

## **10. The Financial Intelligence Unit**

The Financial Intelligence Unit (FIU) continued its operations during the year 2009 in terms of the statutory provisions of the Financial Transactions Reporting Act (FTRA) No 6 of 2006. The main functions of the FIU include collection and receipt of information on financial transactions that may relate to money laundering, terrorist financing and other 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, issue of directives/regulations on Know your Customer and Customer Due Diligence (KYC/CDD) and suspicious transactions to prevent offences covered in relevant statute. The highlights of main operations of the FIU during 2009 are as follows.

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

As in previous year, according to the requirements imposed by the FIU, Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Registered Finance Companies (RFCs), Stock Brokering Firms (SBs) and Insurance Companies (ICs) continued to report cash transactions and electronic fund transfers (Inward and out wards) subject to the specified reporting threshold of Rs. 1.0 million or its equivalent in foreign currencies .

The “LankaFIN”, the IT System designed to analyse information/data reported by reporting institutions was expanded to web based interface and permitted the LCBs, LSBs and RFCs to submit data on Cash Transactions, Electronic Fund transfer and Suspicious Transactions online to the FIU with effect from 1<sup>st</sup> July and 1<sup>st</sup> of December 2009 respectively. The FIU continued the analyse of information/data reported by the reporting institutions by using the LankaFIN and the LankaFIN system enabled

the FIU to scrutinize over 1.6 million transactions during the year and to examine 272 suspicious transactions. In addition, the reporting institutions have submitted reports on 111 suspicious transactions. After conducting preliminary investigations, 31 suspicious transactions were referred to the law enforcement agencies and Criminal Investigations Department (CID) currently engaged in further investigation of the above cases..

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

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

- i. Circular to ensure the compliance with the Section 2 of the Financial Transactions Reporting Act. No. 6 of 2006 issued to LCBs and RFCs.
- ii. Circular on inclusion of Tamil Foundation among the list of terrorist organizations of the USA issued to licensed Banks. All licensed banks are informed to monitor and report details of remittances facilitated /to be facilitated by Tamil Foundation.
  - (i). Circular to Director General of Board of Insurance of Sri Lanka to strengthen and streamlining the good governance on AML/CFT of the insurance companies.

## **10.3 Other**

**i. Signing of Memorandums of Understanding (MOUs) :** Four MOUs were signed in 2009 with the Indonesian Financial Transaction Reports and Analysis Center, The Anti-Money Laundering Council, of the Republic of Philippines, The Financial Information Unit of Nepal Rastra Bank and The Financial Intelligence Unit of National Bank of Cambodia for exchanging of information relating to suspicious transactions.

**ii. Institutional Capacity Building and Awareness Programmes :** Nine training and awareness programmes were conducted in Western and Central provinces during the year accommodating more than 1,500 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 :** The FIU obtained the membership of the Egmont Group, on 26 May 2009, in line with the application submitted in 2006. The Egmont Group that consist of 116 members is an association of FIUs established in 1995 to encourage mutual cooperation among member countries. Obtaining membership of the Egmont Group enables Sri Lanka's FIU to develop vital relationships to facilitate exchange of financial intelligence with other FIUs and foster global partnerships in combating money laundering and terrorist financing. Since money laundering and terrorist financing are often globally organized, global cooperation of FIUs is a key strategy to deal with such activities.

**b). Asia Pacific Group on Money Laundering :** Sri Lanka as a member country of Asia Pacific Group on Money Laundering (APG) attended its 12<sup>th</sup> Annual Meeting held in Australia in July 2009. Further, the FIU attended the 12<sup>th</sup> APG Annual Typologies Workshop in Cambodia during 27<sup>th</sup> - 29<sup>th</sup> October 2009 to discuss various new methods, strategies and trends of worldwide money laundering and financing of terrorism

**c). Assisting other Jurisdictions :** Information sharing with number ofP jurisdictions including 116 Egmont member countries were completed during the year. In addition regular meeting with the Foreign mission including Royal Canadian Mounted Police, USA and Australian Missions were conducted to share intelligence and to discusse matter relating to the progress of the FIU.

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