



ECONOMIC OUTLOOK AND POLICY MEASURES

The Sri Lankan economy grew by 7.8 per cent, in real terms, due to favorable growth of all three major sectors. The growth in the Services Sector, which recorded 7.9 per cent, was due mainly to the growth in the transport and communication (11.8 per cent) and, hotels and restaurants (13.6 per cent) sectors. The growth in the mining and quarrying sector (12.5 per cent) mainly contributed to the growth in the Industry Sector which recorded a growth of 8.1 per cent. The Agriculture Sector growth (7.0 per cent) was mainly supported by the growth in paddy sector (56.5 per cent), marine fishing sector (17.5 per cent) and other food crops sector (6.5 per cent) during the third quarter of 2013.

Table 1: Economic Indicators – Third Quarter of 2011, 2012 and 2013

	2011 Q3	2012 Q3	2013 ^(a) Q3
Real GDP growth rate (%)	8.5	4.8	7.8
Agriculture Sector	6.5	-0.5	7.0
Industry Sector	10.8	7.3	8.1
Services Sector	7.8	4.6	7.9
External Finance (US\$ million)			
Exports	2,774.6	2,424.9	2,666.1
Imports	5,369.5	4,389.4	4,830.9
Trade Balance	(2,594.8)	(1,964.6)	(2,164.8)
Trade Balance (% change)	181.6	-24.3	10.2
Prices			
Colombo Consumers' Price Index (2006/07 = 100) Quarterly average Point to Point Change (%)	7.0	9.5	6.2
Wholesale Price Index (1974 = 100) Quarterly average Point to Point Change (%)	9.5	9.0	8.2
Exchange Rate			
Period average (Rs./US\$)	109.8124	132.2416	131.7446
End - period (Rs./US\$)	110.1920	129.7943	131.9809

(a) Provisional

Source: Central Bank of Sri Lanka

Trade deficit increased by 10.2 per cent in the third quarter of 2013 in comparison to the third quarter of 2012. This was due mainly to the higher expenditure on imports including spending on fuel and consumer goods.

Table 2: Money Market Rates – Third Quarter of 2011, 2012 and 2013
(Per cent per annum at the end of the quarter)

	2011 Q3	2012 Q3	2013 Q3
Bank rate	15.00	15.00	15.00
Call money market rate (3 month average)	8.01	10.54	8.71
Treasury bill yield rates (Primary)			
91 days	7.15	11.30	8.60
182 days	7.23	12.57	9.63
364 days	7.31	13.02	10.57
Repo rate (overnight)	7.00	7.75	7.00
Reverse repo rate (overnight)	8.50	9.75	9.00
Commercial Banks' Average Weighted Deposit Rate (AWDR)	6.41	8.96	10.15
Commercial Banks' Average Weighted Prime Lending Rate (AWPR)	9.37	13.86	11.85

Source: Central Bank of Sri Lanka

The Central Bank of Sri Lanka (CBSL) continued the monetary policy relaxation process throughout the third quarter of 2013, as well. Accordingly, the Statutory Reserve Ratio (SRR) was reduced by 200 basis points to 6.0 per cent in July 2013. The Repurchase rate and the Reverse Repurchase rate were at 7.0 per cent and 9.0 per cent, respectively, as at end of the third 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 8.1 per cent to Rs. 306.9 billion at the end of the third quarter of 2013 from Rs.283.9 billion at the end of the same period of 2012.

Table 3: Monetary Aggregates – As at end of Third Quarter of 2012 and 2013

	(Rs. Mn)		% change	
	2012 Q3	2013 ^(a) Q3	12/11 Q3	13/12 Q3
1. Currency	283,920	306,961	16.7	8.1
of which held by:				
1.1 Banks	50,975	60,274	22.7	18.2
1.2 Public	232,944	246,687	15.4	5.9
2. Demand deposits	747,839	942,315	44.6	26.0
of which held by:				
2.1 Government (b)	30,516	24,436	38.1	-19.9
2.2 Banks (c)	514,902	724,812	59.3	40.8
2.3 Public	202,421	193,066	17.7	-4.6
3. Narrow Money Supply (M1) (1.2 + 2.3)	435,365	439,753	16.5	1.0
4. Time and Savings deposits held by public	1,655,762	2,015,256	23.1	21.7
5. Broad Money Supply (M2) (3+4)	2,091,127	2,455,010	21.6	17.4

(a) Provisional Source: Central Bank of Sri Lanka

(b) Government demand deposits with the 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) increased by 17.4 per cent in the third quarter of 2013 compared to the same quarter of 2012. The increase in credit to the Government and private sector from the banking sector was the main contributor to the growth in broad money supply.

Table 4: Relative Sizes of Monetary Aggregates - Third Quarter of 2011, 2012 and 2013

	2011 Q3	2012 Q3	2013 ^(a) Q3
Share of Currency (%) held by			
Banks	18.0	19.6	22.8
Public	82.0	80.4	77.2
As a % of Broad Money Supply			
Currency held by public	11.1	10.0	8.5
Demand deposits held by public	9.7	7.9	7.2
Time and Savings deposits held by public	79.2	82.1	84.3

(a) Provisional Source: Central Bank of Sri Lanka

The share of currency held by public was 77.2 per cent in the third quarter of 2013. 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 84.3 per cent at end of the third quarter of 2013.

Non-cash Payments

The Real Time Gross Settlement (RTGS) System and 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

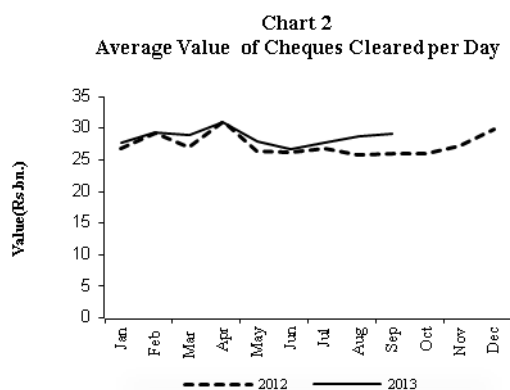
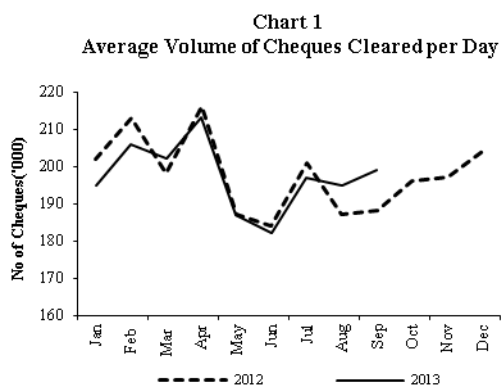
The total number of cheques cleared through the CIT System operated by LankaClear (Pvt) Ltd. (LCPL) grew by 2.5 per cent amounting to 12.2 million cheques in the third quarter of 2013 in comparison to the same quarter of 2012. The value of the cheques cleared increased by 9.0 per cent to Rs. 1,769 billion during third quarter of 2013, when compared to the same quarter of 2012.

**Table 5: Cheque Clearing -
Third Quarter of 2012 and 2013**

	2012 Q3	2013 Q3	% change	
			12/11 Q3	13/12 Q3
1.Total number of cheques cleared	11,908,360	12,205,485	0.4	2.5
2. Total value of cheques cleared (Rs. bn)	1,623	1,769	3.0	9.0
3. Average number of cheques cleared per day	192,070	196,863	3.6	2.5
4. Average value of cheques cleared per day (Rs.bn)	26,170	28,531	6.3	9.0

Source: LankaClear (Pvt) Ltd

The average volume and value of cheques cleared per day also increased by 2.5 per cent and 9.0 per cent, respectively, during the third quarter of 2013 in comparison to the same period of 2012.



**Table 6 : Volume of Cheque Clearing by Size -
Third Quarter of 2012 and 2013**

Description	Number of Cheques		(13/12) Q3 % change	2013 Q3 %
	2012 Q3	2013 Q3		
Below Rs. 0.1 mn	9,889,320	10,013,059	1.3	82.0
Rs.0.1mn - Rs. 1mn	1,788,994	1,911,038	6.8	15.7
Rs.1 mn - Rs.1.1mn	219,257	269,849	23.1	2.2
Rs.1.1 mn - Rs.5.1mn	9,351	9,965	6.6	0.1
Rs.5.1mn - Rs.100mn	1,198	1,292	7.8	Neg
Above Rs. 100 mn.	240	282	17.5	Neg
Total	11,908,360	12,205,485	2.5	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 97.7 per cent (Table 6) of the total volume of cheques cleared during the third quarter of 2013. However, the value of those cheques accounted for only 42.7 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 -
Third Quarter of 2012 and 2013**

Description	Value of Cheques (Rs.mn.)		(13/12) Q3 %	2013 Q3 %
	2012 Q3	2013 Q3		
Below Rs. 0.1 mn	220,259	232,079	5.4	13.1
Rs.0.1mn - Rs. 1mn	511,742	524,023	2.4	29.6
Rs.1 mn - Rs.1.1mn	522,760	609,212	16.5	34.4
Rs.1.1 mn - Rs.5.1mn	198,936	210,989	6.1	11.9
Rs.5.1mn - Rs.100mn	90,476	96,172	6.3	5.4
Above Rs. 100 mn.	78,348	96,466	23.1	5.5
Total	1,622,522	1,768,940	9.0	100.0

Source: LankaClear (Pvt.) Ltd

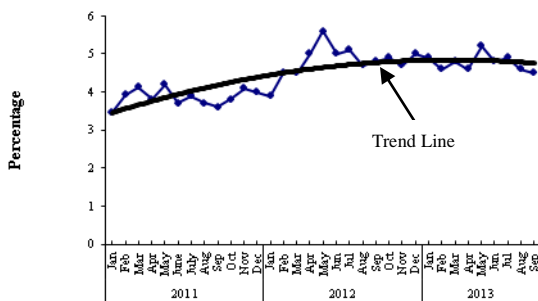
**Table 8: Cheque Returns -
Third Quarter of 2012 and 2013**

	2012 Q3	2013 Q3	% change	
			12/11 Q3	13/12 Q3
1.Total number of cheques returned	575,640	570,268	30.6	-0.9
2. Total value of cheques returned (Rs. mn)	53,914	54,336	53.2	0.8
3. Average number of cheques returned per day	9,285	9,198	34.8	-0.9
4. Average value of cheques returned per day (Rs.mn)	870	876	58.1	0.8
5.Number of cheques returned as a % of total number of cheques received for clearing	4.8	4.7		
6.Value of cheques returned as a % of total value of cheques received for clearing	3.3	3.1		

Source: LankaClear (Pvt) Ltd

The total number of returned cheques recorded a marginal decrease of 0.9 per cent during the third quarter of 2013 in comparison to the same quarter of 2012. The decline may be a result of the measures adopted by commercial banks on the instructions of CBSL, during the early months of the year, to reduce the cheque returns. The total value of returned cheques recorded a marginal increase of 0.8 per cent and the average value of cheques returned per day increased by 0.8 per cent to Rs. 876 million in the third quarter of 2013 compared to the same quarter of 2012.

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



The volume and value of cheque returns, as a percentage of total cheque volume and value received for clearing declined to 4.7 per cent and 3.1 per cent, respectively, during the third quarter of 2013.

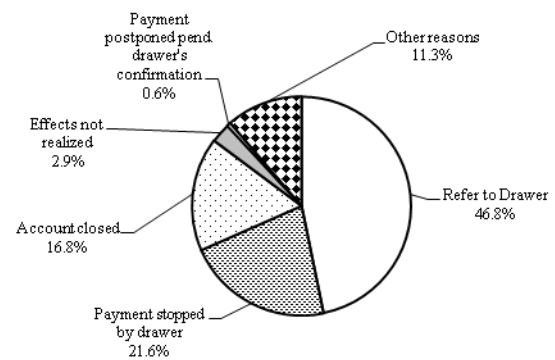
**Table 9: Return Code-wise Cheque Returns (%) -
Third Quarter of 2012 and 2013**

Return Code	2012		2013		
	Q3	Q4	Q1	Q2	Q3
Refer to Drawer	47.2	46.7	45.6	46.5	46.8
Payment stopped by drawer	20.3	20.2	20.5	21.2	21.6
Account closed	16.4	17.0	16.2	16.4	16.8
Effects not realized	4	3.5	3.6	3.2	2.9
Payment postponed pending drawer's confirmation	1	1	0.8	0.7	0.6
Other reasons	11.1	11.5	13.4	12.0	11.3

Source: LankaClear (Pvt.) Ltd

As depicted in Table 9 and Chart 4, 'Refer to Drawer' remained as the major reason for the cheque returns which accounted for 46.8 per cent of total cheques returned, during the third quarter of 2013.

**Chart 4
Return Code-wise Cheque Returns
3rd Qtr. 2013**



US Dollar Clearing System

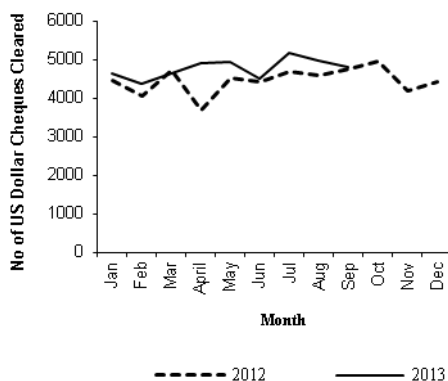
Reflecting the popularity of US Dollar cheques, the volume and value of US Dollar cheques cleared through the US Dollar Cheque Clearing system operated by LCPL increased significantly by 6.4 per cent and 9.5 per cent, respectively, in the third quarter of 2013.

Table 10: US Dollar Cheques Clearing - Third Quarter of 2012 and 2013

	2012 Q3	2013 Q3	% change	
			12/11 Q3	13/12 Q3
1.Total number of dollar cheques cleared	14,071	14,974	-2.6	6.4
2. Total value of dollar cheques cleared (\$)	56,014,791	61,344,430	-7.5	9.5
3. Average number of dollar cheques cleared per day	227	242	0.5	6.4
4. Average value of dollar cheques cleared per day (\$)	903,464.4	989,426.3	-4.5	9.5

Source: LankaClear (Pvt) Ltd

Chart 5
Monthly Volume of US Dollar Cheques Clearing



Rupee Draft Clearing System

Reflecting the lower demand for Rupee Draft as a mode of payment, the total value of Rupee Drafts cleared through LCPL declined further by 33.4 per cent to Rs. 55.2 million in the third quarter of 2013 in comparison to the same quarter of 2012. This may be an outcome of the increasing popularity of alternative convenient electronic payment methods.

Chart 6
Monthly Value of Rupee Draft Clearing



Sri Lanka Interbank Payment System (SLIPS)

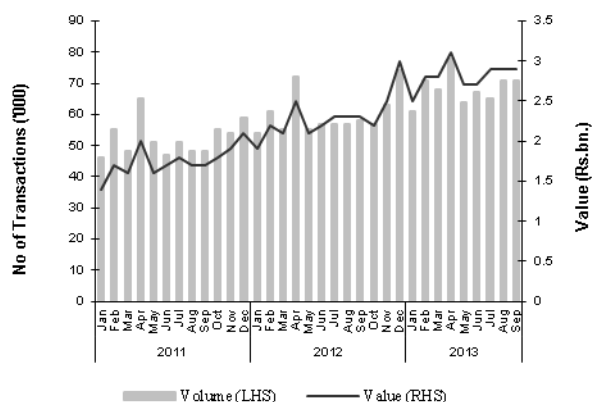
Continuing the increasing popularity of transaction through SLIPS in the past quarters, volume and value of transactions cleared through SLIPS increased further by 19.1 per cent and 26.7 per cent, respectively, during the third quarter. Accordingly, the average daily volume and value of SLIPS transactions increased by 19.1 per cent and 26.7 per cent, respectively, during the third quarter of 2013, in comparison to the same quarter of 2012.

Table 11: SLIPS Transactions - Third Quarter of 2012 and 2013

	2012 Q3	2013 Q3	% change	
			12/11 Q3	13/12 Q3
1.Total volume of transactions cleared	3,572,360	4,254,477	14.3	19.1
2. Total value of transactions cleared (Rs. mn)	141,229	178,917	27.0	26.7
3. Average volume of transactions cleared per day	57,619	68,621	18.0	19.1
4. Average value of transactions cleared per day (Rs.mn)	2,278	2,886	31.1	26.7

Source: LankaClear (Pvt) Ltd.

Chart 7
Average Value and Volume of SLIPS
Transactions per day



**Table 12: SLIPS Transactions by Size -
Third Quarter of 2012 and 2013**

Transaction Value (a)	Number of Transactions		Total Value (Rs. mn.)	
	2012 Q3	2013 Q3	2012 Q3	2013 Q3
Less than Rs. 1 mn.	3,556,687	4,234,463	106,373	132,320
Rs. 1mn – Rs. 5 mn	15,673	20,014	34,856	46,597
Total	3,572,360	4,254,477	141,229	178,917

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 75.3 per cent of the total volume of SLIPS transactions and 73.9 per cent of the total value of SLIPS transactions (Table 12).

**Table 13: SLIPS Transactions by Type -
Third Quarter of 2012 and 2013**

Category	Total Volume		Total Value (Rs. mn)	
	2012 Q3	2013 Q3	2012 Q3	2013 Q3
Credit transactions	3,569,162	4,252,084	140,731	178,346
Debit transactions	3,198	2,393	498	571
Total transactions	3,572,360	4,254,477	141,229	178,917

Source: LankaClear (Pvt) Ltd.

In terms of the types of SLIP transactions, credit transfers continued to remain as the major transaction category. The share of the volume and value of credit 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 34 participants consisting of CBSL, 24 Licensed Commercial Banks (LCBs), 7 primary dealer companies, Employees' Provident Fund (EPF) and Central Depository System of the Colombo Stock Exchange, as at end of the third quarter of 2013.

Table 14: RTGS Transactions – Third Quarter of 2012 and 2013

Description	2012 Q3	2013 Q3	% change	
			12/11 Q3	13/12 Q3
1. Total no. of transactions	70,901	75,623	-1.8	6.7
2. Total value of transactions (Rs.bn.)	10,178	13,101	-30.3	28.7
3. Average no. of transactions per day	1,144	1,220	1.4	6.7
4. Average value of transactions per day (Rs.bn.)	164	211	-28.1	28.7

Source: Central Bank of Sri Lanka

Both total volume and value of transactions effected through the RTGS System during the third quarter of 2013 recorded increases of 6.7 per cent and 28.7 per cent, respectively.

**Table 15: Volume of RTGS Transactions by Size
Third Quarter of 2012 and 2013**

Description	No. of Transactions		% share	
	2012 Q3	2013 Q3	2012 Q3	2013 Q3
Below Rs. 1 mn	9,236	9,577	13.0	12.7
Rs 1 mn - Rs 100 mn	45,664	46,774	64.4	61.9
Rs 100 mn - Rs 500 mn	11,909	13,752	16.8	18.2
Rs 500 mn - Rs 1,000 mn	2,520	3,122	3.6	4.1
Rs. 1,000 mn and above	1,572	2,398	2.2	3.2
Total	70,901	75,623	100.0	100.0

Source: Central Bank of Sri Lanka

In terms of volume, transactions with values between Rs. 1 mn - Rs 100 mn in the RTGS system continued to remain in the highest number of transactions category (61.9 per cent) during the third quarter of 2013 (Table 15) as well. However, in value terms, that category accounted only for 8.4 per cent (Table 16) during the reference quarter.

**Table 16: Value of RTGS Transactions by Size –
Third Quarter of 2012 and 2013**

Description	Value (Rs. bn.)		% share	
	2012 Q3	2013 Q3	2012 Q3	2013 Q3
Below Rs. 1 mn	3	3	0.0	0.0
Rs 1 mn - Rs 100 mn	1,064	1,104	10.5	8.4
Rs 100 mn - Rs 500 mn	3,136	3,469	30.8	26.5
Rs 500 mn - Rs 1,000 mn	1,940	2,488	19.1	19.0
Rs. 1,000 mn and above	4,035	6,037	39.6	46.1
Total	10,178	13,101	100.0	100.0

Source: Central Bank of Sri Lanka

In value terms, RTGS transactions over Rs. 100 mn accounted for 91.6 per cent of the aggregate value of RTGS transactions during the third quarter of 2013.

**Table 17: Volume of RTGS Transactions by Type -
Third Quarter of 2012 and 2013**

Type	No. of Transactions		% change	
	2012 Q3	2013 Q3	12/11 Q3	13/12 Q3
Repo/R.Repo/ILF	13,246	17,939	-19.1	35.4
Interbank Transactions	13,173	11,286	0.8	-14.3
Customer Transactions	36,626	38,425	4.9	4.9
LankaSecure Transactions	1,090	960	1.0	-11.9
Clearing House Transactions	6,758	7,013	-0.2	3.8
Internal Fund Transfers	8	0	-	-
Total	70,901	75,623	-1.8	6.7

Source: Central Bank of Sri Lanka

Customer transactions which was the largest category in terms of RTGS transactions volume (Table 17), recorded 38,425 transactions in the third quarter of 2013 recording an increase of 4.9 per cent.

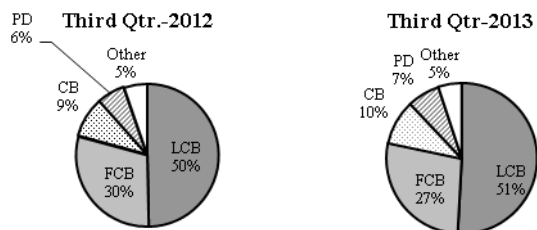
The category of Repo, Reverse Repo and ILF transactions recorded significant increases both in terms of volume and value by 35.4 per cent and 71.5 per cent, respectively (Table 17 and Table 18). The increase was mainly in Repo transactions carried out due to the excess liquidity in the market during the third quarter of 2013 in comparison to the same quarter of 2012.

**Table 18: Value of RTGS Transactions by Type -
Third Quarter of 2012 and 2013**

Type	Value (Rs. bn.)		% change	
	2012 Q3	2013 Q3	12/11 Q3	13/12 Q3
Repo/R.Repo/ILF	4,879	8,367	-45.7	71.5
Interbank Transactions	3,270	2,571	-11.5	-21.4
Customer Transactions	999	1,182	6.4	18.3
LankaSecure Transactions	567	459	1.4	-19.0
Clearing House Transactions	463	522	6.6	12.9
Internal Fund Transfers	0.6	0	-	-
Total	10,178	13,101	-30.3	28.7

Source: Central Bank of Sri Lanka

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 RTGS transactions in the third quarters of 2012 and 2013. Local commercial banks accounted for 51 per cent of the transactions that processed through RTGS system while foreign commercial banks accounted for 27 per cent, in the third quarter of 2013.

Table 19: Time Distribution of Receiving and Settlement of RTGS Transactions - Third Quarter of 2012 and 2013

Description	No of Items		% share	
	2012 Q3	2013 Q3	2012 Q3	2013 Q3
Before 12.00 noon	23,872	24,805	33.7	32.8
After 12.00 noon	47,029	50,818	66.3	67.2
Total	70,901	75,623	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 67.2 per cent of total transactions, during the third quarter of 2013.

Payment Cards

Credit Cards

At the end of the third quarter of 2013, 12 credit card issuers licensed by CBSL were engaged in the credit card business. Total number of credit cards in use stood at 926,949, at end of the quarter 2013.

Table 20: Credit Cards in Use - Third Quarter of 2012 and 2013

	2012 Q3	2013(a) Q3	% change	
			12/11 Q3	13/12 Q3
No of Cards issued during the period	43,669	43,912	8.5	0.6
Total No. of Credit Cards in Use (As at end period)	878,791	926,949	6.9	5.5
Domestic and International Cards	837,781	890,200	10.2	6.3
Domestic Only Cards	41,010	36,749	-33.6	-10.4
Total Number of transactions (*000)	4,970	5,504	8.4	10.7
Total Value of transactions (Rs.mn)	28,060	30,694	17.5	9.4

(a) Provisional

Source: Commercial Banks

Volume and value of credit card transactions recorded an increase of 10.7 per cent and 9.4 per cent, respectively in the third quarter of 2013 in comparison to the same quarter of 2012.

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

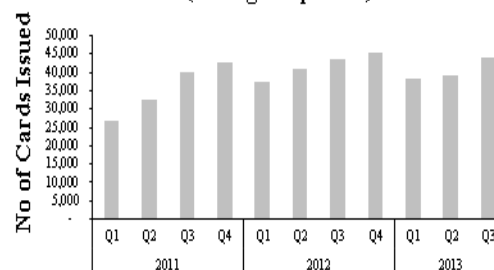
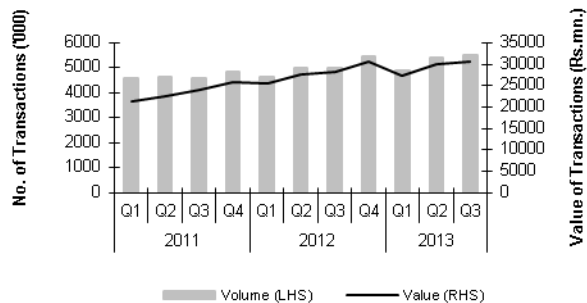
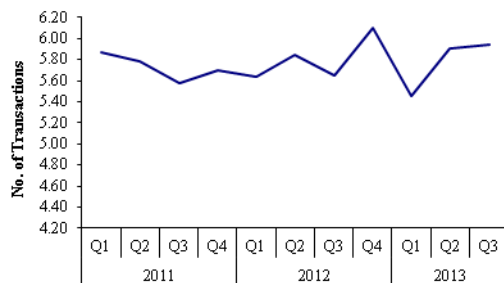


Chart 10
Total Volume & Value of Transactions effected through Credit Cards during the quarter



The average number of transactions per credit card remained at 5.9 in the third quarter of 2013.

Chart 11
No. 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 third quarter of 2013, was 79,685 and the total value of defaulted credit card payments amounted to Rs 4.4 billion.

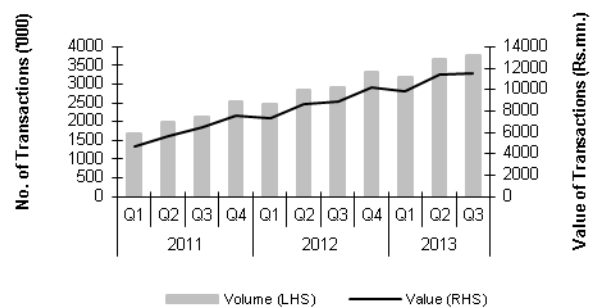
Debit Cards

Table 21: Debit Cards in Use - Third Quarter of 2012 and 2013

	2012 Q3	2013 Q3 (a)	% change	
			12/11 Q3	13/12 Q3
Number of Debit Cards issued during the period	495,010	636,570	-7.6	28.6
Total No. of Debit Cards (As at end period)	10,071,404	12,045,704	20.8	19.6
Domestic & International	9,712,214	11,704,055	21.7	20.5
Domestic Only	359,190	341,649	0.1	-4.9
Total Number of transactions ('000)	2,927	3,773	37.3	28.9
Total Value of transactions (Rs.mn)	8,833	11,545	37.4	30.7
(a) Provisional		Source: Commercial Banks		

As at end of the third quarter of 2013, there were 23 debit card issuers licensed by CBSL. The total number of debit cards in use was 12.0 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 increased by 28.9 per cent and 30.7 per cent, respectively, during the third quarter of 2013 in comparison to the same quarter of 2012.

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 - Third Quarter of 2012 and 2013

	2012 Q3	2013(a) Q3	% change	
			12/11 Q3	13/12 Q3
Tele-banking / Mobile Phone Banking				
No. of financial transactions	53,551	86,984	4.4	62.4
Value of Transactions (Rs.mn)	1,260	1,648	2.6	30.8
Internet Banking				
No. of financial transactions	1,762,815	2,358,896	25.4	33.8
Value of Transactions (Rs.mn)	128,884	206,868	51.5	60.5

(a) Provisional

Source: Commercial Banks

Continuing the popularity of phone based electronic payments, the volume and value of financial transactions effected through tele-banking/mobile banking recorded significant increases of 62.4 per cent and 30.8 per cent, respectively, in the third quarter of 2013 in comparison to the same quarter of 2012.

Reflecting the growing popularity of internet banking, the volume and value of the financial transactions effected through internet banking recorded notable increases of 33.8 per cent and 60.5 per cent, respectively, during the third quarter 2013.

Automated Teller Machines (ATMs)

Table 23 : ATM Terminals and Transactions - Third Quarter of 2012 and 2013

	2012 Q3	2013(a) Q3	% change	
			12/11 Q3	13/12 Q3
ATMs				
Total number of machines (End of period)	2,757	3,059	12.4	11.0
Total volume of financial transactions (During the period in '000)	33,974	40,109	11.9	18.1
Total value of transactions (During the period in Rs. mn.)	240,845	290,760	17.5	20.7

(a) Provisional

Source: Commercial Banks

Specialized Bank

Registered Finance Companies

The total number of ATM terminals stood at 3,059 recording an increase of 11.0 per cent as at end of the third quarter of 2013 in comparison to the corresponding period of 2012. Reflecting the customer preference for cash withdrawals through ATM terminals, both volume and value of ATM terminal transactions grew by 18.1 per cent and 20.7 per cent, respectively, in the third quarter of 2013.

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 third quarter 2013 there were three commercial banks operating their ATM transactions through CAS. The other switches of CCAPS are Shared ATM Switch (SAS), Common Electronic Fund Transfer Switch (CEFTS), Common Mobile Payment Switch (CMobPS) and Common Point of Sale Switch (CPOSS). CCAPS is a project undertaken by the LankaClear (Pvt.) Ltd. based on the recommendation of CBSL, in order to establish a national platform for the electronic retail payments in the country.

Table 24 : Common ATM Switch - Third Quarter

	2013		
	July	Aug	Sept
Total number of transactions	169	196,229	207,318
Total value of transactions (During the period in Rs. mn.)	26.1	631.9	660.9

Source: LankaClear (Pvt.) Ltd

Electronic Fund Transfer at Point of Sale (EFTPOS) Terminals

Table 25 : EFTPOS Terminals and Transactions - Third Quarter of 2012 and 2013

	2012 Q3	2013(a) Q3	% change	
			12/11 Q3	13/12 Q3
Total number of machines (End of period)	29,445	26,323	3.4	-10.6
Total volume of financial transactions (During the period in '000)	7,968	9,508	17.3	19.3
Total value of transactions (During the period in Rs. mn.)	42,667	48,591	23.1	13.9

(a) Provisional

Source: Commercial Banks

The total number of EFTPOS terminals recorded a decrease of 10.6 per cent in the third quarter of 2013 in comparison to the same quarter of 2012. This decrease was due mainly to removing of EFTPOS terminals which were not compatible with the Terminal Line Encryption (TLE) technology, by the financial acquirers, during the last few months of 2012 and first quarter of 2013, under the TLE compliance project. However, the number of EFTPOS terminals had increased in comparison to second quarter of 2013.

Money Orders

As at the end of third quarter of 2013, the total number of post offices stood at 4,628. The total value of transactions effected through money orders was Rs. 1.5 billion in the third quarter of 2013. In terms of value, E- Money orders stood as the major postal payment instruments used by the public which accounted for 70.2 per cent of total value of Money Orders. The value of the payments effected through e-money orders was over Rs. 1 billion in the third quarter of 2013.

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

	2013 Q1	2013 Q2	2013 Q3 ^(a)
Money Orders (Value Rs. '000)	1,827,917	1,558,43	1,555,996
Ordinary Money Orders	553,218	478,52	409,678
Telegraph Money Orders	21,047	7,29	5,815
Fax Money Orders	3,148	17	206
E Money Orders	1,204,892	1,036,98	1,093,121
International Money Orders	1,788	2,11	1,963
L V P Money Orders	43,060	32,79	43,595
British Postal Orders (Value Rs. '000)	764	54	1,618
Total No. of Post Offices (end period) ^(b)	4,737	4,628	4,628

(a) Provisional Source: Postal Department

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

Settlement of Payments through Asian Clearing Union (ACU)

The Asian Clearing Union (ACU) was established in 1975 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) Transaction Value and Volume of Sri Lanka - Third Quarter of 2012 and 2013

	2012 Q3	2013(a) Q3	% change	
			12/11 Q3	13/12 Q3
Total Number of Transactions	1,161	1,248	-6.4	7.5
Value of total receipts (Rs. Mn)	5,860	5,756	33.5	-1.8
Value of total payments (Rs. Mn)	67,034	52,435	-51.4	-21.8

(a) Provisional

Source: Central Bank of Sri Lanka

The total volume of transactions effected by Sri Lanka through the ACU mechanism increased to 1,248, in the third quarter of 2013. However, reflecting lower trade with ACU countries during the third quarter 2013, the total value of payments effected through ACU mechanism decreased by 21.8 per cent. The total value of receipts effected through ACU mechanism also decreased by 1.8 per cent during the third quarter of 2013 when compared with the same quarter of 2012.

SWIFT

Table 28: Participation in SWIFT Customer Base (Live)

Item	2013		
	Q1	Q2	Q3
Total Domestic SWIFT users (End of Period)	35	35	35
Members	11	11	11
Sub-members	12	12	12
Participants	12	12	12
Total SWIFT worldwide users (End of Period)	10,363	10,444	10,519
Members	2,399	2,397	2,393
Sub-members	3,345	3,343	3,353
Participants	4,619	4,704	4,773

Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The total number of domestic SWIFT users remained at 35, while the total number of Global SWIFT users increased to 10,519 at the end of the third quarter of 2013.

Table 29 : SWIFT Message Flow in Sri Lanka - Third Quarter of 2012 and 2013

Item	2012 Q3	2013 Q3	% change	
			12/11 Q3	13/12 Q3
All messages sent by domestic users	940,356	1,048,589	-7.0	11.5
From Category I *	140,923	152,008	13.1	7.9
Category II **	100,635	111,750	-9.4	11.0
All messages received by domestic users	1,092,649	1,216,755	-5.6	11.4
To Category I	388,453	431,564	-1.7	11.1
Category II	32,643	33,684	2.0	3.2
Domestic Traffic	454,703	513,953	-10.4	13.0

Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)

*Category I - Customer (Funds) Transfers

**Category II - Bank (Funds) Transfers

Reflecting growing trends in domestic messages exchange through SWIFT, the domestic SWIFT traffic recorded an increase of 13.0 per cent in the third quarter of 2013 in comparison to the same quarter of 2012. Similarly, the global SWIFT traffic also recorded an increase of 10.4 per cent to 1,261 million during the third quarter of 2013, in comparison to the same quarter of 2012.

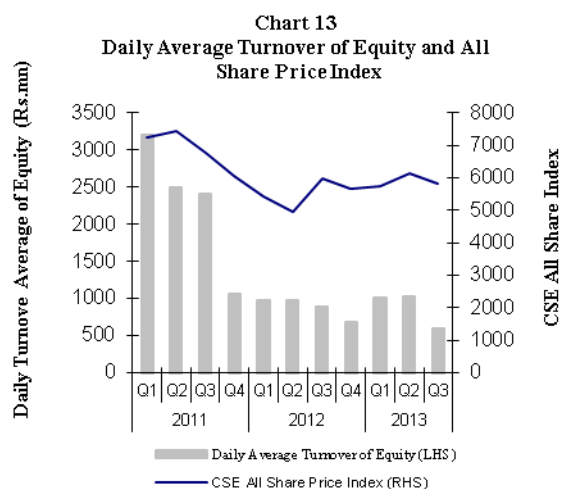
All messages sent by domestic users increased by 11.5 per cent in the third quarter of 2013 when compared to the same quarter of 2012. Meanwhile, all the messages received domestically increased by 11.4 during the period under review.

Trading and Settlements on the Colombo Stock Exchange

The total number of intermediaries i.e. member firms (15) and stockbrokers (14) who engage in trading of equity and debt securities on behalf of investors on the Colombo Stock Exchange (CSE), remained at 29 as at the end of third quarter of 2013. The total number of customer accounts in the Central Depository System (CDS) of CSE was 720,371 and the total volume and value of equity shares lodged in the CDS were 69.8 billion and Rs 2,116.2 billion, respectively, as at end of the third quarter of 2013.

The daily average turnover of equity transactions decreased by 33.4 per cent to Rs 598.6 million in the third quarter of 2013. However, the low base that prevailed in the third quarter 2012 caused the share market turnover to rise during the third quarter of 2013 when compared to the same period of 2012.

The All Share Price Index (ASPI) of CSE declined by 5.19 per cent in the third quarter of 2013.



Sri Lanka Launched a Common ATM Switch (CAS)

Automated Teller Machines (ATMs) provide the facility for customers to perform their financial transactions without visiting counters of banks/financial institutions. ATMs, which were first introduced to Sri Lanka in June 1986, were initially used mainly for cash withdrawals. Currently, ATMs provide a wide range of services i.e. cash withdrawals, balance inquiries, cheque book requisitions, fund transfers, cash and cheque deposits and utility bill payments. At the end of the third quarter of 2013, 17 Licensed Commercial Banks (LCBs), 2 Licensed Specialized Banks (LSBs) and one Finance Company had installed 3,059 ATMs in Sri Lanka.

Over the years, some banks improved their ATM platform establishing ATM networks between them, thereby enabling their customers to use any ATM in the network thus facilitating Not-on-Us transactions¹. However, the common practice in Sri Lanka is that Card holders use their ATM cards mostly at the respective card issuer's ATMs for their transactions due mainly to high transaction cost. As Sri Lanka does not have a system to clear and settle the domestic Not-on-Us ATM transactions locally, those transactions are routed through international card associations' networks for clearing and settlement. Therefore, the fee for Not-on-Us transactions are at a higher level. In order to reduce the cost of such transactions and maximize utilization of available ATM infrastructure, Sri Lanka launched the Common ATM Switch (CAS) on 23 July 2013 as the first phase of the Common Cards and Payments Switch (CCAPS), initially connecting ATM networks of two state commercial banks. ATM cardholders of the participating banks of CAS are able to use any ATM terminal of such banks located across the country at a minimal cost. In September 2013, a private commercial bank also joined CAS and all other banks are expected to join the switch within a reasonable period of time. The aim of CAS is to make available each of the 3,000+ ATMs in the country to any customer at any time irrespective of the customer's bank.

CAS, the first phase of CCAPS is operated by LankaClear (Pvt.) Ltd, the national clearing house of Sri Lanka, under a recommendation of the National Payment Council and the approval of the Central Bank of Sri Lanka. The other phases of CCAPS that are to be implemented are Common Electronic Fund Transfer Switch, Common Mobile Switch, Common Shared Switch and Common Point of Sales Switch. The objective of establishing CCAPS is to create a single platform for electronic retail payments in the country thereby achieving cost effectiveness in the national retail payment system through sharing payment infrastructure. The Monetary Board of the Central Bank of Sri Lanka has designated CCAPS as the National Payment Switch of the country.

¹ Not-on-Us ATM Transaction means an ATM transaction made by a customer using an ATM terminal of another financial institution which is not the issuing entity of the card being used by the customer

CAS connects ATM networks of the participant financial institutions to facilitate routing of domestic transactions originating from any ATM of another participating financial institution in order to obtain authorization for cash disbursement or to obtain information on account balances in the event of Not-on-Us ATM transactions. CAS eliminates the hassle of having to use ATMs of the customer's bank for cash withdrawals and balance inquiries. Although initially CAS facilitates only cash withdrawals and balance inquiries, as a next step, based on market demand, other ATM based services will also be enabled through CAS. The final settlement between CAS members are effected through the Real Time Gross Settlement (RTGS) System operated by the Central Bank of Sri Lanka.

CAS which was initiated with the objective of establishing a nationwide common platform for electronic payments would provide, provides a mechanism to utilize the domestic ATM network more efficiently and effectively to reduce cost of domestic transactions and outflow of foreign exchange in the form of charges to international card associations' networks for clearing and settlement of domestic ATM transactions.

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 Polices 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

