



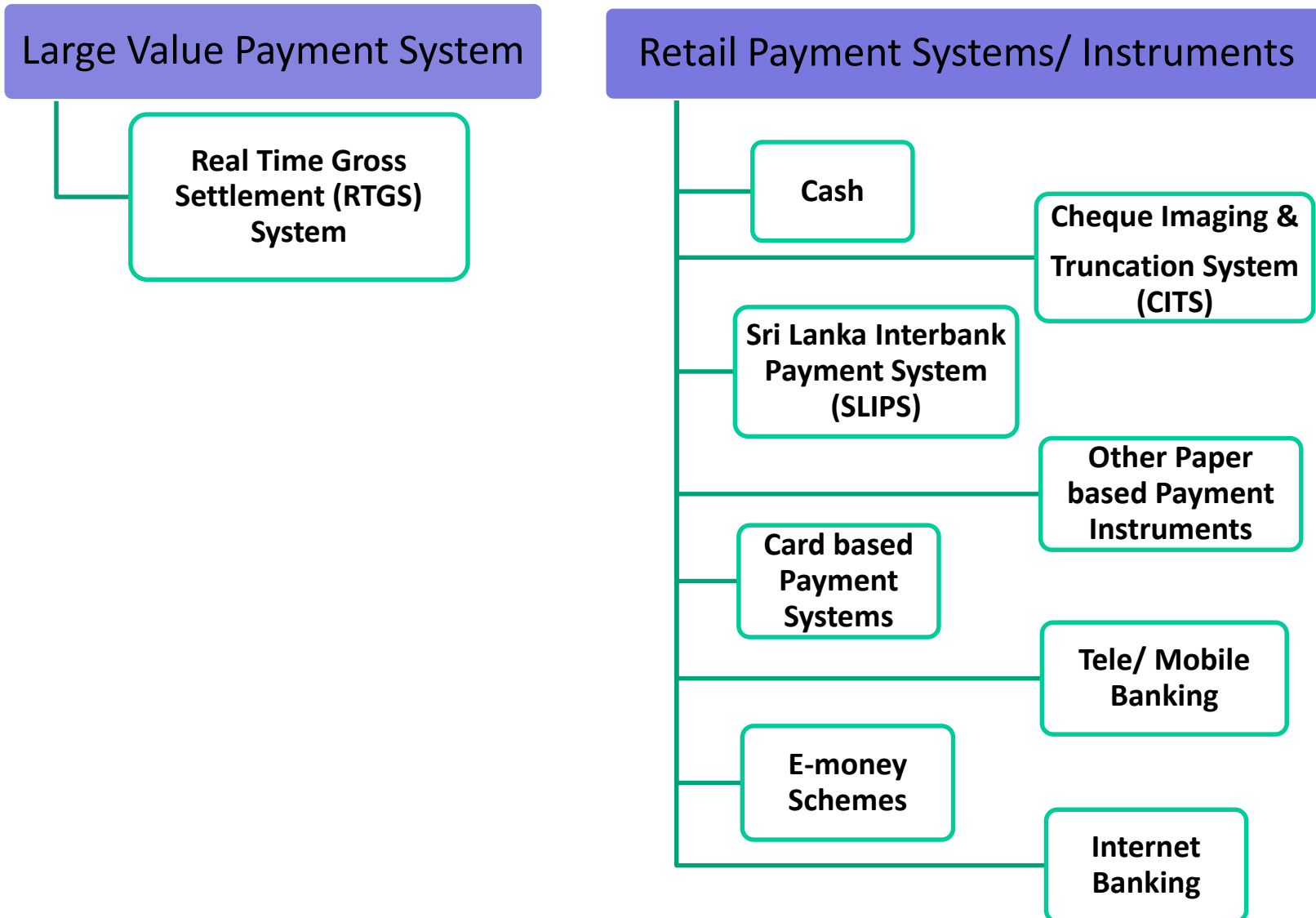
# Payment & Settlement System Developments in Sri Lanka

**16<sup>th</sup> SAARC Payments Council Meeting**

**Lahore, Pakistan**

**March, 2015**

# Payment Systems & Instruments in Sri Lanka



# Payment & Settlement System Developments in 2014/2015

## Payment Cards

- **New entrants** - Issued licences to six institutions in 2014 under the Payment Cards and Mobile Payment Systems Regulations to operate in the payment card industry.
- **System Expansions** - Granted permission to extend the NFC based single purpose stored value transport card and fare collection system introduced in private buses operating in the Western Province of the country, to other provinces and other public transport service providers.



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## Payment Cards Contd...

- **Addressing security risks** – Under the instructions of the Central Bank, financial acquirers and merchants took action collaboratively to discontinue the act of swiping payment cards in devices other than POS terminals provided by financial acquirers.



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## Mobile Phone Based E-money Schemes

- **Increasing Trend** – During 2014, the two mobile phone based e-money schemes operating in the country effected 6.7 million payment transactions amounting to an aggregate value of Rs. 18.3 billion.
- **System Expansions** – A licensed operator of a mobile phone based e-money scheme was granted approval to extend its system to the subscribers of other mobile network operators.




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## Mobile Phone Based E-money Schemes Contd...

- **Enhancing interoperability** – A licensed service provider of a mobile phone based e-money scheme was granted approval to enable its customers to perform cash-outs at bank ATMs.






# Payment & Settlement System Developments in 2014 / 2015

## National Payment Switch (Lanka Pay)

- **Phase I- Common ATM Switch (CAS)**
  - Expanded CAS operations further with six licensed commercial banks joining the switch in 2014, and 3 more banks are in the process of integrating with CAS.
  - Connected over 2500 ATMs (approx. 80% of the total ATMs of the country) to CAS.
  - Passed the 1mn transactions milestone in October,2014.
  - Introduced enhanced security for message transfer through MAC by certain banks
- **Phase II - Common Electronic Fund Transfer Switch(CEFTS)**
  - Provides a common infrastructure for switching domestic interbank electronic fund transfers, thereby enabling customers to effect real-time fund transfers.
  - Completed preliminary work of CEFTS by the operator.
  - Migrated the country's national retail payment system (SLIPS) as the batch mode of CEFTS in March,2014.



# Payment & Settlement System Developments in 2014/2015

## National Payment Switch (Lanka Pay)

- **Phase II- Common Mobile Switch (CMobS)**– Preliminary work has been completed. Chief Information Officers of the Banks are reviewing the CMobS solution.
- **Phase III- Common POS Switch (CPS)** – Operator is working towards finalizing the test scripts and certification scripts.
- **Phase IV – National Card Scheme** – on the Road Map



# Payment & Settlement System Developments in 2014/2015

## Regulatory Improvements

### Direction on the Common Electronic Funds Transfer Switch (CEFTS)

Issued a Direction on the operations of the CEFTS in September 2014, which shall apply to the operator of the switch (LankaClear Private Limited) and the participating institutions of the switch.



# ■ Payment & Settlement System Developments in 2014/2015

## Regulatory Improvements contd

- Issued the amended Direction on the Integrated Risk Management Framework for licensed banks.
- Introduced Baseline Security standards for information security management to establish minimum security standards and to standardize the information security policies of banks
- Established Banking Sector Computer Incident Response Team




# ■ Payment & Settlement System Developments in 2014/2015

## Regulatory Improvements contd

- Compliance with the 24 Principles of Financial Market Infrastructure is being evaluated for RTGS





# Payment & Settlement System Developments in 2014/2015

## Other Developments

- Integrated the Rupee Draft Clearing System with the Cheque Clearing System by the operator in July 2014, considering the declining rupee draft volumes and to streamline the operations of those systems. As a result, rupee drafts are now being cleared through the cheque clearing system.
- The Cheque Clearing System was upgraded in order to further improve the security and efficiency of the system.

**THANK YOU !**