

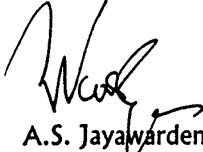
FOREWORD

The Central Bank of Sri Lanka (CBSL) currently owns and operates the Current Account System, whereas the recently constituted LankaClear (Pvt) Ltd operates automated cheque clearing and inter-bank payments. Nearly 50% of the large value payments in Sri Lanka are processed in the Current Account system with a turnover of about Rs.20 billion a day. The remaining large value payments as well as retail payments are processed by LankaClear (Pvt) Ltd., of which 20 per cent of shares are owned by the Central Bank. Apart from these, cash and credit cards are widely used for retail and point of sale transactions.

The CBSL is currently involved in upgrading the financial structure by implementing extensive payments reforms. It is making arrangements to replace the present end-of-day settlement system with a Real Time Gross Settlement system for high value and time critical fund transfers. The proposed Scripless Securities Settlements system would establish a central depository functioning as the registry for government securities trading.

The users of these payments systems should know the type, speed, volume, value and more importantly, the risks involved in each of these payment systems to decide on which system to choose, given the nature of the transaction (urgent, time critical, high value, etc.). They should also be aware of the benefits and the economies of these systems for which the proposed new systems and availability of information would be critical. Hence, this Payments Bulletin would disseminate such information and help participants review, analyse and understand the movement of payment volumes and values under each of the systems. Such an awareness would also guide and facilitate private sector initiatives in wider payments reforms, enhancing competitiveness and efficiency. This publication would also provide information for future research and analytical work in the area of payments and settlements. Proposals for the improvement of the payments system will be carried as feature articles in the Bulletin.

We welcome ideas to improve the contents of this Bulletin.

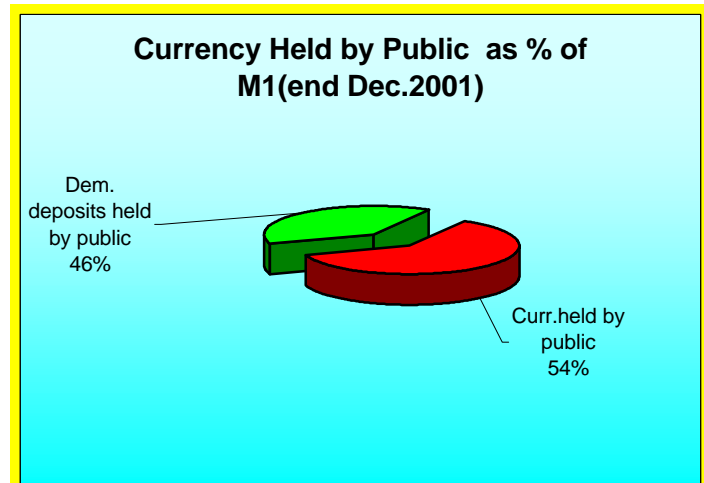

A.S. Jayawardena
Governor
Central Bank of Sri Lanka

Payment System -Highlights

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Cash

- Currency notes and coins, the legal tender in Sri Lanka for any payment, continued to be the most popular small value payment medium of public for making their daily payments for goods and services.
- The value of currency held by public at the end of December, 2001 was Rs. 66 billion and amounted to 54 per cent of the narrow money supply, indicating



⇒ Non-Cash Payment Instruments

Main non-cash payment instruments are:

- Cheques
- Direct debit and credit transfers
- Credit and debit cards
- Postal and Money orders

⇒ Cheques

Cheques are the widely used paper based payment instruments other than cash.

The two types of cheques used in the system are :

- Cheques drawn on Central Bank of Sri Lanka (CBSL) and;
- Cheques drawn on Licensed Commercial Banks (LCBs) .

⇒ Cheques Drawn on CBSL

- The licensed commercial banks, primary dealers, government and government agencies/departments who maintain current accounts at the CBSL use CBSL cheques.
- These cheques are mainly used for large value transaction in call market, forex settlements and government securities market.

⇒ Cheques Drawn on Licensed Commercial Banks(LCBs)

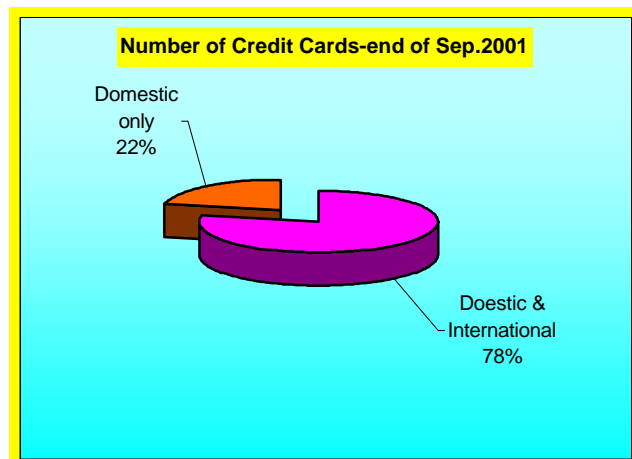
- Cheques drawn on LCBs are used mainly by banks' individual and corporate customers for small value day to day payments.

- Since the establishment of Sri Lanka Automated Clearing House(SLACH) the number of cheques cleared per day at SLACH increased from 131,750 in 1998 to 147,721 at the end of September 2001.

⇒ **Payment Cards**

- Credit Cards which offer cashless payment instrument with revolving credit and cash advance facilities are mainly in use for retail level transactions.
- There is a growing tendency of issuing more globally acceptable credit cards. During the period under review, majority - about 78 per cent of total credit card issues were global credit cards.

At the end of September, 2001, the total number of credit cards issued by 10 LCBs and one non bank financial institution was 229,488 and the value of transactions amounted to Rs.9,602.9 million.



⇒ **Automated Teller Machines(ATMs)**

- The ATMs continued to play a major role in bringing in greater convenience to banks' customers to perform their day to day banking transactions without having to visit a bank branch.
- With the increased interest of banks in promoting ATM facility, at the end September 2001,14 commercial banks and the National Savings Bank had installed 433 ATMs.

⇒ **Electronic Funds Transfer at Point of Sale(EFTPOS)**

- The EFTPOS permits card holders to use in purchasing their day to day goods and services through an online transfer of funds from their accounts.
- At the end of September 2001, 2.5 million transactions worth of Rs.7,099 million were effected through 4,130 EFTPOS terminals available island-wide.

⇒ **Phone /Tele-Banking/Mobile Banking**

- The range of phone and Tele-Banking facilities offered by LCBs continue to increase and individual and corporate customers of the LCBs were benefited as they were given an access to send messages to their banks using telephones at any time of the day to transfer funds, settle their utility bills ,make inquiries about their balances and get financial information etc.
- During the period under review 7 banks offered this facility to about 81,223 customers and number of such transactions amounted to 210,107.



Internet Banking

- Internet banking allows banks' customers to obtain banking service using internet as a medium in convenient manner.
- During the period under review banks provided internet banking to about 4,330 customers.



Postal and Money Orders

- Postal and money orders are widely used by public to effect their individual small value payment through island-wide branch net-work of the Department of Posts. At the end of September 2001 there were 4,505 post offices including sub post offices and agency post offices.
- The total value of payments made through local as well as foreign money and postal orders during the first three quarters of 2001 amounted to Rs. 6.5 billion.



Main payments and settlements systems in operation

- Central Bank of Sri Lanka (CBSL) Current Accounts Settlement System
- Cheque Clearing System operated by the Sri Lanka Automated Clearing House (SLACH). Cheque Clearing System operated by SLACH was divested to LankaClear Pvt. Ltd. on 1 April,2002.
- Sri Lanka Inter-bank Payment System (SLIPS).



CBSL Current Account System

- The CBSL Current Accounts system is considered as the systemically important end of day settlement system.
- Large value inter-bank payments as well as customer fund transfers, settlement of government securities transactions and to a lesser extent a certain small value transactions of government agencies and departments are settled across the current accounts of the participants at the CBSL on the same day.
- The 25 licensed commercial banks and 8 primary dealers maintained current accounts at the CBSL.
- During the period under review 93,070 transactions amounting to Rs.11,879 billion were settled under the CBSL Current Accounts System.

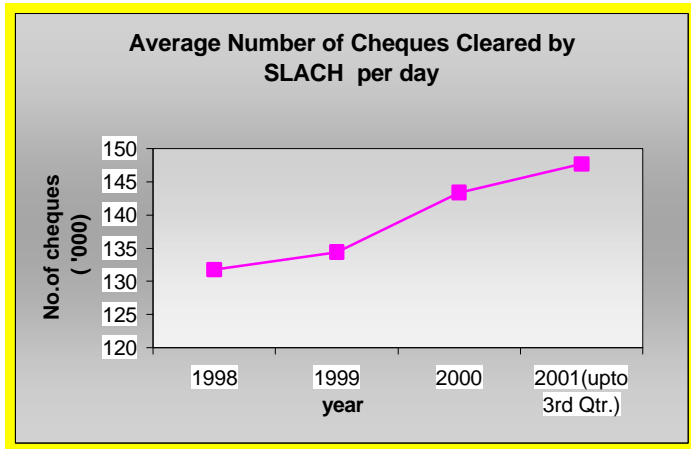


Cheque Clearing System

- The cheque clearing system operated by SLACH has been transferred to LankaClear Pvt. Ltd.- the newly formed company since 1 April 2002. It is the clearing system for cheques and drafts drawn in Sri Lanka rupee. The LankaClear Pvt. Ltd. was formed jointly by the Central Bank and all licensed commercial banks. The company will have an authorized share capital of Rs.1,000 million. The issued share capital is Rs.150 million. Of which 20 percent issued to CBSL and 28 percent to the two state banks. Accordingly the total share holdings of private commercial banks amount to 52 per cent.
- There is no minimum or maximum limit imposed on the size of payments cleared through the cheque clearing system, but majority of them are small value payments.

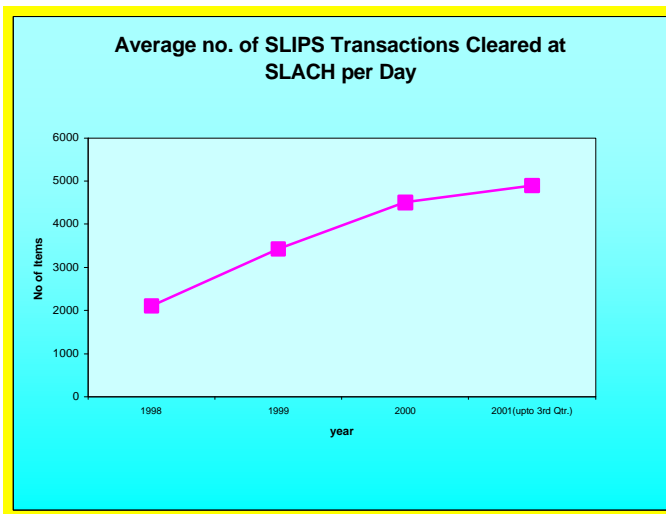
- The final settlement of net clearing balances are settled at the CBSL Current Accounts system.

- Nearly 75 per cent of cheques clearing of outstation bank branches has brought into less than 3 day clearing schedule and only the bank branches in the Northern and Eastern part of the country are in the 7 day schedule.



Sri Lanka Inter-bank Payment System (SLIPS)

- The SLIPS operated by SLACH is an electronic fund transfer system which caters mainly for low-value bulk payments on a daily basis though it handles some large value inter bank transactions.



- During the first three quarters of 2001, there were 1,652 direct debit transactions (mainly claims relating to utility bills) worth of Rs.56.5 million and 884,832 credit transactions (payments of salaries, dividends, pension and standing orders of customers etc.) amounting to Rs. 1,229 billion.



Regional Cheque Clearing by the CBSL

- The CBSL operates clearing of cheques at its regional offices in Anuradhapura, Matale and Matara. Licensed commercial banks located in the respective

areas take part in the regional clearing. Such clearing balances finally settled at the CBSL Current Account System.

- The total value of cheques cleared at regional offices of CBSL during the period under review was Rs.29,131 million.



SWIFT

- The Society for Worldwide Interbank Financial Telecommunication (SWIFT) was established in 1973 by 239 banks with the objective of providing technology –based communication services across all financial markets through its member banks.
- During the period under review 21 licensed commercial banks had the membership in SWIFT.
- The total number of messages sent and received through SWIFT during the first three quarters of the year 2001 was 1.8 million(sent 922,785 and received 900,757).The domestic messages amounted to 79,770.

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Real Time Gross Settlement (RTGS) System and Scripless Securities Settlement (SSS) System

- The proposed Real Time Gross Settlement System for Sri Lanka rupee high value and time critical fund transfers together with Delivery versus Payment (DvP) System for scripless Government Securities is targeted to go live in the second quarter of 2003, replacing the current CBSL end-of-day net settlement system and script based government securities settlement system.

The main objectives of introducing the RTGS/SSS System are to :

- Reduce settlement risk to participants and the CBSL in the payments system by facilitating real time gross settlement capability across their current accounts maintained at the CBSL;
- Introduce a real time delivery versus payment system to promote government debt securities market and minimize settlement risks; and
- Improve efficiency of the payments and settlements system and provide improved services to participants;
- Facilitate integration with new developments to meet future challenges;
- Conforming to international best practices set out by the Bank for International Settlements (BIS) and related agencies.

⇒ Distinctive Features of the RTGS/SSS System

→ Main Services:

- Real time transfer of funds and scripless securities;
- On-line inquiry of balances and fund movements in the participants' current accounts at the CBSL;
- On-line inquiry of balances and securities movement in the settlement accounts at the CBSL;
- Intra-day liquidity facility;
- Queue management (reordering and cancelling)
- Gridlock resolutions;
- Messaging services;
- Reporting facilities;
- High level of security for all transactions;
- User friendly easy operation;
- High standards

→ Funds Transfers:

- Under the RTGS/SSS System, fund transfers will be credit transfers between participants. Participants will be able to offer fund transfer services to their customers through RTGS. If the bank who is sending the payment instruction has sufficient funds in its account, the CBSL will debit its current account and credit the receiving bank's current account within a few seconds. If sufficient funds are not available, payment instruction/s will be held in a queue. When the settlement is completed, an acknowledgement of the successful execution of the payment instruction/s will be sent to the sending/receiving bank on real time basis.
- The settlement or the actual transfer of funds effected through the RTGS system will be final, irrevocable and unconditional.

Multilateral Fund Transfers

The settlement of net position of the cheque clearing and Sri Lanka Inter-bank off-line Payment System (SLIPS) sent by the LankaClear Pvt Ltd. will take place during the day in the RTGS/SSS system as a multi-lateral net settlement subject to the availability of sufficient funds in the accounts of all participants.

Fund transfers against Securities Transfers

Under the proposed RTGS/SSS System when a participant/seller of securities sends a Delivery versus Payment (DvP) instruction, a Receive versus Payment (RvP) instruction will be sent by the participant who will be buying the securities. The system will match both instructions and transfer the securities between these

two accounts in the CDS and credit the respective amount to current account of the bank primary dealer that sells the securities.

→Types of Payments can be made through RTGS System

- RTGS/SSS system will execute large value and time critical Sri Lanka rupee funds on the following transfers (credit transfers) between participants of the RTGS through their current accounts at the CBSL;
 - Call market transactions ;
 - Multilateral net settlement in respect of inter-bank cheque clearing and SLIPS transactions;
 - Settlement of payments in respect of government securities transactions;
 - Rupee payments on forex transactions
 - Other high value and time critical transactions including their third party fund transfer of participants.

→Liquidity

- Payments settlements in the RTGS system requires sufficient real time liquidity/ funds on their current accounts at the CBSL. The statutory reserve balances of the participants and incoming transfers from other banks/participants would be the primary liquidity sources. The CBSL would provide fully collateralized intra-day liquidity facility (ILF) at zero interest rate to all participants in a manner which does not conflict with its monetary policy objectives in the form of reverse repos. All Government debt securities are eligible as collateral to obtain ILF. The basic condition on using ILF would be that all borrowed ILF must be returned before the stipulated time towards the end of business day. If the funds received under ILF are not returned on time, a penalty rate will be charged. A participant can obtain the required overnight liquidity in a number of ways viz. overnight borrowing in call money market, by reposing with other participants, overnight reverse reposing with CBSL or by selling its own foreign exchange.

→Queue Mechanism

- The transfer of funds on the RTGS system is subject to the strict condition that the participants issuing payment/transfer orders have adequate funds in their current/settlement account at the CBSL. In the case of inadequacy of funds, the transfer orders would be automatically held in a centrally located queue at the CBSL pending incoming payments. The sending participants and the CBSL can keep payment or securities settlement instructions in a queue pending settlement. Participants would be permitted to monitor their own outgoing fund transfers and securities transfers and manage it by canceling, re-entering and reordering the payment orders but they would not be able to view their incoming transfer queue. The CBSL also will be permitted to manage and transfer instructions in the queues. The settlement would take place

according to the order of priority assigned by the bank which send the payment instructions and the gridlock identification by the software. There will be a central queue for all payments and securities transactions and instructions will merge into a single queue in RTGS/SSS system. First in first out (FIFO) would be the general principle governing the queuing mechanism. All remaining unsettled payment orders would be automatically cancelled at the end-of-day.

→ Gridlock

- The system will be built with sound and automatic gridlock detection and resolution mechanism. Gridlock may occur when all or a single participant enters the payment instructions into the system remained blocked or held up as all participants wait for incoming payments. This could be resolved by a number of ways. If a large number of instructions received from various participants get held up in the queue, the system software will look for a group of instructions and calculate the net position of each institution. If this process generates positive balances in the accounts of the respective parties, the RTGS system will then process all the related instructions simultaneously.

→ Inquiring Facility

- In order to assist participants in managing their accounts more effectively, the RTGS/SSS System permits its participants the real-time access to the system during the service hours to get all data and information relating to movements of their current and securities accounts at the CBSL and their pending outgoing funds and securities transfer transaction queues.

→ Messaging Facilities

- The RTGS/SSS System will provide real time messaging facilities for participants to communicate with the CBSL and vice-versa during business hours.

→ Reporting Facilities

- The RTGS/SSS System will provide daily reports viz. account statements and confirmation of funds and securities transactions, etc. to each participant.

→ Settlement of Government Securities on Real-time Delivery versus Payment (DvP) Basis

- Securities transfers will occur in scripless form on real time basis on securities accounts in the Central Depository of Securities (CDS). The CDS will perform as the central record of ownership of government debt securities. Under the RTGS/SSS system, the settlement of government securities in the primary and secondary market will occur on real-time Deliver versus Payment (DvP) basis. Participants will be able to transfer securities and funds from their own accounts

to other accounts and to provide services to their customers by acting as custodian or settlement agent. The settlement process is the trade for real-time gross settlement technique, described as Settlement Model 1 by the Bank for International Settlements. Accordingly, the settlement process needs to ensure, firstly, that trades are processed one at a time, and secondly, that securities and funds are available in order to achieve delivery versus payment.

→ **Central Depository for Government Securities (CDS)**

- The CDS in the Public Debt department of the CBSL will perform as a combined registry and depository. The registry function would involve centralised legal record of ultimate ownership of scripless Government securities by keeping records for all Primary Dealers and commercial banks and for their clients and customers. The Primary Dealers will continue to perform as custodians and will be required to account for their customers for due payment of interest and redemptions and be responsible for recording any changes in ownership in the CDS.

→ **Participant**

- Licensed commercial banks and Primary Dealers will be the direct participants.

→ **Security and Backup sites**

- Special attention has been made to assure integrity and strength of the RTGS/SSS System. The CBSL will set up a hot backup site to be used in the event that the system in the Head office fails. Participants also will be required to make back-ups/contingency plans appropriately. Further, there will be a contingency plan to work when the RTGS system fails to perform properly.

→ **Operating Days**

- RTGS/SSS system would operate on all bank working days.

→ **Interface for Sending Messages**

- SWIFT will be the main interface for sending/receiving payment instructions and other messages.

→ **Standards**

- RTGS will be designed to meet international standards and to be compatible with other foreign payment systems in the region in future.

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Table 1
Key Economic Indicators

| | 1999 | 2000 | 2001 ^(a) |
|--|--------|--------|-----------------------|
| 1. Demography | | | |
| 1.1 Mid year population ('000 persons) ^(b) | 18,160 | 18,411 | 18,669 |
| 1.2 Unemployment rate (per cent of labour force) | 8.9 | 7.6 | 7.8 ^(c) |
| 2. GDP | | | |
| 2.1 GDP at current market prices (Rs. billion) | 1,106 | 1,258 | 1,403 ^(d) |
| 2.2 GNP at current market prices (Rs. billion) | 1,090 | 1,234 | 1,376 ^(d) |
| 2.3 Per capita GNP at market prices (Rs.) ^(b) | 60,040 | 66,999 | 73,689 ^(d) |
| 3. Real GDP Growth rate (per centage) | 4.3 | 6.0 | -1.3 ^(d) |
| 4. Price Indices – Twelve month Average Change (per cent) | | | |
| 4.1 Colombo Consumers' Price Index (1952 = 100) | 4.7 | 6.2 | 14.2 |
| 4.2 Greater Colombo Consumers' Price Index (Jan - June 1989 = 100) | 3.8 | 3.2 | 11.0 |
| 4.3 Wholesale Price Index (1974 = 100) | -0.3 | 1.7 | 11.7 |
| 4.4 Annual percentage change of GDP deflator | 4.4 | 6.7 | 13.0 ^(d) |
| 5. Government Finance (per cent of GDP) | | | |
| 5.1 Current Account deficit (-)/surplus (+) | -1.0 | -3.4 | -4.9 |
| 5.2 Budget deficit | -7.5 | -9.9 | -10.8 |
| 6. External Finance (US\$ million) | | | |
| 6.1 Exports | 4,610 | 5,522 | 4,817 |
| 6.2 Imports | 5,979 | 7,022 | 5,974 |
| 6.3 Trade balance | -1,369 | -1,500 | -1,157 |
| 6.4 Current account balance | -563 | -1,065 | -377 |
| 6.5 Overall balance | -263 | -521 | 220 |
| 6.6 External assets (months of same year imports) | 4.6 | 3.6 | 4.5 |
| 7. Monetary Aggregates | | | |
| 7.1 Narrow money supply (M ₁) Rs. bn | 108.6 | 118.5 | 122.2 |
| 7.2 Broad money supply (M ₂) Rs. bn | 358.0 | 404.7 | 450.7 |
| 7.3 Consolidated broad money supply (M _{2b}) | 428.3 | 483.4 | 549.1 |
| 8. Interest rates (per cent per annum at end year) | | | |
| 8.1 Bank rate | 16.00 | 25.00 | 18.00 |
| 8.2 Treasury bill yield - Primary | | | |
| 8.2.1 3 month | 11.79 | 17.77 | 12.92 |
| 8.2.2 6 month | 12.29 | 17.90 | 13.27 |
| 8.2.3 12 month | 12.77 | 18.22 | 13.74 |
| 8.3 Repo (overnight) | 9.25 | 17.00 | 12.00 |
| 8.4 Reverse repo (overnight) | 13.5 | 20.00 | 14.00 |
| 8.5 Commercial banks' weighted average deposit rate | 9.1 | 9.90 | 10.78 |
| 8.6 Commercial banks' weighted average prime lending rate | 15.9 | 21.46 | 14.31 |
| 9. Exchange rate | | | |
| 9.1 Annual average Rs./US\$ | 70.39 | 75.78 | 93.16 |
| 9.2 End-year (Rs./US\$) | 72.12 | 80.06 | 89.36 |

Source : Central Bank of Sri Lanka

(a) Provisional

(b) Revised on the basis of provisional estimates from the Census of Population and Housing –2001

(c) 3rd quarter 2001

(d) Provisional data as at end –January 2002

Table 2
Landmarks in the History of the Payments and Settlements System

| Year | Event |
|----------------|--|
| August 1950 | Functions of the Colombo Clearing House were taken over by the Central Bank of Sri Lanka (CBSL). |
| December 1974 | The CBSL joined the ACU (Intra Regional Clearing Arrangement) |
| September 1981 | Introduction of Proprietary Credit Card by non-bank financial institutions |
| June 1986 | Introduction of ATMs |
| March 1988 | Establishment of Sri Lanka Automated Clearing House (SLACH) |
| February 1989 | Introduction of Credit Cards by commercial banks |
| August 1992 | The CBSL joined the Euroclear System |
| March 1994 | Introduction of Electronic Fund Transfers at POS |
| August 1994 | Introduction of SLIPS off-line Electronic Fund Transfer System |
| June 1994 | CBSL joined the S.W.I.F.T. |
| March 1997 | Introduction of Debit Cards |
| March 1999 | Introduced Internet Banking |
| February 2002 | Formation of LankaClear Pvt. Ltd. |
| February 2002 | Request for bids for proposed RTGS/SSS System and the General Ledger System |
| April 2002 | LankaClear Pvt. Ltd commence clearing operations |

Table 3

Monetary Aggregates

(End of Period) Rs. Million

| Item | 1999 | 2000 | 2001 ^(a) | | |
|--|-----------|-----------|----------------------|----------------------|----------------------|
| | | | 1 st Qtr. | 2 nd Qtr. | 3 rd Qtr. |
| 1.Currency ^(b) | 70,209.9 | 73,315.9 | 74,453.1 | 69,475.4 | 70,510.2 |
| of which held by: | | | | | |
| 1.1 Government ^(c) | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 1.2 Banks | 11,720.8 | 10,669.1 | 12,016.3 | 9,897.6 | 9,443.1 |
| 1.3 Public | 58,480.6 | 62,646.3 | 62,436.3 | 59,577.3 | 61,066.6 |
| 2.Demand deposits | 133,025.7 | 138,972.9 | 137,564.1 | 157,568.6 | 157,030.1 |
| of which held by: | | | | | |
| 2.1 Government ^(d) | 14,066.1 | 15,544.9 | 25,387.6 | 22,831.8 | 24,229.5 |
| 2.2 Banks ^(e) | 68,885.7 | 67,597.1 | 60,682.2 | 85,785.7 | 81,772.3 |
| 2.3 Public | 50,073.9 | 55,830.9 | 51,494.3 | 48,951.1 | 51,028.3 |
| 3.Narrow Money Supply M₁ (1.3) + (2.3) | 108,554.5 | 118,477.2 | 113,930.6 | 108,528.4 | 112,094.9 |
| 4. Broad Money Supply ^(f) M ₂ | 358,076.3 | 404,669.1 | 403,946.0 | 405,505.6 | 421,417.1 |
| 5. Broad Money Supply ^(g) (M _{2b}) | 428,319 | 483,421 | 493,668 | 495,731 | 515,946 |

Source: Central Bank of

Sri Lanka

- (a) Provisional
- (b) Consisting of subsidiary notes and coins issued by the Central Bank
- (c) Currency held by the Treasury and the Kachcheries
- (d) Government demand deposits with the commercial banks and the Central Bank
- (e) Inter-bank deposits of both local and foreign including deposits of international organizations and commercial banks with the Central Bank
- (f) M₂ is defined as M₁ plus time and savings deposits of the private sector held with commercial banks
- (g) Based on consolidated monetary survey which covers aggregated data pertaining to both Domestic Banking Units (DBUs) and Foreign Currency deposits held by residents. M_{2b} is the sum of M₁ and adjusted quasi money. M₁ is the same in both cases: i.e., DBU monetary survey and consolidated monetary survey.

Table 4
Currency in Circulation

| Item | (End of period) | | | Rs.Million | | |
|---|-----------------|----------|----------|----------------------|----------------------|----------------------|
| | 1998 | 1999 | 2000 | 2001 ^(a) | | |
| | | | | 1 st Qtr. | 2 nd Qtr. | 3 rd Qtr. |
| 1. Total value currency notes and coins issued ^(b) | 57,598.0 | 65,176.0 | 73,315.9 | 74,453.1 | 69,475.4 | 70,510.2 |
| 2. Notes and coins per capita (in Rs.) | 3,068.0 | 3,589.0 | 3,982.2 | 3,988.1 | 3,721.4 | 3,776.9 |
| 3. Notes and coins as a % of GDP | 5.7 | 5.9 | 5.8 | 5.3 | 5.0 | 5.0 |
| 4. Notes and coins as a % of M ₁ | 59.8 | 60.0 | 61.9 | 65.3 | 64.0 | 62.9 |
| 5. Notes and coins as a % of M ₂ | 18.2 | 18.2 | 18.1 | 18.4 | 17.1 | 16.7 |
| 6. Total value of currency notes | 55,368.3 | 62,643.1 | 70,427.9 | 71,499.4 | 66,467.9 | 67,458.6 |
| 6.1 Denomination of currency notes: | | | | | | |
| Rs. 1000 | 36,267.8 | 42,570.6 | 48,289.0 | 48,711.1 | 45,866.9 | 47,150.6 |
| Rs. 500 | 9,609.0 | 9,556.6 | 10,187.3 | 10,503.3 | 9,238.0 | 9,157.6 |
| Rs. 200 | - | 1,579.6 | 2,432.32 | 2,382.7 | 1,914.7 | 1,861.8 |
| Rs. 100 | 5,286.9 | 5,517.7 | 5,578.3 | 5,765.2 | 5,527.9 | 5,608.8 |
| Rs. 50 | 1,451.2 | 1,563.8 | 1,703.2 | 1,786.0 | 1,741.0 | 1,667.3 |
| Rs. 20 | 717.7 | 852.6 | 1,096.1 | 1,165.7 | 1,066.3 | 1,002.9 |
| Rs. 10 | 929.6 | 933.3 | 1,072.9 | 1,116.4 | 1,044.2 | 942.8 |
| Less than Rs. 10 ^(c) | 64.2 | 64.1 | 64.0 | 64.0 | 64.0 | 64.0 |
| 7. Total value of Coins ^(d) | 2,229.8 | 2,532.8 | 2,888.0 | 2,953.7 | 3,007.4 | 3,051.6 |
| 7.1 Denomination of coins | | | | | | |
| Rs. 10 | 58.1 | 164.1 | 326.4 | 347.0 | 368.9 | 382.4 |
| Rs. 5 | 1,100.5 | 1,212.4 | 1,329.2 | 1,359.0 | 1,376.9 | 1,391.2 |
| Rs. 2 | 406.6 | 455.9 | 506.8 | 517.1 | 522.8 | 532.8 |
| Rs. 1 | 282.6 | 308.2 | 320.5 | 322.7 | 332.2 | 337 |
| Cts. 50 | 138.2 | 147.3 | 153.6 | 153.7 | 153.8 | 154.5 |
| Cts. 25 | 104.8 | 108.2 | 109.3 | 109.5 | 109.5 | 110.2 |
| Cts. 10 | 38.1 | 38.2 | 38.5 | 38.4 | 38.5 | 38.6 |
| Less than Cts. 10 ^(e) | 32.3 | 32.4 | 32.5 | 32.4 | 32.4 | 32.4 |

Source : Central Bank of Sri Lanka

- (a) Provisional
- (b) Pursuant to Sect. 51 of the Monetary Law Act, the Central Bank's holding of notes coins are not considered as part of its currency issues. Includes currency notes of Rs.1, cts. 50, cts. 25 and cts.10. The value of these notes remained unchanged at Rs.3.5 Mn., Rs.0.5 Mn. and Rs.0.5 Mn. respectively from 1974.
- (c) Includes currency notes of Rs. 5 and Rs. 2.
- (d) Includes coins of the denomination of half a cent (Rs.005), Rs.100, Rs.500 Rs.1,000 and Rs.5,000. The value of half a cent coins has been constant at Rs.0.09 million, since 1950, while the value of Rs. 100 coins stands at Rs. 1.8 million and the value of Rs. 500 coins stands at Rs. 18.8 million. The value of Rs.1,000 coins stands at Rs. 34.0 million and value of Rs.5000 coins stands at Rs.17.4 million as at end September 2001.
- (e) Includes coins of Cts.5, Cts. 2 and Cts. 1.

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Table 5
Cash ATMs and EFTPOS Terminals

| Item | 2001 ^(a) (3 rd qtr.) |
|--|---|
| 1. ATMS | |
| 1.1 No. of machines (End of period) | 433 |
| 1.2 Volume of financial transactions (During the period in '000) | 8,080.6 |
| 1.3 Value of transactions (During the period in Rs. Mn.) | 24,930.4 |
| 2. EFTPOS | |
| 2.1 No. of machines (End of period) | 4,130 |
| 2.2 Volume of financial transactions (During the period '000) | 2,571.8 |
| 2.3 Value of transactions (During the period in Rs. Mn.) | 7,099.1 |

Source: Commercial Banks
National Savings Bank

(a) Provisional

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Table 6
Payment Cards in Circulation

| Item | Domestic & International | Domestic Only | Total |
|---|--------------------------------|------------------|---------|
| 1. Credit Cards^(a) | | | |
| 1.1 No. of cards (end of 3 rd Quarter) | 179,161 | 50,327 | 229,488 |
| 1.2 No. of transactions (up to 3 rd qtr. in '000) | 2,740.3 | 877.3 | 3,617.6 |
| 1.3 Value of transactions (up to 3 rd qtr. in Rs. Mn.) | 6,970.5 | 2,632.4 | 9,602.9 |

Source: Commercial Banks

(a) Provisional

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Table 7
Payment Instructions Handled through Electronic Systems

| Item | 2001 ^(a) (Up to 3 rd qtr.) |
|---|---|
| 1. Telebanking/Phone banking/Mobile banking | |
| 1.1 No. of financial transactions | 210,107 |
| 1.2 Value of transactions (Rs. Mn.) | 766.8 |
| 1.3 No. of customers | 81,223 |
| 2. Internet Banking | |
| 2.1 No. of financial transactions | 60,648 |
| 2.2 Value of transactions (Rs. Mn.) | 1,514.8 |
| 2.3 No. of customers | 4,330 |

Source: Commercial Banks

(a) Provisional

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Table 8
CBSL Current Account Settlement System

| Item | 2001 ^(a) (Up to 3 rd Qtr.) |
|--|---|
| 1. Reserve balances held at the CBSL ^(b) | 36,673.0 |
| 2. Total no. of transactions ^(c) | 93,070.0 |
| 3. Total value of transactions (Rs. million) | 11,879,000.0 |
| 4. Reverse Repo transactions with CBSL (Rs. million) | 7,062,119.0 |

Source : Central Bank of Sri Lanka

(a) Provisional
(b) As at 28th September 2001

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Table 9
Cheque Clearing at Sri Lanka Automated Clearing House^(a)

| Instruments | 1998 | 1999 | 2000 | 2001 ^(b) (3 rd Quarter) |
|--|---------|---------|---------|---|
| 1. Total items ('000) | 31,356 | 32,664 | 34,561 | 26,737 |
| 2. No of working days | 238 | 243 | 241 | 181 |
| 3. Average items/per day | 131,750 | 134,421 | 143,410 | 147,721 |
| 4. Average/amount cleared per day (Rs.Mn.) | 8,273 | 8,372 | 9,233 | 9,791 |
| 5. Item processing charges (Rs.'000) | 62,712 | 65,528 | 69,123 | 53,474 |

Source: Sri Lanka Automated Clearing House

(a) Functions of the Sri Lanka Automated Clearing House was divested to LankaClear Pvt. Ltd. on 01.04.2002
(b) Provisional

Table 10
Cheque Clearing at Sri Lanka Automated Clearing House^(a) by Size
(January-End September 2001)

| Description | No. of Items ^(b) | Total Value ^(b) (Rs.Mn.) |
|---------------------------|-----------------------------|--|
| Above Rs. 100 Mn. | 857 | 320,599.7 |
| Rs. 51 Mn. - 100 Rs. Mn. | 982 | 69,536.4 |
| Rs. 26 Mn. - 50 Rs. Mn. | 2,590 | 98,321.1 |
| Rs. 21 Mn. - 25 Rs. Mn. | 1,319 | 29,717.7 |
| Rs. 16 Mn.- 20 Rs. Mn. | 2,186 | 38,282.6 |
| Rs. 11 Mn. - 15 Rs. Mn. | 4,080 | 50,997.6 |
| Rs. 6 Mn. - 10 Rs. Mn. | 12,665 | 96,213.8 |
| Rs. 1 Mn. - 5 Rs. Mn. | 171,162 | 333,961.2 |
| Rs.0.9 Mn. - Rs. 1 Mn. | 20,142 | 18,225.8 |
| Rs.0.8 Mn. - Rs. 0.9 Mn. | 25,542 | 20,516.27 |
| Rs.0.7 Mn. - Rs. 0.8 Mn. | 35,852 | 25,622.5 |
| Rs.0.6 Mn. - Rs. 0.7 Mn. | 46,970 | 28,564.6 |
| Rs.0.5 Mn. - Rs.0.6 Mn. | 87,757 | 44,092.7 |
| Rs. 0.4 Mn. - Rs.0.5 Mn. | 93,556 | 43,457.4 |
| Rs.0.3 Mn. - Rs.0.4 Mn. | 209,652 | 74,145.4 |
| Rs. 0.2 Mn. - Rs. 0.3 Mn. | 329,668 | 82,859.5 |
| Rs. 0.1 Mn. - Rs.0.2 Mn. | 944,344 | 136,051.8 |
| Below Rs. 0.1 Mn. | 24,748,143 | 260,917.3 |
| Total | 26,737,467 | 1,772,083.8 |

Source: Sri Lanka Automated Clearing House

- (a) Functions of the Sri Lanka Automated Clearing House was divested to LankaClear Pvt. Ltd. on 01.04.2002
- (b) Provisional

Table 11
Sri Lanka Inter-bank Payment System (SLIPS) Transactions

| | 1998 | 1999 | 2000 | 2001 ^(a) (upto 3 rd quarter) |
|--|---------|---------|-----------|--|
| 1. Total number of items | 495,768 | 833,967 | 1,081,546 | 886,484 |
| 2. No. of working days | 235 | 243 | 240 | 181 |
| 3. Average items/per day | 2,110 | 3,432 | 4,506 | 4,898 |
| 4. Average/Amount cleared per day (in Rs. mn.) | - | 4,290 | 5,169 | 6,792 |

Source : Sri Lanka Automated Clearing House

- (a) Provisional

Table 12
SLIPS Transactions by Size
(January – End September 2001)

| Description | No. of Items^(a) | Total Value^(a) (Rs. Mn.) |
|--------------------------|-----------------------------------|--|
| Above Rs. 100 Mn | 1,776 | 755,520.2 |
| Rs. 51 Mn. - 100 Rs. Mn. | 1,285 | 103,233.4 |
| Rs. 26 Mn. - 50 Rs. Mn. | 3,404 | 168,200.3 |
| Rs. 21 Mn. - 25 Rs. Mn. | 1,418 | 32,467.5 |
| Rs. 16 Mn.- 20 Rs. Mn. | 569 | 11,102.9 |
| Rs. 11 Mn. - 15 Rs. Mn. | 950 | 12,261.4 |
| Rs. 6 Mn. - 10 Rs. Mn. | 1,402 | 10,711.1 |
| Rs. 1 Mn. - 5 Rs. Mn. | 5,017 | 14,278.0 |
| Less than Rs. 1 Mn. | 870,663 | 121,603.8 |

Source : Sri Lanka Automated Clearing House

(a) Provisional

Table 13
SLIPS Transactions by Type (January to End September 2001)

| Description | No. of Items^(a) | Total Value^(a) (Rs. Mn.) |
|--------------------------------|-----------------------------------|--|
| 1. Call money lending | 1,829 | 307,993.6 |
| 2. Foreign exchange settlement | 1,457 | 94,140.8 |
| 3. Call money settlement | 2,960 | 542,798.9 |
| 4. Credit transactions | 884,832 | 1,229,322.1 |
| 5. Debit transactions | 1,652 | 56.5 |
| 6. Total transactions | 886,484 | 1,229,378.6 |

Source : Sri Lanka Automated Clearing House

(a) Provisional

Table 14
Cheque Clearing at Regional Offices of Central Bank

| Item | 1998 | 1999 | 2000 | 2001 ^(a) (Upto 3 rd Qtr.) |
|---|-----------|-----------|-----------|---|
| <i>Regional Office</i> | | | | |
| 1. Anuradhapura | | | | |
| 1.1 No. of cheques cleared | 229,781 | 236,864 | 246,527 | 184,624 |
| 1.2 Value of cheques cleared (Rs. Mn.) | 2,332.0 | 2,498.1 | 3,034.0 | 5,292.1 |
| 2.0 Matale^(b) | | | | |
| 2.1 Matale | | | | |
| 2.1.1 No. of cheques cleared | 135,645 | 121,497 | 113,433 | 72,079 |
| 2.1.2 Value of cheques cleared (Rs. Mn.) | 2,506.3 | 2,106.7 | 2,119.1 | 1,434.0 |
| 2.2 Kandy | | | | |
| 2.2.1 No. of cheques cleared | 763,814 | 796,013 | 811,533 | 608,607 |
| 2.2.2 Value of cheques cleared (Rs. Mn.) | 23,844.8 | 23,684.3 | 23,164.9 | 18,726.8 |
| 3. Matara | | | | |
| 3.1 No. of cheques cleared | 222,468 | 154,622 | 157,004 | 154,921 |
| 3.2 Value of cheques cleared (Rs. Mn.) | 3,903.1 | 4,095.0 | 4,479.0 | 3,678.4 |
| 4.1 Total no. of cheques cleared at all regional offices | 1,351,708 | 1,308,996 | 1,328,497 | 1,020,231 |
| 4.2 Total value of cheques cleared (Rs. Mn.) at all regional offices | 32,586.2 | 32,384.1 | 32,797 | 29,131.3 |

Source: Central Bank of Sri Lanka

- (a) Provisional
(b) Matale Regional Office conducts cheque clearing at Matale and Kandy

Table 15
Value of Payment Made through Money and Postal Orders
(In Rs. '000)

| Items | 2000 | 2001 ^(a) (Upto 3 rd qtr.) |
|--------------------------------|-----------|---|
| 1. Money orders | | |
| 1.1 Ordinary money orders | 7,525,429 | 5,739,580 |
| 1.2 Telegraph money orders | 480,347 | 366,356 |
| 1.3 Fax money orders | 297,105 | 343,626 |
| 1.4 International money orders | 40,197 | 26,296 |
| 2. British postal orders | 35,516 | 26,543 |

Source: Department of Posts

- (a) Provisional

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Table 16
Settlement of Payments through Asian Clearing Union (ACU)
(In Rs. Million)

| Item | 2000 | 2001 ^(a) (up to 3 rd Qtr.) |
|-------------------|----------|---|
| 1. Total receipts | 7,263.9 | 13,429.6 |
| 2. Total payments | 62,609.7 | 59,412.4 |
| 3. Net settlement | 55,345.9 | 45,982.8 |

Source: Central Bank of Sri Lanka

(a) Provisional

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Table 17
SWIFT Message Flow to/from Domestic Users

(In Rs. Mn.)

| Item | 2001 ^(a) |
|--------------------------------|---|
| | (up to 3 rd Qtr.) No. of Messages |
| Total messages sent | 922,785 |
| <i>of which :</i> | |
| Category I | 165,028 |
| Category II | 214,651 |
| Total messages received | 900,757 |
| <i>of which :</i> | |
| Category I | 381,399 |
| Category II | 25,773 |
| Domestic Traffic | 79,770 |
| <i>Memorandum Item:</i> | |
| Global SWIFT Traffic | 1,112,284,976 |

Source: Society for Worldwide Interbank Financial
Telecommunication (SWIFT)

Category I - Customer (Funds) Transfers
Category II - Bank (Funds) Transfers

Table 18
Primary and Secondary Market Transactions on Government Debt Securities

| Item | 2000 | Upto 3 rd Qtr. 2001 ^(a) |
|--|---------|--|
| 1. Primary Market | | |
| 1.1 Treasury Bill | | |
| 1.1.1 Total issues (Rs. mn.) | 181,376 | 171,717 |
| 1.1.2 No. of auctions | 54 | 39 |
| 1.1.3 Total bids received from PDs (Rs. mn.) | 253,722 | 241,480 |
| 1.1.4 Total bids accepted from PDs (Rs. mn.) | 130,906 | 96,424 |
| 1.2 Treasury Bond | | |
| 1.2.1 Total issues (Rs. mn.) | 125,322 | 38,004 |
| 1.2.2 No. of auctions | 74 | 33 |
| 1.2.3 Total bids received from PDs (Rs. Mn.) | 275,537 | 138,572 |
| 1.2.4 Total bids accepted from PDs (Rs. Mn.) | 125,322 | 38,004 |
| 2. Secondary Market | | |
| 2.1 Treasury Bill | | |
| 2.1.1 Outright purchases (Rs. mn.) | n.a. | 12,189 |
| 2.1.2 Outright sales (Rs. mn.) | n.a. | 75,425 |
| 2.1.3 Repo transactions (Rs. mn.) | n.a. | 211,905 |
| 2.1.4 Reverse Repo transactions (Rs. mn.) | n.a. | 123,698 |
| 2.2 Treasury Bond | | |
| 2.2.1 Outright purchases (Rs. mn.) | n.a. | 18,388 |
| 2.2.2 Outright sales (Rs. mn.) | n.a. | 43,143 |
| 2.2.3 Repo transactions (Rs. mn.) | n.a. | 365,461 |
| 2.2.4 Reverse Repo transactions (Rs. mn.) | n.a. | 327,675 |

Source : Central Bank of Sri Lanka

(a) Provisional

Table 19
Institutional Framework

| <i>Item</i> | 1998 | 1999 | 2000 | 2001(a) |
|---|-------------|-------------|-------------|----------------|
| 1. Central Bank | | | | |
| 1.1 Number of institutions | 1 | 1 | 1 | 1 |
| 1.2 Total no. of branches including Head Office | 4 | 4 | 4 | 4 |
| 2. Commercial Banks | | | | |
| 2.1 Total no. of commercial banks | 26 | 25 | 26 | 25 |
| 2.2 Total no. of commercial bank branches (includes head offices, excludes Pawning Centres) | 1,038 | 1,055 | 1,096 | 1,128 |
| 3. Licensed Specialized Banks ^(b) | | | | |
| 3.1 Total no. of Licensed Specialized Banks | 9 | 12 | 12 | 14 |
| 3.2 Total no. of Licensed Specialized Bank branches | 210 | 311 | 315 | 327 |
| 4. Total no. of Primary Dealers | 18 | 18 | 8 | 8 |
| 5. Post Offices | | | | |
| Total no. of Institutions | 1 | 1 | 1 | 1 |
| Total no. of Branches ^(c) | 4,362 | 4,437 | 4,488 | 4,556 |

Source : Central Bank of Sri Lanka
Department of Post

- (a) Provisional
- (b) Includes financial institutions which have been issued with license under the Banking Act to operate as Licensed Specialized Banks.
- (c) Includes post offices, sub-post offices and agency post offices.