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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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## PART I : SECTION (I) — GENERAL

### Government Notifications

#### PAYMENT AND SETTLEMENT SYSTEMS ACT, No. 28 OF 2005

REGULATIONS made by the Minister of Finance and Planning under Section 43 of the Payment and Settlement Systems Act, No. 28 of 2005, read with Sections 11, 17 and 20 (2) of the aforesaid Act and with paragraph (2) of Article 44 of the Constitution.

MAHINDA RAJAPAKSHA,

President and Minister of Finance and Planning.

Colombo,  
12 June, 2007.

#### Regulations

1. These regulations shall be cited as the Money, Payment, Clearing and Settlement Service Providers Regulations, No. 01 of 2007.

2. The Central Bank of Sri Lanka (CBSL) shall be the supervisory, regulatory and monitoring authority for all service providers and any category of service providers including any person who ;

- (i) provides money services, or
- (ii) operates a payment system, or
- (iii) Operates a clearing and settlement system, or
- (iv) provides or operates any one or more of the services above in combination as a single entity or in a subsidiary or an affiliate or in an agency capacity.

3. (1) In the exercise of the powers conferred upon it by the Payment and Settlement Systems Act, No. 28 of 2005 and these Regulations, the CBSL shall issue directives, directions, rules, instructions, guidelines and definitions to service providers or any category of service providers as hereafter prescribed.

(2) Without any prejudice to the generality of the above provisions the CBSL shall hereby be authorized to issue directives, directions, rules, instructions and guidelines for proper and efficient implementation and enforcement of the following :

- (a) to provide for the conditions, requirements and standards for money, payment, clearing and settlement services to provide for the protection of the customers and the integrity and development of payment systems in Sri Lanka ;
- (b) to require the registration or licensing of money, payment, clearing and settlement service providers and any category of service providers and the procedure to be followed for such registration or licensing, to specify the conditions and requirements for such registration or licensing and to provide for the procedure to be followed in circumstances under which such license or registration may be revoked by the CBSL;
- (c) to provide for the levying of a license fee and prescribing the amount of such license fee and other charges for the registration of any service provider or category of service providers and any amendment to such fee or charges ;
- (d) to specify the procedures required for the regulation, supervision and monitoring of money, payment, clearing and settlement service providers ;
- (e) to specify the manner in which the conditions, requirements, guidelines, procedures, measures and standards provided for in Section 17 of the Payment and Settlement Systems Act and these Regulations shall apply in respect of any person who carries out or is authorized to carry out any part of a money, payment, clearing and settlement service on behalf of a service provider ;
- (f) to specify the conditions and requirements under which persons including those providing money transmission services may participate in a payment system or maintain accounts and deposits in the CBSL ;
- (g) to specify the prudential requirements relating to money, payment, clearing and settlement service providers, including accounting and reporting requirements ;
- (h) to specify the requirements, standards and guidelines on corporate matters of service providers including matters with regard to their form of incorporation or organization, administration, management, governance, control, capital adequacy and other capital requirements, ownership structure, quality of shareholders and administrators and business and investment powers ;
- (j) to specify the requirements, standards and guidelines for service providers designed to facilitate their inspection by the CBSL, including requirements, standards and guidelines regarding the collection, maintenance of record and reporting to the CBSL the information on matters as specified including information about their customers or participants and in relation to transactions or any category of them, in such format and detail as may be specified ;
- (k) to specify the measures necessary for the protection of customers and participants or any category of them, and particularly, to specify disclosure requirements and contract terms of the money services, service providers and customers and of payment, clearing and settlement services, service providers, systems, their participants and the customers ;
- (l) to impose restrictions, limitations or prohibition on the use of payment orders from designated categories of accounts and persons and the specification of the conditions governing such use ;
- (m) to impose restrictions on the liability of individuals by specifying restrictions and pre-conditions for such liability, in connection with payment transactions to or from accounts that are used primarily for personal or household and non-business purposes ;

(n) to determine standards by which the performance of duties set out under the Payment and Settlement Systems Act, No. 28 of 2005 or these Regulations may be measured.

4. (1) The CBSL shall prescribe, from time to time, the service providers or category of service providers subject to the supervision, regulation and monitoring by the CBSL.
- (2) These Regulations and a subsequent directives, directions, rules, instructions, guidelines and definitions issued by the CBSL in accordance with the provisions of Payment and Settlement Systems Act, No. 28 of 2005 or as authorized by these regulations shall be binding on all service providers and on any category of service providers as specified under sub-regulation (1) of Regulation 4 above.

Provided that the application of any directive, direction, rule, instruction or guideline may be exempted on any service provider or any category of service providers prescribed as exempted from same by the CBSL.

5. Any person who intends to act as a service provider providing money services or operating a payment system, a clearing and settlement system or provides or operates any one or more of the services above in combination as a single entity or in a subsidiary, an affiliate or agency capacity shall be required to furnish such information or documentation as the CBSL may consider necessary.

6. Nothing in these Regulations shall limit, contradict or contravene the provisions of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

7. In the event of any inconsistency prevailing between the Sinhala and Tamil texts of these Regulations the Sinhala text shall prevail.

#### DEFINITIONS

For the purpose of these Regulations the CBSL may from time to time define and publish the meaning of the following terms in the *Government Gazette*.

“CBSL” means the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949 (Cap. 422) ;

“Clearing system” shall have the same meaning as defined in Section 2 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Clearing and settlement system” shall have the same meaning as defined in Section 32 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Issuer” means any person, acting alone or under an arrangement with another person or persons, who undertakes to be responsible for the payment obligations in respect of a payment instrument resulting from the user being issued with or using the payment instruments ;

“Money” shall have the same meaning as defined in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Money services” shall have the same meaning as defined in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Monetary value” shall have the same meaning as defined in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Operator” means any person acting alone or under an arrangement with another person or persons, responsible for the rules, procedures and operations of money services, payment, clearing and settlement systems or any one or more of the services above in combination as single entity or in a subsidiary, an affiliate or agency capacity, and shall exclude such persons as may be prescribed by the CBSL ;

“Payment system” shall have the same meaning as defined in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Person” shall have the same meaning as defined in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Prescribe” means prescribed by publishing in the *Gazette*, and a power to prescribe includes the power to make separate provisions for identified persons, money services, payment systems, clearing and settlement systems or payment instruments ;

“Security” shall have the same meaning as defined in Section 10 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Service provider” shall have the same meaning as defined in Section 18 of the Payment and Settlement Systems Act, No. 28 of 2005 and shall include an issuer of a payment instrument ; a manufacturer of a payment instrument ; an acquirer ; a manufacturer of terminals ; an owner of terminals ; an operator of terminals ; an owner of a switch ; an operator of a switch ; an owner, operator or maintenance operator of infrastructure relating to money services, payment, clearing and settlement systems including communication network, software, hardware, disaster recovery sites; an operator of money services ; a payment system operator ; a clearing system operator ; a settlement system operator ; a clearing and settlement system operator ; and settlement agent or any authorized agent or sub-agent of the above service providers ; or any person or an employee of any person acting in the agency capacity for any service provider ;

“Settlement system” shall have the same meaning as defined in Section 2 of the Payment and Settlement Systems Act, No. 28 of 2005 ;

“Specify” means specify in writing, and a power to specify includes the power to specify differently for different persons, payment systems or payment instruments, or for different classes, categories or descriptions of persons, payment systems or payment instruments.