

Analysis of the Regulatory Framework for Electronic Money in Sri Lanka: Suggestions for Future Sustainability and Governance

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Abstract

“Electronic Money” which is also known as e-Money or Digital Money is distinguished by definition compared to other forms of electronic usage of money. Stored value or pre-paid products in which the monetary value is stored on an electronic device in the consumer’s possession are considered as electronic money products. Hence, typical debit and credit cards, mobile banking and Internet banking do not fall under e-Money classification.

There are no specific regulations or guidelines issued for e-Money in Sri Lanka. Current e-Money operations are mainly governed by Mobile Payments Guidelines No. 1 and 2 of 2011 for Bank-led Mobile Payment Services and Custodian Account Based Mobile Payment Services, respectively. Also, these operations are further impacted by several other regulations in Sri Lanka which are not directly relevant to eMoney. Considering current trends and growth of electronic based transactions and comparing other developed markets, Sri Lanka has the potential of embracing electronic money products. Therefore, it is pertinent for Sri Lanka to develop specific legislations and directions for electronic money.

This paper presents a detail analysis of applicable existing local regulations and selected international standards practiced in developed eMoney markets such as Europe, Japan, Hong Kong, and Kenya. Gap analysis for local regulation was conducted in comparison to the summarized international best practices and suggestions were developed in order to address them. As the final artifact of the paper, a framework covering the regulations with eight key aspects covering definitions, eligibility for issuers and process of approval, authority and their



Proceedings of 12th International Conference on Business Management

<http://ssrn.com/link/12th-ICBM-2015.html>

7th and 8th December 2015 | Colombo, Sri Lanka

powers, customer onboarding and due diligence, consumer and merchant protection, operational guidelines and restrictions, dispute handling and legal framework, technology mandates and interoperability were developed and the operational regulatory process with five main components covering continuous monitoring and improvements were proposed for Electronic Money Regulations in Sri Lanka for Future Sustainability and Governance.

Key Words: Electronic money, E-money, Regulations, Sustainability and governance