

**General Direction No.01 of 2018 - Operations of the Common Electronic Fund  
Transfer Switch**

**Payment and Settlement Systems Act, No. 28 of 2005**

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.



C J P Siriwardana  
Deputy Governor  
Central Bank of Sri Lanka

Colombo  
25 July 2018

**General Direction No. 01 of 2018 - Operations of the Common Electronic Fund  
Transfer Switch**

This direction may be cited as the General Direction No. 01 of 2018 - Operations of the Common Electronic Fund Transfer Switch and shall replace the General Direction No. 02 of 2014 - Operations of the Common Electronic Fund Transfer Switch. This Direction shall apply to LankaClear (Pvt.) Ltd. (LCPL) and Members of the Common Electronic Fund Transfer Switch (CEFTS) and shall come into operation on 25 July 2018.

**2. Definitions**

In this Direction, unless the context otherwise requires:

- 2.1 “**Common Electronic Fund Transfer Switch**” or “**CEFTS**” means an electronic system operated by LCPL, which facilitates domestic interbank real-time fund transfers and shall include systems, processes, and procedures for switching and clearing of fund transfers between CEFTS members.
- 2.2 “**CEFTS Member**” means a Primary Member or a Secondary Member of CEFTS.
- 2.3 “**CEFTS System**” means systems and processes operated and maintained by LCPL for CEFTS including without any limitation, systems for dispatching, receiving, processing and archival of CEFTS data.
- 2.4 “**Clearing Cycle**” means the time period predefined by LCPL with the concurrence of Director, Payments and Settlements (D/PSD) of the Central Bank of Sri Lanka (CBSL) for netting of transactions for settlement.

- 2.5 **“Customer”** means any legal or natural person, who issues or directs a payment order and authorizes the CEFTS member to debit the respective account or tenders monetary value to the extent of the value of the payment order to the respective CEFTS member.
- 2.6 **“Operational Procedure Manual”** means the document prepared by LCPL containing the procedures laid down for the guidance of CEFTS Members as regards to the operations of CEFTS.
- 2.7 **“Primary Member”** means any licensed commercial bank which is a participant in the RTGS System and approved by the CBSL and LCPL to be a CEFTS Member.
- 2.8 **“RTGS System”** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.
- 2.9 **“Secondary Member”** means any legal entity approved by CBSL and LCPL to be a CEFTS Member and which has made arrangements with a Primary Member to settle net balances through the RTGS account of such Primary Member.
- 2.10 **“Member Agreement”** means an agreement entered into by a CEFTS Member with LCPL relating to CEFTS.

### **3. Responsibilities of LCPL and a CEFTS Member:**

- 3.1 Every CEFTS Member and LCPL shall enter into a Member Agreement relating to participation in and operations of CEFTS.
- 3.2 Every CEFTS Member and LCPL shall adhere to the arrangements between them in respect of operations of CEFTS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.3 Every CEFTS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.4 Every CEFTS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CEFTS transactions.

#### **4. Responsibilities of LCPL**

- 4.1** LCPL shall be the sole operator of CEFTS.
- 4.2** LCPL shall be responsible for;
  - 4.2.1** operating CEFTS on *around the clock* basis every day;
  - 4.2.2** granting Primary and Secondary Memberships in CEFTS to eligible entities with the approval of D/PSD;
  - 4.2.3** setting out clear and comprehensive System Rules with the approval of D/PSD of CBSL. The System Rules issued by LCPL shall stipulate, among other things, powers, rights, duties and obligations of LCPL and CEFTS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information. LCPL shall amend System Rules as and when necessary with the concurrence of D/PSD of CBSL;
  - 4.2.4** defining the specifications, standards, security features and audit compliances which are applicable to the operations of CEFTS;
  - 4.2.5** making available to CBSL, CEFTS multilateral net settlement batch files setting out the net position of every CEFTS Member on or before the cut-off times set out by CBSL;
  - 4.2.6** entering into agreements and contracts properly with any service provider relating to the operations of CEFTS;
  - 4.2.7** adopting a uniform fees and penalties structure which may be amended by LCPL from time to time subject to the clause 3.4 hereof;
- 4.3** LCPL shall comply with reporting requirements of CBSL in respect of the operations of CEFTS and related matters;
- 4.4** LCPL shall conduct training, awareness and education programmes on CEFTS, as and when necessary, to CEFTS Members and the general public.

#### **5. Responsibilities of CEFTS Members**

- 5.1** A CEFTS Member shall not engage in any national level interbank clearing and settlement system, other than the clearing systems operated by LCPL.
- 5.2** Every CEFTS Member shall;
  - 5.2.1** adhere to the System Rules of CEFTS set out by LCPL;

- 5.2.2 adhere to technical, administrative and other requirements for the smooth operations of CEFTS specified by LCPL from time to time;
- 5.2.3 establish a procedure and/or mechanism to acknowledge the completion or non completion of the transaction through CEFTS to the customer in real time;
- 5.2.4 ensure that adequate funds are available in its RTGS settlement account to settle CEFTS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL;
- 5.2.5 be responsible for making regular backups of databases relating to the operations of CEFTS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss at the primary site;
- 5.2.6 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
- 5.2.7 adhere to transaction limits specified by LCPL with the approval of CBSL with regard to CEFTS;
- 5.2.8 comply with reporting requirements of CBSL in respect of the operations of CEFTS and related matters;
- 5.2.9 report transactions effected through CEFTS to the Financial Intelligence Unit (FIU) of CBSL as per the regulations issued in terms of the Financial Transaction Reporting Act, No. 06 of 2006 and act according to the instructions of FIU.

## **6. Business Continuity Planning**

- 6.1 LCPL and CEFTS Members shall have a well defined business continuity plan for the operations of CEFTS approved by the respective Boards of Directors to ensure availability of CEFTS service at all times.
- 6.2 LCPL and CEFTS Members shall have a fully equipped Disaster Recovery Site (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have a skilled and trained backup staff in respect of core functionalities of CEFTS to be deployed in contingency situations in order to ensure carrying out operations without any interruption.

6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CEFTS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CEFTS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall adopt alternative methods to derive the CEFTS multilateral net settlement for the time period from the end of the last settled Clearing Cycle to the time of the failure of the system and shall make available the same to CBSL.

## 7. Confidentiality

LCPL and every CEFTS Member shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity maintain confidentiality, at all times.

## 8. General

8.1 In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and CEFTS Members to provide such information in respect of the operations of CEFTS and LCPL and CEFTS Members shall provide such information to CBSL.

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

8.3 Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed on the CEFTS Members by the Payment and Settlement Systems Act, No. 28 of 2005 or any rule, regulation, instruction, directive or order issued or given thereunder or any other written law.