

## **10. FINANCIAL INTELLIGENCE UNIT**

The Financial Intelligence Unit (FIU) continued its operations during the year 2008 in terms of the relevant provisions of the Financial Transactions Reporting Act (FTRA) No 6 of 2006. Its main operations include collection of information on financial transactions that may relate to money laundering, financing of terrorism and unlawful activities defined in the FTRA, conducting investigations into suspicious financial transactions, dissemination of information and details of investigations to relevant regulatory and law enforcement authorities to institute legal/enforcement action and issue of regulations on customer due diligence and suspicious transactions to prevent offences covered in relevant statutes. The highlights of main operations during 2008 are as follows.

### **10.1 Collection of Information and Investigations**

In terms of the requirements imposed by the FIU, Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Registered Finance Companies (RFCs), and Stock Brokering Firms (SBs) continued to report cash transactions and electronic fund transfers subject to the specified reporting threshold of Rs. 500,000 or its equivalent in foreign currencies until 31 May 2008 and Rs. 1,000,000 or its equivalent in foreign currencies effective from June 01, 2008. During the year under consideration, the coverage of the reporting institutions was expanded to include insurance industry as well. The IT System viz, LankaFIN, designed to analyse information/data reported by reporting institutions to detect suspicious transactions was completed during the year. This system enabled the FIU to scrutinize over 2.5 million transactions during the year and to examine 247 suspicious transactions. In addition, the reporting institutions submitted reports on 90 suspicious transactions. After conducting preliminary investigations, 12 suspicious transactions were referred to the law enforcement agencies. Attorney General's Department and the Criminal Investigation Department (CID) filed indictments in relation to two such suspicious transactions.

### **10.2 Issue of Directions/Regulations and Implementation**

The FIU issued the following Rules/Directions and these are given in details in the Part III of this Report.

- (i) Rules on "Know Your Customer and Customer Due Diligence (KYC/CDD)" to Insurance Industry. These rules require insurance

companies to have detailed information on customers including the nature and sources of their financial transactions. Further, insurance companies were required to establish an antimoney laundering programme including staff training, written policies, procedures and internal controls.

- (ii) In order to strengthen the good governance on AML/CFT, four directives were issued to reporting institutions requiring them to institute strict KYC/CDD measures and to resolve certain compliance lapses on reporting requirements.

### **10.3 Other Activities**

**Signing of Memorandums of Understanding (MOUs) :** Three MOUs were signed in 2008 with the Central Bank of Malaysia (Bank Negara Malaysia), Central Bank of Afghanistan (Da Afghanistan Bank) and Financial Intelligence Unit of Korea for exchanging of information relating to suspicious transactions.

(ii) **Institutional Capacity Building and Awareness Programmes :** Fifteen training and awareness programmes were conducted in Western, Central, North Central and Southern Provinces during the year accommodating more than 2,300 participants representing LCBs, LSBs, RFCs, Police Department, educational institutions and general public on analyzing, detecting, and reporting money laundering and terrorist financing transactions.

#### (iii) **International Relations**

a) **Egmont Group :** Egmont Group is an association of Financial Intelligence Units (FIUs) established in June 1995 to enhance the mutual co-operation and to share information in detecting and combating money laundering and terrorist financing among the member countries. In line with the application submitted by Sri Lanka for Egmont membership in 2006, the Observer Status was received in 2008. The member status is expected in 2009.

b) **Asia Pacific Group on Money Laundering :** Sri Lanka as a member country of Asia Pacific Group on Money Laundering (APG) attended its 11th Annual Meeting held in Indonesia in July 2008. Further, the FIU hosted the 11th APG Annual Typologies Workshop in Colombo during 27th - 29th October 2008 to discuss various new methods, strategies and trends of worldwide money laundering and financing of terrorism and attended by 84 foreign delegates from 29 countries and 41 participants representing Sri Lanka.