

# FINANCIAL INTELLIGENCE UNIT ANNUAL REPORT 2020



FINANCIAL INTELLIGENCE UNIT OF SRI LANKA

# ANNUAL REPORT 2020

Financial Intelligence Unit of Sri Lanka







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# LIST OF ACRONYMS

ADB	-	Asian Development Bank
AML	-	Anti-Money Laundering
APG	-	Asia Pacific Group on Money Laundering
BASL	-	Bar Association of Sri Lanka
BOD	-	Board of Directors
BSD	-	Bank Supervision Department
CBS	-	Center for Banking Studies
CBSL	-	Central Bank of Sri Lanka
CDs	-	Compact Disks
CDD	-	Customer Due Diligence
CEO	-	Chief Executive Officer
CFT	-	Countering the Financing of Terrorism
CID	-	Criminal Investigation Department
CIABOC	-	Commission to Investigate Allegations of Bribery or Corruption
CMA	-	Condominium Management Authority
CNI	-	Chief of National Intelligence
CO	-	Compliance Officer
CSTFA	-	Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005
CTID	-	Counter Terrorism and Investigation Division
CTRs	-	Cash Transactions Reports
DFE	-	Department of Foreign Exchange
DMI	-	Directorate of Military Intelligence
DMT	-	Department of Motor Traffic
DNFBPs	-	Designated Non-Finance Businesses and Professions
DPRK	-	Democratic People's Republic of Korea
DRP	-	Department for Registration of Persons
DSNBFI	-	Department of Supervision of Non-Bank Financial Institutions
EFTs	-	Electronic Fund Transfers
FATF	-	Financial Action Task Force
FIs	-	Financial Institutions
FIU	-	Financial Intelligence Unit
FIU-Sri Lanka	-	Financial Intelligence Unit of Sri Lanka
FSRBs	-	Financial Action Task Force-Style Regional Bodies
FTRA	-	Financial Transactions Reporting Act, No. 6 of 2006
FURs	-	Follow-up Reports
IBFI	-	International Banking and Finance Institute
ICs	-	Insurance Companies
ICASL	-	Institute of Chartered Accountants of Sri Lanka
ICTA	-	Information and Communication Technology Agency
IMF	-	International Monetary Fund
IRCSL	-	Insurance Regulatory Commission of Sri Lanka
ITD	-	Information Technology Department of the CBSL



KYC	- Know Your Customer
LBs	- Licensed Banks
LC	- Largely Compliant
LCBs	- Licensed Commercial Banks
LEAs	- Law Enforcement Agencies
LFCs	- Licensed Finance Companies
LSBs	- Licensed Specialized Banks
ME	- Mutual Evaluation
MEC	- Mutual Evaluation Committee
MER	- Mutual Evaluation Report
ML	- Money Laundering
MMOs	- Mobile Money Operators
MOD	- Ministry of Defence
MOF	- Ministry of Finance
MOU	- Memorandum of Understanding
MVTS	- Money or Value Transfer Services
NC	- Non-Compliant
NCC	- National Coordinating Committee
NGJA	- National Gem and Jewellery Authority
NGOs	- Non-Governmental Organizations
NIC	- National Identity Card
NPOs	- Not-for-Profit Organizations
NRA	- National Risk Assessment
OTA	- Office of Technical Assistance
PC	- Partially Compliant
PEPs	- Politically Exposed Persons
PMLA	- Prevention of Money Laundering Act, No. 5 of 2006
PNB	- Police Narcotic Bureau
RAs	- Regulatory Authorities
RAQ	- Risk Assessment Questionnaire
RBA	- Risk-Based Approach
RDs	- Restricted Dealers (formerly Authorized Money Changers)
RI	- Reporting Institutions
ROC	- Registrar of Companies
SBs	- Stock Brokers
SEC	- Securities and Exchange Commission of Sri Lanka
SIS	- State Intelligence Service
STRs	- Suspicious Transaction Reports
TA	- Technical Assistance
TCSPs	- Trusts and Company Service Providers
TF	- Terrorist Financing
TFS	- Targeted Financial Sanctions
UNODC	- United Nations Office on Drugs and Crime
UNSCRs	- United Nations Security Council Resolutions
USA	- United States of America
USD	- United States Dollars

# YEAR 2020 AT A GLANCE...



Sri Lanka's AML/CFT technical compliance level was upgraded

(R. 15 was downgraded)



FIU entered into an MoU with Chief of National Intelligence



4.6 mn CTRs  
7.3 mn EFTs



FIU provided a proposal to validate NICs online, and issued Guidelines to FIs on non-face-to-face customer onboarding



3,617 STRs  
29% increase in STRs



FIU Imposed penalties on 5 Financial Institutions totaling to Rs. 3.3 mn

26

Awareness Programmes



2,040

Participants



36 on-site examinations



69 Off-site examinations



14 Follow-up examinations



4 Joint Supervisions



22 Warning Letters

Issued

3 Guidelines

3 Circulars

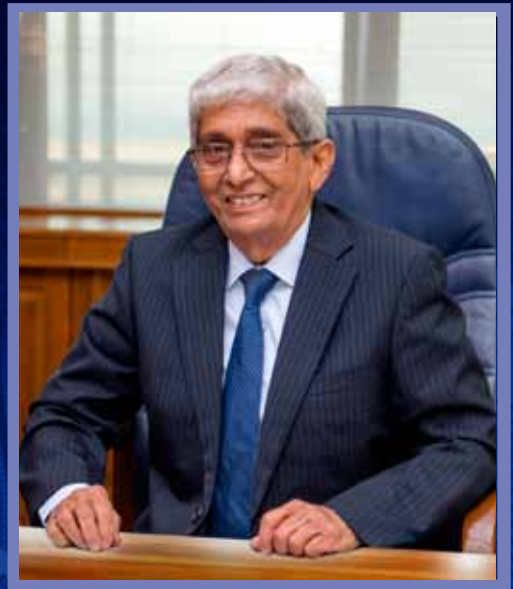
4 Press Notices



Update notifications sent on the UN Security Council Sanctions lists pursuant to UNSCR 1267, 1988, 1989, 2253 and subsequent resolutions on Al-Qaeda, ISIL and Taliban terrorists



# NATIONAL COORDINATING COMMITTEE CHAIRMAN'S MESSAGE



The Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka) is the apex institution committed to combat money laundering (ML), terrorist financing (TF) and financing of proliferation of weapons of mass destruction (PF) in Sri Lanka. It is my great pleasure to present the Annual Report of FIU-Sri Lanka for the year 2020 which was prepared during a time where the entire world including Sri Lanka was facing the challenge of efficiently handling the COVID-19 pandemic. It highlights the activities undertaken by FIU-Sri Lanka in combating ML, TF and PF during 2020.

The COVID-19 pandemic has induced significant changes in the financial behavior of all stakeholders of the financial system. Consumers are more connected with the financial system digitally, and the majority of financial transactions are conducted using the internet. These changes also have opened room for new and complex financial crimes, making it difficult to prevent and combat ML, TF, PF and related crimes. The greater cooperation, coordination and shared responsibility among institutions, competent authorities and judiciary are imperative to overcome ML, TF and PF threats.

Sri Lanka made a tremendous progress in exiting the Grey List of the Financial Action Task Force (FATF) successfully in the year 2019. Considering this, the European Commission delisted Sri Lanka from its list of High Risk Third Countries with Anti- Money Laundering/ Countering the Financing of Terrorism (AML/CFT) strategic deficiencies in the year 2020.

Domestic inter agency cooperation is critical for successful analysis, investigation and prosecution of financial crimes. In this context, FIU-Sri Lanka entered into a Memorandum of Understanding (MoU) with the Chief of National Intelligence (CNI) to exchange intelligence related to the offences of ML, TF and PF to maintain national security at its highest level without compromising.

Despite the adverse impact caused by the pandemic on traditional supervisory mechanisms, FIU-Sri Lanka together with other sectoral regulators adopted various measures timely to

ensure AML/CFT compliance by Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs). Also, FIU-Sri Lanka continued with the steps taken to shift to the goAML software system to enhance the analytical capabilities and capacity of FIU-Sri Lanka.

It is observed that disturbances have been created globally by the pandemic and criminals are abusing the system by adapting to new modus operandi. This has added more risks and challenges in addition to the rapid change in the global AML/CFT environment and enhanced use of technology in the financial system. This will be challenging for FIU-Sri Lanka as well. However, we will overcome such challenges and meet global expectations in complying with AML/CFT obligations with the continuous support and cooperation from our domestic and international partners.

I wish FIU-Sri Lanka every success in their future endeavors.

**Deshamanya Prof. W D Lakshman**

Governor of the Central Bank of Sri Lanka

Chairman of the AML/CFT National Coordinating Committee



# DIRECTOR'S MESSAGE

During the year 2020, FIU-Sri Lanka continued its operations to strengthen the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) regime of the country in terms of the statutory provisions of the Financial Transactions Reporting Act No. 6 of 2006 (FTRA) and in line with international standards. Carrying out one of its core functions, FIU-Sri Lanka continued to serve as the national agency which receives and analyses suspicious transaction reports and other information relevant to money laundering and financing of terrorism and disseminated results to Law Enforcement Agencies and/or Supervisory Authorities for further investigation.

FIU-Sri Lanka carried out its responsibilities against the backdrop of the COVID-19 pandemic that led to unprecedented challenges, human suffering, economic disruption, and an increase in COVID-19 related crimes. However, with a cohesive contingency plan, FIU-Sri Lanka staff, with the assistance of the other stakeholders, were able to face the challenges successfully. FIU-Sri Lanka staff members discharged their duties and responsibilities with minimum disruption to operations.

FIU-Sri Lanka continued to receive Cash Transaction Reports (CTRs) and Electronic Fund Transfers (EFTs) exceeding the threshold of Rs. 1.0 million or its equivalent in foreign currencies and Suspicious Transaction Reports (STRs) from Reporting Institutions (RIs) as required by the FTRA. The total number of CTRs and EFTs showed an upward trend during the year. The number of STRs received also increased significantly to 3,617 during 2020 recording a 29% increase compared to the previous year.

During the year, several guidance notes and circulars were issued to Financial Institutions (FIs) on preventing cyber-crimes and other emerging threats in the pandemic environment. The global pandemic resulted in increased digital banking which led to unforeseen upsurge in AML/CFT vulnerabilities. To facilitate non-face-to-face onboarding of customers, FIU-Sri Lanka issued a guideline to FIs, namely "Guidelines for Non-Face-to-Face Customer

Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons.” Further, FIU-Sri Lanka issued a guideline on AML/CFT Compliance Obligations for Accountants and Trusts or Company Service Providers. With a view to accommodating the challenges encountered by RIs, FIU-Sri Lanka adopted extraordinary measures including extending the deadline for submission of threshold reports.

In view of strengthening its strategy to enhance compliance, FIU- Sri Lanka carried out risk-based on-site examinations, follow-up examinations and on-site spot examinations on FIs, including joint examinations with sector specific regulators. Further, risk-based on-site examinations and follow-up examinations were also conducted on high-risk Designated Non-Financial Businesses and Professions (DNFBPs). While conducting off-site risk assessments and thematic studies, we expanded ML/TF risk assessment for other DNFBP sectors namely, lawyers, notaries and other independent legal professionals, accountants, and Trusts or Company Service Providers (TCSPs) for the first time in 2020. Continuing its efforts to enhance awareness on AML/CFT, FIU-Sri Lanka conducted 26 training programmes in-house as well as distance training using modern technology, accommodating 2,040 participants.

Demonstrating a strong relationship with stakeholders, FIU-Sri Lanka entered into a Memorandum of Understanding (MOU) with the Chief of National Intelligence to exchange intelligence related to ML/TF offences and related operations. FIU-Sri Lanka shared information on 15 occasions with foreign counterparts, and on 35 occasions sought assistance from members of the Egmont Group to carry out investigations and collaborated with member countries to gather intelligence on their investigations. Furthermore, substantial progress has been achieved in the process of shifting to the goAML system, developed by the Information Technology Service of the United Nations Office on Drugs and Crime (UNODC), to increase the analytical capabilities and capacity of FIU-Sri Lanka. The proposal made by FIU-Sri Lanka to provide an online facility for FIs to authenticate images of National Identity Cards used in their FinTech products was successfully implemented by the Department for Registration of Persons and the Information and Communication Technology Agency in October 2020.

Although the year 2021 to date has been challenging for FIU-Sri Lanka as well as other regulators due to the threats posed by the unprecedented events, we are optimistic and ready to face the coming year with a strong commitment. We have already commenced the National Risk Assessment of Sri Lanka in collaboration with public and private sector working groups in accordance with World Bank methodology. We will also commence Phase I of live operations of our international standard level AML/CFT reporting and analysis system goAML in the third quarter of 2021, for receiving information from banks for FIU requests. We intend to focus on enhancing the core activities whilst infusing technology to

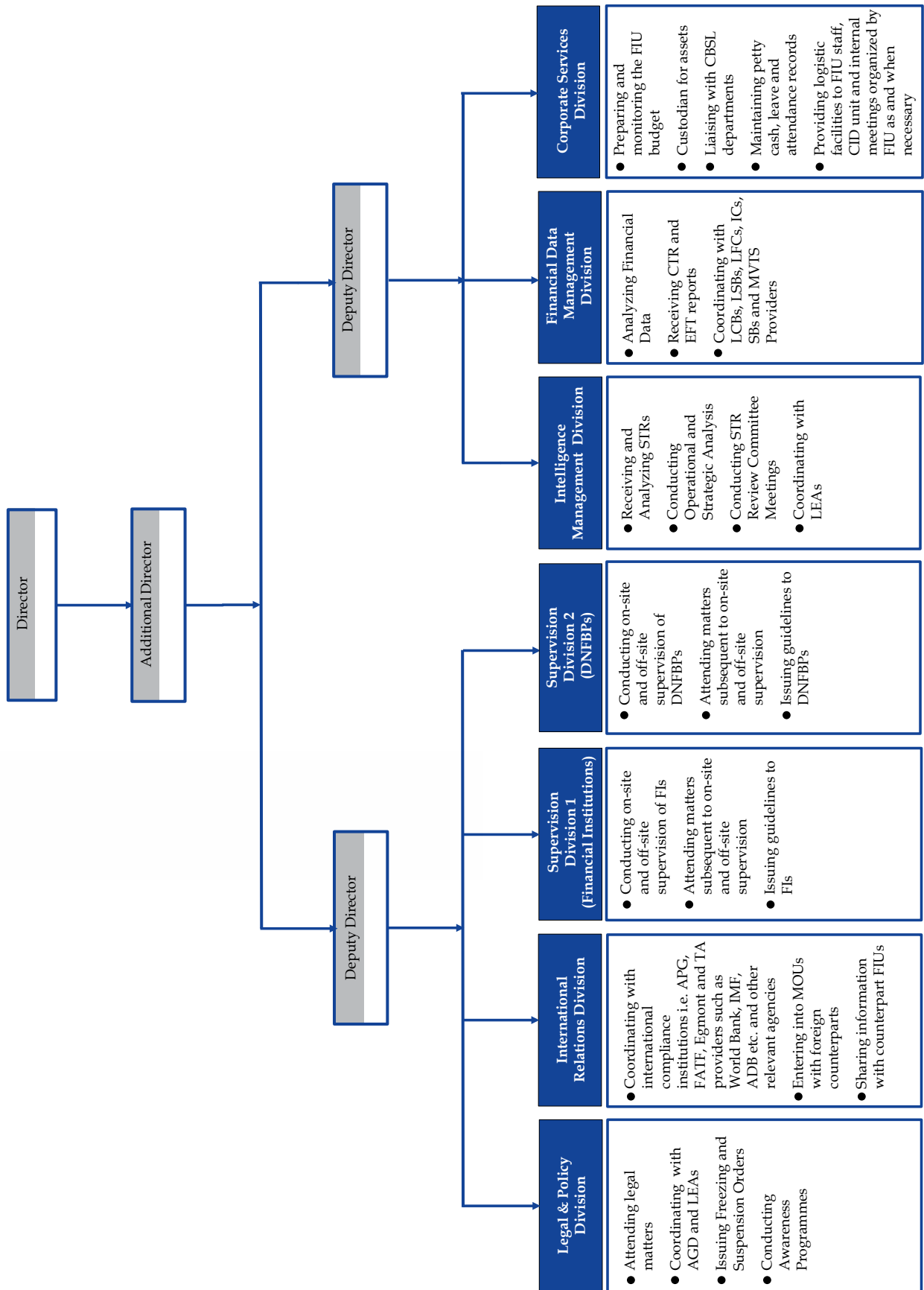
streamline processes which will strengthen our investigation efforts on ML and TF. We expect to continue strengthening the AML/CFT regime of the country while increasing enforcement actions to heighten the level of compliance of reporting institutions. We will also harness opportunities to work more closely with our stakeholders, which is the key to success. We also expect to expand our international relationships with more international counterparts and agencies to support global initiatives of AML/CFT. I look forward to working more closely and cordially with our stakeholders while guiding this prominent agency towards achieving our vision.

**E H Mohotty**

Director

Financial Intelligence Unit of Sri Lanka

# FUNCTIONAL ORGANIZATIONAL CHART OF THE FIU - SRI LANKA



## VISION, MISSION, AND STRATEGIC GOALS

### 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.

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

### MISSION

### STRATEGIC GOALS

Strengthening the AML/CFT measures in Sri Lanka in line with international practices.

Strengthening the co-operation with relevant international and domestic institutions to combat ML/TF.





Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka) was established under the Financial Transactions Reporting Act No. 06 of 2006 (FTRA), for the purpose of implementing the provisions of such Act in accordance with the international recommendations made by the Financial Action Task Force, the global policy setter against Money Laundering and Terrorist Financing (ML/TF). Accordingly, FIU-Sri Lanka is responsible for facilitating prevention, detection, investigation and prosecution of offences relating to ML/TF. Thus, FIU-Sri Lanka acts as the central national agency for collection, analysis, and dissemination of data and information related to suspicious financial transactions on ML/TF, reported by Reporting Institutions (RIs), Law Enforcement Agencies (LEAs), Regulatory Authorities (RAs), and the general public.

## 1.1 Collection of Data/Information

As empowered by Section 15(1) of the FTRA, FIU-Sri Lanka mainly collects financial data through RIs defined in such Act. In terms of Sections 6 and 7 of the FTRA, RIs are required to submit the following three types of mandatory reports to FIU-Sri Lanka:

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

These reports are primarily submitted through LankaFIN system, a secure online reporting mechanism, by Licensed Banks (LBs), Licensed Finance Companies (LFCs), Stockbrokers (SBs), Insurance Companies (ICs) and Money or Value Transfer Services (MVTs). Other RIs including Designated Non-Financial Businesses and Professions (DNFBPs) submit STRs in written form as well. In addition to RIs and RAs, LEAs such as State Intelligence Service (SIS), Criminal Investigation Department (CID), Sri Lanka Police, Illegal Properties and Assets Investigation Division, Police Narcotic Bureau (PNB), etc, and the general public also submit information on suspicions relating to ML/TF.

### 1.1.1 Cash Transactions Reports (CTRs) and Electronic Fund Transfers (EFTs)

In terms of Section 6 of the FTRA, every Institution shall report to FIU-Sri Lanka each and every cash transaction and electronic fund transfer that exceeds the threshold of Rs. 1 million

or its equivalent in any foreign currency as prescribed by the Minister of Finance in the Extraordinary Gazette No. 1555/9, dated 25 June 2008. This information enables FIU-Sri Lanka to identify suspicious cash movements for STR analyzing purposes.

### 1.1.2 Suspicious Transaction Reports (STRs)

In simple terms, a Suspicious Transaction Report is a document that an RI, RA, LEA or a member of the general public files with FIU-Sri Lanka whenever there is a suspicion of offences related to ML/TF. The suspicion may be raised with regard to either a committed or an attempted transaction. In terms of Section 7 of the FTRA, an Institution (an RI) needs to submit an STR when,

- it has reasonable grounds to suspect that any transaction or attempted transaction may be related to a commission of any unlawful activity or any other criminal offence;
- it has information that it suspects may be relevant to an act preparatory to an offence under the provisions of the Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA);
- it has information that it suspects may be relevant to an investigation or prosecution of a person or persons for an act constituting an unlawful activity;
- it has information that it suspects may be of assistance in the enforcement of the Prevention of Money Laundering Act No. 5 of 2006 (PMLA) and CSTFA.

The Institutions are required to report the suspicion to FIU-Sri Lanka as soon as practicable, after forming that suspicion or receiving the information, but no later than two working days therefrom.

Further, in terms of Section 5 of the PMLA, any person who knows or has reason to believe from information or other matter 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, such person should disclose his knowledge or belief as soon as is practicable to FIU-Sri Lanka.

**Table 1.1**

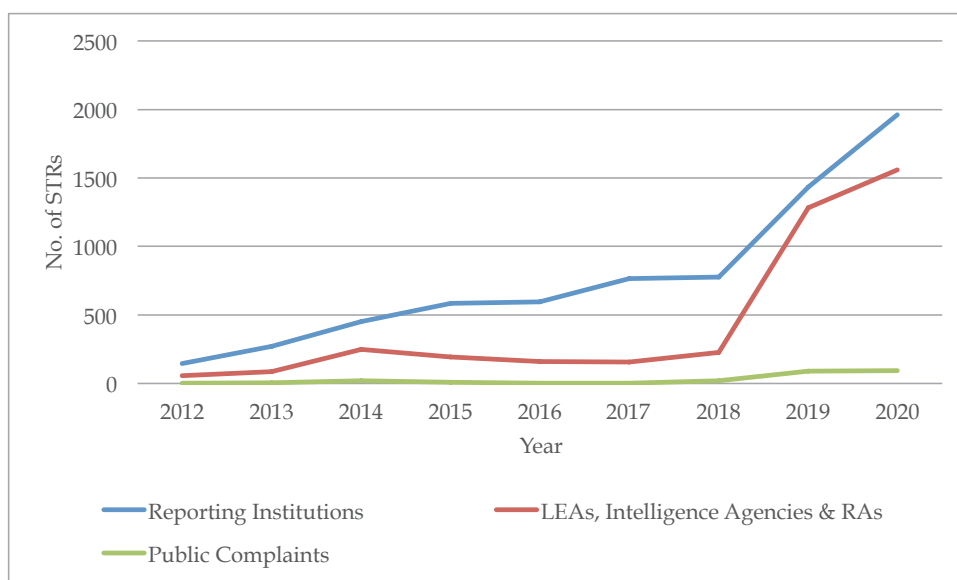
#### STRs Reported by Stakeholders

Category	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>RI</b> s	144	272	452	583	595	766	775	1,434	<b>1,963</b>
<b>LEAs, Intelligence Agencies &amp; RAs</b>	56	88	247	193	161	157	227	1,281	<b>1,561</b>
<b>Public Complaints</b>	3	6	19	7	3	2	20	89	<b>93</b>
<b>Total</b>	<b>203</b>	<b>366</b>	<b>718</b>	<b>783</b>	<b>759</b>	<b>925</b>	<b>1,022</b>	<b>2,804</b>	<b>3,617</b>

*Source: LankaFIN, Financial Intelligence Unit-Sri Lanka*

As shown in Table 1.1 above, total STRs reported to FIU-Sri Lanka has shown an increasing trend since 2012 to date. A 29% increase can be seen in the total number of STRs reported from 2019 (2,804) to 2020 (3,617). This increase comprises a 37%, 22% and 4% increase in the STRs reported by RIs, collectively by LEAs, Intelligence Agencies and RAs, and by the general public, respectively. The 29% acceleration in the number of STRs reported during 2020 is mainly related to drug dealing, scams, frauds, cheating, and bribery. Further, increased awareness campaigns conducted by FIU-Sri Lanka have also contributed to the surge of STRs. Refer Figure 1.1 below for a breakdown of STRs received from RIs, LEAs, Intelligence Agencies and RAs, and the general public during 2012-2020.

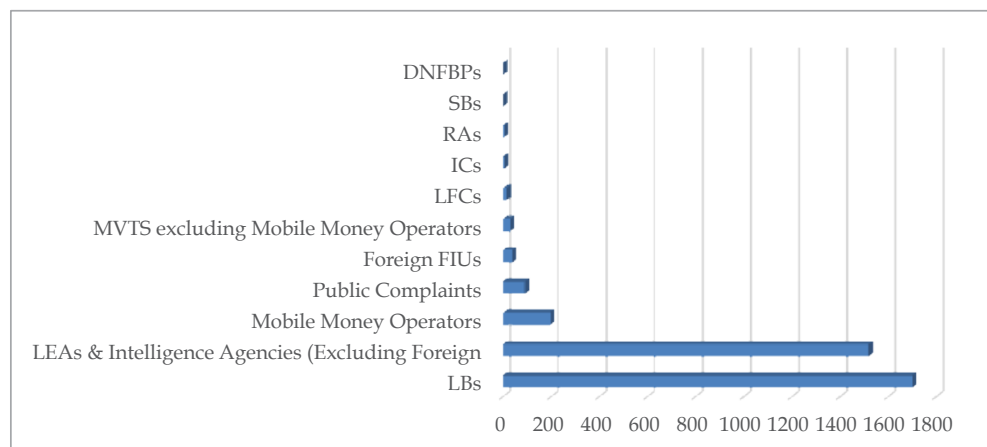
**Figure 1.1**  
**STRs Reported by Stakeholders**



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

### 1.1.3 Analysis of Trends and Patterns of STRs Received

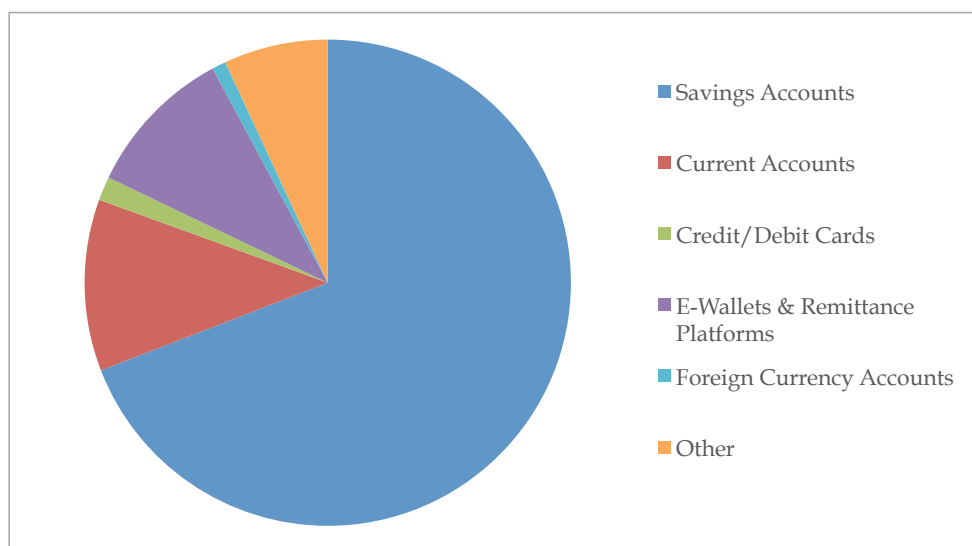
**Figure 1.2**  
**STRs by RI Type**



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

As shown in Figure 1.2, the extreme majority of total STRs (about 90%) during 2020 were received from LBs (47%), and LEAs and Intelligence Agencies (42%). Further, 5% of STRs were reported by Mobile Money Operators (MMOs) and 3% of STRs were related to Public Complaints.

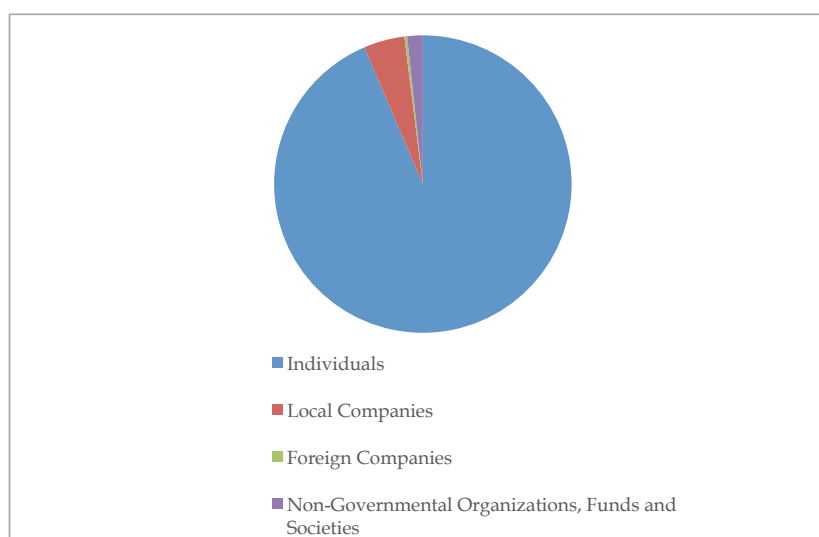
**Figure 1.3**  
**STRs by Product Type**



source: LankaFIN, Financial Intelligence Unit-Sri Lanka

As shown in Figure 1.3 above, 69% of STRs received during 2020 were related to transactions performed through savings accounts. STRs related to transactions carried out through current accounts (11%), credit/debit cards (2%), E-Wallets & Remittance platforms (10%) and foreign currency accounts (1%) were comparatively low. The other category (7%) includes STRs involving fixed deposits, safety deposit lockers, etc.

**Figure 1.4**  
**STRs by Customer Type**



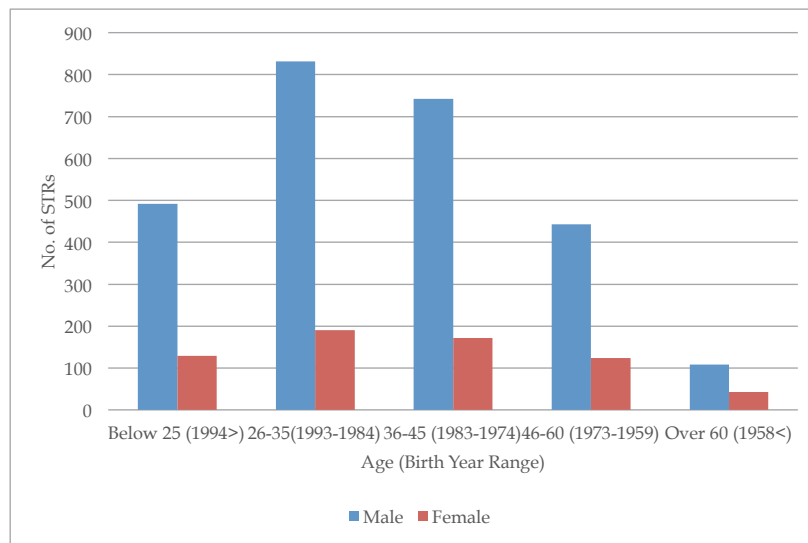
Source: LankaFIN, Financial Intelligence Unit-Sri Lanka



Figure 1.4 shows that 94% of STRs received were related to suspicious financial transactions performed by individuals. However, a very low number of STRs received were related to Local Companies, Foreign Companies and Non-Governmental Organizations (NGOs) which totals to the remaining 6% of STRs.

**Figure 1.5**

**Age and Gender-wise Analysis of STRs on Individuals**



*Source: LankaFIN, Financial Intelligence Unit-Sri Lanka*

As depicted in Figure 1.5, in terms of the gender-wise analysis of STRs on individuals, the involvement of males in suspicious financial transactions was higher than that of females for all age categories. Out of the total STRs reported on males and females, the majority were in the age category of 26 to 35 years, and the second majority lies in the age group of 36 to 45 years. Accordingly, more than half of the suspicious transactions reported was related to the youngest and most energetic group of the labour force, i.e. between the ages of 26 – 45 years.

## 1.2 Analysis of Information

Upon collecting financial data and information, they are analyzed by the Intelligence Management Division in order to identify trends and incidents related to ML/TF. Such an STR analysis process encompasses several steps:

- Initially, a preliminary analysis and assessment is performed for each and every STR received. Other available sources of information such as CTRs, EFTs, any other STRs reported to LankaFIN, InforID system of the Department for Registration of Persons, ASYCUDA system of Sri Lanka Customs, ACCUITY database, etc are also utilized to conduct the preliminary analysis. Such preliminary analysis enables the analysts to determine the depth of the STR and the nature of further actions to be taken.

- Subsequently, results of the preliminary analysis are presented at the Internal STR Review Committee chaired by the Additional Director of FIU-Sri Lanka with the participation of relevant officials of FIU-Sri Lanka.
- Where further analysis seems necessary, an operational analysis is performed by calling for further information from relevant local and foreign counterparties, where necessary.

As shown in Table 1.2 below, the number of STRs reported regarding ML continued to rise in 2020 as a result of the increasing trends observed in drug dealing, scams, etc.

**Table 1.2**  
**Composition of STRs**

	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>No. of STRs on TF</b>	20	7	53	19	43	58	116	969	<b>591</b>
<b>No. of STRs on ML</b>	183	359	665	764	716	867	906	1,835	<b>3,026</b>
<b>Total</b>	<b>203</b>	<b>366</b>	<b>718</b>	<b>783</b>	<b>759</b>	<b>925</b>	<b>1,022</b>	<b>2,804</b>	<b>3,617</b>

*Source: LankaFIN, Financial Intelligence Unit-Sri Lanka*

### 1.3 Dissemination of Information

Upon concluding the analysis process, the intelligence or the information generated through analysis is disseminated to relevant parties for the commencement of appropriate regulatory or further investigative actions. The STR dissemination process of FIU-Sri Lanka consists of several steps:

- After conducting operational analysis, an analysis report is prepared for each relevant STR case and the same is submitted to the STR Review Committee headed by the Director of FIU-Sri Lanka, along with senior official(s) representing the Attorney General's Department and relevant officials of FIU-Sri Lanka.
- The analysis of STRs and related information are disseminated to relevant LEAs and/or RAs for further investigation or regulatory actions based on the decisions made by the STR Review Committee.
- The said committee may decide not to disseminate certain STRs in the event where specific STRs do not warrant further investigation by LEAs or RAs.

A summary of STRs disseminated from 2012 to 2020 is given in Table 1.3 below:

**Table 1.3**  
**Dissemination of STRs**

	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>LEAs</b>	48	55	183	330	342	295	256	1,465	<b>2,800</b>
<b>RAs</b>	8	18	6	95	94	134	61	9	<b>80</b>

*Source: Financial Intelligence Unit-Sri Lanka*

A significant number of STRs amounting to 2,800 was disseminated to relevant LEAs in 2020. A considerable portion of these STRs consists of suspicions relating to drug dealings and scams. The majority of STRs referred to RAs in 2020 were on possible violations of the Foreign Exchange Act No. 12 of 2017.

## **1.4 Suspension, Confiscation and Convictions Relating to ML/TF**

### **1.4.1 Suspension of Funds**

As set out in Section 15(2) of the FTRA, FIU-Sri Lanka is authorized to suspend transactions or attempted transactions or any other transaction in respect of the funds affected by that transaction or attempted transaction, which is suspected of relating to unlawful activities, in order to facilitate further investigations. Accordingly, FIU-Sri Lanka has issued such suspensions on 100 individuals and 04 entities in respect of funds amounting to Rs. 266 million during the year 2020.

### **1.4.2 ML Convictions and Prosecutions**

By the end of 2020, four ML convictions were reported since the first ML conviction reported in 2014. Table 1.4 below provides a summary of ML prosecutions and convictions carried out so far.

**Table 1.4**  
**List of ML Convictions**

	2015	2016	2017	2018	2019	2020
<b>ML Prosecutions</b>	2	2	4	4	7	2
<b>ML Convictions</b>	1	1	-	1	-	-
<b>ML Charges relating to convictions</b>	Payment Card Fraud (Section 3(2) of the PMLA)	Drug Trafficking (Section 3(1) of the PMLA)	-	Payment Card Fraud (Section 3(2) of the PMLA)	-	-
<b>Value Confiscated</b>	USD 31,300	Rs. 29,000,000	-	Rs. 1,224,000	-	-
<b>Sentence</b>	Imprisonment & fine of 3 times of value confiscated	20-year Imprisonment & fine of 3 times of value confiscated	-	Confiscation & fines of Rs. 8 million imposed	-	-

In order to facilitate investigations and prosecutions of persons suspected of committing and participating in ML/TF related activities, it is vital to share information, particularly, financial intelligence among government authorities and institutions, who are stakeholders of such investigations and prosecutions. Further, it is crucial to exchange intelligence with foreign Financial Intelligence Units (FIUs) to combat illicit activities that have cross border links and networks. FIU-Sri Lanka played a leading role in this mutually beneficial information sharing mechanism in 2020.

## 2.1 Domestic Cooperation

### 2.1.1 Competent Authorities

FIU-Sri Lanka performs its key role of receiving, analysing and disseminating information on suspicious transactions relating to ML/TF or any other unlawful activity. Upon analysis of information received through STRs from RIs, LEAs, RAs and the general public, together with other relevant information obtained from various sources, FIU-Sri Lanka disseminates the analytic results to relevant competent authorities for further investigation or actions, where necessary. These competent authorities include Sri Lanka Police, Criminal Investigation Department (CID), Counter Terrorism and Investigation Division (CTID), Police Narcotic Bureau (PNB), Sri Lanka Customs, Commission to Investigate Allegations of Bribery or Corruption (CIABOC), State Intelligence Service (SIS), Directorate of Military Intelligence (DMI), Ministry of Defence (MOD), etc. Such competent authorities benefit from such information disseminated by FIU-Sri Lanka to effectively perform their analysis and investigations of ML/TF activities and predicate offences, and it provides the basis for the prosecution of persons, where necessary.

**Table 2.1**  
**STRs Referred to LEAs from 2016 to 2020**

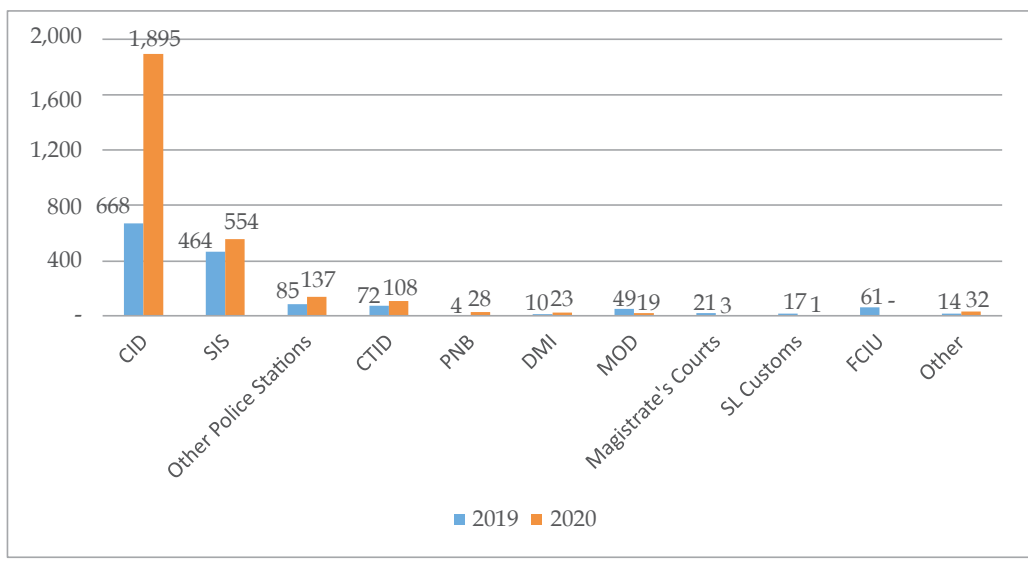
	2016	2017	2018	2019	2020
ML	264	197	167	929	2,138
TF	78	98	89	536	662
<b>Total</b>	<b>342</b>	<b>295</b>	<b>256</b>	<b>1,465</b>	<b>2,800</b>

*Source: LankaFIN, Financial Intelligence Unit-Sri Lanka*



During the year 2020, FIU-Sri Lanka recorded a significant improvement in dissemination of information to competent authorities, compared to previous years. As depicted in Table 2.1, FIU-Sri Lanka disseminated a total of 2,800 STRs to relevant LEAs in 2020. The number of STRs disseminated with respect to ML and TF amounted to 2,138 and 662, respectively. STRs on ML were mainly referred to the CID and STRs on TF were referred to the CTID and the SIS.

**Figure 2.1**  
**STRs Referred to LEAs**

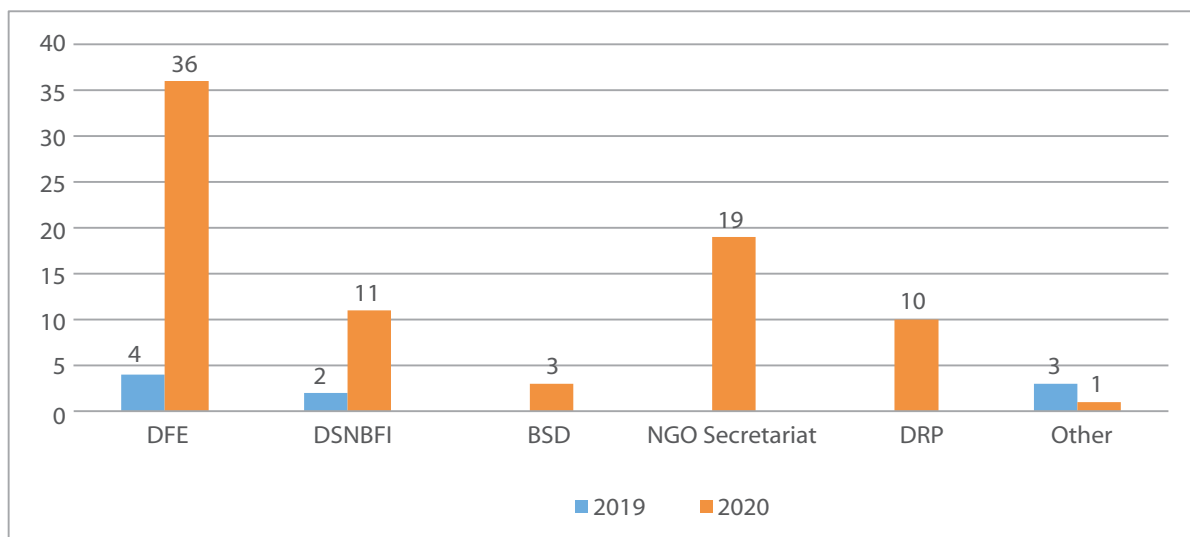


Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

### 2.1.2 Regulatory Authorities / Competent Authorities

During the year 2020, FIU-Sri Lanka referred 80 STRs to RAs, namely the Department of Foreign Exchange (DFE), Department of Supervision of Non-Bank Financial Institutions (DSNBFI) and Bank Supervision Department (BSD) of the Central Bank of Sri Lanka (CBSL), the Department of Registration of Persons (DRP), the NGO Secretariat and the Securities and Exchange Commission of Sri Lanka (SEC) for further investigations. The majority of the STRs were referred to the DFE, which were on suspicion of violation of foreign exchange regulations.

**Figure 2.2**  
**STRs Referred to RAs**



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

### 2.1.3 Memoranda of Understanding (MOUs) with Domestic Agencies

Coordination and cooperation between FIU-Sri Lanka and relevant domestic agencies are imperative to combat complex ML/TF activities. FIU-Sri Lanka is vested with the legal authority by Section 15 (1) (r) of the FTRA, to enter into agreements or arrangements with any domestic government institution or agency with respect to the exchange of information. Accordingly, during the year 2020, FIU-Sri Lanka entered into a Memorandum of Understanding (MOU) with the Chief of National Intelligence to exchange intelligence related to the offences of ML/TF and related crimes in order to ensure that national security remains uncompromised. Accordingly, the total number of MOUs signed with domestic agencies by FIU-Sri Lanka increased to 12 by end 2020.

**Table 2.2**  
**MOUs with Domestic Agencies as at December 31, 2020**

	Domestic Agency	Date of Signing
1	Sri Lanka Customs	May 14, 2010
2	Department of Immigration and Emigration	September 27, 2016
3	Inland Revenue Department	October 19, 2016
4	Department for Registration of Persons	January 11, 2017
5	Sri Lanka Police	December 13, 2017
6	Securities and Exchange Commission of Sri Lanka	June 19, 2018

7	Insurance Regulatory Commission of Sri Lanka	August 01, 2018
8	Department of Motor Traffic	November 01, 2018
9	Condominium Management Authority	August 28, 2019
10	National Gem and Jewellery Authority	August 28, 2019
11	INTERPOL National Central Bureau for Sri Lanka	October 11, 2019
12	Chief of National Intelligence	August 26, 2020

*Source: Financial Intelligence Unit-Sri Lanka*

### 2.1.4 Other Forms of Domestic Cooperation

FIU-Sri Lanka assisted several stakeholders by providing advice on legislative amendment processes relating to AML/CFT aspects. Accordingly, FIU-Sri Lanka is involved in the process of introducing amendments to the Companies Act No. 7 of 2007 and the Voluntary Social Service Organizations (Registration and Supervision) Act No. 31 of 1980. Further, FIU-Sri Lanka is a permanent member of the Targeted Financial Sanctions (TFS) Committee headed by the Secretary of Defence, which is the primary mechanism for inter-agency coordination for the effective implementation of United Nations Security Council Resolutions (UNSCRs) in Sri Lanka. The TFS Committee is required to meet regularly, but due to the prevailing COVID-19 pandemic restrictions in the country, only one meeting was held in 2020.

## 2.2 International Cooperation

### 2.2.1 Exchange of Information with Counterpart FIUs

Effective sharing of financial intelligence, both domestically and internationally, is one of the cornerstones of a well-functioning AML/CFT framework. As ML/TF offences may involve cross border activities, sharing of information with counterpart FIUs is vital. FIU-Sri Lanka is empowered by Sections 15 (1) (q), 16 and 17 of the FTRA, to cooperate with institutions and agencies of a foreign state for the investigation or prosecution of ML/TF. The information shared in this manner is used only for intelligence purposes.

During the year 2020, the FIU-Sri Lanka made 35 requests from Egmont Group member FIUs to share information related to ongoing investigations. At the same time, the FIU-Sri Lanka responded to 15 requests from various counterpart FIUs including FIUs of Australia, Belgium, Canada, Japan, Singapore, Turkey, Qatar, the Netherlands and the United Kingdom to share information. Some counterpart FIUs facilitated certain investigations of LEAs of Sri Lanka by providing necessary information.

Table 2.3 depicts the information requests made and information requests received by FIU-Sri Lanka from 2016 to 2020.

**Table 2.3**  
**Sharing of Information with Foreign Counterpart FIUs**

	2016	2017	2018	2019	2020
Requests Received	27	50	24	40	15
Requests Made	36	54	70	58	35

*Source: Financial Intelligence Unit-Sri Lanka*

### 2.2.2 MOUs with Counterpart FIUs

According to Sections 16 and 17 of the FTRA, FIU-Sri Lanka can enter into agreements for the exchange of information regularly with any institution or agency of a foreign state that has powers and duties similar to those of FIU-Sri Lanka, with the approval of the Minister of Finance. During the year 2020, FIU-Sri Lanka initiated negotiations to sign MOUs with 2 counterpart FIUs, namely, Kazakhstan and Mauritius. The MOUs signed by FIU-Sri Lanka with foreign counterparts as at December 31, 2020 are as follows:

**Figure 2.3**  
**MOUs with Foreign Counterpart FIUs as at December 31, 2020**

2008 - 2009	2010 - 2011	2012 - 2013	2014 - 2016	2017 - 2019
Malaysia	India	USA	Albania	Thailand
Afghanistan	Australia	Mongolia	Peru	Bhutan
Republic of Korea	Belgium	Russia	Myanmar	China
Indonesia	Soloman Island	Saudi Arabia	Kyrgyz Republic	Trinidad & Tobago
Nepal	Bangladesh	Japan	Panama	Qatar
Philippines	South Africa	Lebanon	Ukraine	Papua New Guinea
Cambodia	Fiji	Costa Rica	Israel	Maldives
	Canada	Denmark	Singapore	
	Slovenia			

*Source: Financial Intelligence Unit-Sri Lanka*

### 2.2.3 The Asia Pacific Group on ML (APG)

The APG is an inter-governmental organization focused on ensuring that its members effectively implement the international standards against ML/TF and proliferation of financing related to weapons of mass destruction. The APG is a part of the global network of similar bodies, referred to as Financial Action Task Force-Style Regional Bodies (FSRBs) and is the largest in terms of membership numbers and geographical size. The APG consists of 41 member jurisdictions, and Sri Lanka has been a member of the APG since its establishment in 1997.

The 23<sup>rd</sup> Annual Meeting of the APG scheduled to be held in July 2020 was cancelled due to the COVID-19 pandemic and related travel restrictions. However, FIU-Sri Lanka participated in several virtual Mutual Evaluation Committee (MEC) Meetings held during the year, mainly to discuss the members' Mutual Evaluation Reports (MERs) and Follow-up Reports (FURs).

As per the APG Follow-up process, Sri Lanka submitted the annual progress report on technical compliance on June 01, 2020 and it was taken up for the discussion at the APG MEC Meeting held in October 2020. Sri Lanka requested for an upgrade of Recommendation 14 on Money or Value Transfer Service Providers which was rated as non-compliant (NC) in 2015. At the same time, the APG recommended downgrading the largely compliant (LC) rating given to Recommendation 15 on New Technologies due to the fact that Sri Lanka has not taken actions to fulfill the new requirements imposed by the FATF in October 2019 on Virtual Assets and Virtual Asset Service Providers under the same Recommendation. The 5<sup>th</sup> FUR on Sri Lanka was discussed and adopted by the membership during the MEC Meeting held in October with upgraded rating for Recommendation 14 from NC to LC and downgraded rating for Recommendation 15 from LC to partially compliant (PC). The current technical compliance ratings for Sri Lanka are given in Table 2.4.

**Table 2.4**  
**Current Level of Sri Lanka's Technical Compliance Ratings for FATF 40 Recommendations**

Level of Compliance	At the MER Adoption in July 2015	After Re-rating in 2016	After Re-rating in 2018	After Re-rating in 2019	After Re-rating in 2020
Compliant (C)	5	5	6	7	7
Largely Compliant (LC)	7	16	21	24	24
Partially Compliant (PC)	16	13	8	7	8
Non-Compliant (NC)	12	6	5	2	1
	40	40	40	40	40

#### 2.2.4 Egmont Group

The Egmont Group is a united body of 166 FIUs around the world, which provides its members a forum to exchange information confidentially to combat ML/TF. This international network provides a platform to FIUs to improve support to their respective governments in the fight against ML/TF and other financial crimes. The Egmont Group's secure internet system, the Egmont Secure Web, is the trusted gateway for sharing financial information domestically and internationally in accordance with global AML/CFT standards.



FIU-Sri Lanka has been a member of the Egmont Group since May 2009 and continues to share financial intelligence with its foreign counterparts effectively. The officials of FIU-Sri Lanka have been actively participating in the Annual Plenary and various working group meetings of the Egmont Group since 2009. FIU-Sri Lanka officials participated in the Egmont Working Group meetings held in Mauritius in January 2020. However, as a result of the exceptional circumstances caused by the COVID-19 pandemic, the Egmont Group Plenary, originally scheduled for July 2020, was postponed until July 2021.

### **2.2.5 Financial Action Task Force (FATF)**

The FATF is an intergovernmental organization, established in 1989, that develops international standards to curb ML/TF and counter the financing for weapons of mass destruction. As the AML/CFT policy setter, the FATF monitors the progress of its members in implementing necessary measures, reviews ML/TF techniques and countermeasures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

The first FATF Plenary for the year 2020 was held during 19-21 February 2020. However, the FATF Plenaries of June and October 2020 were held as virtual events amid lockdown measures and travel restrictions due to the COVID-19 pandemic. Nevertheless, the FATF kept up its important work, particularly as new ML/TF threats and vulnerabilities have continued to emerge during the pandemic.

## **2.3 Technical Assistance (TA) through International Cooperation**

### **2.3.1 International Monetary Fund (IMF) TA Project**

In 2016, FIU-Sri Lanka made a request for TA from the Legal Department of the IMF to advise and assist in the further development of Sri Lanka's AML/CFT framework. The request was mainly based on the recommendations made in the 2014/15 MER and focused on three main areas: risk-based AML/CFT supervision, development of the capacity of FIU analysts, and support in the legislative amendment process. The IMF accepted Sri Lanka's request for TA and carried out a scoping mission to Sri Lanka during October 2016 led by a team of experts from the Financial Integrity Group of the IMF Legal Department headed by Senior Counsel Ms. Cecilia Marian.

Subsequent to the scoping mission, the IMF expert team conducted two TA missions each year totaling six TA missions to Sri Lanka during the period 2017-2019. The expert team

consisted of Ms. Cecilia Marian, Senior Counsel (Mission Chief), Mr. Patrick O’Sullivan, Senior Financial Sector Expert, Mr. Clive Scott, Regional AML/CFT Adviser, and Mr. Andrew Milford, AML/CFT Supervisory Consultant. However, the TA missions scheduled to be held during the year 2020 were cancelled due to the COVID-19 pandemic.

### **2.3.2 US Department of Treasury**

Mr. Kevin Whelan, adviser from the Office of Technical Assistance (OTA) Economic Crimes Team of the US Department of Treasury, acts as FIU-Sri Lanka’s Resident Consultant since May 2017. He provides his expert advice mainly in areas of improving the information technology infrastructure of the LankaFIN and goAML systems, drafting and reviewing of Guidelines such as identification of beneficial ownership, STR reporting, Politically Exposed Persons (PEPs), regulatory sandbox, eKYC, etc, while assisting in improving the analytical capabilities of FIU-Sri Lanka and offering expert advice in the areas of mapping AML/CFT legal obligations alongside improving information technological requirements. Mr. Whelan also conducted several awareness sessions for the CBSL Monetary Board, officers of FIs/DNFBPs and law enforcement officers on the identification and use of beneficial ownership information, STR reporting, investigative techniques, etc.

### **2.3.3 Asian Development Bank (ADB)**

The ADB conducted a comprehensive virtual training session on ‘Identifying, Assessing, and Managing AML/CFT Risks in the Casino Sector’ for FIU-Sri Lanka officers during 21-23 October 2020. The training provided insights to understand the national and international AML/CFT requirements applicable to the casino sector, the key ML/TF risks and vulnerabilities, the key essential elements of the risk-based AML/CFT approach to supervision, international standards, and best practices on the risk-based AML/CFT supervision, and effective guidelines on the AML/CFT risk-based supervision of the casino sector, including the conducting of on-site and off-site inspections.

## 3.1 Supervision of Financial Institutions

### 3.1.1 Legal Background of AML/CFT Supervision of Financial Institutions (FIs)

FIU- Sri Lanka carries out the AML/CFT supervision of the FIs listed under Section 33 of the FTRA. The FIs include Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), LFCs, ICs, SBs, MVTs providers and Restricted Dealers (RDs). FIU-Sri Lanka's Supervision Division - I, using the authority vested on FIU-Sri Lanka under Section 15(1) (e) read together with Section 18 of the FTRA, discharges the responsibility of monitoring the institutional AML/CFT compliance. FIU-Sri Lanka conducts risk-based examinations (on-site and off-site examinations), takes regulatory actions on non-compliances, conducts meetings with FIs and implements timely measures as and when required.

### 3.1.2 Risk-Based Supervision

FIU-Sri Lanka has implemented a Risk-Based Approach (RBA) for AML/CFT supervision which efficiently allocates resources based on the risk of the financial sector since 2017. Accordingly, the process of Risk-Based AML/CFT supervision consists of the following steps which are performed annually by FIU-Sri Lanka:

1. Conducting off-site risk assessment
2. Preparing examination plan
3. Conducting on-site examinations
4. Taking supervisory actions
5. Conducting follow-up examinations

FIU-Sri Lanka conducts AML/CFT supervision on banking and finance companies sector, while SEC and IRC SL conduct the AML/CFT supervision on securities and insurance sectors, respectively.

**Figure 3.1**  
**Process of AML/CFT Supervision**

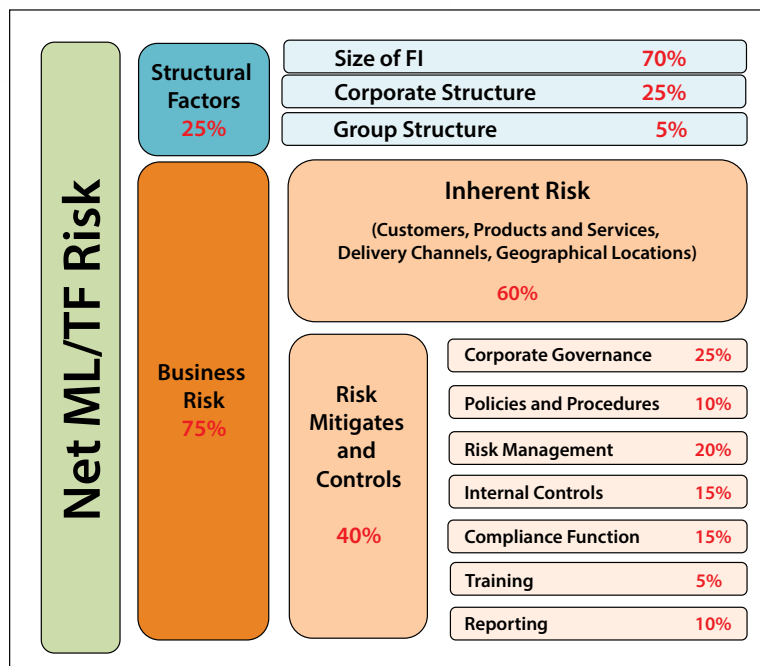


Source: Financial Intelligence Unit - Sri Lanka

### 3.1.3 Off-site Risk Assessment Tool

The off-site risk assessment is the starting point of identifying ML/TF risk of individual FIs. FIU-Sri Lanka evaluates inherent risks of FIs and the risk-mitigating measures taken by FIs with regard to their exposed ML/TF risk. The risk assessment tool utilized in the risk assessment was developed in 2017 in collaboration with the IMF technical assistance team. The tool was further improved by FIU-Sri Lanka during the visit of the IMF team in 2019 to enhance the quality of the results.

**Figure 3.2**  
**The Composition of the Risk Tool: Risk Factors and Weightage**



Source: Financial Intelligence Unit - Sri Lanka

As per the above diagram, the net ML/TF risk of the FI is evaluated in terms of structural factors and the business risk. Size of the FI, corporate structure and the group structure are considered as major components of structural factors while customers, products and services, delivery channels and geographic locations of operations are considered as main factors of business risk.

Risk mitigates and controls are evaluated using seven variables namely corporate governance, policies and procedures, risk management, internal controls, compliance function, training, and reporting in terms of the provisions of the FTRA.

The weight given for each risk factor in the tool is stated in the above diagram. Those were determined by FIU-Sri Lanka based on the relative significance of the institutional structure and the business activities.

### 3.1.4 Off-site Risk Assessment Done by FIU-Sri Lanka

Off-site risk assessment is carried out by FIU-Sri Lanka for the banking and finance company sectors on an annual basis to develop the on-site supervisory plan for the following year using the risk assessment tool described in 3.1.3 above. The information related to inherent risk of FIs are collected through a data collection form while information on risk-mitigating measures taken by FIs are collected through an AML/CFT questionnaire designed and improved by FIU-Sri Lanka in a manner convenient and compatible with the risk assessment tool.

In October 2020, FIU-Sri Lanka conducted an off-site risk assessment of 69 individual institutions from the banking sector and the finance company sector by disseminating an AML/CFT questionnaire and a data collection form.

**Table 3.1**  
**Number of Off-site Risk Assessments Conducted during 2017-2020**

Year	No. of Off-site Examinations
2017	78
2018	75
2019	70
2020	69

*Source: Financial Intelligence Unit - Sri Lanka*

The reason for the reduction of off-site risk assessments is due to closures of business operations, mergers with other institutions and cancellation of license of FIs issued by the CBSL.



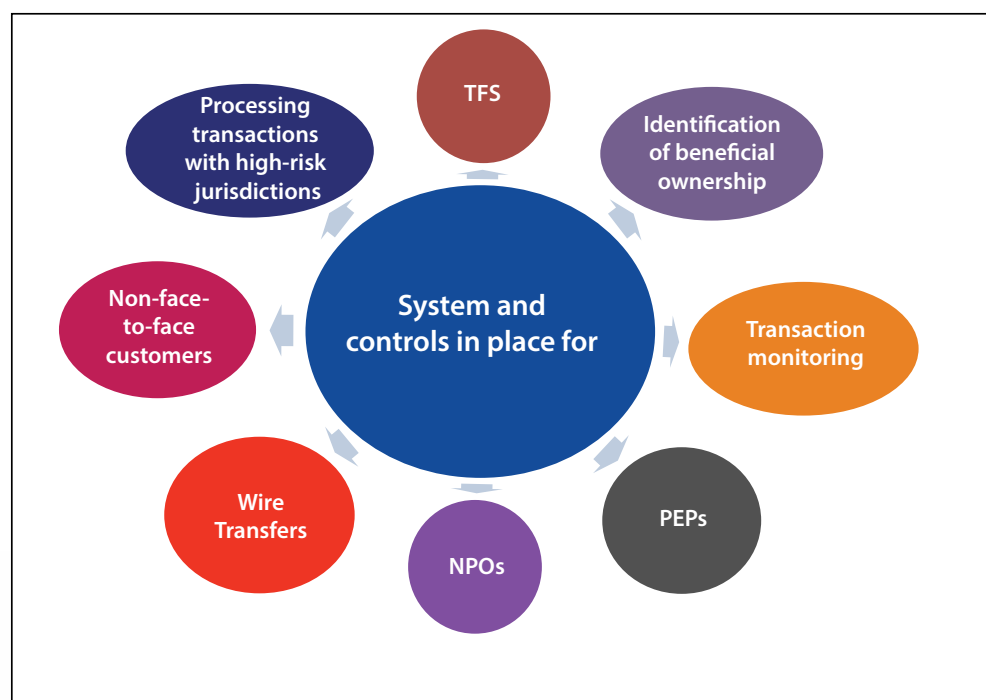
### 3.1.5 On-site Examinations Conducted by FIU-Sri Lanka

Based on the results of the off-site ML/TF risk assessment, an annual risk-based examination plan for banking and finance company sectors is prepared and resources are allocated accordingly.

Once the resources are allocated according to the on-site examination plan, on-site examinations on FIs are conducted based on the following areas identified as high-risk in FATF standards.

**Figure 3.3**

**Identified High-Risk Areas of FIs**



**Table 3.2**

**Number of On-site Examinations Conducted during 2017-2020**

Type of FI	2017	2018	2019	2020
LCBs	05	13	13	01
LSBs	-	02	03	-
LFCs	16	04	11	06
MVTS providers	-	-	01	-
<b>Total</b>	<b>21</b>	<b>19</b>	<b>28</b>	<b>07</b>

*Source: Financial Intelligence Unit - Sri Lanka*

The number of on-site examinations conducted during 2020 decreased due to the restrictions imposed during the COVID-19 pandemic situation in Sri Lanka.

At the completion of the on-site examination for each FI, results of off-site risk assessment were updated based on the observations of on-site examinations.

### 3.1.6 Follow-up Examinations Conducted by FIU-Sri Lanka

Pursuant to risk-based on-site examinations, FIU-Sri Lanka conducts follow-up on-site examinations to evaluate the progress made by an FI. FIU-Sri Lanka has carried out the follow-up examination procedure since 2019. The follow-up examination procedure was enhanced by conducting 7 follow-up examinations during 2020, out of which, 5 were conducted as off-site examinations.

**Table 3.3**

#### Number of Follow-up Examinations Conducted during 2019 and 2020

Type of FI	2019	2020
LCBs	02	07
LSBs	02	-
<b>Total</b>	<b>04</b>	<b>07</b>

*Source: Financial Intelligence Unit - Sri Lanka*

### 3.1.7 Joint Supervisions Conducted by FIU-Sri Lanka

FIU-Sri Lanka provides resource/ technical assistance to conduct joint supervision for the securities and insurance sectors as per the supervision plans prepared by SEC and IRCSL for each sector, respectively. Though the number of examinations in each sector was increased in the year 2019 when compared to 2018, the number of examinations was limited in 2020 due to the impact of the COVID-19 pandemic. Out of the examinations conducted in 2020, one was conducted as an off-site examination jointly with IRCSL.

**Table 3.4**

#### Joint Supervisions with SEC and IRCSL

Joint Supervision with	2018	2019	2020
SEC	01	05	02
IRCSL	01	03	02

*Source: Financial Intelligence Unit - Sri Lanka*

### 3.1.8 Spot Examinations Conducted by FIU-Sri Lanka

Apart from the above risk-based examinations, spot examinations are also conducted by FIU-Sri Lanka based on the special circumstances. Accordingly, 16 spot examinations were conducted during 2020 on LBs, LFCs and MVTs providers related to the Presidential

Commission of Inquiry to investigate alleged wrongdoings, irregularities and malpractices in connection with Edirisinghe Trust Investment Finance Ltd (ETI Commission), drug trafficking, and UNSCR matters.

**Table 3.5**

**Number of Spot Examinations Conducted during 2020**

<b>Circumstances</b>	<b>Type of FI</b>	<b>Number of Spot Examinations</b>
ETI Commission	LCBs	02
Drug Trafficking	LCBs	08
Drug Trafficking	LSBs	01
Drug Trafficking	MVTS providers	01
UNSCR Matters	LFCs	04
<b>Total</b>		<b>16</b>

*Source: Financial Intelligence Unit - Sri Lanka*

### **3.1.9 Supervisory Actions Taken by FIU-Sri Lanka**

FATF Recommendations 26, 27, 34 and 35 are mainly focused on implementing the provisions effectively in order to improve the overall AML/CFT framework of FIs and overall supervisory effectiveness of the country.

Once an examination is completed, a comprehensive report including the scope and examination findings is submitted to the Director, FIU-Sri Lanka with recommended actions for the identified deficiencies at the examination. FIU-Sri Lanka takes two types of actions following the findings from on-site examinations:

**(a) Issuing a warning letter**

*If the deficiencies are not significant and they do not breach the provisions of the FTRA, FIU-Sri Lanka communicates the observations to the Chief Executive Officer (CEO) of the particular FI requesting him to take actions to rectify the deficiencies with immediate effect or within a stipulated time frame;*

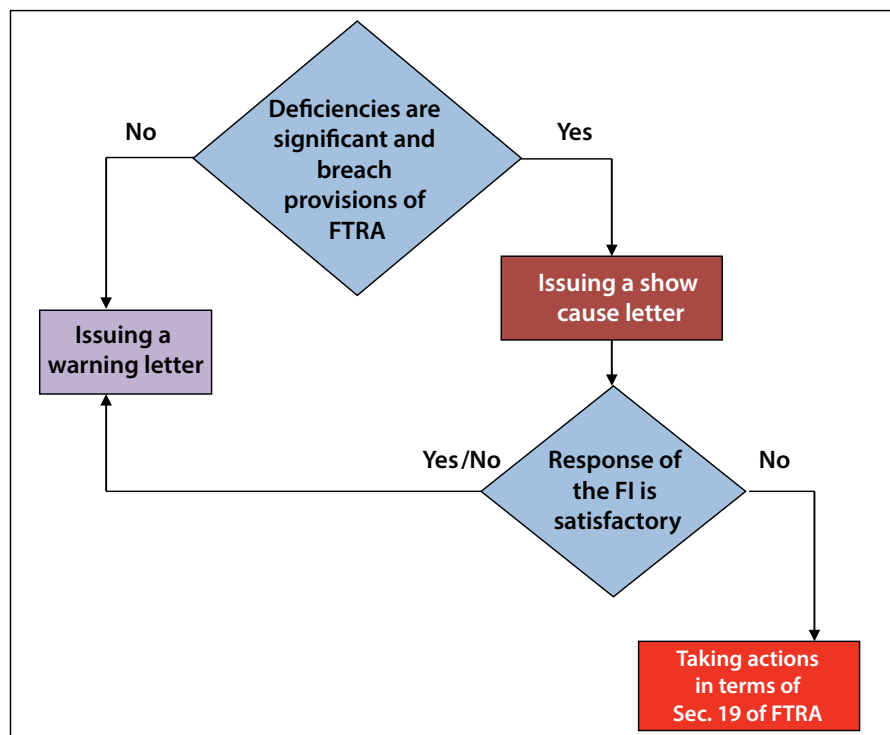
**(b) Imposing a penalty**

*If the deficiencies are significant and involve instances of non-compliance with the provisions of the FTRA, FIU-Sri Lanka issues a Show Cause letter requesting the CEO to explain the reasons as to why the institution has failed to comply with the provisions of FTRA. If the response is not satisfactory, FIU-Sri Lanka will take action in terms of Section 19 of the FTRA. Accordingly, proportionate and dissuasive sanctions are imposed against FIs who fail to comply with AML/CFT requirements.*

These actions were taken pursuant to a discussion carried out by FIU-Sri Lanka's Internal Committee that assessed the facts leading to the non-compliances revealed during the on-site/off-site exercises. The final decision for penalty/warning would be based on the unanimous decision arrived at by the Committee.

**Figure 3.4**

**Actions Taking on Findings of Examinations**



**Table 3.6**

**Regulatory Actions Taken by FIU-Sri Lanka on FIs during 2018-2020**

Actions Taken	2018	2019	2020
Warning letters	15	29	14
Follow-up warning letters	-	03	05
Show Cause letters	07	07	08
Penalty impositions	06	03	05

*Source: Financial Intelligence Unit - Sri Lanka*

**Table 3.7****Details of Financial Penalties Imposed during 2018 - 2020**

Type of FI	Violation	Amount (Rs.)
<b>2018</b>		
LFC	Section 2 of the FTRA and Customer Due Diligence (CDD) Rules for FIs	4,000,000.00
LCB	Section 2 of the FTRA and CDD Rules for FIs	1,000,000.00
MVTS Provider	Section 7 of the FTRA	500,000.00
LCB	Section 7 of the FTRA	1,000,000.00
LCB	Section 7 of the FTRA	1,500,000.00
LCB	Rule 95 of the CDD Rules for FIs	500,000.00
<b>Total</b>		<b>8,500,000.00</b>
<b>2019</b>		
LCB	Rule 47 (c), Rule 59 (b) and Rule 95 of the CDD Rule for FIs	3,000,000.00
LCB	Section 6 of the FTRA	1,000,000.00
LFC	Rule 95 of the CDD Rule for FIs	1,000,000.00
<b>Total</b>		<b>5,000,000.00</b>
<b>2020</b>		
LFC	Rule 95 of the CDD Rule for FIs	500,000.00
LFC	Rule 95 of the CDD Rule for FIs	500,000.00
LFC	Rule 95 of the CDD Rule for FIs	300,000.00
LFC	Rule 95 of the CDD Rule for FIs	1,000,000.00
LFC	Rule 95 of the CDD Rule for FIs	1,000,000.00
<b>Total</b>		<b>3,300,000.00</b>

*Source: Financial Intelligence Unit - Sri Lanka*

### 3.1.10 Follow-up On-site Meetings Conducted by FIU-Sri Lanka

Moreover, FIU-Sri Lanka organizes follow-up on-site meetings with the top management of FIs when examiners suppose that the management needs to be more aware of the deficiencies identified in that particular FI. Meetings are conducted with key management personnel of FIs to discuss their way forward and readiness to implement corrective measures given. However, FIU-Sri Lanka was unable to conduct follow-up meetings with FIs during 2020 due to the impact of the COVID-19 outbreak.



**Table 3.8****Details of Follow-up Meetings with FIs Conducted during 2018 - 2019**

Date of meeting	Type of FI
18.12.2018	LCB
16.01.2019	LSB
23.01.2019	LCB
29.01.2019	LCB
30.01.2019	LCB
14.02.2019	LCB
27.02.2019	LCB
25.07.2019	LFC

*Source: Financial Intelligence Unit - Sri Lanka*

### 3.1.11 Consolidated Supervision

Financial group supervision is one of the components assessed under the FATF Immediate Outcome 3 which evaluates the effectiveness of AML/CFT supervision in jurisdictions.

Therefore, during the last IMF Mission in 2019, FIU-Sri Lanka developed similar individual tools for off-site risk assessment of the banking and finance company sectors, while SEC and IRC SL developed individual tools for securities and insurance sectors, respectively. This will facilitate the use of a specific tool which was developed by the IMF team for the consolidated risk assessment, risk-based supervision planning and supervision of financial groups.

During 2020, FIU-Sri Lanka with the assistance of SEC and IRC SL identified 10 financial groups operating within the country after obtaining guidance and assistance from the IMF technical team on identification of financial groups and conducting consolidated supervision. Accordingly, FIU-Sri Lanka wishes to conduct risk assessment and consolidated supervision on financial groups.

### 3.1.12 Measures Taken by FIU-Sri Lanka to Strengthen the AML/CFT Framework of FIs during the COVID-19 Pandemic Situation

During the lockdown periods declared by the government due to the spread of COVID-19, FIU-Sri Lanka took several measures to continue its supervisory activities in order to sustain the AML/CFT framework of FIs.

FIU-Sri Lanka conducted an off-site thematic review of LFCs on TFS, transaction monitoring and PEPs by disseminating a questionnaire to 39 LFCs in June 2020. Based on the responses received, FIU-Sri Lanka issued 3 warning letters to LFCs with minor deficiencies in focused areas. In addition to that, FIU-Sri Lanka conducted four spot examinations on LFCs with considerable deficiencies in focused areas and issued four show cause letters and imposed penalties on 3 LFCs during 2020 based on the said review.

Further, FIU-Sri Lanka conducted 5 off-site follow-up examinations on LCBs and issued 2 follow-up warning letters during 2020.

Apart from the above, FIU-Sri Lanka conducted an off-site risk-based examination on an IC jointly with IRCSL.

### **3.1.13 Way Forward**

FIU-Sri Lanka plans to continue the off-site supervisory activities as the prevailing COVID-19 pandemic situation restricts conducting on-site supervisions. Further, the pandemic situation, travel restrictions and greater exposure to online activities have posed a unique set of challenges to FIs, who have opted to maintain a larger online presence, while moving towards digital banking solutions and non-face-to-face banking relationships.

Accordingly, FIU-Sri Lanka will largely focus on conducting thematic studies on identified subject areas of AML/CFT compliance. Through such thematic studies, FIU-Sri Lanka intends to improve the compliance level of selected aspects of the national AML/CFT landscape while covering a wider range of institutions at the same time.

Further, FIU-Sri Lanka plans to conduct several virtual awareness sessions to enhance awareness among the FIs on improving the compliance level and one-on-one meetings with FIs as required.

## **3.2 Supervision of Designated Non-Finance Businesses and Professions**

### **3.2.1 Legal Background of AML/CFT Supervision of DNFBPs**

In accordance with Section 33 of the FTRA, DNFBPs are also included in the definition of “Institutions,” and are required to comply with the provisions of the FTRA. Therefore, FIU-Sri Lanka is vested with the authority to verify the institutional compliance with the requirements set out in the FTRA as stipulated by Section 15 (1) (e) read together with Section 18 of the FTRA. Accordingly, FIU-Sri Lanka carries out off-site and on-site examinations to verify the compliance of DNFBPs against the Rules, Regulations and Guidelines issued under the FTRA. Currently, casinos, real estate agents, dealers in precious metals and precious and semi-precious stones (gem and jewellery dealers), lawyers, notaries and other independent legal professionals, accountants, and trusts and company service providers (TCSPs) which have been identified by the FATF in the Recommendation 22, are closely monitored in the category of DNFBPs in Sri Lanka.

### **3.2.2 Risk-Based Supervision of DNFBPs**

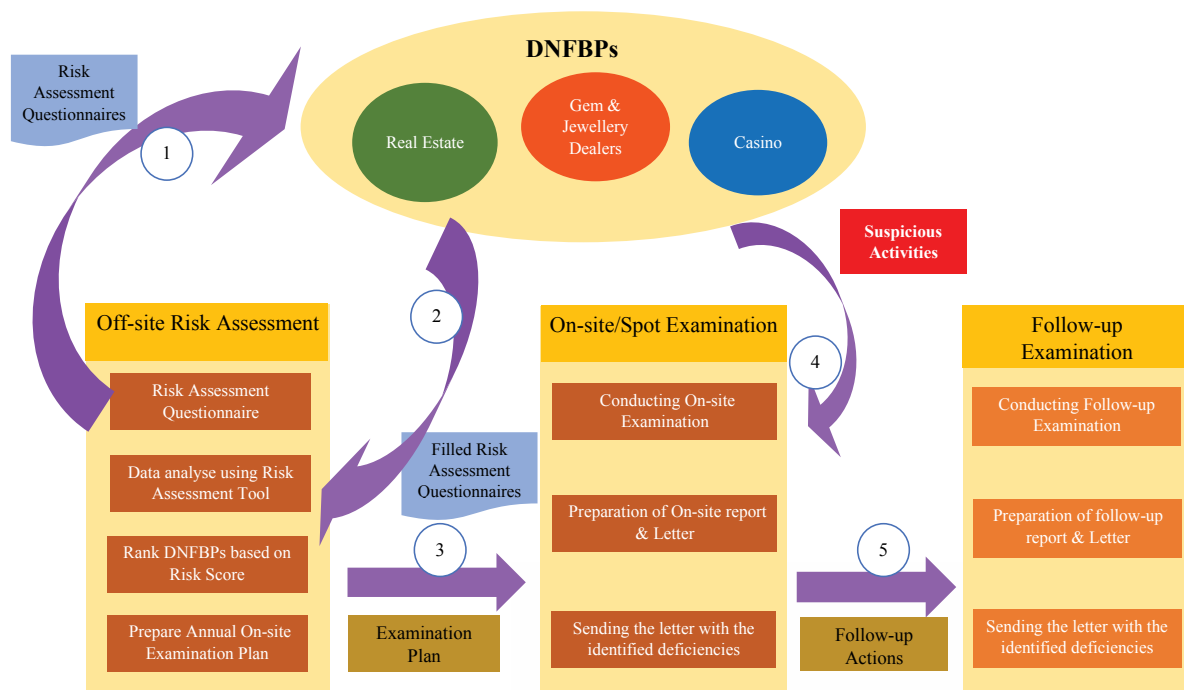
Since January 2018, FIU-Sri Lanka undertakes AML/CFT on-site supervision of DNFBPs under the RBA for the three prioritized DNFBP sectors, casinos, real estate agents, and gem

and jewellery dealers. These three sectors have been identified as medium-high risk at the National Risk Assessment (NRA) conducted in 2014. The supervision process of DNFBPs consists of off-site ML/TF risk assessment, risk-based on-site examinations, spot examinations, and follow-up examinations. Off-site ML/TF risk assessment is the starting point of the risk-based AML/CFT supervision mechanism, as the 'Annual Risk-Based Supervision Plan' for DNFBPs is devised based on the results of the off-site ML/TF risk assessment

The process of conducting risk-based AML/CFT supervision is depicted in figure 3.5 below.

**Figure 3.5**

**Risk-Based AML/CFT Supervision Process**



Source: Financial Intelligence Unit-Sri Lanka

**3.2.3 Off-site ML/TF Risk Assessment of DNFBPs**

FIU-Sri Lanka initiated the off-site ML/TF risk assessment in the year 2018 for casinos, real estate agents, and gem and jewellery dealers and continued the same in 2020 as well. Further, off-site ML/TF risk assessment for other DNFBP sectors namely, lawyers, notaries and other independent legal professionals, accountants, and TCSPs was carried out for the first time in 2020.

The inherent ML/TF risk of a DNFBP is evaluated using five key components: general information of the institution, management and governance, structure and size of the institution, customers, and products/delivery channels. Risk mitigants and AML/CFT controls are evaluated using six key components: compliance function, ML/TF risk assessment, policies and procedures, customer due diligence, suspicious transactions

reporting, and other AML/CFT measures. The overall ML/TF risk score for each DNFBP is calculated by assigning 60% weight to inherent ML/TF risk factors and 40% weight to risk mitigants and AML/CFT controls, similar to the off-site Risk Assessment Tool of FIs.

Allocation of the weights to each key component under both inherent ML/TF risk and risk mitigants and AML/CFT controls are depicted in Table 3.9.

**Table 3.9**  
**Allocation of Weights to Key Components**

<b>Risk Factor/Key Component</b>	<b>Weight Assigned</b>
<b>Inherent ML/TF Risk</b>	<b>60</b>
General Information of the Institution	5
Management and Governance	10
Structure and Size of the Institution	15
Customers	15
Products/Delivery Channels	15
<b>Risk Mitigants and AML/CFT Controls</b>	<b>40</b>
Compliance Function	4
ML/TF Risk Assessment	5
Suspicious Transactions Reporting	5
Policies and Procedures	6
Customer Due Diligence	10
Other AML/CFT Measures	10

*Source: Financial Intelligence Unit-Sri Lanka*

In accordance with Table 3.10 on off-site ML/TF risk score categorization, FIU-Sri Lanka decides the priority level to conduct on-site supervision and inclusion of the DNFBP in to the ‘Annual Risk-Based Supervision Plan’.

**Table 3.10**  
**Off-site ML/TF Risk Score Categorization**

<b>ML/TF Risk Score</b>	<b>Risk Categorization</b>	<b>Priority Level to Conduct On-site Supervision</b>
70% and more	High	High Priority
50% - 70%	Medium	Medium Priority
50% and below	Low	Low Priority

*Source: Financial Intelligence Unit-Sri Lanka*

### 3.2.4 On-site Supervision Carried Out in 2020

The 'Annual Risk-Based Supervision Plan' for the year 2020 was devised based on the results of the off-site ML/TF risk assessment for the year 2019, and as per the plan, it was proposed to conduct 46 risk-based on-site examinations consisting 20 examinations on real estate agents and 26 on gem and jewellery dealers. Further, 34 follow-up examinations were also planned to be conducted in 2020 including 03 on casinos. However, FIU-Sri Lanka was unable to adhere to the plan due to the COVID-19 pandemic and the resultant curfew and lockdown situations that prevailed in Sri Lanka during the year 2020.

Accordingly, the number of on-site examinations and follow-up examinations conducted during 2019 and 2020 for the DNFBP sectors is illustrated in Table 3.11 below:

**Table 3.11**

#### **On-site Examinations and Follow-up Examinations Conducted during 2019 and 2020**

Sector	On-site Examinations		Follow-up Examinations	
	2019	2020	2019	2020
Casino	03	-	-	-
Real Estate	06	07	05	02
Gem and Jewellery	16	04	06	05
<b>Total Examinations</b>	<b>25</b>	<b>11</b>	<b>11</b>	<b>07</b>

*Source: Financial Intelligence Unit-Sri Lanka*

FIU-Sri Lanka examined the institutional inherent ML/TF risk as well as the ML/TF risk mitigating measures adopted by institutions during the on-site examinations while assigning more importance to areas such as ML/TF risk assessment, AML/CFT policies and procedures, identifying suspicious transactions, conducting CDD and TFS.

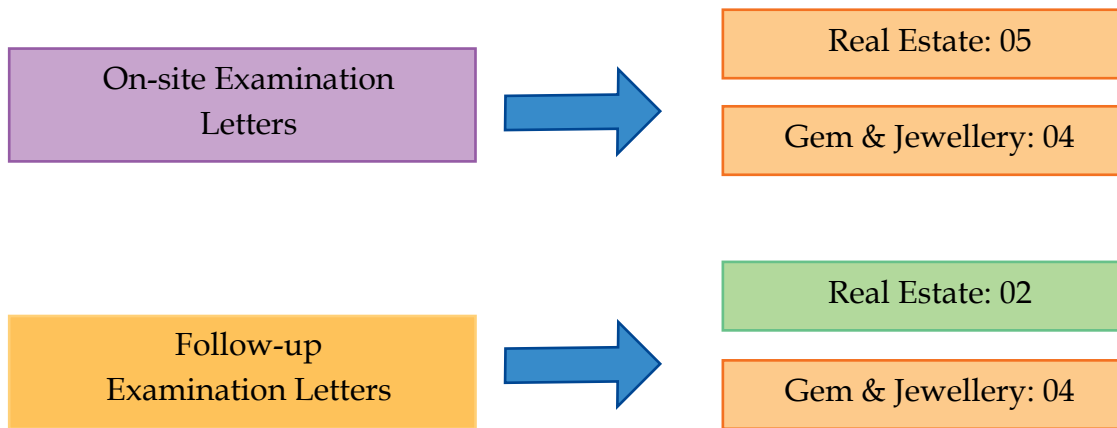
### 3.2.5 Supervisory Actions Taken during 2020

Effective supervision and execution of necessary supervisory actions are important components of an effective AML/CFT regime. Accordingly, following an on-site or follow-up examination, FIU-Sri Lanka took required supervisory actions to improve the overall AML/CFT framework of DNFbps during 2020. As a result, the below mentioned number of institutions were informed to rectify deficiencies identified at the on-site and follow-up examinations within a stipulated time frame.



**Figure 3.6**

**Number of Letters Issued on Identified Deficiencies during 2020**



*Source: Financial Intelligence Unit-Sri Lanka*

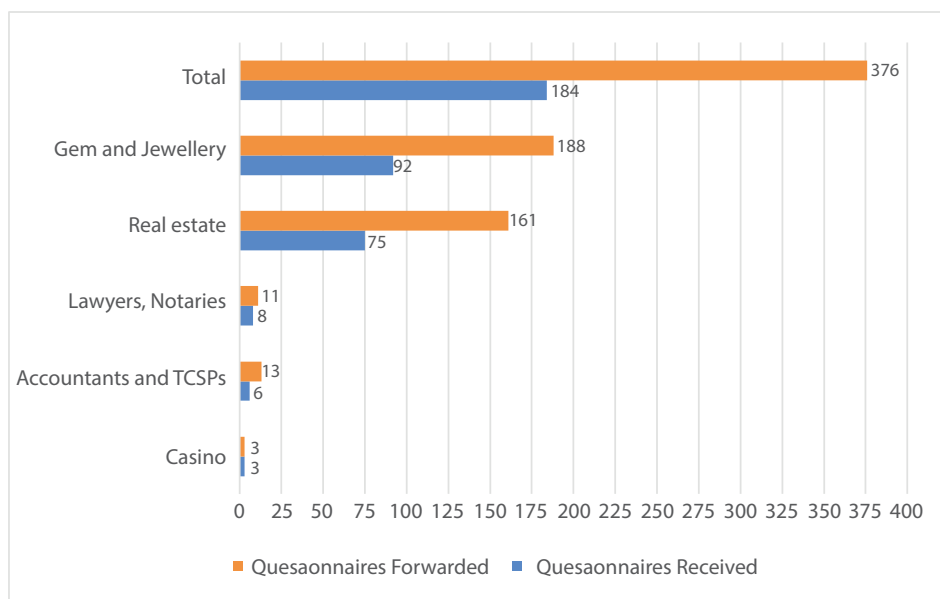
### 3.2.6 Off-site Assessment Conducted in 2020

FIU-Sri Lanka continued to conduct off-site ML/TF risk assessment during November and December in 2020 for all DNFBP sectors with the objective of forming the basis for the risk-based AML/CFT supervision in 2021.

The off-site ML/TF Risk Assessment Questionnaire (RAQ) used in previous instances by FIU-Sri Lanka was revised to identify the impact of the prevailing COVID-19 pandemic situation in the country during 2020. Accordingly, new questions were included on the use of online platforms by DNFbps to identify new risks that may have emerged due to the change in business strategies. Based on the comprehensive review of the RAQ for every DNFBP sector, a new set of questions was included, with 60% weight for the inherent risk and 40% weight for the risk mitigants. The Risk Assessment Tool was also modified by FIU-Sri Lanka in 2020.

A summary of RAQs forwarded and received is illustrated in Figure 3.7 below.

**Figure 3.7**  
**Summary of RAQs - 2020**



*Source: Financial Intelligence Unit-Sri Lanka*

As per the off-site ML/TF risk assessment conducted for the year 2020, one real estate agent, four gem and jewellery dealers and one legal firm became high risk Institutions and most DNFBP Institutions were within the medium risk range.

Further, in June 2020, FIU-Sri Lanka conducted an interim off-site evaluation on casinos, real estate agents and gem and jewellery dealers to assess the impact of the COVID-19 pandemic and the resultant lockdown and curfew circumstances on the respective DNFBP sectors in Sri Lanka. Accordingly, an interim off-site ML/TF risk assessment questionnaire was forwarded to 310 institutions to collect required information.

### **3.2.7 Strengthening the AML/CFT Regime for DNFBPs**

Amidst the impact of the COVID-19 pandemic situation during 2020, FIU-Sri Lanka continued its endeavors to strengthen the AML/CFT regime for DNFBPs through several initiatives. A brief description on each initiative is provided below:

#### **(a) Issuing Guidelines for DNFBPs**

FIU-Sri Lanka issued the 'Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations for Accountants and Trusts or Company Service Providers, No. 02 of 2020' on 10 June 2020 as an aid to interpreting the CDD rules and as guidance to implement the AML/CFT measures.

### **(b) Market Awareness and Capacity Building for DNFBPs**

FIU-Sri Lanka conducted two awareness programmes on AML/CFT compliance obligations during the first quarter of the year 2020 respectively, for all DNFBP sectors in the Southern Province with the assistance of the Matara regional office and for 'Beruwala Gem & Jewellery Traders Association'. As the unprecedented challenge of limiting social and physical contact occurred during the COVID-19 pandemic situation, FIU-Sri Lanka continued to carry out the market awareness and capacity building programmes through online platforms. Accordingly, a virtual awareness session on the 'Guidelines on AML/CFT Obligations for Accountants and TCSPs' was conducted by FIU-Sri Lanka with the intention of providing comprehensive knowledge for accountants on adopting AML/CFT requirements to comply with the FTRA and Rules and Regulations issued thereunder. In addition to the awareness sessions, FIU-Sri Lanka published articles, notices, and presentations on the FIU-Sri Lanka website to educate the DNFBP sectors on the ongoing AML/CFT matters.

### **(c) Appointment of Compliance Officers (COs) by DNFBPs**

FIU-Sri Lanka continued its efforts in identifying new Institutions operating under the DNFBP sectors and enhancing the number of COs appointed by such identified institutions during the year 2020. New institutions were identified through newspaper advertisements, regulators/associations, regional offices of the CBSL, etc.

Accordingly, the following table demonstrates the number of total COs appointed by DNFBP sectors as of 31.12.2020:

**Table 3.12**

#### **Number of Total COs Appointed by DNFBP Sectors as at 31.12.2020**

<b>Sector</b>	<b>Number of Cos</b>
Casino	3
Real Estate	162
Gem and Jewellery	188
Lawyers & Notaries	11
Trusts & Company Service Providers	5
Accountants	8
<b>Total</b>	<b>377</b>

*Source: Financial Intelligence Unit-Sri Lanka*

### **(d) Providing Guidance on AML/CFT Matters**

In addition to issuing the above-mentioned guidelines, specimens on the preparation of institutional AML/CFT policies and procedures, conducting of ML/TF risk assessment and

conducting CDD were provided to all DNFBPs. FIU-Sri Lanka provided special assistance to some DNFBPs in formulating their AML/CFT policies and procedures based on requests made by them.

### 3.2.8 Way Forward

FIU-Sri Lanka has taken a number of initiatives from 2017 to constitute a sound AML/CFT framework for DNFBPs in Sri Lanka, and it plans to continue with related activities adjusted to suit the prevailing restrictions in place due to the COVID-19 pandemic.

Accordingly, FIU-Sri Lanka intends to issue the 'Guidelines on AML/CFT Compliance Obligations for Lawyers, Notaries and Other Independent Legal Professionals' in 2021.

Further, several sector specific virtual sessions have been planned to enhance awareness among DNFBPs to ensure compliance with the AML/CFT obligations amidst COVID-19 pandemic related restrictions. In addition, FIU-Sri Lanka intends to conduct more off-site evaluations in the interim, due to the fact that on-site supervision has been limited as a result of the prevailing situation due to the COVID-19 pandemic.

Moreover, FIU-Sri Lanka intends to enhance the number of outreach activities for the DNFBP sectors to discuss the manner, in which a sector could be exploited/abused for ML/TF risk, and best practices to be followed within the sectors using short video clips with animations, animation styled KYC/CDD advice, brochures, and other printed material with case studies. These will be shared through social media platforms and short messaging service (SMS) connecting all COs and CEOs of DNFBPs.

FIU-Sri Lanka works in collaboration with many stakeholders for introducing and effectively implementing AML/CFT measures for DNFBPs. To strengthen these interactions, FIU-Sri Lanka intends to build a more collaborative environment to work with the Ministry of Finance (MOF), Bar Association of Sri Lanka (BASL), National Gem and Jewellery Authority (NGJA), Condominium Management Authority (CMA), the Institute of Chartered Accountants of Sri Lanka (ICASL), and other statutory and self-regulatory bodies concerning DNFBPs. Accordingly, FIU-Sri Lanka expects to collaborate with the ICASL to identify the list of accountants who are providing captured activities as per Section 33 of the FTRA and to register them with FIU-Sri Lanka; and with the Registrar of Companies (ROC), to launch a mechanism to identify listed TCSPs who are providing captured activities as per Section 33 of the FTRA and to register them with FIU-Sri Lanka.

In addition, FIU-Sri Lanka undertakes a number of endeavors to establish regulatory bodies for real estate agents and casino operators, which is identified as an emerging need to pave the way towards a robust regulatory environment in Sri Lanka.





2020 was a challenging year for FIU-Sri Lanka in exercising its capacity-building aspects due to the COVID-19 pandemic situation. However, such challenges created new avenues for enhancing the skills and competencies of the human resources of FIU-Sri Lanka. Non-face-to-face learning became the main source of capacity building during the year in the presence of various obstacles faced in conducting face-to-face learning spaces, and enhanced technological developments in non-face-to-face communication supported immensely in making such efforts successful. Building the institutional capacity of FIU-Sri Lanka and enhancing the skills of its workforce are some of the core priorities, and therefore FIU-Sri Lanka managed to maintain its efforts in achieving the capacity building targets to a maximum extent.

#### 4.1 Compliance and Training

FIU-Sri Lanka comprises a skilled workforce with an array of expertise in the fields of accountancy, law, banking, finance, economics, and information technology. At the beginning of 2020, FIU-Sri Lanka planned to take continuous measures to upgrade the knowledge and skills of its staff. However, such efforts were severely affected by the pandemic situation as travel and other restrictions were imposed within the country. Furthermore, many local and international training programmes were cancelled or postponed due to the global pandemic.

Nevertheless, FIU-Sri Lanka exercised its maximum effort in continuing the capacity building of its staff by providing training opportunities through webinars, web conferences and online training programmes. These training programmes covered the areas of risks in the real estate sector, essentials on combating ML/TF, combatting ML/TF during the pandemic, identifying, assessing, and managing ML/TF risks in the casino sector, emerging technologies in digital banking, and suspicious transactions reporting.

In October 2020, the officers of FIU-Sri Lanka participated in a workshop on “Identifying, Assessing, and Managing ML/TF Risks in the Casino Sector”, conducted by the ADB upon the request from FIU-Sri Lanka. Furthermore, FIU-Sri Lanka officers participated in a few pre-mutual evaluation (ME) virtual meetings as assessors.

Details of international and local training programmes/workshops/events attended by the officers of FIU-Sri Lanka during the year 2020 are listed in Table 4.1 and Table 4.2, respectively.

**Table 4.1**  
**International Training Programmes / Workshops / Events Attended by Officers of**  
**FIU-Sri Lanka during 2020**

<b>Month</b>	<b>Training / Workshop / Event</b>	<b>Country / Institution Conducted the Programme</b>
January	Egmont Working Group Meetings – 2020	Mauritius
June	Online webinar - SEACEN Policy Analysis Workshop 3: The Effect of COVID-19 on Inflation Data Collection, Measurement, and Interpretation	SEACEN
	Online webinar - 3-days Short Course on International Implications of COVID-19	SEACEN
	Online webinar - Making the Most of Technology during COVID-19: A Central Banker’s Guide	SEACEN
	Online webinar - The Essentials on Real Estate Risks	International Banking and Finance Institute (IBFI)
	Online webinar - The Essentials on Combating ML/TF	IBFI
July	Online webinar - The Essentials on Combating ML/TF	IBFI
	Online webinar - The Essentials on Real Estate Risks	IBFI
August	Online webinar - Combatting ML/TF During the Pandemic	IMF – STI
	APG Pre-Mutual Evaluation Virtual Meetings: Mutual Evaluation of Lao PDR	APG
October	Virtual Meeting - Identifying, Assessing, and Managing ML/TF Risks in the Casino Sector	ADB
November	Online webinar - The Essentials of AML - Latest Developments	IBFI
December	Online webinar - AML/CFT Conference 2020	Global Counter Terrorism Council

*Source: Financial Intelligence Unit-Sri Lanka*

**Table 4.2**  
**Local Training Programmes / Workshops / Events Attended by Officers of**  
**FIU-Sri Lanka during 2020**

<b>Month</b>	<b>Training / Workshop / Event</b>	<b>Venue</b>
January	Programme on HR-Leadership in collaboration with RBI	Centre for Banking Studies (CBS), Rajagiriya
	Introduction to International Trade	CBS, Rajagiriya
September	Emerging Technologies in Digital Banking- How to Build a Data Driven Culture in Financial Sector	CBS, Rajagiriya
	Workshop on Suspicious Transactions Reporting conducted by Kevin Whelan, Resident Advisor, Office of Technical Assistance, US Department of Treasury	CBS, Rajagiriya

*Source: Financial Intelligence Unit-Sri Lanka*

## 4.2 External Assistance

FIU-Sri Lanka continued to obtain services from the Attorney General’s Department when executing statutory obligations as prescribed in the FTRA and implementing countermeasures for ML/TF.

Technical maintenance of the web-based reporting system (LankaFIN) to receive all electronic reports as prescribed in the FTRA, was conducted by FIU-Sri Lanka with the collaboration of the Information Technology Department (ITD) of the CBSL.

Furthermore, FIU-Sri Lanka continued with the steps to shift to the goAML system, developed by the Information Technology Service of the UNODC, to increase the analytical capabilities and capacity of FIU-Sri Lanka.

## 4.3 AML/CFT National Coordinating Committee (NCC)

The NCC, chaired by the Governor of the CBSL, provides guidance and facilitates the policy matters of FIU-Sri Lanka while coordinating Sri Lanka’s AML/CFT policies and programmes. The NCC consists of 21 members representing relevant key ministries and institutions of the country. During the year 2020, no NCC meetings were conducted due to the pandemic situation that prevailed in the country.



The COVID-19 pandemic created many challenges preventing FIU-Sri Lanka from going ahead with the targeted awareness campaign which was initiated in 2019. This limitation forced FIU-Sri Lanka to conduct only 26 programmes during the year. Having identified the importance of the awareness campaign in order to enhance the effectiveness of the AML/CFT regime, FIU-Sri Lanka took steps to conduct awareness programmes despite the difficult circumstances caused by the COVID-19 pandemic. FIU-Sri Lanka used modern technology to conduct distance training due to the restrictions imposed by health authorities for the benefit of the nation. FIU-Sri Lanka used webinars, seminars, workshops, training programmes and meetings to enhance the understanding of the importance of AML/CFT measures and obligations in relation to AML/CFT. In addition, FIU-Sri Lanka shared the knowledge of AML/CFT by providing resource persons as required. Further, FIU-Sri Lanka used printing and electronic media to publish advertisements to enhance compliance with AML/ CFT requirements.

### 5.1 Seminars and Workshops Organized by FIU-Sri Lanka

During 2020, FIU-Sri Lanka conducted 26 awareness programmes island-wide, covering areas of CDD, compliance obligations, reporting requirements and identification of suspicious transactions, ML investigations, law enforcement matters on ML/TF investigations, and Non-face-to-face customer identification and verification. Around 2,040 participants representing RIs and LEAs participated in those programmes. While sharing expertise and experience, FIU-Sri Lanka conducted demand-driven awareness programmes assisting knowledge building on AML/CFT. Details of these programmes are given in Table 5.1.

**Table 5.1**

**Awareness Programmes Organized by FIU – Sri Lanka during 2020**

No	Date	Programme	Stakeholder	Venue	No of Participants
01	23.01.2020	Initial Meeting with Beruwala Gem Traders Association	Beruwala Gem Traders Association	China Fort, Beruwala	11

02	17.02.2020	Awareness Programme on AML/CFT for DNFBPs	All the DNFBPs in Southern region	Regional Office, Matara	46
03	25.02.2020	AML/CFT Compliance for FIs	Officers of government departments and financial sector	CBS	80
04	26.05.2020	LankaFIN XML Validator Demo and Discussion - LBs (Session 1)	Compliance and IT staff of LBs	Skype (online)	150
05	26.05.2020	LankaFIN XML Validator Demo and Discussion - LBs (Session 2)	Compliance and IT staff of LBs	Skype (online)	100
06	03.06.2020	LankaFIN XML Validator Demo and Discussion - LBs (Additional Session)	Compliance and IT staff of LBs	Skype (online)	80
07	11.6.2020 and 12.6.2020	AML/CFT Compliance for FIs -	Officers of government departments and financial sector	CBS (Online)	45
08	23.06.2020	Special Intelligence and Security Training Programme	Investigation officers of SL Customs and SL Ports Authority	Military Intelligence Training Centre - Karadeniya	20
09	07.07.2020 and 08.07.2020	Best practices for Bank Tellers -	Bank tellers and Counter staff of FIs	Online	35
10	22.07.2020	Virtual Awareness Session on Guidelines on AML/CFT Compliance Obligations for Accountants and TCSPs	Members of CA Sri Lanka	CBSL (online)	375 (registered participants)
11	17.08.2020	AML/CFT Compliance for FIs	Officers from LBs & LFCs	CBS	35
12	18.08.2020	AML/CFT Compliance for FIs	Commercial Bank	CBSL (C5)	16
13	21.08.2020	Discussion with Casino Sector Participants regarding Amendments to the Casino Business Act.	Bally's, Bellagio and Casino Marina	CBSL(C2)	18
14	25.08.2020	AML/CFT Compliance for FIs	Amana Bank	CBSL (FIU-Sri Lanka)	3
15	25.08.2020	Sri Lanka's AML/CFT Framework	Officers of Sri Lanka Police (Crime -OIC)	Attidiya Police University	21
16	04.09.2020	AML/CFT Compliance for FIs	Sampath Bank	CBSL (FIU-Sri Lanka)	11
17	05.09.2020	Investigations relating to Money Laundering	Senior Police Officers of Western Province	CBS	112



18	16.09.2020	Awareness Session on AML/CFT Compliance and Law Enforcement Matters	Compliance Officers of Licensed Banks	Atrium, CBSL	75
19	18.09.2020	AML/CFT Compliance for FIs	HNB	CBSL (FIU-Sri Lanka)	14
20	30.09.2020	AML/CFT Compliance for FIs	Mobitel	CBSL (FIU-Sri Lanka)	11
21	22.09.2020	Workshop on Suspicious Transaction Reporting	Compliance Officers of LBs	CBS	69
22	23.09.2020	High level seminar on AML/CFT obligations for Board of Directors (BOD) & Senior Management of LBs	CEOs, BOD, COs and senior management of LBs	Galadari Hotel	73
23	17.11.2020	Webinar: Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 3 of 2020 (Session 1)	Compliance, IT and operational staff of all FIs	Microsoft Teams (online)	290
24	27.11.2020	Webinar: Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 3 of 2020 (Session 2)	Compliance, IT and operational staff of all FIs	Microsoft Teams (online)	160
25	14.12.2020	High Level web conference on AML/CFT obligations for BOD and Senior Management of LFCs	CEOs, BOD, COs and senior management of LFCs	Online Zoom platform	101
26	21.12.2020	High Level web conference on AML/CFT obligations for BOD and Senior Management of LBs	CEOs, BOD, COs and senior management of LBs	Online Zoom platform	89

*Source: Financial Intelligence Unit-Sri Lanka*

## 5.2 Depth and Breadth of Awareness Programmes Conducted during 2016-2020

During the past five years, FIU-Sri Lanka could continuously increase participant capacity through awareness programmes. However, it is evident that there was a numerical decrease of the awareness programmes during 2020 due to the COVID-19 pandemic. Nevertheless, FIU-Sri Lanka shared the knowledge of AML/CFT among more participants with limited access to awareness programmes.

**Table 5.2**

### **Depth and Breadth of Awareness Programmes Conducted by FIU-Sri Lanka during 2016-2020**

<b>Year</b>	<b>Number of Awareness Programmes</b>	<b>Number of Participants</b>	<b>Districts Covered</b>
2016	30	1,630	Colombo, Matara, Matale, Kurunegala, Galle, Jaffna
2017	35	2,624	Colombo, Batticaloa, Trincomalee, Matara, Anuradhapura, Nuwara Eliya
2018	61	3,412	Colombo, Trincomalee, Matale, Anuradhapura, Matara
2019	55	3,688	Anuradhapura, Batticaloa, Colombo, Jaffna, Killinochchi
2020	26	2,040	Colombo, Galle, Matara and island- wide covered with online programmes.

*Source: Financial Intelligence Unit-Sri Lanka*

## 5.3 Awareness through Print and Electronic Media

FIU-Sri Lanka considers advertising an easy and quick way to raise awareness with wide coverage. Accordingly, in 2020, FIU-Sri Lanka published advertisements regarding compliance obligations of the DNFBP sector and identification of Beneficial Owners and the requirement of providing information on beneficial owners to the FIs. Such advertisements were published through print and electronic media in Sinhala, Tamil, and English languages.

**Table 5.3**  
**Advertisements Published during 2020**

<b>Date</b>	<b>Advertisement</b>
02.02. 2020	Providing Information on Beneficial Owners
29.09.2020	Notice to Designated Non-Finance Businesses and Professions



## 6.1 Introduction

As per Section 6 of the FTRA, the institutions defined in the FTRA are required to report to FIU-Sri Lanka any cash transaction or an electronic funds transfer of a customer, exceeding a threshold prescribed by the Minister by Order published in the Gazette, in such form, manner, and within such period prescribed by FIU-Sri Lanka. The Extraordinary Gazette No. 1555/9 dated 25 June 2008 prescribes the threshold amount as Rupees one million or its equivalent in any foreign currency.

As per FIU-Sri Lanka's instructions, the institutions (referred to as RIs) commenced reporting CTRs, EFTs and STRs to FIU-Sri Lanka as printed paper copies, Compact Disks (CDs) and Floppy Disks on 15 September 2006. The reporting mechanism was moved online on 01 July 2009 with the introduction of the "LankaFIN" web-based reporting system developed by the CBSL's Information Technology Department (ITD).

At the end of 2020, there were 24 LCBs, 6 LSBs, 41 LFCs, 27 ICs, 29 SBs and 3 MVTs providers reporting to the LankaFIN system. Further, steps are being taken to include other business categories under the reporting purview (such as Margin Traders and Primary Dealers), considering their significance in the AML/CFT process.

## 6.2 LankaFIN Online Reporting System

ITD and FIU-Sri Lanka jointly developed the LankaFIN online system in 2009 which had the basic functionality of collecting the CTRs, EFTs and STRs from RIs online, and analysing the data in the reports.

The main functions of the LankaFIN system are,

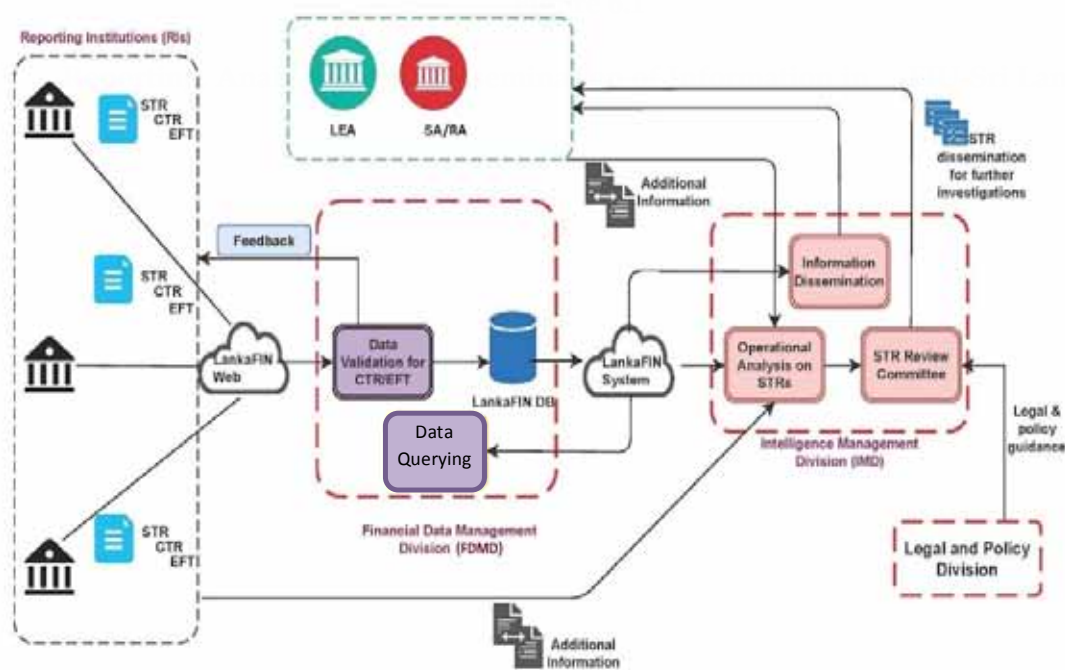
- (a) Receipt of mandatory threshold reports (CTRs and EFTs)
- (b) Receipt of STRs
- (c) STR case management
- (d) Statistical reporting

- (e) Querying/searching customer details (from threshold reports)
- (f) Management of information of Compliance Officers (COs) and RIs.

Figure 6.1 illustrates the information receipt (from RIs), analysing and dissemination mechanism in FIU-Sri Lanka, and the role of the LankaFIN system within this mechanism.

**Figure 6.1**

**Reporting, Analysing and Dissemination of Information in FIU-Sri Lanka**



**6.2.1 Reporting CTRs and EFTs through LankaFIN**

The common web-based data transfer file type XML is used in the LankaFIN reporting system. LCBs, LSBs and LFCs are required to submit CTR and EFT reports fortnightly, while ICs, SBs and MVTS providers are required to report monthly.

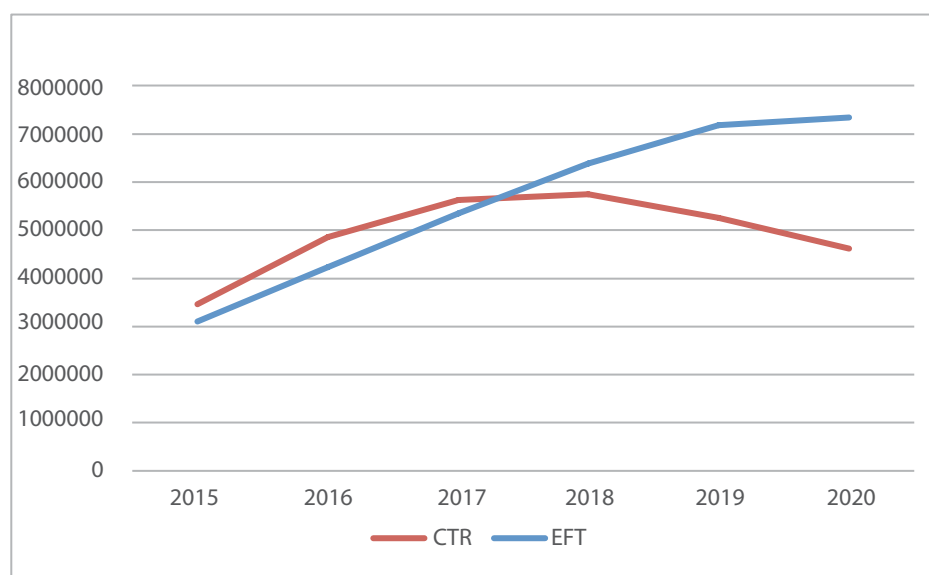
From the beginning of the LankaFIN online system, the validation of threshold reports submitted by RIs took place on FIU-Sri Lanka’s side. This required a significant amount of resources and effort from FIU-Sri Lanka to validate thousands of threshold reports every month with many errors (data content errors, missing details, incorrect files, incorrect period, incorrect transaction types, etc.) In 2020, FIU-Sri Lanka initiated a process to develop and provide a software tool for RIs to validate the threshold reports on their end, to ensure the validity of the reports before uploading to the LankaFIN online system. This initiative, driven by the restricted work environment due to the COVID-19 pandemic situation, has been a success for both FIU-Sri Lanka and RIs, and has significantly reduced the resources and effort required to validate the reports.



However, the validation done by FIU-Sri Lanka cannot identify all the errors/issues in the reports submitted by RIs to the LankaFIN online system. This is due to the complex and different nature of data errors relevant to each RI. Therefore, it is the responsibility of RIs to submit complete and accurate transaction details to the LankaFIN online system in the specified format, without solely depending on FIU-Sri Lanka's validation process. Throughout the year, FIU-Sri Lanka provided feedback to RIs on LankaFIN reporting issues through telephone conversations and one-on-one meetings.

The data available in the LankaFIN database are mainly used in the analysis process of STRs. During 2020, the LankaFIN database received 4,616,052 (provisional\*) CTR and 7,338,340 (provisional\*) EFT transactions from RIs. Figure 6.2 illustrates the total number of CTR and EFT transactions received to the LankaFIN database during the 2015–2020 period.

**Figure 6.2**  
**Total Number of CTR and EFT Transactions Received through the LankaFIN System during 2015 - 2020**



\* Number of transactions inserted to the LankaFIN database (as at 05.07.2021) after validating according to FIU-Sri Lanka's data validation criteria. This number does not include the number of rejected transactions which failed the validation and to be submitted again by the RIs after rectification.

**Table 6.1**  
**Receipt of CTRs & EFTs through LankaFIN**

Year	2015(a)	2016(a)	2017(a)	2018(a)	2019(a)	2020(b)
No. of CTRs	3,455,911	4,860,796	5,627,396	5,743,308	5,257,620	4,616,054
No. of EFTs	3,097,201	4,232,279	5,346,084	6,386,376	7,176,739	7,339,376
<b>Total</b>	<b>6,553,112</b>	<b>9,093,075</b>	<b>10,973,480</b>	<b>12,129,684</b>	<b>12,434,359</b>	<b>11,955,430</b>

*Source: LankaFIN, Financial Intelligence Unit-Sri Lanka*

- (a) Adjusted: Amended due to updating the LankaFIN database with rectified data from several FIs.  
(b) Provisional (as at 05.07.2021)

## 6.2.2 Submission of STRs through LankaFIN

Section 7 of the FTRA requires every institution to report any suspicious transaction or attempted transaction to FIU-Sri Lanka within 2 working days, regardless of the amount of the transaction. This should be followed up in writing within 24 hours of reporting the suspicion. The LankaFIN system provides a convenient and fast channel for the Institutions to submit STRs to FIU-Sri Lanka at any time. Accordingly, FIU-Sri Lanka received 3,617 STRs from RIs through the LankaFIN system during 2020. Additional information relevant to the submitted STRs were obtained from RIs through emails or fax, as and when necessary.

## 6.2.3 Analysis Using LankaFIN

The data reported in the threshold reports are mainly of two types: data on the customers (CDD data) and data on the transactions (transaction data). This information is useful to do analysis on suspected individuals and entities, and to do link analysis between individuals, entities, and accounts. This link analysis is especially useful for the operational analysis of STRs, as it reveals other individuals, entities and accounts associated with primary suspected cases of STRs.

Analysing the CDD data and transaction data over a period can also be useful to identify patterns, typologies, and trends for analysis of geographic/region, behavior, and activity. This process, known as the strategic analysis, enables developing strategic intelligence relevant to ML/TF threats to the country's financial system or broader threats using the financial system. Depending on the sources, amount, and quality of data available in the LankaFIN database, FIU-Sri Lanka continued to focus on the descriptive products of the strategic analysis in 2020. These descriptive products were useful in planning and performance management of FIU-Sri Lanka's activities and resource allocation.

However, the strategic analysis enables a wider range of more useful products such as indicators, typologies, trends, and other intelligence products (forward looking and predictive formal assessments aimed at answering specific questions). In order to do so, qualitatively and quantitatively enhanced data should be available in FIU-Sri Lanka's database. Further, enhanced analytical functions should be available in FIU-Sri Lanka's systems. For this purpose, a programme was initiated in 2015 to procure a suitable AML/CFT reporting and analysing system for FIU-Sri Lanka. After extensive reviews and considerations, FIU-Sri Lanka procured the "goAML" system in 2018, which was developed by the UNODC specifically for FIUs.

Regardless of the systems being used, the effectiveness of any type of analysis (tactical, operational, or strategic) conducted by any FIU highly depends on the completeness and accuracy of the data reported to it by RIs. FIU-Sri Lanka continued to achieve this goal throughout the year 2020.

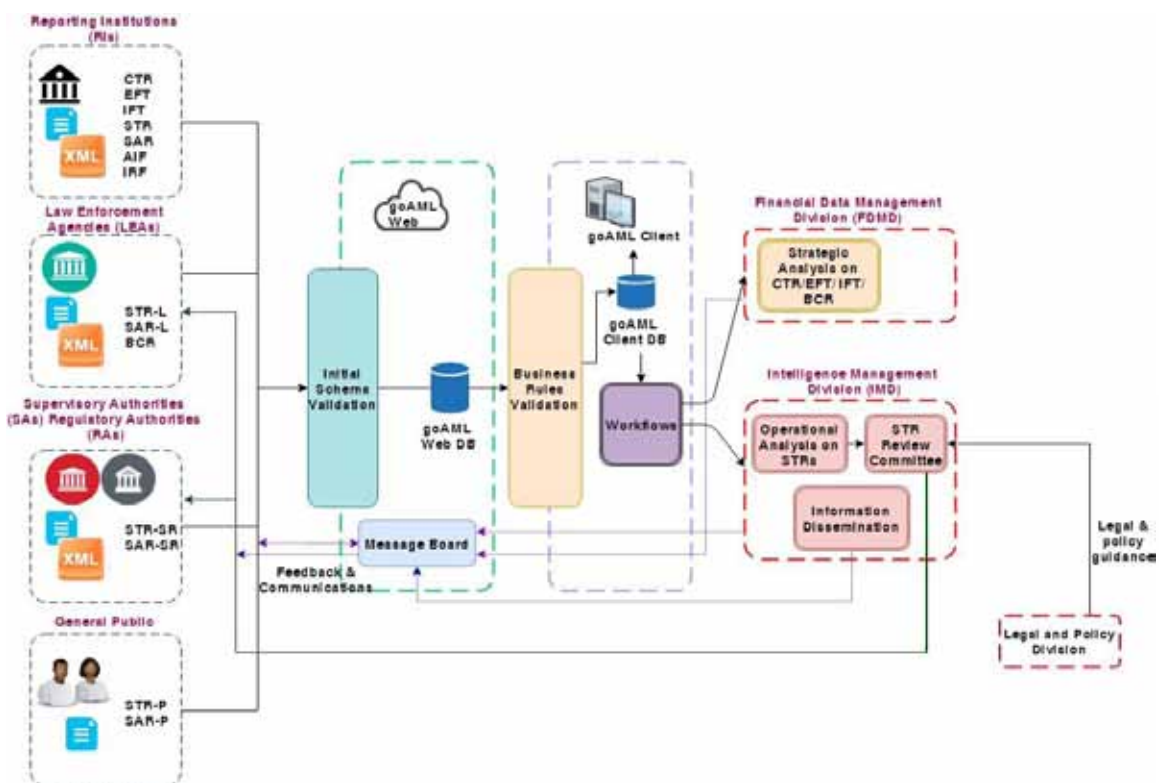
## 6.3 goAML Software System

### 6.3.1 Introduction

“goAML” is an AML/CFT online reporting and analysing system developed by the UNODC specifically for FIUs, as a strategic response to ML/TF financial crimes. goAML is essentially an integrated database and intelligent analysis system with a desktop application (for the FIU) and a web interface (for RIs). Its comprehensive report structure (XML Schema) enables collecting more and structured details from RIs about transactions, making the data more analysis friendly than in the LankaFIN system. However, it has been a challenge for both FIU-Sri Lanka and RIs to effectively implement the goAML system, because of the same comprehensive structure.

Figure 6.3

Functionality of the goAML Software System



### 6.3.2 Implementing the goAML System

FIU-Sri Lanka procured the goAML System from the UNODC on 26 September 2018 and commenced the implementation process soon after that. The first stage implementation process was scheduled in 4 phases with banks as given below:

- **Phase 1:** Finalizing the goAML Schema – January 2019 to January 2020

- **Phase 2:** System developments by banks for generating XML reports – February 2020 to September 2020
- **Phase 3:** Submission of test reports to the goAML Test Website (UAT) – October 2020 to May 2021
- **Phase 4:** Readiness check – June 2021 to July 2021
- **Going live:** August 01, 2021

The timing of the project had to be extended a couple of times due to the COVID-19 pandemic situation, and the date the project was planned to go live was rescheduled from January 2021 to August 2021.

The actions taken by FIU-Sri Lanka during 2020 were mainly focused on providing assistance and guidance to banks on Phase 2, despite the restricted working conditions due to the COVID-19 pandemic. Those actions include:

- (a) Customising the goAML client application at FIU-Sri Lanka and finalising the workflows of the system for processes such as STR processing, case management, account freezing, and LEA information requests.
- (b) Conducting online meetings and awareness sessions for banks to discuss and provide solutions for the issues encountered during system developments.
- (c) Providing documentation on the various aspects of the goAML system such as schema updates, business rules, and web user manual.
- (d) Providing tools for banks to assist with the report generation such as report generator models and validators.
- (e) Obtaining progress reports from banks on the implementation status, and following up where necessary.

## 6.4 Access to Other Sources of Information

FATF Recommendation 29 requires FIUs to have access to a wide range of information sources for a better analysis of STRs. Furthermore, Section 15 (1) (r) of the FTRA provides for FIU-Sri Lanka to enter into any agreement with any domestic government institution or agency regarding exchange of information.

At the end of 2019, FIU-Sri Lanka had online links with the Department of Immigration and Emigration, Sri Lanka Customs, and DRP to share information online. During 2020, an online link with the Department of Motor Traffic (DMT) was established to obtain vehicle registration details for analysis purposes.

Furthermore, FIU-Sri Lanka provided a proposal to the DRP in May 2020, to provide an online facility for FIs to authenticate images of National Identity Cards (NICs) used in their FinTech products. This proposal was successfully implemented by the DRP and the Information and Communication Technology Agency (ICTA) in October 2020, enabling FIs to detect fraudulent NIC images used in FinTech applications.

## 6.5 FIU-Sri Lanka Website

The official website of FIU-Sri Lanka was launched on 01 January 2014 and since then it has become a primary source of information for both the domestic and international stakeholders on FIU-Sri Lanka's operations and related activities.

Visit; <http://fiusrilanka.gov.lk>

The website broadly provides information on recent events, new pieces of legislation and amendments, circulars, publications, notices and updates on the UNSCRs, etc.

A list of documents made available on the website during the year 2020 is given below:

- Guidelines on Scenario based LankaFIN Reporting for LFCs, ICs and SBs, No. 01 of 2020
- Circular 01/2020 – Extraordinary Measures of Extending the Deadline for Submission of Threshold Reports
- Circular 02/2020 – Extraordinary Measures of Extending the Deadline for Submission of Threshold Reports - Second Extension
- Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations for Accountants and Trusts or Company Service Providers, No. 02 of 2020
- Circular 03/2020 – Financial Institutions are advised to be vigilant to emerging Money Laundering/ Terrorist Financing risks
- Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 03 of 2020 (Repealed)
- Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 03 of 2020 (Revised)
- Press releases/notices by FIU-Sri Lanka on the following:
  - i. Providing Information on Beneficial Owners - February 02, 2020



- ii. Delisting of Sri Lanka by the European Commission from Its List of High Risk 3rd Countries - May 12, 2020
- iii. Imposition of Penalties to Enforce Compliance on Financial Institutions during 2019 and 2020 by the Financial Intelligence Unit (FIU) - July 24, 2020
- iv. Notice to Designated Non-Finance Businesses and Professions - September 29, 2020
- Update notifications for the UNSCR lists pursuant to
  - i. UNSCR 1267, 1988, 1989, 2253 and subsequent resolutions on Al-Qaeda, ISIL and Taliban terrorists
- 2019 Annual Report of FIU-Sri Lanka

## 6.6 Future Challenges

2020 was the most challenging year faced by FIU-Sri Lanka due to the impact of the COVID-19 pandemic, and its effects will continue to create many challenges in the future. FIU-Sri Lanka successfully faced this challenge in relation to IT infrastructure and reporting, by working from home (WFH) arrangements. Further, FIU-Sri Lanka developed software tools to automate LankaFIN report validation and processing, which greatly reduced the time and effort required earlier for the same task.

FIU-Sri Lanka's biggest challenge in terms of IT infrastructure and reporting will continue to be the implementation of the goAML system and its operations, even after going live in 2021 as scheduled. Many issues faced by RIs in the system development phase have created challenges for FIU-Sri Lanka to keep up with the implementation schedule. FIU-Sri Lanka will continue to work with RIs by providing support and guidance to the maximum level possible.

With the increased usage of mobile FinTech products to facilitate social distancing, frauds and scams will also rise. Preventing identity theft will be the key to counter these frauds and scams. FIU-Sri Lanka expects to face this challenge with the online NIC validating facility given to FIs by the DRP.

Strengthening the IT infrastructure within FIU-Sri Lanka and RIs has proven to be a very effective approach for overcoming many challenges faced during the pandemic situation in 2020, and FIU-Sri Lanka expects to continue this trend in the coming years.



## CONTACT US

For enquiries about FIU-Sri Lanka or other related information, contact details are given below.

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Director

Financial Intelligence Unit of Sri Lanka

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Sri Lanka

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# Photo Gallery

Director, FIU-Sri Lanka chaired the APG Working Group Meetings of the Egmont Group Meetings held in Mauritius













High Level Seminar on AML/CFT Obligations for Boards of Directors and Senior Management of Licensed Banks  
Galadari Hotel, Colombo









### Year 2020

1. Guidelines for LFCs, ICs and SBs on Scenario-based LankaFIN Reporting, No. 01 of 2020
2. Extraordinary Measures of Extending the Deadline for Submission of Threshold Reports, Circular No. 01/20
3. Extraordinary Measures of Extending the Deadline for Submission of Threshold Reports: Second Extension, Circular No. 02/20
4. Guidelines for Accountants and Trusts or Company Service Providers on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations, No. 02 of 2020
5. Advice to Financial Institutions to Be Vigilant on the Emerging Money Laundering/ Terrorist Financing Risks, Circular No. 03/20
6. Direction on Contacting Compliance Officials during Weekends/Public and Bank Holidays, No. 01 of 2020
7. Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 03 of 2020

### Year 2019

1. Insurers (Customer Due Diligence) Rules, No. 1 of 2019 - Extraordinary Gazette No. 2123/14, May 13 of 2019
2. Conducting Enhance Due Diligence with Respect of the Non-Governmental Organizations, Not-for-Profit Organizations or Charities under Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016, Circular No. 01/19
3. Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019
4. Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019
5. Guidelines on Identification of Politically Exposed Persons, No. 03 of 2019
6. Debiting Withholding Taxes from Suspended Accounts, Circular No. 02/19

### Year 2018

1. Rules for Designated Non-Finance Business (Customer Due Diligence) Rules, No. 01 of 2018. - Extraordinary Gazette No. 2053/20, January 10, 2018

2. Amendments to the Rules for Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 - Extraordinary Gazette No.2092/02, October 08, 2018
3. Procedure of Conducting Risk Based Onsite Examinations, Circular No. 01 of 2018
4. Guidelines on ML & TF Risk Management for Financial Institutions, No. 1 of 2018
5. Guidelines on AML & CFT Compliance Obligations for Casinos and Gambling Houses, No. 02 of 2018
6. Guidelines on AML & CFT Compliance Obligations for Dealers in Real Estate and Precious Metals, Precious and Semi-Precious Stones, No. 03 of 2018
7. Guidelines for Financial Institutions on Identification of Beneficial Ownership, No. 04 of 2018
8. Guidelines, No. 5 of 2018 on Implementing United Nations (Sanctions in relation to Democratic People's Republic of Korea Regulations of 2017
9. Guidelines for Financial Institutions on Suspicious Transactions Reporting, No. 06 of 2018
10. Guidelines, No. 7 of 2018 on Implementing United Nations (Sanctions in relation to Iran) Regulations No. 1 of 2018

## Year 2017

1. Circular on onsite examination in terms of Risk-Based approach examination plan 2017 to CEOs of all Licensed Banks and Licensed Finance Companies
2. Guidelines on AML/CFT Compliance Obligations for Money or Value Transfer Service Providers, No. 1 of 2017
3. Suspicious Transactions (Format) Regulations of 2017 - Extraordinary Gazette No. 2015/56, March 30, 2017
4. Regulations Promulgating the Implementation of UNSCR 1718 on DPRK (Democratic People's Republic of Korea) - Extraordinary Gazette No. 2039/32 dated October 06, 2017
5. Regulations Promulgating the Implementation of UNSCR 1540 on Proliferation of Weapons of Mass Destruction (WMD) - Extraordinary Gazette No. 2039/31 dated October 06, 2017

## Year 2016

1. KYC/ CDD Rules for Financial Institutions - Extraordinary Gazette No. 1951/13, January 27, 2016
2. Circular on Definitions/ Clarifications for Financial Institutions (Customer Due Diligence) Rules No. 1 of 2016

## Year 2015

1. Reporting of Foreign Inward Remittances

## Year 2014

1. Prevention and Suppression of Terrorism and Terrorist Financing Obligations of Reporting Institutions - Authorized Money Changers
2. Prevention and Suppression of Terrorism and Terrorist Financing Obligations of Reporting Institutions (UNSCR 1373) - Licensed Banks and Licensed Finance Companies
3. Prevention and Suppression of Terrorism and Terrorist Financing (UNSCR 1373) - Obligations of Insurance Companies
4. Prevention and Suppression of Terrorism and Terrorist Financing (UNSCR 1373) - Obligations of Stockbrokers

## Year 2013

1. Circular to Directors of All Authorized Money Changing Companies, January 31, 2013
2. Public Statement by the Financial Action Task Force
3. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - All Licensed Banks & 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 the Licensed Banks and Licensed Finance Companies - Extraordinary Gazette No 1756/27, May 04, 2012

## Year 2011

1. KYC/ CDD Rules for Licensed Banks and Licensed Finance Companies - Extraordinary Gazette No 1699/10, March 28, 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 Stockbrokers

### Year 2009

1. Compliance with the Section 2 of the FTRA - (for LBs)
2. Compliance with the Section 2 of the FTRA - (for RFCs)
3. Inclusion of the Tamil Foundation among the list of Terrorist Organizations in US
4. AML/CFT Compliance Functions of the Insurance Industry
5. Web Based Reporting System for LCBs & 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 Authorized 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 - EFTs

## Year 2006

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

## Appendix B: Reporting Institutions as at 31 December 2020

### Licensed Commercial Banks

1. Amana Bank PLC
2. Bank of Ceylon
3. Bank of China Ltd
4. Cargills Bank Ltd
5. Citibank, N.A.
6. Commercial Bank of Ceylon PLC
7. Deutsche Bank AG
8. DFCC Bank PLC
9. Habib Bank Ltd
10. Hatton National Bank PLC
11. Indian Bank
12. Indian Overseas Bank
13. MCB Bank Ltd
14. National Development Bank PLC
15. Nations Trust Bank PLC
16. Pan Asia 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 Hongkong & Shanghai Banking Corporation Ltd
24. Union Bank of Colombo PLC

### Licensed Specialized Banks

1. HDFC Bank of Sri Lanka
2. National Savings Bank
3. Regional Development Bank
4. Sanasa Development Bank PLC
5. Sri Lanka Savings Bank
6. State Mortgage and Investment Bank

### Licensed Finance Companies

1. Abans Finance PLC
2. Alliance Finance Co. PLC
3. A M W Capital Leasing and Finance PLC



4. Arpico Finance Co. PLC
5. Asia Asset Finance PLC
6. Associated Motor Finance Co. PLC
7. Bimputh Finance PLC
8. CBC Finance Ltd
9. Central Finance Co. PLC
10. Citizens Development Business Finance PLC
11. Commercial Credit and Finance PLC
12. Commercial Leasing and Finance PLC
13. Dialog Finance PLC
14. ETI Finance Ltd
15. Fintrex Finance Ltd
16. HNB Finance Ltd
17. Ideal Finance Ltd
18. Kanrich Finance Ltd
19. Lanka Credit & Business Finance Ltd
20. LB Finance PLC
21. LOLC Development Finance PLC
22. LOLC Finance PLC
23. Mercantile Investments and Finance PLC
24. Merchant Bank of Sri Lanka & Finance PLC
25. Multi Finance PLC
26. Nation Lanka Finance PLC
27. Orient Finance PLC
28. People's Leasing & Finance PLC
29. People's Merchant Finance PLC
30. Prime Finance PLC
31. Richard Pieris Finance Ltd
32. Sarvodaya Development Finance Ltd
33. Senkadagala Finance PLC
34. Singer Finance (Lanka) PLC
35. Sinhaputhra Finance PLC
36. Siyapatha Finance PLC
37. Softlogic Finance PLC
38. Swarnamahal Financial Services PLC
39. Trade Finance & Investments PLC
40. UB Finance Company Ltd
41. Vallibel Finance PLC

## Licensed Insurance Companies

1. AIA Insurance Lanka Ltd
2. Allianz Insurance Lanka Ltd
3. Allianz Life Insurance Lanka Ltd
4. Amana Takaful Life PLC
5. Amana Takaful PLC
6. Arpico Insurance PLC
7. Ceylinco General Insurance Ltd
8. Ceylinco Life Insurance Ltd
9. Continental Insurance Lanka Ltd
10. Co-operative Insurance Co. Ltd
11. Cooplife Insurance Ltd
12. Fairfirst Insurance Ltd
13. HNB Assurance PLC
14. HNB General Insurance Ltd
15. Janashakthi Insurance PLC
16. Life Insurance Corporation (Lanka) Ltd
17. LOLC General Insurance Ltd
18. LOLC Life Assurance Ltd
19. MBSL Insurance Company Ltd
20. National Insurance Trust Fund
21. Orient Insurance Ltd
22. People's Insurance Ltd
23. Sanasa General Insurance Co. Ltd
24. Sanasa Life Insurance Co. Ltd
25. Softlogic Life Insurance PLC
26. Sri Lanka Insurance Corporation Ltd
27. Union Assurance PLC

## Licensed Stockbrokers

1. Acuity Stockbrokers (Pvt) Ltd
2. Asha Securities Ltd
3. Asia Securities (Pvt) Ltd
4. Assetline Securities (Pvt) Ltd
5. Bartleet Religare Securities (Pvt) Ltd
6. Candor Equities Ltd
7. Capital Alliance Ltd - (Debt Securities)

8. Capital Alliance Securities (Pvt) Ltd
9. Capital Trust Securities (Pvt) Ltd
10. CT CLSA Securities (Pvt) Ltd
11. Enterprise Ceylon Capital (Pvt) Ltd
12. First Capital Equities (Pvt) Ltd
13. First Guardian Equities (Pvt) Ltd
14. J B Securities (Pvt) Ltd
15. John Keells Stockbrokers (Pvt) Ltd
16. Lanka Securities (Pvt) Ltd
17. LOLC Securities Ltd
18. Nation Lanka Equities (Pvt) Ltd
19. Navara Securities (Pvt) Ltd
20. NDB Securities (Pvt) Ltd
21. NSB Fund Management Co. Ltd - (Debt Securities)
22. Richard Pieris Securities (Pvt) Ltd
23. S C Securities (Pvt) Ltd
24. SMB Securities (Pvt) Ltd
25. Softlogic Stockbrokers (Pvt) Ltd
26. Somerville Stock Brokers (Pvt) Ltd
27. Taprobane Securities (Pvt) Ltd
28. TKS Securities (Pvt) Ltd
29. Wealth Trust Securities Ltd - (Debt Securities)

## Restricted Dealers

1. A.H.M. Trading (Pvt) Ltd
2. A.O.Lakshmi Jewels (Pvt) Ltd
3. Abdeen Money Changers (Pvt) Ltd
4. Abilash Money Exchange (Pvt) Ltd
5. Ariyawansa Enterprises (Pvt) Ltd
6. Arrujina Jewellery (Pvt) Ltd
7. Aruna Forexc (Pvt) Ltd
8. Asia Asset Finance PLC
9. Asian Money Exchange (Pvt) Ltd
10. Bimputh Finance PLC
11. Brescia Grameen (Pvt) Ltd
12. Bullion Money Exchange (Pvt) Ltd
13. Capital Exchange (Pvt) Ltd
14. Carlo International (Pvt) Ltd

15. Central Money Exchange (Pvt) Ltd
16. Citizens Development Business Finance PLC
17. City Exchange (Pvt) Ltd
18. Colombo Money Exchange (Pvt) Ltd - Head Office - Colombo 06  
- Branch - Colombo 01
19. Crown Money Exchange (Pvt) Ltd
20. Dadigama Group (Pvt) Ltd
21. Data Exchange International (Pvt) Ltd
22. Daya Authorized Money Changer (Pvt) Ltd
23. Delta Sarath Holdings (Pvt) Ltd
24. Devi Forex (Pvt) Ltd
25. Galle Money Exchange (Pvt) Ltd - Head Office - Galle  
- Branch - Galle Fort
26. George Michael Holdings (Pvt) Ltd
27. Gexon Exchange (Pvt) Ltd
28. Global Trust Money Exchange (Pvt) Ltd
29. Global Village Exchange (Pvt) Ltd
30. Golden Money Changers (Pvt) Ltd
31. Haifa Travels and Tours (Pvt) Ltd
32. International Exchange (Pvt) Ltd
33. Jayes Investments Ltd
34. Jewel Lanka Money Exchange (Pvt) Ltd
35. Jeya Forex Exchange (Pvt) Ltd
36. Kamal Enterprises (Pvt) Ltd
37. Keyser Exchange (Pvt) Ltd
38. Kudamadu Money Exchange (Pvt) Ltd
39. L B Finance PLC
40. Lanka Credit and Business Finance Limited
41. M.P. Money Changer (Pvt) Ltd
42. Maruthi Money Exchange (Pvt Ltd - Head Office - Colombo 06  
- Branch - Jaffna
43. Mayurie Money Changers (Pvt) Ltd
44. Mercantile Merchant Bank Ltd
45. Metro Forex (Pvt) Ltd
46. Midna Mini Market (Pvt) Ltd
47. Milano Money Exchange (Pvt) Ltd
48. Narmatha Gold Centre (Pvt) Ltd - Head Office - Jaffna  
- Branch - Kilinochchi
49. New Natasha (Pvt) Ltd

50. New Regal's Money Changer (Pvt) Ltd
51. Pearl City Hotel
52. Pearl Exci (Pvt) Ltd
53. Prasanna Money Exchange (Pvt) Ltd - Head Office - Colombo 01  
- Branch - Colombo 06
54. Pushpa Money Changer (Pvt) Ltd
55. Rafeek's Gems (Pvt) Ltd
56. Ravi Forexae (Pvt) Ltd
57. Rimha Jewellery (Pvt) Ltd
58. Rivindu Enterprises (Pvt) Ltd
59. Royal Money Exchange (Pvt) Ltd - Head Office - Colombo 01  
- Branch - Colombo 06
60. Royal Money Mart (Pvt) Ltd - Head Office - Aluthgama  
- Branch - Colombo 01
61. S S D D Money Exchanging (Pvt) Ltd
62. Salaka Trust Investment (Pvt) Ltd
63. Senkadagala Finance PLC
64. Shangri-La Hotel Colombo
65. Shangri-La's Hambantota Resort & Spa
66. Sharanga Money Exchange (Pvt) Ltd
67. Shifaz Money Exchange (Pvt) Ltd
68. Singer Finance (Lanka) PLC
69. Sinhaputhra Finance PLC
70. Sornam Forex (Pvt) Ltd
71. Swiss Money Exchange (Pvt) Ltd - Head Office - Colombo 01  
- Branch - Colombo 06
72. Thamasha Forex (Pvt) Ltd
73. Thomas Cook Lanka (Pvt) Ltd - Head Office - Bandaranaike International Airport  
- Branch - Colombo 02 (Colombo City Centre)  
- Branch - Colombo 02 (One Galle Face Mall)  
- Branch - Kandy
74. Unic Forex (Pvt) Ltd
75. Universal Money Changers (Pvt) Ltd
76. Vasanthas Intl. Money Exchange (Pvt) Ltd
77. Western Money Exchange (Pvt) Ltd
78. Windsor Money Exchange (Pvt) Ltd

\* Licensed Finance companies are permitted to engage in the money changing business only at the branches authorized by DFE.

## Money or Value Transfer Services

1. Dialog Axiata PLC
2. MMBL Money Transfer (Pvt) Ltd
3. Mobitel (Pvt) Ltd





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