



Issued By Financial Intelligence Unit

Date 29 June 2022

Imposition/Collection of Administrative Penalties by the Financial Intelligence Unit (FIU) to Enforce Compliance on Financial Institutions during the Fourth Quarter of 2021

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. 1.5 million in total for the period from 1 October 2021 to 31 December 2021 to enforce compliance on Financial Institutions. The money collected as penalties were credited to the Consolidated Fund.

1. Orient Finance PLC

Date of Imposition: 14 September 2021

Amount: LKR 1,000,000.00 (Rupees one million)

Reason for the imposition of the penalty:

The administrative penalty was imposed for non-compliance with the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) in relation to procedures of United Nation's sanctions screening.

The FIU observed during the on-site examination that Orient Finance PLC had failed to implement systems and procedures to maintain the complete list of designated persons and entities under relevant United Nations Security Council Resolutions

(UNSCRs), screen its prospective customers at the time of onboarding as required by the CDD Rules and to screen the existing customer base or existing business relationships when any of the relevant UNSCR lists were updated in order to ensure that no business relationship was held by or linked to any of the entities or individuals included in the updated designated lists.

Although lapses in systems and procedures were observed, instances of business relationships with designated individuals or entities by Orient Finance PLC were not revealed during the on-site examination. Since then, Orient Finance PLC has taken action to rectify the identified deficiencies and significant improvement has been made on the implementation of a sanctions screening process in the company.

2. Lanka Credit and Business Finance Limited

Date of Imposition: 14 September 2021

Amount: LKR 500,000.00 (Rupees five hundred thousand)

Reason for the imposition of the penalty:

The administrative penalty was imposed for non-compliance with the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) in relation to procedures of United Nation's sanctions screening.

The FIU observed during the on-site examination that Lanka Credit and Business Finance Limited had failed to implement systems and procedures to maintain a complete list of persons and entities designated under the United Nations Regulations, No. 1 of 2012, to screen its prospective customers against UNSCR lists of designated persons or entities at the time of on-boarding and to screen the existing customer base or existing business relationships when any of the UNSCR lists are updated to ensure that no business relationship is held by or linked to any of the entities or individuals included in the updated designated lists as required by the CDD Rules.

Although lapses in systems and procedures were observed, instances of business relationships with designated individuals or entities by Lanka Credit and Business Finance Limited were not revealed during the on-site examination. Since then, Lanka Credit and Business Finance Limited has taken initiatives to rectify the identified deficiencies.