

Annual Report 2011

Financial Intelligence Unit of Sri Lanka



Central Bank of Sri Lanka

Annual Report 2011
Financial Intelligence Unit of Sri Lanka
(Central Bank of Sri Lanka)

2012

ISBN 978-955-575-228-2

Printer : Central Bank of Sri Lanka Printing Press
No. 58, Sri Jayewardenepura Mawatha
Rajagiriya
Sri Lanka

Publisher: Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 1
Sri Lanka

Governor's Message

Sri Lanka has given a serious recognition to the need for preventing money laundering and combating the financing of terrorism in view of their adverse consequences, both economic and social. They promote criminal activities, tarnish the integrity of the financial system, endangering its stability and misallocate resources into non-productive investments. The country has, in fact been a victim of terrorism financing and suffered immensely by its consequences. The Central Bank of Sri Lanka has a special concern on money laundering and terrorism financing as it has a mandate to maintain the stability of the financial system.

Therefore, even before the enactment of necessary laws, safeguards to insulate the financial system from money laundering and terrorism financing were placed through the available laws at the disposal of the Central Bank such as Exchange Control Act, Customs Ordinance and Banking Act. Adequate reporting requirements were imposed to monitor large cross boarder flows of currencies, and as far back as in 2001, Know Your Customer (KYC) guidelines were issued to all banks urging adherence when dealing with client and counterparties. The necessary legislation was introduced as early as in 2005 and 2006 by enacting three laws, namely, The Convention on the Suppression of Terrorist Financing Act, The Prevention of Money Laundering Act and The Financial Transactions Reporting Act under which, the FIU with regulatory powers and a mandate to formulate policies and guidelines in line with the international standards and recommendations were established in 2006.

The Central Bank is very pleased that the FIU which was initially located as a unit in the Ministry of Finance became a part of the Bank as a department of its own, which made the operations of the FIU more effective and efficient. The Central Bank committed to strengthen the work of financial intelligence and actively investigate and take actions to prevent money laundering and combat terrorism financing, a challenging task particularly in view of the advancement in technology, especially in the financial service industry which has made it much easier for criminals and terrorist to take advantage of liberalizing financial markets, innovative technologies and the ease with which cross-boarder flows of financial transactions could take place.

I am pleased to note the progress of the FIU, since its inception, in this challenging task as outlined in this report which marks the commencement of a series of annual report of the FIU. I congratulate the staff of the FIU, both present and past, for their contribution to the progress and look forward to peruse forthcoming reports with even better results.

Ajith Nivard Cabraal
Governor

Contents

	Page
1. Director's Report	9
2. The Financial Intelligence Unit	11
2.1 Establishment of Financial Intelligence Units	11
2.2 Organizational Structure as at 31 December 2011	15
3. FIU Activities at a Glance	17
3.1 Collection, Analysis and Dissemination of Information	17
3.2 Domestic & International Cooperation	23
3.3 Capacity Building and Awareness Raising	27
3.4 Ensuring compliance of Reporting Institutions	29
4. FIU Legal Framework	31
4.1 Financial Transactions Reporting Act No 6 of 2006	31
4.2 Prevention of Money Laundering Act No 05 of 2006	33
4.3 Convention on the Suppression of Terrorist Financing Act No 25 of 2005	34
5. International Effort in Strengthening AML/CFT Framework	37
5.1 United Nations	37
5.2 The Financial Action Task Force (FATF)	38
5.3 The Basel Committee on Banking Supervision	39
5.4 Regional Monitoring Bodies	39
6. Appendices	
I Predicate offences under PMLA	41
II Offence of Terrorist Financing Schedule I and II under CSTFA	42
III Important Circulars/Rules Issued since 2007	43
IV Reporting Entities covered as at 31 December 2011	44

Box Articles

1. The Egmont Definition of a Financial Intelligence Unit	12
2. Money Laundering and Terrorist Financing	16
3. Vulnerability of using Charitable Organization for Terrorist Financing	21
4. The Egmont Group of Financial Intelligence Units	26
5. Requirement to appoint "Compliance Officer"	36
6. Asia/Pacific Group on Money Laundering (APG)	40

Glossary

AML/CFT	-	Anti Money Laundering/ Countering the Financing of Terrorism
APG	-	Asia Pacific Group on Money Laundering
AUSTRAC	-	Australia Transaction Reports and Analysis Centre – Australian FIU
CDD	-	Customer Due Diligence
CID	-	Criminal Investigations Department
CSTFA	-	Convention on the Suppression of Terrorist Financing Act No. 25 of 2005
CTRs	-	Cash Transactions Reports
EFTs	-	Electronic Fund Transfers
ESW	-	Egmont Secure Web
FATF	-	Financial Action Task Force
FIU	-	Financial Intelligence Unit
FSRBs	-	FATF-Style Regional Bodies
FTRA	-	Financial Transactions Reporting Act No. 06 of 2006
ICRG	-	International Co-operation Review Group
ICs	-	Insurance Companies
KYC	-	Know Your Customer
LCBs	-	Licensed Commercial Banks
LFCs	-	Licensed Finance Companies
LankaFIN	-	FIU's On Line Database Management System
LSBs	-	Licensed Specialized Banks
LTTE	-	Liberation Tigers of Tamil Eelam
MOU	-	Memorandum of Understanding
NGO	-	Non Governmental Organization
PMLA	-	Prevention of Money Laundering Act No. 05 of 2006
SBF	-	Stock Brokering Firms
STRs	-	Suspicious Transactions Reports
TRO	-	Tamil Rehabilitation Organization
UNSCRs	-	United Nations Security Council Resolutions

1. Director's Report

The Financial Intelligence Unit – Sri Lanka (FIU-Sri Lanka) was established in 2006 in terms of the provisions of the Financial Transactions Reporting Act No 6 of 2006 (FTRA), and its administration was vested with the Central Bank of Sri Lanka in 2007. The main functions of the FIU includes collection and receipt of information on financial transactions for the purpose of detecting possible links to Money Laundering (ML), Terrorist Financing (TF) and other unlawful activities defined in the FTRA, conduct of investigations into suspicious financial transactions, dissemination of information to relevant regulatory and law enforcement authorities to institute appropriate enforcement /legal actions and issue of directives/regulations on customer identification, Know Your Customer / Customer Due Diligence (KYC/CDD).

In compliance with the international requirements, this report covering the activities of the FIU in 2011 is published. This is the first published annual report and it contains a summary of activities undertaken by the FIU since its inception in 2006 as well. The FIU monitors Cash Transactions Reports (CTRs) and Electronic Fund Transfers (EFTs) (both inward and outward) of Rs. 1 mn and above or its equivalent to foreign currency effected through financial institutions. It has issued instructions to Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), Licensed Finance Companies (LFCs), Stock Brokering Firms (SBF) and Insurance Companies (ICs) to report such transactions to the FIU. In addition, these institutions have also been instructed to report any Suspicious Transaction (STRs).

“LankaFIN”, FIU’s on line database management system is developed in- house and introduced in 2009 with technical expertise of the IT Department of Central Bank. At the end of 2011 all reporting institutions have been connected with the facility for online data reporting.

The applicable reporting threshold for CTRs and EFTs used to be Rs.500,000 until first June 2008. Over 15 million reports of CTRs, EFTs and 692 STRs have been received during the period 2006-2011. Through the analysis of “LankaFIN” Database 1,117 STRs were generated. After conducting preliminary investigations, 170 suspicious transaction reports were referred to the law enforcement agencies and regulatory authorities for further investigation. The Attorney General’s Department has so far filed three indictments in the High Court of Colombo against money laundering offences and three indictments against the terrorist financing offences based on investigations conducted by Criminal Investigations Department (CID).

The FIU also conducted various training and awareness programmes for reporting institutions and other stakeholders specially, law enforcement agencies (Sri Lanka Police) to enhance their awareness on Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT). More than 75 such programmes were conducted with the participation of over 6,700 representing reporting institutions and law enforcement and public institutions covering the entire country during previous years. During the year 2011, 30 such programmes were conducted which were attended by more than 2,300 participants.

Further, the FIU contributed to the international effort to combat money laundering and terrorist financing through exchange of information with various foreign counterparts. The FIU Sri Lanka hosted the 11th APG Typologies Workshop in Colombo in 2008 facilitating exchange of typologies among members of APG. As a mechanism to facilitate sharing of information for the purpose of investigation and prosecution of suspicious transactions, the FIU has signed 16 MOUs with foreign counterparts as at the end of 2011. The FIU Sri Lanka also became a member of the Egmont Group in 2009 strengthening its effort in combating ML and TF.

With the view to further strengthening the regulatory framework in line with the developments in international standards and best practices on AML/CFT, several amendments were made to the Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 and Prevention of Money Laundering Act No 5 of 2006. The Prevention of Money Laundering (amendment) Act No 40 of 2011 and Convention on the Suppression of Terrorist Financing (amendment) Act No. 41 of 2011 were certified for implementation on 06th October 2011. The FIU is in the process of finalizing amendments to Financial Transactions Reporting Act for the same purpose.

With amendments to the existing legislations, we are confident that the AML/CFT regime in Sri Lanka would be further strengthened and the performance of the FIU would be further enhanced.

D M Rupasinghe
Director, FIU

2. The Financial Intelligence Unit

2.1 Establishment of Financial Intelligence Units

2.1.1 Financial Intelligence Units

FIU is a specialized autonomous and independent agency created by a country to act as an interface between its financial sector and law enforcement agencies for collecting, analyzing and disseminating information in order to combat money laundering and terrorist financing.

A comprehensive definition as given by the Egmont Group, an international gathering of FIUs, is presented in Box 1.

Among international initiatives on preventing money laundering and combating terrorist financing, the United Nations Convention against Transnational Organized Crimes (Palermo Convention) requires, in terms of its Article 7.1 b, each member state to consider the establishment of an FIU to serve as a national centre for the collection, analysis and dissemination of information regarding potential money laundering.

The Financial Action Task Force (FATF) established by G7 nations to serve as a policy making body also requires, under its 40+9 recommendations, each country to establish an FIU.

2.1.2 Establishment of FIU in Sri Lanka

The FIU-Sri Lanka was established in March 2006 under the Financial Transactions Reporting Act No. 06 of 2006 and vested with Ministry of Finance and Planning. The FIU functions as a unit in the Central Bank of Sri Lanka, in terms of the order made by H.E The President under the Act to be the institution designated to operate the FIU. Accordingly, the FIU was reorganized to be a Department in the Central Bank in February 2007 in order to enhance its operations and to act efficiently to discharge its statutory functions by leveraging on the policy-making and regulatory capabilities of the Central Bank. Sri Lanka's AML/CFT regime comprises of three pieces of legislations

1. Financial Transactions Reporting Act No. 06 of 2006 (FTRA)
2. Prevention of Money Laundering Act No 05 of 2006 (PMLA)
3. Convention on the Suppression of Terrorist Financing Act No 25 of 2005 (CSTFA)

The overall objective of the FIU - Sri Lanka is to combat money laundering, terrorist financing and related crimes in Sri Lanka in line with international regulations and standards. In achieving the said objective, functions of the FIU over the years were directed mainly towards realizing two main goals,

Box I : The Egmont Definition of a Financial Intelligence Unit

Financial Intelligence Unit is a central, national agency responsible for receiving, (and as permitted requesting), analysing and disseminating to the competent authorities, disclosures of financial information:

- (i) concerning suspected proceeds of crime and potential financing of terrorism, or
- (ii) required by national legislation or regulation, in order to combat money laundering and terrorism financing.

The definition of an FIU can therefore, be understood through a brief explanation of each of its component parts.

1. **A central, national agency** - Egmont's focus on international co-operation requires that only one government agency per territory or self-autonomous jurisdiction, recognized by international boundaries, serve as the contact point for international exchanges. It must operate in a jurisdiction that is governed by the laws of that territory. To be clear, use of the phrase "central, national agency" carries with it no political designation or recognition of any kind.

An anti-money laundering/terrorism financing government agency operating in a jurisdiction that in political terms constitutes a dependency of another nation, may be considered an FIU as long as it is the only government agency that carries out these efforts in that internationally recognized boundary. Recognition that such government agency meets the Egmont definition of an FIU does not necessarily equate to sovereignty.

In federal systems, the phrase "central, national agency" implies that only one government agency may be considered an FIU under Egmont. Even though federal systems have multiple subdivisions, only one centralized agency serves as contact point for information exchange for Egmont.

2. **Responsible for** - This word denotes that the legal framework, which establishes the FIU, authorizes, at a minimum, the functions outlined in the Egmont definition.
3. **Receiving, (and as permitted, requesting) analysing and disseminating** - This phrase designates the three principal activities of all Egmont FIUs and the functions that make them unique.

Receiving - FIUs serve as the central reception point for receiving financial disclosures. This takes into account FIUs that have more than one office and FIUs that receive disclosures from different domestic agencies. This concept also distinguishes FIUs from law enforcement agencies with a general (overall) law enforcement mission.

(And as Permitted, Requesting) - Some but not all FIUs have the ability to query specific financial information from certain financial institutions and other non financial entities beyond the financial disclosures that FIUs normally receive from reporting entities. For this reason, the language is in parentheses and is limited in scope.

Analysing - Analysis involves an initial evaluation of the utility or relevance of disclosures received from reporting entities at the pre-investigation stage. Analysis of information reported to FIUs may occur at different stages and take different forms. Some FIUs analyse every financial disclosure when it arrives at the FIU. For other FIUs, such a system is impossible due to the sheer volume of financial disclosures that they receive. Those FIUs make the financial disclosures immediately available to appropriate investigative authorities and the FIUs analyse financial disclosures in response to requests for information or on their own accord but not in response to each and every financial disclosure reported to it. In an increasing manner, many FIUs have incorporated analytical software that assists in determining money laundering trends and patterns for use by law enforcement, to provide feedback to the reporting institutions and in some cases for purposes of proactive targeting. In all cases, some minimum level of analysis must occur in order to categorise a given piece of information and determine which agency, or group of agencies, should be entitled to receive it.

Disseminating - FIUs at a minimum must be able to share information from financial disclosures and the results of their analysis regarding money laundering, terrorism financing and related crimes, as determined by domestic legislation, firstly with domestic competent authorities and, secondly, with other FIUs. A critical element in assessing dissemination capability involves assessing the extent to which a candidate FIU's law permits the cooperation with other FIUs through the exchange of information.

4. **Disclosures of financial information** - These are the materials that FIUs use and share with each other to detect and combat money laundering and terrorism financing. In this regard, FIUs may share publicly available as well as sensitive information (whether financial disclosures or law enforcement information) with competent authorities under terms that protect the information against misuse.
5. **Concerning suspected proceeds of crime and potential financing of terrorism** - The first type of disclosure of financial information concerns the reporting of suspicious or unusual transactions or activities regarding funds that are suspected of having originated from criminal activity or of being intended to support terrorist activity required by national legislation, or regulation. This requirement encompasses all other mandated types of reporting requirements required by law, whether involving currency, cheques, wires or other transactions.
6. **In order to combat money laundering and terrorism financing** - This phrase reemphasizes the common purpose of every FIU.

Source: <http://www.egmontgroup.org/about/what-is-an-fiu>

- Prevention, detection, investigation and prosecution of money laundering and terrorist financing activities through the implementation of provisions of the FTRA.
- Promote international cooperation on Anti-Money Laundering and Countering the Financing of Terrorism in line with international conventions.

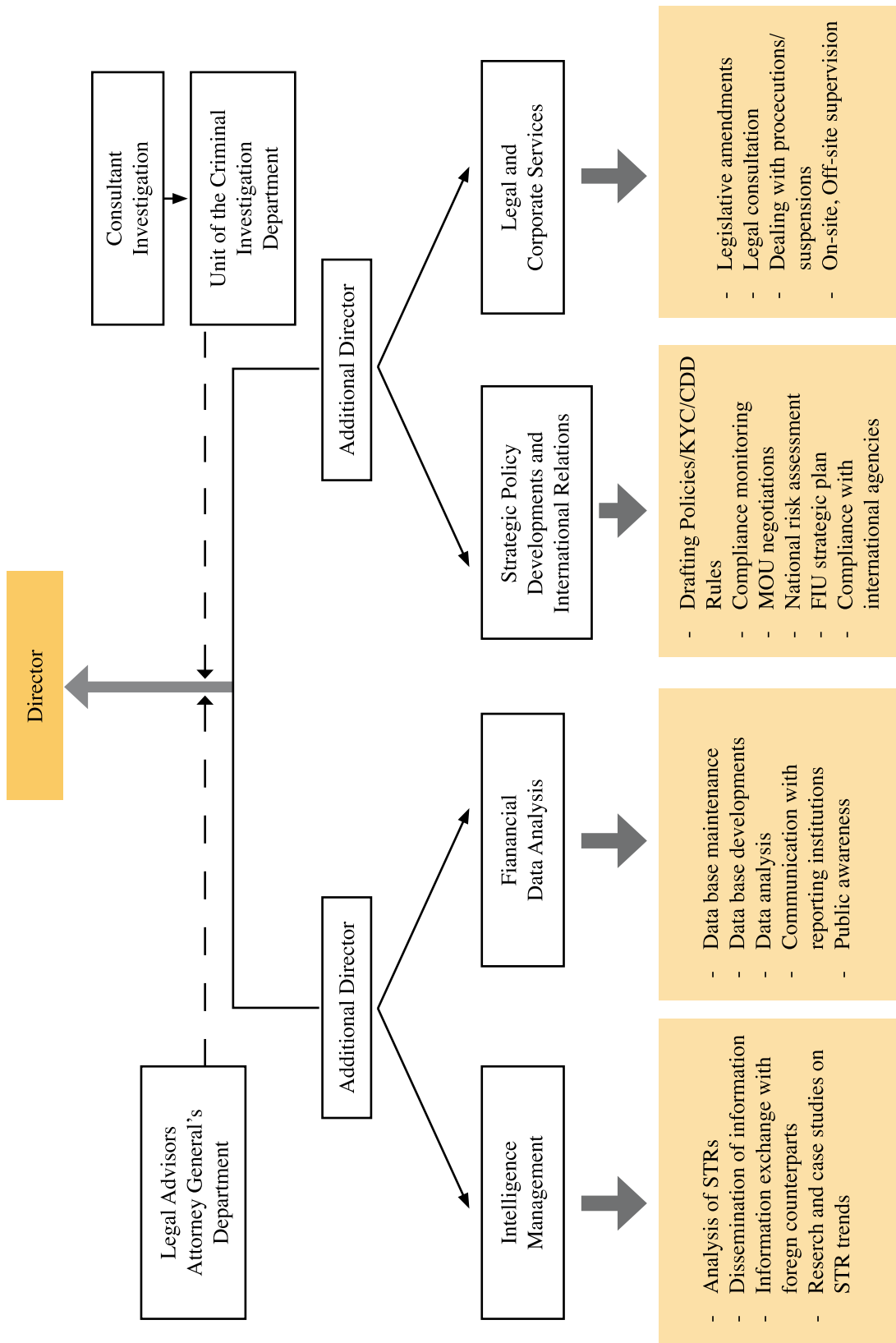
In achieving the above goals, the FIU as the central repository of reported information has performed following main functions;

- Receiving Cash Transactions Reports , Electronic Fund Transfers and Suspicious Transaction Reports from all reporting institutions.
- Analysing the data received to identify financial trails to support prosecution. The analysis of data is mainly in three forms, tactical, operational and strategic.
- Dissemination of information domestically and internationally since money laundering and terrorist financing are often cross-border activities.

In addition to the above three core functions, the FIU also performs a number of other supportive functions as listed out below in the accomplishment of the above goals as prescribed by the Section 15 of the FTRA.

- Issue rules to the financial and other reporting sectors concerning customer identification and record keeping.
- Conduct examinations to ensure compliance of the financial and other reporting sectors on AML/ CFT rules issued by the FIU.
- Conduct programmes to enhance awareness among all stakeholders regarding AML/CFT measures.
- Conduct research/ link analysis on the money laundering and terrorist financing trends and strategies for the development of effective preventive measures.

2.2 Organizational Structure as at 31 December 2011



Box 2: Money Laundering and Terrorist Financing

Money Laundering

Money Laundering can be defined as the process by which proceeds from a criminal activity are disguised to conceal their illicit origin. Money launderers send their illicit funds through legal channels in order to conceal their criminal origin and convert them into legitimate assets.

Predicate offences for Money laundering

The criminal activity which generated the proceeds is called a predicate offence or underlying crime in money laundering and when such funds are laundered offence of money laundering will occur. In early stages the underlying crime was limited to drug trafficking offences. However, the international community has developed the view that underlying offence of money laundering should go beyond the drug trafficking offences and expanded covering 20 designated categories of offences that must be included as underlying offence for money laundering. Human trafficking, illicit arms trafficking, corruption and bribery, fraud, environmental crimes, exchange control violations are some of those designated predicate offenses.

Steps in Money Laundering

Conversions of illicit funds into legitimate funds/assets involve three steps, Placement, Layering and Integration.

The initial stage of the process involves placement of illicitly earned funds into financial system, usually through a financial institution. This can be accomplished by placing cash deposits in to bank accounts or cash purchase of shares or insurance contracts. In the case of bank deposits, a large amount of cash is broken into smaller, less conspicuous amounts and deposited over time in different branches of a single financial institution or in multiple financial institutions.

The second stage, layering occurs after the ill-gotten funds have entered into the financial system, at which point the funds, securities or insurance contracts are converted or moved to other institutions further separating them from their criminal sources. Such funds could then be used to purchase other securities, insurance contracts or other easily transferable investment instruments and then sold through another institution.

The third stage involves the integration of funds into the legitimate sector. This is accomplished through the purchase of assets such as real state, securities, other financial assets or luxury goods such as cars, gems & jewellery etc.

Terrorist Financing

Terrorist financing is the financial support in any form for terrorism or of those who encourage, plan or engage in terrorism. Funds used to support terrorism may originate from legitimate sources, criminal activities or both. Disguising the source of funds regardless of whether the source is legitimate or illicit is important as by such concealment of the source of funds will remain available for future activities as well. In terrorist financing not only the source but also the ultimate uses of the funds are also needs to be concealed.

3. FIU Activities at a Glance

The overall objective of the FIU is to combat money laundering, terrorism financing and related crimes in Sri Lanka. To achieve this objective, the FIU has concentrated its efforts on strengthening the AML/CFT regime in Sri Lanka through effective execution of core and supportive functions.

Since the inception in March 2006, the FIU has engaged continuously in developing its in-house capacities especially in relation to its core functions; collection, analysis and dissemination of information. It has also worked closely with local stake holders as well as foreign counterparts in its effort to combat ML/TF activities in Sri Lanka. Accordingly, the FIU has expanded the AML/CFT regime to cover nearly all the financial institutions such as Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), Licensed Finance Companies (LFCs), Stock Brokering Firms (SBF) and Insurance Companies (ICs). (A list of reporting entities as at 31st December 2011 is at Appendix IV).

3.1 Collection, Analysis and Dissemination of Information

3.1.1 Collection of Information

In terms of the Section 15 (1) (a) of the FTRA, the FIU receives three main reports from the reporting institutions.

- (a) Cash Transaction Report (CTRs)
- (b) Electronic Fund Transfers (EFTs)
- (c) Suspicious Transaction Reports (STRs)

(a) Cash Transactions and Electronic Fund Transfers Reports (CTRs & EFTs)

As per the Section 6 of the FTRA, all reporting institutions should report any cash transaction or its equivalent in any foreign currency and electronic fund transfers exceeding a sum as prescribed by the Minister of Finance by an Order published in the Gazette. These reportings have to be made to the FIU on fortnightly basis, in the format specified by the FIU. Accordingly, Reports for the period 1st to 15th of each month should be forwarded to the FIU on or before the 30th of the month and reports for the period 16th to 31st of each month should be forwarded to the FIU on or before 15th of the following month.

The Extraordinary Gazette No 1437/25 dated 23 March 2006 issued by Minister of Finance in terms of the said Section 6 of the FTRA, prescribed the reporting threshold to be Rs. 500,000. Accordingly, all reporting institutions were required to submit CTRs and EFTs exceeding Rs. 500,000 to the FIU up to 01st June 2008. The FIU revised the reporting threshold from Rs. 500,000 to Rs. 1,000,000 through the Extraordinary Gazette No 1555/9 issued by Minister of Finance on 25th June 2008.

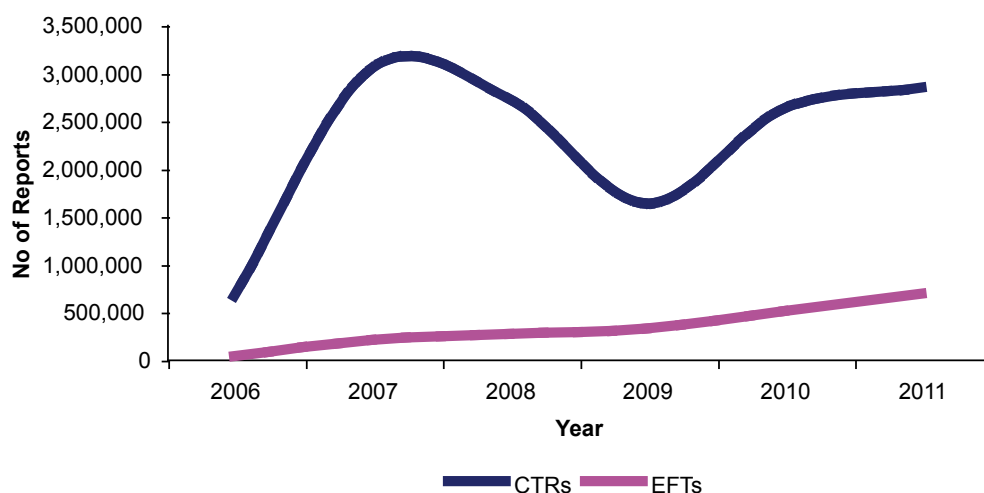
Table 1
Receipt of CTRs & EFTs

	No. of Transactions					
	2006	2007	2008	2009	2010	2011
CTRs	645,000	3,027,613	2,707,839	1,616,018	2,606,102	2,827,034
EFTs	19,000	188,441	250,394	304,786	491,512	670,063
Total	664,000	3,216,054	2,958,233	1,920,804	3,097,614	3,497,097

Source : LankaFIN, Financial Intelligence Unit-Sri Lanka

* Revision of the reporting threshold has reduced the number of CTRs in 2008 and 2009. However, a number of reports have increased thereafter with the expansion of economic activities in the country.

Figure 1
Trend in CTRs & EFTs



(b) Suspicious Transaction Report (STRs)

As per the Section 7 of the FTRA, when a financial institution has a reasonable ground to suspect that any transaction or attempted transaction may be related to commission of any unlawful activity covered in the FTRA, PMLA or CSTFA, the institution should as soon as possible after forming the suspicion but not later than two working days, report such suspicious transaction or attempted transaction to the FIU.

With the introduction of LankaFIN online database, with effect from 1st of July 2009 reporting institutions can submit such reports (STRs) online to the FIU in the same way as submitting CTRs and EFTs. However, as a legal requirement, a signed copy of the STR also needs to be submitted subsequently. The Compliance Officer of each reporting institution appointed in terms of the Section 14 of the FTRA is responsible for the submission of STR (Box Article 6 “Requirement to appoint Compliance Officer”).

In addition to the reporting institutions, the law also permits filing of STRs with FIU by regulatory/supervisory authorities, law enforcement authorities as well as general public.

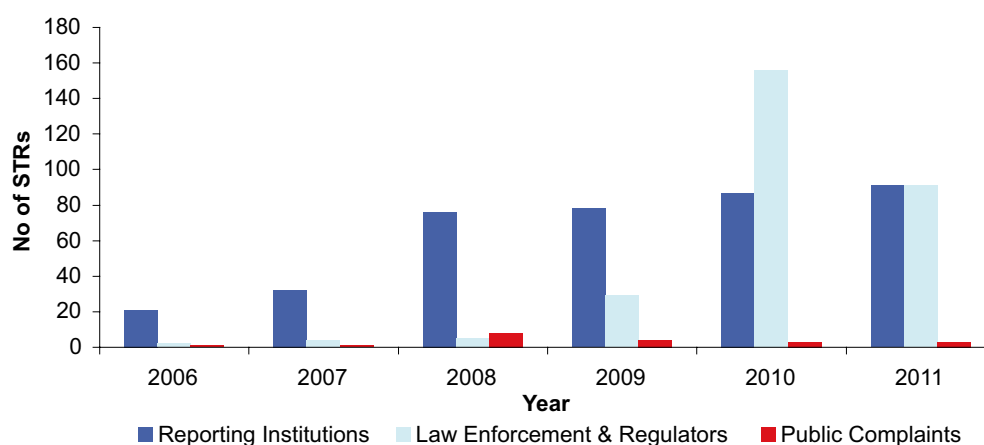
Table 2
STRs Reported by Stakeholders

	2006	2007	2008	2009	2010	2011
Reporting Institutions	21	32	76	78	87	91
Law Enforcement & Regulators	2	4	5	29	156	91
Public Complaints	1	1	8	4	3	3
Total	24	37	89	111	246	185

Source : LankaFIN, Financial Intelligence Unit-Sri Lanka

* In general all STRs reported by stakeholder has shown an increasing trend over the period. Marked increase in STRs reported by law enforcement agencies and regulator in 2010 was due to an increase in STRs reported on human smuggling/ trafficking by the Criminal Investigations Department.

Figure 2
Trend in STRs



3.1.2 Analysis of Information

Analysis of information collected/received from reporting entities and other stakeholders is an important role carried out by the FIU in the intelligence generation/management process. The FIU maintains a separate database, “LankaFIN” to record and analyse information reported on CTRs and EFTs. Information received from reporting institutions in the form of CTRs and EFTs would be stored in the database and analysis would be carried out through alert generation process to identify suspicious transactions. These alerts would be generated by the system automatically when it detects certain parameters which have been designed through experience in Sri Lanka as well as other intelligence agencies over time and incorporated as ML/TF typologies. Periodical review and updating of the parameters would be carried out to ensure accuracy and relevancy of alerts generated. A customer or an account in the database would be prioritized based on the number of alerts generated and would be subject to extra scrutiny.

Table 3
STRs Generated through LankaFIN

	2008	2009	2010	2011
Alerts Generated	63,746	546,568	825,845	879,859
STRs Generated	60	272	378	354

Source : LankaFIN, Financial Intelligence Unit-Sri Lanka

* With the introduction of LankaFIN database in 2008, CTRs and EFTs reported by reporting entities have been analyzed to identify suspicious transactions. With the increase in transactions, number of alerts generated by the systems has increased leading to increase in number of suspicious transactions identified.

The STR database has also linked with the CTR and EFT database to facilitate identification of related links to support preliminary investigations. Standardised methodology has been developed in the analysis of all STRs i.e. reported by a stakeholder or generated by the FIU, to ensure consistency, transparency and actionable reports for law enforcement agencies. If required, the FIU will seek the assistance of counterpart FIUs establishing suspicion relating to any transaction/ individual through Egmont Secure Web .

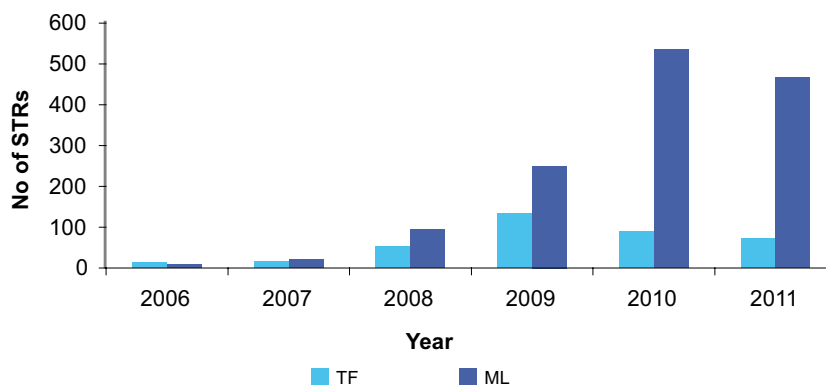
Table 4
Composition of STRs

	2006	2007	2008	2009	2010	2011
STRs on Terrorist Financing	14	15	54	133	90	72
STRs on Money Laundering	10	22	95	250	534	467
Total	24	37	186	383	624	539

Source : LankaFIN, Financial Intelligence Unit-Sri Lanka

Total number of STRs, STRs reported by stakeholders and generated through the LankaFIN system has increased considerably over the period. STRs relating to money laundering offences are showing an increasing trend while STRs relating to terrorist financing shows a declining trend with the defeat militarily of LTTE terrorist movement in Sri Lanka.

Figure 3
Composition of STRs



3.1.3 Suspension of Transactions and Confiscation of Funds

As per the Section 15(2) of the FTRA, when the FIU has reasonable grounds to suspect that a transaction or attempted transaction is related to ML/TF or any other unlawful activity, the FIU can direct the relevant financial institution not to proceed with carrying out of any transactions relating to the funds concerned for a period of seven days. Such suspension/freezing order can be extended by making an ex-parte application to High Court of Colombo based on the requirements of investigation period and a request of investigative authorities. Statistical information relating to suspension of transactions is given in Table 5.

Table 5
Funds Suspended & Forfeited

	2006	2007	2008	2009	2010	2011
Suspension of Funds (LKR mn)	90.0	78.7	480.0	78.0	181.7	107.5
Forfeiture of Funds (LKR mn)*	-	-	72.0	18.0	-	-

Source : Financial Intelligence Unit-Sri Lanka

* Funds forfeiture in 2008 and 2009 includes funds belonging to the Tamil Rehabilitation Organization (TRO) which was suspended in 2006. Funds has been forfeited with the proscription of TRO in Sri Lanka by an orders issued by the Minister of Defence under the Public Security Ordinance.

Box 3: Vulnerability of Using Charitable Organization for Terrorist Financing

Introduction

Investigations into the activities of Tamil Rehabilitation Organization (TRO) revealed a case where a charitable organization is used to fund terrorism, a frequently used typology of terrorist financing.

The TRO, a non-governmental organisation (NGO) was established in Sri Lanka on 6th March 2002, to involve in rehabilitation and resettlement of Tamil refugees as well as the disadvantaged, particularly women and children. With branches in 14 countries, it received funding from both local, as well as expatriate, Tamil communities, local and international NGOs. The TRO was registered as a company limited by guarantee under the Companies Act No 17 of 1982 and subsequently registered with the Social Service Department as a Social Service Organization.

Action by the FIU

On the suspicion of terrorist financing, the Director, FIU issued an order suspending transactions in relation to funds lying to the credit of the bank accounts of the TRO for a period of 07 days on 28 August 2006 in terms of Section 15 (2) of the FTRA. The suspension was subsequently extended for further periods as per the Section 15(3) of the FTRA by the High Court of Colombo to facilitate the on-going investigation on TRO. As reported by Banks, there were 177 accounts maintained by TRO with six main commercial banks and they were all suspended. Funds lying to the credit of those accounts at the time of suspension were Rs. 71.9 mn

On the successful completion of investigations by the Criminal Investigations Department, three indictments have been filed by Hon. Attorney General against the TRO directorate and other senior officials of TRO in the High Court of Colombo.

Proscription by HE the President

Subsequently, The TRO was proscribed in Sri Lanka by the HE the President on 26th December 2007 by the Gazette Extraordinary published under the Public Security Ordinance on charges of suspected funding for terrorist activities in Sri Lanka. In terms of the regulations published in the said Gazette Extraordinary, any money, securities or credits which are being used or intended to be used for the purposes of the proscribed organization can be forfeited to the State by the Minister of Defence. Accordingly, an order was issued by HE the President on July 2008 and January 2009, forfeiting to the state, funds amounting to Rs. 71 mn and Rs. 18 mn belonging to the TRO respectively.

International Response

The UK Charity Commission de-listed the TRO - UK in August 2005 from its list of charities considering its links with the LTTE. The US government designated the Tamil Rehabilitation Organization (TRO), a charitable organization that acts as a front organization to facilitate fundraising and procurement of weapons for the LTTE in November 2007. The decision to proscribe TRO in USA had connected freezing its assets of USA and banned Americans from engaging in transactions with it.

3.1.4 STR Trend Analysis

The following trends have been observed from the STRs received/generated during the 2006 – 2011 period;

(a) Emerging and Continuing Trends

- Submission of fraudulent documents in the form of bank drafts or cheques with larger values for encashment.
- Use of accounts for third party deposits where depositors were requested to deposit money into account as job application registration fees, investment schemes or lottery contribution. Such deposits were immediately withdrawn through the ATMs.
- Frequent transactions just below the reporting threshold.
- Large value deposits and immediate withdrawals.
- Under invoicing.
- Outward remittance purported for imports, producing fraudulent documents.

(b) Declining Trend

- Use of bank accounts to collect ransom
- Use of non profit organizations for terrorist financing activities.

3.1.5 Dissemination of information

In terms of the requirements of the law, the FIU facilitates further investigations of STRs in respect of money laundering / terrorist financing and other unlawful activities through timely dissemination of intelligence. Intelligence information is disseminated mainly to law enforcement agencies for further investigations and some of the intelligence information would also be disseminated to financial system regulators and counterpart FIUs. Statistical information relating to dissemination of such information is given in Table 6.

Table 6

Dissemination of Information

	2006	2007	2008	2009	2010	2011
Law Enforcement	5	16	25	15	31	60
Regulators	-	2	5	3	13	5

Source : LankaFIN, Financial Intelligence Unit-Sri Lanka

The decision to disseminate financial intelligence is taken in consultation with relevant and appropriate authorities (Suspicious Transaction Report Review Committee, chaired by the Assistant Governor of the Central Bank consists of two officials from the Attorney General's Department along with senior officials of the FIU). Once the intelligence is disseminated, the FIU will act as an intermediary between investigating / law enforcement agency and reporting institution by facilitating investigations. Two way communication channels have been developed with the law enforcement and regulatory agencies to receive feedback on the progress made in investigations relating to information disseminated by the FIU and such communication would help to enhance the quality of information disseminated.

The FIU also disseminate information to foreign counterparts on their requests. Arrangements have been made through the Egmont Secure Web for all members of the Egmont Group to share information primarily for intelligence purposes.

3.2 Domestic and International Cooperation

It is essential for a country to have a comprehensive structure that facilitates information sharing among competent authorities both domestically and internationally as criminals especially money launderers and terrorist financiers are believed to operate across borders. Therefore, sharing vital information facilitates investigation and prosecution of persons suspected of money laundering and terrorist financing which is mutually beneficial for the FIUs, government agencies and foreign counterparts contributing to achieve the ultimate objective of combating ML/TF and related crimes in Sri Lanka.

3.2.1 Domestic Cooperation

(a) Law Enforcement Agencies

The FIU plays a major role in facilitating the effort of law enforcement agencies in combating ML/TF and related crimes through timely dissemination of financial intelligence. In order to enhance the operational relationships with law enforcement agencies, a unit of the Criminal Investigations Department (CID) dedicated to investigate offences relating to ML/TF and other related crimes has been established within the FIU. The FIU has also arranged various training opportunities to members of law enforcement agencies to develop and strengthen their ML/TF awareness and capacities. The FIU performance in dissemination of information to the law enforcement agencies is summarised in Table 6.

In terms of Section 15 (1) (r) of the FTRA, the FIU is vested with the legal authority to enter into Memorandum of Understandings (MOU) with any government institution or agency with respect to the exchange of information. Accordingly, an MOU was signed with Department of Sri Lanka Customs to share information to facilitate the investigation and prosecution of persons suspected of money laundering and terrorist financing on 14th May 2010.



*Mr. S A C S W Jayatilake,
Director General, Sri Lanka Customs and
Mr. D M Rupasinghe Director, FIU signed the
MOU on behalf of two institutions.*

Steps have also been taken to sign similar MOUs with Department of Immigration and Emigration, Department Registration of Person's and Department of Registration of Motor Vehicles during coming years.

(b) Supervisory Authorities

The FIU has developed close relationship with financial system supervisors for strengthening AML/CFT regime in Sri Lanka. Supervisory authorities include supervisory departments within the Central Bank of Sri Lanka i.e, Bank Supervision Department and Department of Supervision of Non Bank Financial Institutions, and Securities and Exchange Commission of Sri Lanka and Insurance Board of Sri Lanka.

Supervisory authorities have responsibilities in relation to the implementation of AML/CFT mechanism in Sri Lanka as given in Sections 22 and 23 of the FTRA.

- When the supervisory authority is having reasonable grounds to suspect that any transaction is related to ML/TF or related crime, such facts should be reported to the FIU.
- The FIU can request any supervisory authority to carry out examinations relating to ML/TF on behalf of the FIU
- If any non compliance is identified in regular examinations, such factors also need to be reported to the FIU
- Supervisory authorities too, have the responsibility of cooperating with the FIU and law enforcement agencies in the event of an investigations relating to ML/TF or related crimes.

Separate guidelines have been issued to supervisors on areas relating to AML/CFT which should be covered in their regular examinations. The FIU is receiving regular reports from supervisors on non-compliances and transactions of suspicious nature. The FIU assists regulatory authorities in training their staff to improve their understanding on AML/CFT regime and new developments by arranging local as well as international training.

3.2.2 International Cooperation

Sri Lanka contributed to the global effort in combating ML/TF and related crimes, initially by promulgation of three Acts incorporating requirements of FATF 40 + 9 Recommendations. The FIU also adopted a strategy of building strong relationships based on mutual trust and confidence with counterpart FIUs through exchange of information, provision of legal assistance and entering into MOUs.

The FIU obtained the membership of the Egmont Group on 26 May 2009. The membership of the Egmont Group enables the FIU to develop vital relationships to facilitate exchange of financial intelligence with other FIUs and foster global partnerships in combating money laundering and terrorist financing. (Box Article 4 on “Egmont Group”) The FIU officials have been actively participating in annual Plenary Sessions and various working group meetings of Egmont Group since obtaining membership in 2009. Statistics on information sharing with counterpart FIUs (members and non members of Egmont Group) is given in Table 7. Apart from information sharing on several occasions, the FIU coordinated the provision of legal assistance through Ministry of External Affairs and Attorney General’s Department of Sri Lanka to Denmark and Switzerland.

Table 7
Exchange of Information with Foreign FIUs

	2008	2009	2010	2011
Information requests received	4	6	9	25
Information requests made	5	47	13	4

Source : Financial Intelligence Unit-Sri Lanka

The FIU Sri Lanka has shared information with both Egmont member and non Egmont member jurisdictions. All information requests received have been responded without delay.

Sri Lanka as a founder member of Asia Pacific Group on Money Laundering (APG) attended all Annual Meetings as well as Annual Typologies Workshops held during previous years. [Box Article 7 on “Asia



Hosted the APG Typologies Workshop, in Colombo, 27 – 29 October 2008

Pacific Group on Money Laundering”]. The FIU is in continuous dialog with the APG in relation to International Co-operation Review Group - (ICRG) review process and capacity building requirements of the FIU.

The FIU hosted the 11th APG Typologies Workshop held in Colombo in 2008. The Typologies workshop is one of the major events of the APG calendar and conducted annually to discuss various new methods, strategies and trends worldwide of money laundering and financing of terrorism. The workshop was attended by 84 foreign delegates representing 29 countries and 41 local participants including policy makers on AML/CFT , senior detectives and intelligence officers, Customs and Immigration officials and prosecutors from member countries and representatives from United Nations Office for Drugs and Crimes, International Monetary Fund, World Bank, Asian Development Bank, Financial Supervisory Authority, UK and FATF.

On a request of the FIU – Sri Lanka for the first time in APG history, representatives of private sector (reporting entities) were allowed to participate in the Typologies Workshop commencing from the Colombo Workshop in 2008. This has immensely helped to broaden the understanding of reporting entities on AML/ CFT while providing them an international exposure.

(a) Signing MOUs with Foreign FIUs

The provisions for sharing of information with foreign FIUs has been set out by the Sections 16 and 17 of FTRA under which an agreement on the exchange of information on a regular basis could be entered into with any institution or agency of a foreign state with the approval of the Minister of Finance. By the end of 2011, the FIU has entered into MOUs with sixteen foreign counterparts (Table 8).

Box 4: The Egmont Group of Financial Intelligence Units

The Egmont Group was born as an informal international gathering of Financial Intelligence Units (FIUs). The Group was formed in 1995, and took its name from the place in Brussels where the meeting took place and its focus was on international cooperation among FIUs. By the end of 19th Plenary in 2011, 127 FIUs have been admitted as members of the Egmont Group. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve cooperation in the fight against money laundering and financing of terrorism and to foster the implementation of domestic programs in this field. This support includes:

- expanding and systematizing international cooperation in the reciprocal exchange of information;
- increasing the effectiveness of FIUs by offering training and promoting personnel exchanges to improve the expertise and capabilities of personnel employed by FIUs;
- fostering better and secure communication among FIUs through the application of more sophisticated technology, such as the Egmont Secure Web (ESW);
- fostering increased coordination and support among the operational divisions of member FIUs;
- promoting the operational autonomy of FIUs;
- promoting the establishment of FIUs in conjunction with jurisdictions with an AML/CFT program in place, or in areas with a program in the early stages of development; and
- Undertake research and typology studies in collaboration with FATF Styled Regional Bodies (FSRBs)

Source; (www.egmontgroup.org)



Signing MOU with FIU Solomon Island, during APG Plenary, Singapore

Table 8
MOUs with Foreign Counterparts

	Counterpart	Date of Signing
1	Financial Intelligence Unit of Bank Negara Malaysia	18.01.2008
2	Financial Intelligence Unit of the Da Afghanistan Bank	29.02.2008
3	Korean Financial Intelligence Unit	18.12.2008
4	Indonesian Financial Transaction Reports and Analysis Centre	27.05.2009
5	Financial Information Unit of Nepal Rastra Bank	09.07.2009
6	The Anti Money Laundering Council of Philippines	09.07.2009
7	Cambodian Financial Intelligence Unit of National Bank of Cambodia	26.10.2009
8	Financial Intelligence Unit of India	30.03.2010
9	Australian Financial Transactions and Analysis Centre	07.05.2010
10	Financial Intelligence Unit of Belgium	18.06.2010
11	Financial Intelligence Unit of Solomon Island	15.07.2010
12	Financial Intelligence Unit of Bangladesh	28.10.2010
13	Financial Intelligence Centre of South Africa	02.12.2010
14	Fiji Financial Intelligence Unit	21.07.2011
15	Financial Intelligence Unit of Slovenia	09.08.2011
16	Transaction Reports and Reports Analysis Centre of Canada	02.08.2011

3.3 Capacity Building and Awareness Raising

Capacity building and awareness raising is a vital step towards prevention and detection of AML/CFT offences. The success of AML/CFT depends not only on the FIU's ability to analyse and create intelligence but also on the ability of reporting institutions to identify suspicious transactions in a timely manner and ability of law enforcement and judicial agencies in carrying out effective investigations and successful prosecutions. Accordingly, the FIU's effort in capacity building and awareness raising has mainly focused on key stakeholders whose enhanced awareness on AML/CFT is essential in strengthening country's AML/CFT regime.

3.3.1 Reporting Entities

A two fold strategy was adopted for raising awareness among reporting entities i.e. through formal programmes such as conducting workshops, seminars etc. and regular monitoring for compliance through onsite and offsite surveillance.



Awareness Program for Reporting Institutions sponsored by the AUSTRAC

The Australian Transaction Reports and Analysis Center (AUSTRAC/FIU-Australia), continued their technical assistance in 2011 by providing specialized trainers to conduct awareness programmes for four reporting sectors and law enforcement agencies. The FIU also facilitated efforts of individual reporting institutions to buildup awareness among their staff by providing expert knowledge on their requests.

3.3.2 Law Enforcement and Prosecutors

Awareness raising among investigators and prosecutors is also vital in effective investigation and successful prosecution. The FIU has taken all possible steps to enhance the awareness of AML/CFT laws and their applications among investigators and prosecutors and arranged separate programmes for investigators and prosecutors. Special awareness programmes for Judges on Money Laundering and Terrorist Financing focusing more on Financial System Stability was initiated in 2009. Three such programmes were conducted in 2009, 2010 and 2011 for Judges from High Courts, District Courts and Magistrate Courts. A total of more than 150 judges participated these programmes.

Countywide awareness programmes were also conducted to enhance the AML/CFT awareness among officials of law enforcement agencies with special attention to increasing awareness on ML/TF laws and financial transactions.



Raising Awareness among Judges; Awareness Program for the Judges on Financial System Stability and AML/CFT Regime, on 06th December 2008



Raising Awareness among Judges: Awareness Programme on Financial System Stability & AML/CFT Regime for Judges on 13 February 2010



Raising Awareness Among Judges; Workshop on Legal Regime relating to Financial Transactions on 8 – 9 July 2011

The FIU also facilitated training of law enforcement officials, specially officers of CID by coordinating training with counterpart FIUs. AUSTRAC has extended their support in providing technical assistance and training for law enforcement officials by conducting special awareness programmes within and outside Sri Lanka.

Table 9

Awareness Programmes Conducted

	2007	2008	2009	2010	2011
Workshops/Seminars	12	14	12	15	30
No of participants	1,000	1,500	1,200	1,100	2,300

Source : Financial Intelligence Unit-Sri Lanka



Country wide awareness Programs for reporting institutions and Law Enforcement Agencies

3.3.3 FIU Website

Access to information is one of the best ways of enhancing awareness among stakeholders. Therefore, the FIU has taken initiatives to make information on AML/CFT available for all interested parties. On such initiative is publication of an annual report starting with its present report the activities of the FIU. The other is the creation of a separate website for the FIU which is at the final stage of completion.

3.4 Ensuring Compliance of Reporting Institutions

The FIU has identified effective monitoring and enforcement of compliance as one of the best ways of raising awareness among staff of the reporting institutions. Accordingly, the FIU has taken measures to ensure compliance with the requirement under FTRA and FIU rules/directions through on-site and off-site surveillance and enforcement.

Under off-site surveillance strategies one to one meetings, data base surveillance are being conducted to ensure compliance. One to one meeting are conducted periodically with Compliance Officers of the reporting institutions to review and discuss their progress and problems encountered in making their institution in compliance with AML/CFT regime. Senior officials of the FIU also participate in monthly CEOs forum organized by the supervisory agencies to discuss any matters related to AML/CFT. Reporting institution's compliance with the fortnightly reporting is being continuously monitored by the Financial Data Analysis Division of the FIU to ensure the compliance. With the introduction of online data submission, all reporting institutions are complying with the submission of monthly reporting requirement on time.

The FIU or any person authorized by FIU can carry out onsite examinations of reporting institutions as per the Section 18 of the FTRA. In certain occasions, the FIU was assisted by supervisory authorities in conducting such examinations. With the increased staff strength of the FIU, it is expected to conduct more onsite examinations during coming years.

Table 10
Supervisory Measures

	2007	2008	2009	2010	2011
Onsite Examinations	3	8	5	5	4
Fines imposed (LKR mn)	0.25	1.8	4.1	1.0	-

Source : Financial Intelligence Unit-Sri Lanka

In terms of the Section 19 of the FTRA, the FIU can impose penalties or file cases in the High Court of Colombo against institutions to enforce compliance. Accordingly, the FIU has imposed penalties on a few reporting institutions who have failed to comply with the requirements under the FTRA.

4. FIU Legal Framework

Formal efforts in combating ML and TF including the establishment of the FIU were initiated with the enactment of following three pieces of legislation during 2005-2006,

- Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA)
- Prevention of Money Laundering Act No. 05 of 2006 (PMLA)
- Financial Transactions Reporting Act No. 06 of 2006 (FTRA)

Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 and Prevention of Money Laundering Act No. 5 of 2006 were amended during the year with the objective of improving the AML/CFT laws in line with the international standards. Accordingly, amendments will facilitate the implementation of initiatives undertaken by the FIU Sri Lanka, law enforcement agencies and prosecutors.

A list of unlawful activities as prescribed under FTRA and PMLA is given in the Appendix I. Key features of these three legislations are highlighted in the following sections.

4.1 Financial Transactions Reporting Act, No 6 of 2006

FTRA is the governing legislation of the FIU Sri Lanka which was established under the same Act. The objectives of this Act is to provide directions and guidelines for the collection of data relating to suspicious financial transactions to facilitate the prevention, detection, investigation and prosecution of offences of money laundering and the financing of terrorism. It requires certain institutions to undertake due diligence measures, identify the authority responsible for monitoring the activities of institutions to which this enactment is applied.

Part I

Duties of the Institutions (Section 2- 8 of FTRA No 6 of 2006)

Part I of the FTRA prescribed duties of Institutions. As per the interpretation, “Institution” means any person or body of persons engaged in or carrying out any finance business or designated non-finance business within the meaning of the FTRA. The Act further defined “Finance Business” and “Designated Non-Finance Business” respectively covering ten types of financial businesses and 12 types of designated non-financial businesses. Banks, finance companies, fund managers, leasing companies, stock brokers, casinos, gambling houses, insurance companies, insurance brokers and agents, real estate agents, dealers in precious metals and dealers in precious and semi-precious stones etc are covered by the provision of this legislation. Lawyers and accountants are for covered when they perform specific activities. As per the enactment, duties of Institutions include,

- Identification of customers subject to rules issued by the FIU
- Not to proceed with a transaction further if customer identity could not be established satisfactorily.

- Maintenance of records of transactions and correspondence of transactions furnished to the FIU for a period of six years.
- Conduct on going due diligence and scrutiny of customers
- Report transactions (Cash Transaction Reports & Electronic Fund Transfers) to the FIU subject to the threshold prescribed by the Minister of Finance by Order in the gazette.
- Disclose information relating to suspicious transactions.
- Disclose information on any person conducting transactions if requested by the FIU.

Part II

Provisions applicable to Institutions and Other Persons

- Sections 9 -11 prescribed applicable provisions on disclosure of information. Accordingly, a person should not divulge information to other persons on any information furnished to the FIU other than to those permitted by the Act. Section 12 prescribed about provision of protection against civil, criminal or disciplinary proceeding on reporting suspicious transactions in good faith or in compliance with regulations made under the Act or rules issued by the FIU, in terms of the provision of the Act.
- Section 14 prescribed appointment of Compliance Officers by institutions who will be responsible for ensuring Institution's compliance under the requirements of the Act. The section also prescribes responsibilities of the institution to establish and maintain procedures and systems to ensure compliance.

Part III

Powers and functions of the Financial Intelligence Unit

- Section 15 prescribed functions of the FIU, including power to direct an Institution not to proceed with the carrying out of transaction, when the FIU has reasonable grounds to suspect that the transaction or attempted transaction is related to an unlawful activity as prescribed by the Act.
- Sections 16, 17 prescribed arrangements by the FIU to share information with any Institution or an agency of foreign state that has power and duties similar to the FIU with the approval of Minister of Finance.
- Section 18 prescribed powers of the FIU or any person authorized by the FIU to examine records and inquire into the business and affairs of an Institution to ensure compliance.
- Section 19 prescribed imposition of penalty to enforce compliance with the provisions of the Act.

Part IV

Functions of supervisory authority of an institution and auditors

- Sections 22 and 23 prescribed duties of the supervisory authorities and auditors of an Institution's in reporting suspicious transactions, carry out examinations into transactions on the request of the FIU, regular examinations to ensure Institution's compliance with the provisions of the Act and co-operation with the law enforcement agencies in investigation or prosecution relating to any offence constituting an unlawful activity.

Part V

Currency reporting at the border

- Sections 24 -26 prescribed powers to examine currency movements at the border and procedure on seizure or detention of cash or negotiable bearer instruments which are being imported into/ exported from Sri Lanka.

Part VI & VII

Offences, liabilities and miscellaneous

- Sections 27 – 33 prescribed offences and related penalties on non declaration of cash or negotiable instruments bringing in or taking out of Sri Lanka and offences and related penalties of giving false information when making a report under the Act.

4.2 Prevention of Money Laundering Act, No 05 of 2006 (PMLA)

The objective of this Act is to prevent money laundering and to confiscate property derived from or involved in money laundering. Part I of the PMLA defines the offence of money laundering, punishment, presumption and duty of person's to divulge information relating to the offence of ML.

- **Criminalizing the offence of Money Laundering** - Section 3 of the PMLA criminalizes the activity of money laundering and prescribed punishments for the offence.
- **Money Laundering Offence** – The Act defines money laundering offence as; A person who engaged directly or indirectly in any transaction in relations to any property which is derived or realized, directly or indirectly, from any unlawful activities or from the proceeds of any unlawful activities or receives, possesses, conceals disposal of or brings into Sri Lanka, transfers out of Sri Lanka or invests in Sri Lanka, any property which is derived or realized, directly or indirectly, from any unlawful activity or from the proceeds of any unlawful activity, knowing or having reason to believe that such property is derived or realized, directly or indirectly from any unlawful activity, or from the proceeds of any unlawful activity shall be guilty of the offence of money laundering.
- **Punishments-** any person who is guilty of the offence of money laundering; shall on conviction after trial before the High Court be liable to a fine which shall be not less than the value of the property in respect of which the offence is committed and not more than three time the value of such property, or to rigorous imprisonment for a period of not less than five years and not exceed twenty years or both such fine and imprisonment. Further, the property derived from or involved in money laundering is also liable to forfeiture under the Act. Further assets of any person found guilty of the offence of money laundering shall be liable to forfeiture in terms of the Act.
- **Aiding or Abetting** - Any person who attempts or conspires to commit the offence of ML or aids or abets the commission of the offence of ML will also be guilty of an offence under the Act and liable for the above punishment.

Conviction for the commission of predicate offence by the accused of the unlawful activity is not necessary for the proof of the offence of ML under the provisions of the Act.

- **Presumption** - As per the Section 4 of the Act, until the contrary is proved it is presumed that any movable or immovable property acquired by a person has been derived or realized directly or indirectly from any unlawful activity as described in the said section.

Part II

- **Freezing and Forfeiture** - Part II of this Act deals with the freezing and forfeiture in relation to the offence of money laundering. A police officer not below the rank of Assistant Superintendent of Police is authorized to issue a Freezing Order when there are reasonable grounds to believe that a person is involved in the money laundering activities and it is necessary to prevent further acts in relation to such offence. A Freezing Order is meant to prohibit any transaction in relation to any account, property or investment which might have been used or intended to be used in connection with such offence. When such Freezing Order is issued by the police officer, an ex parte application should be made to the High Court seeking confirmation of such Freezing Order and if further extension is required such factor also need to be communicated to the said High Court.
- Section 13 – When a person is convicted of the offence of money laundering subject to claims of Bona Fide claimants, the court convicting such person shall, make order that any account, property or investment, owned, possessed or under the control of such person which has been derived or realized directly or indirectly from any unlawful activity, any income or profit earned on such account, property or investment and any instrumentalities used in the commission of such unlawful activity, be forfeited to the State free from all encumbrances.
Further, the Act states that where such account, property, investment, income, profit or instrumentalities cannot be found or traced the Court convicting such person shall order him to pay the State the equivalent value of such account, property, investment, income, profit or instrumentalities. When such person fails to pay such equivalent value the court shall in accordance with the provisions of the Code of Criminal Procedure Act No 15 of 1979 order him to pay such value as a fine within such period as may be specified by the Court.
- Extradition & Mutual Legal Assistance - Section 26, Where a request is made to the Government of Sri Lanka by or on behalf of the Government of another country for the extradition of any person accused or convicted of an offence under PMLAA No 40 of 2011, on behalf of the Government of Sri Lanka, Minister of Finance should notify the requesting Government about measures taken, proposed to be taken for the prosecution or extradition of the person for such offence by the Government of Sri Lanka. Further, Section 27 empowered to provide assistance to Common Wealth Countries.

4.3 Convention on the Suppression of Terrorist Financing Act No 25 of 2005

The Government of Sri Lanka became a signatory and ratified International Convention on the Suppression of Terrorist Financing on 10th April 2002 adopted by the General Assembly of the United Nation dated 19th December 1999. Convention on the Suppression of Terrorist Financing Act No 25 of 2005 (CSTFA) has been adopted to give effect to the Sri Lanka's obligations under the aforesaid Convention.

- **Applicability** – The provisions of this Act shall apply in relation to person who being a citizen of Sri Lanka or a person who not being a citizen of Sri Lanka, commits an offence under this Act, while present in Sri Lanka or outside Sri Lanka and such offence is an offence under the law for the time being in force, in the county in which such offence is committed
- **Criminalizing the Offence of Terrorist Financing** - Section 3 of the CSTFA criminalizes the offence of terrorist financing and prescribes applicable punishment.

- **Terrorist Financing Offence** – The Act defines terrorist financing offence as; *Any person who, by any means, directly or indirectly, unlawfully and wilfully provides or collects funds, or property with the intention that such funds or property should be used, or in the knowledge that they are to be used or having reason to believe that they are likely to be used, in full or in part, in order to commit,—*
 - (a) *an act which constitutes an offence within the scope of, or within the definition of any one of the Treaties specified in Schedule I hereto (appendix II);*
 - (b) *any other act, intended to cause death or serious bodily injury, to civilians or to any other person not taking an active part in the hostilities, in a situation of armed conflict or otherwise, and the purpose of such act, by its nature or context is to intimidate a population or to compel a government or an international organization, to do or to abstain from doing any act,*
 - (c) *any terrorist act shall be guilty of the offence of financing of a terrorist act, a terrorist or terrorists or terrorist organization*

Further, the Act states that, for an act to constitute the offence of terrorist financing it is not necessary to show that funds collected were actually used in the commission of an offence. Attempting, aiding or abetting to commit or acting with a common purpose with another person, a group of persons, contributes to the commission of, or any person who unlawfully and wilfully by any direct or indirect means provides or conspires to provide material support or resources, of the offence of financing of a terrorist act, a terrorist or terrorists or terrorist organization shall be guilty of an offence under the Act.

- **Punishment;** When a person is guilty of an offence of Terrorist Financing he/she shall on conviction after trial on indictment by the High Court, be punished with imprisonment for a term not less than fifteen years and not exceeding twenty years, and also be liable to a fine.
- **Freezing** – A Police officer not below the rank of an Assistant Superintendent of Police may, where there are reasonable grounds to believe that any person is involved in the commission of any act which constitute an offence under section 3 of this Act and it is necessary for preventing the commission of any further acts in connection with such offence, issue an Order freezing all funds or property provided or collected in contravention of the provision of the Act, any income or profit earned on such funds or property or any instrumentalities used in the commission of such offence.

The Police officer issuing the freezing order within seven days make an *ex parte* application to the High Court seeking confirmation of such freezing Order and if necessitate request an extension.

Any person or institution uses such funds, property, income, profit or instrumentality subject to a Freezing Order in contravention of the order, will be guilty of an offence and on conviction after trial before High Court be liable to a fine not exceeding one hundred thousand rupees or one and half times the value of the money is such fund, property, income, profit or instrumentality which has been dealt with in contravention of such freezing Order, which ever is higher or to imprisonment of either description for a period not exceeding one year or to both such fine and imprisonment.

Forfeiture; where a person is convicted of an offence under section 3 of this Act, the Court convicting such person shall make an order that any funds or property provided or collected in contravention of the provisions of section 3, any income or profit earned on such funds or property or any instrumentalities used in the commission of such offence, be forfeited to the State free from all encumbrances.

- **Extradition and Mutual Legal Assistance;** As per Section 8, when a request is made by or on behalf of Government of a Convention State for extradition of any person accused or convicted of an offence of terrorist financing or an offence specified in Schedule II (Appendix II) of CSTFA, the Minister on behalf of Government of Sri Lanka notify the requesting State of the measures taken or proposes to take for the prosecution or extradition of that person for the particular offence.

As per Section 9, Provisions of the Mutual Assistance in Criminal Matters Act No 25 of 2002 will be applicable in providing assistance on investigation and prosecution of an offence of terrorist financing or an offence specified in Schedule II of CSTFAA to Commonwealth countries or non common wealth countries within which the Sri Lankan Government has entered into an agreement under aforesaid Act.

**Box 5: Section 14 of the FTRA -
Requirement to appoint “Compliance Officer”**

- (1) Every Institution shall be required to
- (a) Appoint a Compliance Officer who shall be responsible for ensuring the Institution’s compliance with the requirements of this Act;
 - (b) Establish and maintain procedures and systems to
 - (i) Implement the customer identification requirements under Section 2 of FTRA
 - (ii) Implement procedures for the record keeping and retention requirements under section 4 of FTRA
 - (iii) Implement the process of monitoring required under Section 5
 - (iv) Implement the reporting requirements under Sections 6, 7, 8 and Section 22 of FTRA in relation to auditors
 - (iv) Make its officers and employees aware of the laws relating to money laundering and financing of terrorism and
 - (vi) Screen all persons before hiring them as employees.
 - (c) Establish an audit function to test its procedures and systems for the compliance with the provisions of FTRA.
 - (d) Train its officers, employees and agents to recognize suspicious transaction

5. International Effort in Strengthening AML/CFT Framework

In response to the growing concerns about money laundering and terrorist financing activities, the international community has acted on many fronts. The international effort began with the recognition that drug trafficking was an international issue and could only be addressed effectively on a multilateral basis. Thus, the first international convention concerning money laundering has had drug trafficking as the only predicate offence. However, with growing international concerns most countries now include a wide range of offences as money laundering predicate offences.

The efforts taken by several international organizations to strengthen the global AML/CFT framework are summarized below.

5.1 United Nations

The United Nations (UN) was the first international organization to undertake significant action to fight against money laundering on worldwide basis. The role played by the UN is important as it has the ability to adopt international treaties or conventions that have the effect of a law in a country once that country has signed, ratified and implemented the convention depending on the country's constitution and legal structure. Several conventions and resolutions adopted by the UN are of importance in combating money laundering and terrorist financing in the world.

1. The Vienna Convention; The United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances was adopted in 1988 primarily to deal with fighting the illicit drug trade and related law enforcement issues. The Convention was enforced in November 1990.
2. The Palermo Convention; The International Convention Against Transnational Organized Crime was adopted in 2000 to fight against organized crimes and commit countries that ratify the convention to implement provisions through their domestic laws. The Palermo Convention specifically obligates each ratifying country to, criminalize money laundering, establish regulatory regimes to detect all forms of money laundering and promote national and international cooperation to exchange information.
3. International Convention for the Suppression of the Financing of Terrorism; The UN adopted their Convention in 1999. It requires the ratifying States to criminalize terrorism, terrorist organizations and terrorist acts. The Convention was enforced in April 2002.
4. United Nations Security Council Resolutions (UNSCRs); For the implementation of a UNSCR, it is not required for member states to sign and ratify it, as resolution passed in response to a threat to international peace and security under Chapter VII of the UN Charter, is binding upon all UN member countries. On September 2001, UN Security Council adopted the Resolution

1373 obligating countries to criminalize actions to finance terrorism. The UNSCR 1267 and successors adopted requires member States to freeze the assets of the Taliban, Osama Bin Laden and Al- Qaeda and entities owned or controlled by them as designated by Sanctions Committee.

5.2 The Financial Action Task Force (FATF)

(a) Establishment

In response to mounting concern over money laundering, the Financial Action Task Force on Money Laundering (FATF) was established by the G-7 Summit held in Paris in 1989. Recognizing the threat posed to the banking system and to financial institutions, the G-7 Heads of States and President of the European Commission convened the Task Force from the G-7 member States, the European Commission and eight other countries.

The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The Task Force is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

(b) Functions

The FATF monitors members’ progress in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In performing these activities, the FATF collaborates with other international agencies involved in combating money laundering and the financing of terrorism.

(c) 40 + 9 Recommendations

In April 1990, the FATF issued a report containing a set of Forty (40) Recommendations, which provides a comprehensive plan of action needed to fight against money laundering. In 2001, the development of standards in the fight against terrorist financing was added to the mission of the FATF. In October 2001, the FATF issued the Eight (8) Special Recommendations to deal with the issue of terrorist financing. The continued evolution of money laundering techniques led the FATF to revise the FATF standards comprehensively in June 2003. In October 2004 the FATF published a Ninth Special Recommendation, further strengthening the agreed international standards for countering the financing of terrorism.

These 40+9 recommendations set-out international standards for anti-money laundering measures and combating the financing of terrorism and terrorist acts. They also set-out the principles for action and allow countries a measure of flexibility in implementing these principles according to their particular circumstances and constitutional framework. FATF Recommendations are therefore intended to be implemented at the national level through legislation and other legally binding measures.

(d) Membership

There are currently 36 members of the FATF; 34 jurisdictions and 2 regional organisations (the Gulf Cooperation Council and the European Commission). These 36 members are at the core of global efforts to combat money laundering and terrorist financing. There are also 27 international and regional organisations which are Associate Members or Observers of the FATF that participate in its work.

5.3 The Basel Committee on Banking Supervision

The Basel Committee has formulated three supervisory standards and guidelines concerning money laundering issue.

1. Statement of principles of Money Laundering (1988) outlines the basic policies and procedures that bank management should ensure that are in place within their institution to assist in suppressing money laundering through the banking system.
2. Core Principles for banking (1997) which provides a comprehensive blueprint for an effective bank supervisory system covering wide topics including KYC/CDD policies.
3. Extensive paper on KYC principles (2001).

Other than the above institutions, International Association of Insurance Supervisors and International Organization of Securities Commissioners have also contributed to the global effort in combating ML/TF.

5.4 Regional Monitoring Bodies

FATF Style Regional Bodies (FSRBs) play a crucial role in the fight against money laundering and terrorist financing through monitoring implementation and enforcement of FATF Recommendations. They also administer mutual evaluation of their members, which are intended to identify weaknesses so that members may take remedial action. They also provide information to their members about trends, techniques and other developments in the field of ML/TF. FSRBs are voluntary and cooperative organizations which are being organized based on geographical region. Currently, the FATF has recognized seven FSRBs.

1. Asia/Pacific Group on Money Laundering (APG)
2. Caribbean Financial Action Task Force (CFATF)
3. Council of Europe (MONEYVAL)
4. Eastern and Southern African Anti Money Laundering Group (ESAAMLG)
5. Financial Action Task Force on Money Laundering in South America (GAFISUD)
6. Middle East and North African Financial Action Task Force (MENAFATF)
7. Intergovernmental Action Group Against Money Laundering in West Africa (GIABA)

Sri Lanka's compliance with the FATF Recommendations is being monitored by the Asia/Pacific Group on Money Laundering;

Box 6: Asia/Pacific Group on Money Laundering (APG)

APG is an autonomous and collaborative international organization founded in 1997 in Bangkok, Thailand. This group currently consists of 41 members and number of international and regional observers. These members and observers are committed for the effective implementation and enforcement of internationally accepted standard against money laundering and the financing of terrorism,

The APG conducts mutual evaluations of its members to determine whether they comply, or to what extent they comply, with their obligations to implement the global anti-money laundering and anti-terrorist financing standard. Some of these evaluations are conducted jointly with other AML/CFT bodies such as the FATF, the International Monetary Fund, the World Bank and the Offshore Group of Banking Supervisors.

The identified roles of the APG, as per its Strategic Plan is as follows.

- assessing APG members' compliance with the international AML/CFT standards through a programme of mutual evaluations;
- supporting implementation of the international AML/CFT standard, including coordinating multi-lateral and bi-lateral technical assistance and training with donor countries and agencies;
- conducting research and analysis into money laundering and terrorist financing trends and methods; and
- participating in, and co-operating with, the international AML/CFT network and contributing to global policy development of the standard through associate membership in the FATF.

Sources; www.apgml.org

6. Appendices

Appendix I

Predicate Offences under PMLA

As per the Interpretation Section of the PMLA an “Unlawful activity” means any act which constitutes an offence under;

- (a) The Poisons, Opium and Dangerous Drugs Ordinance (Chapter 218);
- (b) Any law or regulation for the time being in force relating to the prevention and suppression of terrorism;
- (c) The Bribery Act (Chapter 26);
- (d) The Firearms Ordinance (Chapter 182), the Explosives Ordinance (Chapter 183) or the Offensive Weapons Act, No. 18 of 1966.
- (e) The Exchange Control Act (Chapter 423), and any Rules, Orders or Regulations made thereunder;
- (f) An offence under Section 83C of the Banking Act, No. 30 of 1988;
- (g) Any law for the time being in force relating to transnational organised crime;
- (h) Any law for the time being in force relating to cyber crime;
- (i) Any law for the time being in force relating to offences against children;
- (j) Any written law for the time being in force relating to offences connected with the trafficking or smuggling of persons;
- (k) the Customs Ordinance (Chapter 235) and any Regulation, Rule or Order made thereunder;
- (l) the Excise Ordinance (Chapter) 52 and any Regulation, Rule or Order made thereunder;
- (m) the Payment Device Frauds Act No 30 of 2006 and any Regulation, Rule or Order made thereunder;
- (n) the National Environmental Act No 47 of 1980 and any Regulation, Rule or Order made thereunder
- (o) an offence under any other written law for the time being in force which is punishable by death or with imprisonment for a term five years or more; provided however that, notwithstanding anything to the contrary in the preceding provision, any offence under section 386, 388, 399, and 401 of the Penal Code (Chapter 19) shall be deemed to be an unlawful activity for the purpose of this Act; and
- (p) an act committed within any jurisdiction outside Sri Lanka, which would either constitute an offence in that jurisdiction or which would if committed in Sri Lanka amount to an unlawful activity within the meaning of this Act.

Appendix II

Offences of Terrorist Financing Schedule I & II under CSTFA

Schedule I of the CSTFAA defined Offence of Terrorist Financing under Section 3

1. The Convention for the Suppression of Unlawful Seizure of Aircraft, done at the Hague on December 16, 1970.
2. The Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on September 23, 1971.
3. The Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, adopted by the General Assembly of the United Nations on December 14, 1973.
4. The International Convention against the Taking of Hostages, adopted by the General Assembly of the United Nations on December 17, 1979.
5. The Convention on Physical Protection of Nuclear Material, adopted at Vienna on March 3, 1980.
6. The Protocol for the Suppression of Unlawful Acts of Violence at Airports serving International Civil Aviation, Supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on February 24, 1988.
7. Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on March 10, 1988.
8. The Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf, done at Rome on March 10, 1988.
9. International Convention for the Suppression of Terrorist Bombings, adopted by the General Assembly of the United Nations on December 15, 1997.

Schedule II Specify offence of Terrorist Financing applicable for Section 8, 9, 10, 11 and 13 of CSTFAA

- (1) Unlawfully and willfully providing or collecting funds with the intention that such funds should be used, or in the knowledge that they are to be used, or having reason to believe that they are likely to be used in full or in part, in order to commit,—
 - (a) an act which constitutes an offence within the scope of, or within the definition of anyone of the treaties specified in the Schedule I to this Act ;
 - (b) any other act, intended to cause death or serious bodily injury, to a civilian or to any other person not taking an active part in the hostilities, in a situation of armed conflict, and the purpose of such act, by its nature and context is to intimidate a population or to compel a government or an international organization, to do or to abstain from doing any act.
- (2) Attempt to commit the offence referred to in paragraph (1).
- (3) Aiding and abetting the commission of the offence referred to in paragraph (1).
- (4) Acting with a common purpose with another person or a group of persons and contributing to the commission of the offence referred to in paragraph (1).

Appendix III

Important Circulars / Rules Issued by FIU – Sri Lanka Since 2006

Date	Sector	Description
04.09. 2006	LCBs & LSBs	Legal requirement on Customer Due Diligence for all remittances received into customer accounts and transfers therefrom.
15.09. 2006	LSBs, LSBs & RFCs	Compliance with the reporting requirements under section 6 (a) (b) and, Section 7 of the FTRA No. 06 of 2006
15.09. 2006	LCBs & LSBs	Confirmation of the applicability of the Gazette Order No 1437/25 dated 23rd March 2006 issued under Section 2 of the FTRA No.06 of 2006.
04.09 2006	LCBs & LSBs	Requirements for close monitoring of Nostro Accounts issued in pursuant to the Section 312 and Section 319 of the US Patriot Act
15.09 2006	LCBs & LSBs	Compliance with the Section 14 of the FTRA No.06 of 2006
04.04.2007	LCBs	Light a Million Candles Campaign – Offences against Children
23.05.2007	LSBs, LSBs & RFCs	Fortnightly reporting of transactions under Section 6 of the FTRA
21.06. 2007	LCBs	Mandatory Reporting Requirement – inclusion of Electronic Fund Transfers
20.08. 2007	LSBs, LSBs & RFCs	Compliance with KYC/ CDD rules for new customers and existing customers – State of Readiness
23.05.2008	LCBs & LSBs	Adaption of inadequate Customer Due Diligence procedures by Banking Industry
24.06.2008	LCBs	Inclusion of the World Tamil Movement among the list of Terrorist Organizations in Canada
30.06.2008	LSBs, LSBs & RFCs	Revision of Reporting threshold under Section 6 of the FTRA
30.06.2008	Securities	Compliance with the reporting requirements under Section 6 (a) (b) and, Section 7 of the FTRA No. 06 of 2006
18.08.2008	Insurance	Compliance with the reporting requirements under Section 6 (a) (b) and, Section 7 of the FTRA No. 06 of 2006
08.10.2008	LCBs & LSBs	Use of Banking System by Institutions and Persons not authorized to accept deposits (Circular issued jointly with the Director – Bank Supervision Department)
12.01. 2009	LCBs & LSBs	Compliance with the Section 2 of the FTRA.
12.01.2009	RFCs	Compliance with the Section 2 of the FTRA
12.02.2009	LCBs & LSBs	Inclusion of the Tamil Foundation among the list of Terrorist Organizations in US
06.03.2009	Insurance	AML/CFT Compliance functions of the Insurance Industry
23.06.2009	LCBs & LSBs	Web based Information Reporting System in submitting regular reports to the FIU.
17.12.2009	RFCs	Web based Information Reporting System in submitting regular reports to the FIU.
15.04.2010	Securities	Web based Information Reporting System in submitting regular reports to the FIU.
06.04.2010	Insurance	Web based Information Reporting System in submitting regular reports to the FIU.
28.03.2011	LCBs, LSBs and RFCs	Extraordinary Gazette No. 1699/10, RULES made by Financial Intelligence Unit under subsection (3) of section 2 of the Financial Transactions Reporting Act, No. 6 of 2006

06.05.2011	LCBs, LSBs, RFCs, Insurance and Securities	Auditor's declaration on establishment of an audit functions to ensure compliance under the Financial Transactions Reporting Act No. 6 of 2006.
20.05.2011	RFCs	Compliance with the reporting requirements under the Section 7 of the Financial Transactions Reporting Act No 6 of 2006
09.08.2011	LCBs & LSBs	Revisions to Extraordinary Gazette Notification No. 1699/10 - KYC/CDD Rules No. 01 of 2011

Appendix IV

Reporting Institutions as at 31st December 2011

Licensed Commercial Banks

- | | |
|--|-------------------------------------|
| 1 Amana Bank Ltd. | 13 ICICI Bank Sri Lanka |
| 2 Axis Bank Ltd. | 14 Muslim Commercial Bank Ltd |
| 3 Bank of Ceylon | 15 Nations Trust Bank PLC |
| 4 Citibank N.A | 16 National Development Bank PLC |
| 5 Commercial Bank of Ceylon PLC | 17 Pan Asia Banking Corporation PLC |
| 6 Deutsche Bank AG | 18 People's Bank |
| 7 DFCC Vardhana Bank Ltd | 19 Public Bank |
| 8 Habib Bank | 20 Standard Chartered Bank |
| 9 Hatton National Bank PLC | 21 State Bank of India |
| 10 HongKong and Shanghai Banking Corp. | 22 Sampath Bank PLC |
| 11 Indian Bank | 23 Seylan Bank PLC |
| 12 Indian Overseas Bank | 24 Union Bank of Colombo PLC |

Licensed Specialized Banks

- DFCC Bank
- HDFC Bank of Sri Lanka
- Lankaputhra Development Bank
- MBSL Savings Bank Ltd.
- National Savings Bank
- Regional Development Bank
- Sanasa Development Bank Ltd.
- State Mortgage and Investment Bank
- Sri Lanka Savings Bank

Licensed Finance Companies

- | | |
|--|---|
| 1 Abans Financial Services Ltd. | 20 Kanrich Finance Ltd. |
| 2 Alliance Finance Co. PLC | 21 Lanka ORIX Finance PLC |
| 3 AMW Capital Leasing PLC | 22 LB Finance PLC |
| 4 Arpico Finance Co. PLC | 23 Mercantile Investments PLC |
| 5 Asia Asset Finance Ltd. | 24 Merchant Credit of Sri Lanka Ltd. |
| 6 Asian Finance Ltd. | 25 Multi Finance PLC |
| 7 Associated Motor Finance Co. PLC | 26 Nanda Investments and Finance Ltd. |
| 8 Bartleet Finance PLC | 27 Peoples' Leasing Finance PLC |
| 9 Bimputh Lanka Investments Ltd. | 28 Prime Grameen Micro Finance Ltd. |
| 10 Capital Alliance Finance PLC | 29 Senkadagala Finance Co. PLC |
| 11 Central Finance Co. PLC | 30 Singer Finance (Lanka) Ltd. |
| 12 Central Investments & Finance Ltd. | 31 Sinhaputra Finance PLC |
| 13 Citizens Development Business Finance PLC | 32 Softlogic Finance PLC |
| 14 Chilaw Finance Ltd. | 33 Swarnamahahal Financial Services PLC |
| 15 Commercial Credit PLC | 34 The Finance & Guarantee Co. Ltd. |
| 16 City Finance Corporation Ltd. | 35 The Finance Co. PLC |
| 17 Commercial Leasing and Finance Ltd. | 36 The Standard Credit Lanka Ltd. |
| 18 Divasa Finance Ltd. | 37 Trade Finance & Investments PLC |
| 19 Edirisinghe Trust Investments Ltd. | 38 Vallibel Finance PLC |

Licensed Stock Brokers

- 1 Acuity Stockbrokers (Pvt) Ltd.
- 2 Asha Phillip Securities Ltd.
- 3 Asia Securities (Pvt) Ltd.
- 4 Assetline Securities (Pvt) Ltd.
- 5 Arrenga Capital (Pvt.) Ltd.
- 6 Bartleet Religare Securities (Pvt.) Ltd.
- 7 Capital Alliance Securities (Pvt) Ltd.
- 8 Capital Trust Securities (Pvt) Ltd.
- 9 Ceylinco Stockbrokers (Pvt) Ltd.
- 10 CT Smith Stockbrokers (Pvt) Ltd.
- 11 DNH Financial (Pvt.) Ltd.
- 12 First Guardian Equities (pvt) Ltd.
- 13 Heraymila Securities Ltd.
- 14 J B Securities (Pvt) Ltd.
- 15 John Keells Stockbrokers (Pvt) Ltd.
- 16 LOLC Securities (Pvt.) Ltd.
- 17 Lanka Securities (Pvt) Ltd.
- 18 New World Securities (Pvt.) Ltd.
- 19 NDB Stockbrokers (Pvt) Ltd.
- 20 Richard Pieris Securities (Pvt.) Ltd.
- 21 SKM Lanka Holdings (Pvt) Ltd
- 22 S C Securities (Pvt) Ltd .
- 23 SMB Securities (Pvt) Ltd.
- 24 Somerville Stockbrokers (Pvt) Ltd.
- 25 Taprobane Securities (Pvt) Ltd.

Insurance Companies

- 1 Allianz Insurance Company Lanka Ltd.
- 2 Allianz Life Insurance Lanka Ltd.
- 3 Amana Takaful PLC
- 4 Asian Alliance Insurance PLC
- 5 Aviva NDB Insurance PLC
- 6 Ceylinco Insurance PLC
- 7 Ceylinco Takaful Ltd.
- 8 Cooperative Insurance Company Ltd.
- 9 Continental Insurance Lanka Ltd.
- 10 CHARTIS Insurance Limited Company Ltd.
- 11 HNB Assurance PLC
- 12 Janashakthi Insurance PLC
- 13 Life Insurance Corporation (Lanka) Ltd.
- 14 LOLC Insurance Comp[any Ltd.
- 15 MBSL Insurance Company Ltd.
- 16 People's Insurance Ltd.
- 17 Sanasa Insurance Co. Ltd.
- 18 Sri Lanka Insurance Corporation Ltd.
- 19 Union Assurance PLC.

