

General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales 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.



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Colombo

28 February 2022

General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch

This Direction may be cited as the General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch and shall apply to Members of the Common Point-of-Sales Switch (CPS) and LankaClear (Pvt.) Ltd. (LCPL). CPS is an electronic system operated by LCPL that links Point-of-Sales (POS) switches of its members to facilitate switching and clearing of not-on-us POS transactions. This Direction shall replace the General Direction No. 02 of 2018 - Operations of the Common Point-of-Sales Switch and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 "CPS Member" means a Primary Member or a Secondary Member of CPS.
- 2.2 "Clearing Cycle" means the time period determined by Director, Payments and Settlements (D/PSD) of the Central Bank of Sri Lanka (CBSL) for netting of transactions for settlement.
- 2.3 "Not-on-Us POS Transaction" means a transaction originated at a CPS Member's POS terminal by a customer of another CPS Member.

- 2.4 **“Operational Procedure Manual”** means the document prepared by LCPL containing the procedures laid down for the guidance of CPS Members as regards to the operations of CPS.
- 2.5 **“Primary Member”** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by CBSL and LCPL to be a CPS Member.
- 2.6 **“RTGS System”** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.
- 2.7 **“Secondary Member”** means any legal entity approved by CBSL and LCPL to be a CPS Member and which has made arrangements with a Primary Member to settle net balances through the RTGS account of such Primary Member.
- 2.8 **“Member Agreement”** means an agreement entered into by a CPS Member with LCPL relating to CPS.

3. Responsibilities of LCPL and a CPS Member:

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

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CPS.
- 4.2 LCPL shall be responsible for;
- 4.2.1 operating CPS on *around the clock* basis every day;
 - 4.2.2 granting Primary and Secondary Membership in CPS to eligible entities with the approval of D/PSD of CBSL;

- 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, responsibilities of LCPL and CPS 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 approval of D/PSD of CBSL;
 - 4.2.4** making available to CBSL, CPS multilateral net settlement batch files for settlement of CPS transactions, on or before the cut-off times set out by CBSL; and
 - 4.2.5** adopting a uniform structure for fees and charges which may be amended by LCPL from time to time subject to the limits imposed by CBSL, if any, on fees chargeable in respect of CPS transactions.
- 4.3** LCPL shall comply with reporting requirements of CBSL in respect of the operations of CPS and related matters.

5. Responsibilities of CPS Members

- 5.1** Every CPS Member shall;
 - 5.1.1** adhere to the System Rules of CPS set out by LCPL;
 - 5.1.2** adhere to technical, administrative and other requirements for the smooth operations of CPS specified by LCPL from time to time;
 - 5.1.3** be responsible for making regular backups of databases relating to the operations of CPS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss at the primary site;
 - 5.1.4** reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
 - 5.1.5** comply with reporting requirements of CBSL in respect of the operations of CPS and related matters;
- 5.2** Every CPS Primary Member shall ensure that adequate funds are available in its RTGS settlement account to settle CPS multilateral net settlement batch

in the RTGS System at the cut-off times specified by CBSL. In the event a CPS Primary Member does not comply with this clause, CBSL may take action in accordance with the LankaSettle System Rules.

6. Business Continuity Planning

- 6.1** LCPL and CPS Members shall have well defined business continuity plans for the operations of CPS approved by the respective Boards of Directors to ensure availability of CPS service at all times.
- 6.2** LCPL and CPS Members shall have fully equipped Disaster Recovery Sites (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3** LCPL shall have skilled and trained backup staff in respect of core functionalities of CPS 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 CPS, 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 CPS 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 CPS multilateral net settlement amounts 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 CPS 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 CPS Members to provide such information in respect of the operations of CPS and LCPL and CPS 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 CPS 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 CPS 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.

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