

FINANCIAL INTELLIGENCE UNIT ANNUAL REPORT 2019



FINANCIAL INTELLIGENCE UNIT OF SRI LANKA

ANNUAL REPORT 2019

Financial Intelligence Unit of Sri Lanka



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LIST OF ACRONYMS

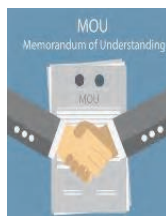
ADB	- Asian Development Bank
AML	- Anti-Money Laundering
APG	- Asia Pacific Group on Money Laundering
AP-JG	- Asia Pacific Joint Group
BIMSTEC	- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation
C	- Compliant
CA	- Competent Authority
CBS	- Center for Banking Studies
CBSL	- Central Bank of Sri Lanka
CDs	- Compact Disks
CDD	- Customer Due Diligence
CEO	- Chief Executive Officer
CFT	- Countering the Financing of Terrorism
CID	- Criminal Investigation Department
CMA	- Condominium Management Authority
CO	- Compliance Officer
CSTFA	- Convention on the Suppression of Terrorist Financing Act, No. 25 of 2006
CTID	- Counter Terrorism and Investigation Division
CTRs	- Cash Transactions Reports
DFE	- Department of Foreign Exchange
DNFBPs	- Designated Non-Finance Businesses and Professions
DPRK	- Democratic People's Republic of Korea
DSNBFI	- Department of Supervision of Non-Bank Financial Institutions
EFTs	- Electronic Fund Transfers
FATF	- Financial Action Task Force
FCID	- Financial Crimes Investigation Division
FIs	- Financial Institutions
FIU	- Financial Intelligence Unit
FIU-Sri Lanka	- Financial Intelligence Unit of Sri Lanka
FTRA	- Financial Transactions Reporting Act, No. 6 of 2006
ICs	- Insurance Companies
ICASL	- Institute of Chartered Accountants of Sri Lanka
ICRG	- International Co-operation Review Group
IMF	- International Monetary Fund
IRCSL	- Insurance Regulatory Commission of Sri Lanka
IRD	- Inland Revenue Department
ITD	- Information Technology Department of the CBSL
KYC	- Know Your Customer
LBs	- Licensed Banks
LC	- Largely Compliant

LCBs	- Licensed Commercial Banks
LEAs	- Law Enforcement Agencies
LFCs	- Licensed Finance Companies
LSBs	- Licensed Specialized Banks
MACMA	- Mutual Assistance in Criminal Matters Act, No. 25 of 2002
ME	- Mutual Evaluation
MER	- Mutual Evaluation Report
ML	- Money Laundering
MOD	- Ministry of Defence
MOU	- Memorandum of Understanding
MVTS	- Money or Value Transfer Services
NC	- Non-Compliant
NCB	- National Central Bureau
NCC	- National Coordinating Committee
NGJA	- National Gem and Jewellery Authority
NGOs	- Non-Governmental Organizations
NPOs	- Not-for-Profit Organizations
NRA	- National Risk Assessment
OTA	- Office of Technical Assistance
PC	- Partially Compliant
PEPs	- Politically Exposed Persons
PF-WMD	- Proliferation Financing of Weapons of Mass Destruction
PMLA	- Prevention of Money Laundering Act, No. 5 of 2006
RAs	- Regulatory Authorities
RAQ	- Risk Assessment Questionnaire
RBA	- Risk-Based Approach
RDs	- Restricted Dealers (formerly Authorized Money Changers)
RI	- Reporting Institutions
SBs	- Stock Brokers
SEC	- Securities and Exchange Commission of Sri Lanka
SGAML-CFT	- Sub-Group on Anti-Money Laundering and Combating the Financing of Terrorism
SIS	- State Intelligence Service
STRs	- Suspicious Transaction Reports
TA	- Technical Assistance
TF	- Terrorist Financing
TFS	- Targeted Financial Sanctions
UNCCT	- United Nations Counter-Terrorism Centre
UNOCT	- United Nations Office of Counter-Terrorism
UNODC	- United Nations Office on Drugs and Crime
UNSCRs	- United Nations Security Council Resolutions
USA	- United States of America
USD	- United States Dollars

YEAR 2019 AT A GLANCE...



Sri Lanka was
delisted from the
FATF Grey List



2 foreign MOUs and
3 domestic MOUs
were signed



4.8 mn CTRs



7.0 mn EFTs



FIU conducted
BIMSTEC SGAML-CFT
Workshop



2,804 STRs

STRs increased more than 100%



60 Onsite Examinations



303 Offsite Examinations



15 Follow-up Examinations

55

Awareness
Programmes



3,688

Participants



Sri Lanka's AML/CFT
compliance level was
upgraded

Issued

1 Rule

3 Guidelines

2 Circulars



Director, FIU-Sri Lanka was
appointed as the Asia
Pacific Regional
representative of the
Egmont Group

NATIONAL COORDINATING COMMITTEE CHAIRMAN'S MESSAGE



It is with great pleasure that I present the Annual Report of the Financial Intelligence Unit (FIU) of Sri Lanka for the year 2019 highlighting its key areas of performance of the FIU during the year with respect to efforts to counter money laundering (ML), financing terrorism (TF) and financing weapons of mass destruction (PF).

Combating financial crimes is a shared responsibility of institutions, competent authorities and the judiciary. Competent authorities include the FIU, Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) supervisors, law enforcement agencies and prosecutors. Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) are referred to as institutions. With rapid technological advancements, the world is becoming more connected, and financial transactions are becoming more complex day by day. Simultaneously, financial crimes are also becoming more complex, making it difficult for authorities to prevent, detect, disrupt ML, TF and PF threats and to deprive criminals from illicit proceeds and terrorists from resources. AML/CFT compliance is becoming more challenging. As such, better cooperation and coordination among agencies and greater shared responsibility among stakeholders are clearly warranted to meet higher global expectations on AML/CFT.

The FIU is the apex body engaged in combating ML, TF and PF in Sri Lanka. We celebrate the year 2019 for Sri Lanka's success in exiting the Financial Action Task Force (FATF) Grey List, subsequent to the completion of the given Action Plan, followed by an onsite visit of foreign evaluators. The FIU's commitment to fulfil action items giving leadership to relevant stakeholders was highly commended by the onsite team.

In the aftermath of the Easter Sunday attacks, the FIU received the highest number of suspicious transaction reports (STRs) ever, in 2019. Whilst attending to the analysis of STRs and dissemination of information to law enforcement agencies for further investigations, the FIU continued to strengthen the AML/CFT legal and regulatory framework of the country.

The FIU has initiated to upgrade its IT infrastructure by implementing goAML software system and enhanced its analytical and other skills of the FIU. These have immensely contributed to effective implementation of AML/CFT measures in the country. Being the central authority for AML/CFT supervision, the FIU together with other sectoral regulators, continued to ensure AML/CFT compliance by FIs and DNFBPs.

Prevailing economic and social conditions pose new threats, risks and vulnerabilities to the AML/CFT framework of any country. With the devastation created by the COVID-19 pandemic, currently, we have entered a more challenging and unprecedented era globally and domestically. There is a high tendency for criminals and terrorist financiers to be more active in misusing the financial system and misappropriating funds. Going forward, we need to take extra care and commitment to further improve our AML/CFT regime. As the Chairman of the AML/CFT National Coordinating Committee, I earnestly urge all stakeholders to work together to achieve that objective.

I wish every success to the FIU in all its future endeavors.

Deshamanya Prof. W D Lakshman

Governor of the Central Bank of Sri Lanka

Chairman of the AML/CFT National Coordinating Committee

DIRECTOR'S MESSAGE



The year 2019 was a very successful year in strengthening the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regime of the country. One remarkable achievement in this respect was successful efforts of getting Sri Lanka delisted from the Financial Action Task Force (FATF) Grey-listing and I would like to express my sincere gratitude to all the stakeholders in this success.

The main objective of the Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka) in 2019 was to complete the FATF action plan in order to delist Sri Lanka from the Grey List. Despite successful completion of the action plan with the support of all stakeholders, the scheduled on-site visit to Sri Lanka by the FATF had to be delayed till September 2019 due to the unexpected Easter Sunday attacks that occurred in April 2019. Our coordinated efforts were finally endorsed by the FATF in the Plenary held in October 2019 by delisting Sri Lanka from the FATF Grey List.

During 2019, the FIU-Sri Lanka made significant efforts in increasing operational efficiencies. The launch phase of the operationalization of goAML is a landmark achievement in terms of the effectiveness of the operational activities of the FIU-Sri Lanka. On the operational side, the FIU-Sri Lanka continued to receive Cash Transaction Reports (CTRs) and Electronic Fund Transfers (EFTs -Inwards and outwards) exceeding the threshold of Rs. 1.0 million or its equivalent in foreign currencies and Suspicious Transaction Reports (STRs) from reporting institutions. During the year, 4.8 million CTRs and 7.0 million EFTs were reported by reporting institutions. The number of STRs received during the year increased significantly to 2,804 compared to 1,022 in 2018 mainly due to incidents related to the Easter Sunday attacks. The effective awareness campaign, risk-based supervision of financial institutions as well as the Designated Non-Finance Businesses and Professions (DNFBPs) by the FIU-Sri Lanka were other contributory factors to the increased number of STRs. The FIU- Sri Lanka disseminated 1,474 STRs to law enforcement agencies and regulatory authorities for further investigations after the initial analysis. In response to the continuously increasing volume of reports, the FIU-Sri Lanka is continually focusing on improving efficiency through

innovations in its operational aspects. We are always monitoring the compliance levels of reporting institutions to identify and act against non-compliances in order to generate high quality meaningful and actionable intelligence for us as well as law enforcement agencies.

The FIU-Sri Lanka signed five new Memoranda of Understanding (MOUs) during 2019. Two of the signed MOUs are with other counterpart FIUs which include the Financial Intelligence Unit of Maldives and the Financial Analysis and Supervision Unit of Papua New Guinea. Another MOU was signed with INTERPOL National Central Bureau for Sri Lanka in order to enhance the quality of analysis of the FIU work. Two other MOUs were signed with the National Gem and Jewellery Authority and the Condominium Management Authority to enhance the risk-based regulatory framework of the DNFBP sector.

Strengthening the risk-based supervision in financial institutions and DNFBPs was another important task performed during the year. The FIU-Sri Lanka conducted 39 risk-based onsite examinations in financial institutions and 36 examinations of DNFBPs which covered different sectors. Awareness is the key to our success in strengthening the AML/CFT regime in the country, especially in the DNFBP sector. We conducted 55 awareness/training programmes during the year, accommodating 3,688 participants from the financial sector as well as the DNFBP sector.

Sharing of financial intelligence with our counterparts was an important part of our process/activities. During the year, the FIU-Sri Lanka shared information on 40 occasions with foreign counterparts, while on 58 occasions the FIU-Sri Lanka sought assistance from members of the Egmont Group to carry out investigations and collaborated with member countries to gather intelligence on their investigations.

I believe that the coming year 2020 will be challenging to the work of FIU-Sri Lanka as well as to the other regulators as a result of the evolving technology of the financial markets through innovation. I hope to continue the strengthened AML/CFT regime of the country in accordance with international standards and best practices while increasing enforcement actions to streamline the level of compliance of reporting institutions. The FIU-Sri Lanka will also increase the available opportunities to work more closely with our stakeholders in order to strengthen the AML/CFT regime of the country as assured to the FATF onsite team at the time Sri Lanka exited from the FATF Grey List. In addition to domestic cooperation, we also expect to expand our international relationships with more international counterparts and agencies to support global initiatives of AML/CFT. I look forward to leading this prestigious agency towards achieving our goals.

D M Rupasinghe

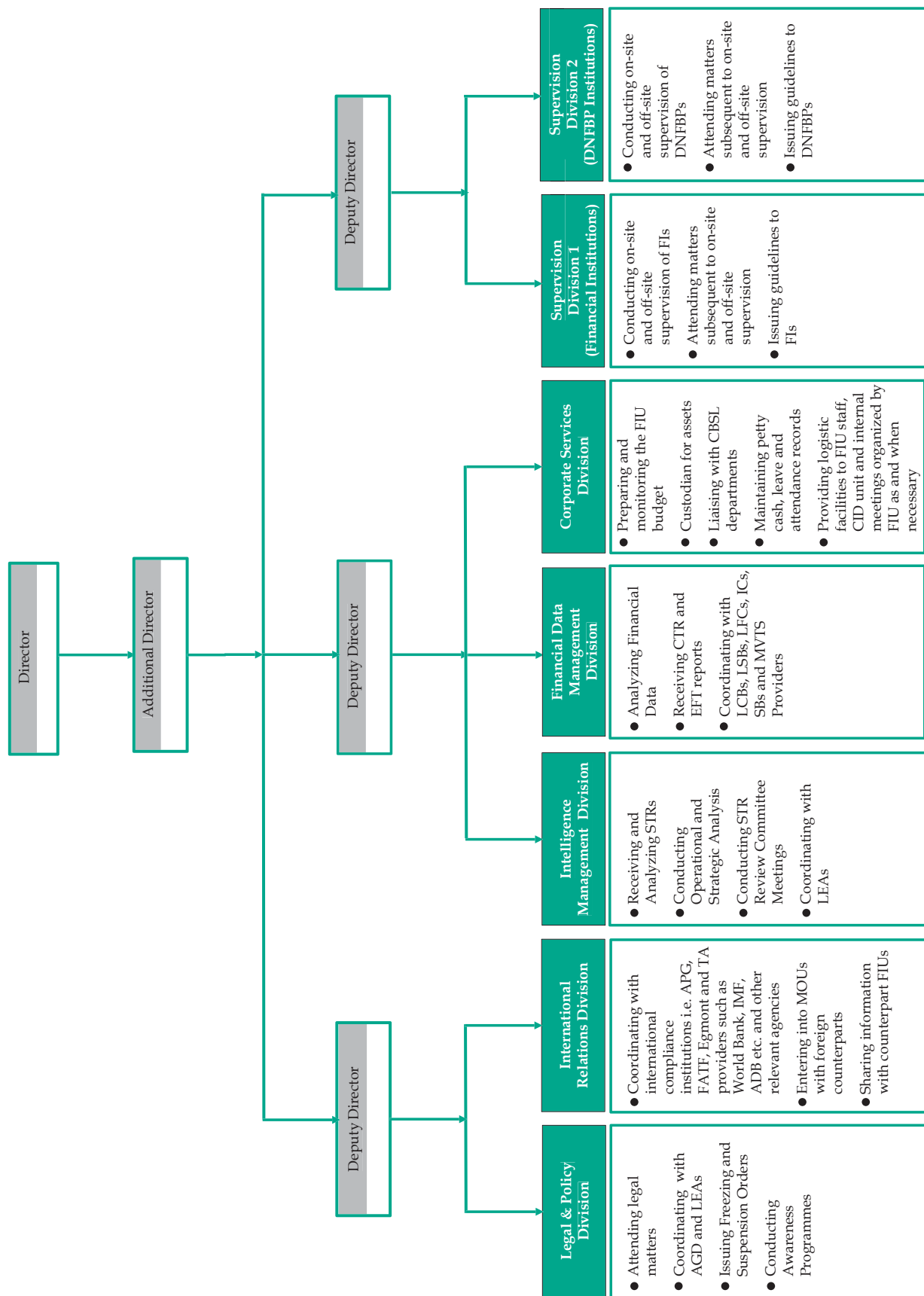
Director

Financial Intelligence Unit of Sri Lanka



FIU-Sri Lanka Staff

FUNCTIONAL ORGANIZATIONAL CHART OF THE FIU-SRI LANKA



VISION, MISSION, AND STRATEGIC GOALS

VISION

To be the trusted and respected single agency with commitment to excellence in establishing the framework for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) in Sri Lanka.

MISSION

To administer, effectively, the provisions of the Financial Transactions Reporting Act, No.6 of 2006 (FTRA) by facilitating the prevention, detection, investigation and prosecution of the offences related to Money Laundering and Terrorist Financing (ML/TF).

STRATEGIC GOALS

Strengthening the AML/CFT measures in Sri Lanka in line with international practices.

Strengthening the co-operation with relevant international and domestic institutions to combat ML/TF.

The Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka) is the national agency for the receipt and analysis of Suspicious Transaction Reports (STRs) and threshold-based reports relevant to Money Laundering (ML), associated predicate offences and Terrorist Financing (TF) from Institutions, i.e., any person or body of persons engaged in or carrying out any finance business or designated non-finance business, as defined in the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA). As in the previous years, during 2019, the dissemination of the findings of STRs in a timely manner to relevant Law Enforcement Agencies (LEAs) and Regulatory Authorities (RAs) for necessary action has been one of the core activities of the FIU-Sri Lanka.

1.1 Collection of Information

In terms of Sections 6 and 7 of the FTRA, Reporting Institutions (RIs) are required to submit three types of mandatory reports to the FIU-Sri Lanka on the following. Section 15(1) of the FTRA empowers the FIU-Sri Lanka to receive such reports.

- 1) Cash Transactions
- 2) Electronic Fund Transfers (EFTs)
- 3) Suspicious Transactions

Currently, Institutions engaging in finance business as well as the designated non-finance businesses are required to submit these mandatory reports to the FIU-Sri Lanka.

In addition to the above Institutions, LEAs, RAs, and the general public also submit information relating to any suspicion on ML/TF to the FIU-Sri Lanka.

1.1.1 Cash Transactions Reports and Electronic Fund Transfers

Section 6 of the FTRA requires every Institution to report cash transactions and EFTs exceeding a reporting threshold. Currently, the threshold amount is Rs. 1 million or its equivalent in any foreign currency as prescribed by the Minister of Finance in the Extraordinary Gazette No. 1555/9, dated June 25 2008.

At present, Licensed Banks (LBs), Licensed Finance Companies (LFCs), Stock Brokers (SBs), Insurance Companies (ICs) and Money or Value Transfer Services (MVTs) providers submit Cash Transaction Reports (CTRs) and EFTs through LankaFIN, a secured online reporting mechanism.

1.1.2 Suspicious Transactions Reports

In term of Section 7 of the FTRA, an Institution needs to submit an STR when,

- it has reasonable grounds to suspect that any transaction or attempted transaction may be related to a commission of any unlawful activity or any other criminal offence.
- it has information that it suspects may be relevant to an act preparatory to an offence under the provisions of the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2006 (CSTFA).
- it has information that it suspects may be relevant to an investigation or prosecution of a person or persons for an act constituting an unlawful activity.
- it has information that it suspects may be of assistance in the enforcement of the Prevention of Money Laundering Act, No. 5 of 2006 (PMLA) and CSTFA.

The Institution is required to report its suspicion to the FIU-Sri Lanka by submitting an STR as soon as practicable, after forming the suspicion or receiving the information, but no later than two working days therefrom through the Compliance Officer (CO).

Currently, LBs, LFCs, SBs, ICs, and MVTs providers use LankaFIN to submit STRs online to the FIU-Sri Lanka. Further, other Institutions including Designated Non-Finance Businesses and Professions (DNFBPs) also submit written STRs to the FIU-Sri Lanka.

Further, in terms of Section 5 of the PMLA, any person who knows or has reason to believe from information or other matter obtained by him in the course of any trade, profession, business or employment carried on by such person, that any property has been derived or realized from any unlawful activity, the person should disclose his knowledge or belief as soon as is practicable to the FIU-Sri Lanka.

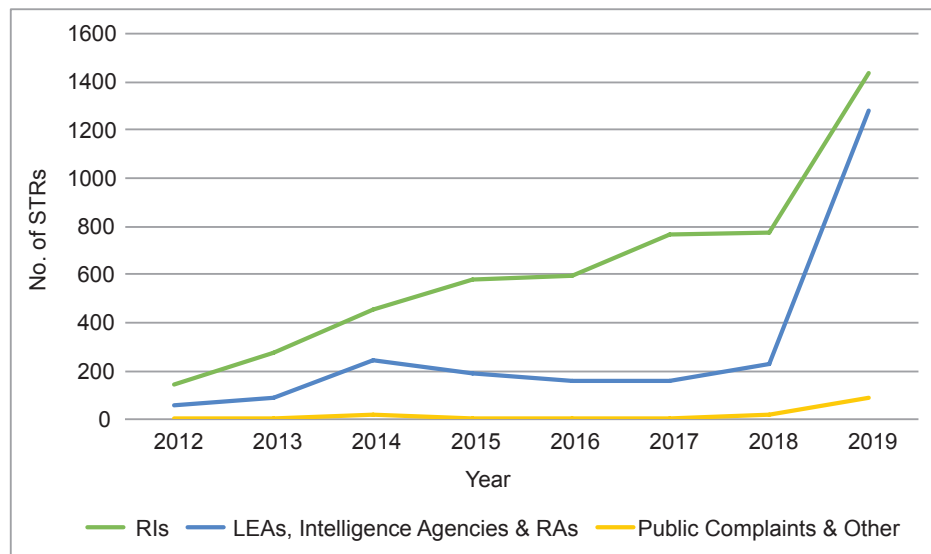
Table 1.1
STRs Reported by Stakeholders

Category	2012	2013	2014	2015	2016	2017	2018	2019
RIs	144	272	452	583	595	766	775	1,434
LEAs, Intelligence Agencies & RAs	56	88	247	193	161	157	227	1,281
Public Complaints & Other	3	6	19	7	3	2	20	89
Total	203	366	718	783	759	925	1,022	2,804

Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

As shown in Table 1.1 above, total STRs reported to the FIU-Sri Lanka during 2019 increased to 2,804 from 1,022 in 2018 following the notable increase of the submission of STRs from RIs as well as LEAs in 2019 (refer Figure 1.1 below). This was mainly as a result of the Easter Sunday Attacks.

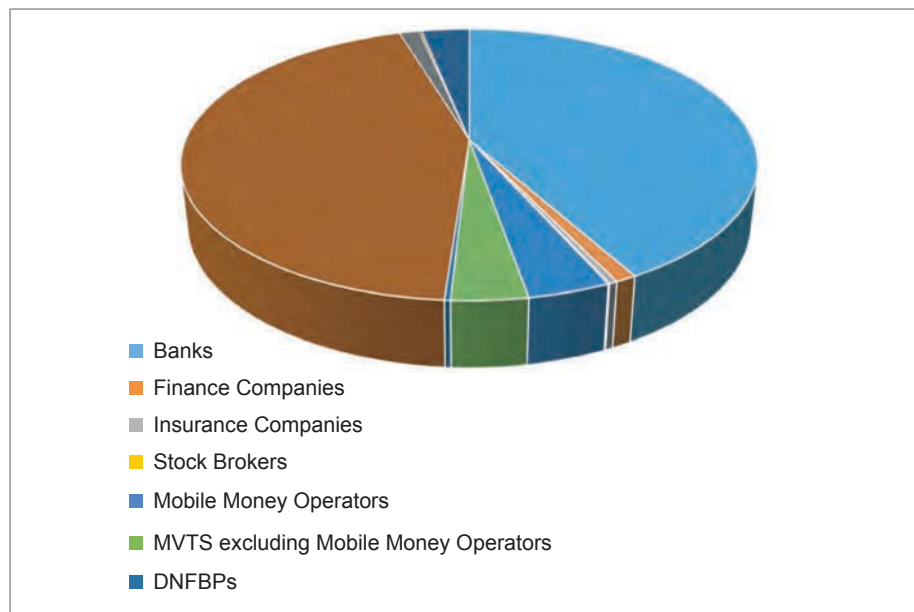
Figure 1.1
STRs Reported by Stakeholders



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

1.1.3 Analysis of Trends and Patterns of STRs Received

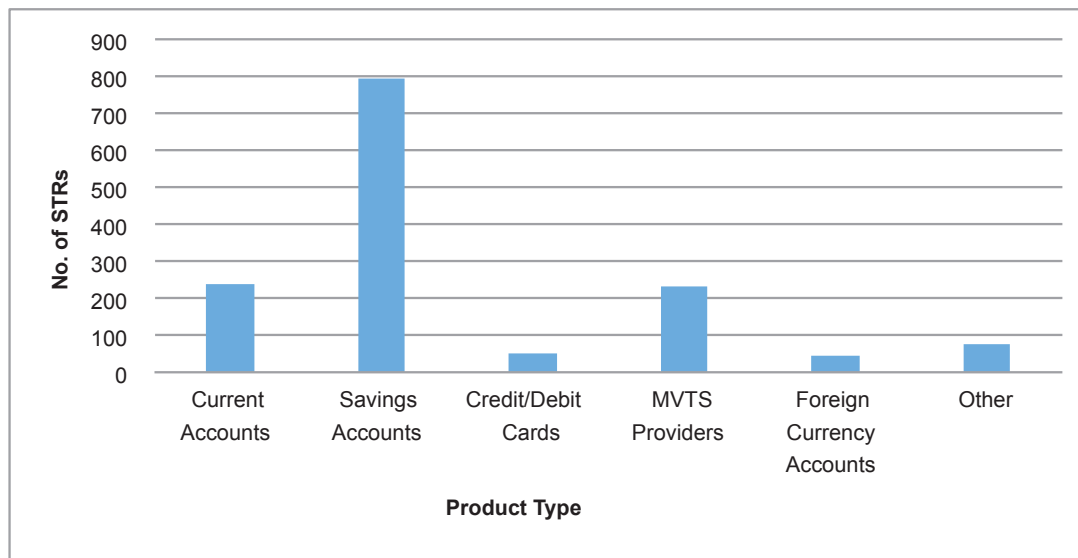
Figure 1.2
STRs Breakup by RI Type



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

Figure 1.2 indicates that a majority of STRs have been reported by LEAs and LBs which constitute 44 per cent and 42 per cent, respectively.

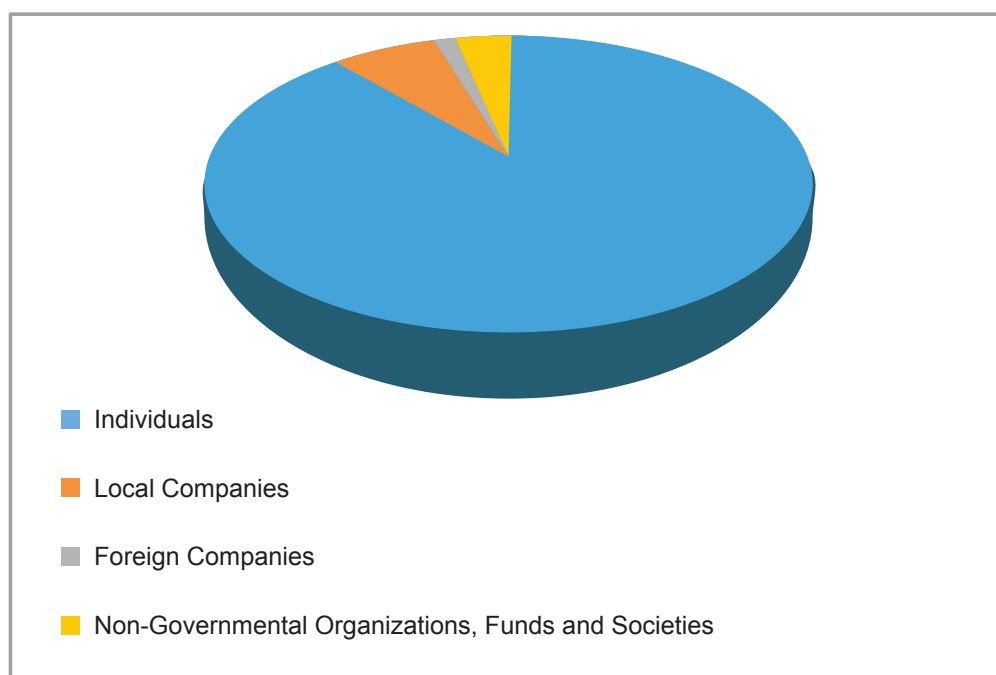
Figure 1.3
STRs by Product Type



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

As shown in Figure 1.3 above, the majority of STRs received during 2019 were related to transactions executed through savings accounts. STRs carried out through MVTs providers and current accounts were also relatively high. STRs reported on the use of credit/debit cards and foreign currency accounts were comparatively low. The other category includes STRs involving fixed deposits, pay orders, safety deposit lockers, etc.

Figure 1.4
STRs by Customer Type

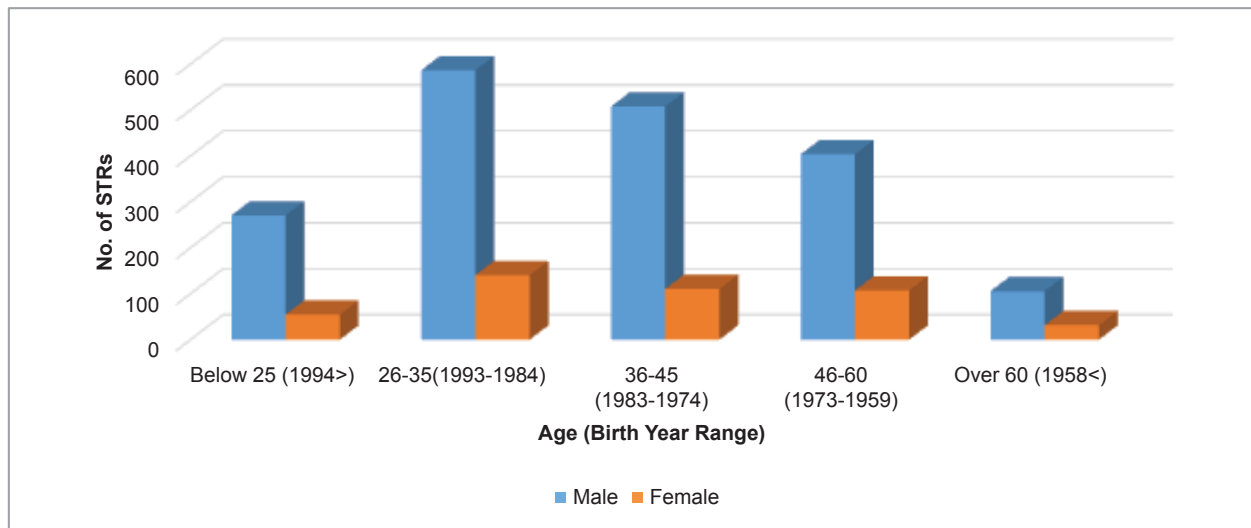


Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

Figure 1.4 shows that financial transactions carried out by individuals (89 per cent) continued to be the major component of the STRs reported during the year 2019. This was followed by STRs reported on local companies and Non-Governmental Organisations (NGOs), funds and societies while STRs reported on foreign companies remained the lowest.

Figure 1.5

Age and Gender Wise Analysis of STRs on Individuals



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

As shown in Figure 1.5, a gender-wise analysis of STRs on individuals shows that the involvement of males in suspicious financial activities is higher than the involvement of females. Out of the total STRs reported on males and females, the majority are in the age category of 26 to 35 years.

1.2 Analysis of Information

The FIU-Sri Lanka performs a preliminary analysis of the STRs received from RIs. Initially, information included in the reported STRs along with CTRs and EFTs reported in the LankaFIN database is used to obtain a basic overview of the suspicion of the transactions and to decide on the depth of the analysis the FIU needs to undertake. In addition, all STRs received by the FIU-Sri Lanka are initially assessed at the Internal STR Review Committee chaired by the Additional Director of the FIU-Sri Lanka with the participation of relevant FIU-Sri Lanka officials.

Thereafter, if further analysis seems necessary, an operational analysis is performed by calling for further information from RIs, RAs and other relevant government agencies such as Sri Lanka Customs, Department of Immigration & Emigration, Registrar of Companies, NGO Secretariat, Department of Registration of Persons, etc. Assistance from foreign counterpart FIUs is also sought, where necessary.

Apart from the operational analysis, a strategic analysis process on STRs is performed by identifying transaction patterns and trends through the analysis of STRs, CTRs and EFTs reported in the LankaFIN database in a holistic manner.

As shown in Table 1.2 below, the number of STRs reported regarding ML continued an increasing trend in 2019 as a result of the increasing trends in drug dealing, frauds, cheating, bribery, etc. Further, the number of STRs on TF recorded its highest ever number (969 STRs) during the last eight-year period due to the Easter Sunday Attacks.

Table 1.2
Composition of STRs

	2012	2013	2014	2015	2016	2017	2018	2019
No. of STRs on TF	20	7	53	19	43	58	116	969
No. of STRs on ML	183	359	665	764	716	867	906	1,835
Total	203	366	718	783	759	925	1,022	2,804

Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

1.3 Dissemination of Information

After preliminary investigations based on operational and strategic analyses, an analysis report is prepared for the case and submitted to the STR Review Committee headed by the Director of the FIU-Sri Lanka, along with senior official(s) representing the Attorney General's Department and relevant officials of the FIU-Sri Lanka. The analyses of STRs and related information are disseminated to relevant LEAs and/or RAs for further investigation or regulatory actions based on the decisions made by the STR Review Committee. The said committee may decide not to disseminate certain STRs in the event where the specific STRs do not warrant further investigation by LEAs or RAs.

A summary of STRs disseminated from 2012 to 2019 is given in Table 1.3 below.

Table 1.3
Dissemination of STRs

	2012	2013	2014	2015	2016	2017	2018	2019
LEAs	48	55	183	330	342	295	256	1,465
RAs	8	18	6	95	94	134	61	9

Source: Financial Intelligence Unit-Sri Lanka

A significant improvement of the dissemination of STRs was noted in 2019 as the FIU-Sri Lanka disseminated 1,465 STRs to relevant LEAs. The majority of the STRs referred to LEAs during 2019 were on the Easter Sunday Attacks. Further, a considerable number of STRs relating to suspected scams were referred to LEAs for further investigations. The majority of STRs referred to RAs are on possible violations of the Foreign Exchange Act, No. 12 of 2017.

1.4 Suspension, Confiscation and Convictions Relating to ML/TF

1.4.1 Suspension of Funds

As set out in Section 15(2) of the FTRA, the FIU-Sri Lanka is authorized to suspend transactions or attempted transactions or any other transaction in respect of the funds affected by that

transaction or attempted transaction, which is suspected of relating to unlawful activities, in order to facilitate further investigations. Accordingly, the FIU-Sri Lanka has issued such suspensions on 30 individuals and 10 entities in respect of funds amounting to LKR 10.6 mn and USD 0.7 mn during the year 2019.

1.4.2 ML Convictions & Prosecutions

By the end of 2019, four ML convictions were reported since the 1st ML conviction reported in 2014. Table 1.5 below provides a summary of ML prosecutions and convictions achieved so far.

Table 1.4
List of ML Prosecutions and Convictions

	2015	2016	2017	2018	2019
ML Prosecutions	2	2	4	4	7
ML Convictions	1	1	-	1	-
ML Charges relating to convictions	Payment Card Fraud (Section 3(2) of the PMLA)	Drug Trafficking (Section 3(1) of the PMLA)	-	Payment Card Fraud (Section 3(2) of the PMLA)	-
Value Confiscated	USD 31,300	Rs. 29,000,000	-	Rs. 1,224,000	-
Sentence	Imprisonment & fine of 3 times of value confiscated	20-year Imprisonment & fine of 3 times of value confiscated	-	Confiscation & fines of Rs. 8 mn imposed	-

DOMESTIC AND INTERNATIONAL COOPERATION

Sharing of financial intelligence among government authorities and institutions that are stakeholders of investigations is vital in facilitating the investigations and prosecutions of persons suspected of committing and participating in ML/TF related activities. Furthermore, intelligence sharing with foreign FIUs is a key aspect of combating illicit activities that have cross border links and networks. The FIU-Sri Lanka played a leading role in this mutually beneficial information sharing mechanism in 2019.

2.1 Domestic Cooperation

2.1.1 Law Enforcement Agencies

The FIU-Sri Lanka performs the role of receiving financial information relating to ML/TF including STRs, analyzing and disseminating analytic results to the stakeholders, including LEAs and RAs where necessary. These LEAs include Sri Lanka Police (Criminal Investigation Department - CID, Counter Terrorism and Investigation Division - CTID, State Intelligence Service - SIS), Sri Lanka Customs, Ministry of Defence (MOD) etc. The information provided by the FIU-Sri Lanka facilitates LEAs to carry out their investigations on predicate offenses and ML/TF activities, and it also provides the basis for the prosecution of persons where necessary.

Table 2.1

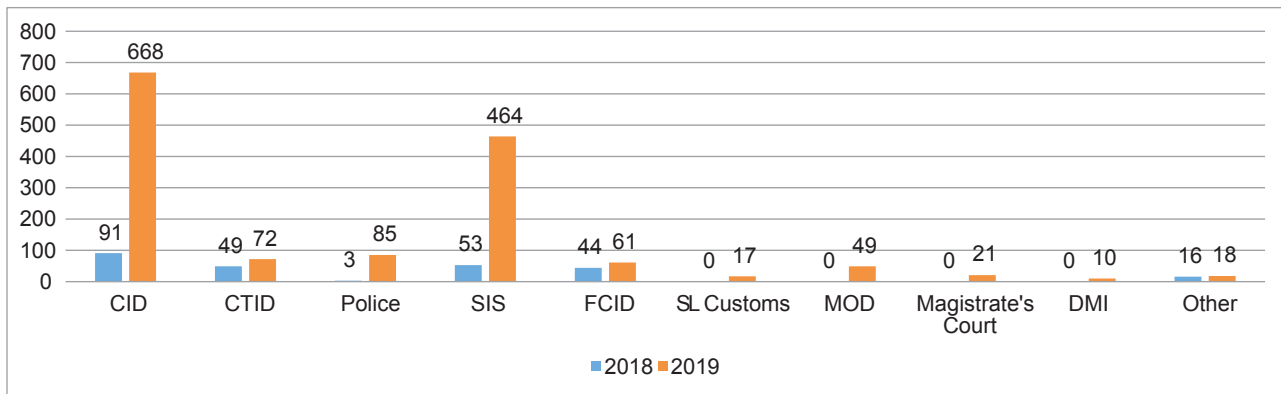
STRs Referred to LEAs from 2015 to 2019

	2015	2016	2017	2018	2019
ML	307	264	187	167	929
TF	23	78	98	89	536
Total	330	342	285	256	1,465

Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

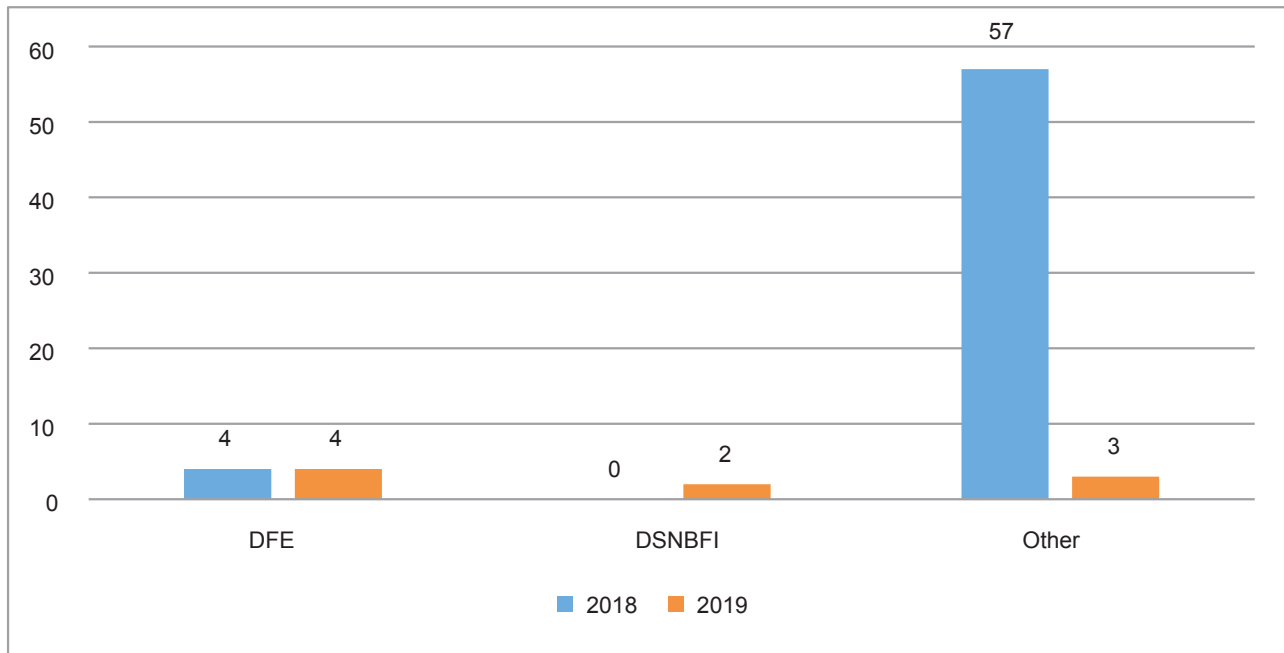
2019 was recognized as the year with the highest number of STR submissions as well as the highest number of information disseminated. As per the above table (Table 2.1), the FIU-Sri Lanka disseminated 1,465 STRs to the relevant LEAs in total in 2019. The FIU-Sri Lanka disseminated 929 STRs on ML and 536 STRs on TF, while recording notable improvements in dissemination of STRs to the LEAs in respect of both ML and TF compared to 2018. Most of the STRs on TF were mainly referred to the SIS and CID.

Figure 2.1
STRs Referred to LEAs



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

Figure 2.2
STRs Referred to RAs



Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

2.1.2 Regulatory Authorities

During 2019, the FIU-Sri Lanka referred nine STRs to RAs such as Department of Supervision of Non-Bank Financial Institutions (DSNBFI) and Department of Foreign Exchange (DFE) of the Central Bank of Sri Lanka (CBSL), Registrar General's Department and Securities and Exchange Commission of Sri Lanka (SEC) for further investigations. The majority of the STRs referred to the DFE were on the suspicion of the violation of foreign exchange regulations.

2.1.3 Memoranda of Understanding with Domestic Agencies

In terms of Section 15 (1) (r) of the FTRA, the FIU-Sri Lanka is vested with the legal authority to enter into a Memorandum of Understanding (MOU) with any government institution or agency with respect to the exchange of information. Accordingly, during 2019, the FIU-Sri Lanka entered into MOUs with the Condominium Management Authority (CMA) and the National Gem and Jewellery Authority (NGJA) on August 28, 2019 with the objectives of outlining the process for providing information and defining the nature of the support that the FIU-Sri Lanka expects from the CMA and NGJA in ensuring effective implementation of AML/CFT legal obligations for condominium developers and licensed gem and jewellery dealers in Sri Lanka, respectively.

Further, on October 11, 2019 the FIU-Sri Lanka entered into an agreement with INTERPOL National Central Bureau for Sri Lanka (NCB Colombo) to obtain direct access to the INTERPOL Information System. The main objective of the agreement with INTERPOL is to share information to facilitate the FIU-Sri Lanka analysis process.

Accordingly, the total number of MOUs signed with domestic agencies by the FIU-Sri Lanka has increased to 11 as at end 2019.

Table 2.2
MOUs with Domestic Agencies as at December 31, 2019

	Domestic Agency	Date of Signing
1	Sri Lanka Customs	May 14, 2010
2	Department of Immigration and Emigration	September 27, 2016
3	Inland Revenue Department	October 19, 2016
4	Department for Registration of Persons	January 11, 2017
5	Sri Lanka Police	December 13, 2017
6	Securities and Exchange Commission of Sri Lanka	June 19, 2018
7	Insurance Regulatory Commission of Sri Lanka	August 01, 2018
8	Department of Motor Traffic	November 01, 2018
9	Condominium Management Authority	August 28, 2019
10	National Gem and Jewellery Authority	August 28, 2019
11	INTERPOL National Central Bureau for Sri Lanka	October 11, 2019

Source: Financial Intelligence Unit-Sri Lanka

2.1.4 Other Forms of Domestic Cooperation

The FIU-Sri Lanka assisted several stakeholders by providing advice on legislative amendment processes relating to AML/CFT aspects. Accordingly, the FIU-Sri Lanka was involved in the amendments to the Mutual Assistance in Criminal Matters Act, No. 25 of 2002 (MACMA) and its respective regulations, amendments to the Trust Ordinance and its respective regulations, and amendments to the Companies Act, No. 7 of 2007.

Further, the FIU-Sri Lanka assisted the Secretary of Defence, who is the Competent Authority (CA) appointed for the implementation of United Nations Security Council Resolutions (UNSCRs), by coordinating technical assistance with the Department of Home Affairs of Australia. Under this, the CA was assisted in the development of necessary directives for the implementation of UNSCR 2231 on Iran, updating the CA website, development of Standard Operating Procedures for the Office of CA, and stakeholder training. The FIU-Sri Lanka is also a permanent member of the Targeted Financial Sanctions (TFS) Committee headed by the Secretary of Defence, which is the primary mechanism for inter-agency coordination for the effective implementation of UNSCRs in Sri Lanka.

2.2 International Cooperation

2.2.1 Exchange of Information with Counterpart FIUs

ML/TF offences are global in nature. Therefore, a country needs to have a comprehensive structure that facilitates information sharing among counterpart FIUs. In terms of Sections 15(1)(q), 16 and 17 of the FTRA, the FIU-Sri Lanka is empowered to cooperate with foreign institutions and agencies for the investigation or prosecution of ML/TF.

During the year 2019, the FIU-Sri Lanka made 58 requests to Egmont Group member FIUs to share information related to on-going investigations. At the same time, the FIU-Sri Lanka responded to 40 requests from various counterpart FIUs, including FIUs of the United Kingdom, Norway, the United States of America (USA), India and Singapore to share information. Some counterpart FIUs facilitated certain investigations of LEAs of Sri Lanka by providing the necessary information.

Table 2.3 below shows the information requests made and information requests received by the FIU-Sri Lanka from 2015 to 2019.

Table 2.3

Sharing of Information with Foreign Counterpart FIUs

	2015	2016	2017	2018	2019
Requests Received	13	27	50	24	40
Requests Made	19	36	54	70	58

Source: Financial Intelligence Unit-Sri Lanka

2.2.2 Memoranda of Understanding with Counterpart FIUs

MOUs set out the terms and conditions under which financial intelligence and other financial information are shared among FIUs. A typical MOU identifies the parties, the type of information eligible for information sharing, the limits on the use of any shared information, and restrictions on re-dissemination of shared information.

Figure 2.3

MOUs with Foreign Counterpart FIUs as at December 31, 2019

2008 - 2009	2010	2011 - 2012	2013 - 2015	2016 - 2018
Malaysia	India	Fiji	Japan	Panama
Afghanistan	Australia	Canada	Lebanon	Ukraine
Republic of Korea	Belgium	Slovenia	Costa Rica	Israel
Indonesia	Soloman Island	USA	Denmark	Singapore
Nepal	Bangladesh	Mongolia	Albania	Thailand
Philippines	South Africa	Russia	Peru	Bhutan
Cambodia		Saudi Arabia	Myanmar	Trinidad & Tobago
			Kyrgyz Republic	China
				Qatar

2019	Financial Analysis and Supervision Unit of Papua New Guinea FIU of Maldives
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Source: Financial Intelligence Unit-Sri Lanka

In terms of Sections 16 and 17 of the FTRA, the FIU-Sri Lanka can enter into agreements for the exchange of information regularly with any institution or agency of a foreign state with the approval of the Minister of Finance. Accordingly, the MOUs signed by the FIU-Sri Lanka with foreign counterparts as at December 31, 2019 are as follows:

2.2.3 The Asia Pacific Group on Money Laundering (APG)

The APG is an inter-governmental organization, consisting of 41 member jurisdictions, focused on ensuring that its members effectively implement the international standards against ML/TF and proliferation financing related to weapons of mass destruction. Sri Lanka has been a member of the APG since its establishment in 1997.

The FIU-Sri Lanka officers together with other key stakeholders participate in the APG Plenary and Technical Assistance (TA) Sessions, the main forum where discussions take place concerning compliance of APG members, governance issues, Mutual Evaluation Report (MER) follow-up reports, typologies report and TA for members. The 22nd APG Plenary and TA Sessions were held in Canberra, Australia in August 2019. Over 500 delegates from 42 member and observer jurisdictions and 13 international organizations attended the 2019 annual meeting. The 4th follow-up Mutual Evaluation (ME) report on Sri Lanka was discussed and adopted during the Plenary discussions.

2.2.4 Egmont Group

FIUs access information available in foreign financial systems through their foreign counterparts. This system of cooperation is often supported by a network of FIUs, known as the Egmont Group.

The Egmont Group was created with the goal of overcoming the obstacles to international cooperation and to help address information sharing among counterpart FIUs.

The Egmont Group is a united body of 164 FIUs. It provides a platform for the secure exchange of expertise and financial intelligence to combat ML/TF. The FIU-Sri Lanka has been a member of the Egmont Group since May 26, 2009 and continues to share financial intelligence with its foreign counterparts effectively. The officials of the FIU-Sri Lanka have been actively participating in the Annual Plenary and various working group meetings of the Egmont Group since 2009. Accordingly, the officials of the FIU-Sri Lanka participated in the Egmont Working Group Meetings held in Indonesia in January 2019 and the Egmont Plenary Meeting held in Netherlands in July 2019.

Every two years two senior officers from FIUs in the region are appointed to represent the Asia & Pacific region in the Egmont Group. Mr. D M Rupasinghe, Director, FIU-Sri Lanka was appointed as the Asia & Pacific Regional representative of the Egmont Group at the 26th Egmont Group Plenary Meeting held at the Hague, Netherlands during July 1-5, 2019.

2.2.5 The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC)

BIMSTEC was established as an interregional grouping in June 1997 to promote free trade within the region, increase cross-border investment and tourism, and promote technical cooperation. Its seven-country membership comprises Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand. There are a number of areas of cooperation among BIMSTEC members and the FIU-Sri Lanka is a member of the BIMSTEC Sub-Group on Anti-Money Laundering and Combating the Financing of Terrorism (SGAML-CFT) under the Counterterrorism and Transnational Crime area.

The FIU-Sri Lanka successfully conducted the BIMSTEC SGAML-CFT Workshop on “Experience in Countering Terrorism and TF through Case Studies” at Galdari Hotel, Colombo during November 27-29, 2019 with the participation of 40 delegates from BIMSTEC member countries. The workshop provided an opportunity to share Sri Lanka’s experience in Countering Terrorism and TF with other members of the BIMSTEC.

2.2.6 Financial Action Task Force (FATF)

The FATF is an inter-governmental body established in 1989 with the objectives of setting standards and promoting effective implementation of legal, regulatory and operational measures for combating ML/TF and other related threats to the integrity of the international financial system. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. The FATF monitors the progress of its members in implementing necessary measures, reviews ML/TF techniques and countermeasures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF

works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

The FATF Plenaries for the year 2019 were held in February, June and October 2019. A team of officials representing Sri Lanka led by the Governor/Deputy Governor of the CBSL attended the Plenaries held in February and October 2019 respectively, with a view to present the progress achieved by Sri Lanka in implementing the FATF Action Plan.

Outcomes of both APG and FATF Plenaries are discussed in detail under the Chapter 7 on “Post APG Mutual Evaluation and ICRG Review on Sri Lanka”.

2.3 Technical Assistance through International Cooperation

During the year 2019, the FIU-Sri Lanka received TA from several international donors and counterpart FIUs as a part of its efforts to strengthen the AML/CFT framework in Sri Lanka.

2.3.1 International Monetary Fund (IMF) TA Project

In 2016, the FIU-Sri Lanka made a request for TA from the Legal Department of the IMF to advise and assist in the further development of Sri Lanka’s AML/CFT framework. The request was mainly based on the recommendations made in the 2014/15 MER and focused on three main areas: risk-based AML/CFT supervision, development of the capacity of FIU analysts, and support in the legislative amendment process. The IMF accepted Sri Lanka’s request for TA and carried out a scoping mission to Sri Lanka during October 2016 led by a team of experts from the Financial Integrity Group of the IMF Legal Department headed by Senior Counsel Ms. Cecilia Marian.

Subsequent to the scoping mission, the IMF expert team conducted two TA missions each year totaling six TA missions to Sri Lanka during the period of 2017-2019. The expert team consisted of Ms. Cecilia Marian, Senior Counsel (Mission Chief), Mr. Patrick O’Sullivan, Senior Financial Sector Expert, Mr. Clive Scott, Regional AML/CFT Adviser and Mr. Andrew Milford, AML/CFT Supervisory Consultant.

The expert team conducted parallel sessions during each of their visits under Supervisory Working Group (for Financial Institutions (FIs) and DNFBPs), FIU Working Group and Legal Drafting Working Group. They also conducted sessions on risk-based supervision for supervisory officers of the SEC and Insurance Regulatory Commission of Sri Lanka (IRCSL). They also conducted separate sessions for DNFBP sectors; real estate dealers and accountants, on their AML/CFT responsibilities. These missions also assisted FIU-Sri Lanka in reviewing draft amendments to the FTRA, Companies Act, No. 7 of 2007 and various Guidelines issued for the FIs and DNFBPs. The TA received from the IMF experts assisted Sri Lanka in the implementation of the FATF Action Plan, especially relating to Immediate Outcome 3 on AML/CFT supervision.

2.3.2 US Department of Treasury

Mr. Kevin Whelan, Advisor from the Office of Technical Assistance (OTA) Economic Crimes Team of the US Department of Treasury, has been employed as the FIU-Sri Lanka's Resident Consultant since May 2017. He provides his expertise mainly in areas of improving the information technology infrastructure of the LankaFIN system, drafting and reviewing of Guidelines such as identification of beneficial ownership, STR reporting, Politically Exposed Persons (PEPs), etc., while assisting in improving the analytical capabilities of the FIU-Sri Lanka and offering expert advice in the areas of mapping AML/CFT legal obligations alongside improving information technological requirements. Mr. Whelan also conducted several awareness sessions for the CBSL Monetary Board, officers of FIs/DNFBPs and law enforcement officers on the identification and use of beneficial ownership information.

2.3.3 Asian Development Bank (ADB)

On the request of FIU-Sri Lanka, the ADB, sponsored Mr. Pekka Asikainen, an expert from Finland FIU, for a two-week consultation mission on the configuration of the goAML application. The mission immensely benefited the FIU-Sri Lanka in its process of achieving full implementation of the goAML application successfully.

2.3.4 The FIU of Maldives' Study Visit to Sri Lanka

The FIU-Sri Lanka hosted a team of officials from the FIU of Maldives for a four-day study visit during December 2-5, 2019. The study visit mainly focused on sharing experiences of AML/CFT risk-based supervision of FIs and DNFBPs, analysis of suspicious transactions, ML/TF investigation framework and use of financial intelligence. The team also had discussions to share Sri Lankan experiences of ME and National Risk Assessment (NRA) on ML/TF.

3.1 Supervision of Financial Institutions

3.1.1 Legal Background of AML/CFT Supervision of Financial Institutions

In terms of Section 15(1)(e) read with Section 18 of the FTRA, the FIU-Sri Lanka has the authority to verify institutional compliance with the requirements set out in the FTRA. Sections 15 and 18 of the FTRA empower the FIU-Sri Lanka to conduct onsite and offsite supervision to ensure that the FIs such as LBs, LFCs, SBs, ICs, MVTs providers and Restricted Dealers (RDs) comply with such Rules, Regulations, Directions and Guidelines issued under the FTRA. The supervisory authorities of these FIs are also empowered by Section 23(a) of the FTRA, to verify, through regular examination, whether institutions comply with provisions of the Act and, if at any instance, identified non-compliances are required to be reported to the FIU-Sri Lanka.

3.1.2 Risk-Based Supervision

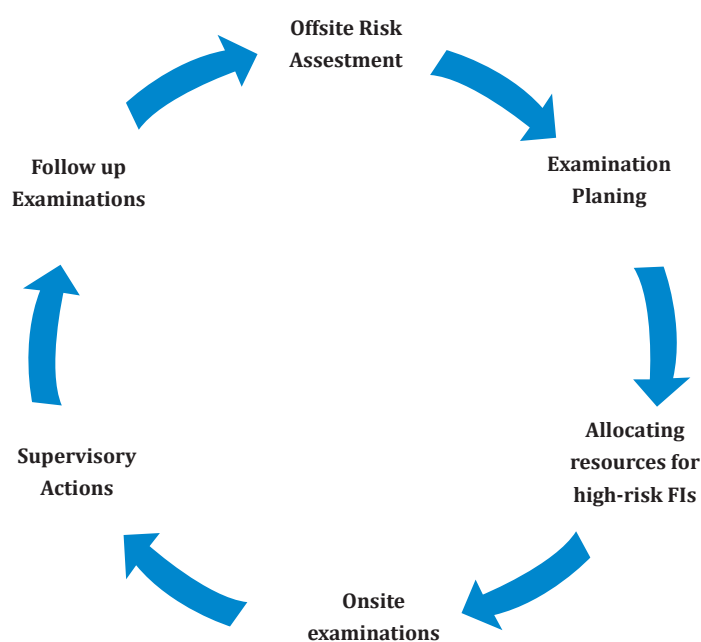
The risk-based supervisory process plays a major role in allocating resources efficiently on high-risk areas. The FIU-Sri Lanka has implemented a Risk-Based Approach (RBA) for AML/CFT supervision of the financial sector since 2017. ML/TF risk assessment is the initial step of effective risk-based supervision. The FIU-Sri Lanka conducts the ML/TF risk assessment for individual institutions of banking and finance company sectors, while the SEC and IRCSL conduct risk assessments of the securities and insurance sectors, respectively. Based on the results of ML/TF risk assessments, a risk-based examination plan is prepared.

Table 3.1
Risk-Based Examination Cycle

Risk Category	Frequency of Examinations
High risk	Annually
Medium Risk	Once in two years
Low Risk	Once in three years

Source: Financial Intelligence Unit-Sri Lanka

Figure 3.1
Process of Risk- Based Supervision



Source: Financial Intelligence Unit-Sri Lanka

3.1.3 Offsite Risk Assessment

The offsite risk assessment is the starting point of identifying ML/TF risk of individual FIs, and the FIU-Sri Lanka evaluates the risk-mitigating measures taken by the FIs with regard to their exposed ML/TF risk.

The inherent risk of the FI is evaluated in terms of structural factors and the business risk. Size of the FI, its corporate structure and group structure are considered as major components of structural factors. Customers, products and services, delivery channels and geographic locations of operations are considered as the main factors of business risk.

Risk mitigates and controls are evaluated using seven variables namely, corporate governance, policies and procedures, risk management, internal controls, compliance function, training and reporting in terms of the provisions of the FTRA. In overall risk assessment, inherent risk is given 60% weight while risk mitigates are given 40% weight.

Table 3.2
Structural Weights of the Offsite Tool

Risk Factor	Main Category Weight (%)	Total Weight (%)
(A) Inherent Risk		60
Structural Factors	25	15
Business Risk	75	45
(B) Risk Mitigations		40
Corporate Governance	25	10

Policies and Procedures	10	4
Risk Management	20	8
Internal Controls	15	6
Compliance Function	15	6
Training	5	2
Reporting	10	4
Total Weight		100

Source: Financial Intelligence Unit-Sri Lanka

Figure 3.2
Sources of Inherent Risk



Source: Financial Intelligence Unit-Sri Lanka

Figure 3.3
Risk Mitigating and Controlling Variables



Source: Financial Intelligence Unit-Sri Lanka

3.1.4 Onsite Supervision

Based on the results of the ML/TF offsite risk assessment, an annual risk-based examination plan for each sector is prepared and resources are allocated accordingly. A risk-based supervision plan for the banking and finance company sectors is prepared and onsite supervision is conducted by the FIU-Sri Lanka. Supervision plans of securities and insurance sectors are prepared by SEC and IRCSL, respectively. The FIU-Sri Lanka provides resource/technical assistance for onsite visits of SBs and ICs, if requested, to conduct joint-supervision.

Once the resources are allocated according to the onsite examination plan, onsite examinations are conducted based on the identified high-risk areas of the FIs. However, TFS and identification of beneficial ownership are included in each examination, in addition to the identified high-risk areas by the FATF. Areas such as systems and controls in place for transaction monitoring, PEPs, Not-for-Profit Organizations (NPOs), wire transfers, non-face-to-face customers, processing transactions with high-risk jurisdictions, etc. are aspects the FATF has identified as high-risk in their standards.

Once an examination is completed, a comprehensive report including the scope and examination findings is submitted to the Director, FIU-Sri Lanka with recommended actions for the deficiencies. The FIU-Sri Lanka takes two kinds of actions regarding the findings of onsite examinations. If the deficiencies are not significant and they do not breach the provisions of the FTRA, the FIU-Sri Lanka communicates the observations to the Chief Executive Officer (CEO) of the particular FI requesting him to take action to rectify the deficiencies with immediate effect or within a stipulated time frame. If the deficiencies are significant and involved instances of non-compliance with the provisions of the FTRA, the FIU-Sri Lanka issues a show-cause letter requesting the CEO to explain the reasons as to why the institution has failed to comply with the provisions of FTRA. If the response is not satisfactory, the FIU-Sri Lanka will take action in terms of Section 19 of the FTRA.

Table 3.3
No. of Onsite Examinations Conducted During 2017-2019

	2017	2018	2019
Licensed Commercial Banks (LCBs)	05	13	13
Licensed Specialized Banks (LSBs)	-	02	03
LFCs	16	04	11
MVTS providers	-	-	01
Total	21	19	28

Source: Financial Intelligence Unit-Sri Lanka

At the completion of the onsite examination for each FI, examiners have to compare results of offsite assessment with the onsite examination and update the risk of the institution as a continuous process.

Further, as the second stage after the initial examination, FIU-Sri Lanka conducts follow up onsite examinations to evaluate the progress made by the FI. If the FI has not been taken acceptable measures to meet the recommended actions of the initial examination, FIU-Sri Lanka will decide whether the FI needs to be strictly warned or take an action in terms of Section 19 of the FTRA. The FIU-Sri Lanka started this follow-up examination procedure in 2019.

Table 3.4
No. of Follow-up Examinations Conducted During 2019

Type of FI	2019
LCBs	2
LSBs	2
Total	4

Source: Financial Intelligence Unit-Sri Lanka

The strength of the AML/CFT onsite supervision was increased in 2019 as the FI Supervision Division was allocated with 03 new staff officers to strengthen the risk-based supervision of FIs. Further, the FIU-Sri Lanka continued joint supervision for the securities and insurance sectors with the increasing number of examinations in each sector in the year 2019 when compared to 2018.

Table 3.5
Joint Supervisions with SEC and IRCSL

Joint Supervision With	2018	2019
SEC	1	4
IRCSL	1	3

Source: Financial Intelligence Unit-Sri Lanka

3.1.5 Offsite Assessment done by the FIU-Sri Lanka in 2019

Offsite risk assessment is carried out by the FIU-Sri Lanka for the banking and finance company sectors on an annual basis to develop the onsite supervisory plan for the next year. The risk assessment tool which was developed in 2017 by the IMF team was further improved by the FIU-Sri Lanka during their 2019 visit to enhance the quality of the risk assessments. The relevant information required for the tool was collected through an AML/CFT questionnaire and the data collection form. Further, the FIU-Sri Lanka improved the AML/CFT data collection form and the AML/CFT questionnaire to be convenient and compatible with the improved risk assessment tool.

Accordingly, for the year 2019, the FIU-Sri Lanka disseminated the AML/CFT Questionnaire in October 2019, to collect data to complete the offsite risk assessment for all LBs and LFCs with a deadline in November 2019.

Table 3.6
No. of Offsite Examinations Conducted During 2017-2019

Year	No. of Offsite Examinations
2017	78
2018	75
2019	70

Source: Financial Intelligence Unit-Sri Lanka

The reason for the reduction of offsite examinations is due to closures of business operations, mergers with other institutions and cancellation of licenses issued by the CBSL.

3.1.6 Consolidated Supervision

Supervision of Financial Groups is one of the main activities that need to be carried out in order to enhance the effectiveness of the AML/CFT systems according to Immediate Outcome 3.

Therefore, during the last IMF Mission in 2019, the FIU-Sri Lanka was able to develop similar individual tools for offsite risk assessment of the banking, finance company, securities and insurance sectors. This will facilitate the use of a specific tool which was developed by the IMF team for the consolidated supervision of financial groups, for risk assessment and risk-based planning.

As both the securities and insurance sectors have completed their risk assessments using the recently developed tool and having the experience to use the same, FIU-Sri Lanka wishes to identify the financial groups and initiate consolidated supervision in 2020.

3.1.7 Supervisory Actions

FATF Recommendations 26, 27, 34 and 35 are mainly focused on implementing the provisions effectively in order to improve the overall AML/CFT framework of FIs and the overall supervisory effectiveness of the country.

After an onsite examination, the FIU-Sri Lanka provides feedback to the respective institutions through a letter with further improvements of the AML/CFT controls and measures of the FI or imposes proportionate and dissuasive sanctions against FIs who fail to comply with AML/CFT requirements.

Moreover, the FIU-Sri Lanka organizes follow-up onsite meetings with the top management when the examiners suppose that the management needs to be more aware of the deficiencies identified in that particular FI.

Table 3.7
Letters Issued for FIs During 2018-2019

Actions Taken	2018	2019
Warning Letters	15	29
Follow-up Warning Letters	-	03
Show Cause Letters	07	07
Penalty Letters	06	03

Source: Financial Intelligence Unit-Sri Lanka

Table 3.8
Details of Financial Penalties Imposed During 2018

Type of Institution	Violation	Amount (Rs.)
LFC	Section 2 of the FTRA and Customer Due Diligence (CDD) Rules for FIs	4,000,000.00
LCB	Section 2 of the FTRA and CDD Rules for FIs	1,000,000.00
MVTS Provider	Section 7 of the FTRA	500,000.00
LCB	Section 7 of the FTRA	1,000,000.00
LCB	Section 7 of the FTRA	1,500,000.00
LCB	Rule 95 of the CDD Rules for FIs	500,000.00
Total		8,500,000.00

Source: Financial Intelligence Unit-Sri Lanka

Table 3.9
Details of Financial Penalties Imposed During 2019

Type of Institution	Failure to comply with	Penalty (Rs.)
LCB	Rule 47 (c), Rule 59 (b) and Rule 95 of the CDD Rule for FIs	3,000,000.00
LCB	Section 6 of the FTRA	1,000,000.00
LFC	Rule 95 of the CDD Rule for FIs	1,000,000.00
Total		5,000,000.00

Source: Financial Intelligence Unit-Sri Lanka

After onsite visits, meetings are conducted with key management personnel of FIs to discuss their way forward and readiness to implement corrective measures given.

Table 3.10
Details of the Follow-up Meetings with FIs During 2019

Date of Meeting	Type of FI
18.12.2018	LCB
16.01.2019	LSB
23.01.2019	LCB
29.01.2019	LCB
30.01.2019	LCB
14.02.2019	LCB
27.02.2019	LCB
25.07.2019	LFC

Source: Financial Intelligence Unit-Sri Lanka

“Enhanced risk-based supervision of FIs and taking prompt and dissuasive enforcement action against non-compliance” was one of the key action items in the FATF action plan to Sri Lanka. Accordingly, carrying out risk-based supervision and imposition of dissuasive sanctions of FIs greatly assisted in delisting Sri Lanka from the list of countries with AML/CFT deficiencies.

3.2 Supervision of Designated Non-Finance Businesses and Professions

3.2.1 Introduction

As per Section 33 of the FTRA, DNFBPs are also included in the definition of “Institutions” and therefore, are required to comply with the provisions of the FTRA. Currently, the following businesses and professions are considered as DNFBPs in Sri Lanka:

- Casinos
- Real Estate Agents
- Dealers in Precious Metals and Precious and Semi-Precious Stones (Gem and Jewellery Dealers)
- Lawyers, Notaries and Other Independent Legal professionals
- Accountants
- Trusts and Company Service Providers

The FIU-Sri Lanka began monitoring DNFBPs with the issuance of CDD Rules for DNFBPs at the beginning of January 2018. However, for a year until the beginning of 2019, the FIU-Sri Lanka continued its efforts in strengthening the AML/CFT regime for the DNFBP sector, especially the three prioritized higher-risk areas i.e. casinos, real estate agents, gem and jewellery dealers, with the assistance of various stakeholders to outreach relevant DNFBPs. While achieving a remarkable progress on above efforts, the FIU-Sri Lanka commenced risk-based AML/CFT supervision from the beginning of 2019, making the year a significant milestone.

During 2019, along with risk-based AML/CFT supervision, the FIU-Sri Lanka continuously carried out various outreach programmes for diverse groups of DNFBP stakeholders, with the objective of enhancing awareness of AML/CFT compliance obligations for the DNFBPs in Sri Lanka.

Further, the year 2019 was challenging as the FIU-Sri Lanka had to complete the action plan assigned by the ICRG in order to be delisted from the FATF Grey List. Supervision of DNFBPs was given special priority as it was one of the areas to be addressed within the given time bound action plan by the ICRG. The time bound action plan consisted of following two key actions relating to DNFBPs:

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

While facing numerous hardships, the FIU-Sri Lanka was able to successfully complete the above action items within an extremely shorter time period which supported enormously the ultimate result of delisting Sri Lanka from the Grey List subsequent to the onsite visit conducted by the ICRG in September 2019.

More importantly, the remarkable progress achieved by the FIU-Sri Lanka within a short time period in implementing a robust AML/CFT framework for DNFBPs was highlighted and appreciated by many countries and the global AML/CFT community. Implementation of its first risk-based AML/CFT supervision as per the 'Annual Risk-Based Supervision Plan' for DNFBPs was one of the most remarkable achievements in 2019.

3.2.2 Supervision of DNFBPs

From January 2019, the FIU-Sri Lanka undertakes AML/CFT supervision of DNFBPs in terms of Sections 15 and 18 of the FTRA for the three prioritized DNFBP sectors under the RBA. The supervision process of DNFBPs constitutes with the offsite ML/TF risk assessment, risk-based onsite examinations, spot examinations and follow-up examinations.

a) Risk-Based Onsite Examinations

Moving in line with the 'Annual Risk-Based Supervision Plan' which was developed based on the offsite ML/TF risk assessment conducted in November 2018, the FIU-Sri Lanka conducted 36 risk-based onsite examinations in 2019. This included 11 follow-up examinations which were conducted to ensure that the deficiencies identified at the progress review visits and onsite examinations conducted respectively in 2018 and 2019, had been rectified by the DNFBPs. In order to further strengthen the AML/CFT supervision of the gem and jewellery sector, onsite examinations of gem and jewellery dealers were conducted jointly with the NGJA.

The FIU-Sri Lanka examined the institutional inherent ML/TF risk as well as the ML/TF risk mitigating measures adopted by the Institutions during the onsite examinations while assigning more importance to areas such as ML/TF risk assessment, AML/CFT policies and procedures, identifying suspicious transactions, conducting CDD, and TFS.

Details of the onsite examinations and follow-up examinations conducted during 2019 are depicted in Table 3.11 below:

Table 3.11
Details of the Onsite Examinations and Follow-up Examinations
Conducted During 2019

Sector	Onsite Examinations	Follow-up Examinations
Casino	03	-
Real Estate	06	05
Gem and Jewellery	16	06
Total Examinations	25	11

Source: Financial Intelligence Unit-Sri Lanka

In addition to the above examinations, one spot examination was conducted by the FIU-Sri Lanka during the year 2019.

b) Offsite ML/ TF Risk Assessment

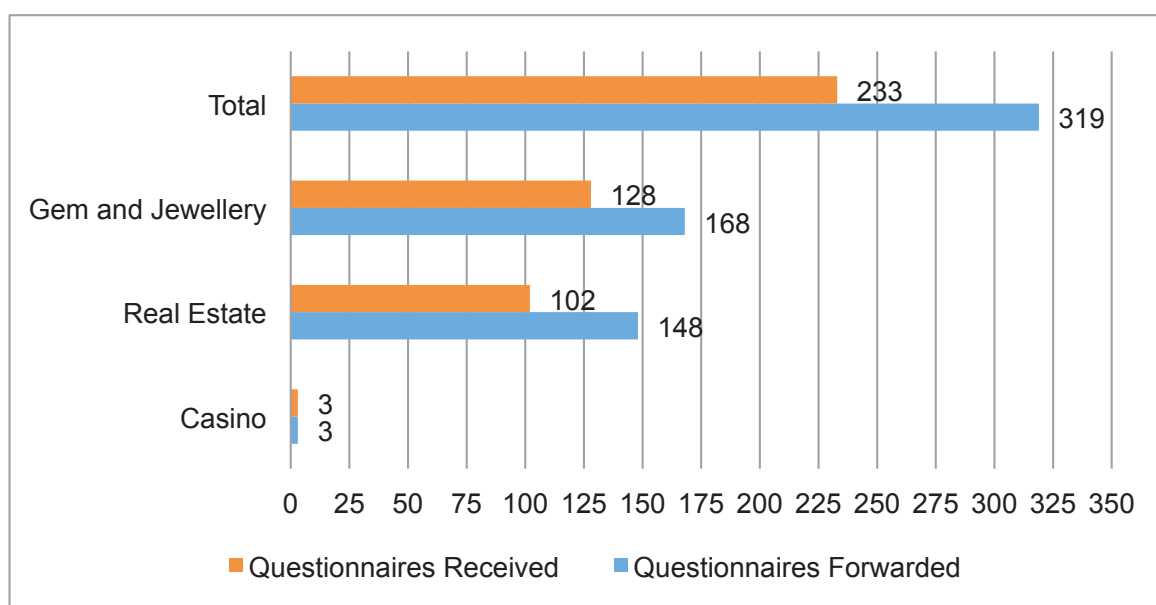
Offsite ML/TF risk assessment is the steppingstone of the risk-based AML/CFT supervision mechanism. The FIU-Sri Lanka continued to conduct Offsite ML/TF Risk Assessment in 2019 which was initiated for the DNFBP sector in 2018, with the objective of forming the basis for the risk-based AML/CFT supervision of 2020.

The ML/TF Risk Assessment Questionnaire (RAQ) was primarily used to conduct the Offsite ML/TF Risk Assessment. The FIU-Sri Lanka executed a comprehensive review process on the existing RAQs and performed updates according to the outcome of the review process. The RAQs for the three prioritized sectors were forwarded to Institutions in November 2019.

A summary of RAQs forwarded and received is illustrated in Figure 3.4.

Upon collecting information using RAQs, the offsite ML/TF risk assessment of 2019 was performed using the 'Risk Assessment Tool'. The ML/TF risk of DNFBPs was assessed based on two main risk factors: inherent ML/TF risk and AML/CFT non-compliance risk. The inherent ML/TF risk of DNFBPs was measured by factors such as management and governance, institutional structure, size, customers and product/delivery channels. The AML/CFT non-compliance risk was analyzed using the level of compliance on CO appointment, institutional ML/TF risk assessment, AML/CFT policies and procedures, CDD, suspicious transaction reporting, and other key AML/CFT measures including screening customers against designated lists issued by UNSCRs, record keeping, employee training, employee screening before hiring and establishing an independent audit function on AML/CFT procedures.

Figure 3.4
Summary of RAQs Forwarded and Received in 2019



Source: Financial Intelligence Unit-Sri Lanka

Equal weights were assigned to both main risk factors in analyzing the total risk scores of DNFBPs. As a result, DNFBPs were ranked according to the total risk score on the basis given in Table 3.12.

Table 3.12
Risk Categorization of DNFBPs

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

Source: Financial Intelligence Unit-Sri Lanka

3.2.3 Supervisory Actions Taken During 2019

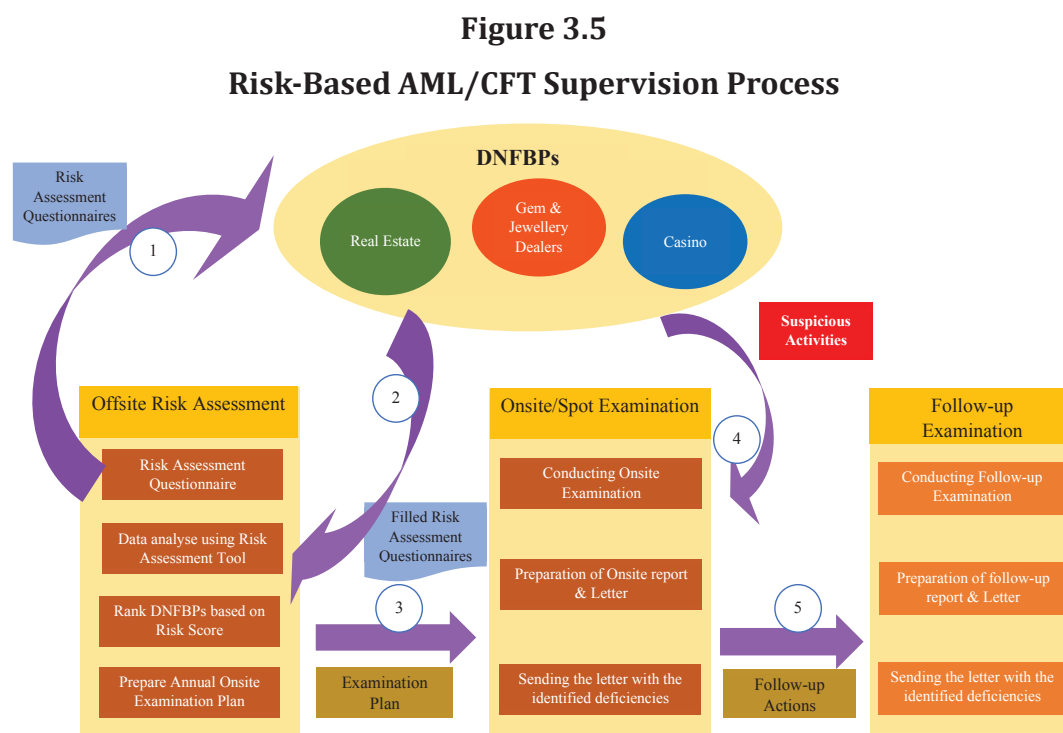
Enforcement of supervisory actions is vital for effective implementation of AML/CFT measures within DNFBPs. Accordingly, the FIU-Sri Lanka undertook several supervisory actions on AML/CFT non-compliances of DNFBPs during 2019. Table 3.13 depicts the supervisory actions taken during 2019.

Table 3.13
Supervisory Actions Taken During 2019

Action Taken	Casinos	Real Estate Agents	Gem and Jewellery Dealers
Informing to rectify the deficiencies identified at the onsite examinations within a given deadline	02	07	17
Issuing warning letters to DNFBPs on non-appointment of COs	-	07	03
Issuing warning letters for DNFBPs on non-submission of ML/TF RAQs before the given deadlines ¹	-	82	78

Source: Financial Intelligence Unit-Sri Lanka

The process of conducting risk-based AML/CFT supervision is depicted in figure 3.5 below.



Source: Financial Intelligence Unit-Sri Lanka

1. As given in 'Figure 3.4', 319 RAQs were posted to the DNFBPs and 233 out of those were received before the deadline and subsequent to issuing warning letters. After issuing the warning letters, 38 and 37 Gem & Jewellery Dealers and Real Estate Agents have submitted the RAQs to the FIU-Sri Lanka, respectively.

3.2.4 Strengthening the AML/CFT Regime for DNFBPs

During 2019, the FIU-Sri Lanka endeavored to strengthen the AML/CFT regime for DNFBPs in Sri Lanka through several initiatives. These initiatives towards firming the prevailing AML/CFT regime were executed by the FIU-Sri Lanka simultaneous to the conduct of risk-based AML/CFT supervision of DNFBPs. A brief description of each initiative is provided below:

(a) Issuing Guidelines, Specimens and Directives for DNFBPs

The FIU-Sri Lanka issued two Guidelines and a number of directives applicable for DNFBPs in terms of the FTRA, stipulating the requirements that the DNFBPs should adopt when implementing AML/CFT policies, procedures and controlling measures.

The FIU-Sri Lanka issued the 'Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019' as an aid to interpret and apply the Suspicious Transactions (Format) Regulations of 2017 to DNFBPs. Further, the 'Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019' was issued as an aid for DNFBPs to identify and verify the beneficial owner and apply the CDD Rules for DNFBPs.

In addition to issuing guidelines, specimens on preparing the institutional AML/CFT policies and procedures, conducting institutional ML/TF risk assessment, conducting customer risk profiling and conducting CDD were also provided to the DNFBPs. Further, several directives including information on the appointment of a CO, suspicious transaction indicators, as well as screening for designated persons and entities by UNSCR were provided to the respective DNFBP markets during 2019.

A summary of the aforesaid Guidelines, specimens and directives issued for DNFBPs during 2019 are given in Table 3.14 below.

Table 3.14

Guidelines, Specimens and Directives issued for DNFBPs during 2019

Name of the Rule/Guideline	Date of Issuance
Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019	22 August 2019
Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019	02 September 2019
Specimens and directives on drafting AML/CFT Policies, Appointing of CO, Conducting ML/TF Risk Assessment, Customer Risk Profiling, Conducting CDD, Identifying Suspicious Indicators and Screening Customers for UNSCR designated persons and entities.	During 2019

Source: Financial Intelligence Unit-Sri Lanka

Moreover, the Supervision Manual for the FIU-Sri Lanka examiners engaged in DNFBP supervision which was developed in the year 2018, was reviewed and updated by incorporating timely modifications during 2019.

(b) Appointment of COs by the DNFBPs

The FIU-Sri Lanka has taken several attempts during 2019 to expedite the process of appointing the COs by the DNFBPs as required in the FTRA. Usually, new DNFBPs are identified through various means including self-established associations, regulatory bodies, awareness programmes, publicly available information and other sources. An internal procedure stipulating the steps to be followed in appointing COs consequent to the identification of DNFBPs, was also formulated and approved by the Director, FIU-Sri Lanka in 2019.

During the year 2019, the FIU-Sri Lanka accomplished a stable growth in the appointment of COs for the purpose of implementing AML/CFT measures within the DNFBPs. Table 3.15 illustrates the number of total COs appointed by DNFBP sectors as at 31.12.2019.

Table 3.15

Number of Total COs Appointed by DNFBP Sectors as at 31.12.2019

Sector	Number of COs
Casino	3
Real Estate	148
Gem and Jewellery	168
Lawyers & Notaries	2
Trusts & Company Service Providers	4
Accountants	7
Total	332

Source: Financial Intelligence Unit-Sri Lanka

Subsequent to the appointment of COs, training sessions have been conducted to provide comprehensive knowledge and practical understanding on the applicability of AML/CFT obligations for the respective DNFBP sectors. Almost every CO appointed during 2019 was given the opportunity to participate in such sessions.

(c) Market Awareness and Capacity Building for DNFBPs

While structuring a solidified AML/CFT regulatory framework for DNFBPs, the FIU-Sri Lanka carried out its market awareness and capacity building programmes continuously in 2019 as well. Accordingly, 14 awareness programmes aimed at outreaching the DNFBP market segments were conducted during the year 2019. Among them, 08 programmes were held for newly identified DNFBPs through various means, and 06 programmes were conducted upon special requests received from COs of existing DNFBPs to raise awareness among the relevant employees.

Further, 04 training sessions were conducted for newly appointed COs of the Real Estate and Gem and Jewellery sectors during 2019. Such sessions were developed with the intention of providing comprehensive knowledge for the COs on adopting AML/CFT requirements to comply with the FTRA, Rules and Regulations issued thereunder. Further details of awareness programmes and CO training sessions are given in Chapter 5.

As another mode of raising general level of awareness on AML/CFT obligations among the general public and the DNFBP market participants, FIU-Sri Lanka published 33 press notices during 2019 in Sinhala, English and Tamil languages. Details of the press notices published are given in Table 3.16 below.

Table 3.16
Press Notices Published During 2019

Matter/Description of the Press Notice	Audience Addressed	Month of Publication	Number of Publications		
			Sinhala	English	Tamil
AML/CFT Compliance Obligations and Sanctions for Non-Compliances	All DNFBP Sectors ²	March	02	02	02
Exploiting Real Estate Properties for Terrorist Activities and Reporting Suspicions to the FIU-Sri Lanka	General Public	June	02	02	02
Exploiting Real Estate Properties for Terrorist Activities and Reporting Suspicions to the FIU-Sri Lanka	Real Estate Agents	June	02	02	02
Repeat Notice on AML/CFT Compliance Obligations and Sanctions for Non-Compliances	All DNFBP Sectors	August	02	02	02
Conducting CDD and Reporting Suspicious Transactions	All DNFBP Sectors	September	02	02	02
Real Estate Transactions at the Forefront of the Eagle Eye of Money Launderers and Terrorist Financiers	Real Estate Agents and General Public	December	01	01	01
Total Publications			11	11	11

Source: Financial Intelligence Unit-Sri Lanka

As a noteworthy achievement in 2019, FIU-Sri Lanka developed a separate web space for DNFBPs under the FIU-Sri Lanka website in order to introduce a more sophisticated communication

2. All DNFBP Sectors include Casinos, Gem and Jewellery Dealers, Real Estate Agents, Accountants, Lawyers, Notaries, Other Independent Legal Professionals and Trust and Company Service Providers.

platform for DNFBPs. A brief introduction on every DNFBP sector, key AML/CFT legal obligations, ML/TF indicators named as red flags, publications relating to DNFBPs including special notices, information brochures, presentations and other training materials were added to the DNFBP web page. Six new information brochures were also designed in 2019 to separately address the employees and customers of casinos, gem and jewellery dealers and real estate agents operating in the DNFBP markets.

All the aforesaid materials are accessible via <http://fiusrilanka.gov.lk/DNFBPs.html> and <http://www.fiusrilanka.gov.lk/training.html>.

3.2.5 Working in Collaboration with DNFBP Stakeholders

(a) Formation of the DNFBP Working Group

Reaching another milestone in strengthening AML/CFT measures to DNFBPs in Sri Lanka, the FIU-Sri Lanka successfully formed the 'DNFBP Working Group' in 2019 with the objective of ensuring smooth and efficient coordination towards implementing AML/CFT policies, procedures and controls within the DNFBP sectors in Sri Lanka. The 'DNFBP Working Group' was formed with twenty one officials from the government and private sector stakeholders representing DNFBP sectors and FIU-Sri Lanka officials. The inaugural meeting of the 'DNFBP Working Group' was successfully conducted by the FIU-Sri Lanka on March 07 2019 at the CBSL.

The institutions representing the 'DNFBP Working Group' are given in Figure 3.6 below.

Figure 3.6
Institutions Representing the 'DNFBP Working Group'

Government Institutions including Regulatory Bodies	Self-Regulatory Bodies, Associations and Private Sector Institutions
FIU-Sri Lanka Ministry of Finance Inland Revenue Department Urban Development Authority National Housing Development Authority Registrar General's Department Ceylon Chamber of Commerce Condominium Management Authority National Gem and Jewellery Authority	Institute of Chartered Accountants of Sri Lanka (ICASL) Condominium Developers Association Sri Lanka Gem and Jewellery Association Sri Lanka Jewellers Association Ratnapura Gem Dealers Association Bally's Limited and Bellagio Limited Rank Entertainment (Pvt) Ltd

Source: Financial Intelligence Unit-Sri Lanka

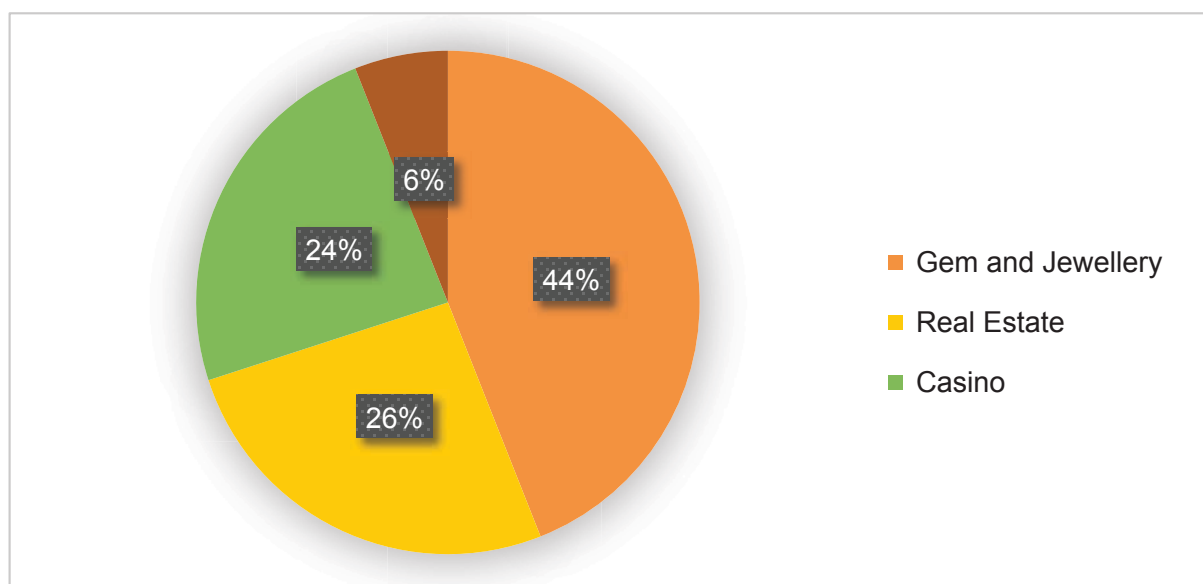
(b) Meetings Conducted with DNFBP Stakeholders

During 2019, the FIU-Sri Lanka intensified the national cooperation with DNFBP stakeholders through various discussions and meetings with the view of ensuring the effective functioning of the AML/CFT regime in Sri Lanka. Throughout the year 2019, the FIU-Sri Lanka held a number of meetings with the sector regulators and self-regulatory bodies such as NGJA, CMA and ICASL in order to uphold their existing relationship with the FIU-Sri Lanka and to discuss and resolve matters relevant to DNFBP sectors.

Furthermore, the FIU-Sri Lanka conducted several meetings with participants from DNFBPs to assist them in resolving the issues with regard to AML/CFT measures. Composition of the meetings conducted with the DNFBP stakeholders during 2019 is given in Figure 3.7 below.

Figure 3.7

Composition of Meetings Conducted with DNFBP Stakeholders During 2019



Source: Financial Intelligence Unit-Sri Lanka

(c) Signing Memoranda of Understanding

In terms of the provisions of the FTRA, the FIU-Sri Lanka entered into MOUs with CMA and NGJA on 28 August 2019 at the CBSL. The objective of signing these MoUs was to outline the process for providing information and to define the nature of the support that the FIU-Sri Lanka expects from the CMA and NGJA in ensuring effective implementation of AML/CFT legal obligations for condominium developers and licensed gem and jewellery dealers in Sri Lanka.

3.2.6 Way Forward

The FIU-Sri Lanka has taken numerous initiatives during previous years to constitute a firm AML/CFT regime for DNFBPs in Sri Lanka, and it intends to expand such initiatives in the following years.

Accordingly, the FIU-Sri Lanka plans to issue new Rules, Regulations, and Guidelines to DNFBPs in the upcoming years when such a necessity arises. Furthermore, the following Guidelines are expected to be issued in the near future to the DNFBP sectors which have not been prioritized in introducing AML/CFT measures during previous years:

- i. The Guidelines on AML/CFT Compliance Obligations for Accountants, and Trusts and Company Service Providers
- ii. The Guidelines on AML/CFT Compliance Obligations for Lawyers, Notaries, Other Independent Legal Professionals and Trusts and Company Service Providers

In addition, with the aim of enhancing the awareness of various DNFBP market participants on AML/CFT compliance obligations, the FIU-Sri Lanka targets to conduct several programmes in collaboration with regional offices of the CBSL covering areas beyond Colombo. Simultaneously, the FIU-Sri Lanka intends to conduct awareness programmes with the assistance of Regulators and Self-Regulatory Bodies such as NGJA and ICASL.

On the other hand, the FIU-Sri Lanka also intends to develop a web-based platform enabling the DNFBPs to conveniently submit RAQs for the offsite ML/TF risk assessment.

Furthermore, the 'DNFBP Working Group' which was inaugurated in March 2019 will be assembled once in every year in order to provide their support on carrying out market awareness on a continuous basis and addressing the DNFBP sectors which have not yet been addressed by the FIU-Sri Lanka.

The evolution of technological innovations in financial services, growth of FinTech enterprises and rapidly evolving business practices may enhance the ML/TF risks and vulnerabilities faced by the economy. Hence, building the institutional capacity of the FIU and improving the skills of its workforce would enhance the overall ability of the FIU-Sri Lanka in mitigating ML/TF risks as well as facing numerous challenges posed by the money launderers. Accordingly, as the country's central agency for combating ML/TF and other related offences with the core objective of collection, analysis and dissemination of intelligence regarding such offences, the FIU-Sri Lanka continued to focus on capacity building of its human resources by enhancing the knowledge and capabilities of its staff. This has created a conducive environment for the staff to perform their duties effectively and efficiently in a dynamic and ever-changing world of financial crime, thereby contributing to strengthen the AML/CFT regime of the country.

4.1 Compliance and Training

The FIU-Sri Lanka comprises of a skilled workforce with an array of expertise in the fields of accountancy, law, banking, finance, economics and information technology. During the year 2019, the FIU-Sri Lanka took continuous measures to upgrade the knowledge and skills of its staff by providing them international and local training opportunities focused on current issues and trends in ML/TF and other related offences. These trainings covered the areas of AML/CFT international standards, cyber terrorism, cyber risks, onsite examinations, banking supervision and related areas. The officers of the FIU-Sri Lanka attended FATF/APG Assessor Training workshops. Further, in order to provide greater exposure in the area of intelligence management, the FIU-Sri Lanka officials participated in a study visit to the FIU-Malaysia. In addition, the FIU-Sri Lanka officials had opportunities to share their knowledge and experiences with officials of the FIU-Maldives on intelligence management and risk-based AML/CFT supervision of FIs. The BIMSTEC SGAML-CFT workshop conducted by the FIU-Sri Lanka also provided another opportunity to share Sri Lanka's experience in Countering Terrorism and TF with other members of the BIMSTEC.

The local training programmes attended by the FIU-Sri Lanka officials mainly covered the areas of risk management, foreign exchange regulations, frauds & forensic auditing, strategic trade control legislation and national control list, Big Data & FinTech, cyber security, legislation relating to banking and FIs, etc. The FIU-Sri Lanka officials attended to the "National Workshop

on addressing TF through Implementation of TFS” organized by the United Nations Office of Counter-Terrorism (UNOCT) – United Nations Counter-Terrorism Centre (UNCCT) under a UNCCT Capacity Building Project.

Details of international and local training programmes/workshops/events attended by the officers of the FIU-Sri Lanka during the year 2019 are listed in Table 4.1 and Table 4.2, respectively.

Table 4.1
International Training Programmes / Workshops / Events Attended by Officers of
FIU-Sri Lanka During 2019

Month	Training/Workshop/Event	Country
January	Face-to-Face Meeting with Asia Pacific Joint Group (AP-JG) on ICRG Action Plan	Australia
	Training Course on FATF Standards	Republic of Korea
	Egmont Group of FIUs’ Meeting	Indonesia
February	Training Programme on Counter Terrorism, Cyber Terrorism, Counter Trans-National Crimes for National Security Officers of BIMSTEC Members	India
	Regional Prosecutors’ Symposium	Indonesia
March	APG Assessor Training Workshop	New Zealand
	SEACEN - Bank of Japan Course on Onsite Examinations	Malaysia
April	Training Course on Core Elements of Banking Supervision	India
	Workshop on Empowering Women Leaders in International AML/CFT	Austria
	Pre-Onsite Visit to FIU-Maldives to Co-Sponsor the Egmont Membership	Maldives
	Study Visit to FIU-Malaysia	Malaysia
June	Course on Implementing International AML/CFT Standards	Singapore
	Workshop on Regulatory and Supervisory Approaches to Managing Cyber Risks in the Financial System	India
July	26th Egmont Group Plenary	The Netherlands
August	Cross-Regional Workshop on AML/CFT for BIMSTEC Member States: International Standards, Financial Analysis and Effective Cooperation	Thailand
	22nd APG Annual Meeting	Australia
September	11th Meeting of the BIMSTEC SGAML-CFT	Thailand
	Joint FATF/APG Assessor Training Workshop	Indonesia
October	AML Examination Seminar	United States
November	Seminar on AML/CFT	France
	5th Regional Counter Terrorism Financing Summit	Philippines

Source: Financial Intelligence Unit-Sri Lanka

Table 4.2
Local Training Programmes / Workshops / Events Attended by Officers of
FIU-Sri Lanka during 2019

Month	Training/Workshop/Event	Venue
January	Risk Management	Center for Banking Studies (CBS), Rajagiriya
	Foreign Exchange Regulations for FIs	CBS, Rajagiriya
	Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards	CBS, Rajagiriya
	Strategic Trade Control Licensing Workshop (UNSCR 1540)	U.S. Department of State, Bureau of International Security and Nonproliferation and the U.S. Embassy-Colombo
February	Security Features in Genuine Currency Notes and Identification of Forged Notes	CBS, Rajagiriya
	Code of Ethics to Central Bankers	CBS, Rajagiriya
	Frauds & Forensic Auditing	CBS, Rajagiriya
	Emerging Trends in Fraud Mitigation of EFT	CBS, Rajagiriya
March	Best Practices for Bank Tellers	CBS, Rajagiriya
June	Payment and Settlement Systems: Operational and Legal Aspects	CBS, Rajagiriya
July	National Workshop on Addressing TF through Implementation of TFS by UNOCT	CBS, Rajagiriya
	Course on Research in Economics	CBS, Rajagiriya
September	Workshop on Credit Management	CBS, Rajagiriya
	Developing Strategic Trade Control Legislation and National Control List (UNSCR 1540)	U.S. Department of State, Bureau of International Security and Nonproliferation and the U.S. Embassy-Colombo
	7th Annual Cyber Security Summit 2019	CICRA Campus
October	Legislation Relating to Banking and FIs	CBS, Rajagiriya
	Implementation of National Control List for Dual-Use Items and the Development of a Strategic Trade Control Legislation (UNSCR 1540)	U.S. Department of State, Bureau of International Security and Nonproliferation and the U.S. Embassy-Colombo
November	Exchange Control Regulations	CBS, Rajagiriya
December	Big Data & FinTech	CBS, Rajagiriya

Source: Financial Intelligence Unit-Sri Lanka

4.2 External Assistance

The FIU-Sri Lanka continued to obtain services from the Attorney General's Department when executing statutory obligations as prescribed in the FTRA and implementing counter measures for ML/TF.

The Information Technology Department of the CBSL (ITD) collaborated with the FIU-Sri Lanka in technical maintenance of the web-based reporting system (LankaFIN) to receive all electronic reports as prescribed in the FTRA.

Further, the FIU-Sri Lanka took steps to shift to the goAML system, developed by the Information Technology Service of the United Nations Office on Drugs and Crime (UNODC), to increase the analytical capabilities and capacity of the FIU-Sri Lanka.

4.3 AML/CFT National Coordinating Committee

The AML/CFT National Coordinating Committee (NCC), chaired by the Governor of the CBSL, provides guidance and facilitates the policy matters of the FIU-Sri Lanka while coordinating Sri Lanka's AML/CFT policies and programs. The NCC consists of 22 members representing relevant key ministries and institutions of the country. In order to carry out its functions, the NCC meets regularly, not less than three times a year. During the year 2019, the NCC met three times and played a key role in providing guidance and coordinating the stakeholders to successfully complete the time-bound action plan provided by the FATF.

Awareness building is vital for the establishment of an effective AML/CFT regime and better compliance by the RIs. Accordingly, FIU-Sri Lanka continued its pursuit of enhancing awareness through seminars, workshops, training programmes, meetings and advertisements through print and electronic media to improve the understanding of the importance of AML/CFT measures and obligations in relation to AML/CFT. The FIU-Sri Lanka conducts a number of sector-specific awareness programmes and facilitates by providing resource persons to seminars in collaboration with other stakeholders with a view to enhance their capacity and to ensure better compliance.

5.1 Seminars and Workshops Organized by the FIU-Sri Lanka

During 2019, the FIU-Sri Lanka conducted 55 seminars/workshops island-wide, covering areas of RBA, beneficial ownership, CDD, PF-WMD, compliance obligations, reporting requirements and identification of suspicious transactions. Around 3,688 participants representing RIs and LEAs participated in these programmes. Further, in view of assisting knowledge building on AML/CFT, the FIU-Sri Lanka continued to conduct demand driven awareness programmes while sharing expertise and experience. Details of these programmes are given in Table 5.1.

Table 5.1
Local Training Programmes / Workshops / Awareness Programmes
Conducted by Officers of FIU-Sri Lanka during 2019

No.	Training/Workshop/ Awareness Programme	Stakeholder	Venue	No. of Participants
1	Supervisory Concerns Awareness	Senior Management of Habib Bank	Habib Bank	40
2	Awareness Programme	Management of Sampath Bank	Sampath Bank	20
3	CO Training Session - Real Estate	Newly Appointed COs of Real Estate Sector	CBSL	41
4	CO Training Session - Gem and Jewellery	Newly Appointed COs of Gem and Jewellery Sector	CBSL	22
5	Workshop on 'goAML'	LCBs and LSBs	CBS	95
6	CDD and its Importance	Officers of FIs	CBS	65

7	Awareness Site Visit on AML/CFT Compliance Obligations	Gem and Jewellery Dealers in Gem and Jewellery Exchange, World Trade Center	Gem and Jewellery Exchange, World Trade Center	25
8	Awareness on AML/CFT Obligations for Staff of LFCs	Middle and Junior Level Executives of Capital Alliance Group	CBS	44
9	Awareness Site Visit on AML/CFT Compliance Obligations	Sri Lanka Jewellers Association	Sri Lanka Jewellers Association, Sea Street	8
10	Key aspects of AML and CDD	Middle and Junior Level Executives of Capital Alliance Group	CBS	40
11	Awareness Programme on AML/CFT and other Compliance Related Topics	Senior Management of FIs	CBS	293
12	Regulatory Training Programme	Management Staff – Dialog Finance PLC and Dialog Axiata	Dialog Training Center	30
13	Programme for Law Students	Apprentice Year of Law Students	Sri Lanka Law College	272
14	Awareness Programme	Staff of LB Finance	LB Finance	83
15	Awareness Session for Condominium Developers	CMA, Leading Condominium Developers	CMA	11
16	Awareness Programme	Management Trainees of Bangladesh Central Bank	CBS	34
17	Awareness Session on AML/CFT Compliance	Members of the Sri Lanka Gem and Jewellery Association	CBSL	20
18	Awareness Session on AML/CFT Compliance	Bally's and Bellagio Ltd	Kingsbury Hotel	70
19	Awareness Session on AML/CFT Compliance	Mallika Hemachandra Jewellers	Head Office, Mallika Hemachandra Jewellers	4
20	Awareness Session on AML/CFT Compliance	Casino Marina	Casino Marina	15
21	Combating ML/TF	COs, Auditors and Staff of FIs	CBS	70
22	Awareness on Know Your Customer (KYC) Regulations & its Importance	Tellers of FIs	CBS	40
23	AML/CFT Compliance Obligations for Employees of Real Estate Sector	Employees of Millennium Housing Developers PLC and Shangri-La-Hotels Lanka (Pvt) Ltd	CBS	28
24	Discussion on goAML Schema	Compliance and IT staff of LCBs	CBSL	51

25	Discussion on goAML Schema	Compliance and IT staff of LCBs & LSBs	CBS	49
26	Programme on KYC/AML/CFT, Security Features of Genuine Currency Notes & Identification of Counterfeit Currency Notes	Business Executives of Senkadagala Finance PLC	CBS	48
27	Discussion on goAML Schema	Compliance and IT staff of LCBs	CBSL	43
28	AML/CFT Compliance Obligations for Real Estate Sector	Members of Colombo City Condominium Developers Association	CBSL	9
29	Awareness on KYC Regulations & its Importance	Tellers and Staff of Union Bank	CBS	40
30	Use of Financial Intelligence Information for the Investigation related to Internet and Postal Drug Trafficking- Workshop on Countering the Internet Drug Trafficking and Postal Deliveries	Officers from SL Police, SL Customs, Police Narcotics Bureau, Excise Department, Boarder Control and National Dangerous Drug Control Board	National Dangerous Drug Control Board	50
31	FI Information for the Investigations into Drug Trafficking Activities for Effective Drug Law Enforcement	Officers of Excise Department	Excise Department	60
32	AML/CFT Programme	Staff of Softlogic Finance	CBS	60
33	Awareness on the Insurers (CDD) Rules, No.1 of 2019	Principal Officers (CEOs), Specified Officers and COs of Insurance Companies	FIU	80
34	Awareness on goAML	Compliance and IT staff of LBs	CBSL	90
35	STR Submission	Staff of RIs	CBS	70
36	AML/CFT Compliance Programme	FIs and Government Departments	CBS	100
37	FI Information for the Investigations into Drug Trafficking Activities for Effective Drug Law Enforcement	Sri Lanka Police	National Dangerous Drug Control Board	50
38	CO Training Session: Introducing AML/CFT Compliance Obligations	Newly appointed COs of real estate and gem and jewellery sectors	CBS	46
39	Awareness Session on AML/CFT Compliance	Selected Employees of Bally's and Bellagio Ltd	CBSL	11

40	AML/CFT Programme	Staff of Alliance Finance	Alliance Finance Auditorium	130
41	Awareness Session on AML/CFT Compliance Obligations for Gem and Jewellery Dealers	Branch Managers of Zam Gems	CBSL	17
42	Awareness on AML/CFT Obligations	Police Officers in Anuradhapura and Kurunegala	Anuradhapura	200
43	Training of Trainers (TOT) Programme for Regional Office Staff	CBSL Regional Office Staff	CBS	40
44	Best Practices for Tellers in FIs	Junior and Middle Level Executives of NDB	CBS	40
45	ML/TF Risk Management and Supervisory Issues	COs and Staff of FIs	Institute of Bankers of Sri Lanka	80
46	Awareness on AML/CFT for FIs	Officers of FIs	Batticaloa	120
47	Awareness on AML/CFT	Police Officers	Batticaloa	94
48	Awareness Sessions in Regional Offices	Officers of FIs	Jaffna	75
49	Awareness on AML/CFT	Police Officers of Northern Province	Killinochchi	150
50	Awareness for FIs relating to CDD Rule	FIs	CBS	85
51	AML/CFT Compliance Programme for FIs	Officers of Government Departments and FIs	CBS	75
52	Awareness Session on AML/CFT and CDD Requirements	Siyapatha Senior Management	Siyapatha Finance PLC	25
53	Awareness Session on AML/CFT and CDD Requirements	FIs	Eastern Province Regional Office, CBSL	130
54	Awareness Session on AML/CFT and CDD Requirements	FIs	Northern Province Regional Office, CBSL	120
55	AML/CFT Compliance Programme	Officers of Government Departments and Financial Sector	CBS	80

Source: Financial Intelligence Unit-Sri Lanka

Table 5.2
Depth and Breadth of Awareness Programmes Conducted by the FIU-Sri Lanka during 2015-2019

Year	Number of Awareness Programmes	Number of Participants	Districts Covered
2015	21	1,495	Colombo, Kandy, Trincomalee, Hambantota
2016	30	1,630	Colombo, Matara, Matale, Kurunegala, Galle, Jaffna
2017	35	2,624	Colombo, Batticaloa, Trincomalee, Matara, Anuradhapura, Nuwara Eliya
2018	61	3,412	Colombo, Trincomalee, Matale, Anuradhapura, Matara
2019	55	3,688	Anuradhapura, Batticaloa, Colombo, Jaffna, Killinochchi

Source: Financial Intelligence Unit-Sri Lanka

5.2 Awareness through Print and Electronic Media

In addition to the seminars and workshops, the FIU-Sri Lanka demonstrated its multifaceted approach in enhancing awareness through print and electronic media. The FIU-Sri Lanka published a series of information brochures sharing information on AML/CFT obligations to DNFBPs i.e. Sectors of Real Estate, Gem and Jewellery and Casinos as well as customers of such sectors. Further, with the aim of increasing outreach, the FIU-Sri Lanka published paper advertisements in the Sinhala, Tamil and English languages throughout the year on AML/CFT compliance obligations for DNFBPs and customer obligations of FIs in newspapers that have a wide outreach and broadcasted advertisements through both print and electronic media on scams, urging the public to be vigilant about the risk of scams. During the year under consideration, several press notices were published in Sinhala, Tamil and English languages in leading daily and weekend newspapers in Sri Lanka as specified in Table 5.3.

Table 5.3
Press Notices Published during 2019

Date	Press Notice
February 25, 2019	The FATF endorsed the progress made by Sri Lanka
March 21 and 24, 2019	Notices to DNFBPs
June 14, 2019	Notice to Real Estate Dealers on use of Real Estate Properties for Terrorist Activities
June 14, 2019	Notice to General Public on use of Real Estate Properties for Terrorist Activities
August 27, 2019	Notices to DNFBPs
September 3, 2019	FIU-Sri Lanka entered into MOUs with CMA and NGJA
September 15, 2019	Notices to DNFBPs on doing Due Diligence
October 11, 2019	FIU-Sri Lanka entered into an agreement with INTERPOL National Central Bureau for Sri Lanka
October 21, 2019	The FATF delisted Sri Lanka from the Grey List

Source: Financial Intelligence Unit-Sri Lanka

6.1 Introduction

Section 6 of the FTRA requires all Institutions (as defined in the FTRA) to report to the FIU-Sri Lanka of any cash transaction or EFT of a customer, exceeding a threshold prescribed by the Minister by Order published in the Gazette, in such form, manner, and within such period prescribed by the FIU-Sri Lanka. The Extraordinary Gazette No. 1555/9 dated 25 June 2008 prescribes the threshold amount as Rs. one million or its equivalent in any foreign currency.

The Institutions (referred to as RIs) commenced reporting CTRs, EFTs and STRs to the FIU-Sri Lanka as printed paper copies, Compact Disks (CDs) and Floppy Disks on September 15, 2006. The reporting mechanism was made online on July 01, 2009 with the introduction of the LankaFIN web-based reporting system developed by the ITD.

At the end of 2019, there were 26 LCBs, 6 LSBs, 43 LFCs, 27 ICs, 33 SBs and 3 MVTS providers reporting to the LankaFIN system.

6.2 LankaFIN Web-Based Reporting System

The ITD and the FIU-Sri Lanka jointly developed the LankaFIN web-based system in 2009 which had the basic functionality of collecting the CTRs, EFTs and STRs from RIs online, and analysing the data in the reports.

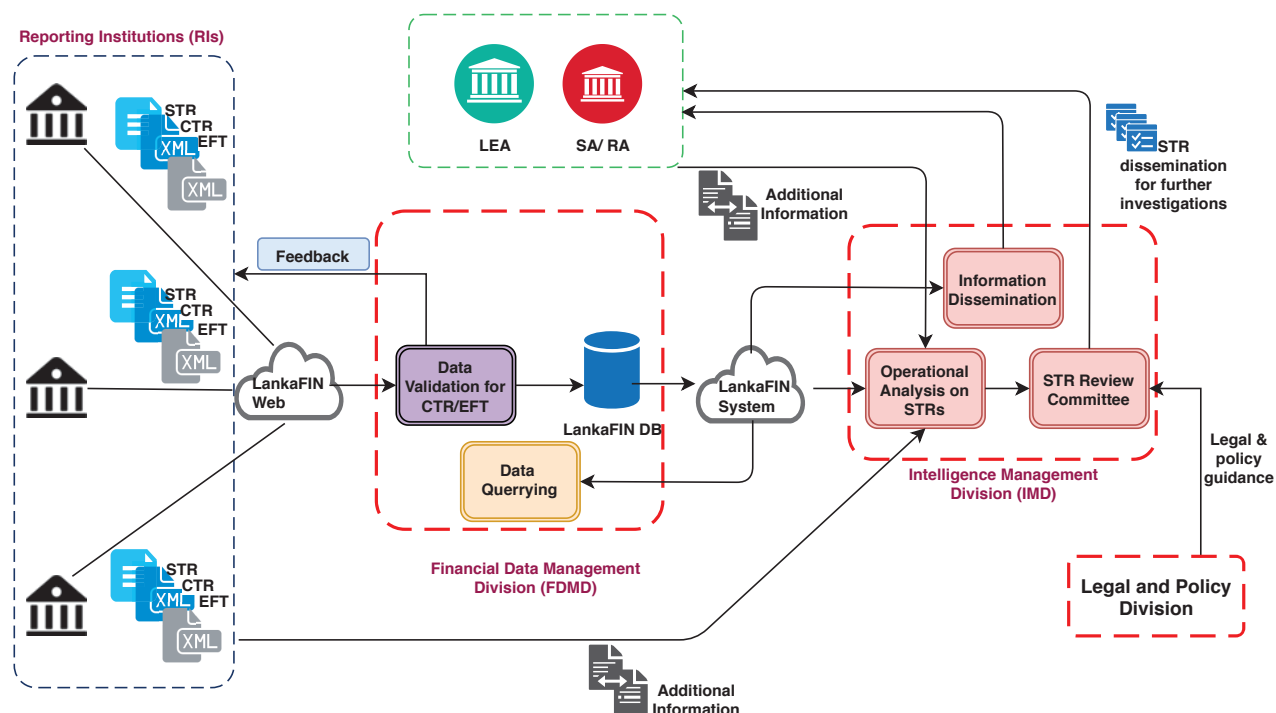
The main functions of the LankaFIN system are,

- (a) Receipt of mandatory threshold reports (CTRs and EFTs)
- (b) Receipt of STRs
- (c) STR case management
- (d) Statistical reporting
- (e) Management of information of COs and RIs.

Figure 6.1 illustrates the information receipt (from RIs), analyzing and dissemination mechanism in the FIU-Sri Lanka, and the role of the LankaFIN system.

Figure 6.1

Reporting, Analyzing and Dissemination of Information in the FIU-Sri Lanka



Source: Financial Intelligence Unit-Sri Lanka

6.2.1 Reporting CTRs and EFTs through the LankaFIN

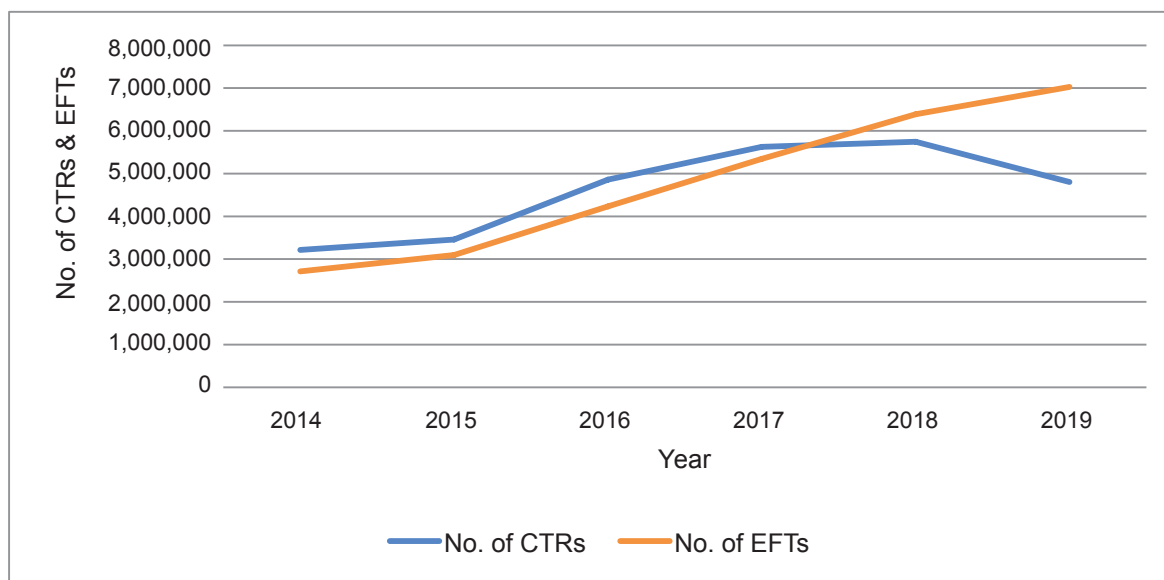
The XML file type, which is commonly used in web-based data transfer systems, is used in the LankaFIN reporting system. LCBs, LSBs and LFCs are required to submit CTR and EFT reports fortnightly, while ICs, SBs and MVTs providers are required to report monthly.

The submitted reports are validated by the FIU-Sri Lanka, and the valid reports are uploaded to the LankaFIN database. Reports in the incorrect format or with invalid data are rejected and the RIs are required to rectify the issues and re-submit the same. The data available in the LankaFIN database are mainly used in the analysis process of STRs. Throughout the year, the FIU-Sri Lanka provided feedback to RIs on LankaFIN reporting issues through telephone conversations and one-on-one meetings.

During 2019, the LankaFIN database received 4,802,391 (provisional*) CTR and 7,029,220 (provisional*) EFT transactions from RIs, and Figure 6.2 illustrates the total number of CTR and EFT transactions received to the LankaFIN database during the 2014 – 2019 period.

Figure 6.2

Total Number of CTR and EFT Transactions Received through the LankaFIN System During 2014 - 2019



Source: LankaFin, Financial Intelligence Unit-Sri Lanka

Table 6.1

Receipt of CTRs & EFTs through LankaFIN

Year	2014	2015(a)	2016(a)	2017(a)	2018(a)	2019(b)
No. of CTRs	3,214,613	3,455,911	4,860,796	5,627,396	5,743,308	4,802,391
No. of EFTs	2,712,393	3,097,201	4,232,279	5,346,084	6,386,376	7,029,220
Total	5,927,006	6,553,112	9,093,075	10,973,480	12,129,684	11,831,611

Source: LankaFIN, Financial Intelligence Unit-Sri Lanka

(a) Adjusted: Amended due to updates to the LankaFIN database with rectified data from several FIs.

(b) Provisional

6.2.2 Submission of STRs through the LankaFIN System

Under Section 7 of the FTRA, every Institution shall report any suspicious transaction or attempted transaction to the FIU-Sri Lanka within 2 working days, which should be followed up in writing within 24 hours. The FIU-Sri Lanka received 2,804 STRs from RIs through the LankaFIN system during 2019. Additional information relevant to the submitted STRs was obtained from the RIs through emails or fax, as and when necessary.

6.2.3 Analysis using LankaFIN

The LankaFIN system's analysis functionality is mainly used for the operational analysis of STRs. The transaction details stored in the LankaFIN database make it relatively easy for the FIU-Sri Lanka to do link analyses of the transactions given in an STR. This link analysis reveals other individuals, entities and accounts associated with a primary suspected case, which may not be apparent in the initial investigations.

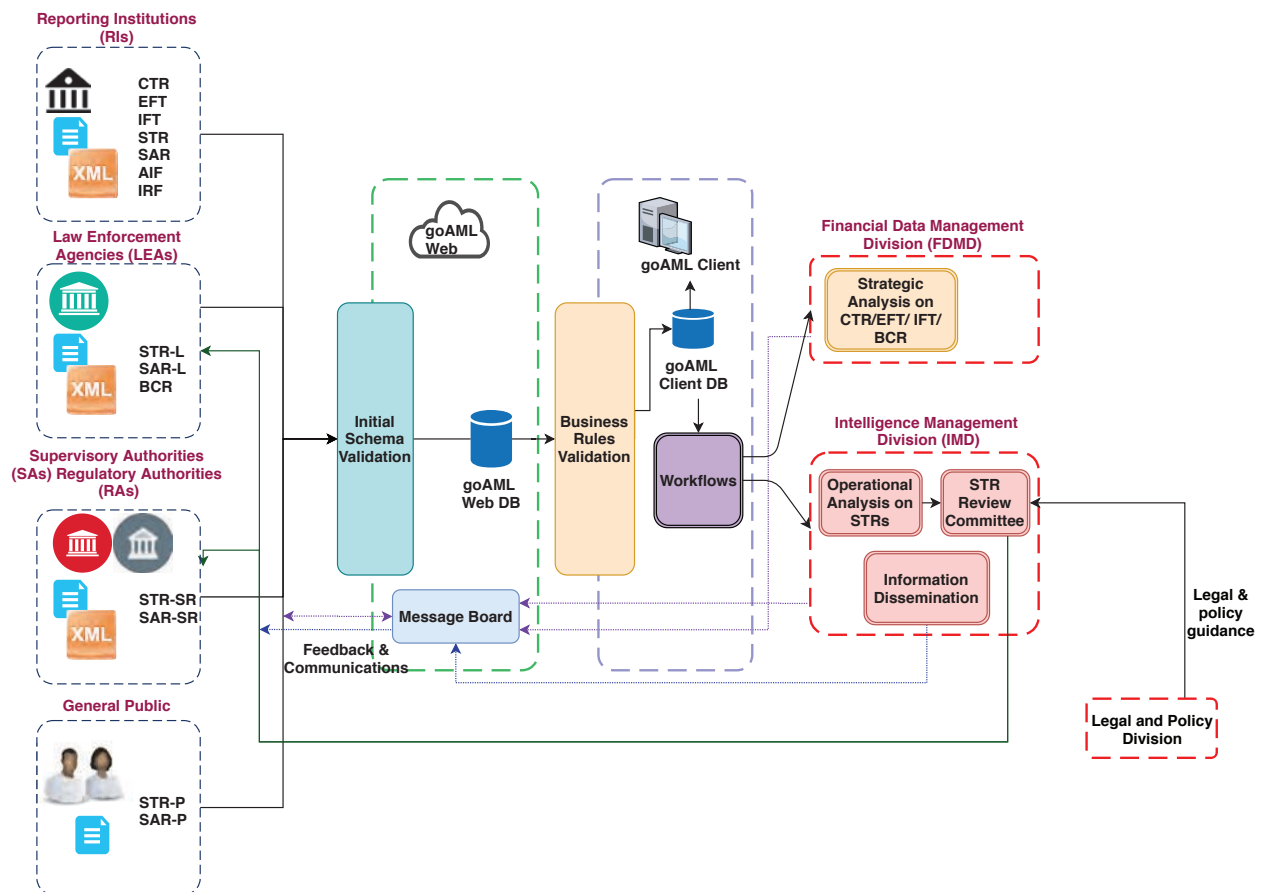
The analysis done by the LankaFIN system is limited to data querying and performing the link analysis as described above, whereas the stored data has potential to do much more effective operational analysis as well as strategic analysis. In 2015, FIU-Sri Lanka initiated a programme to procure a suitable AML/CFT reporting and analysing system. After extensive reviews and considerations, the FIU-Sri Lanka decided to procure the goAML system developed by the UNODC specifically for FIUs.

6.3 The goAML Software System

6.3.1 Introduction

The goAML AML/CFT reporting and analysing system was developed by the UNODC specifically for FIUs, as a strategic response to financial crimes including ML and TF. goAML is a web and desktop based, integrated database and intelligent analysis system, and its comprehensive report structure (XML Schema) enables RIs to include more details about a transaction in a more structured manner, making the data more analysis friendly than the LankaFIN system. However, the same comprehensive structure also makes the reporting process more challenging for the RIs, as well as for the FIU-Sri Lanka to implement the system effectively.

Figure 6.3
Functionality of the goAML Software System



Source: Financial Intelligence Unit-Sri Lanka

6.3.2 Implementing the goAML System

The FIU-Sri Lanka procured the goAML System from the UNODC on September 26, 2018 and commenced the implementation process soon afterwards. The implementation process consists of two main areas which are,

- (i) Finalizing the generic goAML reporting template (XML Schema) as per the requirements of the FIU-Sri Lanka: The RIs have to prepare and submit goAML reports as per this finalized reporting template.
- (ii) Customizing the generic goAML Client Application, which is installed at the FIU-Sri Lanka: The analysts at the FIU-Sri Lanka will use the goAML Client Application to analyze information submitted by RIs and disseminate intelligence to the LEAs.

The actions that were taken by the FIU-Sri Lanka during 2019 to implement the goAML system are given below:

- (a) Computer hardware and software required for the goAML implementation (as specified by the UNODC and recommended by other international goAML consultants) were procured for the FIU-Sri Lanka during January – February 2019.

- (b) The UNODC provided an onsite training session for the FIU-Sri Lanka on configuring the goAML Schema and the Client Application during February 20, 2019 – March 05, 2019.
- (c) The FIU-Sri Lanka commenced customizing the generic goAML Schema provided by the UNODC in March 2019, taking into account current LankaFIN reporting practices.
- (d) Considering the complexity of the implementation and system readiness of the RIs, the FIU-Sri Lanka decided to select LBs for the first phase of the implementation (LCBs and LSBs) and 3 workshops were conducted for LBs during June 25 – 27, 2019 to explain the goAML Schema and required fields, and the tentative time schedule for the implementation.
- (e) The FIU-Sri Lanka issued the first version of the goAML Schema (version 1.1.1) to LBs on August 01, 2019.
- (f) Based on subsequent discussions with LBs, the goAML Schema was revised 4 times, and the version 1.1.5 was issued to LBs on October 31, 2019.
- (g) The FIU-Sri Lanka obtained the consultancy service of an onsite goAML expert from Finland for the implementation process during December 02 – 13, 2019 through a sponsorship from ADB.

The FIU-Sri Lanka had initially planned to complete the implementation and commence live reporting for LCBs and LSBs in 2020 – Q2. However, due to several factors (such as scope changes after expert reviews and other priorities in 2019) this was revised to 2020 - Q4.

6.4 Access to Other Sources of Information

The FATF Recommendation 29 requires FIUs to have access to a wide range of information sources for better analysis of STRs. Furthermore, Section 15(1)(r) of the FTRA provides for the FIU-Sri Lanka to enter into any agreement with any domestic government institution or agency for the exchange of information. In 2019, the FIU-Sri Lanka entered into three MOUs to share information. A list of domestic and international institutions with whom the FIU-Sri Lanka has entered into MOUs as at end 2019 is given in Chapter 2.

The FIU-Sri Lanka has online links with the Department of Immigration and Emigration, Sri Lanka Customs and the Department for Registration of Persons to share information online. Furthermore, the FIU-Sri Lanka initiated a programme to establish an online link with the INTERPOL database through the NCB which is located within the CID of the Sri Lanka Police. The FIU-Sri Lanka expects to establish this link during 2020.

6.5 The FIU-Sri Lanka Website

The official website of the FIU-Sri Lanka was launched on January 01, 2014 and since then it has become a primary source of information for both domestic and international stakeholders on the FIU-Sri Lanka's operations and related activities.

Visit; <http://fiusrilanka.gov.lk>

The website broadly provides information on recent events, new legislations and amendments, circulars, publications, notices and updates on the UNSCRs, etc.

A list of documents made available on the website during the year 2019 is given below:

- Conducting Enhance Due Diligence with respect of the NGOs, NPOs or Charities under Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 – May 23, 2019.
- Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019 – August 22, 2019.
- Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019 – September 02, 2019.
- Guidelines on Identification of Politically Exposed Persons, No. 03 of 2019 – October 01, 2019.
- Circular 02/19 - Debiting Withholding Taxes from Suspended Accounts – December 03, 2019.
- Press releases/notices by the FIU-Sri Lanka on the following:
 - i. The Financial Action Task Force endorsed the progress made by Sri Lanka – February 25, 2019.
 - ii. Notices to Designated Non-Finance Businesses and Professions - March 21 & 24, 2019.
 - iii. Notice to Real Estate Dealers (Use of Real Estate Properties for Terrorist Activities) – June 14, 2019.
 - iv. Notice to General Public (Use of Real Estate Properties for Terrorist Activities) - June 14, 2019.
 - v. Notices to Designated Non-Finance Businesses and Professions – August 27, 2019.
 - vi. FIU-Sri Lanka entered into MOUs with the Condominium Management Authority and the National Gem and Jewellery Authority - September 03, 2019.
 - vii. Notices to Designated Non-Finance Businesses and Professions (Do Due Diligence) – September 15, 2019.
 - viii. FIU-Sri Lanka entered into an agreement with INTERPOL National Central Bureau for Sri Lanka – October 11, 2019.
 - ix. The Financial Action Task Force delisted Sri Lanka from the Grey List – October 21, 2019.
- Update notifications for the UNSCR lists pursuant to

- i. UNSCR 1267, 1988, 1989, 2253 and subsequent resolutions on Al-Qaeda, ISIL and Taliban terrorists.
- 2018 Annual Report of the FIU-Sri Lanka.

6.6 Future Challenges

The FIU-Sri Lanka faced many challenges in 2019 and getting out of the FATF Grey List was by far the greatest challenge of them all. Even though the FIU-Sri Lanka successfully faced that challenge and gave leadership to relevant stakeholder Institutions to get Sri Lanka out of the Grey List, many challenges are still waiting in the future. Those challenges are:

- Preparing LBs for the implementation of the goAML reporting system.

LBs have a spectrum of resources and systems, ranging from very few to sufficient. It is a challenge to bring these LBs to a common platform for the system developments, and the FIU-Sri Lanka is doing everything in its power to assist the banks to achieve this goal such as conducting meetings (one-on-one and groups), developing documentation and providing feedback over telephone conversations.

- Configuring the goAML Client application at the FIU-Sri Lanka:

The goAML Client application is very generic and a considerable amount of customization is required for it to be the right tool for the FIU-Sri Lanka. With little to no previous experience and knowledge on the goAML system, and the limited assistance from UNODC due to their busy schedule, configuring the goAML client application has become a major challenge for the FIU-Sri Lanka. As a solution, the FIU-Sri Lanka is looking for donor agencies for assistance. Obtaining consultancy services from an expert from Finland via ADB's sponsorship is an achievement in this regard.

- Cleansing of Reporting Data in LankaFIN

Currently, the transaction details reported by RIs through the LankaFIN system contain substantial amounts of incomplete and inaccurate data, which puts the burden on the FIU-Sri Lanka to validate them before uploading to the LankaFIN database. Many RIs have legacy systems with old customer data leading to poor data quality issues, and the banks must allocate adequate resources to rectify the same in their systems. The goAML system has a mechanism to validate reports before submitting them to its database. This ensures that only the reports with complete and accurate data are submitted to the FIU-Sri Lanka, hence the effort to validate reports on the FIU-Sri Lanka's end will be minimal. However, the FIU-Sri Lanka will have to allocate considerable amount of human resources to ensure that the submitted reports are "analytical-ready".

- AML/CFT Compliance in the Emerging Trends in FinTech Products

Over the past few years, Sri Lanka has witnessed a huge growth in Financial Technology (FinTech) products, which is a desirable trend for a progressive financial industry. However, these FinTech products seem to undermine the requirement of AML/CFT regulatory compliance, and it is a challenge for the FIU-Sri Lanka to strike a balance between the FinTech boom and AML/CFT compliance without compromising mandates for each sector. Even though a considerable number of FinTech products are on the market and proposals are on the pipeline for approval, the number of “RegTech” products which harness the technology to ensure regulatory compliance of Institutions have been zero up to now. Such RegTech products will greatly benefit the FIU-Sri Lanka (and other Regulators) as well as Institutions by driving the compliance burden towards greater automation.

POST – APG MUTUAL EVALUATION AND ICRG REVIEW ON SRI LANKA

7.1 APG Mutual Evaluation on Sri Lanka

Sri Lanka had its first Mutual Evaluation (ME) by the APG in 2006, soon after the establishment of the FIU–Sri Lanka in March 2006. The second ME on Sri Lanka was carried out in 2014/15 by a panel of assessors representing the FIUs of Australia, Bhutan, Hong Kong, Malaysia, Singapore and the APG Secretariat. The Mutual Evaluation Report (MER) was adopted at the 18th Annual Plenary and TA Forum of the APG held in New Zealand in July 2015.

Sri Lanka was rated compliant (C) or largely compliant (LC) for 12 Recommendations out of the FATF 40 Recommendations on technical compliance and was also rated substantially and moderately effective in two immediate outcomes out of 11 immediate outcomes . Based on the above level of compliance, Sri Lanka was placed under the “Expedited Enhanced Follow-up Process”, requiring the country to report the progress achieved in implementing actions recommended in the MER to the APG on a bi-annual basis.

7.1.1 Major Follow-up Actions Taken to Address AML/CFT Deficiencies

In response to the deficiencies highlighted in the MER, the FIU–Sri Lanka together with other relevant stakeholders implemented a series of actions to improve country compliance with the FATF standards as indicated in Table 7.1:

Table 7.1

Major Actions Taken since the Adoption of MER

Amendments to Legislations	
a.	Mutual Assistance in Criminal Matters (Amendment) Act, No. 24 of 2018
b.	Trust (Amendments) Act, No. 6 of 2018 and Trusts (Information relating to Express Trusts) Regulations 2019
Issue of New Rules, Guidelines	
a.	Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016
b.	Designated Non-Finance Business (Customer Due Diligence) Rules No. 1 of 2018
c.	Amendments to the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016
d.	Insurers (Customer Due Diligence) Rules, No. 1 of 2019

- e. Guidelines on AML / CFT Compliance Obligations for Money or Value Transfer Service Providers, No. 01 of 2017
- f. Guidelines on Money Laundering and Terrorist Financing Risk Management for Financial Institutions, No. 01 of 2018
- g. Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations for Casinos and Gambling Houses, No. 2 of 2018
- h. Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations for Dealers in Real Estate and Precious Metals, Precious and Semi-Precious Stones, No. 03 of 2018
- i. Guidelines for Financial Institutions on Identification of Beneficial Ownership, No. 04 of 2018
- j. Guidelines for Financial Institutions on Suspicious Transactions Reporting, No. 06 of 2018
- k. Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019
- l. Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019
- m. Guidelines on Identification of Politically Exposed Persons, No. 03 of 2019

Risk Based Supervision of FIs and DNFBPs

- a. Developed risk-based AML/CFT Supervision Manuals for FIs and DNFBPs
- b. Issued Risk Based Supervisory Guidelines to the securities and insurance sectors
- c. Signed MOUs with the SEC and the IRCSL to share supervisory findings
- d. Signed MOUs with NGJA and CMA to share supervisory findings
- e. Conducted institutional risk assessments for FIs and DNFBPs based on the offsite risk assessment tool and developed the supervisory plan
- f. Conducted risk-based AML/CFT supervision for FIs/DNFBPs as per the supervisory plan developed
- g. Imposed penalties, issued show cause letters/warning letters/time bound action plans for non-compliances observed
- h. Conducted extensive outreach for DNFBPs on appointing COs
- i. conducted outreach and awareness for FIs/DNFBPs on AML/CFT responsibilities, Beneficial Ownership, TFS

Implementation of UNSCRs

- a. Issued the United Nations (Sanctions in relation to Democratic People's Republic of Korea (DPRK)) Regulations of 2017
- b. Issued United Nations (Sanctions in relation to Iran) Regulations, No. 1 of 2018
- c. UNSCR 1718 Implementation Practices and Enforcement Obligations Directives, No. 1 of 2019

- d. Guidelines No. 5 of 2018 on Implementing United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017
- e. United Nations (Sanctions in relation to Iran) (Amendment) Regulations No. 1 of 2018
- f. Guidelines, No. 7 of 2018 on Implementing United Nations (Sanctions in relation to Iran) Regulations No. 1 of 2018
- g. Directives Issued under the United Nations (Sanctions in relation to Iran) Regulations, No. 1 of 2018

Other Measures to Improve Effectiveness

- a. Adopted the AML/CFT National Policy for 2015 -2020 with the approval of the Cabinet of Ministers
- b. Issued Guidance to LEAs on obtaining BO information to support investigations
- c. Appointment of a dedicated team of prosecutors to handle ML/TF Cases within the Attorney General's Department
- d. Regular discussions with the law enforcement authorities to expedite the ML/TF investigations
- e. Signed MOUs with Sri Lanka Police, Interpol, Departments of Inland Revenue, Persons Registration, Immigration and Emigration and Motor Traffic to share information to support analysis
- f. Acquisition of goAML software to enhance the data reporting and analysis capabilities
- g. Initiated the process of introducing amendments to the FTRA, PMLA and CSTFA to address the deficiencies highlighted during MER and further streamline the operations of the FIU-Sri Lanka

Source: Financial Intelligence Unit-Sri Lanka

7.1.2 Upgrading the compliance ratings with the progress made

Sri Lanka submitted four follow-up reports to the APG in January each year since 2016. These progress reports were presented to the APG Annual Plenaries held in respective years and there was consensus among members that Sri Lanka has made considerable progress on technical compliance in relation to several recommendations initially rated as non-compliant (NC) or partially compliant (PC). Accordingly, Sri Lanka's AML/CFT compliance level was upgraded subsequent to membership approval as follows:

Table 7.2
Technical Compliance After the Re-ratings Received

Level of Compliance	At the Adoption of the MER in July 2015	Re-rating in after progress reported		
		2016	2018	2019
Compliant (C)	5	5	6	7
Largely Compliant (LC)	7	16	21	24
Partially Compliant (PC)	16	13	8	7
Non-Compliant (NC)	12	6	5	2
Total	40	40	40	40

Source: Financial Intelligence Unit-Sri Lanka

7.2 A Review on Sri Lanka by the International Cooperation Review Group.

In October 2015, the FATF decided to include Sri Lanka in the International Cooperation Review Group (ICRG) process under the new automatic referral based on the MER results, as it satisfied three out of four referral criteria on rating for technical compliance (28 recommendations rated NC/PC) and immediate outcomes (low or moderate level of effectiveness for 10 Immediate Outcomes). Accordingly, Sri Lanka entered a one-year observation period from October 2015. With the application of new prioritization criteria introduced in June 2016 where Financial Sector Assets of the country stood at USD 97.6 bn as at 31.12.2015 (Source: CBSL Annual Report 2015), the ICRG determined that Sri Lanka would be included in the ICRG process at the end of observation period.

At the end of the observation period in October 2016, Sri Lanka was required to report the progress made towards increasing effectiveness on each Immediate Outcome that was rated as low or moderately effective. The review was conducted by the Asia Pacific - Joint Group (AP-JG), co-chaired by India and Philippines with Australia, USA, South Korea, the FATF and the APG Secretariats as other members. Further, Sri Lanka also required conducting face-to-face meetings with the AP-JG to discuss the progress made.

Sri Lanka provided three progress reports on actions taken to increase the effectiveness of all Immediate Outcomes which were rated low or moderate in the MER on December 15, 2016, April 19, and August 15, 2017. Further, officials held face-to-face meetings with the AP-JG in January, April and September 2017. The FATF deferred the decision on Sri Lanka in two Plenaries held in February and June 2017. However, based on the 3rd progress report in August 2017 and the ensuing face-to-face meeting, the ICRG Working Group of the FATF decided that Sri Lanka had not yet made sufficient progress in several areas.

Accordingly, during the October 2017 Plenary, the FATF decided to include Sri Lanka in its “Improving Global AML/CFT Compliance: On-going Process” also known as the “Grey List,” identifying Sri Lanka as a country having strategic AML/CFT deficiencies.

Upon listing, the FATF issued a time bound action plan for Sri Lanka (Table 7.3) to be implemented within the given timeframe. Further, Sri Lanka was required to regularly submit reports on the progress of implementation and hold face-to-face discussions with AP- JG members. The AP-JG consisted of members representing Australia, Italy, Germany, UK, USA, APG and FATF Secretariats, while representatives from India and China were the co-chairs.

Table 7.3
Action Plan for the FATF dated November 1, 2017

Recommendation / Immediate Outcome	Action Item	Timelines
Recommendation 37	Pass amendments to MACMA to ensure that mutual legal assistance may be provided on the basis of reciprocity.	September 2018
Immediate Outcome 3: Supervision	Issue the CDD Rule for DNFBPs; issue any necessary guidance, and ensure implementation of this Rule has begun, by way of supervisory actions.	May 2019
	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 TFS.	May 2019
Immediate Outcome 5: Legal persons and arrangements	Provide statistics or case studies to demonstrate that competent authorities can obtain beneficial ownership information in a timely manner.	January 2019
	Revise the Trust Ordinance and demonstrate that implementation has begun.	
Immediate Outcome 11: Targeted Financial Sanctions (TFS)	Establish a TFS regime to implement the relevant UNSCRs related to Iran and demonstrate that implementation has begun. Also demonstrate that implementation has begun on the UN Regulation related to the DPRK.	January 2019

Source: Financial Intelligence Unit-Sri Lanka

Since the listing in November 2017, the FIU-Sri Lanka together with other stakeholders took a series of effective and tangible steps to implement the FATF Action Plan. Sri Lanka reported the progress achieved and conducted face-to-face discussions with the AP-JG as indicated in the Table 7.4 below.

Table 7.4
Progress Reported to AP-JG

	Progress Reported	Face to Face discussion
1st	08.01.2018	16.01.2018
2nd	19.04.2018	23.05.2018
3rd	17.08.2018	11.09.2018
4th	04.01.2019	13.01.2019
5th	15.05.2019	Onsite visit was cancelled
6th	28.08.2019	16-17 September, 2019

Source: Financial Intelligence Unit-Sri Lanka

Based on the progress reported, at the Plenary held in February 2019, the FATF made the initial determination that Sri Lanka has completed its Action Plan and that it warrants an onsite assessment to verify that the implementation of Sri Lanka's AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. However, due to the Easter Sunday attacks on April 21, 2019, the proposed onsite visit during May 2019 was postponed.

The review team visited Sri Lanka during September 16 -17, 2019 to assess the progress of implementation. The review team consisted of officials from India (Co-Chair), Australia, Bangladesh, Japan, and the APG Secretariat, and met all relevant stakeholders including the private sector to assess that the effective implementation of AML/CFT measures was in place. Further, the team met the Hon. Minister of Finance, to ensure that the necessary high-level political commitment remains in place to sustain implementation of AML/CFT measures in the future.

The recommendations made by the review team on Sri Lanka's progress were discussed at the FATF Plenary in October 2019 and all members have endorsed the decision to delist Sri Lanka from the Grey List. Accordingly, on October 18, 2019 the FATF announced that Sri Lanka is no longer subject to the FATF monitoring process.

The implementation of the FATF Action Plan was led by Dr. Indrajit Coomaraswamy Governor of the CBSL in this capacity as the Chairman of the NCC and the officials of the FIU-Sri Lanka. Key stakeholders shown their commitment and support in completing the FATF Action Plan within the given time frame and they also pledged their continuous support to further strengthen the effective implementation of AML/CFT measures in the country.

Table 7.5**Stakeholders Involved in the FATF Action Plan Implementation Process**

Attorney General's Department	Insurance Regulatory Commission of Sri Lanka
Ministry of Finance	Bank Supervision Department
Ministry of Justice	Department of Supervision of Non-Bank Financial Institutions
Ministry of Home Affairs	Condominium Management Authority
Ministry of Foreign Affairs	National Gem and Jewellery Authority
Ministry of Defence	Licensed Banks / Licensed Finance Companies
Legal Draftsman's Department	Stockbrokers / Insurance Companies
Sri Lanka Police (CID /FCID)	Casinos
Registrar of Companies	Gem and Jewellery Dealers
Registrar General's Department	Real Estate Companies
Securities and Exchange Commission	

Source: Financial Intelligence Unit-Sri Lanka

Table 7.6**FATF Statement on Sri Lanka, 18 October 2019**

The FATF welcomes Sri Lanka's significant progress in improving its AML/CFT regime and notes that Sri Lanka has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in November 2017. Sri Lanka is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Sri Lanka will continue to work with APG to improve further its AML/CFT regime.

<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-october-2019.html#SriLanka>

7.3 Way Forward

As reiterated during the AP-JG onsite visit to Sri Lanka, the authorities will continue to take actions aiming at further strengthening the AML/CFT regime in the country. Thus, the FIU- Sri Lanka has initiated several main actions to be implemented beyond 2019.

Table 7.7**Further Actions Initiated**

1.	Updating the ML/TF National Risk Assessment (NRA)
2.	Re-developing the AML/CFT National Policy based on the results of the NRA
3.	Passing amendments to the Companies Act, No. 7 of 2007 incorporating beneficial ownership requirements for legal persons
4.	Passing amendments to the FTRA to streamline operations of the FIU
5.	Passing amendments to the PMLA and CSTFA to address the minor deficiencies identified in the MER and adopt changes to the FATF recommendations
6.	Introducing licensing /registration process for cross border value transfer services
7.	Expanding AML/CFT coverage for other DNFBPs (Lawyers, Accountants, Trust and Company Service providers)
8.	Introducing regulatory framework for the real estate sector
9.	Introducing centralized registration of NPOs through legislative amendments.
10	Introducing a licensing mechanism for the casino sector

Source: Financial Intelligence Unit-Sri Lanka

CONTACT US

For enquiries about FIU-Sri Lanka or other related information, contact details are given below.

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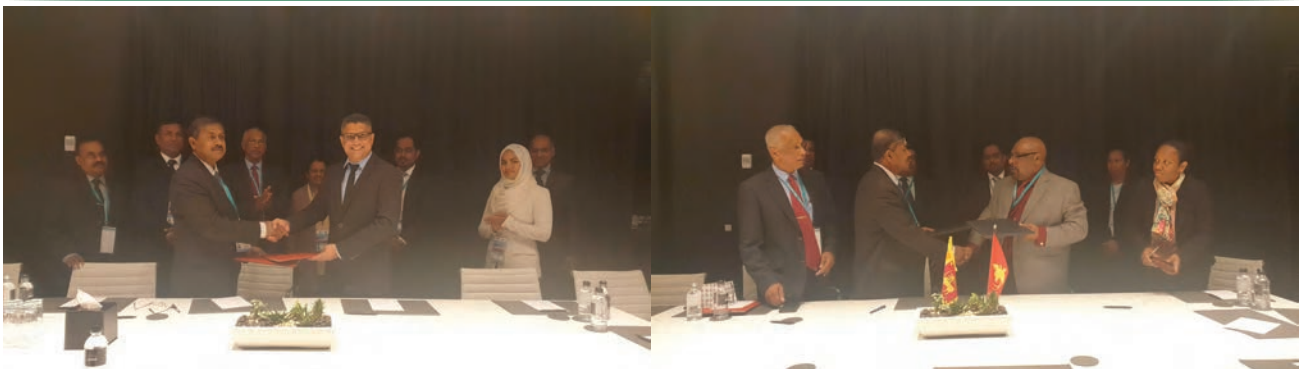
Signing MOUs with Condominium Management Authority and National Gem and jewellery Authority - August 28, 2019



Signing an MOU with INTERPOL - October 11, 2019



Signing of MOUs with FIU Maldives and Financial Analysis and Supervision Unit of PNG – August 18, 2019

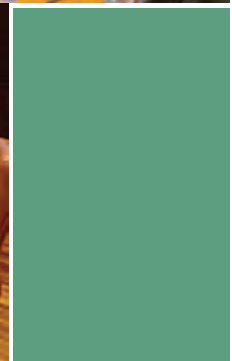


The BIMSTEC SG/AML-CFT Workshop held during November 27-29, 2019





Inaugural Meeting of the DNFBP Working Group – March 07, 2019



Training Session on goAML Web Application to Licensed Banks - March 01, 2019



Training Sessions for the Newly Appointed Compliance Officers of DNFBPs



Awareness Sessions conducted for Financial Institutions



Awareness Sessions conducted for DNFBPs







Awareness Programmes conducted for Police Officers





Appendix A : List of Rules/Directions/Guidelines Issued From 2006 to 2019

Year 2019

1. Insurers (Customer Due Diligence) Rules, No. 1 of 2019 - Extraordinary Gazette No. 2123/14, May 13 of 2019
2. Conducting Enhance Due Diligence with respect of the Non-Governmental Organizations, Not-for-Profit Organizations or Charities under Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016, Circular No. 01/19
3. Guidelines for Designated Non-Finance Businesses on Suspicious Transactions Reporting, No. 01 of 2019
4. Guidelines for Designated Non-Finance Businesses on Identification of Beneficial Ownership, No. 02 of 2019
5. Guidelines on Identification of Politically Exposed Persons, No. 03 of 2019
6. Debiting Withholding Taxes from Suspended Accounts, Circular No. 02/19

Year 2018

1. Rules for Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018. - Extraordinary Gazette No. 2053/20, January 10, 2018
2. Amendments to the Rules for Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 - Extraordinary Gazette No.2092/02, October 08, 2018
3. Procedure of Conducting Risk Based Onsite Examinations, Circular No. 01 of 2018
4. Guidelines on ML & TF Risk Management for Financial Institutions, No. 1 of 2018
5. Guidelines on AML & CFT Compliance Obligations for Casinos and Gambling Houses, No. 02 of 2018
6. Guidelines on AML & CFT Compliance Obligations for Dealers in Real Estate and Precious Metals, Precious and Semi-Precious Stones, No. 03 of 2018
7. Guidelines for Financial Institutions on Identification of Beneficial Ownership, No. 04 of 2018
8. Guideline, No. 5 of 2018 on Implementing United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017
9. Guidelines for Financial Institutions on Suspicious Transactions Reporting, No. 06 of 2018
10. Guidelines, No. 7 of 2018 on Implementing United Nations (Sanctions in relation to Iran) Regulations No. 1 of 2018

Year 2017

1. Circular on onsite examination in terms of Risk-Based approach examination plan 2017 to CEOs of all Licensed Banks and Licensed Finance Companies
2. Guidelines on AML/CFT Compliance Obligations for Money or Value Transfer Service Providers, No. 1 of 2017
3. Suspicious Transactions (Format) Regulations of 2017 – Extraordinary Gazette No. 2015/56, March 30, 2017.
4. Regulations promulgating the implementation of UNSCR 1718 on DPRK (Democratic People's Republic of Korea) - Extraordinary Gazette No. 2039/32 dated October 06, 2017.
5. Regulations promulgating the implementation of UNSCR 1540 on Proliferation of Weapons of Mass Destruction (WMD) - Extraordinary Gazette No. 2039/31 dated October 06, 2017.

Year 2016

1. KYC/ CDD Rules for Financial Institutions - Extraordinary Gazette No. 1951/13, January 27, 2016
2. Circular on definitions/ clarifications for Financial Institutions (Customer Due Diligence) Rules No. 1 of 2016

Year 2015

1. Reporting of Foreign Inward Remittances

Year 2014

1. Prevention and Suppression of Terrorism and Terrorist Financing Obligations of Reporting Institutions - Authorized Money Changers
2. Prevention and Suppression of Terrorism and Terrorist Financing Obligations of Reporting Institutions (UNSCR 1373) - Licensed Banks and Licensed Finance Companies
3. Prevention and Suppression of Terrorism and Terrorist Financing (UNSCR 1373) - Obligations of Insurance Companies
4. Prevention and Suppression of Terrorism and Terrorist Financing (UNSCR 1373) - Obligations of Stock Brokers

Year 2013

1. Circular to Directors of All Authorized Money Changing Companies, January 31, 2013
2. Public Statement by the Financial Action Task Force
3. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - All Licensed Banks & Licensed Finance Companies
4. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - Insurance Companies
5. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting Institutions - Stock Brokering Companies

Year 2012

1. Revisions to 40+9 Recommendations of the FATF
2. Notification from the FIU of St. Vincent and the Grenadines
3. Amendments to the KYC/ CDD Rules, No.1 of 2011 for the Licensed Banks and Licensed Finance Companies - Extraordinary Gazette No 1756/27, May 04, 2012

Year 2011

1. KYC/ CDD Rules for Licensed Banks and Licensed Finance Companies - Extraordinary Gazette No 1699/10, March 28, 2011
2. Auditor's Declaration on Establishment of Audit Functions
3. Compliance with the Reporting Requirement under Section 7 of the FTRA
4. Revisions to Extraordinary Gazette Notification No. 1699/10 - KYC/CDD Rules, No. 01 of 2011

Year 2010

1. Web based Information Reporting System to the Insurance Companies
2. Web based Information Reporting System to the Stock Brokers

Year 2009

1. Compliance with the Section 2 of the FTRA - (for LBs)
2. Compliance with the Section 2 of the FTRA - (for RFCs)
3. Inclusion of the Tamil Foundation among the list of Terrorist Organizations in USA
4. AML/CFT Compliance Functions of the Insurance Industry
5. Web Based Reporting System for LCBs & LSBs
6. Web Based Reporting System RFCs

Year 2008

1. KYC/ CDD Rules for the Insurance Industry
2. Compliance with Rules on CDD for Financial Institutions
3. Compliance with Reporting Requirement (Amended)
4. Inclusion of the World Tamil Movement among the list of Terrorist Organizations in Canada
5. Use of Banking System by Institutions and Persons not Authorised to Accept Deposits
6. Compliance with Reporting Requirement of FTRA-Securities Industry
7. Compliance with Reporting Requirement of FTRA-Insurance Industry

Year 2007

1. KYC/ CDD Rules for the Securities Industry
2. Compliance with KYC/CDD Rules for New Customers and existing Customers
3. Compliance with the Reporting Requirements under the FTRA
4. Light a Million Candles Campaign - Offences against Children
5. Mandatory Reporting Requirements - EFTs

Year 2006

1. Compliance with the Reporting Requirement under the FTRA
2. Section 312 & Section 319 of the Patriot Act.
3. FTRA - Submission of Data
4. Financial Transactions Reporting Act, No. 06 of 2006
5. CDD for Inward Remittance

Appendix B: Reporting Institutions as at December 31, 2019

Licensed Commercial Banks

1. Amana Bank PLC
2. Axis Bank Ltd
3. Bank of Ceylon
4. Bank of China Ltd
5. Cargills Bank Ltd
6. Citibank, N.A.
7. Commercial Bank of Ceylon PLC
8. Deutsche Bank AG
9. DFCC Bank PLC
10. Habib Bank Ltd
11. Hatton National Bank PLC
12. ICICI Bank Ltd
13. Indian Bank
14. Indian Overseas Bank
15. MCB Bank Ltd
16. National Development Bank PLC
17. Nations Trust Bank PLC
18. Pan Asia Banking Corporation PLC
19. People's Bank
20. Public Bank Berhad
21. Sampath Bank PLC
22. Seylan Bank PLC
23. Standard Chartered Bank
24. State Bank of India
25. The Hongkong & Shanghai Banking Corporation Ltd
26. Union Bank of Colombo PLC

Licensed Specialized Banks

1. HDFC Bank of Sri Lanka
2. National Savings Bank
3. Regional Development Bank
4. Sanasa Development Bank PLC
5. Sri Lanka Savings Bank
6. State Mortgage and Investment Bank

Licensed Finance Companies

1. Abans Finance PLC
2. Alliance Finance Company PLC
3. A M W Capital Leasing and Finance PLC
4. Arpico Finance Company PLC
5. Asia Asset Finance PLC
6. Associated Motor Finance Co. PLC
7. Bimputh Finance PLC
8. Central Finance Company PLC
9. Citizens Development Business Finance PLC
10. Commercial Credit and Finance PLC
11. Commercial Leasing and Finance PLC
12. Dialog Finance PLC
13. ETI Finance Ltd
14. Fintrex Finance Ltd
15. HNB Finance Ltd
16. Ideal Finance Ltd
17. Kanrich Finance Ltd
18. Lanka Credit & Business Finance Ltd
19. LB Finance PLC
20. LOLC Development Finance PLC
21. LOLC Finance PLC
22. Mercantile Investments and Finance PLC
23. Merchant Bank of Sri Lanka & Finance PLC
24. Multi Finance PLC
25. Nation Lanka Finance PLC
26. Orient Finance PLC
27. People's Leasing & Finance PLC
28. People's Merchant Finance PLC
29. Prime Finance PLC
30. Richard Pieris Finance Ltd
31. Sarvodaya Development Finance Ltd
32. Senkadagala Finance PLC
33. Serendib Finance Ltd
34. Singer Finance (Lanka) PLC
35. Sinhaputhra Finance PLC
36. Siyapatha Finance PLC
37. Softlogic Finance PLC
38. Swarnamahal Financial Services PLC

39. The Finance Company PLC
40. Trade Finance & Investments PLC
41. UB Finance Company Ltd
42. Vallibel Finance PLC

Licensed Insurance Companies

1. AIA Insurance Lanka Ltd
2. Allianz Insurance Lanka Ltd
3. Allianz Life Insurance Lanka Ltd
4. Amana Takaful Life PLC
5. Amana Takaful PLC
6. Arpico Insurance PLC
7. Ceylinco General Insurance Ltd
8. Ceylinco Life Insurance Ltd
9. Continental Insurance Lanka Ltd
10. Co-operative Insurance Co. Ltd
11. Cooplife Insurance Ltd
12. Fairfirst Insurance Ltd
13. HNB Assurance PLC
14. HNB General Insurance Ltd
15. Janashakthi Insurance PLC
16. Life Insurance Corporation (Lanka) Ltd
17. LOLC General Insurance Ltd
18. LOLC Life Assurance Ltd
19. MBSL Insurance Company Ltd
20. National Insurance Trust Fund
21. Orient Insurance Ltd
22. People's Insurance Ltd
23. Sanasa General Insurance Co. Ltd
24. Sanasa Life Insurance Co. Ltd
25. Softlogic Life Insurance PLC
26. Sri Lanka Insurance Corporation Ltd
27. Union Assurance PLC

Licensed Stockbrokers

1. Acuity Stockbrokers (Pvt) Ltd
2. Asha Securities Ltd
3. Asia Securities (Pvt) Ltd
4. Assetline Securities (Pvt) Ltd

5. Bartleet Religare Securities (Pvt) Ltd
6. Candor Equities Ltd
7. Capital Alliance Ltd-(Debt Securities)
8. Capital Alliance Securities (Pvt) Ltd
9. Capital Trust Securities (Pvt) Ltd
10. CT CLSA Securities (Pvt) Ltd
11. Enterprise Ceylon Capital (Pvt) Ltd
12. First Capital Equities (Pvt) Ltd
13. First Guardian Equities (Pvt) Ltd
14. J B Securities (Pvt) Ltd
15. John Keells Stockbrokers (Pvt) Ltd
16. Lanka Securities (Pvt) Ltd
17. LOLC Securities Ltd
18. NDB Securities (Pvt) Ltd
19. NSB Fund Management Ltd-(Debt Securities)
20. Richard Pieris Securities (Pvt) Ltd
21. S C Securities (Pvt) Ltd
22. SMB Securities (Pvt) Ltd
23. Softlogic Stockbrokers (Pvt) Ltd
24. Somerville Stock Brokers (Pvt) Ltd
25. Taprobane Securities (Pvt) Ltd
26. Wealth Trust Securities Ltd-(Debt Securities)

Restricted Dealers

1. A.O.Lakshmi Jewels (Pvt) Ltd
2. Abdeen Money Changers (Pvt) Ltd
3. Abilash Money Exchange (Pvt) Ltd
4. Ariyawansa Enterprises (Pvt) Ltd
5. Arrujina Jewellery (Pvt) Ltd
6. Aruna Forexc (Pvt) Ltd
7. Asia Asset Finance PLC
8. Asian Money Exchange (Pvt) Ltd
9. Bimpuh Finance PLC
10. Brescia Grameen (Pvt) Ltd
11. Bullion Money Exchange (Pvt) Ltd
12. Capital Exchange (Pvt) Ltd
13. Carlo International (Pvt) Ltd
14. Central Money Exchange (Pvt) Ltd
15. Citizens Development Business Finance PLC
16. City Exchange (Pvt) Ltd

17. Colombo Money Exchange (Pvt) Ltd - Head Office -Colombo 06
- Branch -Colombo 01
18. Crown Money Exchange (Pvt) Ltd
19. Dadigama Group (Pvt) Ltd
20. Data Exchange International (Pvt) Ltd
21. Daya Authorized Money Changer (Pvt) Ltd
22. Delta Sarath Holdings (Pvt) Ltd
23. Devi Forex (Pvt) Ltd
24. Galle Money Exchange (Pvt) Ltd - Head Office -Galle
- Branch -Galle Fort
25. George Michael Holdings (Pvt) Ltd
26. Gexon Exchange (Pvt) Ltd
27. Global Trust Money Exchange (Pvt) Ltd
28. Global Village Exchange (Pvt) Ltd
29. Golden Money Changers (Pvt) Ltd
30. Haifa Travels and Tours (Pvt) Ltd
31. International Exchange (Pvt) Ltd
32. Jayes Investments Ltd
33. Jewel Lanka Money Exchange (Pvt) Ltd
34. Jeya Forex Exchange (Pvt) Ltd
35. Kamal Enterprises (Pvt) Ltd
36. Keyser Exchange (Pvt) Ltd
37. Kudamadu Money Exchange (Pvt) Ltd
38. L B Finance PLC
39. Lanka Credit and Business Finance Limited
40. LOLC Finance PLC
41. M.P. Money Changer (Pvt) Ltd
42. Maruthi Money Exchange (Pvt) Ltd - Head Office -Colombo 06
- Branch -Jaffna
43. Mayurie Money Changers (Pvt) Ltd
44. Mercantile Merchant Bank Ltd
45. Metro Forex (Pvt) Ltd
46. Midna Mini Market (Pvt) Ltd
47. Milano Money Exchange (Pvt) Ltd
48. Narmatha Gold Centre (Pvt) Ltd - Head Office -Jaffna
- Branch -Kilinochchi
49. New Natasha (Pvt) Ltd
50. New Regal's Money Changer (Pvt) Ltd
51. Pearl City Hotel
52. Pearl Exci (Pvt) Ltd

53. Prasanna Money Exchange (Pvt) Ltd - Head Office -Colombo 01
- Branch -Colombo 06
 54. Pushpa Money Changer (Pvt) Ltd
 55. Rafeek's Gems (Pvt) Ltd
 56. Ravi Forexae (Pvt) Ltd
 57. Rimha Jewellery (Pvt) Ltd
 58. Rivindu Enterprises (Pvt) Ltd
 59. Royal Money Exchange (Pvt) Ltd - Head Office -Colombo 01
- Branch -Colombo 06
 60. Royal Money Mart (Pvt) Ltd - Head Office -Aluthgama
- Branch -Colombo 01
 61. S S D D Money Exchanging (Pvt) Ltd
 62. Salaka Trust Investment (Pvt) Ltd
 63. Senkadagala Finance PLC
 64. Shangri-La Hotel Colombo
 65. Shangri-La's Hambantota Resort & Spa
 66. Sharanga Money Exchange (Pvt) Ltd
 67. Shifaz Money Exchange (Pvt) Ltd
 68. Singer Finance (Lanka) PLC
 69. Sinhaputhra Finance PLC
 70. Sornam Forex (Pvt) Ltd
 71. Swiss Money Exchange (Pvt) Ltd - Head Office -Colombo 01
- Branch -Colombo 06
 72. Thamasha Forex (Pvt) Ltd
 73. Thomas Cook Lanka (Pvt) Ltd - Head Office -Bandaranaike International Airport
- Branch -Colombo 02
- Branch -Colombo 03
- Branch -Kandy
 74. Unic Forex (Pvt) Ltd
 75. Vasanthas Intl. Money Exchange (Pvt) Ltd
 76. Western Money Exchange (Pvt) Ltd
 77. Windsor Money Exchange (Pvt) Ltd
- * Licensed Finance companies are permitted to engage in the money changing business only at the branches authorized by DFE.

Money or Value Transfer Services

1. Dialog Axiata PLC
2. MMBL Money Transfer (Pvt) Ltd
3. Mobitel (Pvt) Ltd

Gem and Jewellery Dealers

1. Sifani Jewellers
2. Ravi Jewellers Pvt Ltd
3. Crescent Gems
4. Wellawatta Nithyakalyani Jewellery
5. AMS Deen & Sons
6. Lalitha Jewellery Mart Pvt Ltd
7. Gemlink
8. Shiraz Gems and jewellers
9. Precision Lapidaries
10. Swiss Cut & Design (Pvt) Ltd
11. AMA Careem Jewellers (Pvt) Ltd
12. Ceylon Sapphires International
13. Bullian Exchange Jewellers
14. Ceyital Jewels (Pvt) Ltd
15. Zay's (Pvt) Ltd
16. Pattakannus (Pvt) Ltd
17. Hemachandras (Kandy) Ltd
18. Colombo Jewellers Stores (Pvt) Ltd
19. Priyan Gems
20. Global Gems (Pvt) Ltd
21. Regal Gems (Pvt) Ltd
22. Shehans (Pvt) Ltd
23. Gem Cottage
24. A M Salie (Pvt) Ltd
25. Premadasas Gems and Jewellery (Pvt) Ltd
26. Sabry Gems and Jewels
27. The Fine Jewellery Company (Pvt) Ltd
28. Rosairo Gems and Lapidary
29. N D H Abdul Kafoor (Pvt) Ltd
30. Tropical Findings (Pvt) Ltd
31. Kubra Jewellers (Pvt) Ltd
32. Crescent Lapidary
33. Nisthar Gems
34. Weddingring Gem and Jewellery
35. Raja Jewellers (Pvt) Ltd

36. Beauty gems
37. Trust Gems
38. Globstar Enterprises
39. Gemtrades Exports (Pvt) Ltd
40. Precious Gems and Jewels
41. NowGem Jewellers (Pvt) Ltd
42. M J M Mushtaq
43. Belgrade International (Pvt) Ltd
44. Lamintons Gem Export (Pvt) Ltd
45. Lakmanik Exports (Pvt) Ltd
46. Sathies Jewellery (Pvt) Ltd
47. Ameer Gems and Jewellery
48. New World Gem (Pvt) Ltd
49. Leedons Gemjewels (Pvt) Ltd
50. Rainbow Gems
51. Punsiri Gems
52. Punsiri Gems (Pvt) Ltd
53. Natural Sapphires Ceylon (Pvt) Ltd
54. Swisscut Lapidary
55. Furqan Ali & Sons
56. Simark Gems & Jewels
57. Jewel Arena
58. Kamil
59. Commonwealth Gem Company
60. D.B Enterprise (Pvt) Ltd
61. Swarna & Sons (Pvt) Ltd
62. Gemsmart International (Pvt) Ltd
63. R & R Finegems
64. Buraak Jewels (Pvt) Ltd
65. Amaran Gems (Pvt) Ltd
66. Crest Gems (Pvt) Ltd
67. Gem Paradise
68. Gembines
69. Devi Jewellers (Pvt) Ltd
70. Jainudeen and Company (Pvt) Ltd
71. Blue Diamonds Jewellery Worldwide PLC

72. Tradeasia (Pvt) Ltd
73. Ibrahim Jewellers
74. Stargems International (Pvt) Ltd
75. Lihiniya Gems
76. Namo Narayanaya Center
77. Pearl Gems
78. Historical Mansion
79. Echelon International Company
80. Gamini Gem and Jewellery (Pvt) Ltd
81. Handunis Gems and Jewellery Export (Pvt) Ltd
82. Rathnejaya Gems and Tools (Pvt) Ltd
83. Mansoor Gems
84. Farook Gems
85. Finestones
86. Isuruma Gold Center
87. Vogue Jewellers (Pvt) Ltd
88. Abdulla Jewellers
89. Jewel Qudsi
90. Gangaa Jewellery Marts
91. Danthanarayana Sons
92. Tourist Shopping Centre
93. Meraki International (Pvt) Ltd
94. Crown Gems (Crown Money Exchange (Pvt) Ltd)
95. Ceylon Fine Gems (Pvt) Ltd
96. Niketh Gems
97. Nemlanka Jewellers
98. Millan Jewellers
99. Samare Gems
100. PL.MTT.Muthukaruppan Chettiar (Pvt) Ltd
101. Anoki Jewellers
102. Brilliant Gem Complex
103. Solakee Gems (Pvt) Ltd
104. Adamant International (Pvt) Ltd
105. Jewelesco International (Pvt) Ltd
106. Shehan's Jewellery (Pvt) Ltd
107. Raddella Gem and Jewellers (Pvt) Ltd

108. Osmans
109. Jewel Star Exports (Pvt) Ltd
110. Starshine Exports (Pvt) Ltd
111. Starstyle Jewellers (Pvt) Ltd
112. Leedons Gem Exports (Pvt) Ltd
113. Swarnamahar Jewellers Limited
114. Vishwa Gems
115. San Gems & Jewellery
116. Zam Gems (Pvt) Ltd
117. Priyantha Gems
118. Sapphire Gem and Jewellery
119. The Choice
120. Sky Blue Gems
121. Rojemto Gem
122. Lucky Jewellery
123. On Gem
124. Kanmin Gems
125. D M D Gems
126. Sparkle Gems
127. Safaiyers
128. Western Jewellery Mart
129. Serene Gem Gallary (Pvt) Ltd
130. Manoma Gem & Jewellery
131. D A Gem & Jewellery
132. Majesty Gems
133. Mc Million Jewellers
134. Mallika Hemachandra Jewellers (Pvt) Ltd
135. Ganesha Jewellery Mart
136. New Saravanas Jewellers
137. Nugget Creations (Pvt) Ltd
138. Premadasa & Co (Jewellers) Pvt Ltd
139. Unique Jewels (Pvt) Ltd
140. Alankara Jewellery (Pvt) Ltd
141. Ajith Jewellers
142. Diamond Cutters Sales (Pvt) Ltd
143. Ran Gem and Jewellery

144. Mlesna Exports (Pvt) Ltd
145. Douglas & Sons
146. Raneka Gems
147. Radiant Gems International PLC
148. Aida Gems & Jewellery (Pvt) Ltd
149. Sahl Holdings (Pvt) Ltd
150. Gem Shine
151. Pinwatta Gems
152. Beehive Industries (Pvt) Ltd
153. Gems Chamber - Gem Bank
154. Khiard Jewellers
155. Jayarathne Gems & Lapidary (Pvt) Ltd
156. Emerald Gems
157. Mushan International
158. Meeyana Kawana Sons
159. MKS Gems
160. A and A Jewel
161. Crown Gems (Pvt) Ltd
162. Arthur de Silva Jewellers
163. Lakjaya Gems (Pvt) Ltd
164. Traditional Gem Mine (Pvt) Ltd
165. Orofini Gems (Pvt) Ltd
166. Kasunro Jewellers
167. Ceylon Colours
168. Lanka Gem Exchange Bureau (Pvt) Ltd

Real Estate Companies

1. Whittall Boustead (Pvt) Ltd
2. Waterfront Properties (Pvt) Ltd
3. Braybrooke Residential Towers (Pvt) Ltd
4. Suncity Property Developers (Pvt) Ltd
5. GVR Lanka (Pvt) Ltd
6. Overseas Reality (Ceylon) PLC
7. Indocean Developers (Pvt) Ltd
8. Colombo City Centre Partners (Pvt) Ltd
9. Kelsey Homes (Pvt) Ltd

10. Trivium (Pvt) Ltd
11. Gampaha Development Company (Pvt) Ltd
12. E A Macro Holdings (Pvt) Ltd
13. Capital Trust Residencies (Pvt) Ltd
14. RTI Homes (Pvt) Ltd
15. Shangri-La Hotels Lanka (Pvt) Ltd
16. Access Engineering PLC
17. Platinum Reality Investments (Pvt) Ltd
18. Ekroma Realtors (Pvt) Ltd
19. Iconic Developments (Pvt) Ltd
20. Fairway Holdings (Pvt) Ltd
21. Capitol Developers Limited
22. Prime Lands (Pvt) Ltd
23. Prime Land Residencies (Pvt) Ltd
24. Avic International Hotels Lanka Ltd
25. S M I Housing Development (Pvt) Ltd
26. East West Properties PLC
27. Serenia Limited
28. Hedges Court Residencies (Pvt) Ltd
29. Nivasie Developers Malabe (Pvt) Ltd
30. Blue Mountain Apartment (Pvt) Ltd
31. Span Engineering (Pvt) Ltd
32. Hampden Engineering (Pvt) Ltd
33. Hampden Property Developers (Pvt) Ltd
34. JAT Property Group (Pvt) Ltd
35. Real Land and Properties (Pvt) Ltd
36. Upland Property Development (Pvt) Ltd
37. Guardian Lands (Pvt) Ltd
38. Blue Mountain Properties (Pvt) Ltd
39. Millenium Housing Developers PLC
40. Home Lands Holding (Pvt) Ltd
41. Priveth Global (Pvt) Ltd
42. Metro Lands & Developers (Pvt) Ltd
43. Lucky Homes (Pvt) Ltd
44. Steradian Capital Investments (Pvt) Ltd
45. Odiliya Homes and Real Estate Company (Pvt) Ltd

46. Gangani Land Sales
47. Odiliya Residencies (Pvt) Ltd
48. Remax Southern Proerties
49. Lanka Real Estate.com (Pvt) Ltd
50. Pierpont Ventures
51. Lanka Island Properties (Pvt) Ltd
52. Blue Star Realities (Pvt) Ltd
53. Ceylon Estate Agents (Pvt) Ltd
54. Pan Global Property Developers (Pvt) Ltd
55. SNAPS Residencies (Pvt) Ltd
56. Blue Ocean Group of Companies
57. Seagull Residencies (Pvt) Ltd
58. Indola Group (Pvt) Ltd
59. South Lanka Realty (Pvt) Ltd
60. Anura Property Sales
61. Pearl Properties (Pvt) Ltd
62. Lakdinu Housing and Investments (Pvt) Ltd
63. Acquest (Pvt) Ltd
64. Echelon International Company
65. Jima Holdings (Pvt) Ltd
66. People's Realty Limited
67. M Haseeb A Hameed Properties (Pvt) Ltd (Remax Infinity)
68. Araliya Lands and Homes (Pvt) Ltd
69. Skiltan Engineering (Pvt) Ltd
70. EAP Property Developers
71. Manamperi Home Lands (Pvt) Ltd
72. Grit Property Group
73. Winrose Property Developers (Pvt) Ltd
74. Empire Land and Property Developers (Pvt) Ltd
75. Sahana Group
76. Kadira Estate Management Agency (Pvt) Ltd
77. Prestige Property Management (Pvt) Ltd
78. Commercial Realty (Pvt) Ltd
79. Tharanga Land Sales (Pvt) Ltd
80. Ceylon Brand House (Pvt) Ltd
81. Hanco Property Developers (Pvt) Ltd

82. Ranbima Real Estate
83. Park Properties (Pvt) Ltd
84. Earth Lanka Holdings (Pvt) Ltd
85. Fair Lands and Investments (Pvt) Ltd
86. Orient Construction Co. (Pvt) Ltd (Orient Residencies)
87. Landmark Developers Holding (Pvt) Ltd
88. Ascentone Developers (Pvt) Ltd
89. Kangaroo Property House (Pvt) Ltd
90. Yas Lands (Pvt) Ltd
91. Leeway Developers (Pvt) Ltd
92. Osaka Property Developers (Pvt) Ltd
93. Central 7 (Pvt) Ltd
94. Green Pearl Ceylon (Pvt) Ltd
95. Janaka Bogollagama & Co (Pvt) Ltd
96. Merchant Bank of Sri Lanka & Finance PLC (MBSL Lands)
97. Fairway Galle (Pvt) Ltd
98. Fairway Elements (Pvt) Ltd
99. Fairway Urban Homes (Pvt) Ltd
100. Fairway Latitude (Pvt) Ltd
101. Fairway Aqua Vista (Pvt) Ltd
102. Fairway Kurunegala (Pvt) Ltd
103. Prime Homes (Pvt) Ltd
104. Bhoomy Realty Holdings (Pvt) Ltd
105. Regent Living (Pvt) Ltd
106. Ceylon Investment Group
107. Consol Construction Solutions Lanka (Pvt) Ltd
108. Capital Gain Properties (Pvt) Ltd
109. Nemra Properties (Pvt) Ltd
110. Kethmi Holdings (Pvt) Ltd
111. Wise Property Solutions
112. Welcomhotels Lanka (Pvt) Ltd
113. JPKL Constructions (Pvt) Ltd
114. Home Lands Skyline (Pvt) Ltd
115. Saraj (Pvt) Ltd
116. Rush Housing (Pvt) Ltd
117. Vesta Residencies (Pvt) Ltd

118. G V S P L Lanka (Pvt) Ltd
119. Nexus Property Developers (Pvt) Ltd
120. Peak Engineering (Pvt) Ltd
121. Ben Consortium & Construction (Pvt) Ltd
122. The Rasika Holdings (Pvt) Ltd
123. Step Ahead (Pvt) Ltd
124. Metro Habitat (Pvt) Ltd
125. Aron Property Investments (Pvt) Ltd
126. Excello Residencies
127. STK Quickshaws (Pvt) Ltd
128. Paragon Developments (Pvt) Ltd
129. J R Y Builders (Pvt) Ltd
130. Ravi Investment (Pvt) Ltd
131. Northpole Construction (Pvt) Ltd
132. Northpole Engineering (Pvt) Ltd
133. Vista Ventures International (Pvt) Ltd
134. Blue Orchid Residencies
135. Sandal Colombo (Pvt) Ltd (SKYONE)
136. Pathma Construction (Pvt) Ltd
137. Zen Khirish Ventures (Pvt) Ltd
138. Trust Lanka Holdings (Pvt) Ltd
139. Global Leasing Ltd
140. Ken Home Property Developers (Pvt) Ltd
141. STK Developers (Pvt) Ltd
142. Skyline Housing (Pvt) Ltd
143. Land Maark Engineering (Pvt) Ltd
144. STN Star Property Developers (Pvt) Ltd
145. Gaya Homes & Lands (Pvt) Ltd
146. Skylarr (Pvt) Ltd
147. Wonder Homes Holdings (Pvt) Ltd
148. Harbour Village (Pvt) Ltd

Casinos

1. Bally's Limited
2. Casino Marina
3. Bellagio Limited

Accountants

1. K A L Rupasinghe and Company
2. Ernst & Young
3. Pricewaterhouse Coopers
4. B R De Silva & Company
5. SJMS Associates
6. BDO Partners and Its Associates
7. KPMG

Lawyers and Notaries

1. F G & G De Seram- Attornys-at-Law & Notaries Public
2. John Wilson Partners

Trust and Company Service Providers

1. Waters Secretarial Services (Pvt) Ltd
2. Kalrupco Management Services (Pvt) Ltd
3. ASJD Corporate Consultants (Pvt) Ltd
4. NSN Management Services



CENTRAL BANK OF SRI LANKA

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