as new purchases and locations, change of locations, revaluations, depreciation and disposals were recorded in this register during the year 2017. The register was updated during the year 2017 with 760 items procured and 423 disposals.

11.6 Maintaining the data base of staff loans

The FD continuously maintained the loan database of the Central Bank staff with the assistance of the Information Technology Department to facilitate the loan recovery record process and to supply information to employees and to the Management during the year 2017. 942 number of loans amounting to Rs 1.08 bn have been granted to the employees during 2017.

11.7 Other Operations - Procurement Process

According to the rules of the Central Bank, the FD is represented in all Technical Evaluation Committees and Tender Boards for procurement of goods and services and the Board of Survey of the Bank. During the year 2017, FD officers represented the Department in nearly 151 Tender Boards and 45 Technical Evaluation Committees related to procurements.

12. FINANCIAL INTELLIGENCE UNIT

Financial Intelligence Unit (FIU) was established in 2006 under the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA) as an independent statutory authority. The FIU, for administrative purposes, has been functioning as a Department within the Central Bank since March 2007, in terms of an order made by the Minister of Finance under the FTRA. The key functions of the FIU include collection and receipt of information on financial transactions for the purpose of detecting possible links to Money Laundering (ML) and Terrorist Financing (TF) and other related unlawful activities defined in the FTRA, analysis of suspicious financial transactions relating to above mentioned unlawful activities and dissemination of information of such analyses to relevant law enforcement authorities for investigation. Furthermore, the functions of the FIU are also enforced under the Prevention of Money Laundering Act, No. 5 of 2006 (PMLA) and Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 (CSTFA).

12.1 Receipt, Analysis and Dissemination of Information

FIU receives information on financial transactions, including suspicious transactions from reporting institutions through a web-based system, "LankaFin", especially designed to assist in reporting on ML and TF. Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Licensed Finance Companies (LFCs), Insurance Companies, Stock Brokers (SBs) and Money or Value Transfer Service (MVTS) providers continued to report to the FIU on cash transactions and electronic funds transfers (both local and foreign) of Rs. 1.0 million and above each or its equivalent in foreign currencies. In addition, Suspicious Transactions Reports (STRs) were filed with the FIU by the Reporting Institutions in terms of Section

7 of the FTRA. Accordingly, over 9.27 million of cash/funds transfers and 925 STRs were reported during the year 2017. Moreover, Authorised Money Changers (AMCs) also reported their cash transactions exceeding the threshold amount through the Controller of Exchange who monitors and regulates the AMC sector. In 2017, the FIU disseminated 418 STRs to law enforcement and regulatory authorities for further investigation.

12.2 Regulation of Reporting Institutions

Extraordinary Gazette Notification No. 2015/56 dated 30 March 2017 on Suspicious Transactions (Format) Regulations of 2017 was issued prescribing the obligation to report any transactions that maybe related to commission of any unlawful activity/criminal offence. Further, circulars on onsite examination in terms of a risk-based approach examination plan for 2017 and guidelines on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance obligations for Money Value Transfer Service (MVTS) Providers, No. 1 of 2017 were issued on 17 January 2017 and 20 January 2017, respectively.

12.3 Domestic and International Cooperation

(a) Memorandum of Understanding

In 2017, the FIU signed two Memorandums of Understanding (MOUs) domestically with Department for Registration of Persons and Sri Lanka Police and five MOUs internationally with the Anti-Money Laundering Office (AMLO) of the Kingdom of Thailand, The FIU of the Kingdom of Bhutan, China AML Monitoring and Analysis, Qatar Financial Information Unit Center and FIU of Trinidad and Tobago to exchange/receive information for financial intelligence purposes. Accordingly, the total number of MOUs signed by FIU with foreign counterparts and domestic agencies increased to 37 and 05, respectively, as at end 2017.

(b) Egmont Group

FIU obtained assistance from members of the Egmont Group, the Association of the FIUs consisting of 155 member FIUs globally, in order to carry out investigations and collaborate with member countries to gather intelligence on their investigations. Total number of instances that the FIU exchanged information with Egmont members was 104 in the year 2017. The FIU – Sri Lanka received 50 requests from counterpart FIUs and the FIU - Sri Lanka also made 54 requests from counterpart FIUs to share information relating to on-going investigations. Further, the FIU officers participated in the Egmont Group of Financial Intelligence Units' Meetings held in Doha Qatar in February 2017 and the Egmont Policy and Procedures Working Group Inter-sessional Meeting held in Macao in July 2017.

(c) Asia Pacific Group on Money Laundering (APG)

The FIU hosted the 20th Annual Meeting of the APG in Colombo during 15-21 July 2017 with the participation of 408 delegates from 41 member countries of the APG and 24 observers from several international observer organisations. The event was graced by H.E. the President, Maithripala

Sirisena and Hon. Mangala Samaraweera, Minister of Finance and Mass Media. The Annual Meeting was especially significant to Sri Lanka, as Sri Lanka became the APG Co-chair for the years 2016-2018, macking it possible for the country to further show its commitment to implement actions to achieve international AML/CFT standards.

(d) BIMSTEC Sub-Group on Combating the Financing of Terrorism (BIMSTEC SG-CFT)

FIU officers participated in the meeting of the 9th SG-CFT of the Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) held in Myanmar during 26-27 April, 2017.

12.4 Institutional Capacity Building and Awareness Programmes

In continued efforts to enhance the awareness on detecting, analysing and reporting of ML and TF related transactions, 31 awareness/training programmes were conducted during the year, accommodating 2,548 participants from LCBs, LSBs, LFCs and MVTS providers. The 1st and 2nd Technical Assistance Mission of the International Monetary Fund (IMF) was conducted by experts from IMF during the period 6-14 March 2017 and 25 September – 05 October 2017 respectively. The Mission provided technical assistance to strengthen three main areas under AML/CFT regime in Sri Lanka, Risk Based Supervision, FIU capacity developments and legislative amendments. The Resident Advisor from US Department of Treasury resumed his duties with the FIU in May 2017. He has been providing technical assistance to Sri Lanka under main three areas identified, FIU Operational Effectiveness, Financial Sector Supervision and AML/CFT Case Development and Asset Management.

12.5 Mutual Evaluation and Follow–up Work

In line with the revised recommendations of the Financial Action Task Force (FATF), the third round of Mutual Evaluation (ME) on Sri Lanka was conducted during 2014/15 by the APG with the intention of assessing Sri Lanka's AML/CFT compliance with the international AML/CFT standards. The Mutual Evaluation Report (MER) adopted in September 2015 recommended a series of actions to be implemented by Sri Lanka under APG's 'expedite enhanced follow up' process. In October 2016, the FATF informed that Sri Lanka will be subject to a review of the International Cooperation Review Group (ICRG) of the FATF to assess the progress of AML/CFT effectiveness. After several discussions and progress reports, the FATF informed that Sri Lanka has not made sufficient progress in 4 areas, namely International Cooperation, Supervision, Legal Persons and Arrangements and Targeted Financial Sanctions on Proliferations (North Korea & Iran). As a result, the FATF at its Plenary held at Buenos Aires, Argentina in October 2017, listed Sri Lanka as a jurisdiction with strategic AML/CFT deficiencies in the FATF's Compliance Document which is more commonly identified as the "Grey List". Upon listing, a time bound action plan to address the strategic

deficiencies identified was provided to Sri Lanka. The FIU and other relevant stakeholders have already taken necessary steps to implement the action plan recommended by FATF.

13. HUMAN RESOURCES

In 2017, Human Resources Department (HRD) continued its efforts to maintain well motivated, committed and talented pool of employees. HRD initiated actions to develop human resource management policies and adopt best practices with a view to improving employee engagement in achieving the core objectives of the Central Bank. In addition, HRD continued to carry out performance evaluation, employees rotation, succession planning, granting class and grade promotions and maintaining industrial harmony to create conducive environment to maintain better employer-employee relations. A summary of the activities carried out by HRD during the year 2017 and Human Resource structure of the Central Bank are given below.

13.1 Human Resources Structure

As at end 2017, the total number of staff of the Central Bank was 1,405 consisting of 645 Staff Class (SC) officers, 601 Non-Staff Class (NSC) officers and 159 Minor Employees (MEE). The average age of an employee of the Central Bank was 39 years at the end of the year 2017. The composition of SC, NSC and MEE categories in the total staff remained unchanged when compared to that of the previous year. The class-wise, gender-wise and age-wise composition of the staff as at end 2017 is shown in the chart II-4 below.

Chart II - 4
Composition of the Staff as at 31.12.2017
(a) Composition of Employees : Class-wise
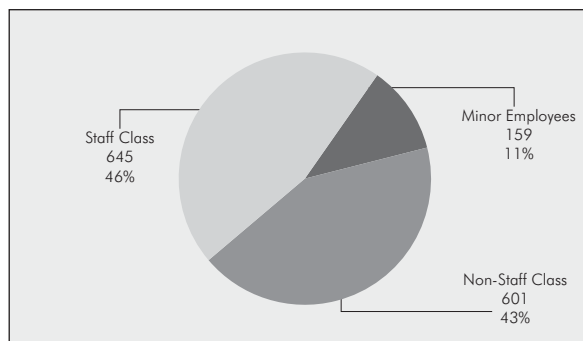
(b) Composition of Employees : Gender-wise