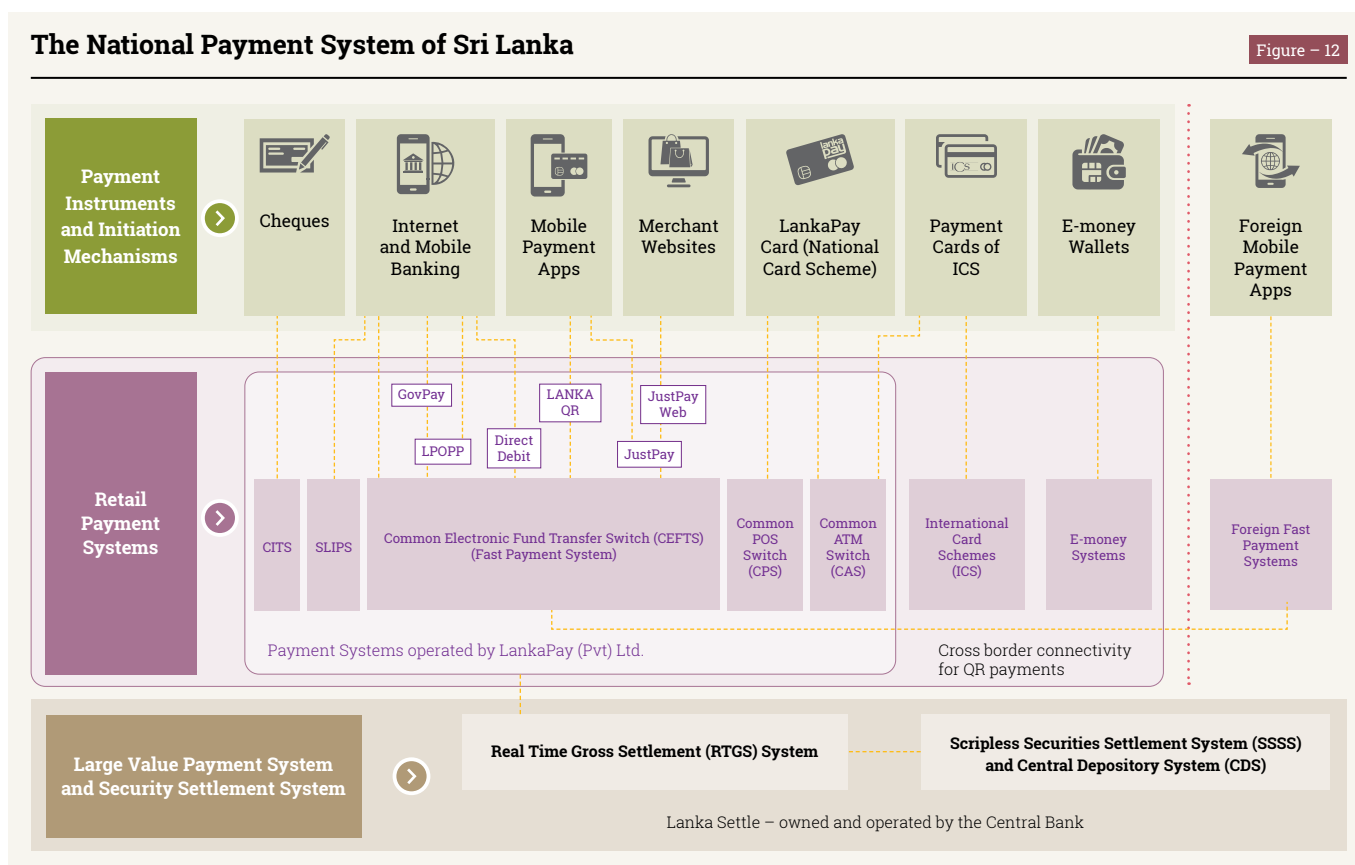


# Payments and Settlements

The national payment system of Sri Lanka is regulated by the Central Bank and comprises of a large value payment system, retail payment systems and payment services offered by Licensed Service Providers (LSPs). The large value payment system of the country is the Real Time Gross Settlement (RTGS) system owned and operated by the Central Bank. Retail payment systems primarily include Fast Payment Systems (FPS) and batch payment systems operated by LankaPay (Pvt) Ltd (operator of the national retail payment network), e-money systems operated by telecommunication service providers, and payment card networks operated by International Card Schemes (ICS). RTGS supports high-value interbank payments while retail payment systems support instant payments, enhancing accessibility, convenience and safety for individuals, businesses, and government entities.



## Regulation, Oversight, and Supervision of the Payment System

The Central Bank shapes the country's payment landscape by guiding its development through a regulatory framework and policy implementation as defined in the Payment and Settlement Systems Act, No. 28 of 2005.

The Central Bank is empowered to oversee the payment systems operating in the country to ensure their safety and efficiency while identifying and mitigating associated risks. In addition, the Central Bank licenses and supervises payment services provided by LSPs, which include payment card issuers, financial acquirers, and e-money system operators. Risk-based regulations are adopted to ensure safety and efficiency, while encouraging innovation and

industry development. Third party financial technology (Fintechs) services are guided by directions and guidelines for payment related mobile applications and card based electronic commerce transactions specifying requirements for Fintechs. The Credit Card Guidelines set out the requirements applicable to credit card issuers, with a particular focus on consumer protection aspects. To promote innovations in the financial sector, the Central Bank introduced

Role of the Bank > Payments and Settlements

regulatory sandbox framework in 2020. It provides controlled live environment for testing innovative fintech products, with temporary relaxations of applicable Central Bank directions, circulars, guidelines, and rules, while ensuring full compliance with Acts of Parliament and related regulations.

**Operations of the Large Value Payment System (RTGS System)**

The RTGS system operated by the Central Bank is a Systemically Important Payment System (SIPS). This facilitates real-time settlement of large-value payments among the participating institutions in a secure and irrevocable manner. Thus any failure of RTGS system may disrupt critical operations, threatening the stability of the financial system and the wider macroeconomy. Following the upgrade of the RTGS with a new system (LankaRTGS) in 2024, which brought the system in line with ISO 20022, the Central Bank continued to strengthen, its operational efficiency and risk management processes.

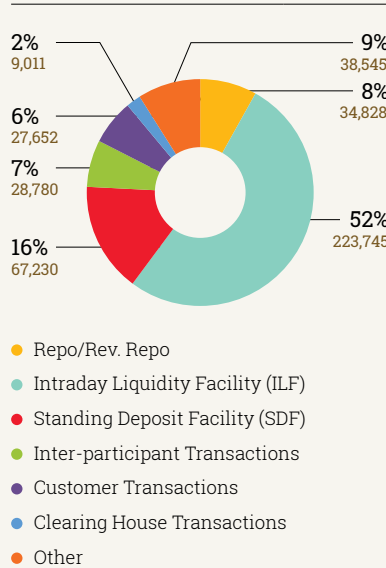
The participants of the RTGS system include the Central Bank, 24 Licensed Commercial Banks (LCBs), 1 Licensed Specialised Bank (LSB), 7 Authorised Primary Dealers (PDs), the Employees' Provident Fund (EPF), and the Central Depository System of the Colombo Stock Exchange.

The RTGS system supports the settlement of funds with respect to various types of transactions including, interbank call money transactions, government securities transactions, open market operations, the domestic leg of foreign exchange transactions, clearing house (LankaPay) net settlement of retail transactions, other inter-participant fund transfers and customer transactions. To ensure uninterrupted transaction settlement, the Central Bank provides collateralised

Intraday Liquidity Facility to RTGS System participants with government securities serving as eligible collateral.

**Value and Types of Transactions Settled in the RTGS System in 2025 (Rs. Bn.)**

Graph - 02



In 2025, the RTGS system processed 597,859 transactions representing a value of nearly Rs. 430 Tn.

**Operations of Retail Payment Systems**

Digital payments adoption by the public has continued to grow, driven by the safe, reliable, and efficient operation of the country's retail payment systems.

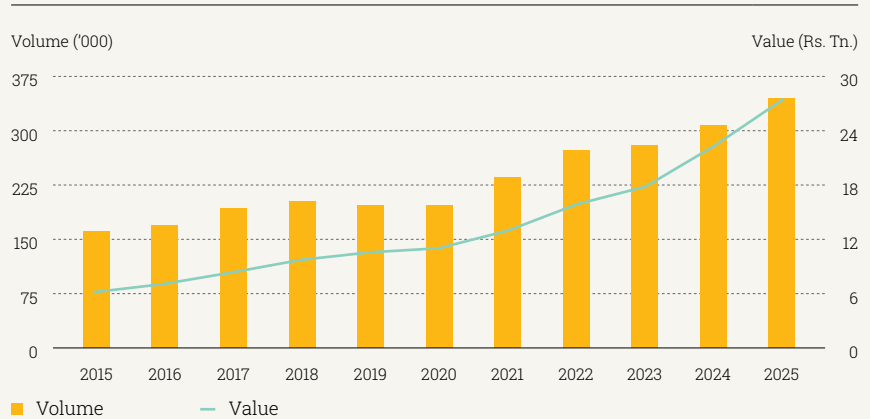
The major retail payment systems operated by LankaPay include the Common Electronic Fund Transfer Switch (CEFTS), the Fast Payment System, Common ATM Switch (CAS), Common Point-of-Sale Switch (CPS), Sri Lanka Interbank Payment System (SLIPS) and the Cheque Imaging and Truncation System (CITS).

The FPS enables customers to conduct real-time online fund transfers through payment channels such as internet banking, mobile banking, ATMs, Kiosks and over the counter in financial institutions. LANKAQR, LankaPay Online Payment Platform (LPOPP), JustPay, GovPay and Direct Debit are operating on the FPS infrastructure.

The FPS has shown a growth of 34.1% in value during 2025 compared to the previous year with a total transaction value of Rs. 23.13 Tn. This indicates a high level of adoption of the FPS based payment channels for retail payments.

**Growth of Customer Transactions in RTGS System: 2015 - 2025**

Graph - 03



## Role of the Bank > Payments and Settlements

The LANKAQR mechanism is used by merchants as the National Quick Response(QR) code standard to accept digital payments from customers who are using supporting mobile payment applications.

LPOPP facilitates online real-time payments to government institutions such as Sri Lanka Customs, Inland Revenue Department, Sri Lanka Ports Authority, Employees' Provident Fund

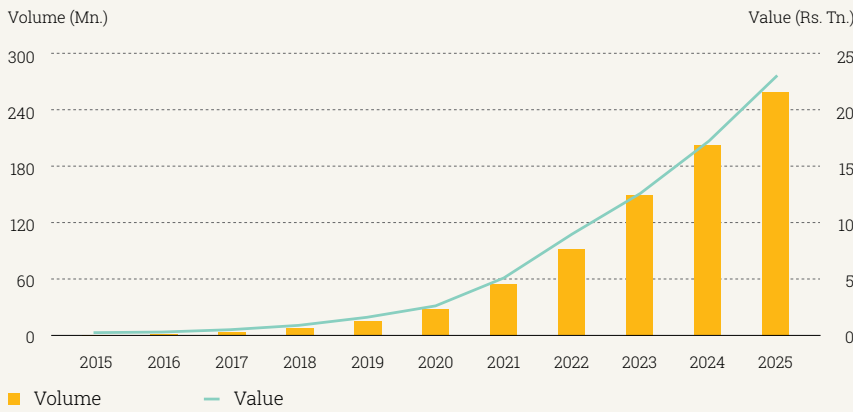
and allows customers of member financial institutions to transfer money instantly from their current or savings account to a government institution conveniently and securely.

In 2025, the LPOPP processed payments with a total transaction value of Rs. 3.40 Tn., representing a growth exceeding 90% compared to 2024.

GovPay was launched in February 2025 and enables government institutions, which do not have their own IT systems to accept instant digital payments from the public, for the services they provide. This mechanism further expands the coverage of government institutions accepting digital payments, while improving their efficiency and accessibility to the public. As of December 2025, 254 institutions have been onboarded to GovPay, and the aggregate value of transactions processed through the platform in 2025 amounted to Rs. 2.27 Bn.

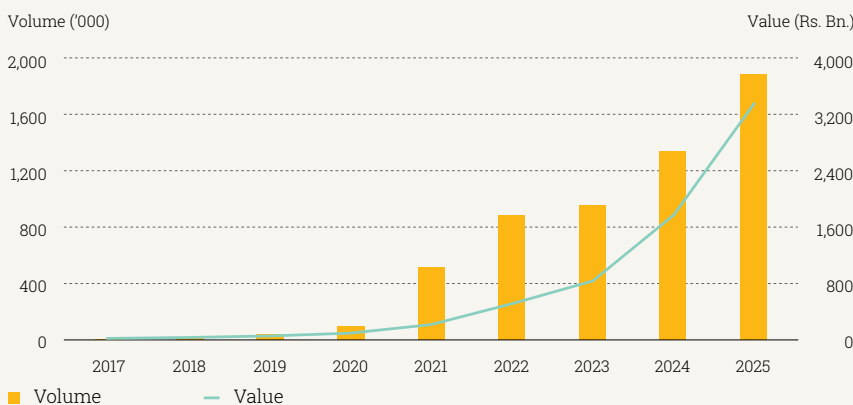
**Growth of Fast Payments: 2015 – 2025**

Graph – 04



**Growth of Payments to Government Institutions Through LPOPP: 2017 – 2025**

Graph – 05



### Operations of the SWIFT System

The Central Bank uses SWIFT financial communication network for transmitting and receiving both cross border and domestic payment messages. In line with global standards and international implementation timelines, the Central Bank successfully completed the migration of all SWIFT-based systems to the ISO 20022 messaging standard by 22 November 2025. This transition reinforces Sri Lanka's payment infrastructure, ensuring continued compliance with international best practices and enhances the efficiency and security of financial messaging.

### Operations of the Asian Clearing Union

As a member of the Asian Clearing Union (ACU), the Central Bank continued fulfilling its role in 2025 within this multilateral settlement system.

ACU enables participating central banks to settle intra-regional payments on a net basis, reducing the use of foreign exchange reserves and transfer costs, while promoting trade and banking relations among its members: Bangladesh, Belarus, Bhutan, Iran, India, Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka.

## Role of the Bank > Payments and Settlements



### 2025 Highlights

- Implemented policy measures to promote digital payments, enhancing inclusiveness, efficiency, and safety. This included lowering transaction fees of LPOPP and CEFTS, mandating a maximum per transaction fee for GovPay and raising the SLIPS per-transaction limit from Rs. 5 Mn. to Rs. 10 Mn. for bulk retail payments.
- Directed Mobile Payment Application Providers (MPAPs) to verify that the mobile number of the devices on which the payment application is installed matches the mobile number registered with the customer's bank account, reducing scams and frauds in digital payment systems.
- Approved LankaPay to link with AliPay+ for the acceptance of LANKAQR transactions made by tourists through AliPay+ enabled mobile applications at LANKAQR merchants, boosting cross-border compatibility and strengthening the national payment infrastructure.
- Revised the FinTech Regulatory Sandbox framework by relaxing the qualifying conditions to provide greater accessibility for FinTech firms.
- Developed the National Payment System Roadmap 2026–2027 in collaboration with the members of the National Payments Council, to provide strategic guidance to transform Sri Lanka into a less-cash economy and to enable the financial well-being of people through the development of a secure, efficient, inclusive, and globally connected payment system.
- Conducted targeted digital payments promotion campaigns in Hambantota, Nuwara Eliya, Dambulla, and at the Central Bank premises to increase awareness among the general public.

### Regulation and Supervision of Money or Value Transfer Services

The Central Bank commenced regulating and supervising Money or Value Transfer Service (MVTS) providers in Sri Lanka, under the Payment and Settlement Systems Act No. 28 of 2005 through the Money or Value Transfer Service Providers Regulations No. 1 of 2024 (MVTS Regulations).

This regulation mandates all MVTS providers to register with the Central Bank, allowing unregistered providers to formalise their operations and provide a safe and efficient service to customers under a regulated environment.

Amendments to the MVTS Regulations were issued with effect from 31 December 2025 as Money or Value Transfer Service (MVTS) Providers Regulations No. 01 of 2025, requiring overseas money transfer service providers to register under the regulatory and supervisory framework of the MVTS Regulations.

### Settlement of Forex, Gold and Foreign Securities

The Central Bank performs international operations related to foreign exchange, gold and foreign securities, as empowered by the Central Bank of Sri Lanka Act, No. 16 of 2023 to conduct foreign exchange operations. As part of this activity, the Central Bank manages the settlement and reconciliation of all transactions which are related to the foreign reserve management and domestic foreign exchange operations of the Central Bank, promptly and accurately, upholding the safety and efficiency of the settlement process.

In addition, the Central Bank also handles the opening and closing of Nostro and custodian accounts and addresses policy matters pertaining to their maintenance and management, specifically for the purpose of foreign reserve management.

### Maintenance of LankaSecure System and Its Services

The LankaSecure System, which comprises the Central Depository System (CDS) and the Scripless Securities Settlement System (SSSS), operated with 100% availability throughout 2025. The CDS records ownership of scripless government securities, while the SSSS facilitates the settlement of transactions relating to such securities.

During the year, LankaSecure has facilitated 649,629 number of transactions, including primary issuances, secondary market trades (outright, repurchase and pledge transactions), Open Market Operations, the Intra-Day Liquidity Facility, and other related transactions.

Periodic electronic statements of security holdings, transactions, interest and maturity payments were issued to CDS account holders during the year. In addition, real-time notifications for every debit and credit transaction involving securities were provided via SMS and/or email alerts to CDS account holders who have registered for such facilities.

Furthermore, registered CDS account holders are able to view their securities account details online through the LankaSecureNet facility. Facilities were also provided to obtain statements of outstanding securities balances for specific purposes such as annual or periodic audits, visa applications, and regulatory submissions, among other services introduced to further enhance the safety and transparency of government securities investments.

## Role of the Bank > Payments and Settlements

# The Evolution of the Payment and Settlement Systems



The evolution of Sri Lanka's payment and settlement systems reflects a continuous journey of modernisation and innovation. The Central Bank has proactively steered the development of the national payment system from manual, paper-based processes into a fast, interoperable and internationally connected digital ecosystem that enables safe and efficient payment mechanisms, built on a foundation of stability, and inclusion which continues to support the evolving needs of the economy through innovation.

### Building the Foundation: From Cheque Clearing to Instant Payments

The establishment of Central Bank marked a turning point in formalising interbank payments. Assuming its role as the banker to banks, the Central Bank commenced the operation of cheque clearing for commercial banks.

### Establishment of Sri Lanka Automated Clearing House

With the increasing volume of cheques presented for daily clearing, it became necessary to automate the process. Accordingly, the Sri Lanka Automated Clearing House (SLACH) was established in 1988, which significantly reduced the time required to clear cheques.

### Introduction of Sri Lanka Interbank Payment System

The Sri Lanka Interbank Payment System (SLIPS) was introduced in 1993 to facilitate electronic fund transfers between banks, enabling payments from one account to another or to multiple accounts without the use of paper instruments such as cheques or pay orders, marking a new era of electronic payments among banks.

SLIPS was upgraded in 2010 to an online interbank payment platform, enabling same day receipt of funds for retail electronic transfers and significantly improving the speed, efficiency, and reliability of low value payment processing.

### Modernisation of the Payment Systems Infrastructure

In 2002, Central Bank embarked on a holistic modernisation of the national payment system, supported by legal and institutional reforms to promote financial market development and innovation.

### Strategic Divestment in Clearing Operations – Establishment of LankaClear

Under the modernisation program, Central Bank divested its clearing operations to LankaClear (Pvt) Ltd (currently renamed as LankaPay (Pvt) Ltd (LPPL)), an entity jointly owned by Central Bank and licensed commercial banks in Sri Lanka.

The governance model of LPPL facilitated the rapid advancement in the retail payment space in Sri Lanka. Key achievements included the launch of Cheque Imaging and Truncation System (CITS) in 2006 which enabled the island-wide receipt of funds on the following business day for cheques presented for clearing.

## Role of the Bank > Payments and Settlements

### Launch of the Real-Time Gross Settlement (RTGS) System

Launch of the RTGS System in 2003, which made Sri Lanka the first South Asian country to adopt real-time settlement of high-value and time-critical payments was one of the key milestones in advancing the national payment system. Upgraded to the ISO 20022 messaging standard in 2024, the RTGS System remains the backbone of the financial system of the country, settling transactions exceeding Rs. 400 Tn. in 2025, with a daily average of Rs. 1.8 Tn.

### Strengthening of the Legal and Regulatory Framework

The Payment and Settlement Systems Act, No. 28 of 2005 (PSSA) further strengthened Central Bank's role as the regulator and the overseer of payment systems, while ensuring safety and promoting innovation.

### Establishment of National Payment Council

The National Payments Council (NPC) was established in 2006 to guide the strategic direction of the payment industry as a consultative body comprising public authorities and financial market participants.

### Introduction of an Interoperable Payment Infrastructure

#### Common Card and Payment Switch

The launch of the Common Card and Payment Switch (CCAPS) in 2013 accelerated digital adoption and payment service innovation in the country. The CCAPS connected banks to interoperable payment systems, creating a new era of interoperable instant payments in Sri Lanka. Under CCAPS, the Common ATM Switch (CAS) which was launched in 2013, enabled the public to withdraw cash from any ATM in the country while the Common Electronic Fund Transfer Switch (CEFTS) which was launched in 2015, enabled the public to perform fund transfers to customers of any financial institution in the country, removing the need for customers having to visit their own banks to access such payment services.

### LankaPay National Card Scheme

Furthermore, the LankaPay National Card Scheme, introduced in 2018, facilitated the issuance of payment cards, where local transactions are routed through the local Common POS Switch (CPS), while international transactions are routed via a co-branded international card network.

### Instant Payment System

Sri Lanka's Instant Payment System, CEFTS, is a landmark development that ushered in a new era for digital payments in Sri Lanka, forming the foundation for innovative and inclusive digital payments for the public.

### CEFTS Enabled Innovations: LANKAQR, JustPay, LPOPP, and GovPay

The interoperable and versatile architecture of CEFTS enabled the introduction of multiple features that propelled the creation of new digital payment instruments and fund transfer methods enabling account-to-account instant payments. LANKAQR (2018) for interoperable Quick Response (QR) code payments, JustPay (2019) for linking customer's bank accounts to any mobile payment app, and JustPay Web (2024) for e-commerce transactions using their bank accounts, are key innovations built on the CEFTS infrastructure, significantly expanding access, convenience and efficiency of digital payments in Sri Lanka.

CEFTS facilitated the introduction of the LankaPay Online Payment Platform (LPOPP), launched in 2017 and the GovPay arrangement, launched in 2025 to facilitate instant payments to government institutions.

### Paving the Path for a Competitive and Secure Digital Payments Ecosystem

The Central Bank created a conducive environment enabling competition, innovation and safety in the payments landscape of the country. Such environment facilitated the introduction of multiple digital payment instruments, including payment cards, QR-enabled payment apps, e-money systems and

payment wallets. Payment cards, which have been introduced to Sri Lanka in 1989, were brought under a licensing framework in 2009 and 2013. Similarly mobile phone-based e-money service providers were also licensed since 2012.

Currently, Sri Lanka has over 30 JustPay and LANKAQR enabled mobile payment apps, with over 400,000 LANKAQR merchants accepting QR payments, reducing reliance on cash for small value retail payments. Financial Technology (FinTech) innovations were further encouraged through the FinTech Regulatory Sandbox introduced in 2020, which provides FinTech firms with a controlled environment, supervised by the regulator, to test their solutions under relaxed regulatory measures before full commercial deployment.

### Global Integration of Sri Lanka's Payment System

Central Bank has facilitated the international connectivity of Sri Lanka's payment system by integrating LANKAQR with UnionPay – China in 2023, NIPL – India in 2024 and AliPay+ International in 2025. The internationally standardised, interoperable design of LANKAQR has been instrumental in enabling these successful integrations.

The evolution of Sri Lanka's payment and settlement systems demonstrates a progressive transformation from manual cheque clearing to internationally connected digital payment ecosystem available today.

This transformation continues to evolve, driven by the dynamic nature of technology and the payments industry, which creates a continuous need for a supportive regulatory framework and ongoing industry innovation. Recognising these imperatives, the Central Bank actively promotes the adoption of emerging technologies to enhance the safety and efficiency of payment systems while encouraging cross-border integrations, ensuring that Sri Lanka's payment and settlement systems remain at the forefront of technological advancement and operational excellence.