

PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Issued By Financial Intelligence Unit

Date 26 June 2024

Administrative Penalties imposed by the Financial Intelligence Unit (FIU) on Financial Institutions from 01 January 2024 to 30 April 2024.

By virtue of the powers vested under Section 19(1) read together with section 19(2) of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA), financial penalties are imposed on Institutions for non-compliance with the provisions of the FTRA. The penalty may be prescribed taking into consideration the nature and gravity of relevant non-compliance of the Financial Institution.

Accordingly, as Sri Lanka's regulator for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), the FIU collected penalties as indicated below, amounting to Rs. 3 million in total from 01 January 2024 to 30 April 2024 to enforce compliance on Financial Institutions. The money collected as penalties were credited to the Consolidated Fund.

1. DFCC Bank PLC

Date of Imposition	:	07 March 2024
Amount	:	LKR 1,000,000.00 (Rupees One Million)
Date of Payment	:	26 March 2024

Reason for the imposition of the penalty:

The administrative penalty was imposed for the failure of the Bank to adhere to FTRA and Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) as follows;

- i. The Bank had failed to conduct adequate Customer Due Diligence (CDD) on an individual, including the requirement to obtain information on the source of funds/earnings as mandated by the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules), reiterated by Circular No: 04/21 for deposits made under the Finance Act, No. 18 of 2021. It was observed that the amount deposited to the account was inconsistent with the customer's anticipated

volumes from sources of income as stated in the account opening form.

- ii. The Bank had failed to provide an acceptable and a valid reason for opening an account for the said individual whose permanent address, as given in the account opening application, at a location far away from the branch where the account was opened.
- iii. The Bank had failed to recognize the suspicious activities related to the transactions of the individual and failed to file a Suspicious Transaction Report (STR).

2. Sampath Bank PLC

Date of Imposition : 28 March 2024

Amount : LKR 2,000,000.00 (Rupees Two Million)

Date of Payment : 24 April 2024

Reason for the imposition of the penalty:

The administrative penalty was imposed for the failure of the Bank to adhere to FTRA and CDD Rules as follows;

- i. The Bank created and maintained accounts where the account holder could not be identified. The business relationships of these customers could not be traced in the Core Banking System using identification data, such as National Identity Card numbers, as their information was not linked to these accounts.
- ii. The Bank had established a business relationship with a designated individual published in the Extraordinary Gazette No. 2124/32, dated May 23, 2019, under Regulation 4(7) of the United Nations Regulations, No. 1 of 2012 pursuant to United Nations Security Council Resolution (UNSCR) 1373.
- iii. The Bank had failed to freeze funds, financial assets or economic resources of designated persons under UNSCR 1373, without delay as per Regulation 5 of United Nations Regulation, No. 1 of 2012 and the Order published in the Extraordinary Gazette Notification No. 1863/25, dated May 22, 2014, by the Competent Authority.

- iv. The Bank had failed to inform the full particulars of the funds, other financial assets and economic resources held by the designated persons as stated above, to the FIU immediately, pursuant to the FIU/UNSCR-1373/Directives No. 1 issued to all Licensed Banks and Licensed Finance Companies by the FIU.