

Circular No. 35/01/005/0009/01

Domestic Operations Department
28th August 2003

To: All Commercial Banks and Primary Dealers

The Central Bank cheque book facility granted to commercial banks and primary dealers to effect their transactions against the settlement accounts maintained with the Central Bank will be withdrawn with the implementation of the Real Time Gross Settlement (RTGS) System with effect from 8th September, 2003. Commercial Banks and primary dealers will be allowed to use Central Bank cheques only when the Central Bank declares an 'emergency/contingency' event due to an incident that interrupts or has the potential to interrupt the operations of the RTGS System for a prolonged period.

From 8th September, 2003, all payments which were hitherto effected by way of Central Bank cheques should be effected on the RTGS System. Commercial Banks and primary dealers have already been issued with the System Rules that will be applicable upon the establishment of LankaSettle. Banks and primary dealers should comply with the rules contained therein relating to the RTGS in participating in the RTGS System and should comply with the procedures relating to the payment instructions contained in such Rules.

Accordingly, commercial banks and primary dealers are instructed,

- (i) not to use Central Bank cheques on or after 8 September, 2003 for any transactions except in an emergency/contingency event declared by the Central Bank.
- (ii) to retain one cheque book to be used in an emergency/contingency event and return the balance, if any, along with a list of such cheque books to the undersigned on or before 8th September, 2003; and
- (iii) to issue payment instructions in respect of their settlement accounts in accordance with procedures laid down in LankaSettle Rules issued to the commercial banks and primary dealers on 21st August, 2003.

D.S.Wijesinghe
Director