



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

Department of Payments and Settlements

Date

15-08-2017

Views of the Central Bank of Sri Lanka on the National Payment Platform

In response to the news articles circulating on Total Pay and ICTA, the Central Bank of Sri Lanka (CBSL) wishes to clarify matters to the public and provide an accurate account of events which transpired regarding the National Payment Platform (NPP), in order to deliver a holistic understanding of the prevailing situation.

The CBSL requested for more information about the NPP when it was presented on 13.05.2016 at the Central Bank, and the request was made in order to gather details on system development, operation manuals, system security, compliance with system standards and the external system audit framework. This request was made in an attempt to gather further knowledge regarding the NPP, so that CBSL could make an informed decision on its feasibility. However, there has been no response regarding these concerns from ICTA, to date. Therefore, CBSL is not in a position to comment on the viability of the NPP in the absence of a response from ICTA, as the concerns raised have an impact on customer, transaction and information security.

We wish to explain that the NPP or any payment platform needs to be regulated as is done in other parts of the world, since they significantly impact the financial stability of a country. The regulator's role is important to ensure that the platform and associated systems contain the required security

measures to protect the interests of the public and to maintain the stability of the financial system as a whole.

It has been also stated in the press that the NPP is primarily a platform for messaging which may include a payment request. However, CBSL wishes to emphasize that services such as payment messaging, will also fall under the scope of a payment transaction, and therefore be subject to regulation by CBSL. Further, as the NPP constitutes an amalgamation of payments and settlement systems, it will inherently need to be under the regulation and supervision of CBSL.

The CBSL is committed to the further development of payment systems in the country. It has no intention of hindering the promotion of digitization of the economy. It is important to highlight that under the regulatory framework of CBSL, Sri Lanka was the first country in the region to implement Real Time Gross Settlement Systems (RTGS) in 2003 and is far ahead of other neighbouring nations. The following illustrate some of the other developmental contributions which have been made by CBSL during the recent past:

- 1) Year 2004 - LankaSecure – consists of Scripless Securities Settlement System (SSSS) and Scripless Securities Depository System (SSDS) to facilitate Government securities and Central Bank securities for settlement and the recording of ownership.
- 2) Year 2006 - Nationwide T + 1 Cheque Clearing - 1st in South Asia / 2nd in the World – This reduced the processing time of cheques from more than a week to one business day and currently 52 million cheques with a value in excess of LKR 10 trillion cheques are being cleared.
- 3) Year 2009 - Launch of 'LankaSign' - The Only Commercially Operating Certification Authority (CA) in Sri Lanka - currently all banks and non-banking financial institutions, Chamber of Commerce and Colombo Stock Exchange have obtained digital certificates.
- 4) Year 2010 - Nationwide Same Day Electronic Fund Transfer (SLIPS) - 1st in South Asia - currently more than 26 million interbank SLIPS transactions are processed a year with a value of over LKR 1.6 trillion.
- 5) Year 2013 - Launch of 'LankaPay' Common ATM Network - connects all banks and a few non-banking financial institutes and networks of nearly 4000 ATMs, which is 99.5% of all

ATMs in the country while more than 38 million transactions a year with a value of LKR 214 billion are processed.

- 6) Year 2014 - Launch of BankCSIRT (Computer Security Incident Response Team) later renamed as FinCSIRT in 2015 - 1st in South Asia - FinCSIRT functions under a steering committee headed by the Central Bank and has representation from SLCERT, SLBA, SLBA nominated Banks and LankaClear to ensure financial sector stability.
- 7) Year 2015 - Launch of Common Electronic Fund Transfer Switch (CEFTS) - Currently more than 1.7 million transactions are routed via CEFTS per year with a value of more than LKR 135 billion.
- 8) Year 2015 - Launch of Common POS Switch (CPS) - the system is currently ready and would go live by end of 2017 for banks to commence issuing cards with a lower cost structure in early 2018.
- 9) Year 2015 - Common Mobile Switch (CMobS) – While the switch is currently ready all banks and mobile operators are in the process of joining this service.
- 10) Year 2015 – Launch of USD Online – a system for banks to manage local interbank USD payments without having to go through a NOSTRO account to carry out transactions at a lower cost.
- 11) Year 2016 – Launch of JustPay – this will enable customers to make retail payments from their bank account by using smart mobile phones and other smart devices using the pull feature of CEFTS at special low tariff schemes. This will integrate all FinTech operators into the banking system.
- 12) Year 2016 – Launch of CITS Online mode - 1st in South Asia - Introduction of online transfer mode of CITS where banks can now transfer cheque images in real-time.
- 13) Year 2017 – Launch of Online Payment Platform - to facilitate online payments of Customs Declarations, which is expected to extend to other payments for government services.

14) Year 2017 – National Card Scheme – Partnership with JCB International to establish National Card Scheme to issue a new Debit card scheme.

The CBSL strives to develop digital payment systems while maintaining security standards and safeguarding public information and financial systems. Further, CBSL continuously monitors developments and strives to keep abreast of technological innovations. CBSL also wishes to educate those concerned, on the existence of the Monetary Law Act no. 58 of 1949 and the Payment and Settlement Systems Act, No. 28 of 2005, which adequately addresses the question of regulatory coverage of the NPP. In addition, as well known, laws are not changed on a daily basis to accommodate the frequently evolving technological advancements. However, they are designed to safeguard the interests of the public and encompass present and future technological advancements. For regulatory purposes, CBSL designs policies and implements them at the national level to facilitate the overall stability of the entire financial system by promoting safety, accuracy and efficiency of the payment system, and controlling the associated threats.

CBSL strongly believes that in order to implement a digital economy, it is important to encourage innovations. However, it is also important to adhere to the prevailing regulations in order to maintain and promote a secure, efficient and effective payment system environment for the long term sustainable development of the nation. Accordingly, the Central Bank will continue to maintain the integrity of the payment system to ensure the economic growth of the country through a stable financial system.