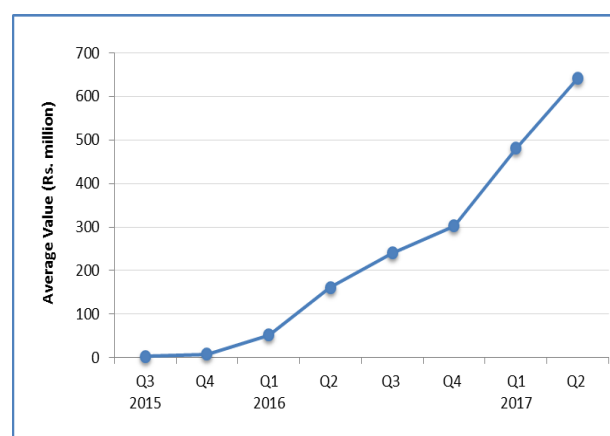


Chart 52

## Average Value of CEFTS Transactions per day



## (c) Shared ATM Switch (SAS)

- LankaPay SAS provides hosted ATM Switch and Card Management System (CMS) to financial institutions that do not have adequate technical skills and funds for investing in an own ATM Switch and CMS.
- Regional Development Bank joined LankaPay SAS on 27 August 2015 as the first participant of LankaPay SAS

- The Asian Clearing Union (ACU) was established in 1974 with the main objective of facilitating trade related payments among member countries.
- The headquarters of ACU, which is referred to as the ACU Secretariat, is situated in Teheran, Iran.
- At present, ACU consists of 9 central banks/monetary authorities (Bangladesh, Bhutan, India, Iran, Nepal, Maldives, Myanmar, Pakistan and Sri Lanka).
- The Board of Directors i.e. Governors of member Central Banks is the decision making body of the ACU and Board of Directors meets annually.
- The settlement mechanism of ACU involves settling intra-regional trade related payments among member central banks /monetary authorities on a multilateral basis.
- Settlement of ACU net position and accrued interest takes place bi-monthly as informed by the ACU Secretariat.
- Accounts of ACU members are maintained in Asian Monetary Units (AMUs). AMUs are denominated as ACU Dollar and ACU Euro which are equivalent in value to one US Dollar and one Euro, respectively.
- The 46<sup>th</sup> meeting of the ACU Board of Directors was held in Sri Lanka in July 2017.

Table: 21

ACU Transactions of Sri Lanka

| Description                             | 2016      | Q2 2016   | Q2 2017   | Percentage Change |          |
|---|-----------|-----------|-----------|-------------------|----------|
|   |           |           |           | Q2 16/15          | Q2 17/16 |
| 1 Number of Transactions                | 6,510     | 1,637     | 1,531     | 0.4               | -6.5     |
| 2 Value of Total Receipts (Rs. million) | 34,321.4  | 7,789.1   | 7,337.9   | -16.7             | -5.8     |
| 3 Value of Total Payments (Rs. million) | 443,747.0 | 101,898.6 | 109,925.7 | 3.1               | 7.9      |

Source: Central Bank of Sri Lanka

Chart 53

Total Volume of ACU Transactions of Sri Lanka

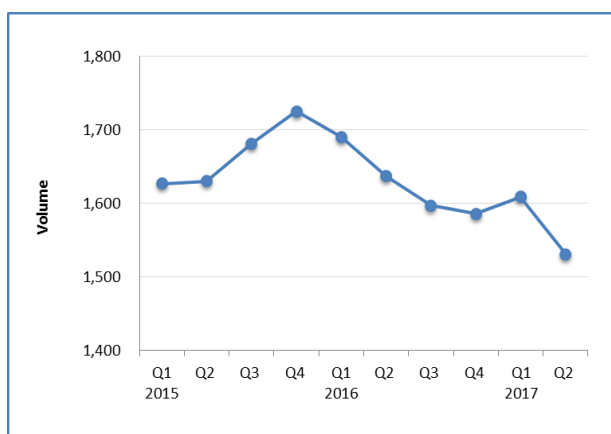
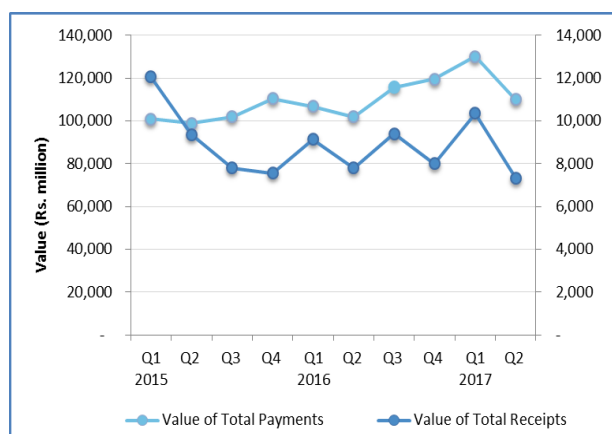


Chart 54

Value of Total Receipts and Payments through ACU of Sri Lanka





- The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is an internationally accepted communication system which exchanges financial transaction information through standardized messages on a secured platform.
- SWIFT was launched in 1973 as a member owned cooperative. Currently, all the members are considered as shareholders of the system and the share is determined according to their usage.
- SWIFT is used in more than 11,000 financial institutions over 200 countries.
- Sri Lanka SWIFT participants can connect to SWIFT via two connectivity options; Direct connectivity or through Lanka Financial Service Bureau Ltd.
- To obtain connectivity through a service bureau, the Lanka Financial Services Bureau (LFSB) Ltd was established in 2007 and currently 26 institutions (CBSL, 16 Licensed Commercial Banks, 7 Primary Dealers, 1 Finance Company and the Central Depository System of Colombo Stock Exchange) are obtaining services through LFSB.

Table: 22

## Participation in SWIFT by Financial Institutions (As at end period)

| Description                 | Sri Lanka |         |         | Worldwide |         |         |
|-----------------------------|-----------|---------|---------|-----------|---------|---------|
|                             | 2016      | Q2 2016 | Q2 2017 | 2016      | Q2 2016 | Q2 2017 |
| SWIFT users (end of period) | 38        | 38      | 38      | 11,299    | 11,230  | 11,194  |

Source: SWIFT

Table: 23

## SWIFT Message Flow in Sri Lanka

| Description                               | 2016      | Q2 2016   | Q2 2017   | Percentage Change |          |
|---|-----------|-----------|-----------|-------------------|----------|
|   |           |           |           | Q2 16/15          | Q2 17/16 |
| 1 All messages sent by domestic users     | 5,150,711 | 1,207,774 | 1,324,200 | 9.9               | 9.6      |
| Customer fund transfers messages          | 779,131   | 187,135   | 197,394   | 9.4               | 5.5      |
| Bank fund transfers messages              | 471,019   | 116,626   | 111,963   | 1.7               | -4.0     |
| 2 All messages received by domestic users | 5,466,931 | 1,314,156 | 1,386,621 | 6.6               | 5.5      |
| Customer fund transfers messages          | 1,815,224 | 446,932   | 459,783   | 0.8               | 2.9      |
| Bank fund transfers messages              | 148,400   | 37,902    | 36,834    | 10.5              | -2.8     |
| 3 Domestic SWIFT Traffic                  | 2,219,238 | 585,792   | 486,104   | 14.9              | -17.0    |
| 4 Global SWIFT Traffic (million)          | 6,526     | 1,647     | 1,760     | 8.5               | 6.9      |

Source: SWIFT

Table: 24

## Total Volume and Value of Transactions

| Payment Systems/Instruments                               | 2012       | 2013       | 2014       | 2015       | 2016 (a)   |
|---|------------|------------|------------|------------|------------|
| <b>Large Value Payment Systems</b>                        |            |            |            |            |            |
| <b>RTGS System</b>  |            |            |            |            |            |
| Volume of transactions ('000)                             | 284.6      | 307.0      | 317.9      | 322.2      | 366.0      |
| Value of transactions (Rs. bn)                            | 43,255.3   | 54,069.6   | 59,551.0   | 84,432.0   | 93,377.9   |
| <b>Retail Value Payment Systems</b>                       |            |            |            |            |            |
| <b>Main Cheque Clearing System (b)</b>                    |            |            |            |            |            |
| Volume of transactions ('000)                             | 47,757.1   | 47,876.0   | 48,051.8   | 49,325.7   | 51,995.8   |
| Value of transactions (Rs. bn)                            | 6,591.6    | 7,048.6    | 7,640.5    | 8,434.0    | 9,601.5    |
| <b>Sri Lanka Interbank Payment System (SLIPS)</b>         |            |            |            |            |            |
| Volume of transactions ('000)                             | 14,475.1   | 17,121.7   | 20,421.5   | 23,279.3   | 26,646.7   |
| Value of transactions (Rs. bn)                            | 552.6      | 702.5      | 893.5      | 1,169.1    | 1,457.5    |
| <b>Credit Cards</b>                                       |            |            |            |            |            |
| No. of cards in use (g)                                   | 891,170    | 951,625    | 1,032,833  | 1,145,055  | 1,315,915  |
| Volume of transactions ('000)                             | 20,051.8   | 21,622.6   | 23,631.9   | 26,334.7   | 31,857.7   |
| Value of transactions (Rs. bn)                            | 111.6      | 121.1      | 134.6      | 154.2      | 182.1      |
| <b>Debit Cards (e)</b>                                    |            |            |            |            |            |
| No. of cards in use (g)                                   | 10,374,819 | 12,441,743 | 13,591,317 | 15,243,811 | 17,732,516 |
| Volume of transactions ('000)                             | 11,560.1   | 16,292.0   | 22,699.5   | 30,686.4   | 38,083.5   |
| Value of transactions (Rs. bn)                            | 35.0       | 46.1       | 61.9       | 83.1       | 108.0      |
| <b>ATM Terminals (f)</b>                                  |            |            |            |            |            |
| No. of ATM Terminals (g)                                  | 2,845      | 3,122      | 3,344      | 3,569      | 3,871      |
| Volume of transactions ('000)                             | 134,750.0  | 156,991.0  | 176,060.6  | 203,113.0  | 223,680.2  |
| Value of transactions (Rs. bn)                            | 958.0      | 1,144.9    | 1,337.8    | 1,731.5    | 2,082.6    |
| <b>POS Terminals</b>                                      |            |            |            |            |            |
| No. of POS Terminals (g)                                  | 27,689     | 27,955     | 34,904     | 40,539     | 43,355     |
| Volume of transactions ('000)                             | 31,867.4   | 37,149.6   | 45,035.6   | 54,604.6   | 70,024.0   |
| Value of transactions (Rs. bn)                            | 172.3      | 194.3      | 230.4      | 278.5      | 359.0      |
| <b>Mobile Phone Banking</b>                               |            |            |            |            |            |
| Volume of transactions ('000)                             | 170.4      | 265.5      | 717.6      | 1,980.3    | 3,433.0    |
| Value of transactions (Rs. bn)                            | 3.6        | 4.7        | 7.8        | 11.3       | 14.6       |
| <b>Internet Banking</b>                                   |            |            |            |            |            |
| Volume of transactions ('000)                             | 6,972.5    | 8,942.4    | 10,817.8   | 13,725.2   | 18,163.6   |
| Value of transactions (Rs. bn)                            | 526.3      | 771.8      | 983.8      | 1,204.9    | 1,588.6    |
| <b>Tele-banking</b>                                       |            |            |            |            |            |
| Volume of transactions ('000)                             | 39.9       | 34.6       | 14.2       | 12.5       | 11.1       |
| Value of transactions (Rs. bn)                            | 1.3        | 1.4        | 1.0        | 1.0        | 0.9        |
| <b>Transactions cleared through CCAPS</b>                 |            |            |            |            |            |
| <b>Common ATM Switch (CAS) (c)(f)</b>                     |            |            |            |            |            |
| Volume of transactions ('000)                             | -          | 1,120.2    | 8,580.2    | 18,530.2   | 31,331.1   |
| Value of transactions (Rs. bn)                            | -          | 3.6        | 35.0       | 90.2       | 174.1      |
| <b>Common Electronic Fund Transfer Switch (CEFTS) (d)</b> |            |            |            |            |            |
| Volume of transactions ('000)                             | -          | -          | -          | 16.6       | 894.7      |
| Value of transactions (Rs. bn)                            | -          | -          | -          | 1.0        | 69.4       |
| (a) Provisional   |            |            |            |            |            |
| (b) Total cheques cleared through LCPL                    |            |            |            |            |            |
| (c) Implemented on 23 July 2013                           |            |            |            |            |            |
| (d) Implemented on 21 August 2015                         |            |            |            |            |            |
| (e) Transactions carried out at POS terminals             |            |            |            |            |            |
| (f) Cash withdrawals at ATMs                              |            |            |            |            |            |
| (g) As at end period                                      |            |            |            |            |            |

Table: 25

## Key Indicators

| Indicator   | 2012         | 2013         | 2014      | 2015      | 2016<br>(a) |
|---|--------------|--------------|-----------|-----------|-------------|
| 1. Currency in circulation as a percentage of GDP   | 3.6          | 3.5          | 4.0       | 4.5(d)    | 4.7         |
| 2. Per capita Currency in Circulation value (Rs.)   | 15,572(d)    | 16,506(d)    | 20,071    | 23,452    | 26,071      |
| 3. Currency (held by Public) as a percentage of GDP   | 2.9          | 2.8          | 3.2       | 3.5       | 3.6         |
| 4. Per capita RTGS transaction value (Rs.)  | 2,117,764(d) | 2,626,650(d) | 2,867,025 | 4,027,091 | 4,403,996   |
| 5. RTGS transactions value as a percentage of GDP   | 495          | 564          | 575(d)    | 771(d)    | 789         |
| 6. RTGS transactions Concentration ratio<br>(Based on the value of top five participants)   | 54.6         | 54.0         | 53.5      | 59.2      | 49.9        |
| 7. Per capita Cheque usage (c)  | 2.3          | 2.3          | 2.3       | 2.4       | 2.5         |
| 8. Per capita Cheques transaction value (Rs.)   | 322,724(d)   | 342,416(d)   | 367,843   | 402,271   | 452,836     |
| 9. Cheque transaction value as a percentage of GDP  | 75.5         | 73.5         | 73.7(d)   | 77.0(d)   | 81.1        |
| 10. Per capita SLIPS transaction value (Rs.)  | 27,054(d)    | 34,125(d)    | 43,017    | 55,762    | 68,741      |
| 11. SLIPS transaction value as a percentage of GDP  | 6.3          | 7.3          | 8.6       | 10.7(d)   | 12.3        |
| 12. Per capita Debit Card transaction value (Rs.)(e)  | 1,713        | 2,241(d)     | 2,980     | 3,963     | 5,096       |
| 13. Per capita Credit Card transaction value (Rs.)  | 5,463(d)     | 5,881(d)     | 6,479     | 7,352     | 8,589       |
| 14. Per capita Internet banking transaction value<br>(Rs.)  | 25,768(d)    | 37,494(d)    | 47,366    | 57,467    | 74,925      |
| 15. Per capita Mobile banking transaction value (Rs.)   | 178          | 226          | 378       | 539       | 688         |
| 16. Per capita Tele banking transaction value (Rs.)   | 66           | 70           | 50        | 48        | 45          |
| 17. Number of POS terminals per 1,000 inhabitants   | 1.4          | 1.4          | 1.7       | 1.9       | 2.0         |
| 18. Number of ATM terminals per 1,000 inhabitants   | 0.14         | 0.15         | 0.16      | 0.17      | 0.18        |
| 19. GDP at current Market prices (Rs. billion) (b)  | 8,732        | 9,592        | 10,361(d) | 10,952(d) | 11,839      |
| 20. Mid-Year Population ('000) (b)  | 20,425(d)    | 20,585(d)    | 20,771    | 20,966    | 21,203      |
| (a) Provisional<br>(b) Based on the summary indicators 2010 to 2016, Department of Census and Statistics, Sri Lanka<br>(c) Total cheques cleared through LCPL<br>(d) Revised<br>(e) Transactions carried out at POS terminals |              |              |           |           |             |

## Acts

- 01 Monetary Law Act, No. 58 of 1949
- 02 Payment and Settlement Systems Act, No. 28 of 2005

## Regulations

- 01 Money, Payment, Clearing and Settlement Service Providers Regulation No. 01 of 2007
- 02 Payment Cards and Mobile Payment Systems Regulations No. 1 of 2013

## Directions

- 01 General Direction No. 01 of 2006 - Cheque Imaging and Truncation System (CITS)
- 02 General Direction No. 01 of 2011 - Sri Lanka Interbank Payment System (SLIPS)
- 03 General Direction No. 01 of 2013 - Operations of the Common ATM Switch
- 04 General Direction No. 03 of 2013 - Service Norms and Standard Times for Accepting Cheque Deposits and Crediting Proceeds
- 05 General Direction No. 01 of 2014 - Fees Chargeable on the Transactions Effected through the Common ATM Switch
- 06 General Direction No. 02 of 2014 - Operations of Common Electronic Fund Transfer Switch

## Guidelines

- 01 Guidelines No. 01 of 2006 on Business Continuity Planning to Licensed Commercial Banks, Primary Dealers, Central Depository System (Pvt.)Ltd. and LankaClear(Pvt.) Ltd.
- 02 Credit Card Guidelines No: 01 of 2010
- 03 Mobile Payments Guidelines No. 1 of 2011 for the Bank-led Mobile Payment Services
- 04 Mobile Payments Guidelines No. 2 of 2011 for Custodian Account Based Mobile Payment Services

## Circulars

- 01 Payments and Settlements Systems Circulars No. 01 of 2015-Maximum Limits on Transaction Value and fees of Common Electronic Fund Transfer Switch
- 02 Payments and Settlements Systems Circulars No. 02 of 2015-Maximum Limits on Transaction fees of Sri Lanka Interbank Payment System
- 03 Payments and Settlements Systems Circulars No. 03 of 2015-Operator charges and Maximum Limits on Transaction fees of LankaSettle System
- 04 Payments and Settlements Systems Circulars No. 07 of 2015-Timeline for joining Common Card and Payment Switch – LankaPay

|      |           |   |
|------|-----------|---|
| 1950 | August    | Functions of the Colombo Clearing House were taken over by the Central Bank of Sri Lanka (CBSL).  |
| 1974 | December  | CBSL joined the Asian Clearing Union (ACU) – (An Intra-regional Clearing Union)   |
| 1986 | June      | Introduction of Automated Teller Machines (ATMs) in Sri Lanka   |
| 1988 | March     | Establishment of Sri Lanka Automated Clearing House (SLACH)   |
| 1989 | February  | Introduction of Credit Cards by commercial banks in Sri Lanka   |
| 1994 | June      | CBSL joined the SWIFT   |
|      | August    | Introduction of Sri Lanka Interbank Payment System (SLIPS) - An off-line Electronic Fund Transfer System.   |
| 1997 | March     | Introduction of Debit Cards in Sri Lanka  |
| 1999 | March     | Introduction of Internet Banking in Sri Lanka   |
| 2002 | January   | Establishment of the Payments and Settlements Department of the Central Bank of Sri Lanka   |
|      | February  | Formation of LankaClear (Pvt) Ltd.  |
|      | April     | LankaClear (Pvt) Ltd. commenced clearing operations   |
| 2003 | September | Real Time Gross Settlement (RTGS) System went live  |
| 2004 | February  | LankaSecure, the securities settlement components of LankaSettle went live  |
|      | December  | Red Book – Payment Systems in Sri Lanka was published by the Bank for International Settlements (BIS)   |
| 2005 | September | Payment and Settlement Systems Act No. 28 of 2005 was passed in the Parliament  |
| 2006 | February  | Establishment of National Payments Council (NPC)  |
|      | March     | CBSL issued Guidelines on Business Continuity Planning to participants of the LankaSettle System  |
|      | May       | Cheque Imaging and Truncation (CIT) System was launched   |
|      | May       | CBSL issued a General Direction on CIT System to LankaClear (Pvt) Ltd. and participants of the CIT System   |
|      | December  | CBSL issued norms and standards on settlement of inter participant transactions in the LankaSettle System, to LankaSettle participants  |
| 2007 | June      | The Money, Payment, Clearing and Settlement Service Providers Regulations No. 01 was issued by the Hon. Minister of Finance and Planning  |
|      |           | Lanka Financial Services Bureau Ltd. was incorporated in June 2007 under the Companies Act 2007   |
|      | November  | 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 |
| 2008 | March     | Inauguration of the SAARC Payments Initiative and the first meeting of the SAARC Payments Council (SPC) was held in Colombo, Sri Lanka  |
|      | April     | Lanka Financial Services Bureau Ltd. began its live operations  |
| 2009 | January   | Option to settle the ACU transactions either in US Dollar or Euro was introduced  |
|      | May       | Sri Lanka's first certification authority under the brand name of LANKASIGN was established by LankaClear (Pvt) Ltd. to provide digital certificate for the financial sector on electronic transactions                     |
|      | July      | Service Providers of Payment Cards Regulations No. 1 of 2009 was issued by the Hon. Minister of Finance and Planning  |
|      | September | LankaSettle System Rules Version 2.0 was issued to participants of the LankaSettle System   |

Contd...

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

|      |           |   |
|------|-----------|---|
| 2010 | March     | Credit Card Operational Guidelines No. 01 of 2010 was issued  |
|      | August    | CBSL commenced licensing of service providers of payment cards under the Regulations No. 1 of 2009  |
|      | September | SLIP System was upgraded to an on - line system with T+0 settlement facility.   |
| 2011 | January   | CBSL issued the General Direction on Sri Lanka Interbank Payment System No. 01 /2011 to LankaClear (Pvt) Ltd. and the participants of the SLIP System   |
|      | March     | Mobile Payments Guidelines No. 01 of 2011 for the Bank-led Mobile Payment Services and Mobile Payments Guidelines No. 02 of 2011 for Custodian Account Based Mobile Payment Services were issued by CBSL  |
| 2012 | June      | The first Custodian Account Based Mobile Payment System was launched by a Mobile Telephone Network Operator   |
| 2013 | March     | Adoption of the Terminal Line Encryption (TLE) Technology for Electronic Fund Transfer Point of Sales (EFTPOS) Terminals  |
|      | May       | CBSL issued the General Direction No. 01 of 2013 on the Operations of the Common ATM Switch   |
|      | June      | 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. 01 of 2009 issued in July 2009.  |
|      | July      | LankaClear (Pvt) Ltd. launched the Common ATM Switch (CAS) as the first phase of the Common Card and Payment Switch (CCAPS)   |
|      | July      | CBSL issued the General Direction No. 02 of 2013 on the fees chargeable on the transactions effected through the CAS  |
| 2014 | February  | The General Direction No. 01 of 2014 – Fees Chargeable on the Transactions effected through the CAS was issued by CBSL replacing the General Direction No. 02 of 2013   |
|      | July      | Launching of the Bank Computer Security Incident Response Team (Bank CSIRT), a collective risk mitigating effort of financial institutions operating in Sri Lanka for addressing information security risk  |
|      | September | CBSL issued the General Direction No. 02 of 2014 on the operations of the Common Electronic Fund Transfer Switch  |
| 2015 | August    | LankaClear (Pvt) Ltd. launched the Common Electronic Fund Transfer Switch- (CEFTS) as the second Phase of CCAPS<br><br>LankaClear (Pvt) Ltd. launched Shared ATM switch(SAS) with the participation of the Regional Development Bank<br><br>CBSL issued the Payments and Settlements Systems Circulars;<br>- No. 01 of 2015 on the Maximum Limits on Transaction Value and fees of Common Electronic Fund Transfer Switch |
|      | September | CBSL issued the Payments and Settlements Systems Circulars;<br>- No. 02 of 2015 on Maximum Limits on Transaction fees of Sri Lanka Interbank Payment System<br>- No. 03 of 2015 on Operator Charges and Maximum Limits on Transaction fees of LankaSettle System  |
|      | November  | CBSL issued the Payments and Settlements Systems Circulars;<br>- No. 07 of 2015 on the Timelines for Joining Common Card and Payment Switch – LankaPay  |
|      |           |   |
| 2016 | October   | LankaClear (Pvt.) Ltd. introduced an online system to transfer the cheque image from the bank to LankaClear (Pvt.) Ltd.   |
| 2017 | July      | LankaClear (Pvt) Ltd. implemented LankaPay Online Payment Platform (LPOPP) to facilitate online Customs payments from commercial banks  |