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BUSINESS

## Governor Central Bank emphasizes importance of real estate sector

### Highlights implementation of AML/CFT obligations

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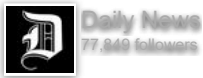
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Governor Central Bank, Dr. Nandalal Weerasinghe emphasized the importance of real estate sector and highlighted that the successful implementation of the AML/CFT obligations within the sector would ensure that Money Laundering and Terrorist Financing (ML/TF) risks in the sector are mitigated while fulfilling the obligations under international recommendations, governance and anti-corruption framework.

He stated that such efforts would further strengthen the AML/CFT framework of the country and invited the sector stakeholders to work closely with the FIU and with the Ministry of Urban Development and Housing towards this national endeavor.

He made these remarks at the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka organized awareness programme for the real estate sector on 'Anti-Money Laundering and Countering the



Financing of Terrorism (AML/CFT) Compliance Obligations and New Developments' in Colombo last week.

Several government officials and over 120 participants from the industry as well as officials from the Registrar General's Department, Colombo Land Registry, Condominium Developers' Association of Sri Lanka (CDASL), CMA, The Ceylon Chamber of Commerce and Urban Development Authority participated.

In his address, W.S. Sathananda Secretary to the Ministry of Urban Development and Housing, said that during the last two decades, the demand in Sri Lanka's real estate sector has increased rapidly and it is predicted that the slight set back in the demand for housing and property during recent times would return to normalcy within the next few years.

Accordingly, introducing a regulatory framework for the real estate sector would assist in better implementation of AML/CFT requirements by reducing the degree of vulnerability in the sector and further it would assist in improving the investor confidence thereby enhancing the attractiveness of the real estate sector for foreign direct investments.

Eng. R.H. Ruvinis Chairman of CIDA in his speech mentioned that the expected outcome of an introduction of a regulatory framework for the real estate sector is to ensure that a culture of accountability and transparency are being fostered, which will serve in achieving sustainable development and prosperity in the country.

Dr. Ayesh Ariyasinghe Additional Director of the FIU, explained that the real estate businesses are part of designated non-financial businesses and professions (DNFBPs), which have ML/TF reporting obligations under the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA). Furthermore, the ML/TF risk assessment of the country 2021/22 has confirmed the ML/TF risk exposure of the real estate sector as Medium-High, which is a combination of Medium-High threat level, and Medium level vulnerability of the sector.

He also highlighted that vulnerability of the sector has come down to Medium from its 2014 level of Medium-High due to measures adopted by the FIU since 2018 to address AML/CFT supervision for the registered real estate institutions.

Describing the FTRA provisions, he emphasized that the law covers real estate agents to come under the FIU's supervisory umbrella when they are involved in transactions for their clients in relation to the buying and selling of real estate.

The stakeholders were informed to ensure that the sector is ready to face the next mutual evaluation of Sri Lanka scheduled for March 2025.

During the discussion, there was a suggestion from the audience to request the Urban Development Authority or Ministry of Local Government to make it mandatory to register with CIDA prior to issuing development permits.

It was highlighted that the industry is struggling to grasp and comply with regulatory requirements and the FIU is planning to increase supervision and its efforts to support the industry to step up their level of compliance.

The FIU confirmed that a very few suspicious transaction reports have been submitted by the real estate institutions during the previous years. Further, the FIU has been lobbying to the government to set up a regulatory body for the sector in order to register the companies engaged in the real estate business so that their activities can be monitored more effectively.

The need to regulate the sector has been recognized by all stakeholders and given the highest priority; it is envisaged to establish a mechanism to register the institutions engaged in the real estate business with CIDA until a separate regulatory framework is established. This is indeed a welcome move by the industry. In order to bring the sector on par with other reporting entities, it is planned to conduct increased supervision expecting the sector to demonstrate functioning AML programmes.

The event was participated by over 120 participants from the industry as well as officials several government bodies.