

Experiences on Implementation, Best Practices and Challenges in Developing the DNFBP Regulatory Net

Chandima Bandara - DNFBP Division

Financial Intelligence Unit - Sri Lanka



Outline of the Presentation

1. Background of DNFBPs
2. Implementation of Best Practices and Action Plan
3. Challenges in Developing the DNFBP Regulatory Net
4. Activities conducted during the COVID pandemic
5. Way Forward

Background

- FIU - Sri Lanka set up with enactment of The Financial Transactions Reporting Act No. 6 of 2006 (FTRA). Financial Institutions (FIs) was covered and proper AML/CFT framework was available by the Mutual Evaluation in 2014.
- DNFBPs have been **identified** as the other category of Institutions in FTRA.

Background

- The National Risk Assessment (NRA) conducted in 2014 assessed the ML/TF vulnerability of the overall DNFBP sector in Sri Lanka as **'Medium High'**.
- As per the results, the FIU-SL has identified; **casinos, real estate agents and gem and jewelry dealers** as the sectors which need high priority in introducing AML/CFT measures due to their higher risk exposure to ML/TF compared to other DNFBP sectors and non-availability of proper risk mitigating measures.

Background Cont.

- Subsequent to the Mutual Evaluation, in 2015 one of the major deficiencies identified was the **non-availability of a proper AML/CFT framework for DNFBPs.**
- As a result, the Financial Action Task Force (FATF) at its plenary held in October 2017, listed Sri Lanka as a jurisdiction **with strategic AML/CFT deficiencies** in the FATF's Compliance Document (FATF Grey List) and provided a time bound Action Plan for implementation.

Action Plan Items Relevant to DNFBP Supervision

Immediate Outcome 03: Supervision

Action Plan Item 1:

- Issue the CDD Rule for DNFBPs, issue any necessary guidance, and ensure implementation of this Rule has begun, by way of supervisory actions.

Action Plan Item 2:

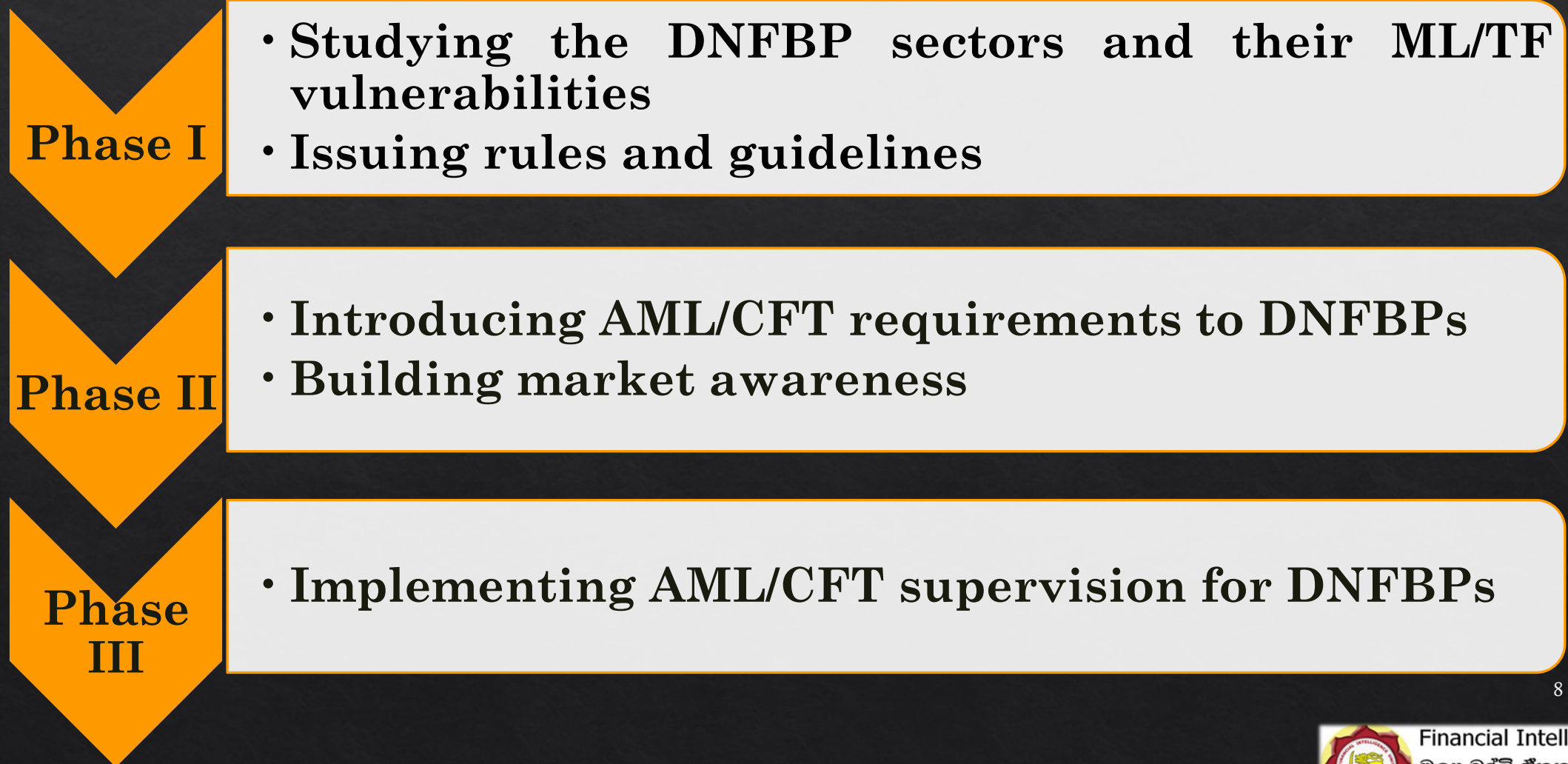
- Enhance risk-based supervision and outreach to FIs and high risk DNFBPs, including through prompt and dissuasive enforcement actions and sanctions, as appropriate. This equally applies to supervision and outreach to ensure the effective implementation of targeted financial sanctions.



Implementation of Best Practices and Action Plan

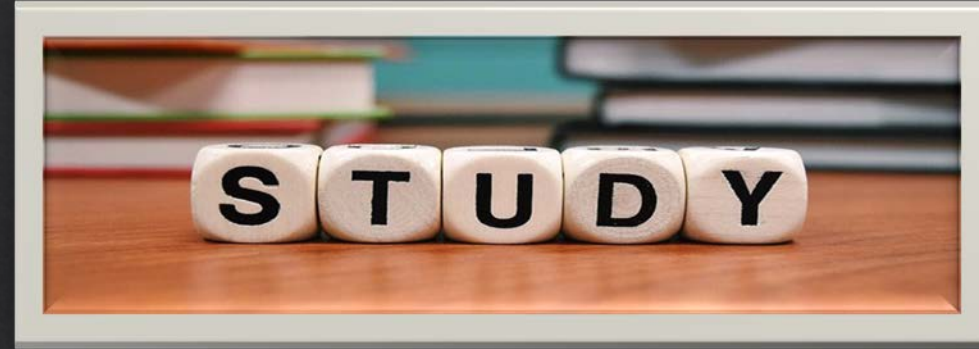
- FIU-SL initiated the process of regulating the DNFBP sector on a phased-out manner
- in order to **accomplish the action items** stipulated in the time bound Action Plan
- the NRA conducted in 2014 assessed the ML/TF vulnerability of the overall DNFBP sector in Sri Lanka as '**Medium High**'
- The FIU-SL and other relevant stakeholders worked together to implement the Action Plan and proper AML/CFT framework for DNFBPs.

Three Phased Approach Undertaken by the FIU-SL



Phase I:

- Studying the DNFBP Sectors and their ML/TF Vulnerabilities
- Issuing relevant Rules & Guidelines



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Task	Description
Establishment of a Separate Division	<ul style="list-style-type: none"> ▪ The FIU-SL established a separate division named “Supervision Division for DNFBPs” in 2017 for regulation and supervision of DNFBPs.
Conducting Market Studies	<ul style="list-style-type: none"> ▪ FIU-SL conducted a thorough market study on selected DNFBP sectors based on the risk categorization as per the National Risk Assessment conducted in 2014. ▪ The study prioritized 03 DNFBP sectors - Real Estate, Gem and Jewelry and Casinos as they were ranked at “Medium-high” while other DNFBP sectors were ranked at “Medium-low”. ▪ The focus areas: Size of the sectors, Nature of businesses, Key stakeholders, Institutions and associations, ML/TF risk factors of the sectors, Sector specific laws and regulations.
Outcome of the Market Studies	<ul style="list-style-type: none"> ▪ Identified key stakeholders to launch AML/CFT requirements for DNFBPs in an effective manner.

Key Stakeholders of Prioritized Sectors

Sector	Identified Stakeholders
Real Estate	<ul style="list-style-type: none">- Condominium Management Authority- Urban Development Authority- Condominium Developers' Association- National Chamber of Commerce of Sri Lanka
Gem and Jewellery	<ul style="list-style-type: none">- National Gem and Jewellery Authority of Sri Lanka- Sri Lanka Gem and Jewellery Association- Sri Lanka Jewellers' Association
Casino	<ul style="list-style-type: none">- Ministry of Finance- Inland Revenue Department- 03 Casinos




Issuing relevant Rules & Guidelines:

- Issue the Suspicious Transaction Formats
- Issue the CDD Rule for DNFBPs
- Issue necessary guidelines

Issuance of the Suspicious Transactions (Format) Regulations of 2017

- In April 2017 FIU-SL issued Suspicious Transactions (Format) Regulations of 2017 to prescribe formats to report suspicious transactions to the FIU-SL.
- “Schedule V” of the Regulation was introduced to DNFBPs for reporting suspicious transactions.
- Newspaper notices were published to make aware the DNFBPs on the requirement.



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Obligation of Reporting Suspicious Transactions to the Financial Intelligence Unit

Under Section 29 read with Section 7 of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA), the Hon. Minister of Finance has issued Extraordinary Gazette Notification No. 2015/56 dated April 21, 2017 prescribing 'Suspicious Transactions (Format)' to be followed by Institutions defined under Section 33 of the FTRA.

The purpose of this notice is to inform the following Designated Non-finance Businesses (DNFBs) of their obligation to report any transaction where there is reasonable ground to suspect that the transaction may be related to commission of any unlawful activity/criminal offence as defined in Section 33 of the FTRA.

- (a) Individual and collective portfolio management;
- (b) Investing, administering or managing funds or money on behalf of other persons;
- (c) Safekeeping and administration of cash or liquid securities on behalf of other persons;
- (d) Safe custody services;
- (f) Trustee administration or investment management or a superannuation scheme;
- (g) Casinos, gambling houses or conducting of a lottery, including a person who carries on such a business through the internet when their customers engage in financial transactions;
- (h) Real estate agents, when they are involved in transactions for their clients in relation to the buying and selling of real estate;
- (i) Dealers in precious metals and dealers in precious and semi-precious stones, including but not limited to, metals and stones covered by the Gem and Jewellery Act, No. 50 of 1993 when they engage in cash transactions with a customer;
- (j) Lawyers, notaries, other independent legal professionals and accountants as defined in the Section 33 of the FTRA;
- (k) Trust or company service providers as defined in the Section 33 of the FTRA;
- (l) Offshore units in accordance with the definitions provided for the same in other written laws.

Accordingly, DNFBs are advised to use Schedule V of the said Gazette to report any suspicious transaction to the Financial Intelligence Unit.

Director, Financial Intelligence Unit
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

☎ 011-2477125 📠 011-2477692/2477722 📧 str@fiusrilanka.gov.lk



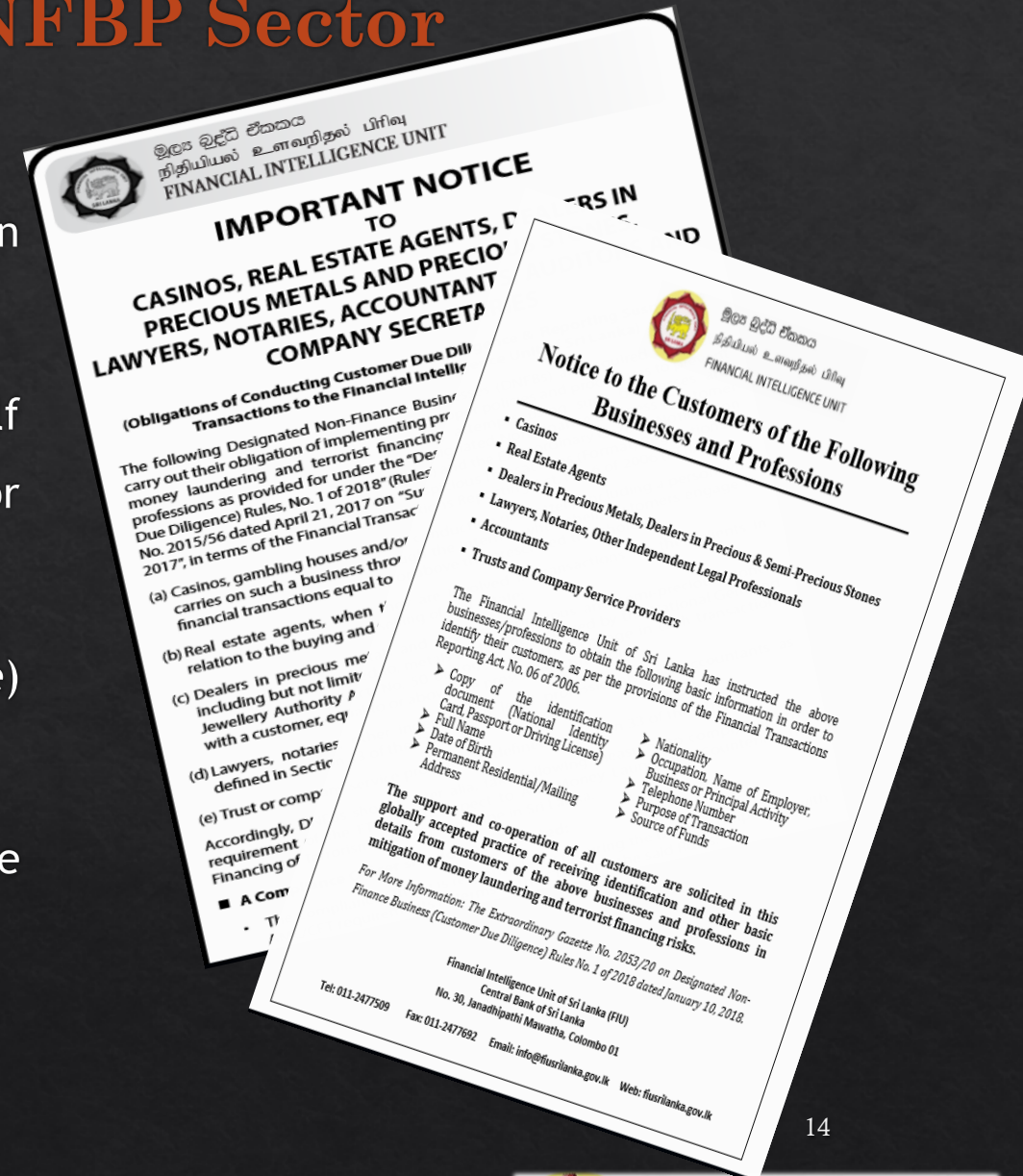
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Issuance of the CDD Rules for DNFBP Sector

- FIU-SL finalized the draft CDD Rules for DNFBPs in November 2017.
- The draft was forwarded to relevant regulators/self regulated bodies/selected private sector institutions for comments.
- Designated Non-Finance Business (Customer Due Diligence) Rules, No. 01 of 2018 was issued on 10 January 2018.
- Notices were published to make aware the DNFBPs on the requirement.



Guidance Issued	Description	Date Issued
Guidelines on AML/CFT Compliance Obligations	<ul style="list-style-type: none"> Guidelines on AML & CFT Compliance Obligations for Casinos and Gambling Houses, No. 02 of 2018 Guidelines on AML & CFT Compliance Obligations for Dealers in Real Estate and Precious Metals, Precious and Semi-Precious Stones, No. 03 of 2018 	18.04.2018
	<ul style="list-style-type: none"> Guidelines on AML & CFT Compliance Obligations for Accountants and Trust or Company Service Providers, No. 02 of 2020 	20.06.2020
	Guidelines on Suspicious Transactions Reporting	<ul style="list-style-type: none"> Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019
Guidelines on Identification of Beneficial Ownership	<ul style="list-style-type: none"> Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019 	02.09.2019
Guidelines on Implementing United Nations Sanctions	<ul style="list-style-type: none"> Guidelines on Implementing United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017, No. 5 of 2018 	18.05.2018
	<ul style="list-style-type: none"> Guidelines on Implementing United Nations (Sanctions in relation to Iran) Regulations No. 1 of 2018, No. 7 of 2018 	10.09.2018

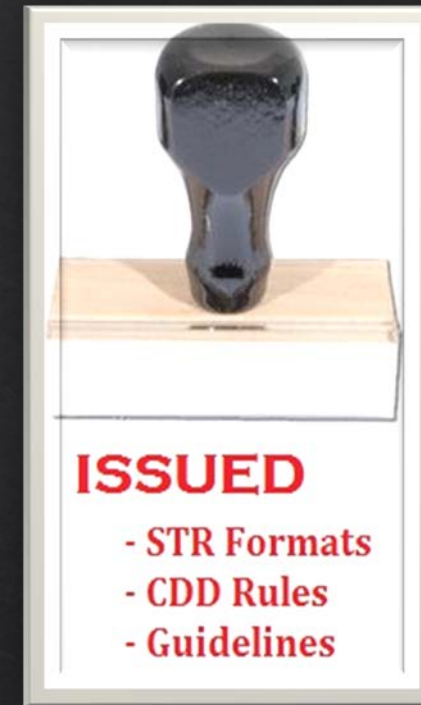
Outreach and Risk Based Supervision:

- Outreach to high risk DNFBPs
- Enhance risk-based supervision including through prompt and dissuasive enforcement actions and sanctions, as appropriate



Phase II:

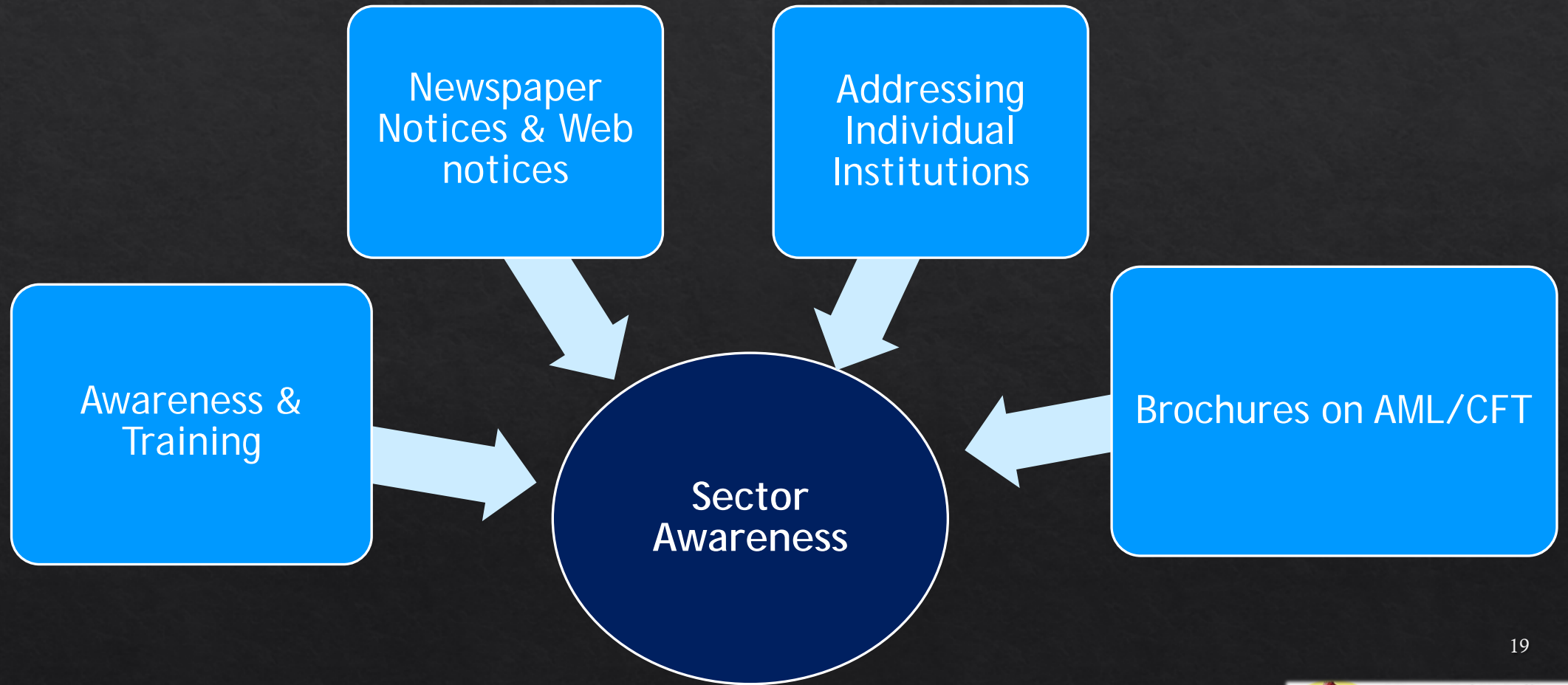
- Introducing AML/CFT Requirements to DNFBPs
- Building Market Awareness




Increasing Number of Institutions

- Publishing notices was in the FIU-SL website on appointing COs by DNFBPs
- Publishing notices in other regulator websites (NGJA)
- Request associations to inform members on appointing Compliance Officers
- Request regulators to inform institutions when they grant licenses
- Address owners/CEOs/MDs of individual Institutions to inform the requirement of appointing COs
- Publish a series of newspaper notices to all real estate agents and gem and jewelry dealers specifying the requirement of appointing a CO

Awareness and Capacity Building for DNFBPs



Awareness and Capacity Building for DNFBPs Cont.



BE CAUTIOUS !

REAL ESTATE PROPERTIES MAY BE USED FOR TERRORIST ACTIVITIES

PAY ATTENTION !

Pay attention to the following important aspects when engaging in real estate property related transactions.

- Collect the person's/group of persons' or the entity's details and verify the identity using a legally valid document.
- Obtain the reason for selling/buying the real estate property.
- Ascertain the source of funds used to purchase real estate property.
- Be cautious if the buyer offers a higher value than the market price.
- Identify whether the purchase matches with the known profile of the customer or his/her economic capacity of purchasing the real estate property.
- If the relevant person/group of persons/the entity refuses to provide the required information you are obliged to report it to the Financial Intelligence Unit (FIU).

REPORT YOUR SUSPICION


If you have any reasonable grounds to suspect that a real estate transaction with a person/group of persons/an entity may relate to commission of any unlawful activity (including financing of terrorism), your duty is to report it to the FIU immediately.

Address:
Director, Financial Intelligence Unit,
Central Bank of Sri Lanka,
No. 30, Janadhipathi Mawatha,
Colombo 01.


Tel: +94 11 2477125/509
Fax: +94 11 2477692
E-mail: fiu@cbsl.lk
Web: www.fiusrilanka.gov.lk

Download Schedule V to report suspicious transactions:
[http://www.fiusrilanka.gov.lk/docs/Regulations/2015-56/2015-56\(E\).pdf](http://www.fiusrilanka.gov.lk/docs/Regulations/2015-56/2015-56(E).pdf)

- The above obligations are brought to your attention under the legal provisions of the Financial Transactions Reporting Act, No.6 of 2006 (FTRA).
- The protection for persons reporting suspicious transactions is provided by Section 12 of the FTRA.




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DO DUE DILIGENCE



TO PROTECT YOUR BUSINESS FROM MONEY LAUNDERING AND TERRORIST FINANCING

The following Designated Non-Finance Businesses (DNFBs) are required to do due diligence for customers as per the **Designated Non-Finance Business (Customer Due Diligence) Rules, No.1 of 2018 (CDD Rules)** which has been issued under the **Financial Transactions Reporting Act, No.6 of 2006 (FTRA)**.

- ▶ Casino businesses
- ▶ Lawyers, accountants and notaries
- ▶ Real estate agents
- ▶ Trusts or company service providers
- ▶ Gem and jewellery dealers

As per the CDD Rules, every DNFB shall at the minimum, obtain the following information for the purpose of conducting CDD, and verify the documents specified in (d) below, requiring the customer or beneficial owner to furnish the original document and make a copy of the said document. Once obtained, the records shall be maintained for a period of more than six (06) years.

(a) Full name	(e) Date of birth
(b) Permanent residential or mailing address	(f) Nationality
(c) Occupation, name of the employer, business or principal activity	(g) Source of funds
(d) An official personal identification number or any other identification document that bears a photograph of the customer or beneficial owner (such as the National Identity Card, passport or driving license)	(h) Purpose of transaction
	(i) Telephone numbers (residence, office or mobile)

And, if you have any reasonable grounds to suspect that transactions may be related to the commission of Money Laundering, Terrorist Financing or any unlawful activity, you are required to report such suspicion to the Financial Intelligence Unit (FIU) through the "Schedule V" of the Suspicious Transactions (Format) Regulations of 2017 which is available at www.fiusrilanka.gov.lk.

Director
Financial Intelligence Unit of Sri Lanka
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha, Colombo 01

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fiudnfbp@cbsl.lk

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NOTICE TO REAL ESTATE DEALERS



BE CAUTIOUS !

REAL ESTATE PROPERTIES MAY BE USED FOR TERRORIST ACTIVITIES



If you have any reasonable ground to suspect that a real estate transaction with a person/group of persons/an entity may relate to commission of any unlawful activity (including financing of terrorism), your duty is to report it to the Financial Intelligence Unit (FIU) immediately.

PAY ATTENTION TO THE FOLLOWING IMPORTANT ASPECTS WHEN ENGAGING IN REAL ESTATE PROPERTY RELATED TRANSACTIONS.

- Know your customer engaged in buying/selling real estate property.
- Collect the person's/group of persons' or the entity's details and verify the identity using a legally valid document.
- Obtain the reason for selling/buying the real estate property.
- Ascertain the source of funds used to purchase the real estate property.
- Be cautious if the buyer offers a higher value than the market price.
- Identify whether the purchase matches with the known profile of the customer or his/her economic capacity of purchasing the real estate property.
- If the relevant person/group of persons/the entity refuses to provide the required information you are obliged to report it to the FIU.

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- The above obligations are brought to your attention under the legal provisions of the Financial Transactions Reporting Act, No.6 of 2006 (FTRA).
- The protection for persons reporting suspicious transactions is provided by Section 12 of the FTRA.

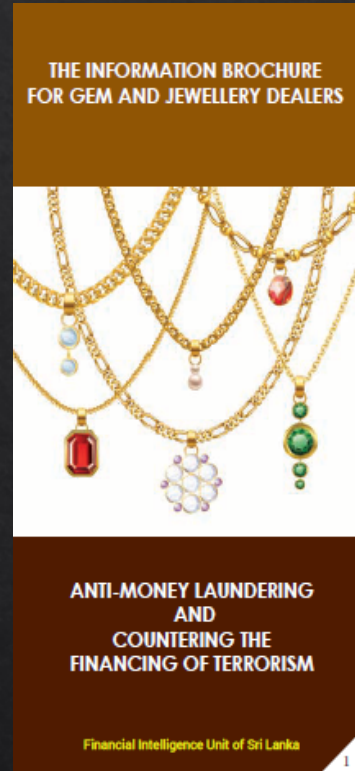
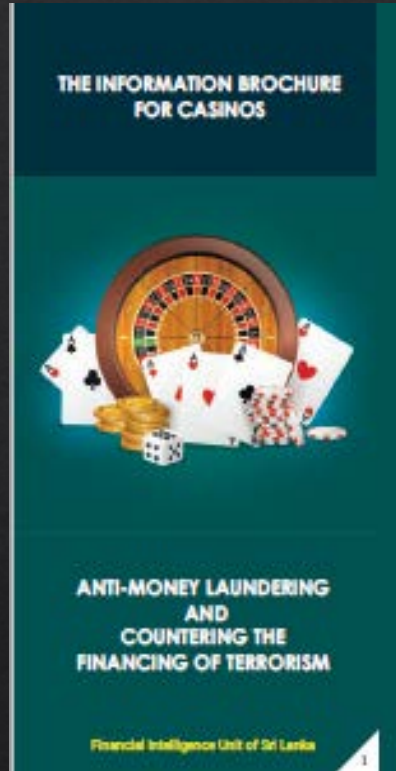


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Awareness and Capacity Building for DNFBPs Cont.



Awareness and Capacity Building for DNFBPs Cont.



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HOME ACTS RULES CIRCULARS FAQ CONTACT

Home >> Designated Non-Financial Businesses and Professions

DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS

Casinos	Real Estate Agents
Gem and Jewellery Dealers	Lawyers, Notaries and Other Independent Legal Professionals
Accountants	Auditors
Company Secretaries	Trusts

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HOME ACTS RULES CIRCULARS FAQ CONTACT

Home >> Designated Non-Financial Businesses and Professions >> Gem and Jewellery

DEALERS IN PRECIOUS METALS AND DEALERS IN PRECIOUS AND SEMI-PRECIOUS STONES INCLUDING BUT NOT LIMITED TO METALS AND STONES COVERED BY THE GEM AND JEWELLERY ACT, NO. 50 OF 1993 (GEM AND JEWELLERY DEALERS)

In terms of subsection (i) of Designated Non-Finance Business in Section 33 of Financial Transactions Reporting Act No. 06 of 2006 (FTRA), gem and jewellery dealers when they engage in any cash transaction with a customer, equal to or above the prescribed threshold they are required to comply with Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) measures. The Rule No. 9(2)(b) of the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018 (CDD Rules for DNFBPs) prescribed the threshold as equivalent to or above United States Dollars 15,000 in Sri Lankan Rupees or in any foreign currency.

What are the Legal Obligations for Gem and Jewellery Dealers under AML/CFT?

- Appointing a Compliance Officer (CO):**

According to the Rule No. 41 of the CDD Rules for DNFBPs, gem and jewellery dealers are required to appoint a senior management level officer as the CO to deal with AML/CFT related matters in your entity. The appointment of CO is required to be informed to the Director, FIU using 'CO Declaration Form'.

The duly filled CO Declaration Form should be submitted to the FIU;

Address	The Director, Financial Intelligence Unit Central Bank of Sri Lanka No. 30, Janadhipathi Mawatha Colombo 01
Email	fiudnfbp@cbsl.lk and copy to theja@cbsl.lk
- Assessing the Money Laundering and Terrorist Financing (ML/TF) Risk of the Gem and Jewellery Dealers:**

As per the Rule No. 6(a) of the CDD Rules for DNFBPs gem and jewellery dealers have to conduct an assessment on ML/TF risk of the entity based on the professional judgment, knowledge and expertise of the business management.

Compliance Officer Declaration



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Phase III:

Implementing AML/CFT Supervision for DNFBPs



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ML/TF RISK ASSESSMENT QUESTIONNAIRE
DEALERS IN PRECIOUS METALS AND STONES

A. General Information

1. Name of the Entity: _____

2. Type of the Entity:
Sole Proprietorship
Private Limited Company
Other (Please specify) _____

3. Business Registration Name and Number (If applicable): _____
Partnership
Public Limited Company

4. Category of the Gem Dealer License (Gem Stock Value Category):
Below LKR 1.0 mn LKR 1.0 mn - LKR 5.0 mn
LKR 5.0 mn - LKR 20.0 mn Above LKR 20.0 mn

5. Annual Turnover of the entity:
Below LKR 1.0 mn LKR 1.0 mn - LKR 5.0 mn
LKR 5.0 mn - LKR 20.0 mn Above LKR 20.0 mn

AML/CFT Examination Manual
for
Designated Non-Financial Businesses and
Professions - Sri Lanka

Preparation of DNFBP Supervision Manual

- FIU-SL drafted the “DNFBP Supervision Manual” with the assistance of IMF Technical Assistance Mission.
- The DNFBP Supervision Manual was finalized in August 2018.


Initial Visits and Progress Review Visits to DNFBPs

- FIU-SL conducted initial visits to selected DNFBPs during March and April 2018.
- These visits were more focused on making awareness on AML/CFT compliance obligations.
- During June to December 2018 progress review visits were conducted to assess the progress of implementing AML/CFT measures by the DNFBPs.

Risk-based Supervision of DNFBPs

Offsite ML/TF Risk Questionnaire

- In 2018 FIU-SL developed an Offsite ML/TF Risk Assessment Questionnaires for Casinos, Real Estate and Gem and Jewelry sectors with the assistance of IMF Technical Assistance Mission.
- Later in 2020 this was developed for the other sectors such as accountants, lawyers, trust and company service providers as well.

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**ML/TF RISK ASSESSMENT QUESTIONNAIRE
REAL ESTATE AGENTS**

A- General Information

1. Name of the Entity:

2. Type of the Entity:
Sole Proprietorship Partnership
Private Limited Company Public Limited Company
Other (Fis specify):

3. Business Registration Name and Number (if applicable):
.....

4. The Customer Base of your entity (select all that are applicable)
Provincial Level National Level International Level

5. Year of Establishment of the Entity:

B- Management and Governance

6. If the ownership is under individual (s): (provide their names in the table given below)

Sri Lankan Citizens	Foreign Citizens	Dual Citizens

7. If the ownership is under an entity: Local entity
Foreign entity

8. If the beneficial owner/s is/are different from owners of the entity, provide their names.
(natural persons):

Sri Lankan Citizens	Foreign Citizens	Dual Citizens

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Risk-based Supervision of DNFBPs Cont.

Offsite ML/TF Risk Assessment

- In 2018, FIU-SL forwarded the Offsite ML/TF Risk Assessment Questionnaire to all Casinos, Real Estate and Gem and Jewelry institutions registered with FIU - SL.
- During December 2018, FIU-SL analyzed the completed questionnaires using the Risk Assessment Tool (RAT).
 - ◊ Developed based on the tool introduced by the IMF.
- From 2020 onwards the Offsite ML/TF Risk Assessment was extended for the other sectors such as accountants, lawyers, trust and company service providers as well.

Risk-based Supervision of DNFBPs Cont.

Offsite ML/TF Risk Assessment

- FIU-SL ranks the DNFBPs based on the risk rating derived for each Institution based on the following categorization.

Percentage of the ML/TF Risk	Risk Categorization	Priority Level
70% and more	High	High Priority
50% - 70%	Medium	Medium Priority
50% and below	Low	Low Priority

Summary of the Offsite Risk Assessment of Gem and Jewellery Sector			
	Percentage of the ML/TF Risk	Risk Categorization	Priority Level
	70% or above	High	High Priority
	Between 50% - 70%	Medium	Medium Priority
	50% and below	Low	Low Priority

	Name of the Dealer	RAQ Score	Risk Ranking
1	GJ1	86.14	High
2	GJ2	84.8	High
3	GJ3	82.8	High
4	GJ4	82.8	High
5	GJ5	81.8	High
6	GJ6	80.9	High
7	GJ7	79.2	High
8	GJ8	78.5	High
9	GJ9	78.5	High
10	Colombo Jewellery Store (Pvt) Ltd	77.9	High

Risk-based Supervision of DNFBPs Cont.

Annual Risk-based Onsite Examination Plan

- Based on the risk ratings, FIU-SL develops the Annual Risk-based Onsite Examination Plan.
- It includes Institutions from real estate, gem and jewelry and casino sectors.

AML/CFT Risk Based Onsite Examination Plan 2019
Supervision Division (2)
Amended as at 20.08.2019

Follow up examinations

	Month		Name of the DNFBP	2018 Risk Assessment Score (%)	2018 Risk Assessment Ranking	Proposed Date of Examination/ Conducted date	Risk Based Examination/ Follow-up Examination	Remarks	Examiner Allocation
Quarter 01	January	01	RE-1	81.7	High	17.01.2019	Risk Based	Done	SAD/N, AD/A, AD/K, MT/L
		02	GJ-1	86.1	High	23.01.2019	Risk Based	Done	SAD/N, AD/A, MT/R, Mr. A I S Bandara of NGJA
	February	03	RE-2	80.4	High	11.02.2019	Risk Based	Done	SAD/N, AD/K, AD/AW, MT/R
		04	GJ-2	84.8	High	20.02.2019	Risk Based	Done	SAD/N, AD/A, Mr. Dulip Jayawardena of NGJA
		05	GJ-3	82.8	High	21.02.2019	Risk Based	Done	SAD/N, AD/A, SAD/H, Mr. J Athapaththu of NGJA
	March	06	RE-3	75.8	High	05.03.2019	Risk Based	Both companies are under the same ownership. Therefore, both onsite	SAD/N, AD/A, MT/R, MT/L
		07	RE-4	73.9	High				



Risk-based Supervision of DNFBPs Cont.

Onsite Examination Procedure

- FIU-SL develops the **Initial Onsite Examination Plan** for individual Institutions based on following documents/information.
 - *Offsite ML/TF Risk Assessment Questionnaire submitted by them, FIU-SL records on participation in the CO training sessions, publicly available information.*
- FIU-SL allocates specific areas for examiners.
- FIU-SL informs the COs regarding the onsite examination through a letter addressed to CEO/MD/Owner of the Institution signed by the Director, FIU-SL.
- After the onsite examination, examiners submit a report to Director, FIU-SL to inform the examination findings and submits a letter to the Institution indicating to rectify the deficiencies identified at the examination within an assigned time period.

Supervisory Actions take by FIU-SL

Below actions were taken by the FIU - SL as per the letters issued by the Director/FIU.

Informing to report the actions taken to address the deficiencies identified during progress review visits with a deadline.

Issuing warning letters to DNFBPs on non-appointment of compliance officers.

Issuing warning letters to DNFBPs on non-submission of Offsite ML/TF Risk Assessment Questionnaire before the due date.

Informing deficiencies identified during the onsite examinations with a time bound action plan

Capacity Development of Examiners

- The FIU-SL examiners of DNFBPs gained training from the IMF Technical Assistance Mission during 2018-2019
- Further examination guidance is provided by the DNFBP Supervision Manual.
- The FIU-SL also participated in an **experience sharing session conducted by the Malaysian DNFBP supervision team.**

Support from Sector Regulators, Associations :

Regulators and Associations	Activities done to improve AML/CFT framework
National Gem and Jewelry Authority (NGJA)	Publish notices on the website, issue circulars related to AML/CFT, Joint AML/CFT Supervision, Conduct awareness, Signing of an MOU
Condominium Management Authority (CMA)	Publish notices on the website, issue circulars related to AML/CFT, Conduct awareness, Signing of an MOU
Sri Lanka Gem and Jewelry Association (SLGJA)	Facilitate conducting awareness sessions, send notices to members on the AML/CFT requirements
Condominium Developers Association (CDASL)	Facilitate conducting awareness sessions, send notices to members on the AML/CFT requirements

De-listing Sri Lanka from the FATF Grey List

- With the continuous efforts extended by Sri Lanka in successfully accomplishing the ICRG Action Plan items, FATF has delisted Sri Lanka from “the Grey List” and the decision was taken at the FATF Plenary held during 13-18 October 2019 in Paris.
- FIU-SL continued its activities in strengthening the AML/CFT regime for DNFBPs in Sri Lanka by various avenues after de-listing from the Grey List to date.

Challenges in Developing the DNFBP Regulatory Net

- Non - existence of proper regulators as in the case of financial sector
- DNFBP sector/institutions being more informal
- The number of DNFBPs is large in any country
- DNFBPs are more focused on the business rather than the AML/CFT matters
- Lack of knowledge on AML/CFT matters of DNFBP regulators/SRBs, institutions
- Lack of expertise on AML/CFT Supervision of the FIU - SL
- Lack of resources to be devoted in the FIU - SL and DNFBP regulators/SRBs
- Difficulty in obtaining information with respect to DNFBPs
- Internal controls of the DNFBPs do not focus on the AML/CFT matters

Activities conducted during the COVID Pandemic

- Had **one to one discussions** with the registered DNFBPs with FIU - SL through the telephone on implementing control measures.
- An **interim** Offsite ML/TF Risk Assessment Questionnaire was sent to all DNFBPs in order to understand the impact on their business operations due to COVID-19 pandemic lockdown situation existed during March to May 2020 period.
- **Annual** Offsite ML/TF Risk Assessment Questionnaire was sent to all DNFBP sectors at the end of the 2020.
- FIU-SL conducted 02 awareness programmes for the Compliance Officers registered with the FIU-SL under the **real estate and gem and jewelry sectors** respectively during 2021.
- In addition, 01 Web Notice 01 Newspaper notice on AML/CFT compliance obligations was published.

Capacity Building for DNFBP Examiners during COVID Pandemic

- FIU-SL conducted a knowledge sharing session for FIU staff on the ‘Process of Registering Legal Persons and Legal Arrangements in Sri Lanka’ with the collaboration of the Registrar of Companies.
- The FIU-SL officers participated in a comprehensive training session on ‘Identifying, Assessing, and Managing AML/CFT Risks in the Casino Sector’ conducted by the ADB during 2020.
- In addition, the officers of the FIU-SL participated in several online programmes conducted by the SEACEN Centre and International Banking and Finance Institute (IBFI) during year 2020 to enhance knowledge on supervision of DNFBPs amidst COVID-19 pandemic and resultant technological advancements.

Way Forward

- Sending a **thematic questionnaire** to all DNFBPs to assess their understanding on the following areas;
 - Politically Exposed Persons (PEPs)
 - Suspicious Transaction Reports (STRs)
 - United Nations Security Council Resolutions (UNSCRs)
- Awareness and outreach to DNFBPs through:
 - **Audio broadcasting, press notices, web notices, brochures and other social media** for example by way of sending important communications to COs via WhatsApp group messages.
 - Continue workshops & training programmes with the support of CBSL regional offices, CBS, sector regulators and associations.
- Conducting the offsite ML/TF risk assessment for 05 DNFBP sectors during 2021 by sending Risk Assessment Questionnaires to build up 2022 risk-based supervision plan.

Way Forward Cont.

- Issuing the ‘Guidelines on AML/CFT Compliance Obligations for Lawyers, Notaries, Other Independent Legal Professionals and Trust and Company Service Providers’.
- Work collaboratively with the NGJA, CMA, Institute of Chartered Accountants of Sri Lanka (ICASL) and Registrar of Companies (ROC) to strengthen the AML/CFT regime for DNFBPs.
- Co-ordinating the actions in relation to establishment of regulatory bodies for both real estate and casino sectors.
- Continuing the activities intended to increase the number of reporting Institutions in DNFBP sectors.

THANK YOU