

**Circular No : RTGS/05/2005**

Payments and Settlements Department  
September 28, 2005

**Ref.No: 34/07/029/0001/001**

**To : All Participants of LankaSettle System**

**Imposing a Default Charge on Failure to Maintain Adequate Funds in  
RTGS Settlement Accounts for Settlement of Net Clearing Obligations  
of Licensed Commercial Banks**

Reference the announcement made by Central Bank at the Bank Managers' Meeting held on July 28, 2005 and letter dated August 17, 2005 sent to the Secretary General of Sri Lanka Banks Association (Guarantee) Ltd. (SLBA) requesting comments and observations of banks on the issue of imposing a default charge on banks for failure to maintain adequate funds in their RTGS Settlement Accounts for settling net clearing obligations at stipulated times as per the System Rules of LankaSettle System.

Having considered the response received from the SLBA, the Monetary Board of the Central Bank has approved of an amendment to the LankaSettle System Rules as per the announcement made at the above mentioned meeting.

Accordingly, you are hereby informed that Clause 8.3 of Volume 2 of LankaSettle System Rules issued in August, 2003 will be amended as per Annex I with effect from October 1, 2005.

**K.R.M. Siriwardhane**  
**Director, Payments and Settlements**

**Annex I**

**Amendment to Rule 8.3**  
**Settlement Batch Suspension or Failure Due to Insufficient Funds**

Participants must ensure that there are sufficient available funds in their Settlement Account to allow immediate processing of a Net Settlement Batch. In the event that any one or more Participants with a net debit clearing figure does not have sufficient funds in its Settlement Account to allow the debit to be made, the entire batch will be suspended. No debits or credits will be made in a Net Settlement Batch unless all Participants with a net debit clearing figure have sufficient funds to allow the debits to be made. Upon a Net Settlement Batch Instruction being entered into the System, the Central Bank shall have the right to earmark funds in a Participant's Settlement Account upto a Participant's net debit clearing figure and to withhold the processing of Instructions to debit such account until the Batch Settlement is effected.

However, it shall be the responsibility of each Participant to ensure that sufficient funds are available in its Settlement Account at the times stipulated in the Daily Operating Schedule for processing of a Net Settlement Batch until such settlement is effected. The non-availability of sufficient funds in the Settlement Account of a Participant with a net debit clearing figure to allow the debit to be made will render him liable to a default charge as follows :

Rs.100,000/= for the first hour or any part thereof ;  
Rs.200,000/= for the next hour or any part thereof ;  
An additional sum of Rs.500,000/= if the insufficiency of funds extends beyond two hours.

The default charge shall accrue from the time that the clearing batch is first submitted for settlement to the RTGS up to the time of settlement of the batch. However, if a defaulting Participant infuses sufficient funds to its Settlement Account to meet its failed payment obligations prior to the actual settlement and maintains such funds, in addition to meeting its other payment obligations as they become due on the RTGS, the default charge shall accrue only up to the time of the infusion of such funds to the Settlement Account.

The Central Bank may initiate a retry of a failed Net Settlement Batch at any time after the failure subject to other scheduled net settlement arrangements on the RTGS. This is done at the discretion of the Central Bank and it is not obligatory on the Central Bank to initiate a retry before the times indicated in the Daily Operating Schedule.

The default charge shall be debited from the Settlement Account on the next business day after the business day on which the default occurred and shall be credited to the Central Bank. Ten percent (10%) of each default charge so credited shall be deducted as an administrative charge by the Central Bank and the balance shall be available for utilization for training of bankers and shall be paid for such purpose upon an application being made by the Sri Lanka Banks' Association (Guarantee) Ltd. to the Central Bank in a prescribed manner.

If a participant defaults on more than one occasion during a period of one year, the Central Bank may, notwithstanding the fact that such a requirement has not been imposed on other participants, require such participant to maintain a stipulated minimum balance in its RTGS Settlement Account for the purpose of settling clearing balances at the stipulated times.

Each Participant must nominate a senior officer that the Central Bank may contact in the event that a Net Settlement Batch is suspended as a result of insufficient funds. Upon being so informed, a Participant must make immediate arrangements to fund its Settlement Account to enable the settlement to be completed. It is, however, not obligatory on the Central Bank to inform a Participant of insufficiency of funds and a Participant is fully responsible for ensuring the sufficiency of funds in its Settlement Account.

If a Net Settlement Batch is still suspended at close of business, all transactions in the batch will be rejected.

Any default charge imposed shall not be in substitution or derogation of, or preclude the exercise by the Central Bank or any Participant of, any right or claim which the Central Bank or the Participant has or is entitled to in any action, suit or proceeding in a court of law arising from the failure of any Participant to settle an obligation in a Net Settlement Batch.

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