

Activities of the Financial Intelligence Unit - 2010

The Financial Intelligence Unit (FIU) was established in 2006 in terms of the statutory provisions of the Financial Transactions Reporting Act (FTRA), No 6 of 2006 and its administration was vested with the Monetary Board in 2007. The main functions of the FIU include collection and receipt of information on financial transactions for the purpose of detecting possible links to money laundering (ML), terrorist financing (TF) and other unlawful activities defined in the FTRA, conduct of investigations into suspicious financial transactions, dissemination of information and details of investigations to relevant regulatory and law enforcement authorities to institute appropriate legal/enforcement actions and issue of directives/regulations on Know-Your-Customer and Customer-Due-Diligence (KYC/CDD) procedures. The highlights of main operations of the FIU during 2010 are as follows.

9.1 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), Stock Brokering Firms (SBs) and Insurance Companies (ICs) continued to report to the FIU cash transactions and electronic funds transfers (both inward and outward) of Rs. 1.0 million and above or its equivalent in foreign currencies through the FIU's on-line database management system, viz, "LankaFIN" designed to receive and analyse information/data reported by the institutions. Accordingly, over 3 million of cash and fund transfers and 246 suspicious transaction reports were received during the year. After conducting preliminary investigations, 33 suspicious transaction reports were referred to the law enforcement agencies and regulatory authorities for further investigation. Based on the investigations conducted by Criminal Investigations Department (CID), the Attorney General's Department has filed two indictments against money laundering offences and three indictments against the terrorist financing offences as at 31.12.2010.

9.2 Improvement in the Regulatory Framework

With the view to further strengthening the regulatory framework in line with the changes in international standards and best practices on Anti Money Laundering (AML) and Countering the Financing of Terrorism (CFT), the FIU with the other stakeholders have proposed several amendments to Financial Transaction Reporting Act, No 6 of 2006, Convention on the Suppression of Terrorist Financing, Act No 25 of 2005 and Prevention of Money Laundering Act, No 5 of 2006. These amendments are aimed at improving the legal and regulatory system to combat money laundering and terrorist financing more effectively, keeping with the standards prescribed by Financial Action Task Force (FATF), the global AML/CFT standard setter. The FIU is in the process of finalizing these amendments and formulating new rules/directions.

9.3 Other Activities

i. Signing of Memorandums of Understanding

As a mechanism to facilitate sharing of information for the purpose of investigation and prosecution of suspicious transactions, the FIU signed six Memorandums of Understanding (MOUs) with the Financial Information Processing Unit of Belgium, the Australian Transaction Reports and Analysis Center (AUSTRAC), the Financial Intelligence Units of Bangladesh, India, Solomon Island and the Department of Sri Lanka Customs in 2010. Accordingly, the total number of MOUs signed increased to 12 as at end of 2010.

ii. Institutional Capacity Building and Awareness Programs:

In continuation of efforts to enhance the awareness on detecting, analyzing and reporting of money laundering and terrorist financing transactions, 15 awareness programs were conducted in the Western and Central provinces during the year, accommodating more than 1,100 participants representing LCBs, LSBs, RFCs, Police Department, educational institutions and the

general public. Five such programs were conducted with the assistance from the AUSTRAC, Australian FIU. Further, the FIU conducted a special program for judges in collaboration with Sri Lanka Judges' Institute (SLJI) and 61 judges participated in the program.

iii. International Relations

a). Egmont Group :

The FIU obtained assistance from members of the Egmont Group (Association of the FIUs with 118 members) in 12 instances to carry out investigations. Similarly, Sri Lanka FIU also accepted nine requests to facilitate the member countries in gathering evidence to support their on-going investigations.

b). Asia Pacific Group on Money Laundering:

Sri Lanka, as a founder member country of Asia Pacific Group on Money Laundering (APG), attended its 13th Annual Meeting held in Singapore in July 2010. Further, the FIU attended the 13th Annual Typologies Workshop held in Bangladesh focusing on vulnerabilities in the Non Profit Organizations (NPOs) sector and human trafficking.

iv. Conducting of On-site Examination

During the year 2010, FIU conducted three on-site examinations of reporting institutions to assess reporting institutions' exposure to risk of ML and TF, non-compliance with the provision of FTRA and other rules and directions issued by the FIU. Further, sanctions were imposed on one financial institution where material deficiencies in the compliance were found.