

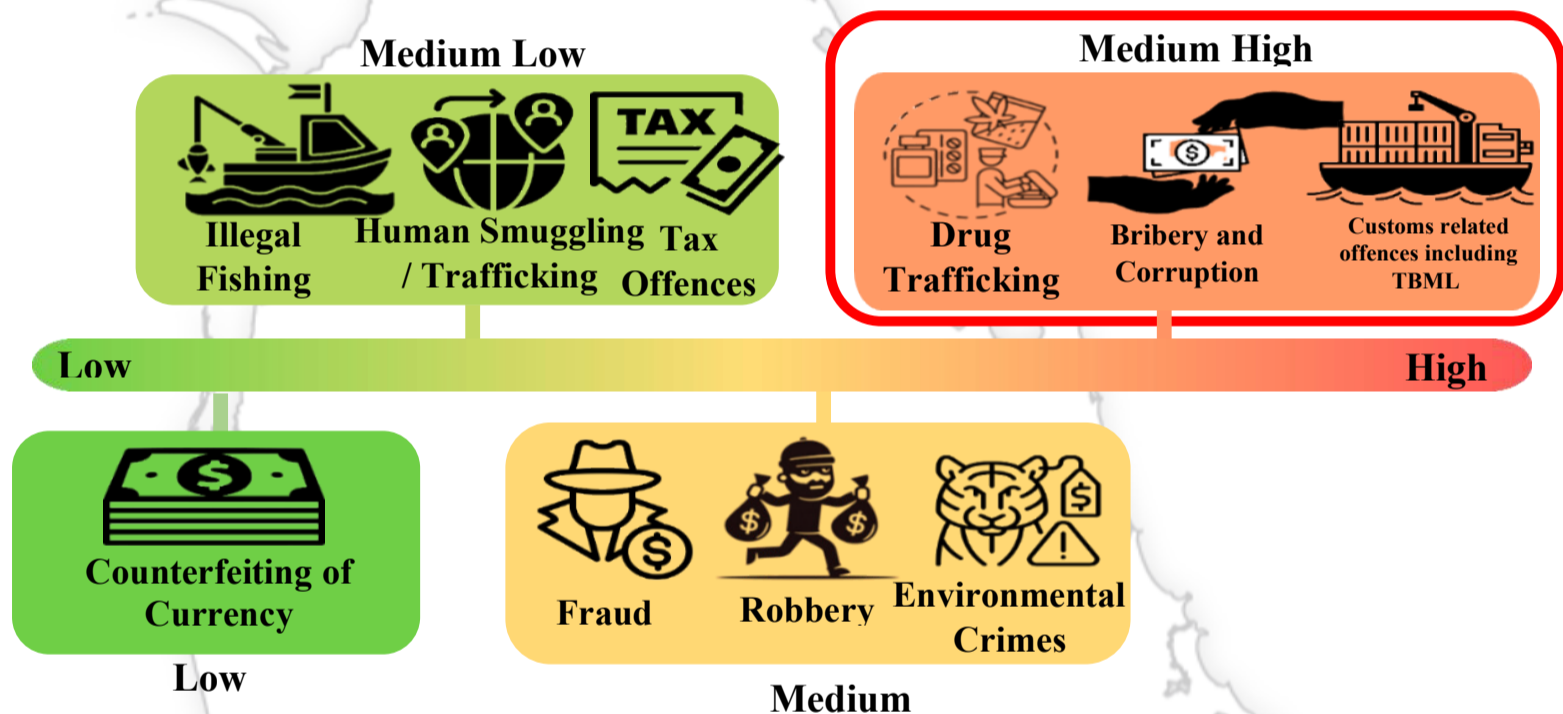
Money Laundering / Terrorist Financing (ML/TF) Risk Assessment for Sri Lanka 2021/22 (Banking Sector)

The Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (CBSL) together with 66 public and private sector stakeholders conducted the National Risk Assessment (NRA) to identify ML/TF Risk of the country. This is the second NRA conducted on Sri Lanka's AML/CFT framework since the first Assessment in 2014. The assessment was conducted considering the period from 2016-2022.

The assessment highlights the most significant ML/TF threats, vulnerabilities, and risks faced by Sri Lanka.

Highlights of the Risk Assessment

ML Threats in Sri Lanka

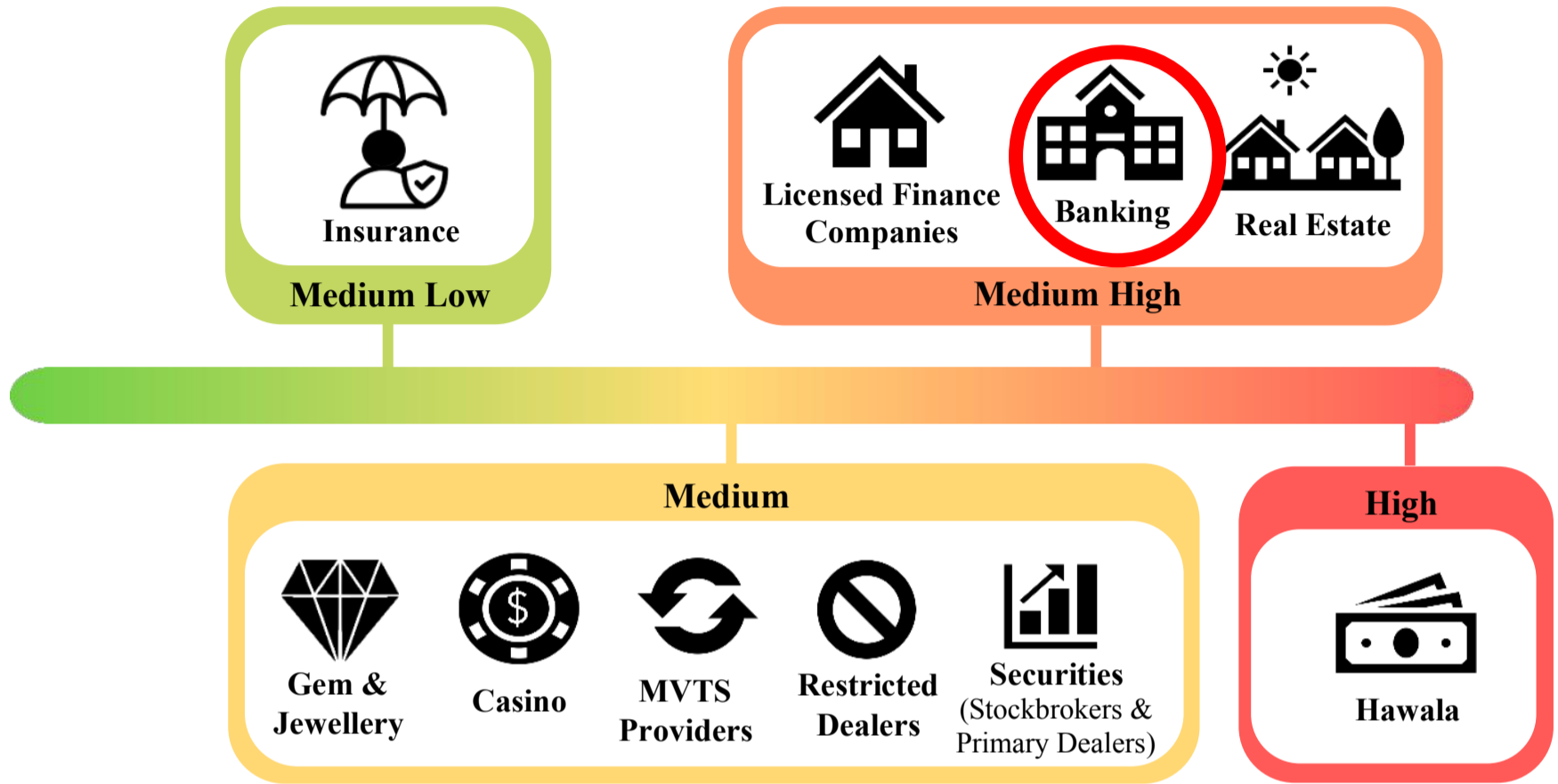


Overall ML/TF Risk of Sri Lanka

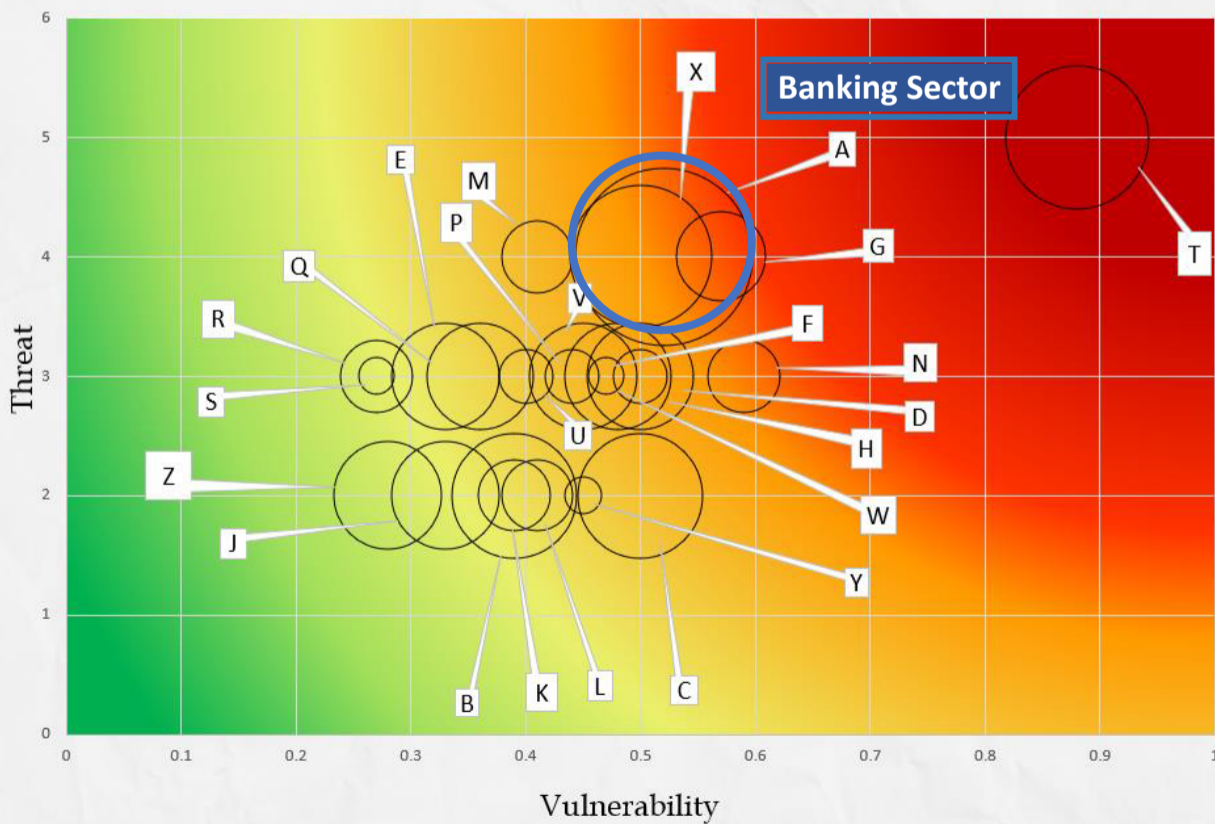
		Medium				
Overall Threat	H	M	M	MH	H	H
	MH	M	M	MH	MH	H
	M	ML	M	M	MH	MH
	ML	ML	ML	M	M	M
	L	L	ML	ML	M	M
		L	ML	M	MH	H
		Overall Vulnerability				

Highlights of ML/TF National Risk Assessment 2021/22

Sectoral Risk to Money Laundering



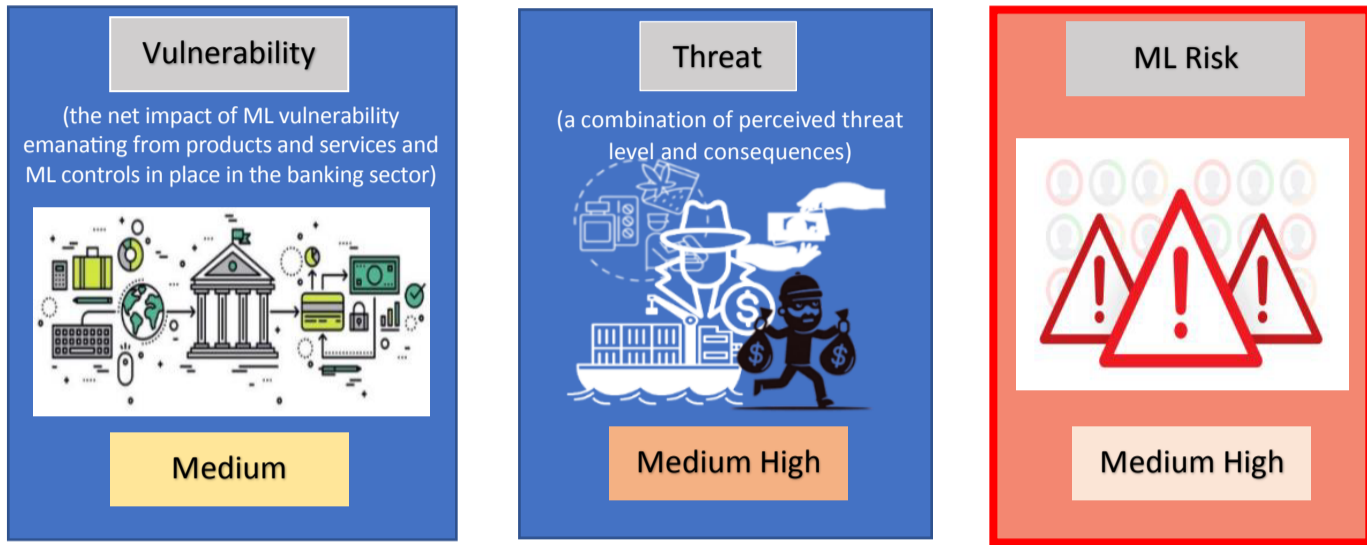
Sectoral Risk - Heat Map



- A - **Banking Sector**
- B - Insurance
- C - Stockbrokers
- D - Primary Dealers
- E - UTs and IMs
- F - Casino
- G - Real Estate
- H - Gem and Jewellery
- J - Accountants & Auditors
- K - TCSPs
- L - Lawyers
- M - NPs
- N - MVTs Providers
- P - RDs
- Q - SLCs
- R - CSs
- S - SBs
- T - Hawala
- U - IPBs
- V - IML
- W - EMS
- X - LFCs
- Y - UMIs
- Z - MFIs

Highlights of ML/TF National Risk Assessment 2021/22

Banking Sector Money Laundering Risk



Banking Sector Money Laundering Vulnerability



Actions for Reducing ML/TF Risk of the Banking Sector (through reducing Vulnerability):

■ Awareness on Outcomes of the NRA and National Policy on AML/CFT of Sri Lanka:

- Enhance awareness among the staff about NRA findings especially relating to the Banking Sector
- Make available the sanitised version of the NRA for easy access of staff. The sanitized version of the NRA report is available on the FIU website
(Link to the report https://www.fiusrilanka.gov.lk/NRA_Report_2021-22.html)
- Make Bank's Staff and Board of Directors aware of the "National Policy on AML/CFT of Sri Lanka 2023-2028"
(Link to the Policy document:
https://www.fiusrilanka.gov.lk/docs/Other/National_AML_CFT_Policy_2023-2028.pdf)

■ Level of Market Pressure to Meet AML Standards:

- Have mechanisms in place to comply with international AML standards to continue cross-border correspondent relationships
- Ensure Bank management is well aware about international and national ML/TF related reputational risks

■ Effectiveness of Compliance Function:

- Have internal compliance programmes that are commensurate to the level of ML/TF risk revealed in the NRA
- Provide adequate resources to carry out compliance function
- Take disciplinary actions against staff for breaches of the compliance policy
- Perform internal and/or external AML audits

■ AML Knowledge of Staff:

- Have procedures to increase AML/CFT knowledge of all appropriate staff members (awareness & training sessions, quiz programs, etc.)

■ Effectiveness of Suspicious Activity Monitoring and Reporting:

- Have information systems that enable and facilitate the monitoring of client transactions against their profiles
- Maintain transaction records in a format that facilitates AML screening and monitoring (electronic databases)
- Have effective systems for PEP screening
- Update transaction monitoring systems to identify and report STRs relating to ML/TF threats identified by the NRA (Drug Trafficking, Bribery & Corruption and Customs related offences including TBML) and other types of ML/TF related threats
- Ensure staff has a good understanding of the scope of their reporting obligations on suspicious transactions and activities

■ Integrity of Staff:

- Report any incidents of integrity failures relating to identification and reporting of suspicious transactions (e.g., tipping-off, non reporting of STRs and internal control failures) of staff to FIU
- Have mechanisms in place to protect staff against any negative consequences resulting from reporting STR or other compliance actions

Ensuring effective AML/CFT measures should not impede efforts to promote financial inclusion, as it's crucial to strike a balance between safeguarding against financial crimes and facilitating access to financial services for all individuals.