

# Payments Bulletin

Fourth Quarter 2015



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

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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 fourth quarter of 2015, notes and coins in circulation amounted to Rs. 492 billion. Cash continued to persist as the most popular payment mode in retail payments in Sri Lanka.

Table: 1

Currency in Circulation

Description	Rs. million			Percentage Change	
	2014	Q4 2014	Q4 2015 (a)	Q4 14/13	Q4 15/14 (a)
I. Currency in Circulation	416,895	416,895	491,700	22.7	17.9
of which held by:					
1.1 Banks	87,469	87,469	103,643	16.4	18.5
1.2 Public	329,426	329,426	388,057	24.5	17.8

Source: Central Bank of Sri Lanka

(a) Provisional

Chart 1

Currency in Circulation

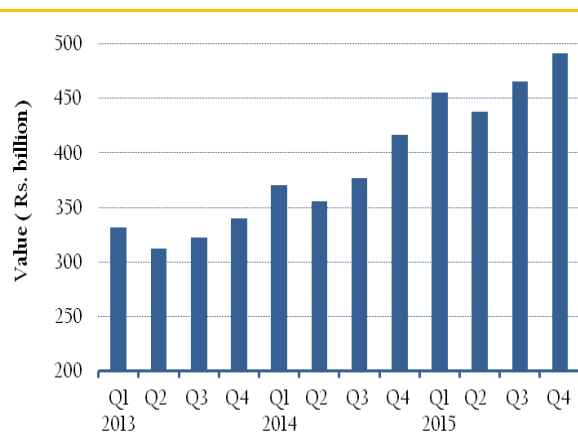


Chart 2

Currency held by Public and Currency held by Bank

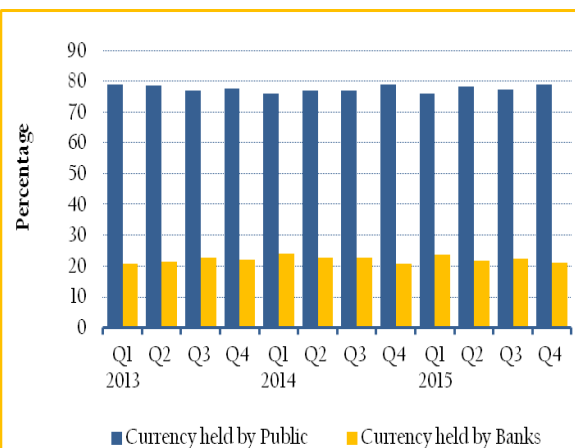


Chart 3

Currency Notes in Circulation by Denominations Q4 2015 - in Volume Terms

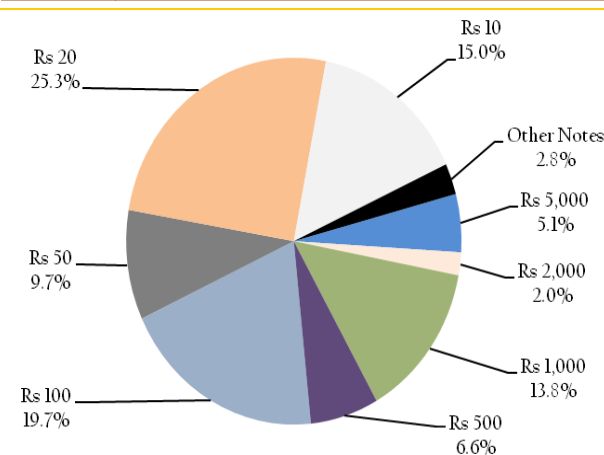
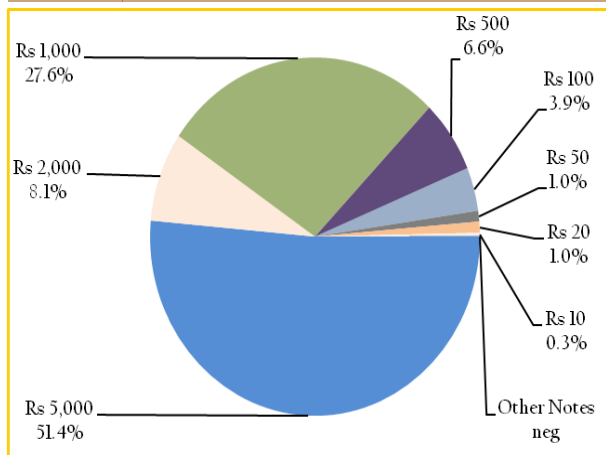


Chart 4

Currency Notes in Circulation by Denominations Q4 2015 - in Value Terms



- Non-cash payments are facilitated through both the 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

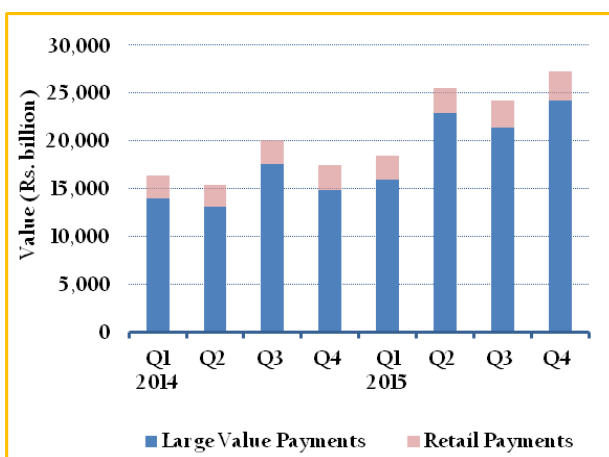
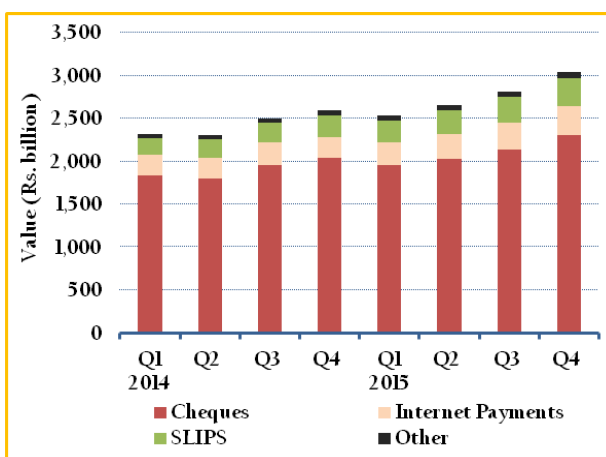


Chart 6

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 97 per cent of the total value of non-cash payments of the fourth quarter of 2015 was effected through RTGS and CITS.
- Cheques are the most popular non-cash retail payment instrument in Sri Lanka which accounted for 75.7 per cent of the value of non-cash retail payments in the fourth quarter of 2015.

## 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.
- The 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 from 8.00 a.m. to 3.00 p.m.
- As at end of the fourth quarter of 2015, 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 charges 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 from customers for fund transfers effected through RTGS imposed as Rs. 1,000 per transaction.

Table: 2

Volume and Value of RTGS Transactions

Description	Volume				Value (Rs. billion)			
	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14
Total Transactions	317,940	77,562	87,029	12.2	59,551	14,835.4	24,254.4	63.5
Average Transactions per day	1,314	1,272	1,427	12.2	246.1	243.2	397.6	63.5

### Transactions by Type

1 Repo/R.Repo	51,439	10,479	10,832	3.4	20,289.5	4,623.1	4,901.5	6.0
2 Intraday Liquidity Facility -ILF	26,542	6,509	9,595	47.4	10,288.1	2,485.6	1,438.5	-42.1
3 Standing Deposit Facility - SDF	6,890	1,557	2,864	83.9	8,674.6	2,398.5	11,329.5	372.4
4 Interbank Transactions	43,976	11,099	10,397	-6.3	10,455.2	2,960.3	3,435.5	16.1
5 Customer Transactions	155,716	39,459	43,595	10.5	5,361.1	1,392.7	1,680.1	20.6
6 LankaSecure Transactions	3,965	888	1,097	23.5	2,132.5	351.8	598.0	70.0
7 Clearing House Transactions	29,410	7,570	8,639	14.1	2,349.9	623.4	869.3	39.4
8 Internal Fund Transfers	2	1	10	--	0.1	neg	2.0	--

### Transactions by Size

				Percentage Share Q4 2015				Percentage Share Q4 2015
1 Below Rs. 1 mn	45,413	11,317	14,787	17.0	11.1	2.7	3.4	Neg
2 Rs. 1 mn – Rs. 100 mn	185,778	45,788	46,770	53.7	4,728.5	1,168.2	1,172.4	4.8
3 Rs. 100 mn – Rs. 500 mn	61,750	13,917	17,490	20.1	15,350.7	3,502.2	4,466.8	18.4
4 Rs. 500 mn – Rs. 1,000 mn	14,523	3,685	4,354	5.0	10,958.1	2,792.7	3,292.4	13.6
5 Rs. 1,000 mn and above	10,476	2,855	3,628	4.2	28,502.6	7,369.6	15,319.4	63.2

neg - negligible

Source: Central Bank of Sri Lanka

Chart 7

Total Volume and Total Value of RTGS Transactions

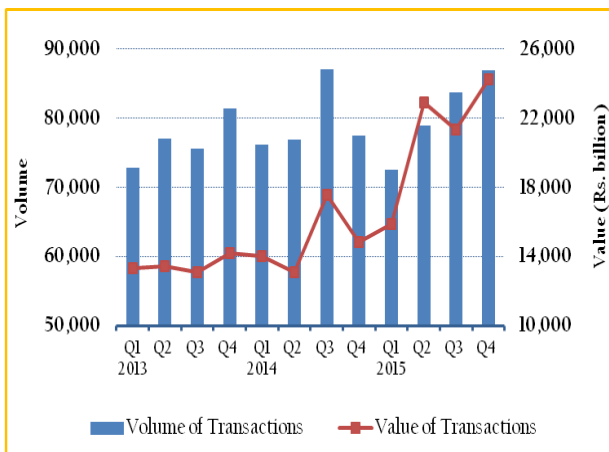


Chart 8

RTGS Transactions by Type of Participants Q4 2015

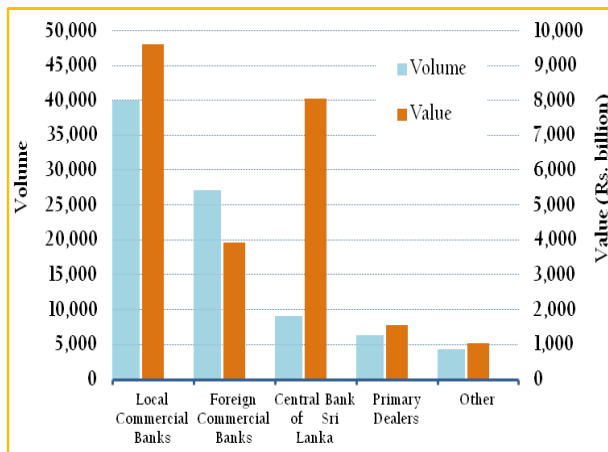


Chart 9

RTGS Transactions by Type of Participants Q4 2015 – in Volume Terms

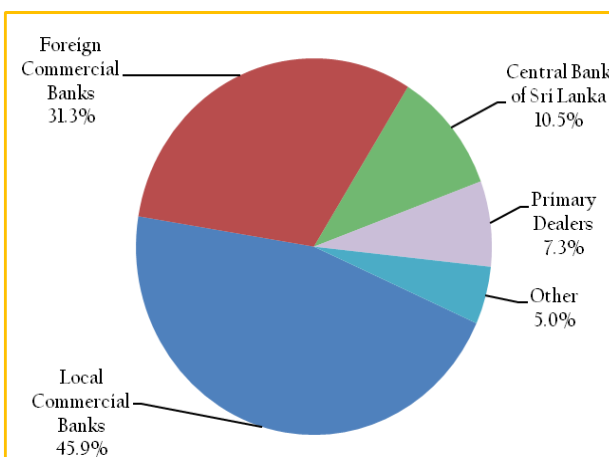


Chart 10

RTGS Transactions by Type of Participants Q4 2015 – in Value Terms

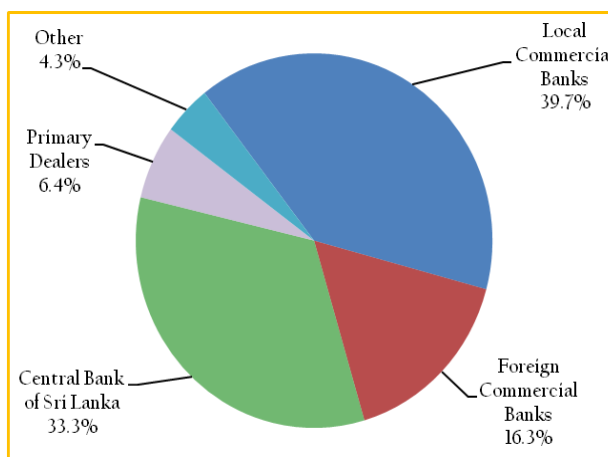


Chart 11

Average Volume of RTGS Transactions per day

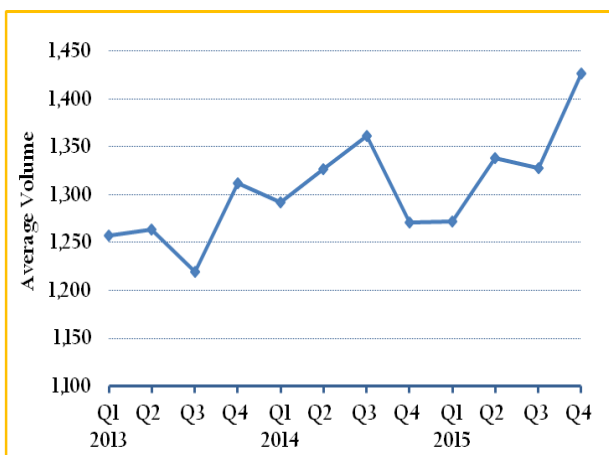


Chart 12

Average Value of RTGS Transactions per day

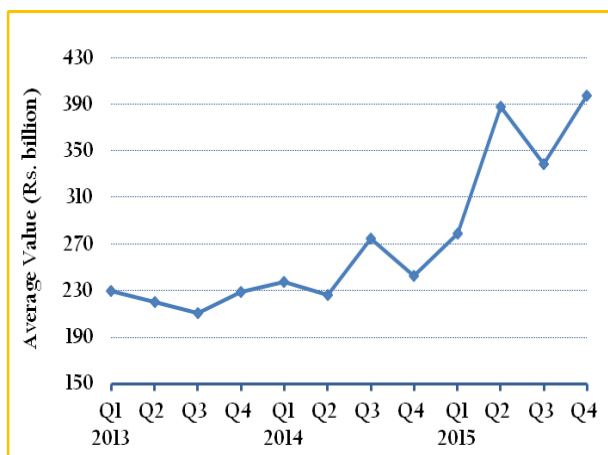


Chart  
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Composition of RTGS Transactions by  
Size Q4 2015 – in Volume Terms

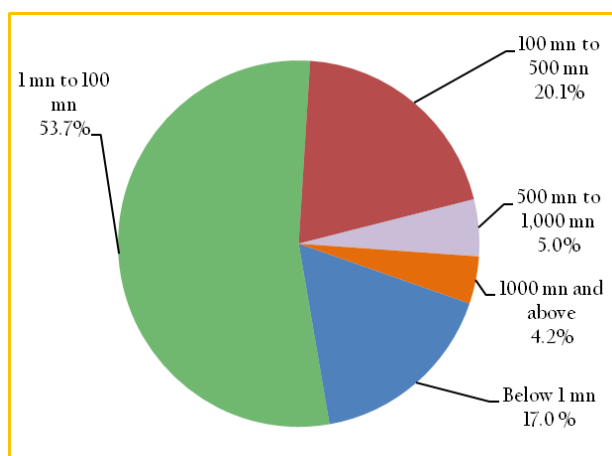


Chart  
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Composition of RTGS Transactions by  
Size Q4 2015 – in Value Terms

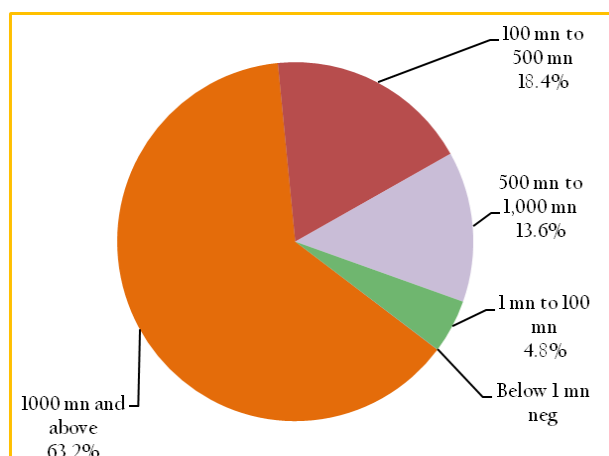


Table: 3

Time Distribution of RTGS Transactions

Description	Volume				Value (Rs. billion)			
	2014	Q4 2014	Q4 2015	Percentage Share Q4 2015	2014	Q4 2014	Q4 2015	Percentage Share Q4 2015
Before 12.00 noon	106,054	27,334	33,523	38.5	30,338	7,702	12,398	51.1
After 12.00 noon	211,886	50,228	53,506	61.5	29,213	7,133	11,856	48.9

Source: Central Bank of Sri Lanka

Chart  
15

Time Distribution of RTGS  
Transactions – in Volume Terms

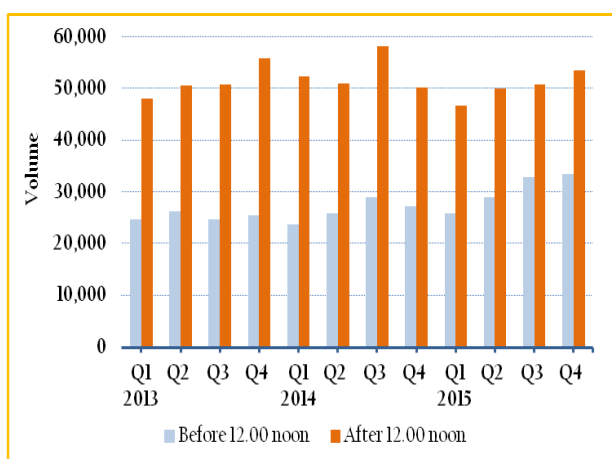
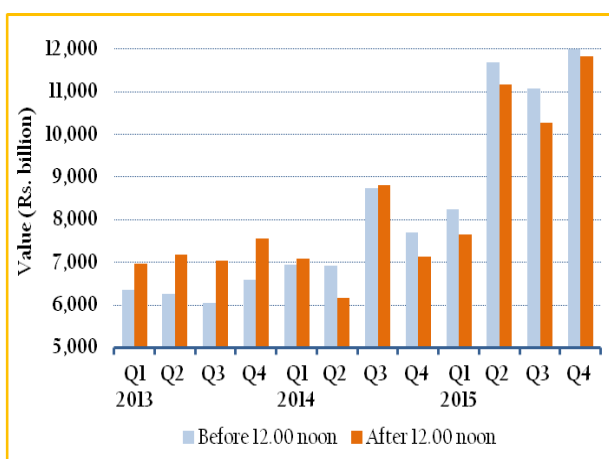


Chart  
16

Time Distribution of RTGS  
Transactions – in Value Terms



## 2.2 Cheques

### LKR Cheque Clearing

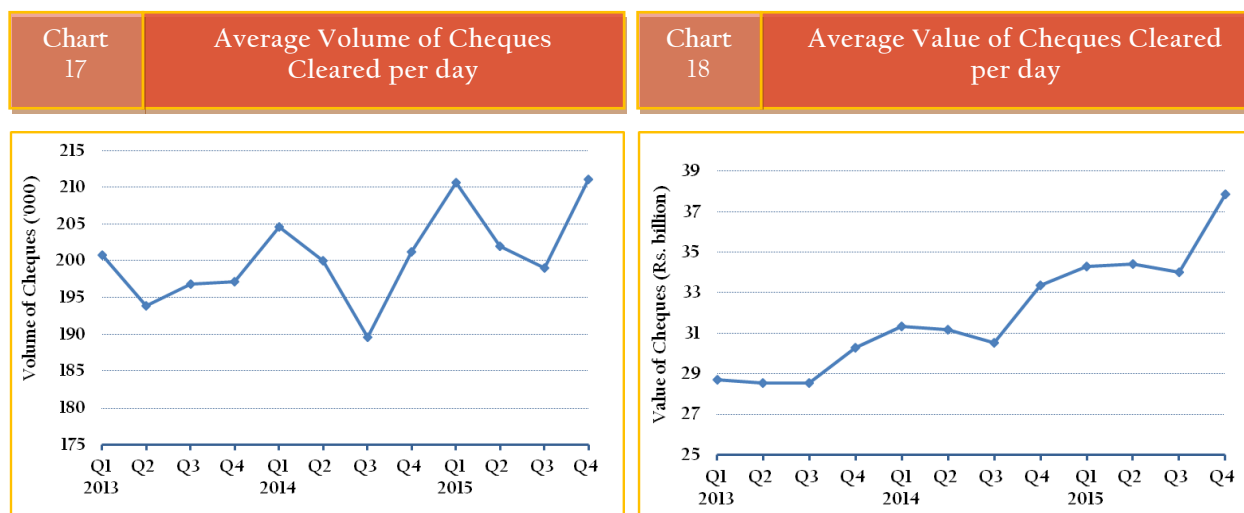
- At present, all LKR cheques and drafts are cleared by LankaClear (Pvt) Ltd (LCPL) through Cheque Imaging and Truncation (CIT) System.
- CIT System commenced operations on 11 May 2006 with the aim of reducing the time taken for clearing and settlement of cheques, by avoiding physical delivery of cheques 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 is the following business day.
- The General Direction No. 01 of 2006 on Cheque Imaging and Truncation System was issued to streamline the operations of the CIT System.
- The General Direction No. 03 of 2013 on Service Norms and Standard Times for Accepting Cheque Deposits and Crediting Cheque Proceeds was issued replacing 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.
- 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 respective customers' accounts by 2.30 p.m. on the following day.
- LCPL charges Rs. 2.50 per cheque from the paying bank for clearing.

Table: 04

Cheque Clearing

Description	Volume ('000)				Value (Rs. billion)			
	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14
Total Cheques Cleared	48,051.8	12,283	12,860	4.7	7,640.5	2,037.6	2,308.1	13.3
Cheques Cleared per day	198.6	201.4	210.8	4.7	31.6	33.4	37.8	13.3
<b>Cheque Clearing by Size</b>								
1 Below Rs. 0.1 mn	38,867.6	9,876.0	10,116.2	2.4	931.2	239.4	258.8	8.1
2 Rs. 0.1mn - Rs. 1mn	7,980.7	2,092.9	2,418.4	15.6	2,193.1	575.9	673.5	17.0
3 Rs.1 mn - Rs.11mn	1,150.4	299.5	308.8	3.1	2,621.5	693.1	736.9	6.3
4 Rs.11 mn - Rs.51mn	45.4	12.4	14.0	13.0	972.4	269.5	302.7	12.3
5 Rs.51mn - Rs.100mn	6.2	1.8	2.1	16.6	468.1	134.6	157.6	17.1
6 Above Rs. 100 mn.	1.5	0.4	0.5	22.0	454.2	125.1	178.6	42.7

Source: LankaClear (Pvt) Ltd



- The majority of cheques cleared (nearly 97.5 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 be mainly due to the lower cost and recent improvements in the time taken for cheque clearing.

Table: 5		Cheque Returns						
Description	Volume ('000)				Value (Rs. billion)			
	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14
Total Cheques Returned	1,944	457	427	-6.6	201.6	48.6	52.4	7.8

Source : LankaClear (Pvt) Ltd

Table 6		Cheque Returns			Table 7		Return Code-wise Cheque Returns (As a Percentage of Total Volume of Cheque Returns)		
Description	2014	Q4 2014	Q4 2015		Return Code	2014	Q4 2014	Q4 2015	
Volume of Cheques Returned (as a % of total volume of cheques received for clearing)	4.0	3.7	3.3		Refer to Drawer	46.4	46.0	44.0	
					Payment Stopped by Drawer	21.6	21.6	23.0	
Value of Cheques Returned (as a % of total value of cheques received for clearing)	2.6	2.4	2.3		Account Closed	16.4	15.8	14.5	
					Effects not Realized	2.5	2.5	2.1	
Average Volume of Cheques Returned per day	8,032	7,491	6,997		Payment postponed pending drawer's confirmation	0.8	0.9	1.3	
Average Value of Cheques Returned per day (Rs.million)	833	797	859		Other	12.3	13.3	15.1	

Source: LankaClear (Pvt) Ltd

Source: LankaClear (Pvt) Ltd

Chart  
19

Average Volume of Cheques Returned  
per day

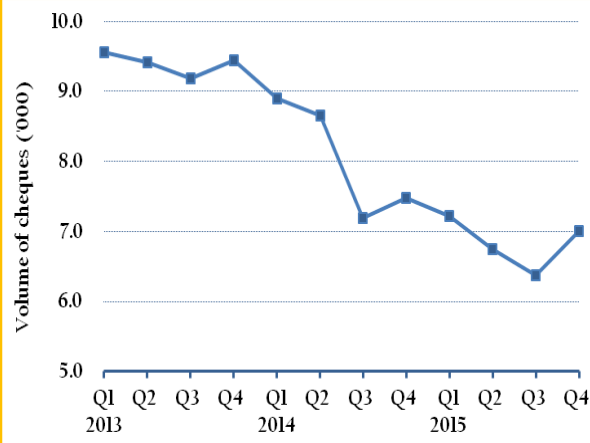


Chart  
20

Average Value of Cheques Returned  
per day

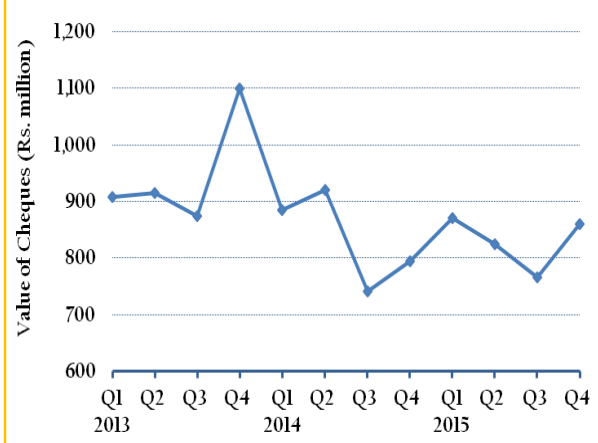


Chart  
21

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

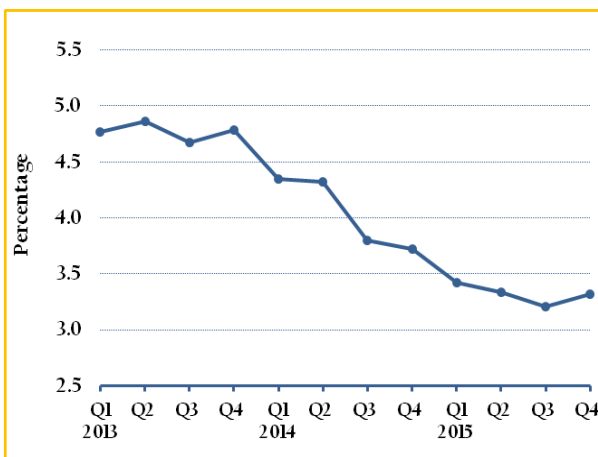


Chart  
22

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

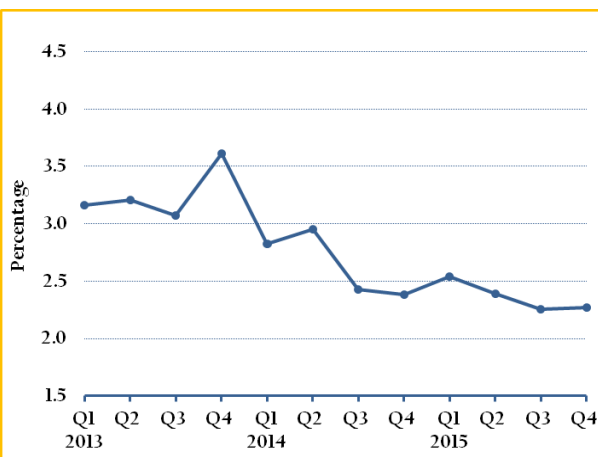


Chart  
23

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

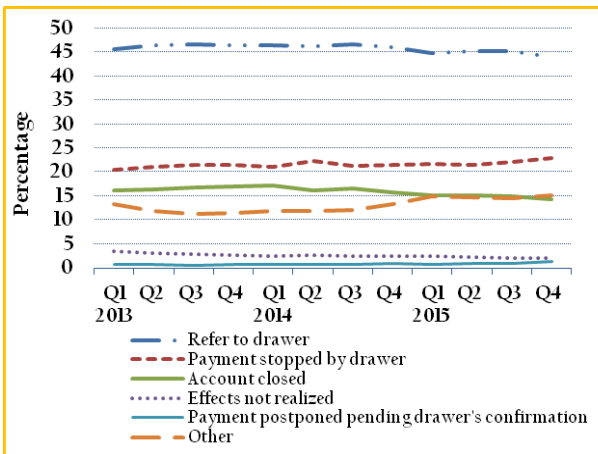
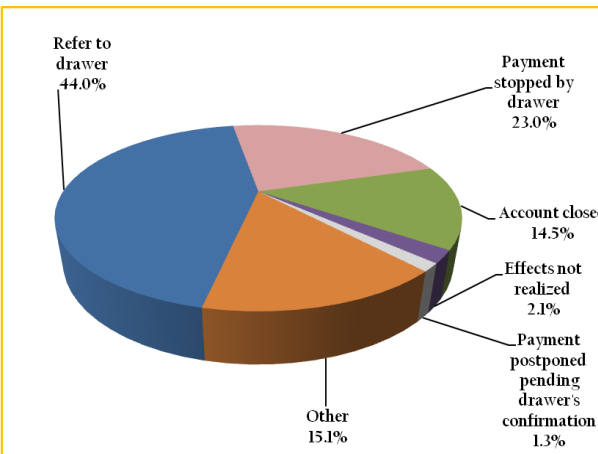


Chart  
24

Composition of Cheque Returns  
Q4 2015 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.
- 22 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)			
	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14
Total Cheques Cleared	59,915	15,624	15,920	1.9	255.2	66.4	70.1	5.6
Cheque Clearing per day	248	256	261	1.9	1.05	1.09	1.15	5.6

Source : LankaClear (Pvt) Ltd

Chart 25

Volume of US Dollar Cheques Cleared

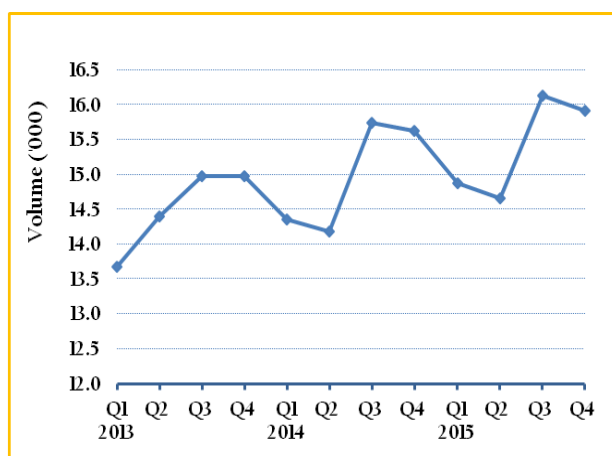
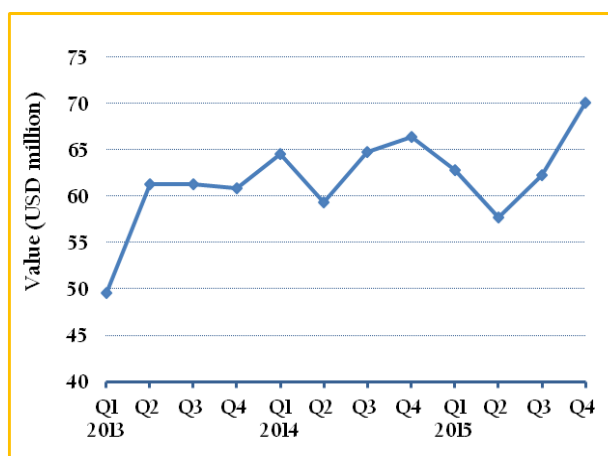


Chart 26

Value of US Dollar Cheques Cleared



## 2.3 Sri Lanka Interbank Payment (SLIP) System

- SLIP System is the online interbank retail payment system operated by LCPL which provides settlements on T + 0 basis on each business day.
- SLIP System has the facility of accepting payment instructions for T + n (where n=1 to 14 days).
- Customer transfers, standing orders, insurance payments and low value bulk payments such as salaries are effected through this system.
- A maximum limit of Rs. 5 million per transaction was introduced with effect from 29 October 2010.
- As at end of the fourth quarter of 2015, there were 41 participants in the SLIP System, i.e. CBSL and 25 Licensed Commercial Banks as primary members and, 5 Licensed Specialized Banks and 10 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, through which:
  - the maximum fee that can be charged from customers for fund transfers effected through SLIP System imposed as Rs.50.

Table: 9

Transaction Volumes and Values of SLIP System

Description	Volume ('000)				Value (Rs. billion)			
	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015	Percentage Change Q4 15/14
Total Transactions Cleared	20,421.5	5,514.1	6,299.3	14.2	893.5	256.7	329.7	28.4
Average Transactions per day	84.4	90.4	103.3	14.2	3.7	4.2	5.4	28.4

### Transactions by Size

Less than Rs. 1 mn	20,315.4	5,481.5	6,255.5	14.1	642.5	180.2	222.1	23.3
Between Rs. 1 mn – 5 mn	106.1	32.6	43.8	34.3	251.0	76.5	107.6	40.6

### Transactions by Type

Credit transactions	20,412.1	5,511.7	6,295.6	14.2	890.6	255.9	327.0	27.8
Debit transactions	9.4	2.4	3.7	54.8	2.9	0.8	2.7	219.3

Source : LankaClear (Pvt) Ltd.

- SLIP System which accounted for 10.8 per cent of the total value of the non-cash retail payments has been used mainly for salary payments.

Chart  
27

Volume and Value of SLIP System Transactions

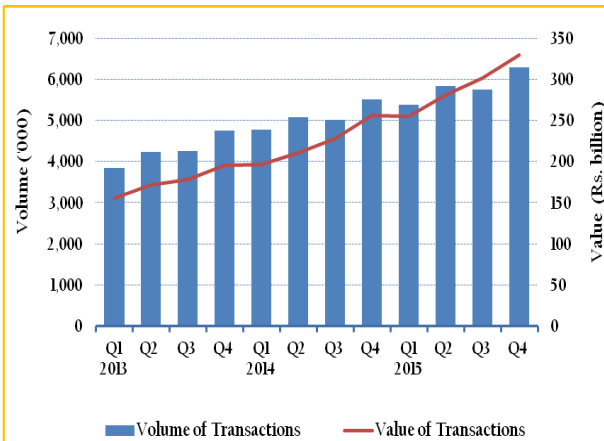


Chart  
28

SLIP System Transactions by Transaction Code Q4 2015 – in Volume Terms

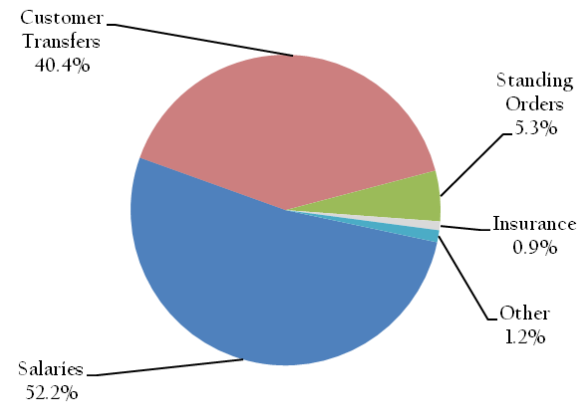


Chart  
29

Average Volume of SLIP System Transactions per day

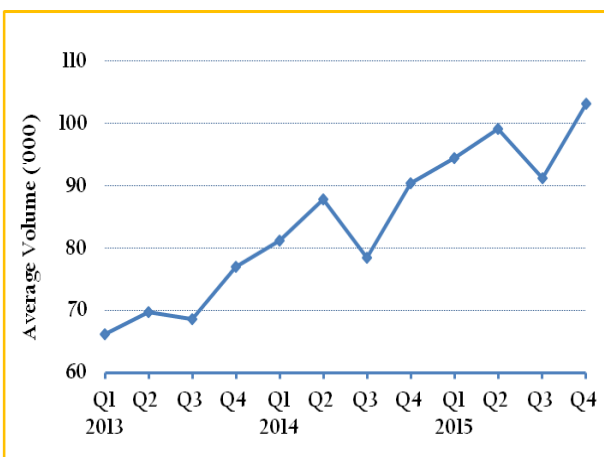
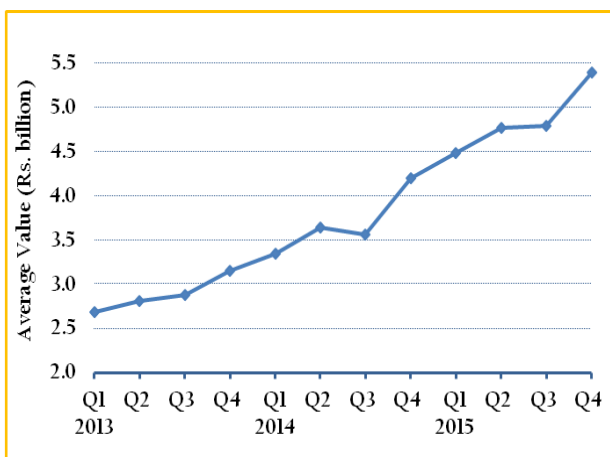


Chart  
30

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, Service Providers of Payment Card Regulations No 1 of 2009, was 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 31 December 2015)*

Class of Business	Number of Service Providers
Issuers of Debit Cards	30
Issuers of Credit Cards	13
Issuers of Stored Value Cards	6
Financial Acquirers of Payment Cards	9

Source : Central bank of Sri Lanka

## (a) Credit Cards

- Credit cards were introduced to Sri Lanka by Commercial Banks in 1989.
- Credit Card Operational Guidelines No. 1 of 2010 was issued to streamline the operations of the credit card business.
- At end of the fourth quarter 2015, 12 Commercial Banks and one Finance Company have been licensed to engage in credit card business.
- Maximum interest rate that can be charged in the event, the credit card dues are not settled during the interest free period, is currently set at 24.0 per cent per annum.

Table: 10

Credit Card Transactions

Description	2014	Q4 2014	Q4 2015 (a)	Percentage Change	
				Q4 14/13	Q4 15/14
1 Number of cards issued during the period	176,750	51,680	56,988	15.2	10.3
2 Total number of cards in use (as at end period)	1,032,833	1,032,833	1,145,055	8.5	10.9
3 Total volume of transactions (million)	23.6	6.3	7.4	8.4	17.7
4 Total value of transactions (Rs. billion)	134.6	36.9	44.8	11.8	21.4

Source : Licensed Commercial Banks

(a) Provisional

Chart 31

Credit Card Transactions

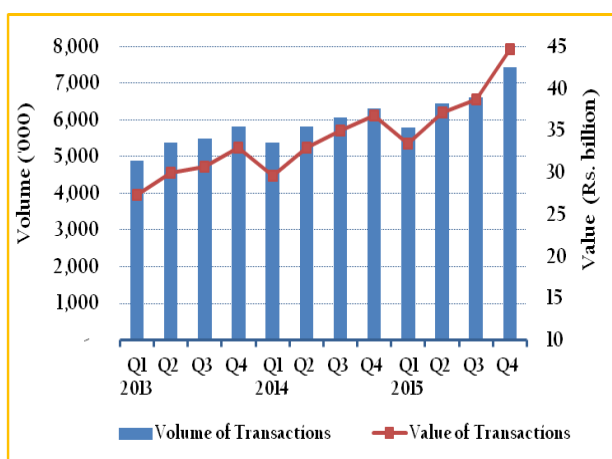


Chart 32

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

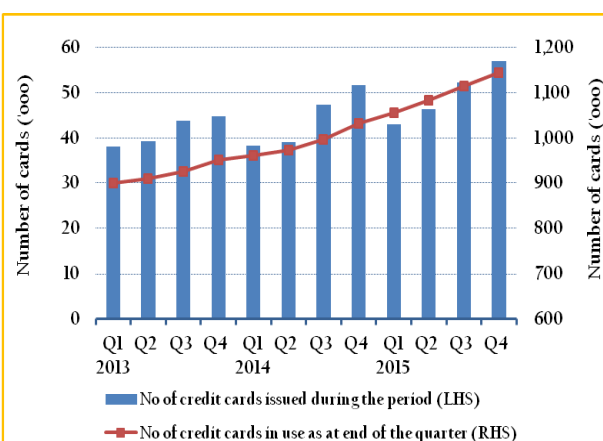


Chart 33

Average Volume of Transactions per Credit Card

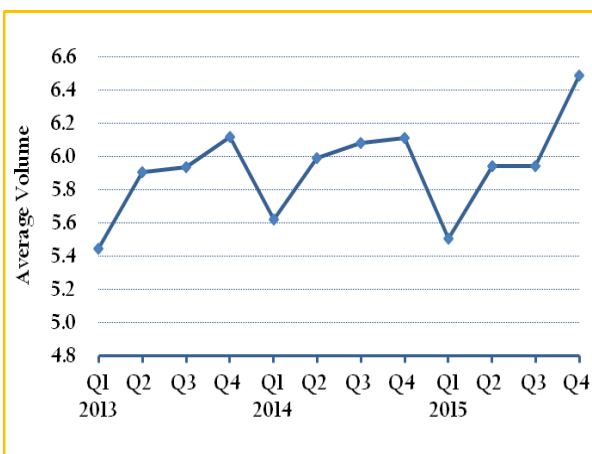


Chart 34

Average Value of Transactions per Credit Card

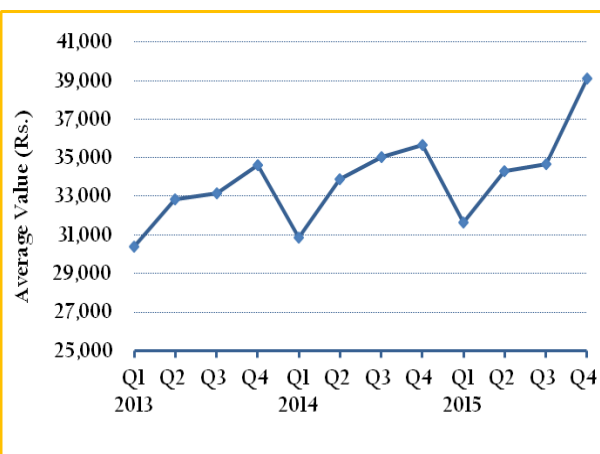


Table: II

## Credit Cards in Default

Source : Credit Information Bureau of Sri Lanka

Description	Number of Cards (end period)				Transaction Value (Rs. billion-end period)			
	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14
Defaulted Credit Cards *	76,142	76,142	73,125	-4.0	4.60	4.60	4.67	1.53

(a) Provisional

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

Chart 35

Number of Credit Cards under Defaulted Payment Category

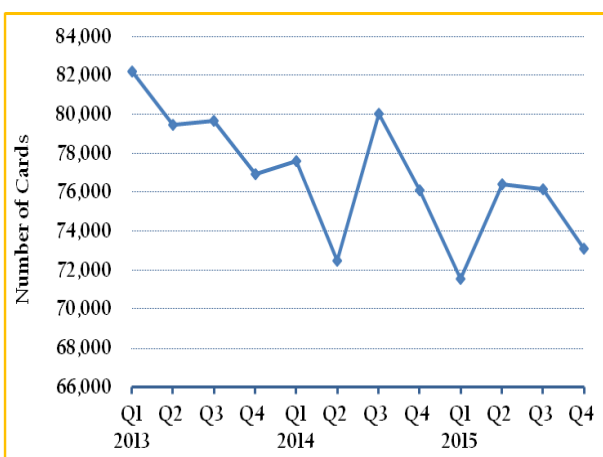
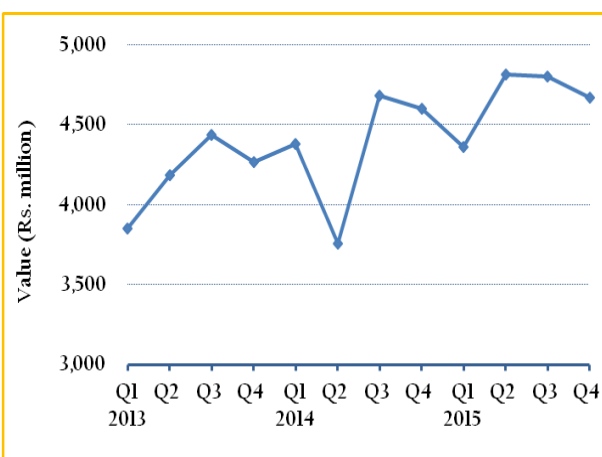


Chart 36

Value of Credit Cards under Defaulted Payment Category



## (b) Debit Cards

- Debit cards were first introduced to Sri Lanka in 1997.
- As at the end of fourth quarter 2015, 18 Licensed Commercial Banks, 2 Licensed Specialised Banks and, 10 Finance Companies have been licensed for issuing debit cards.

Table: 12

### Debit Card Transactions

Description	2014	Q4 2014	Q4 2015 (a)	Percentage Change	
				Q4 14/13	Q4 15/14
1 Number of cards issued during the period	2,872,673	890,824	689,761	49.6	-22.6
2 Total number of cards in use (as at end period)	13,591,317	13,591,317	15,237,373	9.2	12.1
3 Total volume of transactions (million) (b)	22.7	6.6	8.6	37.5	30.1
4 Total value of transactions (Rs. billion)(b)	61.9	18.2	24.2	36.4	33.2

(a) Provisional

(b) Transactions carried out at POS terminals

Sources: Licensed Commercial Banks  
Licensed Specialised Banks  
Finance Companies

Chart 37

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

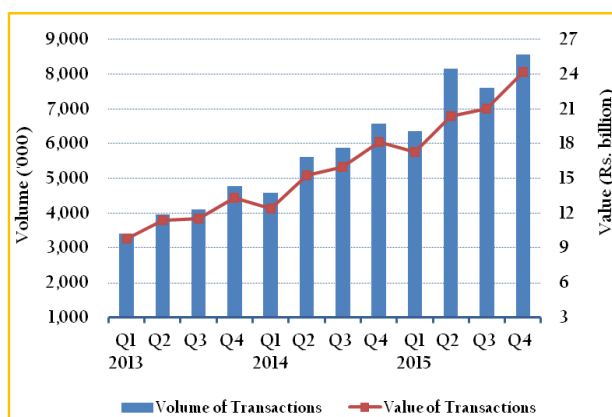


Chart 38

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

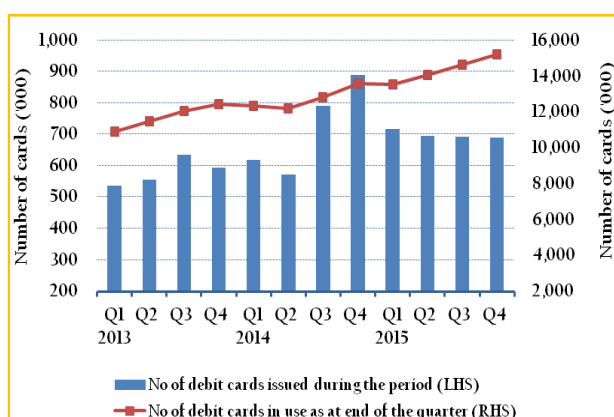


Chart 39

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

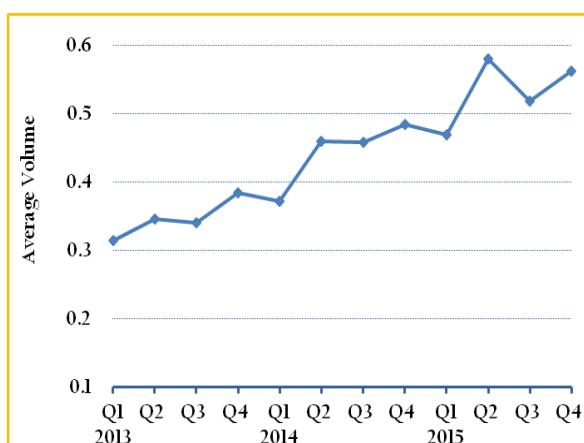
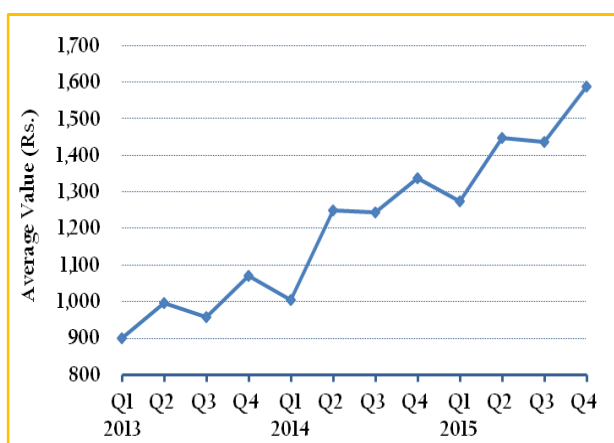


Chart 40

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



## 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 Number (PIN) etc.

Table: 13

ATM Terminals

Description	2014	Q4 2014	Q4 2015 (a)	Percent Change	
				Q4 14/13	Q4 15/14
1. Number of ATM terminals in use (as at end period)	3,344	3,344	3,569	7.1	6.7
2. Total volume of financial transactions (million)(b)	176.1	46.9	54.2	10.3	15.6
3. Total value of financial transactions (Rs. billion)(b)	1,337.8	366.2	482.3	17.5	31.7

(a) Provisional

(b) Cash withdrawals at ATM

Sources: Licensed Commercial Banks  
Licensed Specialised Banks  
Finance Companies

Chart 41

Average Volume of Transactions per ATM Terminals

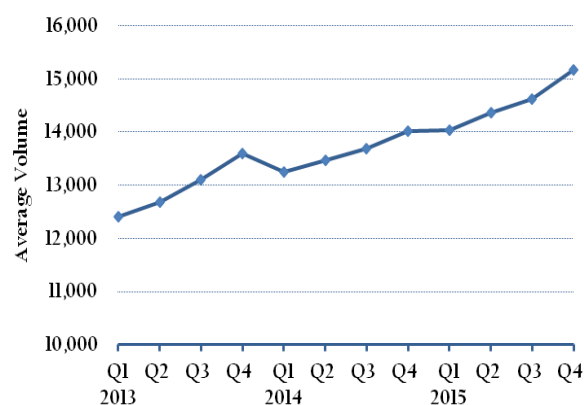


Chart 42

Average Value of Transactions per ATM Terminals

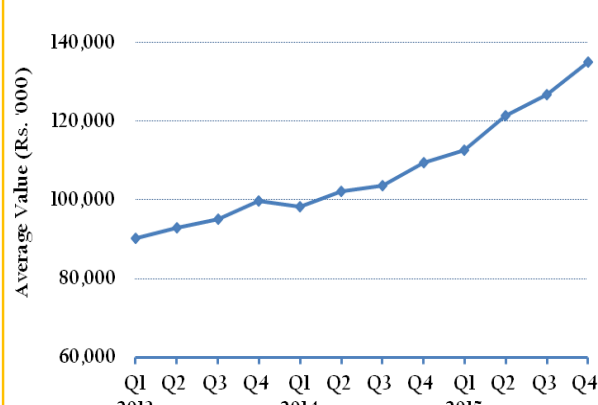


Chart 43

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

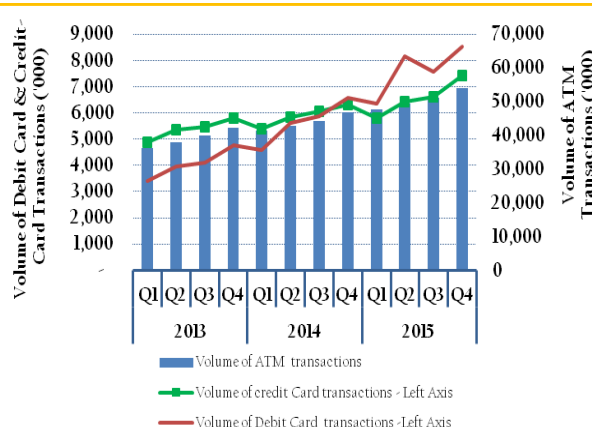
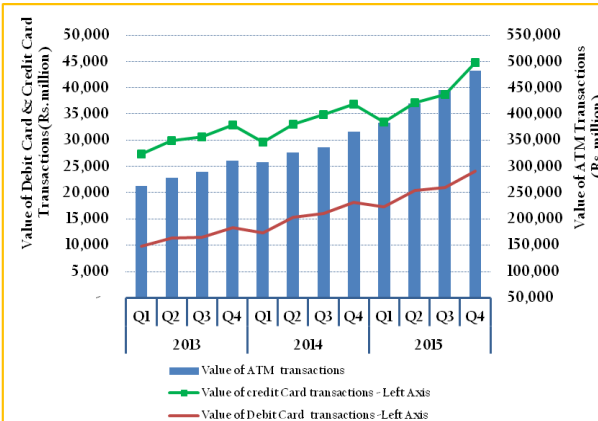


Chart 44

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 fourth quarter of 2015, 8 Licensed Commercial Banks and one Private Company have 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 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	2014	Q4 2014	Q4 2015 (a)	Percentage Change	
				Q4 14/13	Q4 15/14
1 Number of POS terminals in use (as at end period)	34,904	34,904	40,539	24.9	16.1
2 Total volume of transactions during the period (million)	45.0	12.4	15.7	16.1	26.9
3 Total value of transactions during the period (Rs. billion)	230.4	64.2	80.4	14.8	25.2

Source: Licensed Financial Acquirers of Payment Cards

(a) Provisional

Chart 45

### Average Volume of Transactions per POS Terminal

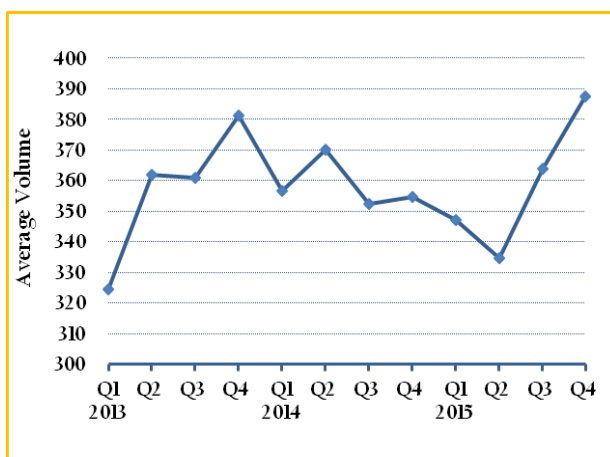
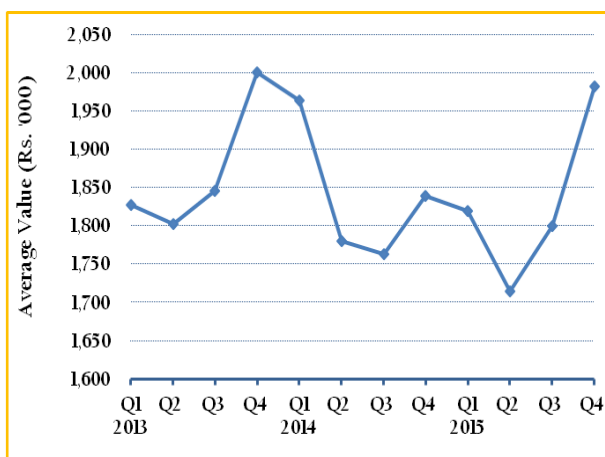


Chart 46

### Average Value of Transactions per POS Terminal



## 2.4.2 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 fourth quarter 2015)*

Class of Business	Number of Licensed Service Providers
Operators of Customer Account based Mobile Payment Systems	10
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.
- Mobile Payments Guidelines No. 1 of 2011 was issued to streamline the Mobile Phone Banking services.

Table: 15

### Mobile Phone Banking

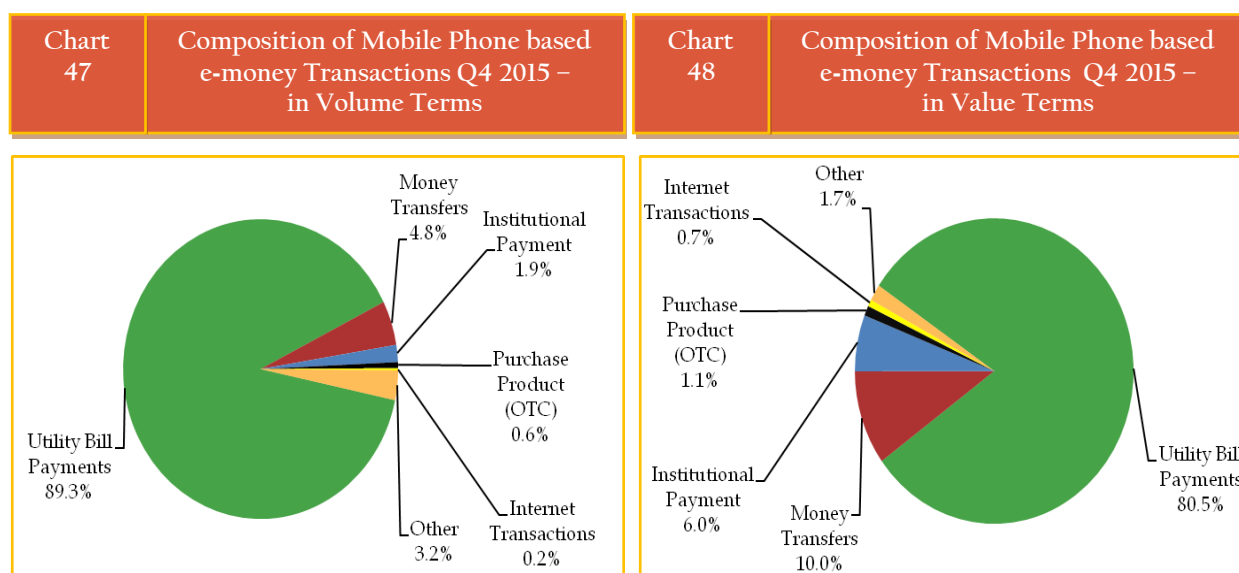
Description	Volume				Value (Rs. million)			
	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14
Total Transactions	717,622	253,063	733,308	189.8	7,845	2,345	3,109	32.6

Source: Licensed Commercial Banks

(a) Provisional

### (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.
- Mobile Payments Guidelines No. 2 of 2011 was 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 commenced operations of its mobile phone based e-money system in November 2013.



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.
- At present, 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)				
	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14	
Total financial transactions	10,817.8	2,854.5	3,871.1	35.6	983.8	248.2	335.5	35.2	

(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 fourth quarter of 2015.
- 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 improve 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	2014	Q4 2014	Q4 2015 (a)	Percentage Change Q4 15/14
1. Total volume of financial transactions	14,151	3,780	3,032	-19.8
2. Total value of financial transactions (Rs. million)	1,046.0	228.8	231.3	1.1

(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 an agency of the Post Office.
- A money order can be issued up to a maximum amount of Rs. 25,000.

Table: 18

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

Description	Value (Rs.'000)			Percentage Change	
	2014	Q4 2014	Q4 2015 (a)	Q4 14/13	Q4 15/14
• Ordinary Money Orders	1,524,063	374,084	277,347	-25.8	-25.9
• Telegraph Money Orders (b)	1,764	-	-	-	-
• Fax Money Orders (b)	37	-	-	-	-
• E-money Orders	5,600,089	1,488,899	1,671,159	7.6	12.2
• International Money Orders	10,640	2,635	-	-24.2	-
• Local Value Payment Money Orders	155,103	33,189	31,465	-24.0	-5.2
British Postal Orders	2,807	580	675	-29.3	16.4
<b>Total</b>	<b>7,294,503</b>	<b>1,899,387</b>	<b>1,980,646</b>	<b>-2.1</b>	<b>4.3</b>
Total number of Post Offices (end period)	4,692	4,692	4,692	1.4	-

Source: Postal Department

(a) Provisional

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

## 2.8 Common Card and Payment Switch

- Common Card and Payment Switch (CCAPS) operated by LCPL, was set up in order to establish a national platform for electronic retail payments in the country.
- CCAPS is designated as national payment switch in Sri Lanka.
- 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.
- 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.
- 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 LankaPay CAS transaction is as follows:

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

- As at end of the fourth quarter 2015, LankaPay CAS consisted of 12 members connecting through 2,673 ATMs.

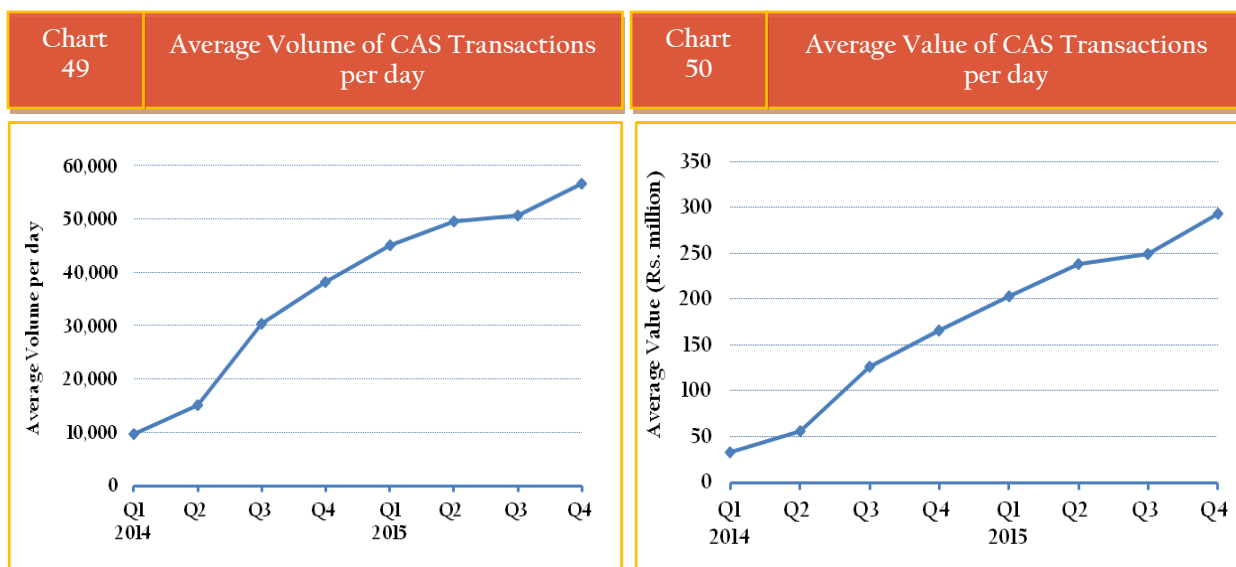
Table: 19

Common ATM Switch (CAS)

Description	2014	Q4 2014	Q4 2015
1 Number of ATMs connected to CAS (as at end period)	2,525	2,525	2,673
2 Total volume of financial transactions ('000) (a)	8,580	3,513	5,222
3 Total value of financial transactions (Rs. million) (a)	35,041	15,278	26,973

(a) Cash withdrawals at ATMs

Source : LankaClear (Pvt) Ltd



## (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 fourth quarter 2015, CEFTS consisted of seven members including five licensed commercial banks as primary members and two Financial Companies as secondary members.
- General Direction No. 02/2014 was issued to impose key prudential and obligatory requirements to LCPL and members of CEFTS.
- Payments and Settlements Systems Circulars No 01 of 2015 was issued on Maximum limits on Transaction Value and Fees of Common Electronic Fund Transfer Switch.
- Maximum fee that can be charged from a customer for CEFTS transaction is as follows:

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

## (c) Shared ATM Switch (SAS)

- LankaPay-SAS provides hosted ATM Switch and Card Management System (CMS) 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 to settle trade and trade related payments among member countries.
- The headquarters of ACU, which is referred to as the ACU Secretariat, is situated in Teheran, Iran.
- The settlement mechanism of ACU involves settling intra-regional trade and 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.
- At present, ACU consists of 9 central banks/monetary authorities (Bangladesh, Bhutan, India, Iran, Nepal, Maldives, Myanmar, Pakistan and Sri Lanka).
- 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 44<sup>th</sup> meeting of the ACU Board of Directors was held in Bangladesh in June 2015.
- New operating instruction on the ACU mechanism was issued with effect from 01 December 2015

Table: 20

ACU Transactions

Description	2014	Q4 2014	Q4 2015	Percentage Change	
				Q4 14/13	Q4 15/14
1 Number of Transactions	6,222	1,604	1,725	29.4	7.5
2 Value of Total Receipts (Rs. million)	28,176	6,864	7,557	13.3	10.1
3 Value of Total Payments (Rs. million)	315,625	94,721	110,349	57.8	16.5

Source: Central Bank of Sri Lanka

Chart 51

Total Volume of ACU Transactions

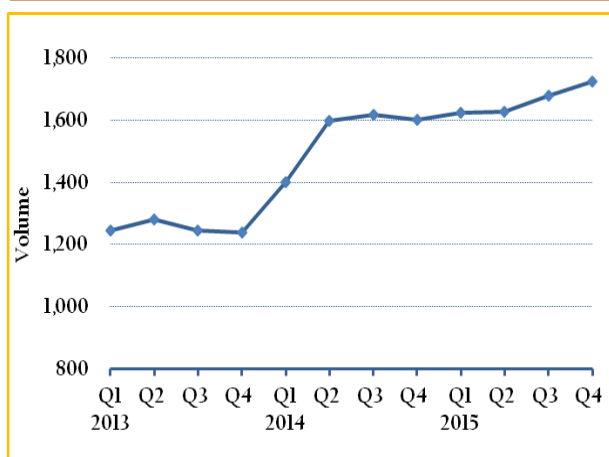
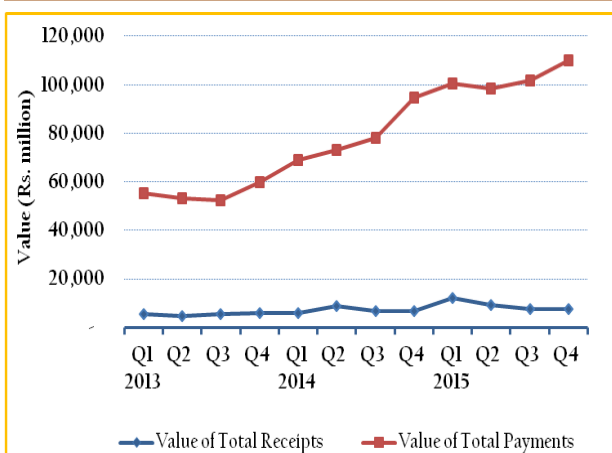


Chart 52

Value of Total Receipts and Payments through ACU



- Society of 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 10,000 financial institutions over 200 countries.
- Members can connect to SWIFT via two connectivity options; Direct connectivity or through a service bureau Ltd.
- To obtain connectivity through a service bureau, the Lanka Financial Services Bureau (LFSB) Ltd was established in 2007 in Sri Lanka and currently 26 institutions (CBSL, 16 Licensed Commercial Banks, 7 Primary Dealers, 1 Finance Company and Central Depository System of Colombo Stock Exchange) are obtaining services through LFSB.

Table: 21

Participation in SWIFT by Financial Institutions

Description	Domestic			Worldwide		
	2014	Q4 2014	Q4 2015	2014	Q4 2014	Q4 2015
1 SWIFT users (End of Period)	38	38	38	10,805	10,805	11,094

Source: SWIFT

Table: 22

SWIFT Message Flow in Sri Lanka

Description	2014	Q4 2014	Q4 2015	Percentage Change	
				Q4 14/13	Q4 15/14
1 All messages sent by domestic users	4,331,210	1,075,095	1,148,559	2.7	6.8
Customer fund transfers messages	642,538	167,963	193,107	6.4	15.0
Bank fund transfers messages	459,417	118,178	121,019	11.9	2.4
2 All messages received by domestic users	4,943,671	1,217,022	1,271,190	-0.7	4.5
Customer fund transfers messages	1,798,814	459,568	467,640	2.7	1.8
Bank fund transfers messages	138,854	35,340	35,240	-0.9	-0.3
3 Domestic SWIFT Traffic	2,041,747	476,269	521,345	-6.5	9.5
4 Global SWIFT Traffic (million)	5,613	1,472	1,561	12.6	6.0

Source: SWIFT

Table: 23

## Key Indicators

Indicator	2011	2012	2013	2014	2015 (a)
1. Currency in circulation as a percentage of GDP	4.1	3.6	3.5	4.0	4.4
2. Per capita Currency in Circulation value	14,051	15,573	16,511	20,071	23,452
3. Currency (held by Public) as a percentage of GDP	3.4	2.9	2.8	3.2	3.5
4. Per capita RTGS value	2,769,196	2,117,868	2,627,416	2,867,025	4,027,091
5. RTGS transactions value as a percentage of GDP	801	495	564	570	755
6. RTGS Concentration ratio (Based on the value of top five participants)	63.7	54.6	54.0	53.5	59.2
7. Per capita Cheque usage (Total cheques cleared)	2.2	2.3	2.3	2.3	2.4
8. Per capita Cheques transaction value	297,177	322,739	342,515	367,843	402,271
9. Cheque transaction value as a percentage of GDP	85.9	75.5	73.5	73.1	75.4
10. Per capita SLIPS transaction value	20,212	27,055	34,135	43,017	55,762
11. SLIPS transaction value as a percentage of GDP	5.8	6.3	7.3	8.6	10.5
12. Per capita Debit Card transaction value	1,167	1,713	2,242	2,980	3,957
13. Per capita Credit Card transaction value	4,480	5,464	5,883	6,479	7,352
14. Per capita Internet banking transaction value	15,361	25,769	37,505	47,366	57,562
15. Per capita Mobile banking transaction value	170	178	226	378	539
16. Per capita Tele banking transaction value	68	66	70	50	48
17. Number of POS terminals per 1,000 inhabitants	1.3	1.4	1.4	1.7	1.9
18. Number of ATM terminals per 1,000 inhabitants	0.12	0.14	0.15	0.16	0.17
19. GDP current Market prices (Rs. billion) (b)	7,219	8,732	9,592	10,448	11,183
20. Mid-Year Population ('000) (b)	20,869	20,424	20,579	20,771	20,966
(a) Provisional					
(b) Based on the summary indicators 2010 to 2015, Department of Census and Statistics, Sri Lanka					

**Acts**

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

**Regulations**

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

**Directions**

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

**Guidelines**

- 01 Asian Clearing Union – Operating Instructions : PSD/ACU/01/2013
- 02 Mobile Payments Guidelines No. 2 of 2011 for Custodian Account Based Mobile Payment Services
- 03 Mobile Payments Guidelines No. 1 of 2011 for the Bank-led Mobile Payment Services
- 04 Credit Card Guidelines No: 01 of 2010
- 05 Guidelines No. 01 of 2006 on Business Continuity Planning to Licensed Commercial Banks, Primary Dealers, Central Depository System (Pvt.)Ltd. and LankaClear(Pvt.) Ltd

**Circulars**

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

2005	Q1	Customer Payments in RTGS System
	Q2	Retail Payment Systems – Overview, Risks, Efficiency and Role of Central Bank
	Q3	Payment System Oversight
	Q4	Payment and Settlement Systems Act, No. 28 of 2005
2006	Q1	Guidelines on Business Continuity Planning
	Q2	Cheque Imaging and Truncation System
	Q3	Electronic Money (E-money)
	Q4	Outsourcing Payment Services
2007	Q1	General Principles for International Remittance Services
	Q2	Government Gazette Notification on Money, Payment, Clearing and Settlement Service Providers Regulation, No. 01 of 2007.
	Q3	Minimizing Cheque Returns
	Q4	SWIFT Service Bureau
2008	Q1	SAARC Payment Initiative
	Q2	National Payment Council
	Q3	An overview of the Securities Trading, Clearing and Settlement System in Sri Lanka
	Q4	Payment and Settlement risks for financial institutions
2009	Q1	Settlement System for Equity and Debt Transactions on the Colombo Stock Exchange
	Q2	Paradigm shift with SWIFT in Sri Lanka
	Q3	Service Providers of Payment Cards Regulations No. 01 of 2009
	Q4	Credit Card Operational Guideline
2010	Q1	LankaSettle System
	Q2	Asian Clearing Union (ACU)
	Q3	SLIPS moves to T+0 clearing with Multiple Settlements in the RTGS System
	Q4	Branchless Banking
2011	Q1	Mobile payments guideline in Sri Lanka
	Q2	Secured online payments
	Q3	Credit Information Bureau
	Q4	Business Continuity Planning and Resilience of Payment Systems
2012	Q1	Oversight of Payment and Settlement Systems in Sri Lanka
	Q2	Central Bank of Sri Lanka (CBSL) approves the First Mobile Phone based E-Money Scheme in Sri Lanka
	Q3	Principles for Financial Market Infrastructures (PFMI)
	Q4	Adoption of Terminal Line Encryption (TLE) Technology
2013	Q1	Risks in Payment, Clearing and Settlement Systems
	Q2	Payment Cards and Mobile Payment Systems Regulations No. 1 of 2013
	Q3	Sri Lanka Launched a Common ATM Switch (CAS)
	Q4	Trends in Moving Towards Electronic Payment Mechanisms
2014	Q1	-
	Q2	Bank Computer Security Incident Response Team (Bank CSIRT)
	Q3	Common Electronic Fund Transfer Switch
	Q4	Chip and PIN Payment Cards
2015	Q1	Involvement of Non-Banks in Retail Payment System (RPS)
	Q2	-
	Q3	-
	Q4	-

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 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	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
	November	Lanka Financial Services Bureau Ltd was established
	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
	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	February	Lanka Financial Services Bureau Ltd, which was established in June 2007, began its operations.
	March	Inauguration of the SAARC Payments Initiative and the first meeting of the SAARC Payments Council (SPC) was held in Colombo, Sri Lanka
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 the 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

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## 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 settlements 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. 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
2012	June	The first Custodian Account Based Mobile Payment System was launched by a Mobile 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 of 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.1 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 of the fees chargeable on the transactions effected through the CAS
2014	February	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
	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. 2 of 2014 of 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
		LankaClear (Pvt) Ltd launched Shared ATM switch(SAS) with the Regional Development Bank
		CBSL issued the Payments and Settlements Systems Circulars; - No 01 of 2015 on the Maximum Limits on Transaction Value and fees of Common Electronic Fund Transfer
	September	CBSL issued the Payments and Settlements Systems Circulars; - No 02 of 2015 on Maximum Limits on Transaction fees of Sri Lanka Interbank Payment System - No 03 of 2015 on Operator charges and Maximum Limits on Transaction fees of LankaSettle System2
	November	CBSL issued the Payments and Settlements Systems Circulars; - No 07 of 2015 on the Timelines for Joining Common Card and Payment Switch - LankaPay