

General Direction No. 01/2011

Payment and Settlement Systems Act No. 28 of 2005

General direction given by the Monetary Board of the Central Bank of Sri Lanka under Section 44 of the Payments and Settlements Systems Act No. 28 of 2005.

P D J Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo

27 January, 2011

GENERAL DIRECTION

This direction is issued in terms of section 44 of the Payment and Settlement Systems Act No. 28 of 2005, for the proper and efficient implementation, administration and enforcement of the provisions of the aforesaid Act. This direction may be cited as the General Direction on Sri Lanka Interbank Payment System No. 01 /2011 and shall apply to LankaClear (Pvt) Ltd. (LCPL) and the participants of the Sri Lanka Interbank Payment System (SLIPS) and shall come into operation on 27 January 2011.

This direction is in addition to and not in derogation of any other written law, rules, regulations and terms and conditions to which LCPL and participants of SLIPS are subject to and/or may be subject to from time to time.

Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed by the Payment and Settlement Systems Act No. 28 of 2005.

Introduction

SLIPS is an electronic system which processes payment orders to facilitate money transactions. SLIPS was introduced by the CBSL in 1993 as an off-line Interbank Payment System. In 2002, the CBSL divested the clearing operations of Cheques and SLIPS to LCPL. The objectives of the SLIPS are to establish a uniform and common electronic retail payment system and to promote payment system safety and efficiency while promoting cooperation among all SLIPS participants in the evolution of the country's retail payment systems. SLIPS was upgraded to an on-line Interbank Payment System by LCPL in September 2010 to facilitate settlement of transactions on the same business day.

A. Definitions

- 1 **“Beneficiary”** shall mean any legal or natural person named as the beneficiary of Monetary Value in a Payment Order and/ or such person’s nominee, agent or representative.

- 2 **“Business Day”** shall mean any day of the calendar year on which the SLIP System shall operate, unless declared as a non-business day by LCPL in concurrence with Sri Lanka Banks’ Association (Guarantee) Limited (SLBA) and the CBSL.

- 3 **“Clearing Cycle”** shall mean the time duration from one settlement time to the next immediate settlement time.

- 4 **“Customer”** shall mean any legal or natural person, who issues, directs or authorizes a Payment Order on his own behalf or on behalf of some third party and who, towards such end, authorizes the SLIPS Participant to debit an account or tenders Monetary Value to the extent of the value of the Payment Order.

- 5 **“CBSL”** shall mean the Central Bank of Sri Lanka as established under the Monetary Law Act (Chapter 422).

- 6 **“Digital Certificate”** shall mean the certification issued by LCPL, in the capacity of the certificate service provider to the financial sector, to each SLIPS Primary Participant and/or Secondary Participant for the purposes of maintaining the non-repudiation, authenticity, and integrity of the SLIPS Messages.

- 7 **“Electronic Information”** shall mean information generated, sent, received, or stored by electronic, magnetic, optical, or similar capacities regardless of the medium.
- 8 **“Electronically”** shall mean by means of either on-line telecommunications including over the internet or email, or the physical delivery of tapes, diskettes, or similar devices off-line.
- 9 **“Funds”** shall mean and include cash, deposits, monetary value, and any other credit available for withdrawal held in an account.
- 10 **“Licensed Commercial Bank”** or **“Bank”** shall mean a public company duly incorporated in Sri Lanka or abroad which has received a banking license from the Monetary Board of the CBSL with the approval of the Minister in charge of the subject of Finance, under Section 5 of Banking Act No. 30 of 1988 as may be amended.
- 11 **“LCPL”** shall mean LankaClear (Private) Limited incorporated under the Companies Act No.17 of 1982 and re-registered under Companies Act No.07 of 2007 and who shall be the lawful authority to operate the SLIP System in Sri Lanka.
- 12 **“Money Transmission”** shall mean issuing money value and/or receiving money or monetary value either from the Customer or Remitter or for a Beneficiary and includes the provisions of a facility for the withdrawal of money, for the transfer of monetary value between accounts or for the payment of monetary value to third parties. The term includes the taking part in any transaction or arrangement involved in carrying out the transmission from the Customer or Remitter to the Beneficiary even if neither the Customer, Remitter nor the Beneficiary is a party or direct Participant to such transaction or arrangement. Money Transmission under the SLIP System shall be within Sri Lanka, in domestic currency.
- 13 **“Monetary Value”** shall mean a medium of exchange, whether or not redeemable in money, including in the form of stored value, payment instrument or credit to an account.
- 14 **“Payment Order”** shall mean a writing issued or generated by a Customer directing or instructing a SLIPS Primary Participant or SLIPS Secondary Participant to effect and execute a payment of Monetary Value to a named Beneficiary through a named SLIPS Participant.
- 15 **“Net Remittances”** shall mean the net Monetary Value of all Payment Orders received and Payment Orders effected by a SLIPS Participant under the SLIP System such that the SLIPS Participant is either a net debtor or net creditor to another SLIPS Participant at the end of each Clearing Cycle.

- 16 **“Operational Procedure Manual”** shall mean the document containing the procedures laid down for the guidance of LCPL and SLIPS Participants as regards to operations of the SLIP System.
- 17 **“Remitter”** shall mean a SLIPS Participant who initiates and generates a SLIPS transaction authorizing the Receiver to effect a payment.
- 18 **“Receiver”** shall mean a SLIPS Participant who receives a SLIPS Transaction from a Remitter and who is authorized by the SLIPS Data contained therein to effect a payment.
- 19 **“RTGS System”** shall mean the Real Time Gross Settlement system, which is a fully automated systematically important payment system owned and operated by the CBSL. The RTGS system is a component of the LankaSettle System.
- 20 **“SLIPS”** shall mean “Sri Lanka Inter Bank Payment System” an electronic system, process or arrangement maintained and/or centrally controlled by LCPL for and on behalf of the CBSL and facilitating the communication and processing of Payment Orders and other messages, effecting, ordering, enabling, authorizing or facilitating money transactions, money withdrawals or transfers of monetary value, and shall include LCPL systems, processes and procedures for the electronic transfer and transmission of payment sought to be effected by a SLIPS Participant.
- 21 **“SLIPS Data”** shall mean unique identification codes and all other information derived from data generated by SLIPS, SLIPS Participants, and LCPL, including both outward data and inward data.
- 22 **“SLIPS File”** shall mean a SLIPS Data file generated by a SLIPS Participant containing its outward SLIPS Transactions and transmitted to LCPL through the SLIP System for clearing.
- 23 **“SLIPS Transaction”** shall mean the electronic transaction generated by a SLIPS Participant and / or the CBSL through the SLIP System to effect, communicate or execute a Payment Order.
- 24 **“SLIPS Record”** shall mean SLIPS related information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
- 25 **“SLIP System”** shall mean systems and processes operated and maintained by LCPL and SLIPS participants relating to SLIPS including without any limitation, systems for dispatching, receiving, processing and archival of SLIPS Data.

- 26 **“SLIPS Participant”** shall mean SLIPS Primary Participant and/or SLIPS Secondary Participant.
- 27 **“SLIPS Primary Participant”** shall mean the CBSL or any Licensed Commercial Bank operating in Sri Lanka and being a participant in the RTGS System with the CBSL and authorized by the CBSL and LCPL to participate in the SLIP System.
- 28 **“SLIPS Secondary Participant”** shall mean any legal entity authorized by a SLIPS Primary Participant to execute transactions on the SLIP System and to settle net balances through the RTGS account maintained by the said Primary Participant, and authorized by the CBSL & the LCPL to participate in the SLIP System.
- 29 **“Settlement Day”** shall mean a day on which Banks are open for business in Sri Lanka (as declared by the SLBA in concurrence with the CBSL) and a day on which multilateral net- settlement/s would take place through the RTGS System.
- 30 **“Settlement Time”** shall mean times specified from time to time by the CBSL, at which times the net settlement among the SLIPS Participants is determined by the RTGS System.
- 31 **“SLBA”** shall mean Sri Lanka Banks’ Association (Guarantee) Limited.
- 32 **“Transaction Limits”** shall mean the maximum value assigned per transaction within the SLIP System as agreed upon by and among the CBSL, LCPL, and SLIPS Primary Participants.
- 33 **“User Agreement”** shall mean an agreement entered into by LCPL with each SLIPS Primary Participant and/or SLIPS Secondary Participant relating to the SLIP System.
- 34 **“User Password”** shall mean the secret code assigned to each SLIPS Primary Participant and/or Secondary Participant by LCPL to grant them access to the SLIP System.
- 35 **“Value Date”** shall mean the date stipulated by the Remitter or Customer in his Payment Order on which date the Beneficiary shall be entitled to receive the Monetary Value stated in the Payment Order.

B. Responsibilities of LCPL and SLIPS Participants

1. Each SLIPS Participant and LCPL shall enter into a User Agreement relating to participation in and operation of the SLIP System.

2. SLIPS Participants and LCPL shall adhere to the specifications set out by LCPL with the concurrence of the CBSL in respect of the SLIP System to ensure clarity and standards.
3. LCPL shall issue to each SLIPS Participant, Digital Certificates and User Passwords, which the SLIPS Participants shall treat with utmost secrecy.
4. SLIPS Participants and LCPL shall adhere to the arrangements between them in respect of electronic fund transfers, including those in the form of rules, procedures or such other arrangements prescribed by LCPL from time to time with the concurrence of the CBSL.
5. SLIPS Participants and LCPL shall agree to follow the stipulations and guidelines stated in the Operational Procedure Manual and its addenda and related notices, listed in the Schedules annexed to the Operational Procedure Manual.
6. LCPL and SLIPS Secondary participants shall make arrangements to clear and settle payment orders of such participants only through SLIPS Primary Participants.

C. Responsibilities of LCPL

1. LCPL shall be the sole operator of the SLIP system.
2. LCPL shall be responsible for operating SLIPS daily on business days, at its registered office announced with the concurrence of the CBSL or at its Disaster Recovery Site (DRS), in the event of a critical operational failure at the primary site.
3. LCPL shall be responsible for installation, set-up, maintenance, operation, security and access control of the SLIPS and any other systems necessary to establish and maintain connectivity between the SLIPS and the SLIPS communication network.
4. LCPL shall operate the SLIP System, facilitating the clearing and settlement of transactions for SLIPS Participants according to the principle of multilateral clearing, by calculating net claims and liabilities on the basis of the Payment Orders submitted by SLIPS participants.

5. LCPL shall treat all sensitive or restricted information, including participants' payment information, technical and organizational information, as confidential, unless the participant consents to disclosure in writing, or unless the disclosure of data and information is required by any written law.
6. LCPL shall make available to the CBSL, the SLIPS multilateral settlement batch files setting out net clearing position of each SLIPS Primary Participant on or before the Settlement Times of each Clearing Cycle set out by the CBSL and such other aggregated statistical information that the CBSL may require in respect of the operation of the SLIP System.
7. LCPL shall develop and issue the SLIP System Rules with the concurrence of the CBSL and an Operational Procedure Manual for the SLIP system. Such rules and operational procedures of SLIP System shall be laid down clearly and comprehensively. System Rules and Operational Procedure Manual issued by LCPL shall govern the operations and administration of the SLIP system and shall be binding between LCPL and SLIPS participants.
8. LCPL shall amend the System Rules with the concurrence of the CBSL and/or Operational Procedure Manual as and when necessary and inform such amendments to SLIP system participants by way of circulars.
9. LCPL shall ensure that all transactions transmitted through the SLIPS are:
 - i. Compliant with security measures to ensure secure and authenticated transmission; and
 - ii. Archived in accordance with the Financial Transaction Reporting Act No. 6 of 2006.
10. LCPL shall be responsible for observing and performing its duties, obligations and undertakings in respect of SLIPS operations in accordance with the standard of competence, skill and knowledge, and the standard of prudence, care and diligence.
11. LCPL shall establish and maintain a Help Desk at LCPL to assist SLIP System participants to address any service difficulties encountered. The Help Desk shall be available throughout the business day and contact details shall be given in the Operational Procedure Manual.

12. The Board of Directors of LCPL represented by all commercial banks and the CBSL, shall reserve the right to revise the fees from time to time.
13. A schedule containing penalties and fines in respect of non conformity and breach of rules shall be determined by the Board of Directors of LCPL in consultation with the CBSL and shall be communicated to SLIPS participants from time to time.
14. LCPL shall conduct training, awareness and education programmes on SLIP system on continuous basis to SLIPS participants and the general public.

D. Responsibilities of SLIPS Participants

Every SLIPS Participant shall

1. not operate or participate in any national level inter-bank payment and clearing system which centrally clears retail payments, other than the retail payments and clearing systems operated by the LCPL.
2. be responsible for procuring their own hardware, software, and network infrastructure.
3. ensure that the hardware and software procured is available to receive and execute transactions under the SLIP System with provisions to future enhancements and take all necessary steps to maintain such hardware and software in good working order.
4. be responsible for the compliance of file format and defined transaction flows, and for the correct and accurate submission and finalization of the payment orders of Customers and SLIPS Participants in a timely manner, and for the authenticity of all payment orders.
5. be responsible to safeguard the SLIP System and conform to and observe all security features and instructions issued by LCPL to SLIPS Participants and ensure that any act/s or omission/s do not threaten or cause prejudice to the security of the overall SLIP System or to the security of the system of any other SLIPS Participant.

6. ensure that unauthorized access (hacking, traffic generating, sniffing etc.) and other activities that effect change/damage and corrupt the SLIP System are prevented.
7. inform the CBSL and LCPL of any change in its legal status and capacity to participate in the SLIP System.
8. ensure that adequate funds are available in their RTGS settlement accounts to settle SLIPS multilateral net settlement batch in the RTGS System at the end of each Settlement Cycle.
9. set up a procedure and/or mechanism to acknowledge the completion or non-completion of a Money Transmission through the SLIP System to the Customer.
10. adhere to technical, legal, administrative, security and other requirements specified by LCPL from time to time in respect of the SLIP System.
11. ensure crediting of the account of the Beneficiary or tendering Monetary Value to the Beneficiary, to the extent of the value of the Payment Order, on the receipt of relevant SLIPS Data from LCPL, on Value Date of the Payment Order.
12. set up service norms and standards and maintain infrastructure to provide facilities stated in 11 above.
13. be responsible for making regular backups of databases and all its information and data relating to SLIP System.
14. reconcile the daily transaction reports and inform the LCPL Help Desk in writing of any discrepancies not later than one Business Day from the time of the original transaction.
15. comply with applicable laws, instructions and procedures specified by LCPL or any other direction issued by the CBSL in relation to the operations of the SLIP System.

16. notify the Financial Intelligence Unit (FIU) of the CBSL if there is any unusual increase in the number and value of payment orders received for execution through the SLIP system from a particular customer, in terms of the Financial Transactions Reporting Act No.06 of 2006 and act according to the instructions of FIU.

E. Business Continuity Planning

1. LCPL and SLIPS participants shall have well defined business continuity plans for SLIP System operations endorsed by the respective Board of Directors to ensure a very high level of system availability which is required for a system-wide important payment system.
2. LCPL and SLIPS participants shall have fully equipped disaster recovery sites and well trained disaster management and business recovery teams for SLIP System to resume business operations immediately after a disruption, to continue and complete the ongoing SLIPS operations.
3. LCPL shall have a skilled and trained backup staff in respect of core functionalities of the SLIPS to be deployed in contingency situations, including labour disputes in order to ensure carrying out SLIPS operations without any interruption.
4. If LCPL experiences any technical or operational problem that prevents from performing its functions in the SLIPS, such problem shall be conveyed to the CBSL within 15 minutes of becoming aware of the problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform the CBSL and commence SLIPS operations at DRS and submit the SLIPS multilateral net settlement batch file to the CBSL. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform the CBSL immediately and shall use alternative methods to derive the SLIPS multilateral net settlement for the time period from the last statement cycle to the time of the failure of the system and shall make available the same to the CBSL.
5. SLIPS participants shall be responsible for making regular backups of its databases and all its information and data relating to SLIPS and for establishing and maintaining data redundancy and recovery procedures in the event of system failure or data corruption or loss, in order to meet cut-off times.

F. Confidentiality of the SLIPS data and records

1. SLIPS participants shall maintain confidentiality in respect of all SLIPS records, including information relating to transactions, accounts and any instructions issued to SLIPS participants and shall ensure that its officers, employees, agents and/or any person employed in any capacity, at all times maintain confidentiality in accordance with this direction and applicable laws.
2. LCPL and all SLIPS participants shall subject themselves jointly and severally to the control, supervision, regulation and oversight of the CBSL in the exercise of any or all its functions and powers from time to time vested by law or otherwise, on the operations of SLIPS and shall comply with all orders and directions of the CBSL thereto.
3. In furtherance of and without prejudice to the foregoing, the CBSL may from time to time and at any time require LCPL and SLIPS participants to provide such information in respect of SLIP system, and LCPL and SLIPS participants shall be bound to provide such information to the CBSL.
4. All reports and information from LCPL and SLIPS participants to the CBSL in respect of SLIPS pursuant to the provisions of this direction shall be deemed to be accurate and complete.

G. Dispute Resolution

1. LCPL and SLIPS participants shall make every endeavor to resolve any dispute arising between the LCPL and the SLIPS participants and/or between SLIPS participants in relation to operations of the SLIPS, through mutual discussions, negotiations or mediation.
2. Dispute resolution by way of arbitration or litigation before a Court of Law shall be resort to only if such mutual discussions, negotiations or mediation have failed to resolve the dispute in question.

3. The procedure for such mutual discussions, negotiations or mediation and arbitration shall be laid down clearly and comprehensively in the SLIP System Rules.

H. Offences

Any person who fails to comply with this direction or any directive, instruction or rule made hereunder shall be guilty of an offence under the Payment and Settlement Systems Act No. 28 of 2005.