



# Payments Bulletin

Third Quarter, 2014

Volume 14: No. 3

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

## ECONOMIC OUTLOOK AND POLICY MEASURES

The economy of Sri Lanka recorded a growth of 7.7 per cent, in real terms, during the third quarter of 2014, in comparison to the third quarter of 2013, due to the favorable growth in the Industry and Services sectors.

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

Description	2012	2013	2014 <sup>(a)</sup>
	Q3	Q3	Q3
<b>Real GDP growth rate (%)</b>	4.8	7.9	7.7
Agriculture Sector	-0.5	7.2	-2.0
Industry Sector	7.3	8.1	12.6
Services Sector	4.6	7.9	7.0
<b>External Finance (US\$ million)</b>			
Exports	2,424.9	2,677.0	2,849.3
Imports	4,389.4	4,394.3	5,237.3
Trade Balance	(1,964.6)	(1,717.3)	(2,387.9)
<b>Prices</b>			
Colombo Consumers' Price Index (2006/07 = 100) Quarterly average			
Point to Point Change (%)	9.5	6.2	3.5
Wholesale Price Index (1974 = 100) Quarterly average			
Point to Point Change (%)	9	8.2	3
<b>Exchange Rate</b>			
Period average (Rs./US\$)	132.2416	131.7446	130.2299
End - period (Rs./US\$)	129.7943	131.9809	130.3707

(a) Provisional Source: Central Bank of Sri Lanka

The Industry Sector grew by 12.6 per cent due to growth in the mining and quarrying (14.2 per cent), manufacturing (8.8 per cent), Electricity, gas and water (8.4 per cent) and construction (21.0 per cent) sub sectors. The Services Sector grew by 7.0 per cent during the third quarter of 2014 with the notable growth in the sub sectors of wholesale and retail trade (8.8 per cent), hotels and restaurants (11.0 per cent), and transport and communication (7.5 per cent). The Agriculture Sector recorded a decline of 2.0 per cent,

during the third quarter of 2014, compared to the respective quarter of 2013. This decline was due mainly to the notable decreases of value addition of the sub sectors of rubber (32.0 per cent), paddy (35.5 per cent), minor export crops (17.4 per cent) and inland fishing (24.8 per cent).

Inflation as measured by the Colombo Consumers' Price Index (CCPI) (2006/07 = 100) declined to 3.5 per cent during the third quarter of 2014 compared to the same quarter of 2013. The reduction of the prices of some non-food items, with the downward adjustments of domestic and international energy prices led to persist inflation at low levels.

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

Description	2012	2013	2014
	Q3	Q3	Q3
<b>Interest rates</b>			
(Per cent per annum at the end of the quarter)			
Bank rate	15.00	15.00	15.00
Call money market rate (3 month average)	10.54	8.66	6.69
Treasury bill yield rates (Primary)			
91 days	11.30	8.60	6.15
182 days	12.57	9.63	6.23
364 days	13.02	10.57	5.89
Repo rate (overnight)	7.75	7.00	6.50*
Reverse repo rate (overnight)	9.75	9.00	8.00*
Commercial Banks' Average Weighted Deposit Rate (AWDR)			
	8.96	10.15	7.00
Commercial Banks' Average Weighted Prime Lending Rate (AWPR)			
	13.86	11.85	7.28

Source: Central Bank of Sri Lanka

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

The Central Bank of Sri Lanka (CBSL) maintained its relaxed monetary policy stance throughout the third quarter of 2014 as well. Accordingly, the Statutory Reserve Ratio (SRR) was at the level of 6.00 per cent during the third quarter of 2014 maintaining the reduction effected in July 2013. CBSL took several policy measures in September 2014 to limit the access of OMO participants to the Standing Deposit Facility (SDF) thereby encouraging the utilization of excess liquidity in the system to productive economic activities. Accordingly, it was decided to limit the access to SDF at the prevailed SDF rate of 6.50 per cent to a maximum of three times per calendar month and any deposit at the SDF window exceeding three times by an OMO participant to be accepted at a reduced interest rate of 5.00 per cent per annum with effect from 23 September 2014. However, the Standing Lending Facility Rate (SLFR) remained unchanged at the level of 8.00 per cent, during the third quarter of 2014. Moreover, in responding to the policy stance, the call money market rates and the rates of government securities market recorded notable decreases as at end of the third quarter of 2014 compared to 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.

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

Description	(Rs. Mn)		% change	
	2013 Q3	2014 <sup>(a)</sup> Q3	13/12 Q3	14/13 Q3
1. Currency	322,886	376,812	5.2	16.7
of which held by:				
1.1 Banks	73,576	85,759	22.1	16.6
1.2 Public	249,310	291,053	1.1	16.7
2. Demand deposits	796,800	793,064	-15.4	-0.5
of which held by:				
2.1 Government (b)	22,736	35,379	-7.0	55.6
2.2 Banks (c)	563,536	508,768	-22.3	-9.7
2.3 Public	210,528	248,917	9.0	18.2
3. Narrow Money Supply (M1) (1.2 + 2.3)	459,839	539,970	4.6	17.4
4. Time and Savings deposits held by public	2,477,370	2,776,790	22.9	12.1
5. Broad Money Supply (M2) (3+4)	2,937,208	3,316,760	19.6	12.9

(a) Provisional

Source: Central Bank of Sri Lanka

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

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

Currency in circulation increased by 16.7 per cent to Rs. 376.8 billion as at the end of the third quarter of 2014 from Rs. 322.8 billion as at the end of the same period of 2013.

The broad money supply (M2) as at end of the third quarter of 2014 increased by 12.9 per cent compared to the same quarter of 2013.

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

Description	2012 Q3	2013 Q3	2014 <sup>(a)</sup> Q3
Share of Currency (%) held by			
Banks	19.6	22.8	22.8
Public	80.4	77.2	77.2
As a % of Broad Money Supply			
Currency held by public	10.0	8.5	8.8
Demand deposits held by public	7.9	7.2	7.5
Time and Savings deposits held by public	82.1	84.3	83.7

(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 2014. Out of all three components of the broad money supply, Time and Savings deposits held by public remained as the major component of the broad money supply which accounted for 83.7 per cent, at end of the third quarter of 2014.

### Non-cash Payments

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

## Cheques

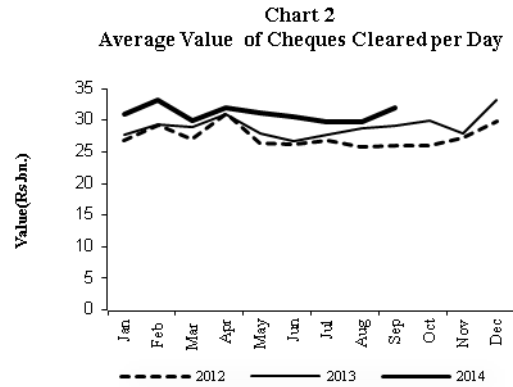
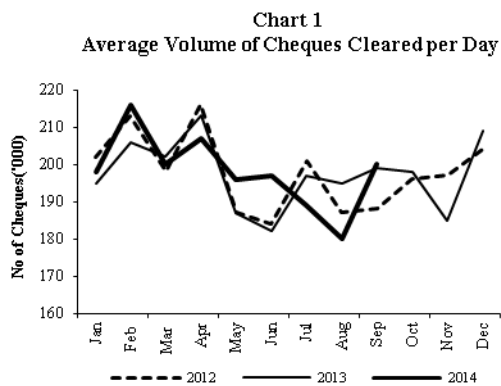
The total value of cheques cleared in the third quarter of 2014 through CIT System operated by LankaClear (Pvt) Ltd. (LCPL) recorded an increase of 10.4 per cent to Rs. 1,953 billion in comparison to the same quarter of 2013.

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

Description	2013 Q3	2014 Q3	% change	
			13/12 Q3	14/13 Q3
1.Total number of cheques cleared	12,205,485	12,137,846	2.5	-0.6
2. Total value of cheques cleared (Rs. bn)	1,769	1,953	9.0	10.4
3. Average number of cheques cleared per day	196,863	189,654	2.5	-3.7
4. Average value of cheques cleared per day (Rs.bn)	28.5	30.5	9.0	7.0

Source: LankaClear (Pvt) Ltd

During the third quarter of 2014, the total number and the daily average number of cheques cleared through CIT system declined by 0.6 per cent and 3.7 per cent, respectively, when compared to the same quarter of the previous year. However, in value terms, the total value and the daily average value of cleared cheques recorded increases of 10.4 per cent and 7.0 per cent, respectively.



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

Description	Number of Cheques		(14/13) Q3 % change	2014 Q3 Share (%)
	2013 Q3	2014 Q3		
Below Rs. 0.1 mn	10,013,059	9,814,975	-2.0	80.9
Rs.0.1mn - Rs. 1mn	1,911,038	2,013,706	5.4	16.6
Rs.1 mn - Rs.11mn	269,849	295,410	9.5	2.4
Rs.11 mn - Rs.51mn	9,965	11,752	17.9	0.1
Rs.51mn - Rs.100mn	1,292	1,634	26.5	Neg
Above Rs. 100 mn.	282	369	30.9	Neg
<b>Total</b>	<b>12,205,485</b>	<b>12,137,846</b>	<b>-0.6</b>	<b>100.0</b>

Neg - Negligible

Source: LankaClear (Pvt.) Ltd

The percentage share of cheques for small value transactions, (below Rs. 1 million) was 97.5 per cent (Table 6) during the third quarter of 2014. However, the value of those cheques accounted for only 40.2 per cent (Table 7) of the total value of cheques cleared through CIT system during the quarter. Value of cheques between Rs. 1 million to Rs. 11 million indicated the highest share of 34.7 per cent of the total value of cheques cleared through CIT system during the reference quarter.

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

Description	Value of Cheques (Rs.mn.)		(14/13)	2014
	2013	2014	Q3	Q3
	Q3	Q3	% change	Share (%)
Below Rs. 0.1 mn	232,079	232,612	0.2	11.9
Rs.0.1mn - Rs. 1mn	524,023	552,567	5.4	28.3
Rs.1 mn - Rs.1.1mn	609,212	677,413	11.2	34.7
Rs.1.1 mn - Rs.5.1mn	210,989	250,564	18.8	12.8
Rs.5.1mn - Rs.100mn	96,172	124,374	29.3	6.4
Above Rs. 100 mn.	96,466	115,524	19.8	5.9
<b>Total</b>	<b>1,768,940</b>	<b>1,953,055</b>	<b>10.4</b>	<b>100.0</b>

Source: LankaClear (Pvt.) Ltd

The total volume and value of returned cheques declined by 19.1 per cent and 12.6 per cent, respectively, during the third quarter of 2014 in comparison to the same quarter of 2013 (Table 8).

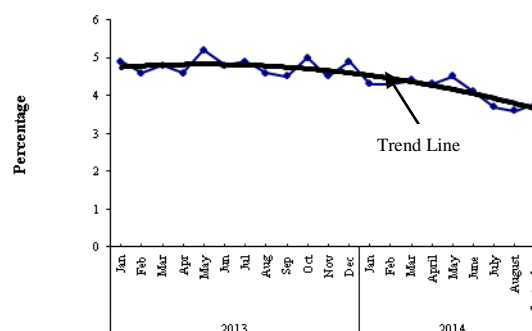
**Table 8: Cheque Returns - Third Quarter of 2013 and 2014**

Description	2013 Q3	2014 Q3	% change	
			13/12 Q3	14/13 Q3
			1.Total number of cheques returned	570,268
2. Total value of cheques returned (Rs. mn)	54,336	47,507	0.8	-12.6
3. Average number of cheques returned per day	9,198	7,209	-0.9	-21.6
4. Average value of cheques returned per day (Rs.mn)	876	742	0.8	-15.3
5.Number of cheques returned as a % of total number of cheques received for clearing	4.7	3.8		
6.Value of cheques returned as a % of total value of cheques received for clearing	3.1	2.4		

Source: LankaClear (Pvt) Ltd

Further, the average number of cheques returned per day also decreased by 21.6 per cent to 7,209 in the third quarter of 2014 compared to the third quarter of 2013. This decline may be a result of the measures adopted by commercial banks on the instructions of CBSL, commencing 2013, to reduce the cheque returns.

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



The volume of cheque returns, as a percentage of total volume of cheques received for clearing was 3.8 per cent and the value of cheque returns as a percentage of total value of cheques received for clearing was 2.4 per cent during the third quarter of 2014.

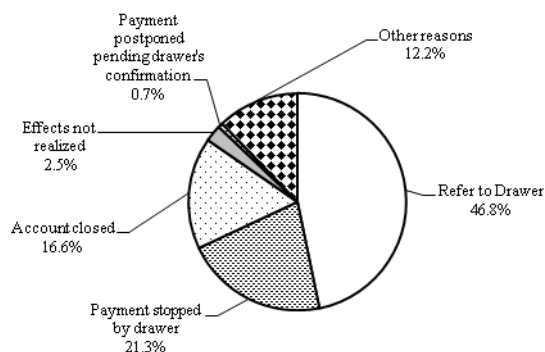
**Table 9: Return Code-wise Cheque Returns (%) - Third Quarter of 2013 to Third Quarter 2014**

Return Code	2013		2014		
	Q3	Q4	Q1	Q2	Q3
	Refer to Drawer	46.8	46.4	46.6	46.2
Payment stopped by drawer	21.6	21.6	21.2	22.3	21.3
Account closed	16.8	17.1	17.1	16.2	16.6
Effects not realized	2.9	2.7	2.6	2.7	2.5
Payment postponed pending drawer's confirmation	0.6	0.7	0.7	0.8	0.7
Other reasons	11.3	11.5	11.9	11.8	12.2

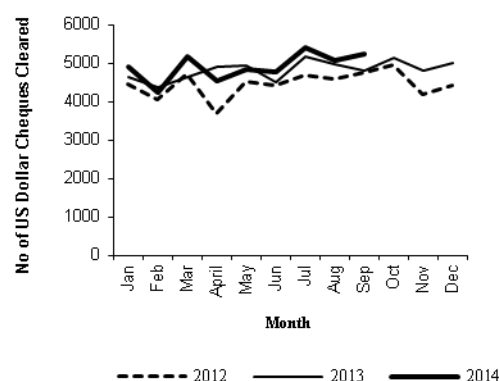
Source: LankaClear (Pvt.) Ltd

As shown in Table 9 and Chart 4, 'Refer to Drawer' remained as the major factor for the cheque returns which accounted for 46.8 per cent of total cheques returned during the third quarter of 2014.

**Chart 4**  
Return Code-wise Cheque Returns  
3rd Quarter 2014



**Chart 5**  
Monthly Volume of US Dollar Cheques Clearing



## US Dollar Clearing System

The volume and value of US Dollar cheques cleared through the US Dollar Cheque Clearing System operated by LCPL increased by 5.1 per cent and 5.7 per cent, respectively, during the third quarter of 2014.

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

Description	2013 Q3	2014 Q3	% change	
			13/12 Q3	14/13 Q3
1. Total number of US Dollar cheques cleared	14,974	15,734	6.4	5.1
2. Total value of US Dollar cheques cleared (\$)	61,344,430	64,845,618	9.5	5.7
3. Average number of US Dollar cheques cleared per day	242	246	6.4	1.8
4. Average value of US Dollar cheques cleared per day (\$)	989,426.3	1,013,212.8	9.5	2.4

Source: LankaClear (Pvt) Ltd

## Sri Lanka Interbank Payment System (SLIPS)

SLIPS, which is the on-line interbank retail payment system operated by LCPL provides T+0 basis settlements on each business day.

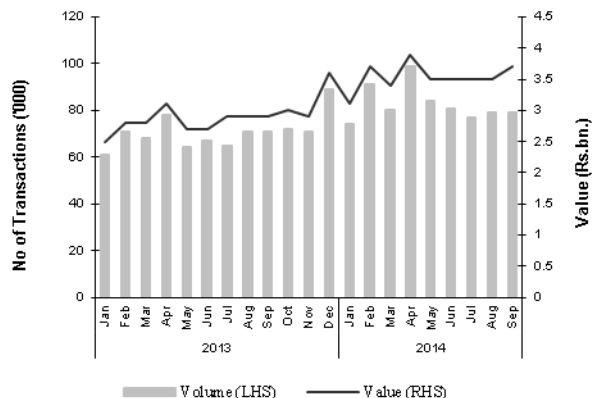
Reflecting the growing popularity of transactions through SLIPS, the volume and value of transactions cleared through SLIPS increased further by 18.1 per cent and 27.6 per cent, respectively, during the third quarter of 2014. Consequently, the average daily volume and value of SLIPS transactions grew by 14.4 per cent and 23.7 per cent, respectively, during the quarter compared to the same quarter of 2013.

**Table 11: SLIPS Transactions - Third Quarter of 2013 and 2014**

Description	2013 Q3	2014 Q3	% change	
			13/12 Q3	14/13 Q3
1. Total volume of transactions cleared	4,254,477	5,023,354	19.1	18.1
2. Total value of transactions cleared (Rs. mn)	178,917	228,376	26.7	27.6
3. Average volume of transactions cleared per day	68,621	78,490	19.1	14.4
4. Average value of transactions cleared per day (Rs.mn)	2,886	3,568	26.7	23.7

Source: LankaClear (Pvt) Ltd.

**Chart 6**  
Average Volume and Value of SLIPS  
Transactions per day



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

Transaction Value (a)	Number of Transactions		Total Value (Rs. mn.)	
	2013 Q3	2014 Q3	2013 Q3	2014 Q3
Less than Rs. 1 mn.	4,234,463	4,995,295	132,320	161,478
Rs. 1mn – Rs. 5 mn	20,014	28,059	46,597	66,898
<b>Total</b>	<b>4,254,477</b>	<b>5,023,354</b>	<b>178,917</b>	<b>228,376</b>

Source: LankaClear (Pvt) Ltd

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

The majority of SLIPS transactions processed during the quarter was of value less than Rs. 1 million and such transactions accounted for 99.4 per cent of the total volume of SLIPS transactions and 70.7 per cent of the total value of SLIPS transactions (Table 12).

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

Transaction	Total Volume		Total Value (Rs. mn)	
	2013 Q3	2014 Q3	2013 Q3	2014 Q3
Credit transactions	4,252,084	5,020,979	178,346	227,641
Debit transactions	2,393	2,375	571	735
<b>Total transactions</b>	<b>4,254,477</b>	<b>5,023,354</b>	<b>178,917</b>	<b>228,376</b>

Source: LankaClear (Pvt) Ltd.

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

### Real Time Gross Settlement (RTGS) System

The RTGS System, which is the main large value inter-participant fund transfer system in the country, had 36 participants consisting of CBSL, 25 Licensed Commercial Banks (LCBs), 8 Primary Dealer companies, Employees' Provident Fund (EPF) and the Central Depository System of the Colombo Stock Exchange, as at end of the third quarter of 2014.

**Table 14: RTGS Transactions – Third Quarter of 2013 and 2014**

Description	2013 Q3	2014 Q3	% change	
			13/12 Q3	14/13 Q3
1. Total no. of transactions	75,623	87,171	6.7	15.3
2. Total value of transactions (Rs.bn.)	13,101	17,576	28.7	34.2
3. Average no. of transactions per day	1,220	1,362	6.7	11.7
4. Average value of transactions per day (Rs.bn.)	211	275	28.7	30.0

Source: Central Bank of Sri Lanka

The average volume and value of RTGS transactions per day recorded increases of 11.7 per cent and 30.0 per cent, respectively, during the quarter reflecting the importance of RTGS system as a systemically important payment system of the country.

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

Transaction Value	No. of Transactions		% share	
	2013 Q3	2014 Q3	2013 Q3	2014 Q3
Below Rs. 1 mn	9,577	11,911	12.7	13.7
Rs 1 mn - Rs 100 mn	46,774	50,584	61.9	58.0
Rs 100 mn - Rs 500 mn	13,752	17,412	18.2	20.0
Rs 500 mn - Rs 1,000 mn	3,122	4,339	4.1	5.0
Rs. 1,000 mn and above	2,398	2,925	3.2	3.4
<b>Total</b>	<b>75,623</b>	<b>87,171</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Sri Lanka

In terms of volume, RTGS transactions with values between Rs. 1 million - Rs 100 million continued to remain as the dominant transactions category (58.0 per cent) during the third quarter of 2014 (Table 15). However, in value terms, that category accounted only for 7.8 per cent during the quarter while the transaction categories with value of Rs. 1,000 million and above remained as the highest category recording a share of 49.9 per cent (Table 16).

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

Transaction Value	Value (Rs. bn.)		% share	
	2013 Q3	2014 Q3	2013 Q3	2014 Q3
Below Rs. 1 mn	3	3	Neg	Neg
Rs 1 mn - Rs 100 mn	1,104	1,376	8.4	7.8
Rs 100 mn - Rs 500 mn	3,469	4,233	26.5	24.1
Rs 500 mn - Rs 1,000 mn	2,488	3,199	19.0	18.2
Rs. 1,000 mn and above	6,037	8,766	46.1	49.9
<b>Total</b>	<b>13,101</b>	<b>17,576</b>	<b>100.0</b>	<b>100.0</b>

Neg - Negligible

Source: Central Bank of Sri Lanka

Customer transactions which was the largest category in terms of RTGS transactions volume (Table 17), accounted for 46.4 per cent of the total transactions in the third quarter of 2014. The LankaSecure transactions had shown a significant increase both in terms of volume and value by 282.4 per cent and 948.1 per cent, respectively, during the third quarter of 2014 mainly due to the reporting of Standing Deposit Facility (SDF) transactions under the LankaSecure transactions with effect from 03 February 2014.

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

Type	No. of Transactions		% change	
	2013 Q3	2014 Q3	13/12 Q3	14/13 Q3
Repo/R.Repo/ILF	17,939	23,595	35.4	31.5
Interbank Transactions	11,286	11,659	-14.3	3.3
Customer Transactions	38,425	40,460	4.9	5.3
LankaSecure Transactions	960	3,671	-11.9	282.4
Clearing House Transactions	7,013	7,786	3.8	11.0
Internal Fund Transfers	-	-	-	-
<b>Total</b>	<b>75,623</b>	<b>87,171</b>	<b>6.7</b>	<b>15.3</b>

Source: Central Bank of Sri Lanka

Further, as a result of increasing the number of ILF transactions with lesser values, volume of the category of Repo, Reverse Repo and ILF transactions had shown an increase of 31.5 per cent, whereas value of transaction had shown a decline of 5.5 per cent (Table 17 and Table 18) during the third quarter of 2014.

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

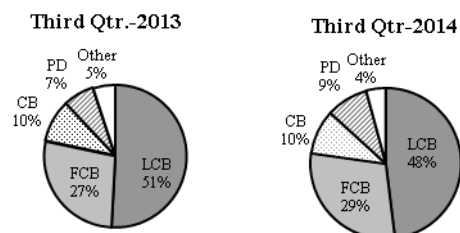
Type	Value (Rs. bn.)		% change	
	2013 Q3	2014 Q3	13/12 Q3	14/13 Q3
Repo/R.Repo/ILF	8,367	7,904	71.5	-5.5
Interbank Transactions	2,571	2,801	-21.4	8.9
Customer Transactions	1,182	1,445	18.3	22.3
LankaSecure Transactions	459	4,811	19.0	948.1
Clearing House Transactions	522	613	12.9	17.5
Internal Fund Transfers	-	-	-	-
<b>Total</b>	<b>13,101</b>	<b>17576</b>	<b>28.7</b>	<b>34.2</b>

Neg - Negligible

Source: Central Bank of Sri Lanka

Chart 7 compares the participant-wise distribution of the RTGS transactions in the third quarters of 2013 and 2014. Local commercial banks accounted for 48 per cent of the RTGS transactions, while foreign commercial banks accounted for 29 per cent, in the third quarter of 2014.

**Chart 7**  
**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 and Employees Provident Fund.

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

Description	No of Items		% share	
	2013 Q3	2014 Q3	2013 Q3	2014 Q3
Before 12.00 noon	24,805	29,008	32.8	33.3
After 12.00 noon	50,818	58,163	67.2	66.7
<b>Total</b>	<b>75,623</b>	<b>87,171</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Sri Lanka

As shown in Table 19, out of the total RTGS transactions, majority of transactions accounting for 66.7 per cent of total transactions was effected after 12.00 noon during the third quarter of 2014.

## Payment Cards

### Credit Cards

At the end of the third quarter of 2014, 12 credit card issuers licensed by CBSL were engaged in the credit card business. Total number of credit cards in use was 997,387 recording an increase of 7.6 per cent at end of the third quarter 2014 in comparison to the same quarter of 2013.

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

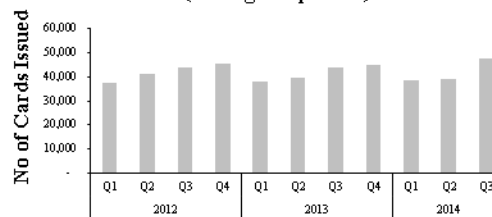
Description	2013 Q3	2014(a) Q3	% change	
			13/12 Q3	14/13 Q3
No of Cards issued during the period	43,912	47,485	0.6	8.1
Total No. of Credit Cards in Use (As at end period)	926,949	997,387	5.5	7.6
Domestic and International Cards	890,200	963,932	6.3	8.3
Domestic Only Cards	36,749	33,455	-10.4	-9.0
Total Number of transactions ('000)	5,504	6,067	10.7	10.2
Total Value of transactions (Rs.mn)	30,734	34,986	9.5	13.8

(a) Provisional

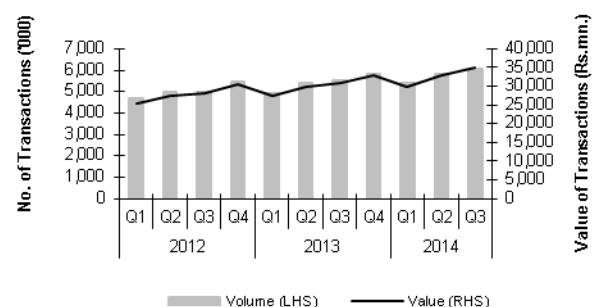
Source: Commercial Banks

Volume and value of credit card transactions recorded an increase of 10.2 per cent and 13.8 per cent, respectively, during the third quarter of 2014 in comparison to the same quarter of 2013 reflecting the popularity of the usage of credit cards.

**Chart 8**  
Total Number of New Credit Cards Issued (during the quarter)

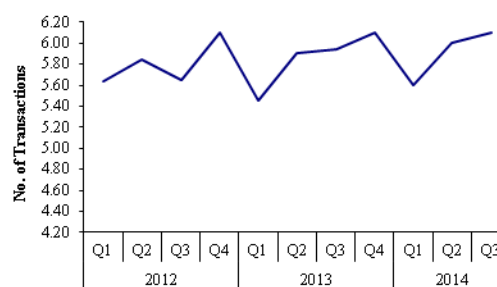


**Chart 9**  
Total Volume & Value of Transactions effected through Credit Cards during the quarter



The average number of transactions per credit card was at 6.1 in the third quarter of 2014 continuing the increasing trend prevailed during the first two quarters of 2014 (Chart 10).

**Chart 10**  
Average Number of Transactions per Credit Card during the quarter



### Credit Cards in Default

As recorded by the Credit Information Bureau, the total number of credit cards in default (i.e. credit cards, when the minimum payment is in arrears for 90 days or more from the due date) as at the end of the third quarter of



2014, was 80,027 and the total value of defaulted credit card dues amounted to Rs. 4.7 billion.

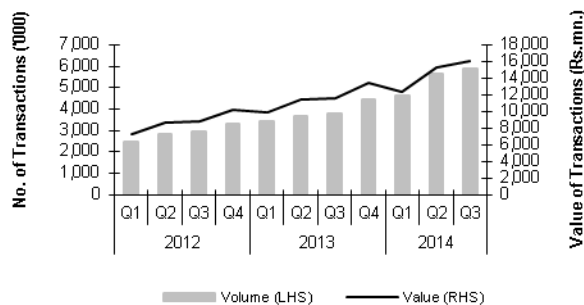
## Debit Cards

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

Description	2013 Q3	2014 Q3 (a)	% change	
			13/12 Q3	14/13 Q3
Number of Debit Cards issued during the period	636,570	789,887	28.6	24.1
Total No. of Debit Cards in Use (As at end period)	12,045,704	12,868,456	19.6	6.8
Domestic & International	11,704,055	12,504,725	20.5	6.8
Domestic Only	341,649	368,328	-4.9	7.8
Total Number of transactions('000)	4,109	5,889	40.4	43.3
Total Value of transactions (Rs.mn)	11,545	15,996	30.7	38.6
(a) Provisional		Source: Commercial Banks		

As at end of the third quarter of 2014, there were 26 debit card issuers licensed by CBSL. The total number of debit cards in use was 12.8 million at end of the period. The majority of debit cards had the facility to use for both domestic and international transactions. Total volume and value of debit card transactions recorded significant increases of 43.3 per cent and 38.6 per cent, respectively, during the third quarter of 2014 in comparison to the same quarter of 2013.

**Chart 11**  
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 2013 and 2014**

Description	2013 Q3	2014(a) Q3	% change	
			13/12 Q3	14/13 Q3
<b>Tele-banking / Mobile Phone Banking</b>				
No. of financial transactions	86,984	197,897	62.4	127.5
Value of Transactions (Rs.mn)	1,648	2,498	30.8	51.5
<b>Internet Banking</b>				
No. of financial transactions	2,358,896	2,824,026	33.8	19.7
Value of Transactions (Rs.mn)	206,868	268,733	60.5	29.9

(a) Provisional

Source: Commercial Banks

Continuing the popularity of phone based electronic payments, the volume of financial transactions effected through tele-banking/mobile banking recorded a significant increase of 127.5 per cent, in the third quarter of 2014 when compared to the same quarter of 2013. Further, value of financial transactions made through phone based electronic means also increased by 51.5 per cent in the third quarter of 2014 in comparison to the same quarter of 2013.

Reflecting the growing popularity of e-commerce, the volume and value of the financial transactions effected through internet banking recorded increases of 19.7 per cent and 29.9 per cent, respectively, during the third quarter of 2014.

## Automated Teller Machines (ATMs)

The total number of ATM terminals stood at 3,252 recording an increase of 6.3 per cent as at end of the third quarter of 2014. Reflecting the customer preference for cash withdrawals through ATM terminals, both volume and value of ATM terminal transactions grew by 11.0 per cent and 15.8 per cent, respectively, in the third quarter of 2014.

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

Description	2013 Q3	2014(a) Q3	% change	
			13/12 Q3	14/13 Q3
<b>ATMs</b>				
Total number of machines (End of period)	3,059	3,252	11.0	6.3
Total volume of financial transactions (During the period in '000)	40,109	44,515	18.1	11.0
Total value of transactions (During the period in Rs. mn.)	290,760	336,736	20.7	15.8
(a) Provisional	Source: Commercial Banks Specialized Banks Registered Finance Companies			

### Common Card and Payment Switch (CCAPS)

CCAPS is a project undertaken by LCPL based on a recommendation of CBSL, in order to establish a national platform for the electronic retail payments in the country.

The Common ATM Switch (CAS), which is the first phase of CCAPS, was launched on 23<sup>rd</sup> July 2013. As at end of the third quarter 2014, there were nine commercial banks facilitating their customers to operate ATM transactions through CAS.

Transactions carried out through CAS recorded a significant increase from its inception. Both volume and value of transactions increased substantially by 102.2 per cent and 127.2 per cent, respectively, in the third quarter against the second quarter of 2014.

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

Description	2014		
	Q1	Q2	Q3
Total number of transactions	881,404	1,385,106	2,800,983
Total value of transactions (During the period in Rs. mn.)	2,976	5,131	11,656

Source: LankaClear (Pvt.) Ltd

### Electronic Fund Transfers at Point of Sale (EFTPOS) Terminals

The total number of EFTPOS terminals stood at 32,762 as at end of the third quarter of 2014 in comparison to 26,323 terminals at end of the same quarter of 2013. Total volume and value of financial transactions made through

EFTPOS grew by 21.5 per cent and 18.9 per cent, respectively, during the third quarter of 2014.

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

Description	2013 Q3	2014(a) Q3	% change	
			13/12 Q3	14/13 Q3
Total number of machines (End of period)	26,323	32,762	10.6	24.5
Total volume of financial transactions (During the period in '000)	9,508	11,549	19.3	21.5
Total value of transactions (During the period in Rs. mn.)	48,591	57,790	13.9	18.9

(a) Provisional

Source: Commercial Banks

### Money Orders

As at the end of third quarter of 2014, the total number of post offices stood at 4,629. The salient feature observed in the transactions through money orders was that the community is moving towards the electronic payments, as the paper based money orders showed a decline while the transactions through e-money orders increased (25.2 per cent) in the third quarter of 2014. In terms of value, E-Money orders stood as the major postal payment instrument used by the public which accounted for 76.6 per cent of total value of Money Orders. The value of the payments effected through e-money orders was over Rs. 1.3 billion in the third quarter of 2014.

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

	2013 Q3	2014 Q3 (a)	% Change (14/13)
Money Orders (Value Rs. '000)	1,555,996	1,786,681	14.8
Ordinary Money Orders	409,678	365,152	-10.9
Telegraph Money Orders (c)	5,815	0	-100.0
Fax Money Orders	206	0	-100.0
E-Money Orders	1,093,121	1,368,274	25.2
International Money Orders	1,963	2,688	36.9
Local Value Payment Money Orders	43,595	49,780	14.2
British Postal Orders (Value Rs. '000)	1,618	787	-51.4
Total No. of Post Offices (end period) (b)	4,628	4,629	0.0

(a) Provisional

Source: Postal Department

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

(c) This service has been terminated by the Postal Department

## Settlement of Payments through Asian Clearing Union (ACU)

The Asian Clearing Union (ACU) was established in 1974 with the main objective of facilitating payments among member countries for eligible transactions, thereby economising the use of foreign exchange reserves and transfer costs as well as promoting trade among the member countries. The settlement mechanism of ACU involves settling intra-regional trade related payments among member central banks on a multilateral basis. At present, ACU consists of 9 central banks/monetary authorities of Bangladesh, Bhutan, India, Iran, Nepal, Maldives, Myanmar, Pakistan and Sri Lanka.

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

Description	2013 Q3	2014(a) Q3	% change	
			13/12 Q3	14/13 Q3
Total Number of Transactions	1,248	1,618	7.5	29.6
Value of total receipts (Rs. Mn)	5,756	6,690	-1.8	16.2
Value of total payments (Rs. Mn)	52,435	78,427	-21.8	49.6

(a) Provisional

Source: Central Bank of Sri Lanka

The total volume of transactions effected by Sri Lanka through the ACU mechanism increased by 29.6 per cent in the third quarter of 2014 reflecting the increasing trend of ACU transactions. The value of total receipts effected through ACU mechanism increased by 16.2 per cent and the value of total payments effected through ACU mechanism increased significantly by 49.6 per cent during the third quarter of 2014 when compared to the same quarter of 2013.

## SWIFT

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

**Table 28: Participation in SWIFT by Financial Institutions**

Item	2013	2014
	Q3	Q3
Total Domestic SWIFT users (End of Period)	35	38
Members	11	11
Sub-members	12	12
Participants	12	15
Total SWIFT worldwide users (End of Period)	10,519	10,747
Members	2,393	2,385
Sub-members	3,353	3,345
Participants	4,773	5,017

Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The domestic SWIFT users increased to 38 from 35, while the total number of Global SWIFT users increased to 10,761 from 10,519 at the end of the third quarter of 2014 when compared to the same quarter of 2013.

Both domestic and global SWIFT traffic increased by 15.6 per cent and 11.2 per cent, respectively, during third quarter of 2014 compared to the same quarter of 2013.

All messages received by Category I and Category II domestic users recorded an increases of 6.0 per cent and 6.8 per cent, respectively, during the third quarter of 2014 when compared to the same quarter of 2013. All messages sent by domestic users have also been increased by 13.2 per cent during the third quarter of 2014.

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

Description	2013 Q3	2014 Q3	% change	
			13/12 Q3	14/13 Q3
All messages sent by domestic users	1,048,589	1,187,073	11.5	13.2
From Category I *	152,008	165,503	7.9	8.9
Category II **	111,750	119,334	11.0	6.8
All messages received by domestic users	1,216,755	1,334,428	11.4	9.7
To Category I	431,564	457,377	11.1	6.0
Category II	33,684	35,990	3.2	6.8
Domestic Traffic	513,953	593,855	13.0	15.5
Global SWIFT Traffic (mn)	1,261	1,402	10.4	11.2

Source: Society for Worldwide Interbank Financial Telecommunication (SWIFT)

\*Category I - Customer (Funds) Transfers

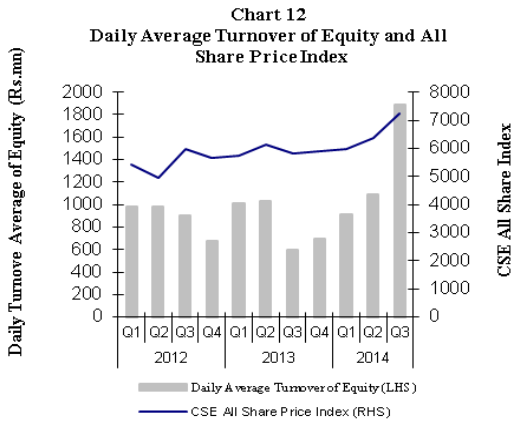
\*\*Category II - Bank (Funds) Transfers

## Trading and Settlements on the Colombo Stock Exchange

The total number of intermediaries i.e. member firms (15) and stockbrokers (19) who engaged in trading of equity and debt securities on behalf of investors on the Colombo Stock Exchange (CSE), remained at 34 as at the end of third quarter of 2014. The total number of customer accounts in the Central Depository System (CDS) of CSE was 749,507 and the total volume and value of equity shares lodged in the CDS were 74.7 billion and Rs 2,760.3 billion, respectively, as at end of the third quarter of 2014.

The daily average turnover of equity transactions increased significantly by 215.7 per cent to Rs 1,890.6 million in the third quarter of 2014.

The All Share Price Index (ASPI) of CSE increased by 13.6 per cent in the third quarter of 2014.



## Common Electronic Fund Transfer Switch

The basis for the existence and evolution of payment systems lies upon the need of individuals and institutions to transfer funds among themselves, which emerged with the transition of economies from the barter system to a money-based system. In line with the evolution of payment systems, different methods of transferring funds have developed over time, among which electronic fund transfer mechanisms are gradually gaining popularity due to their merits, mainly ubiquity and speed. This phenomenon is evident in Sri Lanka as well, with more and more people becoming aware of the advantages of electronic payments in comparison to traditional paper based fund transfer mechanisms, as a result of the improvement of their financial literacy levels.

In order to reap the maximum benefits of electronic payment systems, a well-supporting clearing and settlement infrastructure should be in place. The establishment of the Common Electronic Fund Transfer Switch (CEFTS) under the Common Cards and Payments Switch (CCAPS) will fulfill this requirement to a greater extent as it facilitates real-time settlement of interbank fund transfers within the country. CCAPS is the national payment switch of the country operated by LankaClear (Private) Limited (LCPL) under the brand name “LankaPay” on a recommendation of the National Payment Council. CEFTS is being implemented as the second phase of CCAPS following the launch of the Common ATM Switch (CAS) in July 2013.

CEFTS provides a common infrastructure for switching and clearing electronic payments of multiple payment channels (e.g. – automated teller machines, mobile banking, internet banking, kiosks) which thereby facilitates interoperability among such electronic payment channels. Further, the ability to send or receive funds through alternative payment channels promotes financial inclusiveness and ubiquity of payment transactions. Both credit transactions (i.e. pushing funds from transferor’s account to transferee’s account) and debit transactions (i.e. pulling funds from the transferor’s account on the instructions given by the transferee, subject to prior authorization granted by the transferor) can be performed through CEFTS and the interbank settlement related to CEFTS transactions is effected through the Real-Time Gross Settlement System, twice a day.

The interconnectivity facilities provided by CEFTS are as follows:

- i. The transferor can use any payment channel available at his/her bank to transfer money to transferee’s bank;
- ii. The transferee can use any payment channel of his/her bank to receive money to his/her bank account from transferor’s bank account which is maintained at a different CEFT-member bank;
- iii. The transferor can use an ATM of the transferee’s bank to transfer money to transferee’s bank account;
- iv. The transferor can use an ATM of another CEFT-member bank to transfer money from his/her bank account to transferee’s account maintained at the same bank where the transferor’s bank account is maintained;
- v. The transferor can use an ATM of another CEFT-member bank to transfer money from his/her bank account to transferee’s account maintained at a different bank (i.e. neither the transferor’s bank nor the particular ATM acquiring bank).

The launch of CEFTS is expected to take place during the year 2015 and with the objective of regularizing operations of CEFTS, the Central Bank has issued a direction to LCPL and CEFTS members in September 2014, specifying the responsibilities of both parties for smooth and effective functioning of the switch.

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

Year	Event
August 1950	Functions of the Colombo Clearing House were taken over by the Central Bank of Sri Lanka (CBSL).
December 1974	CBSL joined the Asian Clearing Union (ACU) – (An Intra-regional Clearing Union)
September 1981	Introduction of a Proprietary Credit Card by a non-bank financial institution in Sri Lanka
June 1986	Introduction of Automated Teller Machines (ATMs) in Sri Lanka
March 1988	Establishment of Sri Lanka Automated Clearing House (SLACH)
February 1989	Introduction of Credit Cards by commercial banks, in Sri Lanka
August 1992	CBSL joined the EuroClear System
June 1994	CBSL joined the SWIFT
August 1994	Introduction of Sri Lanka Interbank Payment System (SLIPS) - An off-line Electronic Fund Transfer System.
March 1997	Introduction of Debit Cards in Sri Lanka
March 1999	Introduction of Internet Banking in Sri Lanka
January 2002	Establishment of the Payments and Settlements Department of Central Bank of Sri Lanka
February 2002	Formation of LankaClear (Pvt) Ltd.
April 2002	LankaClear (Pvt) Ltd commenced clearing operations
September 2003	Real Time Gross Settlement (RTGS) System went live
February 2004	LankaSecure, the securities settlement components of LankaSettle went live
March 2004	The Debt Securities Exchange (DEX) of the Colombo Stocks Exchange (CSE) was officially launched
December 2004	Red Book – Payment Systems in Sri Lanka was published by the Bank for International Settlements (BIS)
February 2005	National Savings Bank (NSB) received direct access status in SLIPS
September 2005	Payment and Settlement Systems Act No.28 of 2005 was passed in the Parliament
March 2006	CBSL issued Guidelines on Business Continuity Planning to participants of the LankaSettle System
May 2006	Cheque Imaging and Truncation (CIT) System was launched
May 2006	CBSL issued a General Direction on CIT System to LankaClear (Pvt) Ltd and participants of the CIT System
November 2006	Lanka Financial Services Bureau Ltd was established
December 2006	CBSL issued norms and standards on settlement of inter participant transactions in the LankaSettle System, to LankaSettle participants
January 2007	The “Road Map: Monetary and Financial Sector Policies for 2007 and beyond” of CBSL was announced
June 2007	The Money, Payment, Clearing and Settlement Service Providers Regulations No.01 was issued by the Hon. Minister of Finance and Planning

Continued..

Year	Event
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 <sup>th</sup> meeting of the ACU Board of Directors was held in Colombo, Sri Lanka.
July 2009	Service Providers of Payment Cards Regulations No. 1 of 2009 was issued by the Hon. Minister of Finance and Planning.
September 2009	LankaSettle System Rules Version 2.0 was issued to participants of the LankaSettle System.
March 2010	Credit Card Operational Guidelines No 01 of 2010 was issued
August 2010	CBSL commenced licensing of service providers of payment cards under the Regulations No1 of 2009.
September 2010	SLIPS System was upgraded to an on - line system with T+0 settlements facility.
January 2011	CBSL issued the General Direction on Sri Lanka Interbank Payment System No. 01 /2011 to LankaClear (Pvt) Ltd. and the participants of the Sri Lanka Interbank Payment System
March 2011	Mobile Payments Guidelines No. 1 of 2011 for the Bank-led Mobile Payment Services and Mobile Payments Guidelines No. 2 of 2011 for Custodian Account Based Mobile Payment Services were issued by CBSL
June 2012	LankaClear (Pvt) Ltd migrated to direct connectivity mode of the CIT System (Settlement Clearing) The first Custodian Account Based Mobile Payment System was launched by a Mobile Network Operator
March 2013	Adoption of the Terminal Line Encryption (TLE) Technology for Electronic Fund Transfer Point of Sales (EFTPOS) Terminals
May 2013	The Payment Card and Mobile Payment Systems Regulations No. 1 of 2013 was issued by the Hon. Minister of Finance and Planning replacing the Service Providers of Payment Cards Regulations No.1 of 2009 issued in July 2009. CBSL issued the General Direction No. 01 of 2013 of the Operations of the Common ATM Switch
July 2013	LankaClear (Pvt) Ltd launched the Common ATM Switch (CAS) as the first phase of the Common Card and Payment Switch (CCAPS) CBSL issued the General Direction No. 02 of 2013 of the fees chargeable on the transactions effected through the CAS
November 2013	Second Custodian Account Based Mobile Payment System was launched by a Mobile Network Operator
February 2014	The General Direction No. 1 of 2014 – Fees Chargeable on the Transactions effected through the CAS was issued by CBSL replacing the General Direction No 02 of 2013.
September 2014	CBSL issued the General Direction No. 2 of 2014 of the operations of the Common Electronic Fund Transfer Switch

