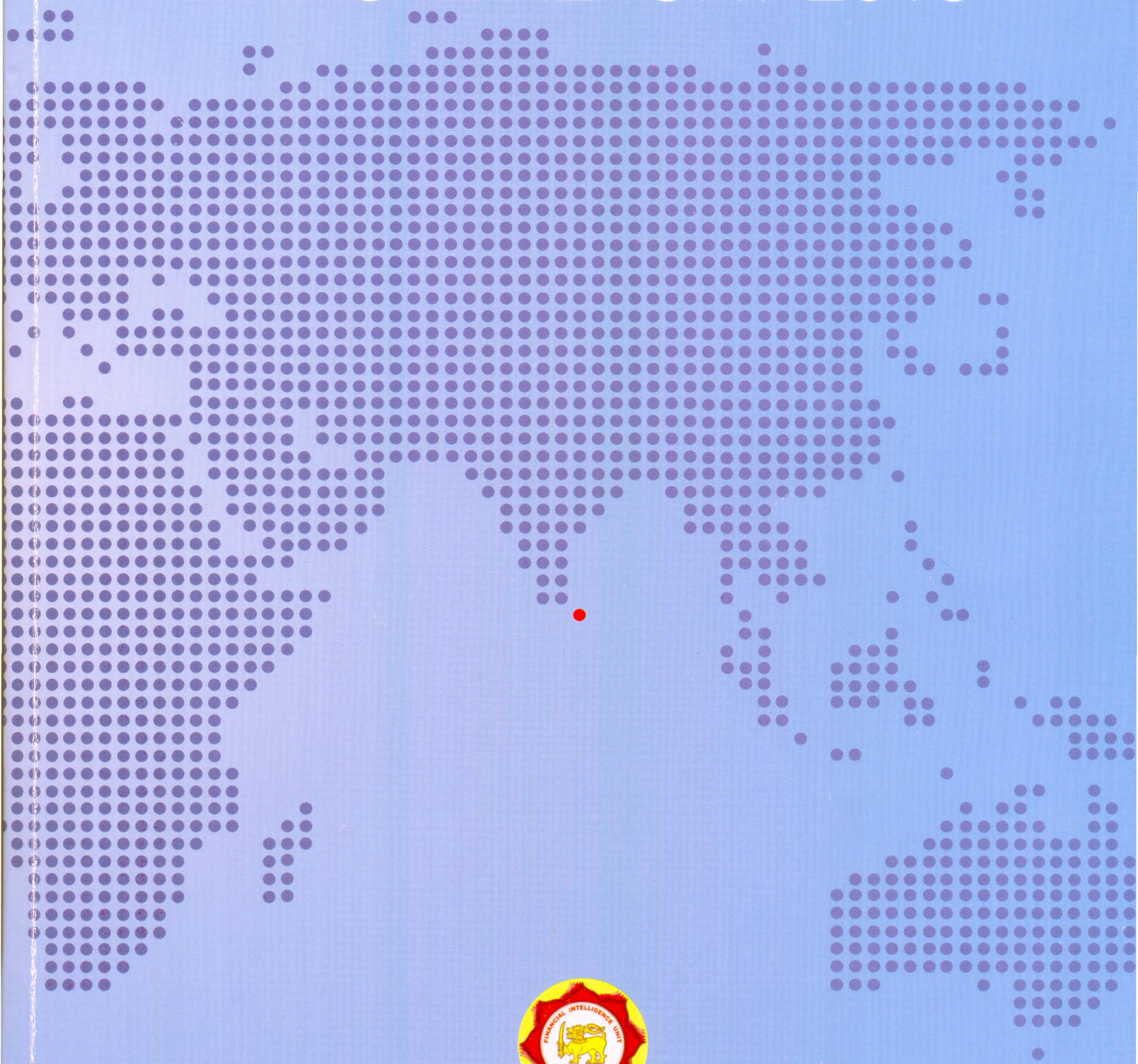


FINANCIAL INTELLIGENCE UNIT ANNUAL REPORT 2013



FINANCIAL INTELLIGENCE UNIT OF SRI LANKA

Annual Report

Financial Intelligence Unit
Sri Lanka

2013

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LIST OF ACRONYMS

| | |
|---------------|---|
| AGD | Attorney General's Department |
| AMCs | Authorized Money Changers |
| AML | Anti-Money Laundering |
| APG | Asia Pacific Group on Money Laundering |
| AUSTRAC | Australian Transaction Reports and Analysis Centre (Australian FIU) |
| CBS | The Center for Banking Studies |
| CBSL | Central Bank of Sri Lanka |
| CDD | Customer Due Diligence |
| CEOs | Chief Executive Officers |
| CFT | Countering the Financing of Terrorism |
| CID | Criminal Investigation Department |
| CSTFA | Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 |
| CTRs | Cash Transaction Reports |
| D/FIU | Director of Financial Intelligence Unit of Sri Lanka |
| DNFBPs | Designated Non-Financial Business or Professions |
| ECOSOC | The Economic and Social Council |
| EFTs | Electronic Fund Transfers |
| FAQs | Frequently Asked Questions |
| FATF | Financial Action Task Force |
| FIU-Sri Lanka | Financial Intelligence Unit of Sri Lanka |
| FSRBs | FATF- Styled Regional Bodies |
| FTRA | The Financial Transactions Reporting Act No. 06 of 2006 |
| IBSL | Insurance Board of Sri Lanka |
| ICRG | International Co-operation Review Group |
| ICs | Insurance Companies |
| ICT | Information and Communication Technology |
| IMF-STI | The IMF - Singapore Regional Training Institute |
| ITD | Information Technology Department |
| JAFIC | Japan Financial Intelligence Centre |
| KYC | Know Your Customer |
| LankaFIN | FIU-Sri Lanka's online Database Management System |
| LBs | Licensed Banks |
| LCBs | Licensed Commercial Banks |
| LEAs | Law Enforcement Agencies |
| LFCs | Licensed Finance Companies |
| LKR | Sri Lankan Rupees |

| | |
|--------|---|
| LSBs | Licensed Specialized Banks |
| LSIC | Lebanon Special Investigations Commission |
| ML/TF | Money Laundering and Terrorist Financing |
| MOU | Memorandum of Understanding |
| NDB | National Development Bank |
| NGOs | Non-Governmental Organizations |
| NPOs | Non-Profit Organizations |
| NRA | National Risk Assessment |
| NTB | Nations Trust Bank |
| PMLA | Prevention of Money Laundering Act No. 05 of 2006 |
| PNB | Police Narcotic Bureau |
| RBA | Risk Based Approach |
| SAs | Supervisory Authorities |
| SEC | Securities and Exchange Commission of Sri Lanka |
| SBs | Stock Brokers |
| SIS | State Intelligence Service |
| SLECIC | Sri Lanka Export Credit Insurance Corporation |
| STF | Special Task Force |
| STRs | Suspicious Transaction Reports |
| UN | United Nations |
| UNSC | United Nations Security Council |
| UNSCRs | United Nations Security Council Resolutions |

YEAR 2013 AT A GLANCE

| | |
|-------------------------------------|-----|
| Total No. of Reporting Institutions | 201 |
| Licensed Commercial Banks | 24 |
| Licensed Specialized Banks | 9 |
| Licensed Finance Companies | 48 |
| Insurance Companies | 21 |
| Stock Brokers | 29 |
| Authorized Money Changers | 70 |

| | |
|--|-----------------|
| Cash Transaction Reports | 3,137,038 |
| Electronic Fund Transfers | 1,483,445 |
| Suspicious Transaction Reports | 498 |
| Suspicious Transaction Reports (Reported) | 366 |
| Suspicious Transaction Reports (Generated) | 132 |
| STRs Referred | 73 |
| STRs Referred to Law Enforcement Agencies | 55 |
| STRs Referred to Regulatory Authorities | 18 |
| On-site examinations | 26 |
| Penalties Imposed | LKR 2.9 million |
| MOUs Signed with Foreign FIUs | 4 |
| Training / Awareness Programmes | 37 |

GOVERNOR'S MESSAGE

Sri Lanka has continued to take necessary measures to further strengthen the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework of the country in order to protect the integrity of its financial system. Active involvements by the Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka) towards this end had a direct and indirect impact in combating criminal activities, avoiding diversion of resources to commercially and socially, non-productive areas and protecting overall financial system stability within the country while also contributing to the global fighting against money laundering and terrorist financing (ML/TF). In this context, achieving a sound AML/CFT regime in the country has become a priority area which can effectively respond to evolving risks and vulnerabilities.

Three pieces of legislation introduced by Sri Lanka, i.e. Convention on the Suppression of Terrorist Financing Act (CSTFA) No. 25 of 2005, Prevention of Money Laundering Act (PMLA) No. 5 of 2006 and Financial Transactions Reporting Act (FTRA) No. 6 of 2006 have been very useful in fighting against ML/TF. We are pleased that actions have already been taken to amend the relevant legislation, taking into account the latest recommendations on ML/TF by Financial Action Task Force (FATF).

The year 2013 was also notable as the country received recognition from the FATF at its plenary held in June 2013 for significant progress achieved by Sri Lanka in improving its AML/CFT regime. Further, Sri Lanka being chosen as APG co-chair for a two-year period commencing from 2016 could be considered as a significant achievement particularly as a founder member of Asia Pacific Group on Money Laundering (APG).

Meanwhile, the Central Bank of Sri Lanka has recognized the importance of capacity building of stakeholders as well as the staff of the FIU-Sri Lanka for the successful implementation of international standards on AML/CFT. Accordingly, arrangements were made to provide training to staff of the FIU-Sri Lanka locally and abroad on subjects relevant to AML/CFT. Further, tailor-made AML/CFT programmes were also conducted for officials representing financial and non-financial sector institutions at the CBSL training centre, in addition to the conduct of awareness programmes for stakeholders by the officers attached to the FIU-Sri Lanka.

It is a great pleasure to note the progress made by the FIU-Sri Lanka amid many challenges. I congratulate the Director and the staff on their efforts towards the progress achieved during 2013 and I am looking forward to see even better performances in the years to come.

Ajith Nivard Cabraal

Governor

Central Bank of Sri Lanka

DIRECTOR'S MESSAGE

The FIU-Sri Lanka continued its operations amidst many challenges during the year 2013. Among them, one of the most difficult challenges was to remove Sri Lanka from listing of the Financial Action Task Force (FATF) under its International Co-operation Review Group (ICRG) process. The ICRG has reviewed Sri Lanka's position in line with the Asia Pacific Group on Money Laundering (APG) mutual evaluation report adopted in 2006 in terms of FATF standards. The FIU-Sri Lanka along with other stakeholders have taken several measures such as revision of the existing legislations and implementation of the United Nation Security Council Resolution (UNSCR), especially UNSCR 1267 and 1373 to fulfil FATF/ICRG obligations. Upon completion of the above processes and having assessed the situation during FATF on-site visit in April 2013, FATF/ICRG has decided to remove Sri Lanka from its monitoring process with effect from July 2013.

The Annual Report 2013 is the third Annual Report of the FIU-Sri Lanka since 2011 which highlights the achievements of the FIU-Sri Lanka during 2013 including the developments in AML/CFT legislative and policy framework and operational aspects of the FIU-Sri Lanka, stakeholder cooperation, and international network. The Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), Licensed Finance Companies (LFCs), Stock Brokering Firms (SBs) and Insurance Companies (ICs) continued to report to the FIU-Sri Lanka on cash transaction and electronic fund transfers (both domestic and foreign) of Rs. 1.0 million and above or its equivalent in foreign currencies through FIU's online database management system, "LankaFIN". The Authorized Money Changers were also added to this network with effect from January 2013. Over 4.6 million cash/fund transfers and 366 suspicious transactions (STRs) were reported by the above reporting institutions. LankaFIN system itself also generated 132 STRs during the year 2013. Out of the total no. of 498 STRs, 73 were referred to the law enforcement agencies and regulatory authorities for further investigations.

As a mechanism to foster sharing of information and intelligence for the purpose of investigations and prosecution of suspicious transactions along with further strengthening of international cooperation, the FIU-Sri Lanka has signed four Memorandums of Understanding (MOUs) with Japan Financial Intelligence Centre (JFIC), Special Investigation Commission of Lebanon (SICL), Financial Intelligence Units of Costa Rica and the Financial Intelligence Unit of Denmark. Accordingly, the total number of MOUs signed as at end of 2013 was 24 representing all parts of the globe. Therefore, FIU-Sri Lanka was able to obtain the required assistance from FIUs in foreign countries, specially member FIUs in Egmont Group (Association of the FIUs) to carryout investigations. The FIU-Sri Lanka has also collaborated with these member countries to gather intelligence information on the investigations. The total number of such instances that FIU exchanged information with foreign counterpart FIUs was recorded as 18 for 2013. In addition, the FIU-Sri Lanka hosted an APG workshop on "Revised FATF Standards and Risk Assessment" specially for the SAARC member FIUs and law enforcement agencies during May 2013.

In continuing with the efforts to enhance awareness on detecting, analyzing and reporting of transactions relating to ML/TF, 37 awareness / training programmes were conducted during the year accommodating more than 2,500 participants from various sectors, stakeholders inclusive of law enforcement agencies, specially the Sri Lanka Police. Further, the FIU-Sri Lanka has conducted special awareness programmes for the judges of the High Courts of Sri Lanka, as recommended by the Advisory Board for the FIU-Sri Lanka. During the year, the FIU-Sri Lanka also conducted 26 on-site examinations on reporting institutions covering all sectors to assess their exposure to risk of ML/TF and to ascertain non-compliances of under the provisions of the FTRA, rules and directions issued by the FIU-Sri Lanka. As a result, the FIU-Sri

Lanka had to impose penalties in terms of FTRA to rectify the identified non-compliance of such reporting institutions.

With a view to further strengthening the regulatory framework in line with FATF standards and best practices of AML/CFT, several amendments were introduced to Convention on the Suppression of the Terrorist Financing Act No. 25 of 2005. Accordingly, Convention on the Suppression of the Terrorist Financing (Amendment) Act No. 03 of 2013 was certified for implementation by the Parliament on 12 February 2013. Further, implementation of the United Nations Security Council Resolution 1267 and 1373 were completed during the year under the guidance of the International Monetary Fund and with assistance from the Ministry of External Affairs and the Ministry of Defence and Urban Development of Sri Lanka. In addition, the legal review committee appointed by the Advisory Board has also completed the final draft on revision of the Financial Transaction Reporting Act No. 06 of 2006, taking into consideration the revised FATF standards adopted in 2012. Arrangements have also been initiated to conduct a national risk assessment on ML/TF in 2014 with technical assistance from the World Bank. Preliminary work relating to mutual evaluation to be held in 2014 was also undertaken during the latter part of 2013.

With these developments and enhanced performance along with commendable commitment of the FIU staff, the level of compliance expected by the international monitors could be achieved successfully. It is justified by Sri Lanka being chosen as a rotating co-chair of the APG for 2016/2018 period by the APG Annual Plenary held in July 2013. Sri Lanka will also have the privilege to host the APG Annual Plenary in Colombo in 2017. This would be a significant achievement for Sri Lanka since joining the APG in 1997.

DM Rupasinghe

Director

Financial Intelligence Unit of Sri Lanka



FIU-Sri Lanka Staff

VISION

To be the trusted and respected single agency with commitment to excellence in establishing the framework for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) in Sri Lanka.

MISSION

To administer, effectively, the provisions of the FTRA No.6 of 2006 by facilitating the prevention, detection, investigation and prosecution of offences related to Money Laundering and Terrorist Financing (ML/TF).

STRATEGIC GOALS

Implement the provisions of FTRA, No. 6 of 2006 relating to prevention, detection, investigation and prosecution of ML/TF activities.

Strengthen the AML/CFT regime in line with the revised FATF recommendations.

Promote international co-operation on AML/CFT in line with international standards /conventions.

The FIU-Sri Lanka is the national centre to receive and analyse suspicious transaction reports and other threshold based disclosures / declarations in respect of money laundering, associated predicate offences and financing of terrorism from relevant institutions. FIU-Sri Lanka is also required to disseminate the results of such analysis to relevant law enforcement and supervisory authorities in a timely manner for effective actions.

2.1 Collection of Information

The FIU-Sri Lanka receives / collects financial information mainly from Institutions. In terms of FTRA, “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 Act.

Licensed Banks (LBs), Licensed Finance Companies (LFCs), Stock Brokers (SBs), Insurance Companies (ICs) and Authorized Money Changers (AMCs) are mandated to report to the FIU-Sri Lanka. In addition, the FIU-Sri Lanka also receives information relating to ML/ TF from Law Enforcement Agencies (LEAs), Supervisory Authorities (SAs) and the general public.

As prescribed by the FTRA No. 6 of 2006, the following mandatory reports are required to be sent to the FIU-Sri Lanka by the relevant institutions.

- 1) Cash Transaction Reports (CTRs)
- 2) Electronic Fund Transfers (EFTs)
- 3) Suspicious Transaction Reports (STRs)

Cash Transactions and Electronic Fund Transfers

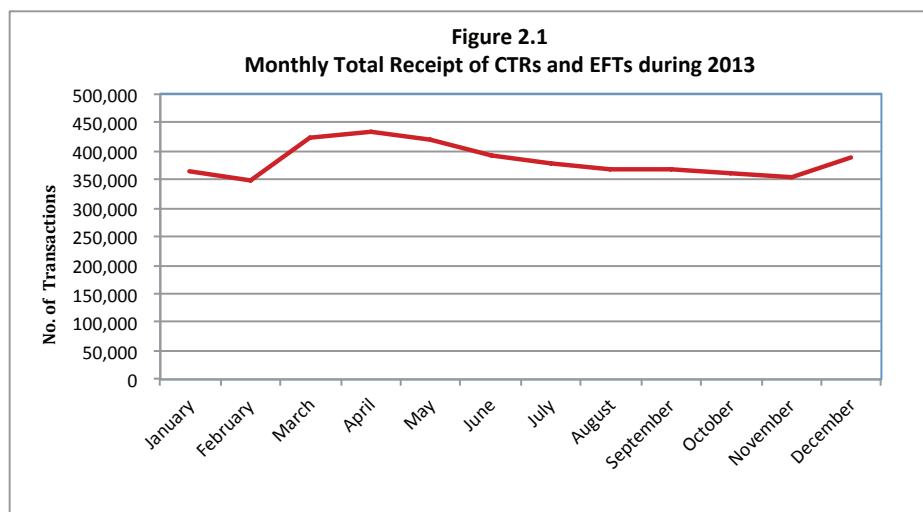
In terms of section 6 of the FTRA, every Institution is required to report any cash transaction/ electronic fund transfers to FIU-Sri Lanka exceeding the authorized value or its equivalent in any foreign currency as prescribed by the Minister of Finance by an Order published in the Gazette. The present applicable reporting threshold of Rs. 1 mn was prescribed by the Minister of Finance by Extraordinary Gazette No 1555/9 dated 25 June, 2008.

Table 2.1
Receipt of CTRs & EFTs through LankaFIN

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------|-----------|-----------|-----------|-----------|-----------|
| CTRs | 1,616,018 | 2,606,102 | 2,827,034 | 3,418,851 | 3,137,038 |
| EFTs | 304,786 | 491,512 | 670,063 | 791,570 | 1,483,445 |
| Total | 1,920,804 | 3,097,614 | 3,497,097 | 4,210,421 | 4,620,483 |

Source : LankaFIN, Financial Intelligence Unit-Sri Lanka

The number of CTRs and EFTs electronically submitted by LBs, LFCs, SBs, ICs and AMCs through the LankaFIN secured online network introduced by the FIU-Sri Lanka is given in Table 2.1.



Source : LankaFIN, FIU-Sri Lanka

According to Table 2.1, the number of transactions reported to the FIU-Sri Lanka has increased by 9.1 per cent from 2012 to 2013.

Suspicious Transaction Reports (STRs)

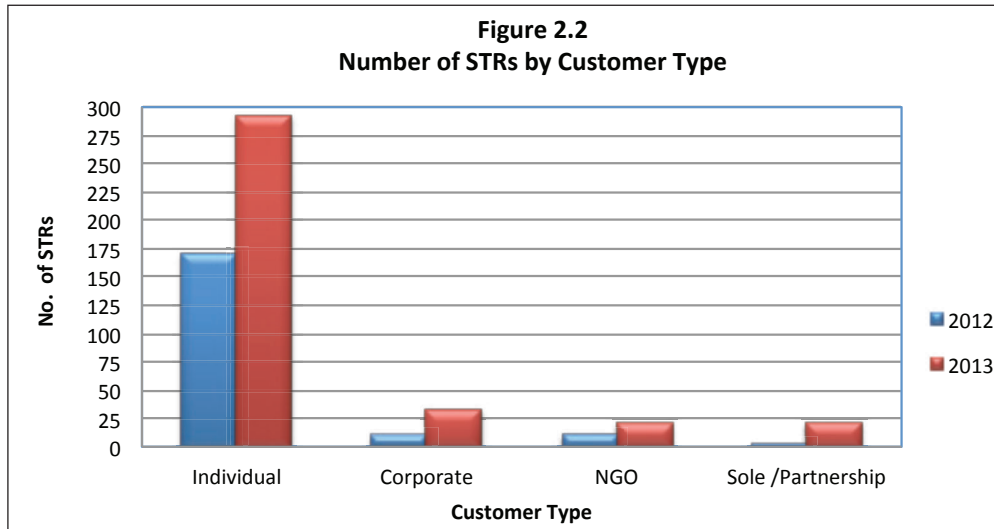
In term of Section 7 of the FTRA, if an Institution has reasonable ground to suspect that any transaction or attempted transaction may be related to a commission of any unlawful activity or any other criminal offence, the said Institution should file an STR with the FIU. At present, LBs, LFCs, SBs, ICs and AMCs submit STRs to the FIU-Sri Lanka electronically through LankaFIN. Further, in terms of Section 5 of the Prevention of Money Laundering Act No. 05 of 2006 (PMLA), any person who knows or has reason to believe from information or other matters obtained by him in the course of any trade, profession, business or employment carried on by such person, that any property has been derived or realized from any unlawful activity the person should disclose his knowledge or belief as soon as is practicable to the

Table 2.2
Number of STRs Reported to FIU-Sri Lanka

| Category | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------|------------|------------|------------|------------|------------|
| Reporting Institutions | 78 | 87 | 91 | 144 | 272 |
| Law Enforcement and Regulators | 29 | 156 | 91 | 56 | 88 |
| General Public | 4 | 3 | 3 | 3 | 6 |
| Total | 111 | 246 | 185 | 203 | 366 |

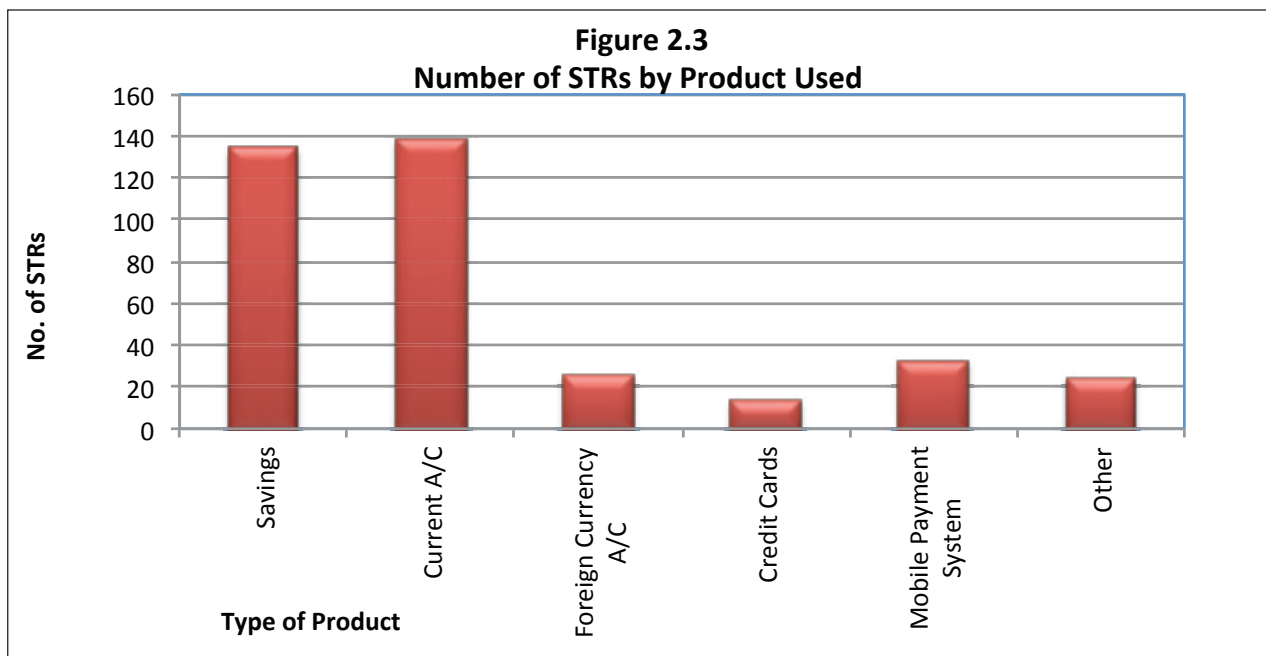
Source : LankaFIN, FIU-Sri Lanka

FIU. Accordingly, the FIU-Sri Lanka also receives STRs from law enforcement agencies, supervisory authorities as well as the general public. The number of STRs reported to the FIU by reporting categories from 2009 to 2013 is given in Table 2.2.



Source: LankaFIN, FIU-Sri Lanka

According to Table 2.2, the STRs reported by the reporting Institutions continued to grow from 2009 to 2013. Compared with STRs by reporting Institutions and law enforcement and regulators, public complaints remained low during the period from 2009 to 2013. The total number of STRs reported to the FIU-Sri Lanka has increased by 80 per cent to 366 in 2013 compared with 203 in 2012.

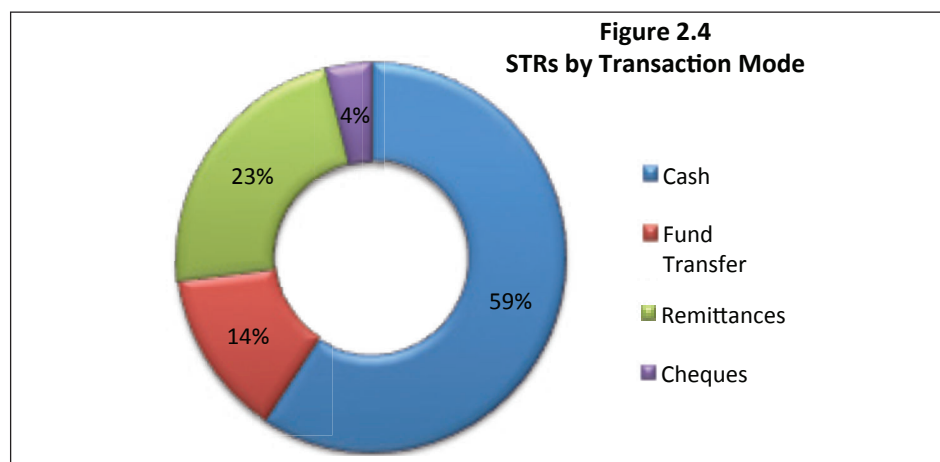


Source : LankaFIN, FIU-Sri Lanka

Figure 2.2 shows that the STRs on financial transactions carried out by individuals continued to be the major component of STRs reported in 2013 as in the previous year. Similarly, STRs reported in respect of corporates, NGOs and Sole/partnership businesses have also recorded a significant increase in 2013. The majority of STRs reported are related to Current and Savings Accounts. STRs reported by the two recently introduced mobile services providers, Dialog Axiata PLC and Mobitel (Pvt) Ltd. stood at 32.

According to the STR reporting format provided by the FIU-Sri Lanka, Institutions are required to indicate certain specific reasons for reporting STRs such as large unusual transactions not consistent with the known pattern of transactions, frequent transactions below reporting threshold, funds originating from

suspicious organizations/individuals, customer’s reluctance to divulge information etc. These reasons have been given as a guide but not as an exhaustive list. Accordingly, reporting institutions have identified a majority of the STRs on the suspicion that the customer’s transactions are large and unusual deposits/withdrawals not consistent with the known pattern of transactions. A significant number of STRs have been reported under the “Other” category, which includes third party deposits associated with various scams, cheating, and production of fraudulent documents and the misappropriation of funds by NGOs.



Source : LankaFIN, FIU-Sri Lanka

Figure 2.4 indicates that a majority of STRs have been related to transactions carried out by way of cash and inward/outward remittances.

2.2 Analysis of Information

Information submitted by the reporting institutions in the form of CTRs, EFTs and STRs is stored in the “LankaFIN” database. Analysis of information collected/ received from the reporting institutions is one of the main functions of the FIU. Suspicious CTRs and EFTs are identified through an alert generating process. Alerts are generated by the system automatically when certain parameters which have been designed by incorporating ML/ TF typologies identified within and outside Sri Lanka are met. A periodical

Table 2.3
Number of STRs Generated through LankaFIN

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------|---------|---------|---------|-----------|-----------|
| Alerts Generated | 546,568 | 825,845 | 879,859 | 1,046,134 | 1,046,136 |
| STRs Generated | 272 | 394 | 354 | 356 | 132 |

Source : LankaFIN, FIU-Sri Lanka

review and updating of the parameters is carried out to ensure the accuracy and relevancy of alerts generated. A customer or an account in the database would be subject to extra scrutiny based on the number of alerts generated.

A preliminary analysis would be initially performed on the STRs with the information available in the LankaFIN database. If any further investigation is necessary on any STR, information from other sources such as reporting Institutions, regulatory/ supervisory agencies and other relevant government agencies will be collected. Assistance from counterpart FIUs will also be sought as and when required in the analysis of STRs. Based on the results of the preliminary analysis, STRs would be disseminated to relevant law enforcement or regulatory authorities.

Table 2.4
Classification of STRs by Money Laundering and Terrorist Financing

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------|------|------|------|------|------|
| STRs on TF | 133 | 90 | 72 | 89 | 23 |
| STRs on ML | 250 | 534 | 467 | 470 | 475 |
| Total | 383 | 624 | 539 | 559 | 498 |

Source : LankaFIN, FIU-Sri Lanka

The number of STRs relating to terrorist financing has decreased to 23 in 2013 from 133 in 2009, the year in which Sri Lanka concluded an internal conflict. In contrast, the STRs relating to money laundering show an increasing trend especially because of increased cases on drug dealing, frauds and cheating.

2.3 Dissemination of Information

After preliminary investigations, STRs and related information will be disseminated to relevant law enforcement agencies and regulatory agencies for further investigations or any regulatory action.

Table 2.5
Dissemination of Information

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------|------|------|------|------|------|
| Law Enforcement Agencies | 15 | 21 | 60 | 48 | 55 |
| Regulatory Agencies | 3 | 13 | 5 | 8 | 18 |

Source : FIU-Sri Lanka

The decision to disseminate information will be made by the STR Review Committee chaired by the Director FIU-Sri Lanka based on the findings of preliminary investigations. The committee includes two senior officials from the Attorney General's Department and relevant officers of the FIU-Sri Lanka.

Table 2.6
Exchange of Information with Foreign FIUs

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------|------|------|------|------|------|
| Information Requests Received | 15 | 21 | 25 | 11 | 18 |
| Information Requests Made | 3 | 13 | 4 | 12 | 2 |

Source : FIU-Sri Lanka

During 2013, the FIU-Sri Lanka took steps to share information with foreign counterparts by entering into Memorandums of Understanding or through the Egmont Group. The information shared in this manner could be used only for intelligence purposes.

During 2013, the FIU-Sri Lanka received requests from other FIUs such as the Financial Intelligence Unit - India (FIU-IND), FIU-Belgium, FIU-United Kingdom to share information on various investigations relating to ML/ TF conducted by them. Many such requests were responded to favorably. It was observed that the majority of these requests relate to financial transactions conducted by Sri Lankan citizens living abroad.

Sharing of information on financial intelligence among competent authorities both domestically and internationally continued during the year 2013 by facilitating investigation and prosecution of persons suspected on ML/TF. The FIUs, Government Agencies and other stakeholders were mutually benefitted through this process, in combating ML/TF.

3.1 Domestic Co-operation

Law Enforcement Agencies (LEAs)

The FIU-Sri Lanka corresponded with LEAs in Sri Lanka such as Criminal Investigation Department (CID), State Intelligence Service (SIS), Police Narcotic Bureau (PNB), Special Task Force (STF), and Bribery Commission. During the year 2013, the FIU-Sri Lanka referred 55 STRs to LEAs for further investigations. The timely dissemination of financial intelligence was done with the intention of combatting ML/TF of the country.

Table 3.1
No. of STRs Referred to LEAs for Further Investigation from 2008 to 2013

| Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| On ML | 13 | 7 | 14 | 47 | 44 | 55 |
| On TF | 12 | 8 | 17 | 13 | 4 | 0 |
| Total | 25 | 15 | 31 | 60 | 48 | 55 |

Source : FIU-Sri Lanka

The FIU-Sri Lanka also arranged various training and awareness programmes for the members of LEAs in order to improve and strengthen their knowledge and skills on AML/ CFT. In this connection, the APG workshop on “Revised FATF Standards and Risk Assessment” arranged by the FIU-Sri Lanka for the higher law enforcement officials was very well accepted by the participants.

Supervisory Authorities

The supervisory authorities for financial Institutions are the Bank Supervision Department (BSD), the Department of Supervision of Non-Bank Financial Institutions (DSNBFIs), the Exchange Control Department (ECD), the NGO Secretariat, the Insurance Board of Sri Lanka (IBSL), and the Securities and Exchange Commission (SEC). During the year 2013, the FIU-Sri Lanka referred 18 STRs to Supervisory Authorities for further investigation.

Table 3.2**No. of STRs Referred to Supervisory Authorities for Further Investigation from 2008 to 2013**

| Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| On ML | 5 | 3 | 13 | 5 | 8 | 18 |

Source: FIU-Sri Lanka

By issuing rules and designating Authorized Money Changers as reporting Institutions in 2013, the FIU-Sri Lanka built a close relationship with the Exchange Control Department of CBSL in order to combat ML/TF. The FIU-Sri Lanka, in association with the APG conducted a workshop for 20 officers of all the supervisory authorities in order to build the capacity and strengthen the awareness on the revised FATF standards and Risk Assessment.

The FIU-Sri Lanka also provided logistical support to resource persons from AUSTRAC to conduct a training programme for the officers of supervisory authorities and regulators. 27 officers from various supervisory authorities attended the programme held from 2 to 5 September 2013 at Centre for Banking Studies (CBS).

3.2 INTERNATIONAL CO-OPERATION

Memorandums of Understanding (MOUs)

In terms of the provisions made under Section 17 of the FTRA, the FIU-Sri Lanka is empowered to enter into Memorandums of Understanding (MOUs) with the counterpart FIUs on the approval of the Minister of Finance, to exchange information relating to ML/ TF issues. Accordingly, the FIU-Sri Lanka signed four MOUs with the following FIUs during the year 2013.

1. Japan Financial Intelligence Centre (JAFIC) on 11 March 2013,
2. Lebanon Special Investigations Commission (LSIC) on 03 July 2013,
3. FIU of Costa Rica on 08 July 2013, and
4. FIU of Denmark on 30 September 2013.

The total number of MOUs signed by the FIU-Sri Lanka with other counterparts had increased to 24 as at the end of 2013.

Table 3.3
MOUs Signed with Counterpart FIUs from 2008 to 2013

| Name of Counterpart of FIU | Date of Signing |
|--|-------------------|
| Financial Intelligence Unit of Bank Negara Malaysia | 18 January 2008 |
| Financial Intelligence Unit of the Da Afghanistan Bank | 29 February 2008 |
| Korean Financial Intelligence Unit | 18 December 2008 |
| Indonesian Financial Transaction Reports and Analysis Centre | 27 May 2009 |
| Financial Information Unit of Nepal Rastra Bank | 09 July 2009 |
| The Anti-Money Laundering Council of Philippines | 09 July 2009 |
| Cambodian Financial Intelligence Unit of National Bank of Cambodia | 26 October 2009 |
| Financial Intelligence Unit of India | 30 March 2010 |
| Australian Financial Transactions and Analysis Centre | 07 May 2010 |
| Financial Intelligence Unit of Belgium | 18 June 2010 |
| Financial Intelligence Unit of Solomon Island | 15 July 2010 |
| Financial Intelligence Unit of Bangladesh | 28 October 2010 |
| Financial Intelligence Centre of South Africa | 02 December 2010 |
| Fiji Financial Intelligence Unit | 21 July 2011 |
| Financial Intelligence Unit of Slovenia | 09 August 2011 |
| Transaction Reports and Reports Analysis Centre of Canada | 02 August 2011 |
| Financial Crime Enforcement Network (FinCEN) – USA | 10 July 2012 |
| The Financial Information Unit of the Bank of Mongolia | 11 July 2012 |
| Federal Financial Monitoring Service (Russian Federation) | 11 July 2012 |
| Saudi Arabian Financial Investigation Unit (SAFIU) | 11 July 2012 |
| Japan Financial Intelligence Centre (JAFIC) | 11 March 2013 |
| Lebanon Special Investigations Commission (LSIC) | 03 July 2013 |
| FIU Costa Rica | 08 July 2013 |
| FIU Denmark | 30 September 2013 |

Financial Action Task Force (FATF)

FIU-Sri Lanka was able to facilitate the FATF on-site visit to review the ICRG/ FATF action plan in early 2013. Accordingly, Sri Lanka was removed from the FATF's Public Statement with effect from 22nd February 2013 and the ICRG process relating to the same with effect from July 2013. This is due to the acknowledgement of significant progress in improving its AML/ CFT regime and the establishment of legal and regulatory framework to meet its commitments with regard to the strategic deficiencies identified by FATF.

Asia/Pacific Group (APG) on Money Laundering

As a founder member of the Asia/ Pacific Group on Money Laundering (APG), Sri Lanka attended its 16th Annual Meeting held in China in July 2013 and the 16th Annual Typologies and Capacity Building Workshop held in Mongolia in September 2013 focusing on ML/ TF vulnerabilities in the Non-Profit Organizations (NPOs) sector and virtual currencies. During the annual meeting held in July 2013, Sri Lanka was endorsed as the rotating co-chair of the APG for the 2016/ 2018 period and elected to host an annual meeting in 2017. This will be a significant event for Sri Lanka to showcase the Sri Lankan framework for AML/ CFT, which is largely compliant with global standards in order to promote international investor confidence.

In addition, about 60 delegates from the South Asian Region participated at the APG workshop on Revised FATF Standards and Risk Assessment for SAARC countries hosted by the FIU-Sri Lanka during the period from 28 to 30 May 2013.

Egmont Group

The FIU-Sri Lanka obtained assistance from members of the Egmont Group, the Association of the FIUs consisting of 132 member FIUs (as at 31 December 2013), to carry out investigations and collaborated with member FIUs for gathering evidence on their investigations. Accordingly, during 2013, the FIU-Sri Lanka received 18 information requests from the counterpart FIUs and the FIU-Sri Lanka made two requests to counterpart FIUs. All information requests received from counterpart FIUs have been provided.

BOX 1: ASSESSING RISKS AND APPLYING A RISK BASED APPROACH (RBA)

The revised 40 Recommendations introduced by the FATF in February 2012 on Combating Money Laundering and Financing of Terrorism and Proliferation have set out the principles and requirements for the stakeholders to identify, assess and understand the ML/TF risks and apply measures commensurate with the risks as per Recommendation 01, “Assessing Risks and Applying a Risk Based Approach”.

The RBA is mandatory for countries and institutions, but its application is limited to specific aspects of the AML/CFT framework. The rationale behind the renewed emphasis on RBA is when stakeholders identify, assess and understand the ML/TF risks, they could develop AML/CFT regimes tailored and adapted to the specific context of ML/TF risks. The level of ML/TF risks can be decided by FATF, country, institutions or by a combination of all three. Simplified, standard, enhanced, specific measures are applicable depending on the level of risk. Accordingly, the scope of application of Recommendation 1 is risk sensitive because enhanced measures must be in place to address higher risks while simplified measures must be in place to address lower risks.

Obligation of Risk Assessment at National Level

The methodology for assessing compliance with the FATF Recommendations and the effectiveness of AML/CFT systems have clearly stated that countries should identify and assess the ML/TF risks for their own country. There should be a designated authority or a mechanism to coordinate actions on AML/CFT. In Sri Lanka, it is carried out by the Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka). This risk identification and risk assessment should be carried out on an on-going basis to:

1. inform potential changes in the National AML/CFT Regime
2. assist in allocation and prioritization of national resources and
3. make information available to institutions

RBA for Supervision

The main features of RBA for supervision should be considered at the allocation of supervisory resources and implementation of specific process to supervise the individual institutions based on ML/TF risks. This supervision process inevitably needs to be dynamic as the risks evolve. Accordingly, supervisors must have a clear understanding of ML/TF risks in the country as identified in the National Risk Assessment process. Further, they must have access to relevant information on risks associated with customers, products and services of supervised institutions. In addition, there should be procedures to review and update risk profiles of supervised institutions on a regular basis and in light of significant events.

(contd...)

Therefore, the frequency and intensity of the supervisory process need to be based on:

1. Institution's AML/CFT risk profile
2. Institution's risk assessment, policies, internal controls and procedures
3. Degree of discretion allowed to an institution under the RBA
4. General size and characteristics of the institution
5. General AML/CFT risk within the country

Obligation of Financial Institutions and DNFBPs

Financial Institutions and DNFBPs are required to identify and assess the ML/TF risks of customers, geographical areas, products, services, transaction channels, the legislative framework and regulatory measures. Accordingly, they should have documents and keep assessments up-to-date to demonstrate the basis and should make information available to the relevant stakeholders. They are also required to maintain policies, controls and procedures approved by senior management to mitigate the ML/TF risks identified. These policies, controls and procedures should be consistent with national level requirements identified at the National Risk Assessment.

Advantages of RBA

The following are the advantages when stakeholders assess risks and apply the risk based approach effectively in terms of Recommendation 01 of FATF.

1. More effective implementation of CDD rules by focusing on higher risks.
2. More efficient allocation of resources across all stakeholders.
3. Closer alignment with institutions' overall risk management procedures.
4. Ability to adapt risk mitigation measures when risks evolve.

BOX 2: UNITED NATIONS SECURITY COUNCIL RESOLUTIONS

The United Nations (UN) is an inter-governmental organization established on 24th October 1945 to promote international co-operation. Its objectives include maintaining international peace and security, promoting and encouraging respect for human rights, fostering social and economic development, protecting the environment, and providing humanitarian aid in cases of famine, natural disaster, and armed conflict.

The United Nations Security Council (UNSC) is one of the six principal organs of the UN. The other 5 organs are the General Assembly, the Economic and Social Council (ECOSOC), the Secretariat, the International Court of Justice and the United Nations Trusteeship Council (inactive since 1994).

The Security Council consists of fifteen members. China, France, Russia, the United Kingdom (UK), and the United States (US) serve as the body's five permanent members. These permanent members can use veto power for any substantive Security Council resolution, including those on the admission of new member states or candidates for Secretary-General. The Security Council also has 10 non-permanent members, elected on a regional basis to serve two-year terms. The body's presidency rotates monthly between its members.

The UN's role in international collective security is defined by the UN Charter, which authorizes the Security Council to investigate any situation threatening international peace; recommend procedures for peaceful resolution of a dispute; call upon other member nations to completely or partially interrupt economic relations as well as sea, air, postal, and radio communications, or to sever diplomatic relations; and enforce its decisions militarily, or by any means necessary.

Under Chapter VII (Action with Respect to Threats to the Peace, Breaches of the Peace, and Acts of Aggression), the Council has broader power to decide what measures are to be taken in situations involving "threats to the peace, breaches of the peace, or acts of aggression". In such situations, the Council is not limited to recommendations but may take action, including the use of armed force "to maintain or restore international peace and security". Decisions taken under Chapter VII, such as economic sanctions, are binding on UN members;

A United Nations Security Council Resolution is a UN resolution adopted by the fifteen members of the Security Council. Article 25 of the UN Charter says that "The Members of the United Nations agree to accept and carry out the decisions of the Security Council in accordance with the present Charter". Resolutions by the Security Council are legally binding if they are made under Chapter VII of the Charter. If the council cannot reach consensus or a passing vote on a resolution, they may choose to produce a non-binding presidential statement instead of a Resolution.

UNSCR 1267

United Nations Security Council Resolutions (UNSCR) 1267 (1999) and its successor resolutions require countries to immediately freeze funds, financial assets or economic resources of

(contd....)

individuals and entities who are designated by the United Nations Security Council based on such person's/entity's connections with terrorism and terrorist financing. Further, countries should ensure that no funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries. Accordingly, Institutions such as Licensed Banks, Licensed Finance Companies, Stock Brokers and Insurance Companies are obliged to have measures in place to identify and freeze funds, financial assets or economic resources of such designated persons and entities immediately

The UNSCR 1267 is implemented in Sri Lanka by the United Nations Regulations No. 2 of 2012 issued under The United Nations Act, No. 45 of 1968. Under the provisions of the said regulations the Chief of National Intelligence of the Ministry of Defense has been appointed as the Competent Authority for the implementation of UNSCR 1267 and its successor resolutions in Sri Lanka by the Hon. Minister of External Affairs.

The initial UNSCR 1267 list was published in Sri Lanka in the Extraordinary Gazette Notification No. 1814/14 dated 11 June 2013. As and when the UN 1267 committee amends the list of designated persons, the FIU-Sri Lanka notifies the reporting institutions through email and through its website fiusrilanka.gov.lk. Further such amendments are published in the Gazette regularly.

UNSCR 1373

United Nations Security Council Resolutions (UNSCR) 1373 (2001) and its successor resolutions refer to designating individuals and entities related to terrorism and terrorist financing in national level. Accordingly, Institutions are obliged to have measures in place to identify and freeze funds, financial assets or economic resources of such designated persons and entities upon order by the Competent Authority.

The UNSCR 1373 was implemented in Sri Lanka by the United Nations Regulations No. 1 of 2012 issued under the United Nations Act, No. 45 of 1968. Under the provisions of said regulations the Secretary to the Ministry of Defense and Urban Development has been appointed as the Competent Authority for the implementation of UNSCR 1373 and its successor resolutions in Sri Lanka by the Hon. Minister of External Affairs.

4.1 Ensuring Compliance of Reporting Institutions

As key stakeholders, reporting institutions play a major role in effective implementation of AML/CFT measures in the country. In terms of FTRA, the legal requirement of a reporting institution is to ensure that the preventive and detective measures are in place to protect the financial systems from money launderers and terrorist financiers. At the same time, the FTRA empowers the FIU-Sri Lanka to ensure compliance of reporting institutions through various measures such as on-site and off-site surveillance. In addition, the FIU-Sri Lanka has also been empowered by the said act to impose penalties for any reporting institution whenever they breach laws and regulations issued in this regard.

4.2 Off-site Surveillance

Under off-site surveillance, one-on-one meetings and database surveillance are conducted to ensure compliance.

One-on-one Meetings

One-on-one meetings are conducted periodically with compliance officers of the reporting institutions to review and discuss their progress and problems encountered in ensuring institution's compliance with AML/CFT measures. Table 4.1 shows the one-on-one meetings held with reporting institutions during 2012 - 2013.

Table 4.1
One-on-one Meetings with RIs during 2012 - 2013

| Reporting Institutions | No. of Meetings | |
|----------------------------|-----------------|------|
| | 2012 | 2013 |
| Licensed Banks | 11 | 13 |
| Licensed Finance Companies | 5 | 2 |
| Stock Brokers | 3 | - |
| Insurance Companies | 1 | 1 |

Source: FIU-Sri Lanka

Database Surveillance

All reporting institutions are required to submit fortnightly/monthly reports (CTR and EFT) electronically to the FIU-Sri Lanka through the online data submission system 'LankaFIN'. The Financial Data Analysis Division of the FIU-Sri Lanka continuously monitors the reporting institutions' compliance on the submission of such data.

Meanwhile, senior officials of the FIU-Sri Lanka participate in monthly meetings of Chief Executives Officers of LBs and LFCs organized by the supervisory departments of the CBSL in order to discuss any issues of LBs and LFCs on AML/CFT.

4.3 On-site Examinations

In terms of Section 18 of the FTRA, the FIU-Sri Lanka or any other person authorized by the FIU-Sri Lanka is empowered to carry out on-site examinations on the operations of reporting institutions to ensure the effective implementation of the requirements imposed under FTRA or any other directions, rules or regulations issued by the FIU-Sri Lanka.

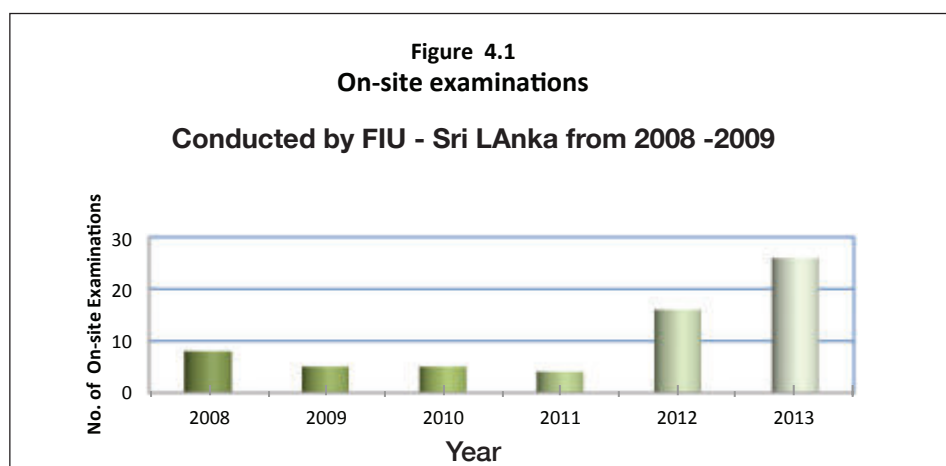
Table 4.2
No. of On-site Examinations Conducted and Penalties Imposed by the FIU-Sri Lanka

| Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|------|------|------|------|------|------|
| No. of On-site examinations | 8 | 5 | 5 | 4 | 16 | 26 |
| Fines imposed (LKR mn) | 1.80 | 4.10 | 1.00 | - | - | 2.90 |

Source : FIU-Sri Lanka

The FIU-Sri Lanka has conducted 26 on-site supervisions in 2013 compared with 16 in 2012. Penalties have been imposed mainly due to non-compliance of rules issued by the FIU-Sri Lanka.

In addition, the supervisory authorities also monitor the AML/CFT compliance of the reporting institutions as a part of their regular examinations. Similarly, they are obliged to forward their findings of these examinations relating to AML/CFT to the FIU-Sri Lanka.



Source : FIU-Sri Lanka

With the development of new products and new business practices resulting from the adopting of new technologies, financial institutions face challenges on unconventional vulnerabilities of ML/TF. The human resource capacity of the FIU-Sri Lanka has to be upgraded in order to perform challenging tasks effectively and efficiently. Accordingly, in line with the growing responsibilities of the FIU-Sri Lanka, the increase of staff as well as their technical capabilities are crucial and help the FIU-Sri Lanka in managing and mitigating risks involved in the ML/TF framework.

Compliance and Training

The FIU-Sri Lanka consists of skilled officers in different disciplines such as Accountancy, Law, Banking and Finance, Economics and Information and Communications Technology (ICT). Staff Officers of the FIU-Sri Lanka have been provided with training opportunities to develop and update their knowledge on various aspects of ML/TF. Details of the local and international training programmes attended by the staff of the FIU-Sri Lanka during the year 2013 are given in Table 5.1.

Table 5.1
Trainings / Workshops Attended by FIU-Sri Lanka Officers during 2013

| Month | Training/workshop | Venue |
|-----------|--|-------------------|
| March | 5th Meeting of Bay of Bengal- Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) | Bangladesh |
| June | Workshop on Electronic Payments | Colombo-Sri Lanka |
| August | APG workshop on Revised FATF Standards | Korea |
| August | Revised Standards on combating ML/TF and Proliferation | IMF-STI Singapore |
| September | Joint Typologies and Capacity Building Workshop/APG Secretariat | Mongolia |
| November | Pre-Mutual Evaluation Workshop at Bank Negara | Malaysia |

| | | |
|----------|---|--------------------------------------|
| November | Modern Web Designing and Develop Master Course. | Centre for Banking Studies-Sri Lanka |
| November | Assessor Training-APG Mutual Evaluation | Sydney-Australia |
| November | Financial Intelligence and Investigation Workshop | Sri Lanka |
| December | Regional Workshop for South East and South Asian Countries on Assets Freezing Requirement to UNSC Resolution 1373 | Thailand |

The FIU-Sri Lanka also consults two senior officers of the Attorney General's Department when executing statutory functions and taking counter measures for ML/TF. Their services are also obtained as resource persons at the awareness programmes conducted by the FIU-Sri Lanka.

The Information Technology Department of the CBSL (ITD) continued its cooperation for the development of IT infrastructure and maintenance of the web based system (LankaFIN) to receive all the electronic reports related to CTR, EFT and STRs without any interruption.

The Advisory Board

The Advisory Board chaired by the Governor of the Central Bank of Sri Lanka consists of 15 Heads of key ministries and institutions. The Advisory Board continued its assistance for the functions of FIU-Sri Lanka on the AML/CFT framework. The strategic directions and policy matters relating to FIU-Sri Lanka functions are discussed at the Advisory Board meetings.

The FIU is currently in the process of amending the provisions of FTRA with the approval of the Advisory Board. Therefore, the FIU has appointed a Legal Review Committee comprising of representatives from the Attorney General's Department, Legal Draftsman's Department, Ministry of Finance, and Ministry of External Affairs for this purpose.



An Advisory Board Meeting

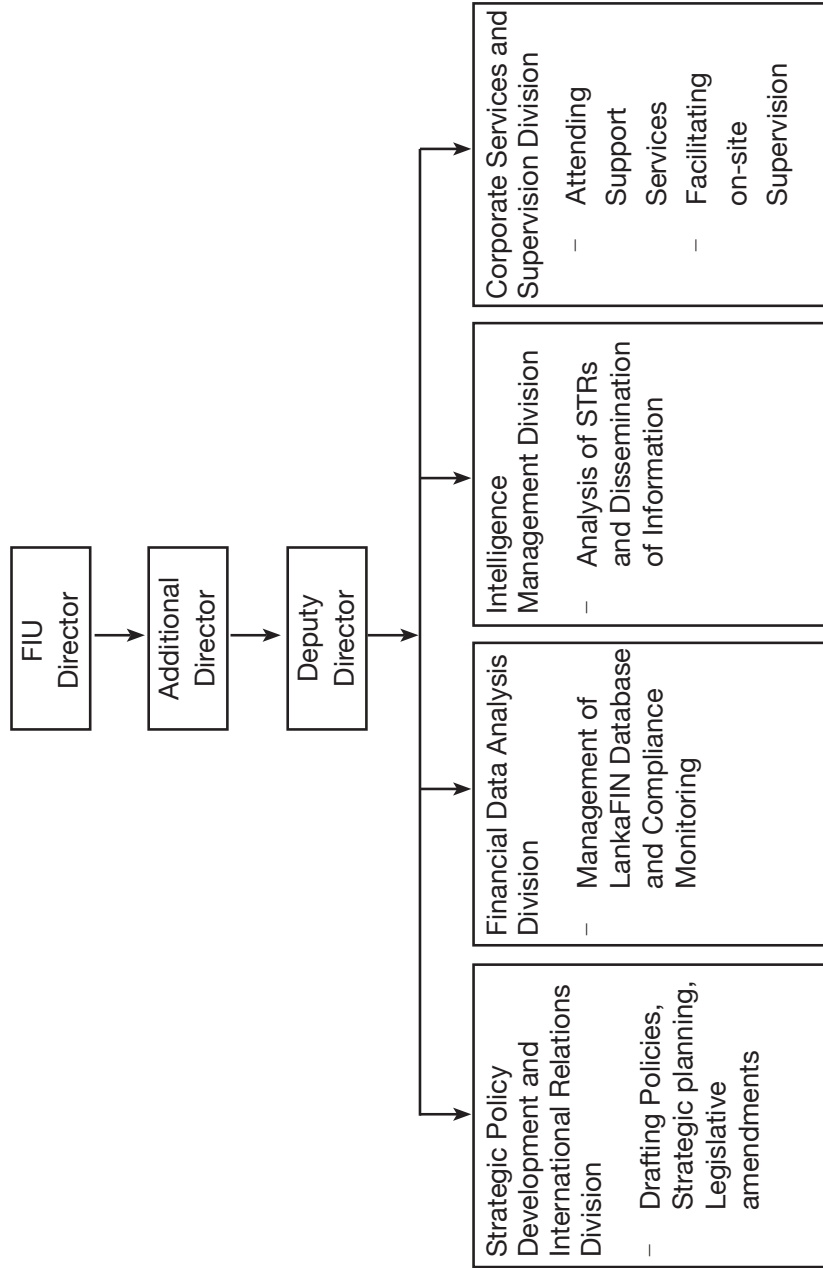
Operational Structure of the FIU-Sri Lanka

As at end 2013, the functions of the FIU-Sri Lanka under the AML/CFT framework have been delegated to four divisions. They are:

1. Strategic Policy Development and International Relations Division
2. Financial Data Analysis Division
3. Intelligence Management Division
4. Corporate Services and Supervision Division

The main functions of the Strategic Policy Development and International Relation Division include drafting of policies, strategic planning, attending to law related works and handling UNSCR related works. The Financial Data Analysis Division is responsible for the management of the LankaFIN database of the department. Analysis of the STRs received by the FIU and dissemination of the information are the main tasks entrusted with the Intelligence Management Division. The Corporate Services and Supervision Division facilitate administration of the department including arrangements relating to on-site supervision of reporting institutions.

Flow Chart 5.1
Operational Structure of FIU-Sri Lanka



BOX 3: National Risk Assessment (NRA) for Understanding ML/TF Risks in Sri Lanka

Introduction

The Financial Action Task Force (FATF), the international policy setter on AML/CFT set out a comprehensive policy framework in the late 1980's to implement certain measures to combat ML/TF and other related threats to the integrity of the international financial system. This framework now consists of forty recommendations as per the revision made in February 2012 by the FATF. In terms of revised Recommendation 1, all countries are required to identify, assess and understand the ML/TF risks and take appropriate actions to mitigate them effectively. Accordingly, all members of FATF and FATF-Styled Regional Bodies (FSRBs), such as the Asia Pacific Group on Money Laundering (APG) that monitors the Asia Pacific Region agreed to implement this recommendation. Sri Lanka, as a member country of APG, is therefore required to make necessary arrangements to conduct a National Risk Assessment (NRA) to fulfill the above requirement.

Risks Associated With ML/ TF

Risk is usually defined as the combination of the probability of an event and its consequences. In general terms, a risk can be identified as an event that can happen and the degree of damage or loss as a result of it occurring. ML/TF risk can be seen as a function of three factors: namely threat, vulnerability and consequence. A threat can be simply defined as a person or a group activity to harm the state, society, or economy. The vulnerability comprises those things that can be exploited by the threat or that may support or facilitate its activities. Consequence refers to the impact or harm that may be caused and includes the effect of the underlying criminal on financial systems, the economy and society more generally.

Assessment Methodology

The selection of methodology is particularly important for a country that is planning a NRA. Although countries prepare the NRA based on their own views, it is necessary to follow the FATF guidelines. There are two major institutions which usually undertake NRA in addition to hiring experts or using a domestically produced system based on FATF guidelines. They are the International Monetary Fund (IMF) and the World Bank.

Considering the user friendliness and transparency aspects, the FIU-Sri Lanka decided to follow the World Bank methodology in conducting of NRA during the year 2014.

The salient features that can be identified in the World Bank Methodology could be summarized as follows.

- Members of the NRA Working Group will be the assessors of risk in ML/TF. Involvement of the World Bank is limited to technical support and guidance during the process.
- Modifications can be done to the NRA tool and hence, the country can adjust the tools as per the country's specific conditions and requirements.
- Users can easily use the templates as they are in excel format which is familiar to all. Hence, all the formulas/calculations can be viewed and followed by the users.

- Tools are mainly focused on ML with an additional module for the TF risk assessment.
- A module for assessing the risk of financial inclusion products is an added feature and an advantage of this methodology

Conclusion

The output of the NRA process consists of an NRA report, NRA results and a Risk Based Action Plan, in addition to fulfilling the compliance requirement under the FATF Recommendation 1. A comprehensive NRA will provide an idea of the overall risk and vulnerability in Sri Lanka by making an environment for the comparison of such vulnerabilities arising from various products and services. Sri Lanka can prioritize and sequence potential (AML) risk mitigating actions and take necessary measures to safeguard the AML/CFT regime, in order to build a healthy and a more reliable financial system. This will also allow the financial institutions to apply certain simplified AML/CFT measures for those who are in lower risk category, to increase financial inclusion through mitigating the risk of the products of formal financial institutions and reduce approaching the informal financial system which is not regulated and supervised. Financial institutions are also in a position to identify the nature and level of the risk where they operate and then they can use such results for their own risk profiles. Finally, avoidance of risk on ML/TF will preserve an efficient and effective financial system and then, achieve reliability of the financial system stability which is one of the core objectives of the Central Bank of Sri Lanka.

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1. Australian Transaction Reports and Analysis Centre (AUSTRAC), "*Risk Management*" – a tool for small to medium sized businesses.
2. The World Bank, (January 2014), "*The World Bank's Money Laundering and Terrorist Financing, National Risk Assessment tool and Process*"
3. "*The World Bank Risk Assessment Methodology*", Available from: http://www.fatf-gafi.org/media/fatf/documents/reports/Risk_Assessment_World_Bank.pdf
4. "*The International Monetary Fund Staff's ML/FT NRA Methodology*", Available from: http://www.fatf-atf.org/media/fatf/documents/reports/Risk_Assesment_IMF.pdf

The awareness programmes on AML/CFT help to mitigate crimes or unlawful activities in the financial sector in a country. Further, these will increase financial literacy among the general public. The FIU-Sri Lanka, as the authority for the implementation of the AML/CFT framework in the country, has continued conducting of awareness programmes for key stakeholders as well as the general public in order to enhance the knowledge on AML/CFT. Accordingly, 37 awareness programmes have been conducted for 2,582 participants from reporting institutions, supervisory authorities, and law enforcement agencies during the year 2013.



An awareness programme conducted in Anuradhapura



A training programme conducted at CBS

Reporting Institutions

The FIU has conducted a large number of awareness programmes for officials of reporting institutions such as licensed banks, finance companies and leasing companies. In the programmes participants were provided with opportunities to clarify issues/problems related to reporting of CTRs, EFTs and STRs. The statutory obligations on customer identification, record keeping, reporting requirements and identification of suspicious transactions were the key areas discussed in detail in these awareness programmes.

The awareness programmes conducted by the FIU for the reporting institutions during 2013 were as follows:

- 1. 13 February 2013** - An awareness programme was conducted for financial institutions covering the areas of financial crimes and case studies on ML related frauds at the Centre for Banking Studies, Rajagiriya (Colombo). 60 Nos. of participants attended the seminar.
- 2. March 2013** - ML/TF Awareness Programme conducted in Jaffna and about 100 participants from financial institutions and licensed banks were accommodated.
- 3. 02 April 2013** - A special programme was conducted on Financial Intelligence for Banking and Financial Institutions at the Centre for Banking Studies (CBS), Rajagiriya (Colombo). 50 participants from financial institutions attended the programme.
- 4. 08 April 2013** - On the request of Seylan Bank PLC, an awareness programme on KYC was conducted for Branch Managers of Seylan Bank at its Head Office, Colombo. 70 Nos. of officers participated in the programme.
- 5. 27 April 2013** - An awareness programme was conducted for the officers of Deutsche Bank AG at the Centre for Banking Studies, Rajagiriya (Colombo). Areas of Know Your Customer (KYC) and Anti-money Laundering (AML) were mainly focused on. 30 Nos. of officers from Deutsche Bank AG participated in the programme.
- 6. 02 May 2013** - On a request made by National Development Bank PLC, an Awareness Programme on KYC was conducted for its Branch Managers at its Head Office, Colombo. 50 Nos. of officers were present at the programme.
- 7. 08 May 2013** - Two awareness programmes on KYC were arranged for officers of Prime Grameen Micro-Finance Ltd. and branch managers of National Development Bank (NDB) PLC at the NDB premises, Colombo. 250 Nos. of officers from Prime Grameen Micro-Finance Ltd. and 40 branch managers from NDB PLC attended the respective programmes.
- 8. 25 June 2013** - On a request made by Nations Trust Bank (NTB) PLC, an awareness programme on the areas of KYC laws, regulations and directions pertaining to opening and closing of bank accounts was conducted for Branch Managers of the bank at the Centre for Banking Studies, Rajagiriya (Colombo). 25 Nos. of officers participated in the programme.
- 9. 05 October 2013** - 98 representatives from the Central Finance Co PLC participated in the awareness programme conducted by FIU-Sri Lanka on 'KYC regulations and its importance' at the Centre for Banking Studies, Rajagiriya (Colombo).

10. **27 October 2013** – A programme on ‘KYC Regulations and its Importance’, was conducted by the FIU-Sri Lanka at the Centre for Banking Studies, Rajagiriya (Colombo) for 70 participants of Commercial Leasing PLC.
11. **09 November 2013** - 50 Nos. of officers representing the MBSL Savings Bank Ltd participated for an awareness programme on KYC/CDD regulations conducted at the Head Office of the bank.
12. **04 December 2013** – A programme on “KYC Regulations and its Importance” was conducted at the Centre for Banking Studies, Rajagiriya (Colombo) for 50 Nos. of participants of LFCs.
13. **06 December 2013** – A special training on “Customer Risk Profiling” was conducted at Centre for Banking Studies, Rajagiriya (Colombo) for 50 Nos. of Compliance Officers of LBs under the AUSTRAC Training Programme
14. **10 December 2013** – On a request made by Union Bank of Colombo PLC, an awareness programme on AML/CFT was conducted for 120 employees of the bank at its Head Office, Colombo.
15. **14 December 2013** – A seminar on “KYC Regulations and its Importance” was held at the Centre for Banking Studies, Rajagiriya (Colombo) for 39 Nos. of employees of National Development Bank PLC.

Supervisory Authorities

In terms of the FTRA, supervisory authorities are required to examine STRs in relation to ML/TF. Therefore, the FIU-Sri Lanka has organized several awareness programmes to enhance the knowledge of officers of these institutions in order to improve the efficiency of their services on AML/CFT.

Australian Transaction Reports and Analysis Centre (AUSTRAC/FIU-Australia) continued to provide technical assistance and conducted special awareness programmes during the year 2013. Accordingly, a seminar was conducted for the securities sector on 03rd and 04th June 2013 at the Centre for Banking Studies, Rajagiriya (Colombo) and 29 Nos. of representatives from stock brokering firms participated in the programme. The AUSTRAC also conducted another programme for the insurance sector focusing on ML/TF on 05th and 06th June 2013. The seminar was attended by 33 officers from the insurance sector.



AUSTRAC programme conducted at CBS

A Regional Workshop on “Capital Market, Threats, Vulnerabilities and Controls” under the money laundering framework was held at Colombo during 10 - 12 September 2013. The workshop was conducted by AUSTRAC under the Technical Assistance Programme for Sri Lanka, Nepal and Bangladesh to enhance awareness on ML/TF in the South Asian Region. Delegates from Capital Market Regulators of Sri Lanka, Nepal, Bangladesh, India, and Pakistan attended the workshop. The officers of the FIU, Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka represented Sri Lanka.

The FIU-Sri Lanka conducted a training programme to develop awareness of financial institutions on the AML/CFT framework with the assistance of AUSTRAC. Two resource persons from AUSTRAC conducted the programme for officers of CBSL and supervisors/regulators of insurance and securities sectors from 02 to 05 December 2013 for 25 Nos. of participants.

In addition, an awareness programme on AML/CFT was conducted for 35 Nos. of participants from the Sri Lanka Export Credit Insurance Corporation (SLECIC).



A meeting with internal auditors

Law Enforcement Agencies

The FIU-Sri Lanka organized several awareness programmes for LEAs in the areas of ML/TF, in order to improve the use of techniques for detecting, preventing and deterring ML/TF activities. The following seminars/workshops/training programmes were also conducted by the FIU-Sri Lanka during 2013.

- 1. 05 March 2013** - The FIU-Sri Lanka conducted an awareness programme in Colombo on the AML/CFT framework for 50 officers of Sri Lanka Police. Similarly, another training programme on “Fund Raising and Money Laundering” was conducted by the FIU-Sri Lanka in Colombo for 40 Police officers from SAARC countries.
- 2. 08 April 2013** – An awareness programme on AML/CFT was conducted by the FIU-Sri Lanka for 35 tourist police officers in Colombo.
- 3. 10 April 2013** – A training programme on “ML/TF transaction reporting and task of the FIU” was conducted in Colombo for 75 officers of the Police Special Branch.
- 4. 04 October 2013** – A Lecture on “Functions and responsibilities of FIU” was conducted by the FIU-Sri Lanka for 215 trainees of the Police Training College at Kalutara, Sri Lanka.

5. **11 October 2013** – A special training programme on “Powers and Functions of the FIU” was conducted for 60 State Counsel at the Attorney General’s Department, Colombo.
6. **18 October 2013** - The FIU-Sri Lanka conducted a special programme for High Court Judges under the topic “Financial crimes related to ML” in Jaffna. The programme was attended by 42 High Court Judges in Sri Lanka.



A special programme for high court judges

7. **12-15 November 2013** – As part of the AUSTRAC programme on international technical assistance and training to Pakistan, AUSTRAC hosted a workshop on ‘Financial Intelligence and Investigation of Advanced Analysis’ for representatives of law enforcement agencies of Pakistan at the Financial Monitoring Unit in Galle, Sri Lanka. Representatives from the CID and the FIU-Sri Lanka participated in the workshop. The workshop was targeted at the agencies mandated to investigate money laundering, corruption and financial crimes in order to build their understanding of the financial investigation process and role and benefits of financial intelligence in law enforcement investigations.
8. **20 December 2013** - The FIU-Sri Lanka conducted a knowledge sharing workshop with the judicial officers of Bhutan at the Centre for Banking Studies, Rajagiriya (Colombo). 12 judicial officers participated in the workshop.

At present, money laundering is widely used by criminals to disguise illegal origins of their wealth. In some circumstances, the study of typologies of money laundering is needed for combating it successfully. The typologies of money laundering mainly include the methodologies and techniques used to launder proceeds of criminal activities.

Laundering Proceeds from the Drug Trade

One of the typologies used in Sri Lanka is (Laundering the proceeds derived from drug trafficking) During the year 2013, many STRs reported on the 3rd party deposits. Investigations on such STRs revealed that most of these deposits were originated from the drug trade.

CASE STUDY

One of the licensed commercial banks raised an STR on Mr. U stating that his account turnover was unusual. He had been requested to provide an updated KYC form. However, despite several reminders he had ignored to provide the form and visit the branch as requested.

His account had been credited with multiple deposits daily from many outside branches. At the time of opening the account, he had stated that he is engaged in business. Activities of deposits varied between LKR. 100,000 to LKR. 1.0 mn. Approximately a total value of LKR 31.0 mn. had been credited to the said account for a period of seven months.

When his other banking facilities were investigated, a similar pattern of deposits was observed in another account of a commercial bank. The employment was declared at this instance as, a labourer'.

The case involving Mr U was immediately referred to the LEAs for further investigations. At the investigations, it was revealed that Mr. U was one of the subordinates of a large scale drug dealer in Sri Lanka.

Trade Based Money Laundering

Trade based money laundering has been identified as one of the most common typologies of money laundering. As per the basic categorization, trade based money laundering could be carried out through the following ways;

- Over or under invoicing
- Multiple invoicing
- Over or under shipment of goods and
- Falsely described goods

However, the practical versions are very complex and sophisticated and money launderers use various means for trade based money laundering, to hide the origins of illicit funds.

CASE STUDY

Sri Lanka Customs submitted an STR to the FIU relating to the activities of several individuals and entities which had violated the Customs Ordinance by defrauding foreign exchange amounting to approximately USD 7.5 mn in the guise of outward remittances meant for imports.

The Company PS and the Company BM were registered for importation of fabric from country “U”. Bulk cash deposits had been made to the accounts of above companies at Bank “H” by company employees. The deposits were then remitted to Country U on the same day or the following day to settle dues in connection with imports of fabric.

Investigations by Sri Lanka Customs had revealed that both Company PS and Company BM were non-existent and the import documents submitted to banks for remitting money were forged. Further, individuals identified as proprietors were also non-existent. Forged national identification documents had been presented to the bank to open bank accounts in this instance.

On the receipt of STR and Customs Investigations report, all related accounts of above individuals and entities were suspended by the FIU under Section 15 (2) of the FTRA and the case was immediately referred to the LEAs for further investigations.

It was further revealed that several other companies which were also connected to the main suspects of this case were engaged in importing fabric and purposefully had understated the value of import consignments.

Payment Devices Frauds

Payment devices have been used increasingly in committing frauds during the recent past.

CASE STUDY

One of the Licensed Commercial Banks raised an STR on a Non-Government Organization for collecting donations through cloned credit cards.

The president of “NGO D” had received an offer from a Sri Lankan living in Canada through Mr. B stating that he would facilitate donations to the NGO on the condition that 45% of such donations must be given back to him, 05% to Mr. B with the balance for the NGO. These donations were executed through cloned credit cards and funds were credited to an account maintained by the NGO at a Licensed Bank. When tracing the credit card details, original owners of these cloned credit cards had confirmed to their respective banks that they had not made any donations to the NGO.

The bank had credited approximately a sum of LKR 152,000,000 to the account of the NGO assuming the receipts were obvious. Money had been distributed through cheques to the people who were engaged in this chain of illegal activity as agreed.

Collecting Third Party Deposits Using Lottery Scams/Employment Fraud

A significant number of STRs was reported relating to collection of third party deposits under various scams. Most of the victims had received telephone calls, emails and SMSs stating that they have won a lottery and they need to deposit money to a particular account to claim the prize. It had been observed that money had been withdrawn immediately after the deposit through ATMs.

CASE STUDY 01

According to a Licensed Bank an individual has received an e-mail stating that he had won a prize of GBP 500,000 from the United Nations Organization. This individual had been requested to deposit money to an account number of a third party. Total deposits to the said account for a period of two weeks amounted to LKR 474,000.

This case was referred to LEAs for further investigation.

CASE STUDY 02

A Licensed Bank had received complaints regarding receiving telephone calls from an individual claiming to be from the Department of Health, requesting money to be credited to an account number for offering jobs in a bank. They have even given a fax number to which the bio data of the applications should be sent.

During a period of one month, twenty seven cash deposits approximately totaling LKR 500,000.00 were made to the account and the money was withdrawn immediately. The bank has tried to contact the customer but he had not responded to the branch inquiries. The case was referred to LEAs for further investigation.

BOX 4: MUTUAL EVALUATION

Sri Lanka upon ratification of the United Nations (UN) Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (known as the “Vienna Convention”) and the UN Convention against Transnational Organized Crime, November 15, 2000 (known as “Palermo Convention”) is obliged to implement laws in relation to combat ML/TF.

The Financial Action Task Force (FATF), the inter-governmental body, is the policy setter on anti-money laundering and countering financing of terrorism. FATF has documented forty recommendations regarding ML/TF and proliferation. The Asia/Pacific Group on Money Laundering (APG) is one of the eight FATF – Style Regional Bodies (FSRB) responsible for distribution of the FATF recommendations to their regions, evaluating the AML/CFT system of FATF member countries, and making recommendations for enhancement in implementation and compliance. Sri Lanka, being a member of APG, is committed to implement internationally accepted standards against ML/TF, in particular the FATF recommendations.

When joining the APG, as stipulated in its rules, members are monitored and assessed through a peer review (Mutual Evaluation) and follow up processes to determine the degree of technical compliance, implementation and effectiveness of the system to conduct ML/TF and proliferation. At the mutual evaluation of a member country, the level of compliance is compared with the international AML/CFT standards, through an off-site and on-site review by the APG members. On-site visits will be made for both the government and private sector to focus on the effectiveness of the FATF recommendations and key findings documented.

The mutual Evaluation will also focus on ML/FT risk and provide guidance as needed to facilitate implementation of the international obligation on the compatibility of the FATF Recommendations. Peer Reviews are assessed by assessors who are experts from national authorities under the patronage of the professional secretariat. Assessors will apply methodology consistently and draw independent and objective conclusions.

The final outcome of the mutual evaluation is the “Mutual Evaluation Report”. The member’s comments, quality and consistency review will be assessed before the preparation of the final draft of the Mutual Evaluation Report.

The assessment consists of two components; technical compliance and effectiveness. The technical compliance is the assessment of compliance to each FATF recommendation. Broadly, the legal and institutional framework of the country, the level of implementing criminal justice, preventive measures taken, transparency in the legal system, international co-operation as well as powers and procedures of competent authorities will be assessed with the specific requirement of each FATF recommendation under the technical compliance component. The effectiveness will be assessed based on a defined set of goals and the extent of achievement. The methodology specifies requirements for both technical compliance and effectiveness and the tool to be used for assessment.

The Jurisdiction will provide a technical compliance update for desk-based review compliance by the Asia Pacific Group on Money Laundering (APG). APG will contact the jurisdictions for clarifications on the issues if any and provide an opportunity for them to respond on the effectiveness. The first draft of the Technical Compliance analysis will be submitted by the APG for their comments. Then, the risk scoping document including review for quality and consistency is also provided to the jurisdiction for their reviews. This will include information gathered from open sources as well as other methods. Based on the facts and findings, APG will finalize issues for special focus and prepare an onsite schedule. After the onsite visit to the jurisdiction the first draft of the Mutual

Evaluation Report will be submitted to the relevant jurisdiction for their responses. Upon receipt of the responses for the first draft, the second draft Mutual Evaluation Report will be prepared for the jurisdiction's further comments. The third version of the Mutual Evaluation report will be prepared and sent to the jurisdiction.

However, ongoing comments and revisions are allowed until the final draft of the Mutual Evaluation Report is prepared. The final draft of the Mutual Evaluation Report will be sent for the members and observers before the plenary discussion. After the plenary discussion, the Mutual Evaluation Report will be published.

The Mutual Evaluation Report is a very important document which displays the countries' rank on AML/CFT. Such rank reflect the soundness of the financial system of the relevant jurisdiction under the global framework on ML/TF. As such, the jurisdictions with high rank attract investors favorably. In turn, this will help economic development. However, in contrast, if such a jurisdiction is ranked under the category of grey list/ black list published by the FATF, investors are reluctant to invest their money as they think that activities such as corruption, fraud, smuggling etc. prevail in the jurisdiction. Further, such a situation would adversely affect global development of the financial sector.

The first review of mutual evaluation was conducted by the APG for Sri Lanka during 2006 and the second review has been scheduled to be conducted during the year 2014.

The development of IT infrastructure in the FIU-Sri Lanka is intended to support the implementation of FATF Recommendations, especially recommendation 10 on Customer Due Diligence and recommendation 20 on reporting of suspicious transactions. With the prime intention of strengthening the CDD framework of financial institutions through monitoring transactions and detecting possible ML/TF cases, the LankaFIN system was introduced in 2009. The LankaFIN system has been designed to receive and analyze information/data reported by the relevant institutions. In accordance with Section 6 of the FTRA No. 6 of 2006, the reporting Institutions are required to submit information on cash transactions equal or exceeding Rs 1.0 Mn or its equivalent in any foreign currencies and any electronic transfers which are equivalent or exceeding the above threshold limit, to the FIU-Sri Lanka. This is mandatory for every reporting institution. In addition, the reporting institutions are obliged to submit Suspicious Transaction Reports (STRs) to the FIU-Sri Lanka, as stipulated in Section 7 of the FTRA.

8.1 LankaFIN System

The LankaFIN web-based system plays a major role in supporting the functions of the FIU. It is an in-house developed system by the Department of Information Technology (IT) of the CBSL. The improvements to the system maintained by the FIU-Sri Lanka have been made as required in order to comply with international standards. Access to the system has been given to the authorized officers of Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), Licensed Finance Companies (LFCs), Insurance Companies (ICs) and Stock Brokers (SBs). Currently, there are more than five hundred user accounts and access has been provided to the 130 Compliance Officers and 110 Compliance Assistants as requested by the respective authorised officers.

In terms of the rules and guidelines issued by the FIU-Sri Lanka, 24 LCBs, 9 LSBs, 48 LFCs, 29 SBs and 21 ICs continued to report transactions above the threshold limit of Rs. 1 mn. through “LankaFIN” during the 2013.

Accordingly, more than 4 mn. transactions of cash and fund transfers including 366 suspicious transaction reports (STRs) were received by the FIU-Sri Lanka during the year 2013.

8.2 Development of Institutional IT Frameworks

The FIU-Sri Lanka commenced cleansing of collected financial data in August 2013. This data checking is carried out to ensure the consistency of the KYC/CDD information sent by the Financial Institutions and to minimize ML/TF risks arising from bad practices. The transaction reports completed in accordance with the KYC/CDD rules were accepted by the FIU-Sri Lanka. The FIU-Sri Lanka constantly took steps to provide assistance to relevant institutions on improving the quality of data, submitted to the FIU-Sri Lanka. One-to-one meetings were arranged with some institutions by the FIU-Sri Lanka in order to resolve the issues relating to submission of financial data fulfilling KYC/CDD requirements. Moreover, these discussions have provided the opportunity for the reporting institutions to solve any problem that arise when filing of LankaFIN reporting formats. Inconsistencies of the reports provided by certain financial institutions as per the FIU-Sri Lanka requirements have been corrected by giving necessary instructions to make appropriate changes in their core banking systems during the year 2013. Accordingly, the quality of the financial data submitted by the financial institutions has improved to the required level.

With the assistance of the IT department of the CBSL the FIU-Sri Lanka introduced a new version of the MD5 hash code generator in 2013, in order to enhance the confidentiality and security of the data being sent by the financial institutions.

8.3 FIU-WEB

In order to enhance the awareness on the functions of FIU-Sri Lanka, a website was developed during 2013. The website was ceremonially launched by the Governor of the Central Bank of Sri Lanka on 1st of January 2014. The information on the website could be useful for law enforcement agencies, regulators, financial institutions, the general public and international communities.

The address of the website is <http://fiusrilanka.gov.lk>.



Governor, Mr. Ajith Nivard Cabraal launching the FIU-Sri Lanka official website



<http://fiusrilanka.gov.lk>

The FIU-Sri Lanka website can also be accessed through the Egmont Group's website (<http://www.egmontgroup.org>) as the FIU-Sri Lanka is a member of the Egmont group of FIUs.

The contents of the FIU-Sri Lanka website are as follows.

- **Home**
 - URL : <http://fiusrilanka.gov.lk/index.html>
 - Provides information on latest events and news of the FIU-Sri Lanka including quick access to the latest developments in the AML/CFT regime in Sri Lanka.
- **Establishment**
 - URL : http://fiusrilanka.gov.lk/fiu_establishment.html
 - Gives insight into establishment of the FIU-Sri Lanka and a brief introduction to the enactments that have empowered the AML/CFT framework in Sri Lanka.

- **Objectives**
 - URL : http://fiusrilanka.gov.lk/fiu_objectives.html
 - The strategic objectives of the FIU-Sri Lanka to meet the international recommendations and standards on AML/CFT are stated.
- **Functions**
 - URL : http://fiusrilanka.gov.lk/fiu_functions.html
 - The core functions and the supportive functions of the FIU-Sri Lanka are stated in this web page.
- **Stakeholders**
 - URL : http://fiusrilanka.gov.lk/fiu_stakeholders.html
 - Stakeholders including Supervisory Authorities, LEAs, Reporting Institutions and other government departments are described.
- **Operational Structure**
 - URL : http://fiusrilanka.gov.lk/fiu_structure.html
 - The overview of the divisions of the FIU-Sri Lanka and the main duties of each division are illustrated.
- **Acts and Regulations**
 - URL : http://fiusrilanka.gov.lk/acts_regulations.html
 - The main Acts with amendments related to the AML/CFT framework in Sri Lanka and the regulations are available for downloading.
- **Rules and Directions**
 - URL : http://fiusrilanka.gov.lk/rules_directions.html
 - The KYC/CDD rules issued to the Licensed Banks, Licensed Finance Companies, Securities Industry, Insurance Industry and the recently issued KYC/CDD rules for the Money Changers are available for downloading.
- **Circulars and Guidelines**
 - URL : http://fiusrilanka.gov.lk/circulars_guidelines.html
 - The Circulars and Guidelines issued to the reporting Institutions by the FIU-Sri Lanka to support the operations are listed and can be downloaded for easy reference.
- **Press Releases**
 - URL : http://fiusrilanka.gov.lk/press_releases.html
 - This section has many press releases issued to the media by the FIU-Sri Lanka on important matters related to the operations of the FIU. This includes the paper advertisement published by the FIU-Sri Lanka in 2012 to raise awareness among the general public on the KYC/CDD international norms.

- **Frequently Asked Questions (FAQs)**

- URL : <http://fiusrilanka.gov.lk/faq.html>
- The FAQ includes answers to general questions on the AML/CFT framework in Sri Lanka. This information will be more useful for students and the general public who wish to improve their knowledge on AML/CFT.

- **Publications**

- URL : <http://fiusrilanka.gov.lk/publications.html>
- The Annual Reports issued by FIU-Sri Lanka since 2011 can be downloaded from the publications section of the FIU-web. Similarly, sections of Annual Reports of the Central Bank of Sri Lanka related to the operations of the FIU-Sri Lanka are also available in this page.

- **UNSCR Regulations and List**

- URL : <http://fiusrilanka.gov.lk/unscr.html>
- UNSCR regulations, the UNSCR 1267 list and the UNSCR 1373 list can be accessed through this webpage. Further, notifications sent to the reporting Institutions by the FIU-Sri Lanka are also available in this page.

- **MOUs**

- URL : <http://fiusrilanka.gov.lk/mous.html>
- FIU-Sri Lanka has signed many MOUs in order to strengthen international co-operation by sharing information with the counterpart FIUs over the years. The MOUs signed by the FIU-Sri Lanka are listed in this page.

- **Gallery**

- URL : <http://fiusrilanka.gov.lk/gallery.html>
- The photo gallery includes pictures taken at the events of the FIU-Sri Lanka, such as awareness programmes, workshops, signing of MOUs and training programmes conducted by FIU-Sri Lanka.

- **International**

- URL : <http://fiusrilanka.gov.lk/international.html>
- This page provides a brief introduction to the international initiatives in combating ML/TF and related crimes.

Snapshot of the FIU-Sri Lanka website

The screenshot shows the homepage of the Financial Intelligence Unit of Sri Lanka. The header features the FIU logo, the text "Financial Intelligence Unit of Sri Lanka" and "CENTRAL BANK OF SRI LANKA", and a navigation menu with links for HOME, ACTS, RULES, CIRCULARS, FAQ, and CONTACT. A left sidebar contains a vertical menu with links for Home, About FIU Sri Lanka, Legislations, Press Releases, Publications, UNSCR, MOUs, Gallery, International, and Related Sites. The main content area is titled "HOME" and features a large article titled "Sri Lanka to Co-Chair APG for 2016-2018" with a photo of a man speaking at a podium. Below this are three columns: "FIU Sri Lanka" with a description, vision, and mission; "News & Events" with three recent circulars and an MOU; and a footer with "Contact Us", "Copyright", "Disclaimer", and "Site Map".

Financial Intelligence Unit of Sri Lanka
CENTRAL BANK OF SRI LANKA

HOME ACTS RULES CIRCULARS FAQ CONTACT

Home
About FIU Sri Lanka
Legislations
Press Releases
Publications
UNSCR
MOUs
Gallery
International
Related Sites

HOME

Sri Lanka to Co-Chair APG for 2016-2018

Sri Lanka was formally endorsed as the APG Co-Chair for 2016-2018 at the APG's 16th Annual Plenary held in July 2013 at Shanghai, China. Sri Lanka has hosted a number of APG Workshops including the Annual Typologies Workshop in 2008 and will be hosting an Annual Plenary during its two-year term as Co-Chair.

APG Co-Chair acceptance speech by Mr D M Rupasinghe (Director, FIU - Sri Lanka)

[Read More](#)

FIU Sri Lanka

The Financial Intelligence Unit (FIU) of Sri Lanka was established in March 2006 as an autonomous body under the Ministry of Finance and Planning. The FIU was reorganized as a Department in the Central Bank of Sri Lanka in February 2007 and then functions as an independent institution within the Central Bank's framework and administrative structure.

Vision

To be the trusted and respected single agency with commitment to excellence in establishing the framework for Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) in Sri Lanka.

Mission

To administer, effectively, the provisions of the Financial Transactions Reporting Act by facilitating the prevention, detection, investigation and prosecution of the offences related to money laundering and the terrorist financing.

News & Events

Circular on UNSCR Consolidated List - for Insurance Companies, 29th October 2013
[Read More](#)

Circular on UNSCR Consolidated List - for Stock Brokering Companies, 29th October 2013
[Read More](#)

MOU with Denmark FIU - 30th September 2013

Amendments to the UNSCR consolidated list published on 23rd August 2013

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APPENDIX A: - LIST OF DIRECTIONS/GUIDELINES/RULES/CIRCULARS ISSUED BY FIU-SRI LANKA FROM 2006 TO 2013

YEAR 2013

1. Circular to Directors of All Authorized Money Changing Companies, 31 January 2013
2. Public Statement by the Financial Action Task Force (FATF)
3. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - All Licensed Banks and Licensed Finance Companies
4. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - Insurance Companies
5. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - Stock Brokering Companies

YEAR 2012

1. Revisions to 40+9 Recommendations of the FATF
2. Notification from the FIU of St. Vincent and the Grenadines
3. Amendments to the KYC/ CDD Rules, No.1 of 2011 for Licensed Banks and Licensed Finance Companies - Extraordinary Gazette No 1756/27, 04 May 2012

YEAR 2011

1. KYC/ CDD Rules for Licensed Banks and Licensed Finance Companies - Extraordinary Gazette No 1699/10, of 28 March 2011
2. Auditor's declaration on establishment of Audit Functions
3. Compliance with the reporting requirement under Section 7 of the FTRA
4. Revisions to Extraordinary Gazette Notification No. 1699/10 - KYC/CDD Rules No. 01 of 2011

YEAR 2010

1. Web based information reporting system to the Insurance Companies
2. Web based information reporting system to the Stock Brokers

YEAR 2009

1. Compliance with Section 2 of the FTRA - (for LBs)
2. Compliance with Section 2 of the FTRA - (for RFCs)
3. Inclusion of the Tamil Foundation among the list of Terrorist Organizations in the US

4. AML/CFT Compliance Functions of the Insurance Industry
5. Web Based Reporting System for LCBs and LSBs
6. Web Based Reporting System RFCs

YEAR 2008

1. KYC/ CDD Rules for the Insurance Industry
2. Compliance with rules on CDD for Financial Institutions
3. Compliance with Reporting Requirement (Amended)
4. Inclusion of the World Tamil Movement among the list of Terrorist Organizations in Canada
5. Use of Banking System by Institutions and persons not authorised to accept deposits
6. Compliance with Reporting Requirement of FTRA-Securities Industry
7. Compliance with Reporting Requirement of FTRA-Insurance Industry

YEAR 2007

1. KYC/ CDD Rules for the Securities Industry
2. Compliance with KYC/CDD Rules for new customers and existing customers
3. Compliance with the Reporting Requirements under the FTRA
4. Light a million Candles Campaign-Offences against Children
5. Mandatory Reporting Requirements-Electronic Fund Transfers

YEAR 2006

1. Compliance with the Reporting Requirement under FTRA No 6 of 2006
2. Section 312 and Section 319 of the Patriot Act.
3. FTRA No. 06 of 2006 Submission of Data
4. Financial Transactions Reporting Act (FTRA) No. 06 of 2006
5. CDD for Inward Remittances

APPENDIX B:- REPORTING INSTITUTIONS AS AT 31ST DECEMBER 2013

Licensed Commercial Banks

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

Licensed Specialized Banks

1. DFCC Bank
2. HDFC Bank of Sri Lanka
3. Lankaputhra Development Bank Ltd.

4. MBSL Savings Bank Ltd.
5. National Savings Bank
6. Pradeshiya Sanwardhana Bank
7. Sanasa Development Bank Ltd.
8. Sri Lanka Savings Bank Ltd.
9. State Mortgage and Investment Bank

Registered Finance Companies

1. Abans Finance PLC
2. Alliance Finance Co. PLC
3. AMW Capital Leasing and Finance PLC
4. Arpico Finance Company PLC
5. Asia Asset Finance PLC
6. Asian Finance Ltd.
7. Associated Motor Finance Co. PLC
8. Bartleet Finance PLC
9. Bimputh Finance PLC
10. Capital Alliance Finance PLC
11. Central Finance Co. PLC
12. Central Investments and Finance PLC
13. Chilaw Finance PLC
14. Citizens Development Business Finance PLC
15. City Finance Corporation Ltd.
16. Commercial Credit and Finance PLC
17. Commercial Leasing and Finance Ltd.
18. Deshodaya Development Finance Company Ltd.
19. ETI Finance Ltd.
20. George Steuart Finance PLC
21. Ideal Finance Ltd.
22. Indra Finance
23. Kanrich Finance Ltd.
24. Lanka ORIX Finance PLC

25. LB Finance PLC
26. MCSL Financial Services Ltd.
27. Melsta Regal Finance Ltd.
28. Mercantile Investments and Finance PLC
29. Multi Finance PLC
30. Nanda Investments and Finance PLC
31. Nation Lanka Finance PLC
32. Orient Finance PLC
33. People's Leasing and Finance PLC
34. People's Merchant Finance PLC
35. Prime Grameen Micro Finance Ltd.
36. Richard Pieris Arpico Finance Ltd.
37. Senkadagala Finance PLC
38. Singer Finance (Lanka) PLC
39. Sinhapura Finance PLC
40. Siyapatha Finance Ltd
41. Softlogic Finance PLC
42. Swarnamahal Financial Services PLC
43. T K S Finance Ltd
44. The Finance Co. PLC
45. The Standard Credit Finance Ltd
46. Trade Finance and Investments PLC
47. UB Finance Co. Ltd.
48. Vallibel Finance PLC

Licensed Insurance Companies

1. AIA Insurance PLC
2. AIG Insurance Ltd.
3. Allianz Insurance Lanka Ltd
4. Allianz Life Insurance Lanka Ltd
5. Amana Takaful PLC
6. Arpico Insurance Ltd.

7. Asian Alliance Insurance PLC
8. Ceylinco Insurance PLC
9. Continental Insurance Lanka Ltd
10. Co-operative Insurance Company Ltd.
11. HNB Assurance PLC
12. Janashakthi Insurance PLC
13. Life Insurance Corporation (Lanka) Ltd
14. LOLC Insurance Company Ltd
15. MBSL Insurance Company Ltd.
16. National Insurance Trust Fund
17. Orient Insurance Ltd.
18. People's Insurance Ltd.
19. Sanasa Insurance Co. Ltd
20. Sri Lanka Insurance Corporation Limited
21. Union Assurance PLC

Licensed Stockbrokers

1. Acuity Stockbrokers (Pvt) Ltd
2. Asha Phillip Securities Ltd
3. Asia Securities (Pvt) Ltd
4. Assetline Securities (Pvt) Ltd.
5. Bartleet Religare Securities Pvt Ltd.
6. Capital Alliance Securities (Pvt) Ltd
7. Capital Trust Securities (Pvt) Ltd
8. Claridge Stockbrokers (Pvt) Ltd.
9. CT Smith Stockbrokers (Pvt) Ltd
10. DNH Financial (Pvt.) Limited.
11. First Capital Markets (Pvt) Ltd.
12. First Guadian Equities (Pvt) Ltd.
13. Heraymila Securities Ltd
14. IIFL Securities Ceylon (Pvt) Ltd.
15. J B Securities (Pvt) Ltd

16. John Keells Stockbrokers (Pvt) Ltd
17. Lanka Securities (Pvt) Ltd
18. LOLC Securities Ltd.
19. Nation Lanka Equities (Pvt) Ltd.
20. NDB Stockbrokers (Pvt) Ltd
21. New World Securities (Pvt) Ltd.
22. Richard Peiris Securities (pvt) Ltd
23. S C Securities (Pvt) Ltd
24. Serendib Stock Brokers (Pvt) Ltd.
25. SMB Securities (Pvt) Ltd
26. Softlogic Stockbrokers (Pvt) Ltd.
27. Somerville Stockbrokers (Pvt) Ltd.
28. Taprobane Securities (Pvt) Ltd.
29. TKS Securites Ltd.



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

Issued By Financial Intelligence Unit

Date 2013 – 03 -06

Financial Action Task Force Recognizes Sri Lanka's Compliance Status

The Financial Action Task Force (FATF), the global Policy/Standard Setter on Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) with 36 member countries and regional organizations, has determined that Sri Lanka is a country that is compliant with their Standards, at its meeting on 22 February 2013.

Such determination is expected to improve global investor confidence, since Sri Lanka is now fully compliant with regulations on preventing money laundering and terrorist financing.



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Press Release

Issued By **Financial Intelligence Unit**

Date **14 March 2013**

The FIU Sri Lanka signed MOU with the Financial Intelligence Center of Japan



(Mr. Naoki Kojima, Chief of International Cooperation Section of FIU Japan (Left) and Mr. D M Rupasinghe, Director FIU Sri Lanka (Right), exchanging the MOU at the signing Ceremony)

The Financial Intelligence Unit of the Central Bank of Sri Lanka (FIU Sri Lanka) signed a Memorandum of Understanding (MOU) with Japan Financial Intelligence Center (JAFIC), (Financial Intelligence Unit of Japan) at a ceremony held in the Central Bank of Sri Lanka on 11th March 2013 to share financial information to facilitate investigations on money laundering and terrorist financing.

Money Laundering and Terrorist Financing (ML/TF) are often internationally connected activities. Therefore, a greater coordination among Financial Intelligence Authorities is needed to fight against these criminal activities. Hence, FIUs globally adopt MOUs to co-operate each other with the exchange of information. The MOU with JAFIC will, therefore, facilitate greater co-operation and co-ordination in exchange information between two FIUs.

The FIU Sri Lanka has signed MOUs with 20 FIUs so far with FIUs of Australia, Afghanistan, Belgium, Bangladesh, Canada, Cambodia, Fiji, India, Indonesia, Malaysia, Mongolia, Nepal, Philippines, Russian Federation, Slovenia, South Africa, Solomon Islands, South Korea, Saudi Arabia and United States of America. These MOUs have been signed in terms of the provisions of the Financial Transactions Reporting Act No 6 of 2006.

