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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

18 August 2008

**Circular No. SSSS/01/2008**

**To: All Participants of the LankaSettle System**

**Re: Amendment to the LankaSettle System Rules issued in August 2003**

**Introduction of Personal Computer Based Payment and Securities Settlement System (PC Based System)**

You are hereby informed that the Rule 2.1 in Volume 1 and Rule 4.8 in Volume 4 of LankaSettle System Rules (as amended) are amended as per Annex 1 with effect from 18 August 2008.

With this LankaSettle System Rules amendment, Central Bank of Sri Lanka (CBSL) introduces Personal Computer Based Payment and Securities Settlement System (PC Based System) as an alternative settlement system in the event of a prolonged, unrecoverable LankaSettle Application Event.

Participants shall comply with the instructions given in the Rule 4.8.1 of LankaSettle System Rules issued in August 2003 (as amended), when the CBSL declares a prolonged, unrecoverable LankaSettle Application Event.

(Mrs.) J P Mampitiya  
Director/Payments & Settlements

C J P Siriwardena  
Superintendent/Public Debt

A Kamalasiri  
Director/Domestic Operations

**Enclosed:** 1. Annex 1 - Amendment to the LankaSettle System Rules issued in August 2003  
2. CD 1 - CD containing the software required under sections 3.1.1 and 3.1.2 of the Attachment D to the Annex 1

## *Annex 1*

### **1). Amendment to Rule 2.1 in the Volume 1 of the LankaSettle System Rules issued in August 2003**

Following interpretations should be inserted in between the words “Participant” and “Person resident in Sri Lanka” to the Rule 2.1 in the Volume 1 of the LankaSettle System Rules issued.

“ “PC Based PSS” shall mean Personal Computer Based Payment Settlement System  
“PC Based SSS” shall mean Personal Computer Based Securities Settlement System  
“PC Based System” shall mean Personal Computer Based Payment and Securities Settlement System ”

### **2). Amendment to Rule 4.8 in the Volume 4 of the LankaSettle System Rules issued in August 2003**

Rule 4.8 in the Volume 4 of the LankaSettle System Rules is hereby deleted and substituted with the following amended Rule 4.8.

#### **“4.8 Other Contingency Events**

##### **4.8.1 LankaSettle Application Event**

In an event of a prolonged, unrecoverable RTGS and LankaSecure applications failure, the Central Bank will declare a LankaSettle Application Event. Such declaration will be communicated to all Participants, LankaClear (Pvt) Ltd., the Sri Lanka Banks’ Association (Guarantee) Ltd. and Primary Dealers’ Association by an available communication means (telephone, fax, SWIFT, Reuters etc.). All Participants shall take steps stipulated in **Attachment D** promptly, expeditiously and in such an event, within the cut off time stipulated in such a declaration.

In an event of a LankaSettle Application Event, the existing LankaSettle System (i.e. RTGS System, Scripless Securities Settlement System and the Scripless Securities Depository) would not be available for the Participants. As an alternative to the LankaSettle System a PC Based System which will be operated by the Central Bank, will be available for Participants to settle their transactions. The Central Bank has the right to

settle transactions on gross or net basis and will not make any partial settlements. If sufficient funds and/or securities are not available in Participants' Settlement Accounts and/or Securities Accounts, the respective transaction will be queued in the System until required funds and/or securities are received to complete the transaction. Any transaction remained pending due to non-availability of funds or securities will be cancelled from the System at the end of the particular business day.

The system will not be an on-line system, but off-line where participants submit the payment/securities instructions in CD form or in diskettes. The PC Based System will not accept any forward dated transaction to be settled in respect of any type of payment.

The PC Based System consists of two independent systems:

- (i) Personal Computer Based Payment Settlement System (PC Based PSS); and
- (ii) Personal Computer Based Securities Settlement System (PC Based SSS)

The Central Bank shall have the power to issue such other instructions/directions/circulars it may deem necessary in addition to the procedures stipulate in Attachment D.

#### **4.8.2 Other System Disabling Events**

Other system disabling events may arise, that must be dealt with on the case by case basis. In such circumstances, the Central Bank may take such measures as it considers necessary including:

- extend or shorten the LankaSettle operating days;
- suspend operations of the System; and
- suspend the operating procedures of the System under these System Rules.

The Central Bank will attempt to remain in the contact with Participants and provide instructions to restore operations.

The Central Bank will execute such emergency measures as are necessary to resume operations with minimum delay. Participants must cooperate with the Central Bank in the execution of these measures.”

## **Attachment D**

### **Operational Mechanism and Procedures to be followed in the event of a LankaSettle Application Event under Rule 4.8.1 of Volume 4**

#### **1. Balances of the Participants' Settlements Accounts in the RTGS System and Securities Settlement System**

If the Central Bank decides to move to the PC Based System at the beginning of a business day, the Central Bank will open the System with the previous business day's end of the day balances of the Participants' Settlement Accounts in the RTGS System and Securities Accounts in LankaSecure System. If the Central Bank decides to move to the PC Based System in the middle of a business day, the Central Bank will endeavour to use the latest available balances of the Participants' Settlements Accounts in the RTGS System and Securities Accounts in the LankaSecure System before the contingency event occurred. If the situation does not permit to do so, the Central Bank will open the System with the previous business day's end of the day balances of the Participants' Settlement Accounts in the RTGS System and the Securities Accounts in the LankaSecure System.

#### **2. Fund transfers in the PC Based PSS and Securities Transfers in PC Based SSS**

Inter participant fund transfers will be settled in the PC Based PSS and inter participant securities transfers will be settled in the PC Based SSS. The two systems are not interlinked to facilitate automated Delivery versus Payments (DvP) transactions relating to securities.

### **3. Procedure to be followed by participants with regard to PC Based PSS and PC Based SSS**

Both systems recognize transactions under two categories:

- (i) Inter participant transactions excluding transactions with the Central Bank;  
and
- (ii) Transactions with the Central Bank

#### **3.1 Inter Participant transactions excluding the transactions with the Central Bank**

Inter participant transactions excluding the transactions with the Central Bank are categorized into two:

- (i) Payments related transactions
- (ii) Securities related transactions

##### **3.1.1 Payment related transactions**

Each Participant shall forward details of its inter participant fund transfers relating to transactions effected during hours and/or days specified by the Central Bank in its declaration, to be debited to its Settlement Account in the PC Based PSS in diskette/CD form using Excel data file (ExcelData.xls) provided by the Central Bank along with the hard copy as per Attachment D.1, duly signed by two authorized officers, to the Director, Payments and Settlements Department (PSD) of the Central Bank before the cut off time declared by the Central Bank.

##### **3.1.2 Securities related transactions**

Each Participant shall forward details of its inter participant securities related transactions effected during hours and/or days specified by the Central Bank in its declaration, to be debited/credited to its Securities Account in the PC Based SSS to the Superintendent of Public Debt (SPD), Public Debt Department (PDD) of the Central Bank in diskette/CD form using Excel data file (SecurityTxnData.xls) provided by the Central Bank along with the hard copy as per Attachment D.2, duly signed by two authorized officers. All securities related transactions shall be Deliver Free (DvF) or Receive Free (RvF) type which involves only the movement of securities. The System does not facilitate Delivery Vs Payment (DvP) transactions. Accordingly, the details of the

payment relating to a purchase of securities shall be forwarded by the Participant that purchases the securities, to the PC Based PSS as explained under 3.1.1 above.

### **3.2 Transactions with the Central Bank**

**3.2.1 Open Market Operations (OMO)** – Participants are requested to deal first with the OMO Front Office of the Domestic Operations Department (DOD) of the Central Bank in respect of the following transactions with the Central Bank:

- Repurchase Transactions (Repo);
- Reverse Repurchase Transactions (Reverse Repo);
- Outright Sales; and
- Outright Purchases

Each Participant shall inform the details of its each deal over the phone to the OMO Front Office and fax the written confirmation using the relevant format given in Attachment D.3(a) or D.3(b) or D.3(c) to the OMO Front Office of the DOD within half an hour after entering into such a deal with the DOD. A payment leg relating to an OMO transaction will be settled in the PC Based PSS and the securities leg relating to that OMO transaction will be settled in the PC Based SSS, if sufficient funds and/or securities are available in the respective Participant's Settlement Account in the PC Based PSS and the Securities Account in the PC Based SSS, by debiting/crediting the respective Accounts.

Confirmation for each settled OMO transaction as per the relevant format given in the Attachment D.4(a) or D.4(b) will be issued by the PSD to the respective Participant.

### **3.2.2 Intra-day Liquidity Facility (ILF)**

Funds under the ILF will be provided to the Participants by the Central Bank. Participants shall inform the details of ILF requirements over the phone to the OMO Front Office of the DOD and shall fax the written confirmation as per the format in Attachment D.5 within half an hour to the OMO Front Office of the DOD after entering into such a deal.

Each Participant is also required to transfer securities to its ILF account in the PC Based SSS as explained under 3.1.2 above, once a deal is finalized. ILF will be granted at the official price announced by the Central Bank. Each Participant shall ensure that sufficient funds are available in its Settlement Account in the PC Based PSS in order to reverse the ILF transactions within the time specified by the Central Bank.

### **3.2.3 Cash Deposits/Withdrawals**

Each Participant has to deal directly with the Currency Department of the Central Bank and forward requests on cash deposits or withdrawals to/from its Settlement Account in the PC Based PSS at the Central Bank. Relevant entries regarding such cash deposits or withdrawals will be made by the Central Bank to the respective Participant's Settlement Account.

### **3.2.4 Settlements of Primary Issues of Government Scripless Securities (T bills and T bonds)**

Front Office of the PDD will conduct the auctions for government securities. On the settlement day, Back Office of the PDD will inform the successful bidders regarding net values due from each relevant primary dealer (PD). Accordingly, each PD who has purchased securities at the auction shall maintain sufficient funds in its Settlement Account and request relevant fund transfer as explained under 3.1.1 above, in the PC Based PSS, enabling the Central Bank to effect the payment in the PC Based PSS and transfer relevant securities in the PC Based SSS.

### **3.2.5 Maturity & Coupon Payments for Scripless Securities (T bills and T bonds)**

The Central Bank will effect maturity and coupon payments for Scripless Securities (T bills and T bonds) to each relevant Participant's Settlement Account in the PC Based PSS.

# Attachment D.1

Name of the Participant : .....

Date: .....

Director,  
Payment & Settlement Department,  
Central Bank of Sri Lanka,  
No.30, Janadhipathi Mawatha,  
P.O. Box 590, Colombo 01.

## PC Based Payment Settlement System (PC Based PSS)

**Inter Participant Payment Related Transactions (Excluding ILF, OMO and other transactions with the Central bank)**

Sender BIC .....		Value Date .....	Amount (LKR)
Settlement Order	Transaction Ref.	Receiver BIC	

We certify that the above data / information are correct.

.....  
Authorized Signature  
(Name of the Participant)

.....  
Authorized Signature  
(Name of the Participant)



## Attachment D.2

Name of the Participant : .....

Date: .....

Superintendent,  
Public Dept Department,  
Central Bank of Sri Lanka,  
No.30,Janadhipathi Mawatha,  
P.O. Box 590,Colombo 01.

### PC Based Securities Settlement System (PC Based SSS)

**Inter Participant Securities Related Transactions (Excluding ILF, OMO and other transactions with the Central bank)**

Submitter BIC .....			Value Date .....				
Settlement Order	Transaction Ref.	Delivering Participant's BIC	Receiving Participant's BIC	Source Sub Account	Destination Sub Account	ISIN	Quantity

We certify that the above data/information are correct.

.....  
Authorized Signature  
(Name of the Participant)

.....  
Authorized Signature  
(Name of the participant)

## Attachment D.3(a)

Name of the Participant : .....

Date: .....

Director,  
Domestic Operations Department,  
Central Bank of Sri Lanka.  
No.30, Janadhipathi Mawatha,  
P.O. Box 590, Colombo 01

### **Confirmation of Repo deal with the Central Bank on PC Based Payments and Securities Settlement System ( PC Based System )**

We hereby confirm the purchase of Government of Sri Lanka Treasury Bills from Central Bank of Sri Lanka under a Repurchase agreement as per the details given below.

- |                                   |   |
|-----------------------------------|---|
| 01). Value of the repo deal (Rs.) | - |
| 02). Date of sale                 | - |
| 03). Maturity date of the deal    | - |
| 04). Yield rate for Repo          | - |

.....  
Authorized signature  
(Name of the Participant)

.....  
Authorized signature  
(Name of the Participant)

\* Respective Participant should inquire from the Front Office of the Domestic Operations Department of the Central Bank in respect of rates and price of relevant Treasury Bill / Bond.

## Attachment D.3(b)

Name of the Participant : .....

Date: .....

Director,  
Domestic Operations Department,  
Central Bank of Sri Lanka.  
No.30,Janadhipathi Mawatha,  
P.O. Box 590,Colombo 01

### **Confirmation of Re-repo deal with the Central Bank on PC Based Payments and Securities Settlement System ( PC Based System )**

We hereby confirm the sale of Sri Lanka Treasury Bills to the Central Bank of Sri Lanka under a Repurchase agreement as per the details given below.

- 01). Value of the repo deal (Rs.) -
- 02). Date of sale -
- 03). Maturity date of the deal -
- 04). Yield Rate for Repo -
- 05). Treasury Bill/Bond ISIN No. (for repo)\*

ISIN No.

Yield

Price

.....  
Authorized signature  
(Name of the Participant)

.....  
Authorized signature  
(Name of the participant)

\* Respective Participant should inquire from the Front Office of the Domestic Operations Department of the Central Bank in respect of rates and price of relevant Treasury Bill/Bond.

## Attachment D.3(c)

Name of the Participant : .....

Date: .....

Director,  
Domestic Operations Department,  
Central Bank of Sri Lanka,  
No.30, Janadhipathi Mawatha,  
P.O. Box 590, Colombo 01

### **Confirmation of Outright Purchase /Sales deals with the Central Bank on PC Based Payments and Securities Settlement System (PC Based System)**

We hereby confirm the purchase /sale of Government of Sri Lanka Treasury Bills/Bonds from/ to Central Bank of Sri Lanka under a Repurchase/Re-repurchase Transactions as per the details given below.

- |   |   |
|---|---|
| 01). Value of the outright purchase/sale deal (Rs.) | - |
| 02). Date of sale/purchase                          | - |
| 03). Maturity date of the security                  | - |
| 04). Yield Rate (Repo/Re-repo)                      | - |
| 05). ISIN No. (for Purchases)                       | - |

.....  
Authorized signature  
(Name of the Participant)

.....  
Authorized signature  
(Name of the Participant)

\* Respective Participant should inquire the Front Office of the Domestic Operations Department of the Central Bank in respect of rates and price of relevant Treasury Bill/Bond.

## Attachment D.4(a)

OMO Settlements Division  
Payments & Settlements Department  
Central Bank of Sri Lanka  
No.30,Janadhipathi Mawatha  
P.O. Box 590,Colombo 01.

Date: .....

Name of the Participant : .....

### **Confirmation- Secondary Repo / Re-Repo For PC Based Payments and Securities Settlement System (PC Based System)**

We hereby confirm the sale/purchase of Government of Sri Lanka Treasury Bills to your institution under a Repurchase/Re-repurchase Transaction as per the details given below.

- |   |   |
|---|---|
| 01). Treasury Bill / Bond ISIN No.                                | - |
| 02). Maturity Date of Treasury Bill / Bond                        | - |
| 03). Face value of Treasury Bill / Bond sold/purchased (Rs. Mn.)- | - |
| 04). Date of sale / purchase                                      | - |
| 05). Repurchase Date ( Maturity Date )                            | - |
| 06). Rate of the Bill / Bond (yield), per annum                   | - |
| 07). Price of the Bill / Bond (Rs. Per 100/=)                     | - |
| 08).Repo / Re-repo Rate (yield), per annum                        | - |
| 09). Repo / Re-repo price (as per Rs. 100/=)                      | - |
| 10). Payable Value (Rs.)  | - |
| 11). Repayable Value (Rs.)  | - |

.....  
Head / OMO Settlements Division  
Payments & Settlements Department

## Attachment D.4(b)

OMO Settlements Division  
Payments & Settlements Department  
Central Bank of Sri Lanka  
No.30,Janadhipathi Mawatha  
P.O. Box 590,Colombo 01

Date: .....

Name of the Participant : .....

### **Confirmation- Secondary Purchases / Sales For PC Based Payments and Securities Settlement System (PC Based System)**

We hereby confirm the sale/purchase of Government of Sri Lanka Treasury Bills to your institution under a Repurchase/Re-repurchase Transaction as per the details given below.

- |   |   |
|---|---|
| 01). Treasury Bill ISIN No.                               | - |
| 02). Deal Date  | - |
| 03). Settlement Date                                      | - |
| 04). Maturity Date of Treasury Bill                       | - |
| 05). Face value of Treasury Bill sold/purchased (Rs. Mn.) | - |
| 06). Yield Rate   | - |

.....  
Head / OMO Settlements Division  
Payments & Settlements Department

## Attachment D.5

Name of the Participant: .....

Date: .....

Director,  
Domestic Operations Department  
Central Bank of Sri Lanka,  
No.30,Janadhipathi Mawatha,  
P.O. Box 590,Colombo 01

### **Confirmation of ILF deal with the Central Bank on PC Based Payments and Securities Settlement System (PC Based system)**

We hereby confirm the sale of Government of Sri Lanka Treasury Bills/Bonds to Central Bank of Sri Lanka under to obtain ILF as per the details given below.

- 01). Value of the deal (Rs.) -
- 02). Value date of ILF -
- 03). Value Time -
- 04). Maturity date of the deal -
- 05). Details of the Treasury Bills/Bonds (for Re-repo)\*

ISIN

Yield

Price

.....  
Authorized signature  
(Name of the Participant)

.....  
Authorized signature  
(Name of the Participant)

\* Respective Participant should inquire from the Front Office of the Domestic Operations Department of the Central Bank in respect of rates and price of relevant Treasury Bill/Bond.