

Ref:34/01/001/0008/004

General Direction No.01/2006

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(g) of the Payment and Settlement Systems Act No. 28 of 2005.

Dr Ranee Jayamaha
Deputy Governor
Central Bank of Sri Lanka

Colombo
May 10, 2006

GENERAL DIRECTION

This direction is issued in terms of section 44(g) 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 in respect of Cheque Imaging and Truncation System No. 01/2006 and shall apply to LankaClear (Pvt) Ltd. and the participants of the Cheque Imaging and Truncation System, and shall come into operation on May 11, 2006, immediately upon the enactment of the Payment and Settlement Systems Act. This Direction is in addition to and not in derogation of any other written law, and rules, regulations, terms and conditions to which LankaClear (Pvt) Ltd. and participants are subject to and/or may be subjected 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

In exercising the powers conferred under Section 112B of the Monetary Law Act (Chapter 422), in 2002, the Central Bank of Sri Lanka (CBSL) authorized LankaClear (Pvt) Ltd (LankaClear), a company incorporated under Companies Act No. 17 of 1982 to provide clearing facilities under Section 98(1) of the Monetary Law Act to commercial banks operating in Sri Lanka, subject to the conditions as CBSL may from time to time impose. The Cheque Imaging and Truncation (CITS) System will be launched on May 11, 2006 and will be operated by LankaClear to provide image based cheque clearing facilities.

Under the CITS System, image of the physical cheque is captured and will be converted to a digital form. Such captured images will be presented to the Main Processing Centre of LankaClear for clearing of images and electronic information. Accordingly, the physical movement of the cheque will be truncated at the source itself which is either the Regional Centre or the presenting bank which may or may not be directly linked to the CITS. The bank-wise sorted and cleared images and electronic information will be presented to the paying bank.

(1) **Definitions**

- 1.1 **“Articles”** shall mean cheques, pay orders, managers’ cheques and demand drafts complying with specifications and standards as laid down by LankaClear, and drawn on banks in Sri Lanka and payable in Sri Lanka rupees and any other such instrument as the Central Bank of Sri Lanka (CBSL) may prescribe; and Image Return Documents or Cheque Return Notifications which are presented.
- 1.2 **“Balancing”** shall mean the matching of the total of the values of all individual items in a batch of CITS Items against the aggregated values in header (known as Batch Ticket) of that batch of CITS Items.
- 1.3 **“Bank”** shall mean
 - (i) a company or body corporate licensed under the Banking Act No. 30 of 1988 to carry on banking business in Sri Lanka; and
 - (ii) the Central Bank of Sri Lanka in the capacity of a CITS participant.
- 1.4 **“Business Day”** shall mean a day on which banks are open for business in Sri Lanka.
- 1.5 **“CITS Clearing”** shall mean the process of receiving, bank-wise sorting and exchanging of CITS Image Items among CITS participants, balancing of the amounts expressed in articles thus exchanged and consequently deriving the net balances.
- 1.6 **“CITS”** shall mean ‘Cheque Imaging and Truncation System’ which includes LankaClear systems, processes and procedures for the electronic clearing and archiving of CITS Items and non clearing items, if any.
- 1.7 **“CITS Data File”** shall mean an electronic file containing CITS Data Items.
- 1.8 **“CITS Data Item”** shall mean a CITS Item in text and/or non-image data format, which may include MICR, payee information, amount payable, unique identification codes, Presenting Bank particulars, and other information and data derived from Articles, and complying with such data format and content requirements, specifications and other requirements issued by LankaClear and amended by LankaClear from time to time.
- 1.9 **“CITS File”** shall mean a CITS Data File or CITS Image File or both, and may include an Inward CITS File, an Outward CITS File, an Inward Return CITS File and/or an Outward Return CITS File.
- 1.10 **“CITS Image File”** shall mean an electronic file containing CITS Image Items.
- 1.11 **“CITS Image Items”** shall mean CITS Items in image format, including electronic images of Articles, and complying with such format, content and image quality requirements, specifications and other requirements specified by LankaClear from time to time.
- 1.12 **“CITS Items”** shall mean MICR code line, unique identification codes and other information and data derived from Articles, and electronic images of Articles, all of which are captured and/or generated by CITS participants and/or

LankaClear Regional Centres on behalf of CITS participants and shall comprise as appropriate Inward CITS Items, Outward CITS Items, Inward Return CITS Items and/or Outward Return CITS Items.

- 1.13 **“CITS System”** shall mean systems operated and maintained by LankaClear for CITS including without any limitation, receiving, processing, clearing and archival of CITS Items, and receipt, and for access by CITS participants through Regional Centres and/or through direct connectivity with CITS.
- 1.14 **“CITS Participant”** shall mean all licensed commercial banks operating in Sri Lanka; and the Central Bank of Sri Lanka in the capacity of a participating bank in the CITS System.
- 1.15 **“Computer Readable Record”** shall mean a computer readable magnetic tape, diskette or Compact Disk Read Only Memory (CD ROM) or other computer readable material in accordance with the LankaClear specifications as revised from time to time by LankaClear.
- 1.16 **“Cut-off Times”** shall mean times specified with respect to action to be undertaken or effected in relation to CITS as may be notified by CBSL to LankaClear; and by LankaClear to CITS participants from time to time.
- 1.17 **“Image Return Document” or “Cheque Return Notification”** shall mean the Image Return Document defined in the Section 34 (1) and (2) of the Part III of the Payment and Settlement Systems Act No. 28 of 2005.
- 1.18 **“Inward CITS File”** shall mean a CITS File generated by LankaClear through the CITS System for retrieval or collection by a Paying Bank containing Inward CITS Items in respect of such Paying Bank based on the Outward CITS Files.
- 1.19 **“Inward CITS Items”** shall mean CITS Items which have been generated by LankaClear through the CITS in respect of a Paying Bank based on the Outward CITS Files.
- 1.20 **“Inward Return CITS File”** shall mean a CITS File generated by LankaClear through the CITS System for retrieval or collection by a Presenting Bank containing Inward Return CITS Items in respect of such Presenting Bank, based on the Outward Return CITS Files.
- 1.21 **“Inward Return CITS Items”** shall mean Return CITS Items which have been generated by LankaClear through the CITS in respect of a Presenting Bank based on the Outward Return CITS Files.
- 1.22 **“LankaClear”** shall mean LankaClear (Pvt) Ltd incorporated under Companies Act No. 17 of 1982 and its network of Regional Centres.
- 1.23 **“CBSL”** shall mean the Central Bank of Sri Lanka as established under the Monetary Law Act (Chapter 422).

- 1.24 **“MICR”** shall mean the data known as “Magnetic Ink Character Recognition” data, encoded on Articles in accordance with the specifications and standards as laid down by LankaClear and as from time to time amended by LankaClear.
- 1.25 **“Non-Clearing Articles”** shall mean carrier envelopes, missing CITS Image Files of previously transmitted or provided CITS Data File, replacement CITS Image Files for previously transmitted or provided defective CITS Image Files and virus infected or any other Articles which are not cleared through CITS System and which have no bearing on the net settlement positions of CITS participants.
- 1.26 **“Non-Clearing Items”** shall mean unique identification codes and other information and data derived from Non-Clearing Articles, and electronic images of Non-Clearing Articles, all of which are captured by the Regional Centres/CITS and/or generated by a CITS participant.
- 1.27 **“Optional Services of CITS”** in respect of CITS participants, shall mean providing any services which are appropriate and useful for the efficient operation of CITS System by LankaClear in addition to the Standard Services of CITS.
- 1.28 **“Outward CITS File”** shall mean a CITS File generated by a Presenting Bank containing its Outward CITS Items, provided or transmitted to LankaClear through the CITS System for clearing.
- 1.29 **“Outward CITS Items”** shall mean CITS Items of an Outward CITS File generated by a Presenting Bank and provided or transmitted to LankaClear.
- 1.30 **“Outward Return CITS File”** shall mean a CITS File generated by a Paying Bank containing its Outward Return CITS Items, (Dishonoured Items) provided or transmitted to LankaClear through the CITS System for return.
- 1.31 **“Outward Return CITS Items”** shall mean Return CITS Items of an Outward Return CITS File generated by a Paying Bank.
- 1.32 **“Paying Bank”** in respect of a CITS Item shall mean a CITS participant to whom an Article is drawn.
- 1.33 **“Presenting Bank”** in respect of a CITS Item shall mean a CITS participant which presents or represents the Articles for clearing through the CITS System.
- 1.34 **“Regional Centres”** shall mean one or more Regional Centres setup and maintained by LankaClear for imaging of Articles in the CITS System at identified regional locations and electronically connected to the main processing centre of LankaClear.
- 1.35 **“Return CITS Items”** shall mean CITS Items that are submitted to LankaClear as returned CITS Items by Paying Banks due to any of the return reasons as specified by LankaClear from time to time.
- 1.36 **“Settlement Statement”**

- (i) Shall mean in relation to any Business Day, the statement setting out the CITS Settlement positions of CITS participants by way of a CITS file. The LankaClear should submit this file to CBSL before the cut off time.
- (ii) If requested by CBSL, a computer readable record in a format agreed between CBSL and LankaClear and such other aggregate statistical information that CBSL requires in respect of CITS Clearing.
- (iii) The settlement positions provided by LankaClear shall be prima facie evidence of the respective settlement positions of the relevant CITS participants.

1.37 **“Standard Services of CITS”** in respect of Presenting Banks shall mean:

- (i) receiving Outward CITS Files transmitted via a system or through a means specified by LankaClear or provided to LankaClear before the cut off times by each Presenting Bank;
- (ii) bank-wise sorting and clearing via the CITS, Outward CITS Items recorded on the Outward CITS Files;
- (iii) generating via the CITS System, an Inward Return CITS File in respect of each Presenting Bank based on the Outward Return CITS Files received from Paying Banks;
- (iv) making available its respective Inward Return CITS Items at LankaClear for retrieval by each Presenting Bank;
- (v) making available at LankaClear for retrieval by CITS participants, CITS reports showing their net clearing positions and other relevant reports as produced by LankaClear; and
- (vi) receiving CITS Items for archival and subsequent retrieval, in accordance with procedures and standards prescribed by LankaClear.

1.38 **“Standard Services of CITS System”** in respect of Paying Banks shall mean:

- (i) generating via the CITS System, an Inward CITS File in respect of each Paying Bank based on the Outward CITS Files received from Presenting Banks;
- (ii) making available its respective Inward CITS Items at LankaClear for retrieval by each paying bank;
- (iii) receiving Outward Return CITS Files submitted by each Paying Bank via a system or through a means specified by LankaClear or provided to LankaClear;
- (iv) bank-wise sorting and clearing, via the CITS, Outward Return CITS Items recorded on the Outward Return CITS Files; and
- (v) making available at LankaClear for retrieval by CITS participants, CITS reports showing their net clearing positions and other relevant reports as produced by LankaClear.

1.39 **“Value Date”** shall mean the next business date following the Business Day.

(2) **Electronic Presentment of Cheques**

- (a) A banker may present a cheque for payment from another banker on whom it is drawn by transmitting by electronic means, an image and the stipulated electronic payment information of the cheque instead of the cheque itself, but preserve the right for a banker on whom the cheque is drawn to demand that the cheque itself be presented instead.
- (b) For the purpose of electronic presentment of a cheque: the image of the cheque shall comprise the front view and the back view of the cheque; and electronic payment information of the cheque shall comprise the following:
 - (i) the serial number of the cheque;
 - (ii) the code which identifies the branch and bank on whom the cheque is drawn;
 - (iii) the account number of the drawer of the cheque;
 - (iv) the amount for which the cheque is drawn as entered by the drawer of the cheque; and
 - (v) any other matters as may time to time be prescribed by regulation.
- (c) LankaClear shall be the sole operator of CITS System. All CITS participants and LankaClear shall adhere to the specifications set out by LankaClear with the concurrence of CBSL, in respect of the cheque and image of the cheque to ensure image clarity and standards.
- (d) All CITS participants and LankaClear shall adhere to the agreements between them in respect of electronic presentment, including those in the form of rules, procedures or similar arrangements prescribed by LankaClear and may revise from time to time with the concurrence of CBSL.
- (e) CITS participants shall not engage in any arrangement or a system other than CITS System to transmit and or exchange images of Articles for clearing purposes.

(3) Responsibilities of LankaClear

LankaClear shall provide standard services and or optional services to CITS participants and shall be responsible for:

- (a) Operating CITS daily on business days, at its registered office and its Regional Centres announced with the concurrence of CBSL.
- (b) The installation, set-up, maintenance, operation, security and access control of the CITS, Regional Centres and any other systems necessary to establish and maintain connectivity between the CITS and the CITS Communication Network.
- (c) Setting out clear and comprehensive system rules, procedures and Cut-off Times, value dates to be followed by LankaClear and CITS participants of each mode of participation in the CITS System; and complying with such rules, procedures, Cut off times and value dates.
- (d) Ensuring that all CITS Items, CITS Files, Non-Clearing Items, receipts transmitted or provided by it are:
 - (i) accurate, complete, valid, current, and conformed to the data formats and specifications;

- (ii) complying with security measures to ensure secure and authenticated transmission; and
 - (iii) archived in accordance with the requirements and specifications.
- (e) Recommending, designating where necessary the security measures for the communication infrastructure of CITS System and to ensure secure and authenticated transmission of all CITS Files, CITS Items and any Non-Clearing items.
- (f) Ensuring that it completes the bank-wise sorting and clearing of Outward CITS Items recorded on the Outward CITS Files received from each Presenting Bank before the Cut-off Time on the value date.
- (g) Making available for retrieval Inward CITS Files and Inward Return CITS Files in respect of Inward CITS Items at LankaClear by the Paying Banks and Presenting Banks respectively before the Cut-off Time on the relevant value date.
- (h) Making available at LankaClear for retrieval the respective CITS clearing positions for CITS participants before the Cut-off Times.
- (i) Making available to CBSL the CITS Settlement Statement setting out net clearing position of each participant in the Main, Settlement and Adjustment clearings before the Cut-off Times set out by CBSL and such other aggregated statistical information that the CBSL may require in respect of CITS clearing and operations.
- (j) Setting up the procedures for rewinding a clearing and recasting the net clearing positions of CITS participants as may be directed by CBSL; fully complying with and taking all necessary actions as may be required to satisfy such procedure for rewinding and recasting; and making available to CBSL such recasted CITS Settlement Statement.
- (k) Entering and termination of agreements and contracts with any party relating to CITS System, archiving and destroying of CITS Articles, files or items with the concurrence of CBSL.
- (l) Observe and perform its duties, obligations and undertakings in respect of CITS Clearing in accordance with the standard of competence, skill and knowledge, and the standard of prudence, care and diligence.
- (m) Developing CITS System Rules and the operational procedure manual in association with CITS participants and with the concurrence of CBSL. Such rules and operational procedure manual of CITS System shall be laid down clearly and comprehensively. Rules and operational procedure manual issued by LankaClear shall govern the operations and administration of the CITS System and shall be binding between LankaClear and CITS participants. Such operational procedure manual shall not be revised, added to or revoked in whole or in part by LankaClear without the approval of the CBSL and shall not be in conflict or inconsistent with the relevant sections in the Payment and Settlement Systems Act No. 28 of 2005 and any other instructions, directions, terms and conditions imposed on LankaClear and CITS participants by CBSL from time to time. Essential areas to be covered in the operational procedure manual are:

- (i) Rules, procedures, roles, responsibilities, duties and functions of LankaClear and CITS participants under each mode of participation in CITS System;
- (ii) Powers of LankaClear to design, specify rules, procedures and cut-off times etc., change such rules, procedures and cut-off times with the concurrence of CBSL;
- (iii) Standards and specifications of clearing and or any non clearing Articles, items, images, security, replicated backups, software, hardware, communication links of the CITS System;
- (iv) Entering and termination of any contract entered into with any entity to discharge its obligations relating to CITS System, archiving, storing of CITS Articles, files and/or items;
- (v) Procedure for exclusion and reinstating of participants from/to CITS System as directed by CBSL;
- (vi) Standard and Optional Services provided in the CITS System;
- (vii) Procedures with regard to Main, Settlement and Adjustment clearings;
- (viii) Procedure in accepting or rejecting CITS files, CITS items and duplicate CITS files etc. in normal and exceptional circumstances;
- (ix) Procedure for ensuring confidentiality, particularly on information of customers of CITS participants, application software, security, documentation, specifications and any other areas coming under banking secrecy and the instances and procedure for disclosing of such information;
- (x) Responsibility of LankaClear as the operator of CITS System to provide information and reports to participants and CBSL and the procedure for providing such information and reports etc.;
- (xi) Liabilities of LankaClear and CITS participants, liability limits and any exception to such liabilities;
- (xii) Procedure for handling disputes and actions to be taken against a participant who has been in breach or non-observance of rules, regulations and procedures of CITS System;
- (xiii) Procedure for: archiving and storing of CITS files and CITS items by LankaClear and/or contracting with a depository service provider for archiving and storing of such Articles and Items; making available for retrieval or obtain such stored files and items by CITS participants; secure and duly destruction of such stored files and items after the expiry of the retention period; and extension of such retention period;
- (xiv) Procedure for preparing and printing an Image Return Document or a Cheque Return Notification with information, features, formats, technical and security specifications of LankaClear;
- (xv) Procedure for delivering Image Return Documents or Cheque Return Notifications to presenting banks and customers and presenting and representing of such Articles;
- (xvi) Procedure for cheque image returns with the list of representable and non representable return codes giving respective reasons agreed between CITS participants and LankaClear;
- (xvii) Procedure for handling bad images, encoding errors and scheduling errors;
- (xviii) Conditions for presentment and re-presentment including clearing cycle, maximum time period for re-presentment and maximum number of times permitted for re-presentment;

- (xix) Procedure for rewinding of a clearing and recasting of net clearing position of each CITS participant as may be directed by CBSL;
 - (xx) Procedure in handling physical cheque clearing;
 - (xxi) Procedures and arrangements to mitigate various risks in CITS System;
 - (xxii) Business Continuity Plan and the procedure for handling contingency events; and
 - (xxiii) Fees and charges on standard and optional services of CITS System.
- (n) Establishing and maintaining a Help Desk to assist participants when using the CITS System or any other matter arises there from and to address any service difficulties encountered. The Help Desk shall be available throughout the business day and Help Desk contact details must be given in the operational procedure manual.
- (o) Updating the operational procedure manual where any amendment/revision/addition is made and providing such updated manual on the request of CBSL or any CITS participant.
- (p) Conducting training, awareness and education programmes on CITS System on continuous basis to CITS participants and the general public.

(4) Business Continuity Planning

- (a) LankaClear and all CITS participants shall have well defined business continuity plans for CITS 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 clearing system, i.e. the recovery and resumption of critical functions of CITS System within the same business day. Business Continuity Plan (BCP) shall ensure that agreed service levels are met in the event that one or more components of the CITS fails. Moreover BCP shall envisage a widespread and prolonged disruption to their infrastructure and critical services. LankaClear and participants shall have equipped disaster recovery sites (DRS) and well trained disaster management and business recovery teams for CITS System. CITS System shall have adequate measures to replicate data which ensures that DRS is accessible to all required information to resume business operations immediately after a disruption, to continue and complete the ongoing clearing process within the same business day. BCP arrangements should be tested periodically and such testing schedules should be informed to CITS participants and CBSL.
- (b) LankaClear shall have a skilled and trained backup staff in respect of core functionalities of the CITS System to be deployed in contingency situations including labour disputes in order to ensure carrying out the clearing functions without any interruption.
- (c) If LankaClear experiences any technical or operational problem that prevents it from performing its functions in the CITS System, it must be conveyed to CBSL within 15 minutes of becoming aware of the problem. In the event of an unrecoverable failure at the principal site, LankaClear shall immediately inform it to CBSL and commence clearing operations at DRS and submit the Settlement Statement to CBSL on the same business day. In the event of a prolonged unrecoverable failure at both primary and DRS, LankaClear should inform CBSL

immediately and should use alternative methods of clearing and make available to CBSL the Settlement Statement.

- (d) Each CITS participant shall be responsible for making regular backups of its databases and all its information and data relating to CITS System, 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.

(5) Responsibilities of CITS Participants

Each CITS participant shall be responsible for:

- (a)
 - (i) use and issue only such Articles which meet the standards, requirements and specifications laid down by LankaClear;
 - (ii) use only Articles printed with MICR code line consisting of fields specified by LankaClear and as amended from time to time; and
 - (iii) adhere to technical, legal, administrative, security and other requirements specified by LankaClear.
- (b) Entering into such agreements specified by LankaClear and approved by CBSL for the proper and efficient operation of CITS System.
- (c) Ensuring and maintaining integrity, performance, security and proper functionality of any component or any system related to their role in the CITS System and all software, hardware, communication equipment, lines and connections, routers and other systems used in relation thereto.
- (d) Ensuring that all CITS Items, CITS Files, Non-Clearing Items, receipts transmitted or provided by it are: accurate, complete, valid, current, and conformed to the data format and specifications; and created, transmitted or provided and archived in accordance with the requirements and specifications, as spelt out by LankaClear and amended from time to time.
- (e) Following procedures prescribed by LankaClear in the operational procedure manual approved by CBSL and circulars issued from time to time by LankaClear. Each participant of CITS System is bound to abide by such operational procedure manual, terms and conditions and directions issued by CBSL for implementation, administration and enforcement of provisions of the Payment and Settlement Systems Act.
- (f) Complying with any instruction and security measures designated by LankaClear for the communication infrastructure of CITS System and to ensure, secure and authentic transmission of all CITS Files, CITS Items, Non-Clearing items.
- (g) Complying with applicable laws, instructions and procedures specified by LankaClear or any other direction issued by CBSL in relation to the return of Articles and or Image Return Document or Cheque Return Notification in respect of Return CITS Items.
- (h) Each CITS participant as a Presenting Bank shall be responsible for:
 - (i) verifying the apparent authenticity of an Article prior to the creation of a CITS Item in respect of such Article;

- (ii) ensuring that all CITS Items, CITS Files and Non-Clearing Items comply with such specifications, standards and authentication requirements set out by LankaClear;
 - (iii) generating an Image Return Document or Cheque Return Notification for each of its Inward Return CITS Items for return to its customer or other relevant party in respect of the relevant Articles, which Image Return Document or Cheque Return Notification shall comply with Section 7 of this direction and such specifications, standards and security features and other requirements as specified by the LankaClear;
 - (iv) returning the physical Article to its customer or other relevant party in respect of the relevant Article where the Article has such attributes as may be specified by LankaClear and provided always that the presenting bank shall have the option not to provide an Image Return Document or a Cheque Return Notification instead to return the physical article to its customer or other relevant party in respect of the Article;
 - (v) ensuring that Image Return Document or Cheque Return Notification which is presented satisfy all conditions for presentment specified by LankaClear prior to the creation of a CITS item in respect of such Image Return Document or Cheque Return Notification;
 - (vi) verifying the accuracy and correctness in relation to the relevant Articles of all its outward CITS items and ensuring that each outward CITS Item is transmitted in the form of both a CITS Data Item and a CITS image item that comply with the standards and the communication means specified by LankaClear where applicable;
 - (vii) adhere to standards, specifications, rules, communication means, procedures and other requirements specified by LankaClear in respect of sending Non-Clearing Articles or any other CITS Item to LankaClear;
 - (viii) ensure that the Outward CITS Files are transmitted or provided to LankaClear before the Cut-off Times on the Business Day;
 - (ix) ensure that all Outward CITS items within each and every Outward CITS File are Balanced; and
 - (x) ensure that the Inward Return CITS Files are retrieved from the CITS System before the Cut-off Time on the relevant Value Date.
- (i) Each CITS participant as a Paying Bank shall be responsible for:
- (i) ensuring that all Outward Return CITS Items and Outward Return CITS Files comply with specifications and other requirements specified by LankaClear;
 - (ii) ensuring that the Outward Return CITS Files are transmitted via the CITS System or provided to LankaClear before the Cut-off Time on the relevant Business Day; and
 - (iii) ensuring that the Inward CITS Files are retrieved or collected from LankaClear before the Cut-off Time on the Value Date.

(6) Image Return Document or Cheque Return Notification

- (a) CITS System requires a Presenting Bank to whom a cheque or an article was first presented by the holder, to issue to the holder an Image Return Document or a Cheque Return Notification where the cheque is dishonoured by non-payment by the Paying Bank, unless the Presenting Bank returns the physical cheque itself or the holder requests the return of the physical cheque itself. The Image Return Document or Cheque Return Notification may be presented for payment by the

holder to the Presenting Bank which issued that document as of that document was the cheque to which it relates. The Image Return Document or Cheque Return Notification will be deemed to be a cheque for the purpose of such payment.

- (b) For the purpose of Section 34(2) of Part III of the Payment and Settlement Systems Act, an Image Return Document or a Cheque Return Notification shall contain the following essential particulars:
 - (i) Presenting Bank's name;
 - (ii) image of the cheque which has been dishonoured;
 - (iii) essential electronic payment information of the cheque which has been dishonoured;
 - (iv) reasons for the dishonour;
 - (v) history of dishonour;
 - (vi) conditions for subsequent presentment specified by LankaClear including the period within which the presentment must be carried out; and
 - (vii) signature/signatures of a person/s who is/are authorized to issue the document on behalf of the Presenting Bank.
- (c) Image Return Document or Cheque Return Notification shall be generated by LankaClear or a Presenting Bank with direct connectivity to CITS System, strictly following LankaClear's instructions and standards prescribed, including standard size of the Image Return Document or Cheque Return Notification, security paper specifications, running serial number and signature/s of the authorized signatory/signatories of the Presenting Bank.

(7) Information on CITS System

For the purposes of CITS System:

- (a) LankaClear and all CITS participants shall subject themselves jointly and severally to the control, supervision, regulation and oversight of CBSL in the exercise of any or all its functions and powers from time to time vested by law or otherwise, on the operation of CITS and shall comply with all orders and directions of CBSL thereto.
- (b) In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LankaClear and CITS participants to provide such information in respect of CITS System.
- (c) All reports and information from LankaClear to CBSL in respect of CITS pursuant to the provisions of this direction shall be deemed to be accurate and correct.

(8) Offences

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