



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: dcommunications@cbsl.lk, communications@cbsl.lk

Web: www.cbsl.gov.lk

Press Release

Issued By Financial Stability Studies Department

Date 23-06-2014

Financial System Stability Review – 2013

The Central Bank publishes the Financial System Stability Review (FSSR) annually, presenting information on financial system stability. The FSSR covers developments in the financial sector; policy measures that have been taken to mitigate potential risks to financial system stability; and possible implications of emerging trends in the domestic economy as well as the global economy. In addition, the FSSR covers several topical issues which merit in-depth study.

As highlighted in the FSSR 2013, Sri Lanka's financial system remains sound, and continues to support the expansion of domestic economic activity. The banking and finance company sectors have maintained their soundness at healthy levels. The insurance sector also maintained its solvency and liquidity at healthy levels. Financial markets meanwhile, have remained liquid. Going forward, the continued moderation of interest rates following the easing of monetary policy in 2013 as well as in early 2014 is expected to stimulate credit growth. The recovery in global economic activity would provide further stimulus to domestic economic activity, which is expected to pick up in 2014.

In response to the policy initiatives of the government to develop the domestic capital market, activity in relation to debentures increased in 2013. The development of the corporate bond market will add to the strength of the domestic economy. With respect to payment and settlement systems in the country, the Common ATM Switch (CAS), which is

the first phase of the Common Card and Payment Switch (CCAPS), started live operations in July 2013. While the CCAPS will provide a nation-wide common platform for electronic retail payment systems, the CAS will enable the utilization of the ATM network in the country more efficiently and effectively, thereby reducing the costs incurred by financial institutions in providing ATM facilities. Payment and settlement infrastructure in the country is expected to advance further towards an environment of digitalized transactions where electronic payment systems such as e-money, e-payments and mobile payments systems are made available to carry out a wider range of retail transactions. Meanwhile, consolidation in the financial sector would result in the emergence of stronger and more efficient financial institutions that are able to offer a wider array of financial services.

The Central Bank will continue to strengthen regulation of the financial institutions as well as the payment and settlement systems it overlooks. Strong regulation coupled with supervision focused on identifying potential risks and vulnerabilities will help enhance the ability of the domestic financial system to withstand potential shocks and ensure the continued provision of financial services such as lending, insurance and execution of payments, even in stress situations and during periods of structural adjustment.

The FSSR 2013 is on the Central Bank of Sri Lanka website: www.cbsl.gov.lk